Quarterly Property Market & Economic Update

New Zealand

Quarter 4, 2018

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Executive Summary

NZ's residential property market ended 2018 with activity levels in general pretty subdued, but values showing reasonably consistent (albeit controlled) growth across most of the country, with the exception of Auckland and Christchurch, which both see controlled flatness. Our expectation is that there'll be more of the same this year.

In the macroeconomy, GDP growth cooled in Q3 2018, 'payback' for the strength seen in Q2. Although the trend for GDP has slowed, growth is still decent and expected to stay at a respectable $2^{1/2}$ -3% for a while yet. In addition, although easing net migration will provide a headwind for property in 2019, the labour market remains very strong– providing a solid foundation for households to continue paying their mortgages, and for property sales volumes and values to hold up.

The interest rate environment looks likely to be supportive too. Barring an offshore shock, the likelihood that NZ's OCR will remain on hold at 1.75% until late 2020 bodes well for domestic mortgage interest rates, especially since banks are operating in such a competitive environment. The recent loosening of the LVR rules will probably also help market activity to some degree, but the prospect that banks may need to hold more capital on their balance sheets in future will limit their willingness to lend significantly greater amounts of money.

In terms of the property market itself, sales activity at the end of 2018 remained fairly low. Within that slightly soft market, the key players were mortgaged multiple property owners (MPOs) and first home buyers (FHBs), with 'movers' less active. The share of purchases going to FHBs in Q4 2018 was 23%, slightly down from Q3's figure of 24%, but still on a par with previous peaks in 2006-07. Mortgaged MPOs (i.e. investors with a mortgage) are also slowly regaining their presence in the market, after LVR III in October 2016 and the 40% deposit requirement that hit them hard.

Property values are generally rising, other than continued sluggishness in Auckland (affordability issues) and Christchurch (an even supply/demand balance). Average property values NZ-wide rose by 3.2% annually in December, the 15th consecutive month of growth between 3-4%. The level now stands at $682,938.

Government intervention in the property market will be a key theme for 2019, particularly in terms of how it affects investors and construction activity. Starting with investors, we don't expect a mass exit from the sector, but the ring-fencing of rental property losses for tax relief (due April) and the longer-term potential for some form of capital gains tax will have negative effects on sentiment, and profits. Of course, property is still a trusted asset class and alternative options such as term deposits aren't especially attractive at present.

Then in regards to construction, there's the KiwiBuild scheme. It's fair to say that there have been some teething problems, but its success will be important to boosting housing supply in NZ, especially if pre-fabrication starts to take on a greater role.

So all in all, while risks remain, the property market in NZ is on a solid footing. Our expectation is that sales volumes in 2019 will be similar to 2018, at 80,000-85,000, with average values probably rising by around that 3% figure again.

As always, we keep a running monitor on the property market every week via our NZ Property Market Pulse articles, so be sure to check these out on our website **http://www.corelogic.co.nz/news-research/all-news**

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Macro Economic and Demographic Indicators

New Zealand Asset Classes

RESIDENTIAL REAL ESTATE

$1.1 trillion

($260 billion in home loans)

NEW ZEALAND LISTED STOCKS

$135 billion

COMMERCIAL/INDUSTRIAL REAL ESTATE

$212 billion

NEW ZEALAND SUPER AND KIWISAVER

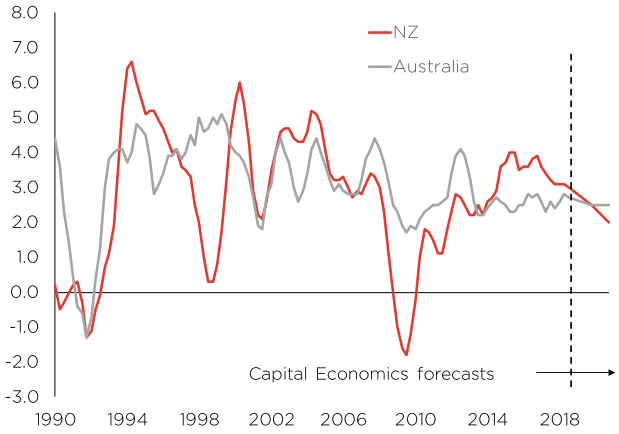
$93 billion

The value of residential property remains above one trillion dollars, a much bigger scale than other asset classes. Residential mortgages are secured against 24% of this value.

The October falls across global share markets have not continued, but there's still plenty of volatility and the NZX50 index (around 8,950) remains about 5% lower than it was in late September (approx. 9,400).

Sources: CoreLogic NZ, Reserve Bank of NZ, NZX, NZ Super Fund, Financial Markets Authority

NZ and Australia GDP growth



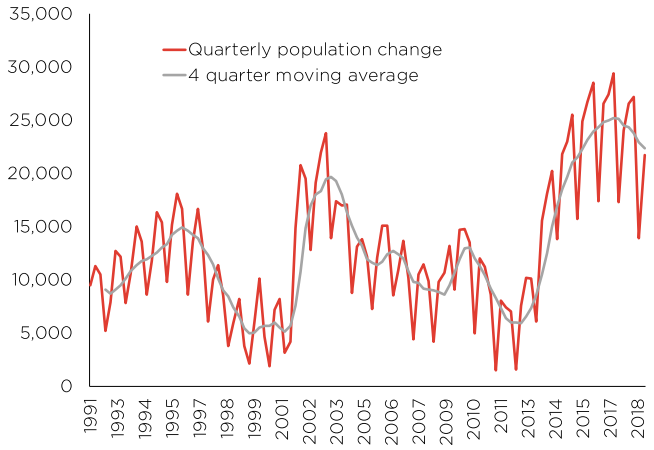
New Zealand's economy slowed in the third quarter of the year, expanding by 0.3% from the previous three-month period. The quarter before, GDP had expanded by 1.0%, so the latest result probably reflected some 'payback' for the previous strength. The manufacturing sector had a weaker quarter in Q3 and contributed to the overall slowdown.

Economic growth also continues to slow on an annual basis, albeit the latest figure of more than 2.5% is hardly a disaster .The economy does however look set to slow further in the coming year or two and, notably, dip below Australia's performance. That could drive NZ's net migration figure down even further and would be a headwind for the housing market in 2019 and 2020.

Source: Reserve Bank of New Zealand, Capital Economics

New Zealand Population

Quarterly Change in National Population (persons per quarter)

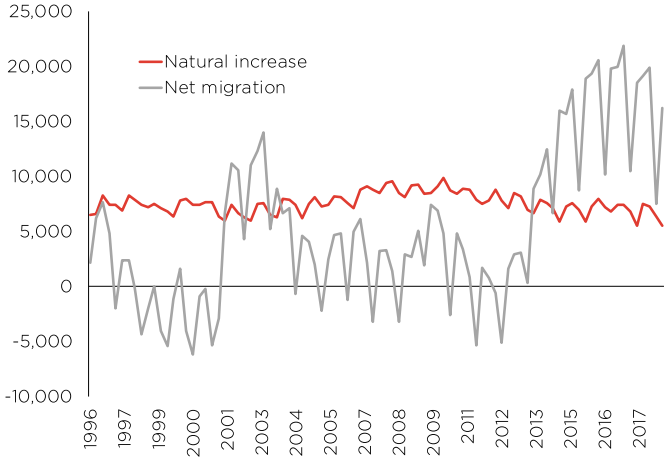


Population growth eased a little further in Q3 2018, with the annual rate dipping from 1.90% in Q2 to 1.84%. That is the slowest rate for almost four years and acts as a dampening influence on the housing market.

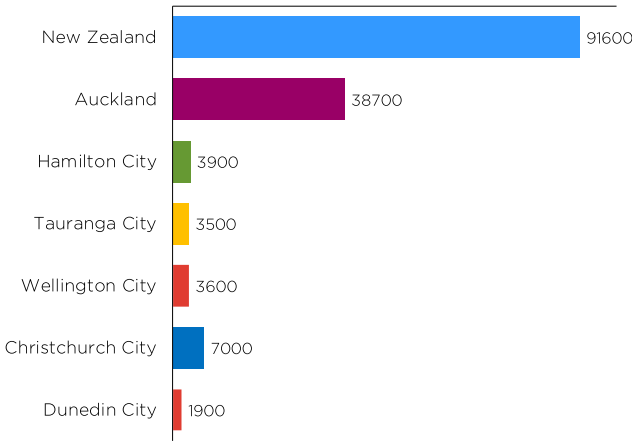
Net migration remains the key driver of the overall slowdown. In the year to Q3 2018, net migration was 62,700, down by more than 8,000 (12%) from the figure a year earlier of around 71,000.

Additionally, natural population growth has also slowed a bit over the past year, by 400 people (from 27,100 in the year to Q3 2017 to 26,700 in the year to Q3 2018).

Population Change Composition (persons per quarter)



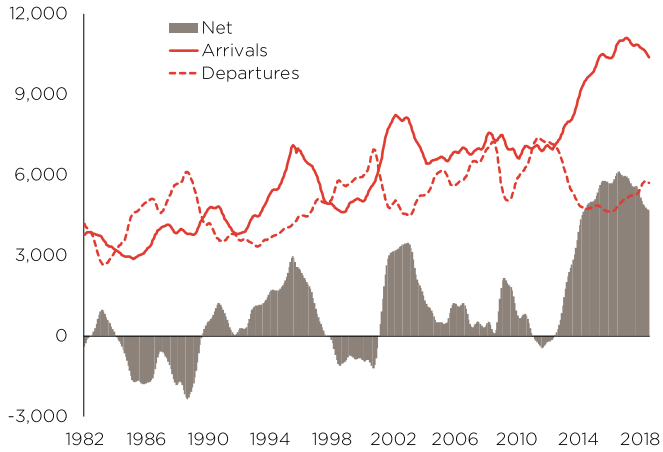
Annual Change in Population (persons)



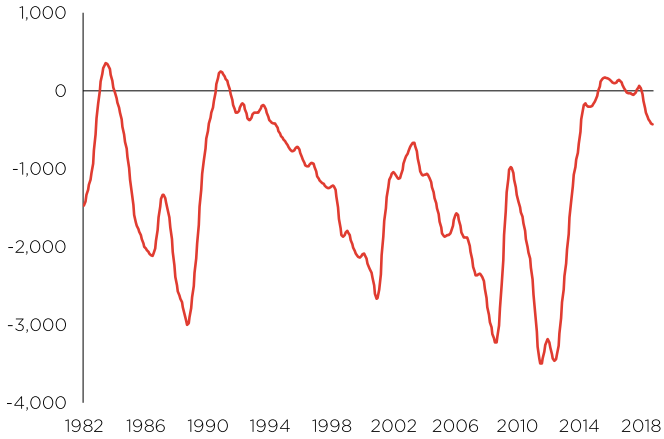
Source: Statistics New Zealand

Migration

Long Term Migration (people per month)



Monthly Net Migration Between NZ and Australia (people per month)



The net flow of new migrants into New Zealand remains high but is on a clear downwards trend. In the year to October, net migration was 61,751, still higher than any level seen prior to October 2015, but much lower than the peak of 72,402 in July 2017. Lower flows of new residents into New Zealand will mean less upwards pressure on housing demand than in the past.

Within that overall picture, arrivals of new residents have stayed pretty high (but they are slowly drifting downwards), so the drop in the net migration balance has been driven mostly by rising departures of existing residents. In the year to October, departures from New Zealand were 66,372 – significantly higher than the figure a year earlier of 60,950.

Given that many of the new migrants over the past few years have entered on time-limited visas (such as student or temporary work) it's almost inevitable that departures will continue to rise as their visas expire, which will further pull down the net total in the coming months.

In addition, as noted earlier, the economic prospects in Australia are starting to look a little brighter (although their housing market downturn is a risk to that outcome), so this will also tend to keep downwards pressure on NZ's net migration balance as more people are attracted to cross the Tasman.

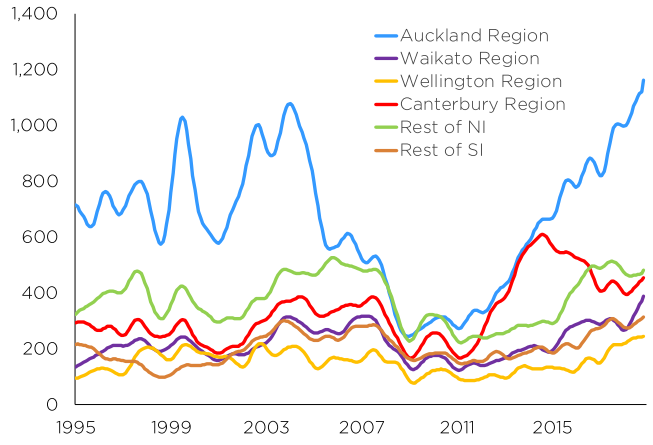
The path for the trans-Tasman migration balance is something we'll be watching closely again in 2019, because when it has turned down in the past it has tended to drop very quickly – and it also tends to affect the regions more than the main centres.

	Net gain last year	% change
TOTAL ALL AREAS	**62,733**	**-11.6%**
Auckland region	31,417	-13.7%
Hamilton City	1,887	-2.0%
Tauranga City	735	-24.1%
Wellington	2,917	-16.7%
Christchurch City	4,722	-13.5%
Dunedin City	899	-15.2%
Main Urban Area (Other)	4,719	-14.3%
Rural Centres	3,713	-23.0%
Not applicable/not stated	11,724	3.4%

Source: Statistics New Zealand

Regional Building Consents

New Dwelling Consents Trend (consents per month)



Source: Statistics New Zealand

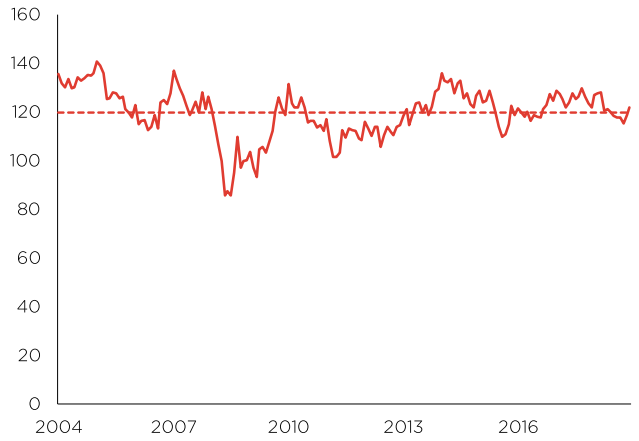
There has been no let-up for residential building consents in the past three months, with Statistics NZ's trend measure (which smooths out seasonal and other fluctuations) showing that almost 32,900 new dwellings were approved in the year to November 2018, another improvement on the figure of 32,668 in the year to August. At 32,877, this measure is now at its highest level in the 23-year history of this time series.

The increase in consents generally continues to be driven by Auckland, although activity in the Waikato and Canterbury regions has also perked up a little in the past few months. By property type, the shift towards building smaller properties (e.g. apartments and townhouses) has continued, which has to be a good thing from the point of view of reducing the pressure on our housing supply.

In Auckland, consents are widely estimated to now be high enough to at least stop the shortfall of housing from getting any worse, although at CoreLogic we are more wary of that conclusion – after all, many of the new consents are going into infill housing (i.e. knocking down an old property and putting up a new one), which actually doesn't change the overall number of existing properties. And even if the shortfall has stopped getting worse, it'll still take many years of strong construction activity to bring it down significantly. KiwiBuild could well have a key role to play in that push to reduce the shortfall.

Consumer Confidence

ANZ-Roy Morgan Confidence Consumer (index, monthly)



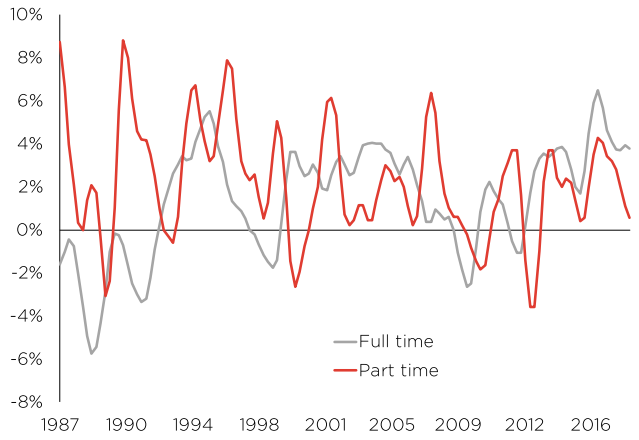
Source: ANZ NZ, Roy Morgan

After dipping to a weak reading of 115.4 in October last year, consumer confidence on the ANZ-Roy Morgan measure improved in November and rose again in December to an above-average figure of 121.9. That was a similar reading to December 2017.

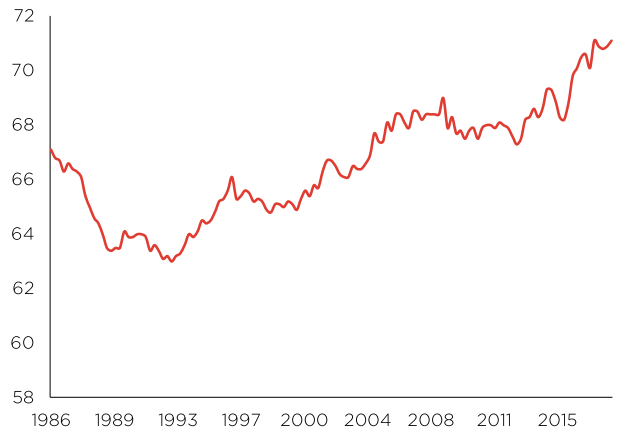
With fuel prices having dropped back, unemployment still very low, and mortgage interest rates also staying steady (and low), it's not hard to find reasons for the decent consumer confidence figures. At the margin, if households are optimistic, this could help to stimulate a bit more activity in the housing market.

Employment

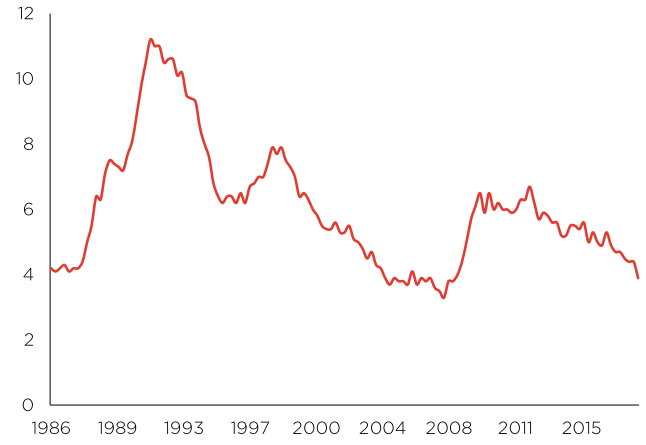
Annual Change in Employment, Full Time and Part Time



Labour Force Participation Rate (%)



Unemployment Rate (%)



Source: Statistics New Zealand

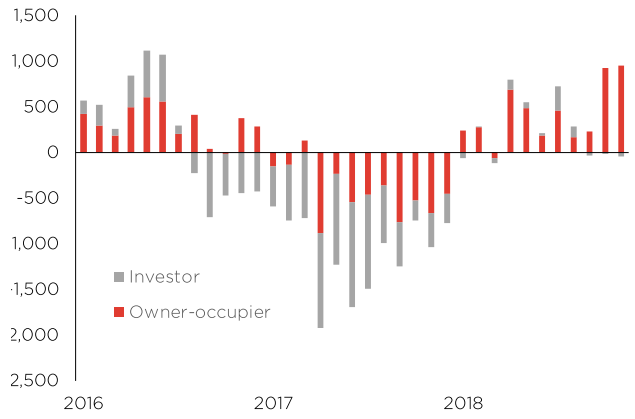
The slowdown in employment growth continued in Q3 2018, with the figure falling from 3.3% in Q2 to 3.1% (Stats NZ trend measure). That was the lowest figure since Q1 2016. However, that was mostly due to part-time employment, which slowed from 1.1% to 0.5%. The full-time growth rate only dipped slightly from 3.9% to 3.8%.

Moreover, when employment has already risen so much and most people already have a job, it's not possible to keep growth up at the same rates as before. Indeed, the labour force participation rate (i.e. the share of the working age population that are active in the labour market, either employed or looking for work) is 71.1%, on a par with record highs over the past 30 years. On top of that, the unemployment rate dropped to 3.9% in Q3, the lowest since Q2 2008.

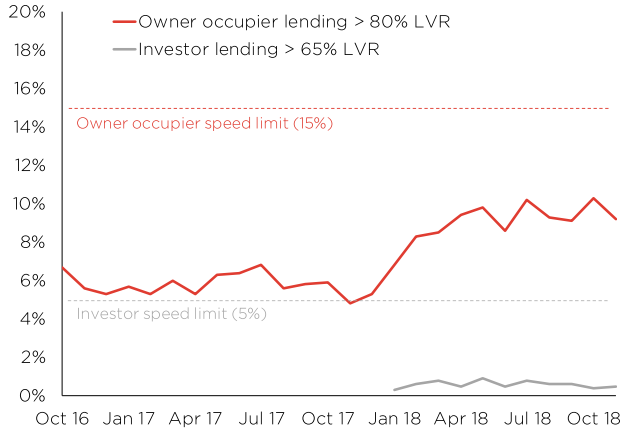
Overall, then, it's clear that the labour market is still strong and will provide a solid foundation for the property market in 2019, both in terms of sales volumes and property values. Indeed, with most people in work, the risks of mortgage default and forced property sales are low.

Lending conditions

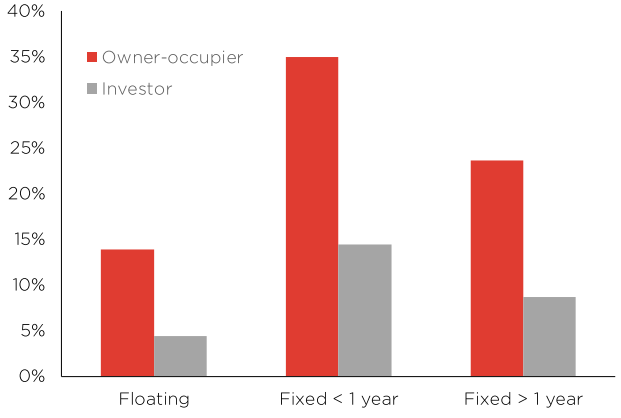
Annual Change in Gross New Lending Flows ($m per month)



High LVR Lending to Owners and Investors (% of new lending)



Refinancing Profile for Mortgages (% of stock)



Gross new lending has continued to expand year-on-year, with November's rise the eighth consecutive monthly increase. There was $6.2bn of new lending in November, $930m higher than the same month a year ago.

The more detailed breakdown of the data showed that owner-occupiers drove November's rise, with lending of $5.1bn. Lending to investors was $1.1bn in November, basically unchanged from a year ago. By loan type, the figures showed that interest-only lending remains modest, accounting for only 29% of the total in November. By contrast, in May 2016 that figure was 41%.

The rise in lending flows hasn't been about banks running closer to the (old) LVR speed limits. In November, 9.2% of lending to owner-occupiers was >80% LVR (speed limit 15%) and 0.5% to investors was >65% LVR (speed limit 5%). Instead, it would appear that there's some self-selection going on amongst borrowers – i.e. only the best are actually applying for a mortgage, so approval rates are rising, even though the deposit, income/expense, and repayment stress-testing criteria remain stringent.

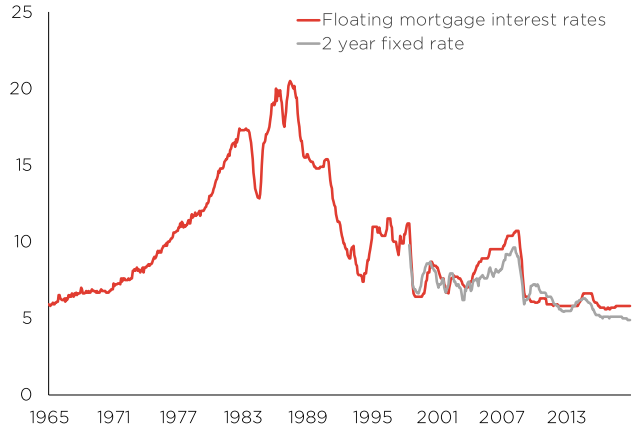
December's lending figures (set to be released on 29th January) will be the last ones that relate to the old LVR speed limits, which from 1st January have been relaxed – a 20% speed limit for owner-occupiers with less than a 20% deposit, and a 5% speed limit for investors with less than a 30% deposit.

With more than 80% of mortgage debt in NZ on a fixed interest rate, household finances look relatively resilient and the scene is set for lending activity to continue to improve in 2019. But cautious attitudes from the banks mean that any rises are more likely to be subdued than stellar – not least because of the looming (probable) requirement from the RBNZ that they hold extra capital on their balance sheets.

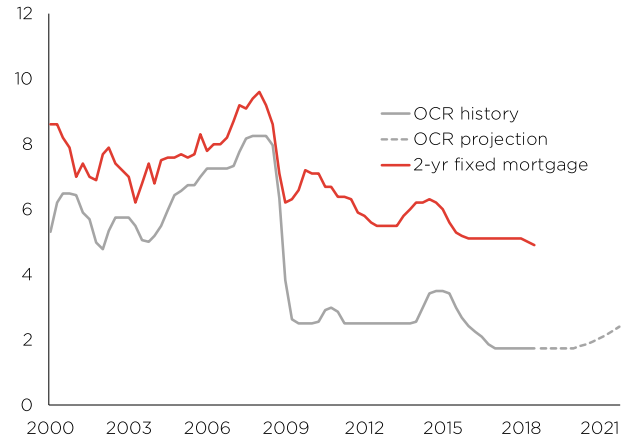
Source: Reserve Bank of New Zealand

Interest Rates

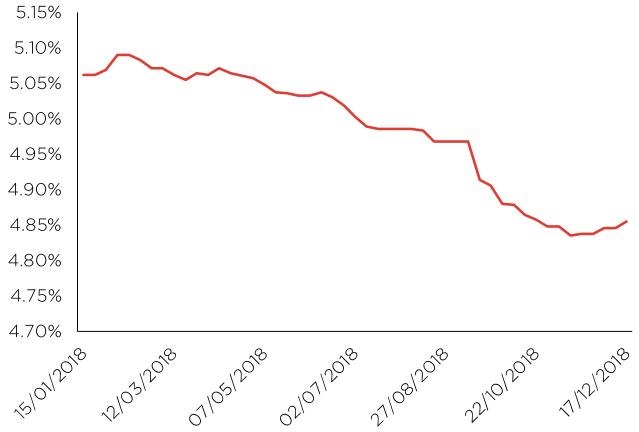
Mortgage Interest Rates (%)



Official Cash Rate and Mortgage Rates (%)



Average Two Year Fixed Rates (%)



The official cash rate (OCR) remains at 1.75% and any increase in the OCR seems a long way away, potentially not until the end of 2020 or even early 2021. In fact, there's still a chance that the next move in the OCR is actually a cut rather than a rise, and comes sooner than late 2020.

This indicates a benign environment for borrowers. Indeed, domestic mortgage rates are likely to stay low and stable in 2019, particularly given that banks are still fighting hard to attract the best borrowers in the current low-turnover property market. However, it's always worth keeping an eye on the overseas money markets, and the risk that higher offshore borrowing costs flow through to NZ rates over the next 6-12 months can't be ruled out.

On balance, although the mortgage rate "wars" haven't lasted, we doubt that significantly higher mortgage rates are on the horizon in NZ. Of course, to access the attractive rates, new borrowers still have to have raised a sizeable deposit and be able to prove that they could still service the mortgage even if rates went to 7% or 8%.

Sources: Reserve Bank of New Zealand and interest.co.nz

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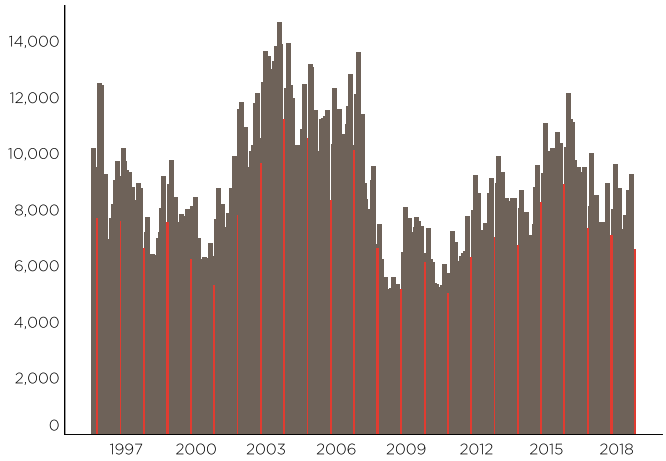
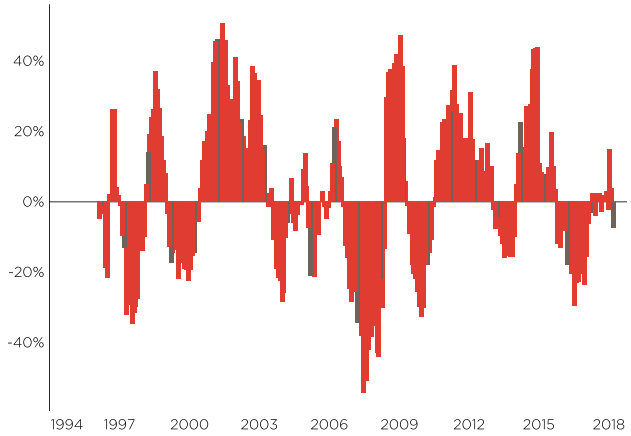
Housing Overview

Sales Volumes

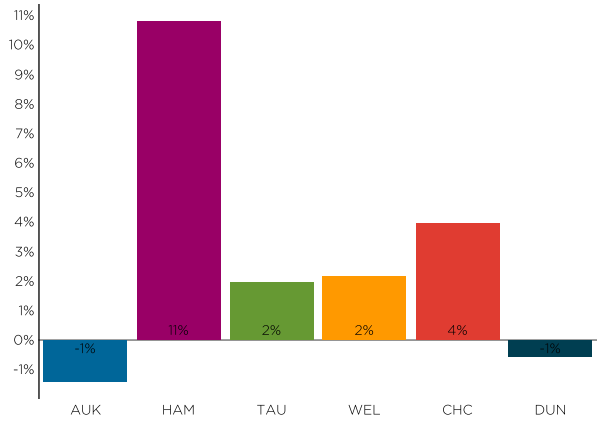
Nationwide Sales Volumes (monthly total)



Nationwide Annual Change in Sales Volumes (%)



Regional Sales Volumes (year-on-year change)



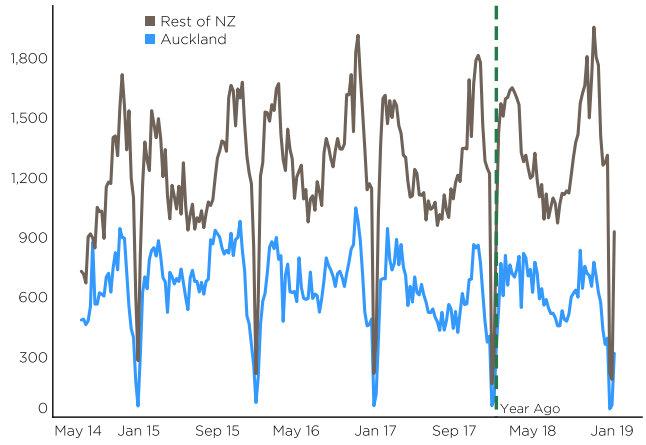
Sales volumes ended 2018 at a low level, down by about 6% from a year earlier. However, we suspect the market isn't as weak as that figure might suggest. First, note that listings are generally pretty low across the country – and even with demand still healthy, you can't buy anything if property isn't listed for sale.

Second, sales previously spiked up by 15% in October, just in advance of the foreign buyer ban. In other words, it would seem that some sales which otherwise might have happened in December were instead rushed through in October. Given that most indicators suggest foreign buyers have been a relatively small part of the overall market (except for Queenstown and central Auckland), we don't expect the ban to majorly reduce overall volumes – indeed, the removal of a foreign buyer may just mean that a domestic buyer can get into the market instead.

Around the main centres, most have seen pretty stable sales volumes compared to a year ago, although Auckland and Dunedin recorded small annual drops at the end of 2018, and Hamilton a big rise.

Listings

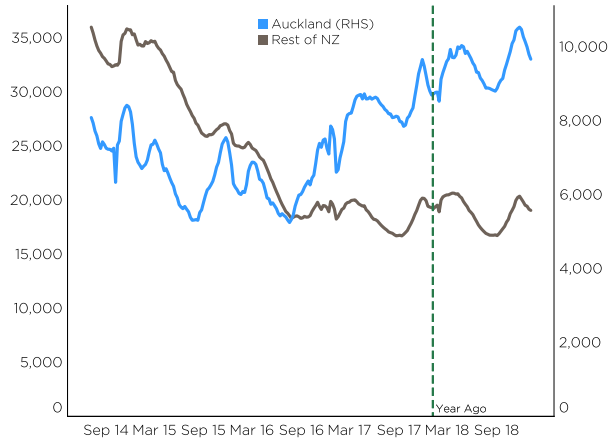
New Listings (weekly)



As per normal over the Christmas and New Year break, new listings dropped to very low levels. But we can still usefully look at the annual changes and interestingly, Otago's new listings rose quite strongly, potentially suggesting that rising values are prompting some people to list and 'cash in'.

New Listings	Average last 3 weeks	1 month change	1 year change
New Zealand	591	-67%	-9%
Auckland	142	-69%	-16%
Waikato	76	-61%	-16%
Bay Of Plenty	57	-65%	4%
Wellington	38	-69%	-25%
Canterbury	74	-70%	-2%
Otago	37	-70%	31%

Total Listings



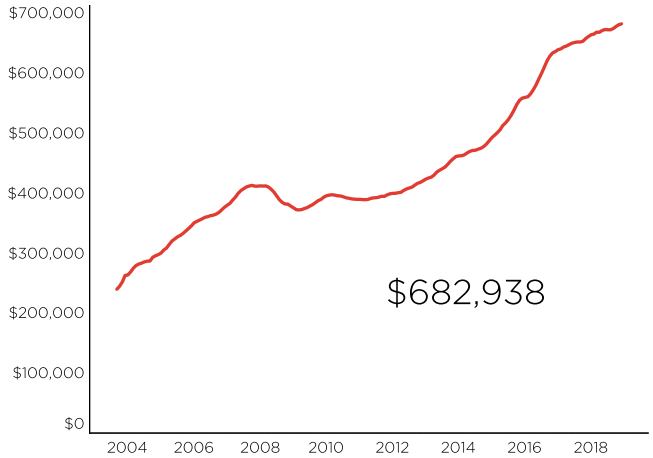
Total listings across NZ are only 3% higher than a year ago, which was itself a very low level. Wellington stands out, with total listings actually 11% down on a year earlier, helping to support property value growth in the capital. By contrast, Auckland's listings have risen again year-on-year, which helps to explain soft values there.

The rise in new listings in Otago shows up in total listings too (a 12% annual rise), suggesting that things may potentially start to get a bit easier for prospective buyers in the early stages of 2019.

Total Listings	Latest week	1 month change	1 year change
New Zealand	28,735	-5%	3%
Auckland	9,667	-6%	11%
Waikato	3,127	-1%	6%
Bay Of Plenty	2,136	-3%	5%
Wellington	1,187	-19%	-11%
Canterbury	4,477	-6%	1%
Otago	1,192	1%	12%

Nationwide Values

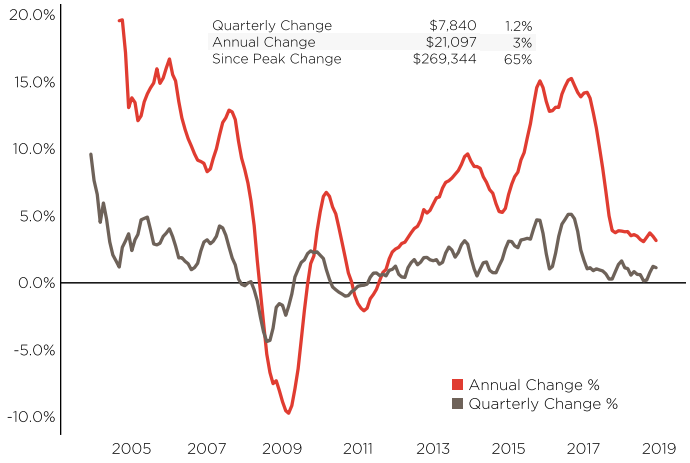
Average Value of Housing Stock – New Zealand ($)



Average property values across NZ continue to muddle along, neither accelerating strongly nor slowing to any notable degree. In December, values were 3.2% higher than a year earlier – the 15th consecutive month where annual growth has been in the tight range of 3-4%. The stable growth reflects conflicting pressures – e.g. the downward influence of slowing population growth, against upward factors of still-low mortgage rates and an undersupply of properties.

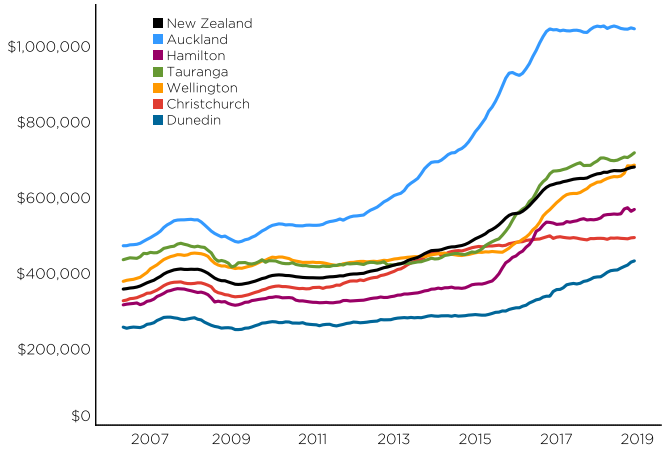
The national average property value now stands at $682,938, up by $21,097 from December 2017.

Annual and Quarterly Change in Value (%)



House Price Index

Average Dwelling Value ($)



Wellington and Dunedin continue to outperform the other main centres, with average property values up by 3.2% and 3.5% respectively over the past three months, and by 7.8% and 11.2% over the past year. Low levels of listings in both those markets are pushing up prices. Tauranga and Hamilton are middle of the pack, with growth of 3.9% and 5.0% in 2018.

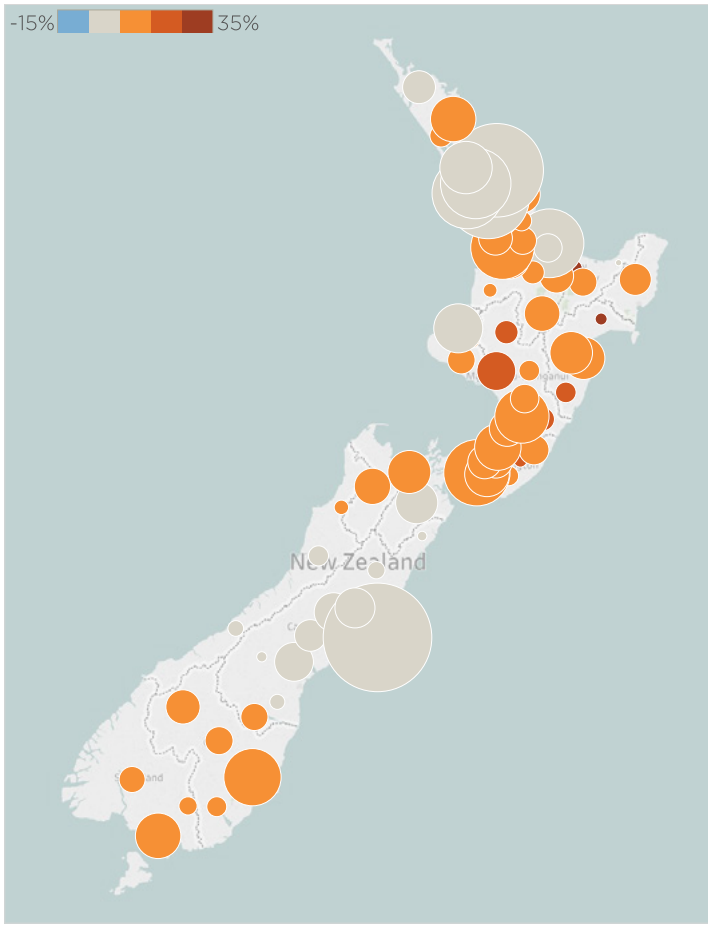
Meanwhile, Christchurch and Auckland have stayed pretty flat, with values edging up by 0.6% and edging down by 0.4% respectively. In Auckland, the main constraint is the low affordability of property, while in Christchurch it's a balanced supply/demand picture.

	December 2018			
	Current value	3 months	12 months	Since Peak
New Zealand	$682,938	1.2%	3.2%	65%
Auckland	$1,048,145	0.1%	-0.4%	92%
Hamilton	$570,886	-0.2%	5.0%	58%
Tauranga	$720,645	1.6%	3.9%	50%
Wellington	$688,074	3.2%	7.8%	51%
Christchurch	$496,562	0.5%	0.6%	31%
Dunedin	$434,903	3.5%	11.2%	52%

Source: CoreLogic NZ QV Monthly House Price Index

House Price Index

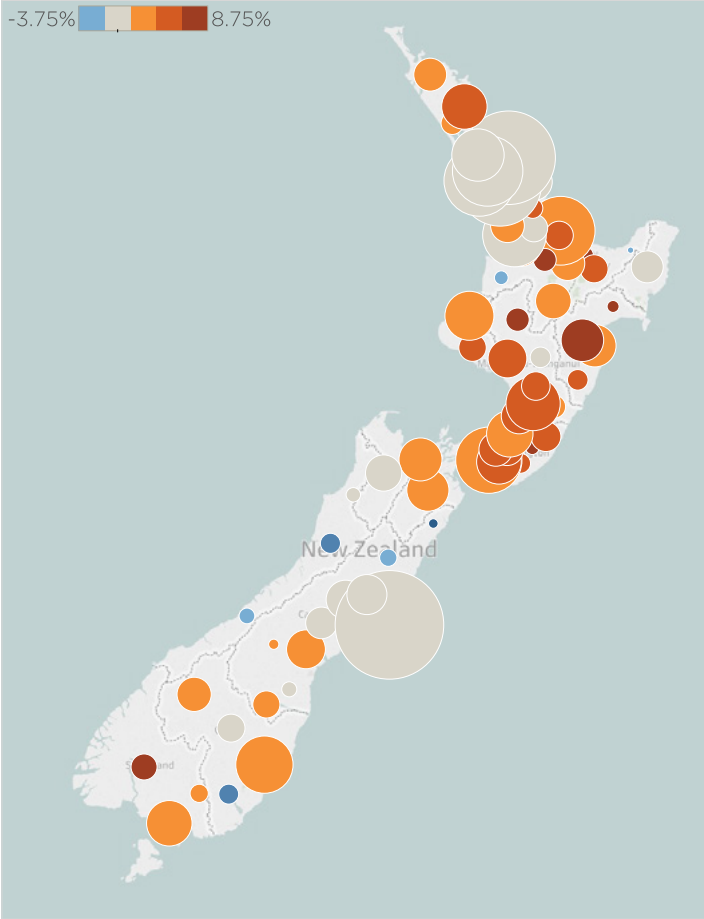
Annual Value Change (%)



Over the past 12 months, the stability for property values in and around Canterbury and Auckland is clear on a map view, as is the relatively consistent growth across most of the rest of NZ. Stronger markets can be seen in the central and lower North Island (e.g. in Manawatu-Whanganui).

*Size of bubble represents the number of properties in the Territorial Authority

Three Month Value Change (%)

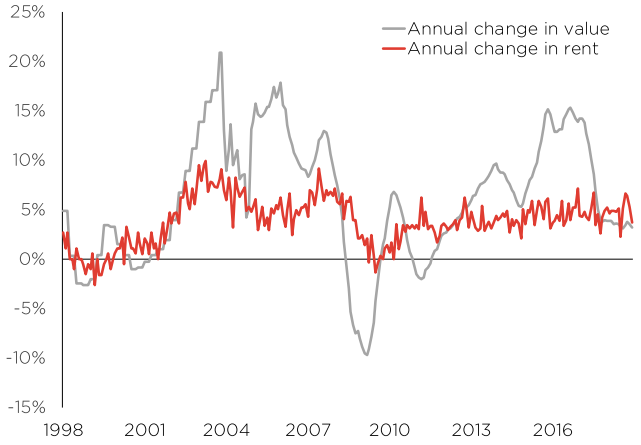


Looking at a timelier three-month change in values, Canterbury and Auckland again look flat. There are spots of weakness on the West Coast, but by contrast pockets of strength in Southland and across the central and lower North Island.

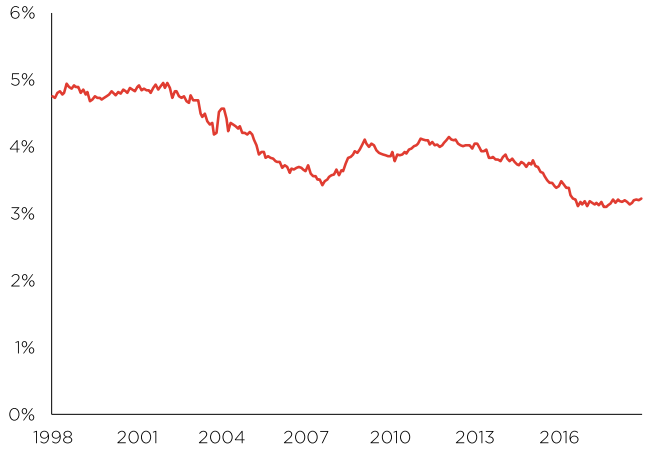
*Size of bubble represents the number of properties in the Territorial Authority

Rent

Nationwide Annual Change in Value and Rent (%)



Gross Rental Yield – Nationwide (%)



In the three months to December 2018, national rents averaged $421 per week, up by 5.1% from the same period ($401) a year earlier. Landlords are facing extra operational costs at present (e.g. the requirement for better insulation), but at the same time any rises in rents that they'd like to push through are capped simply by how much tenants can afford to pay – bear in mind that a vacancy, even for only a short period of time, can completely negate the benefit that might have been gained through a rent rise.

At $573 per week, Queenstown-Lakes' rents are the highest in the country, with the lowest to be found in the Tararua District.

National gross rental yields were basically unchanged again in the past three months, at 3.2%. They've now been either 3.1% or 3.2% for the past 30 months – i.e. over that period, rents and values have more or less been changing in line with each other. At those levels, gross yields are relatively low, given that landlords still have to deduct debt servicing and other operating costs from their gross return.

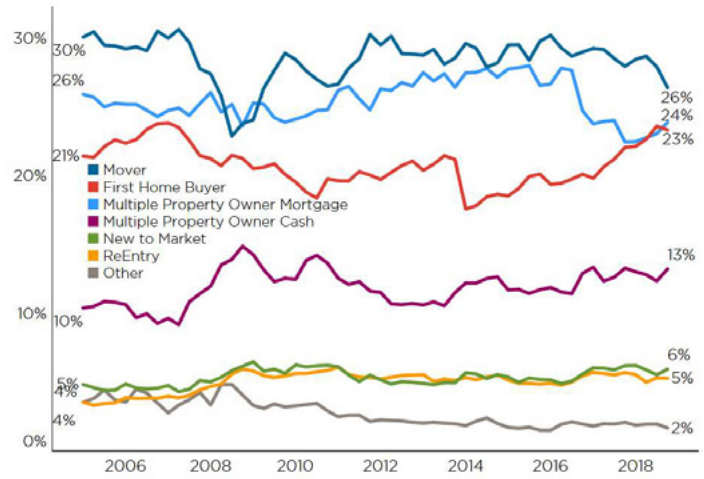
Rents are rising across all of the main centres, especially in Wellington (7.9%) and Hamilton (6.2%). Growth in Tauranga and Christchurch also exceeds 4%. When it comes to the level of yields, however, Dunedin stands out amongst the main centres, with yields above 4% – by contrast, Auckland stands at just 2.2%.

	Med Weekly Rent	Ann chg rent	Gross yield
Auckland	$527	2.9%	2.2%
Hamilton	$378	6.2%	3.4%
Tauranga	$454	4.8%	3.3%
Wellington	$485	7.9%	3.1%
Christchurch	$355	4.3%	3.7%
Dunedin	$360	1.8%	4.3%

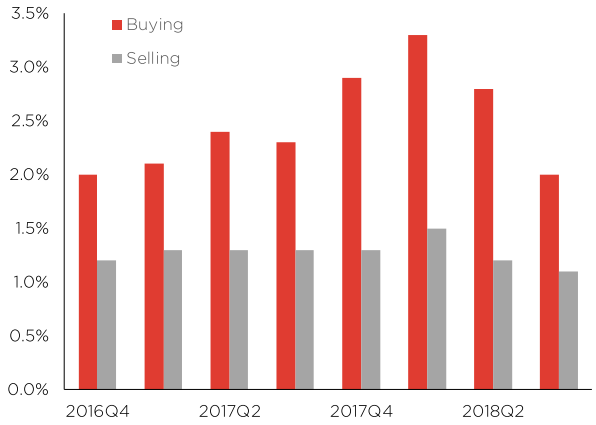
Sources: CoreLogic NZ and MBIE

Buyer Classification

Buyer Classification – New Zealand (% of sales)



NZ Property Transfers by Non-Citizens or no Resident Visa (% of total transfers)



The share of sales going to first home buyers (FHBs) ticked down a touch in Q4 2018, from 24% in Q3 to 23%. However, this was still a strong result, on a par with high levels not seen since 2007. FHBs also continue to match the market share of mortgaged multiple property owners (MPOs) – i.e. investors – a feature never really seen before. Despite high prices, FHBs are clearly still finding ways into the market, helped along by a willingness to compromise on location/property type and access to KiwiSaver for the deposit. Their ability to buy will also be helped in 2019 by the fact that banks can now advance 20% (previously 15%) of their owner-occupier lending to borrowers with less than a 20% deposit.

The mortgaged MPOs have also held their ground in recent months, despite the extra pressure on them from the Government (e.g. Healthy Homes, potential capital gains/income tax, looming tax ring-fence for losses). Their share of activity had increased to 24% by the end of the year, matching the levels last seen in mid-2017. We also see little evidence that existing investors are selling their portfolios to any great degree.

It will be interesting to see what happens to the market share for cash MPOs in 2019. Over the past few years, this group have slowly raised their share of activity, but given that a subset of the cash MPO group are overseas buyers (which are a subset of other buyer groups too), the ban on their purchases may see the overall share for cash MPOs dip in the coming months. Another indicator to watch for here will be Stats NZ's figures on property transfers in Q4 2018 involving people without a residency visa or NZ citizenship, due out on 8th February.

Finally, movers (i.e. existing owner-occupiers who are shifting house) were generally less active in 2018 than previous years, with their share falling to 26% in Q4 – a level lower than any quarter in almost 10 years. The high cost to trade up, both in terms of the higher price for a newer/larger house as well as legal/moving expenses, will be a key factor keeping existing owners where they are. We also know from high levels of building consents for renovation that owners are altering rather than moving – perhaps because they are already at the upper limit of what they can safely borrow.

Source: Statistics New Zealand

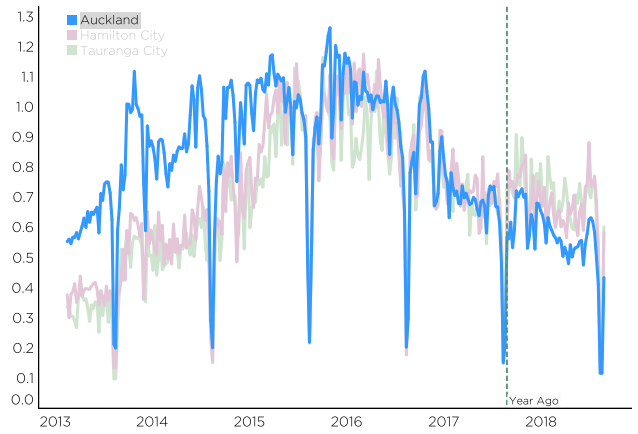
CoreLogic

Main Cities Housing Market Indicators

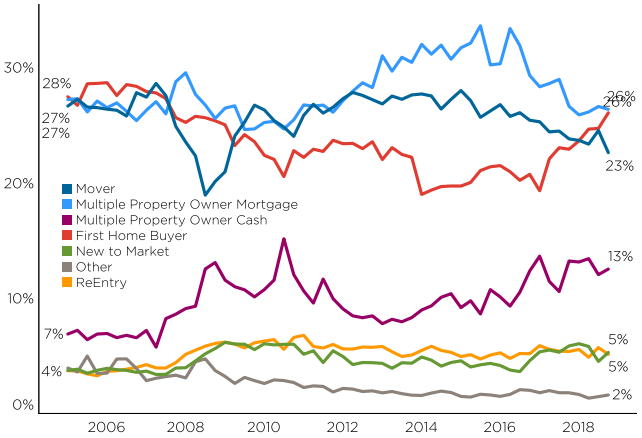
CoreLogic

Auckland Market Activity

Buyer Demand – Auckland (volume index)



Buyer Classification – Auckland (% of sales)



Market activity in Auckland is below the levels a year ago, with high numbers of listings on the market meaning that prospective buyers don't have to rush. Although activity may have reached a floor there aren't any obvious signs that it is about to start rising significantly again.

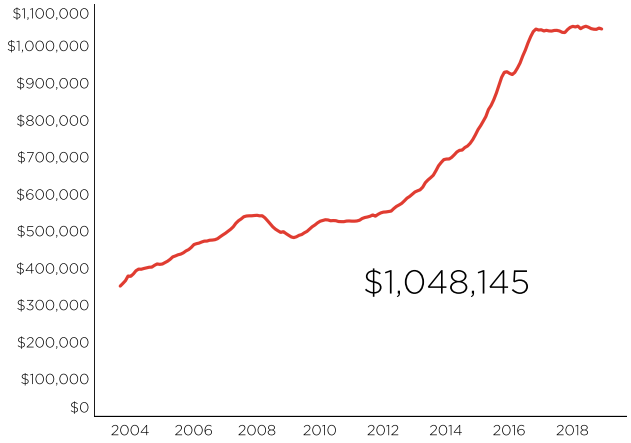
Within that relatively quiet market, the biggest change in recent months has been from first home buyers (FHBs), who have raised their share of purchases from 23% a year ago to 26% now. So despite high prices and low affordability, this illustrates just how keen FHBs still are to buy, helped along by access to their KiwiSaver funds for a deposit.

By contrast, the share of purchases made by movers has dipped to a historically low level (23%), with this group facing no real pressure or having much incentive to be active in the market. Instead of spending the real estate agent fees and other moving costs, many of this group are choosing to stay put and renovate instead.

Investors have also been largely treading water in the past few months, with the market share for mortgaged multiple property owners (MPOs) flat at 26% and cash MPOs hovering at 12-13%. No doubt some investors are just biding their time to try and find the right property, in a market where capital gains have diminished and yields are at low levels.

Auckland Values

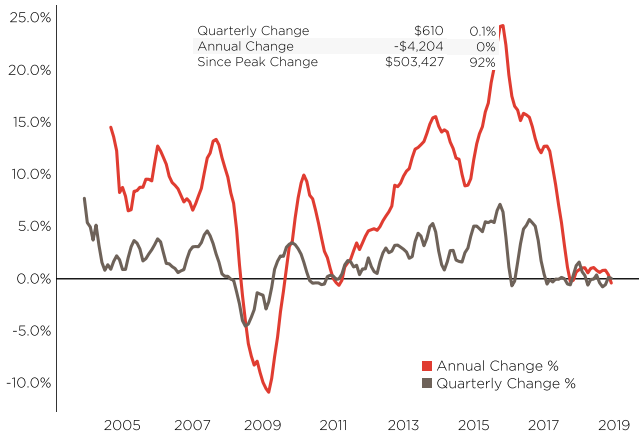
Average Value of Housing Stock – Auckland ($)



Both the quarterly and annual growth rates for average Auckland property values continue to fluctuate around zero, as they did for pretty much all of 2018.

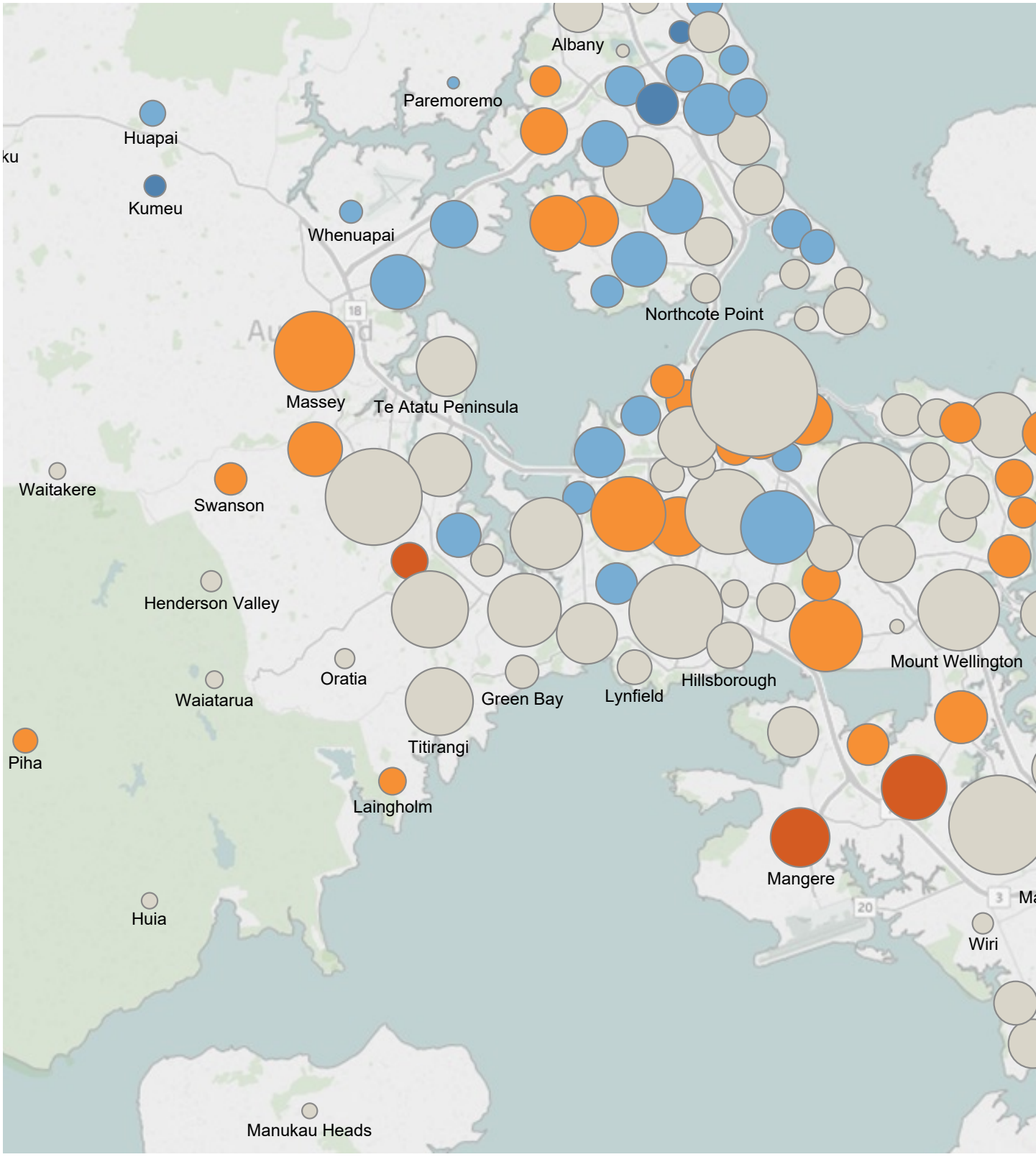
In the past three months, Manukau has seen values increase by almost 1%, while North Shore on the other hand has seen a small drop of 0.3%. The spread across Auckland on a 12-month comparison is reasonably even, with growth ranging in a tight band from -1.1% in North Shore to 1.2% in Manukau.

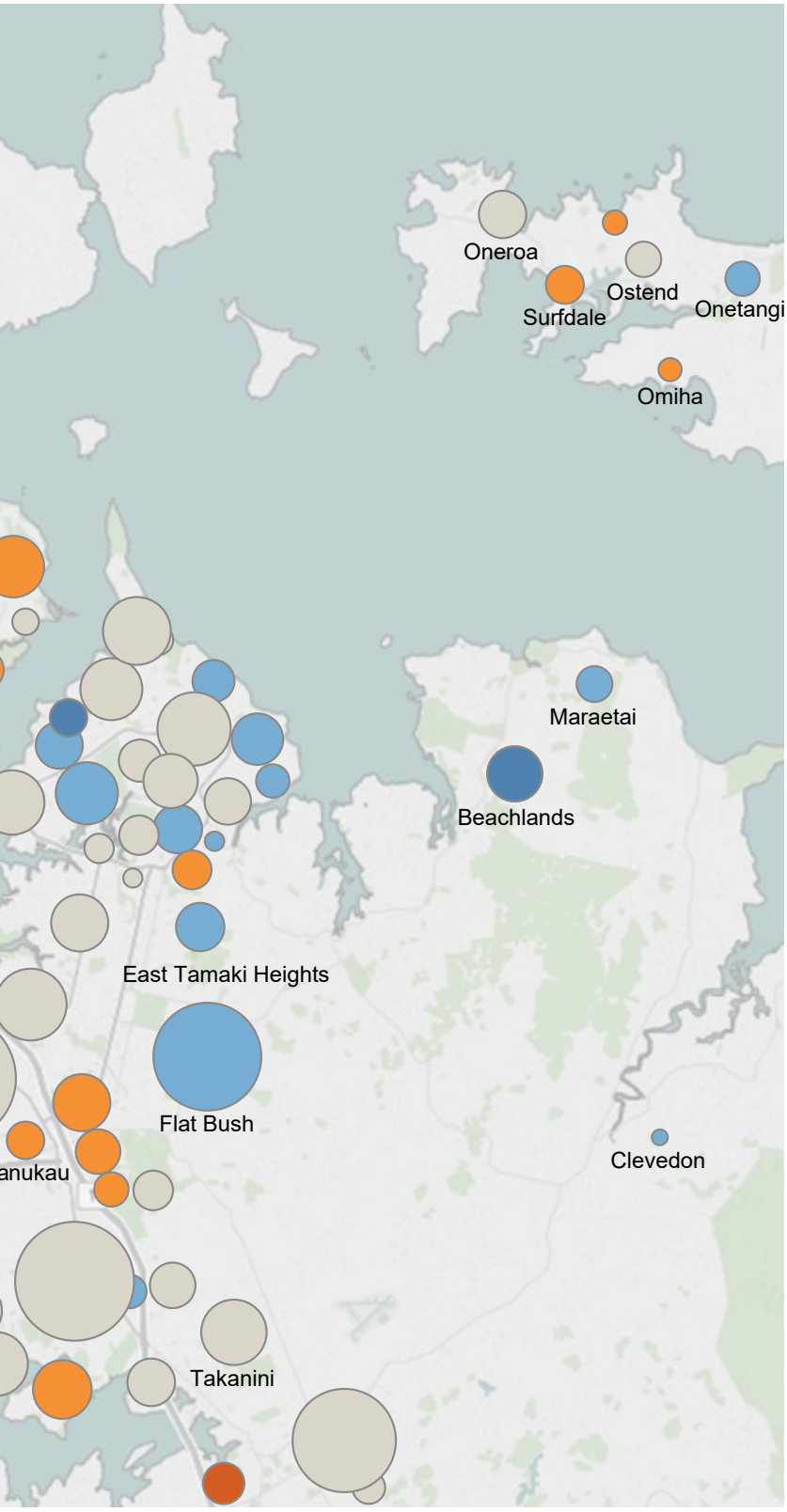
Annual and Quarterly Value Change – Auckland (%)



	December 2018			
	Current value	3 months	12 months	Since Peak
Rodney	$950,940	0.1%	1.1%	62%
North Shore	$1,212,664	-0.3%	-1.1%	88%
Waitakere	$822,906	-0.2%	-0.2%	94%
Auckland City	$1,233,311	-0.1%	-1.0%	98%
Manukau	$906,658	0.9%	1.2%	98%
Papakura	$701,230	0.2%	0.6%	95%
Franklin	$673,679	0.5%	1.1%	70%

Auckland Suburb Value Change





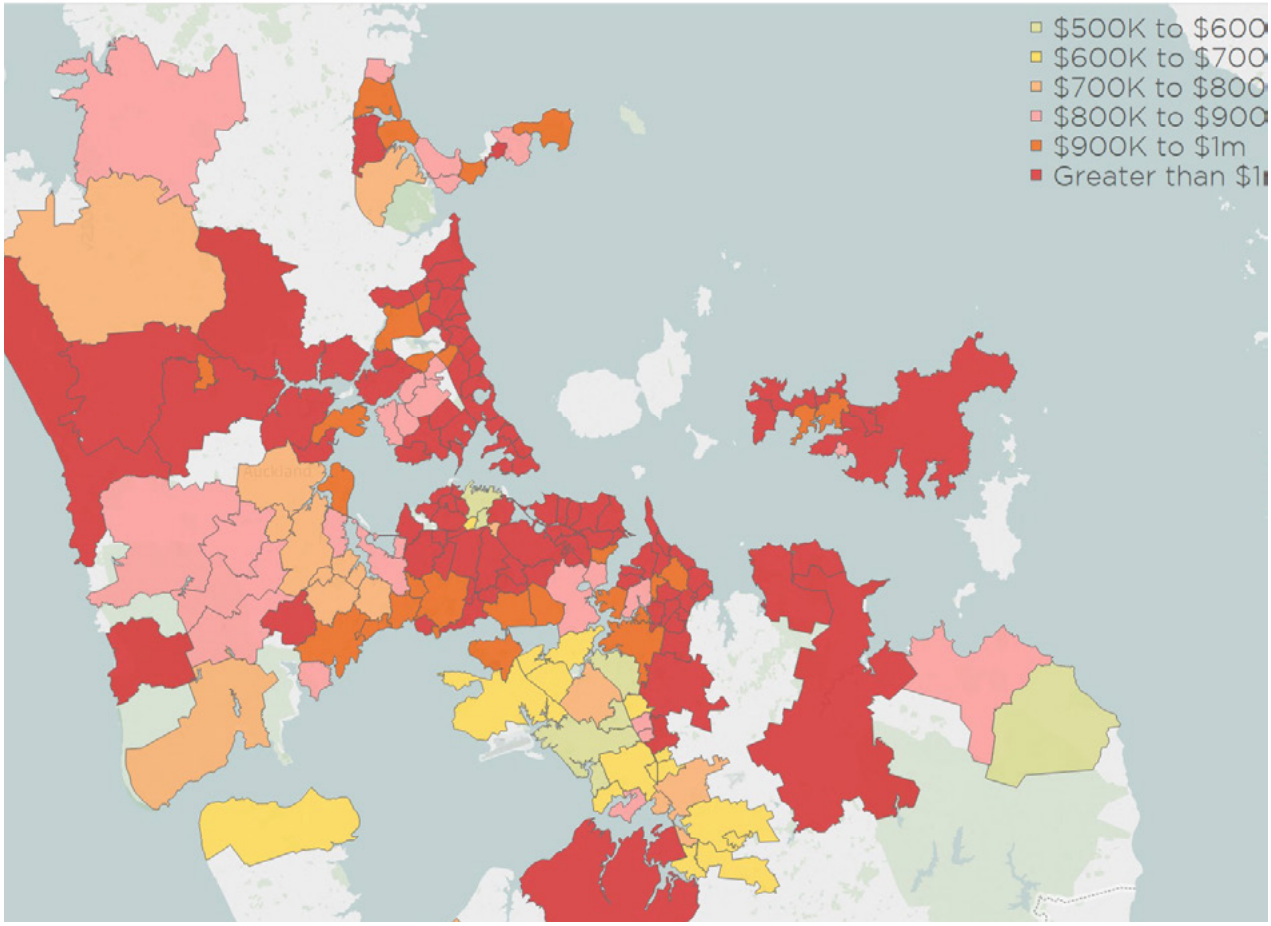
Property values across Auckland as a whole were basically stable in 2018. But that doesn't mean that all suburbs have followed that pattern. As a broad generalisation, areas to the South and West have been more likely to have increased modestly, while those to the north and east have been more subdued. Of course, many suburbs across Auckland have simply seen no change in values.

*Size of bubble represents the number of properties in the suburb.

Based on CoreLogic Median E-valuer

Current Suburb Values: 'Mapping the Market'

Auckland Suburb Values 2018 ($)



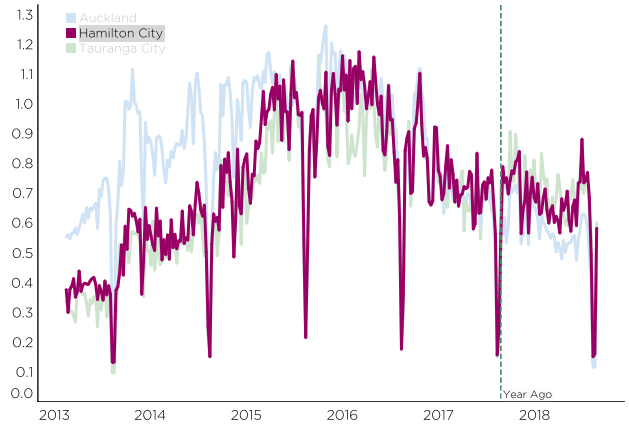
Over the past five years, almost all parts of the country have seen large rises in property values. CoreLogic's interactive 'Mapping the Market' product (– www.corelogic.co.nz\mapping-market) shows these changes across the country, it's freely available and updated quarterly. The heatmaps in 'Mapping the Market' are point-in-time snapshots from 2013 and 2018.

Auckland is illustrated in the heatmap. There are no longer any suburbs with a median property value below $500,000 in Auckland. Five years ago 19.8% of all suburbs were below that threshold. In addition, five years ago, 10.9% of suburbs had a median property value greater than $1 million. Today that stands at about half (49.3%).

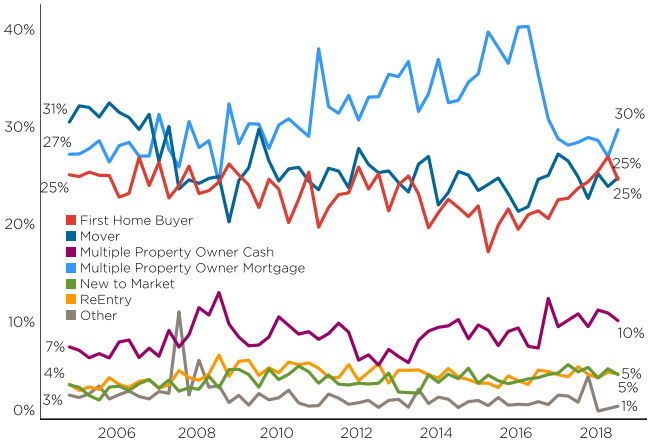
*Based on CoreLogic Median E-valuer

Hamilton Market Activity

Buyer Demand – Hamilton (volume index)



Buyer Classification – Hamilton (% of sales)



Buyer demand has flattened off in Hamilton, albeit at levels well below those seen in 2015 and 2016.

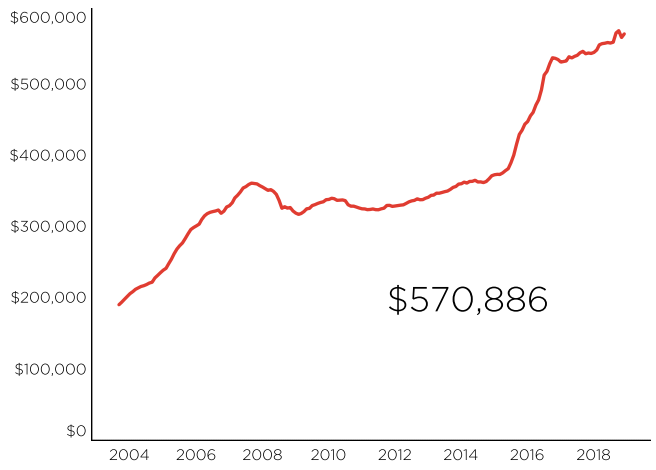
In terms of the different buyer groups, first home buyers (FHBs) enjoyed a good year in Hamilton in 2018, albeit their share of purchases dipped away a bit in the last quarter of the year (having been up at 27% in Q3). At 25% in the final quarter, FHBs' share was the same as movers in Hamilton.

Cash multiple property owners (MPOs) enjoyed a reasonably stable share of purchases throughout 2018, but it'll be interesting to see how the foreign buyer ban might affect those figures in 2019 (not just in Hamilton but everywhere around the country).

After a soft patch in the middle of the year, mortgaged MPOs enjoyed a strong rise in their share of purchases in Q4 2018, and at 30%, the figure is as high as it's been since early 2017. This suggests that investors in Hamilton are not fretting to any great degree about extra costs being imposed on them by the government.

Hamilton Values

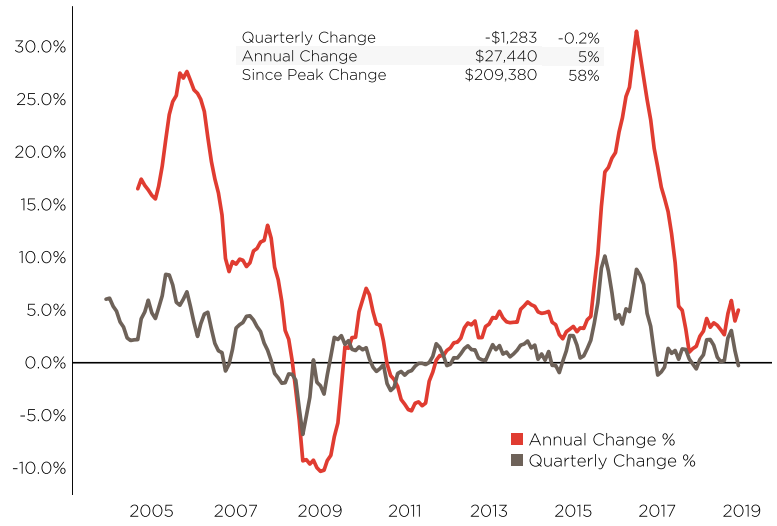
Average Value of Housing Stock – Hamilton ($)



Hamilton's property values ended 2018 on a softer note, reducing by a minor 0.2% in the final three months of the year. However, at 5%, the annual growth rate remains pretty decent.

The softer end to the year reflected weakness in Hamilton North East, where values were down by 1.8%. Central & North West and South West were basically flat, with the shining light for the city being the South East (with a gain of 1.8%). Over the full year, however, the strongest gain was actually in Central & North West (7.0%).

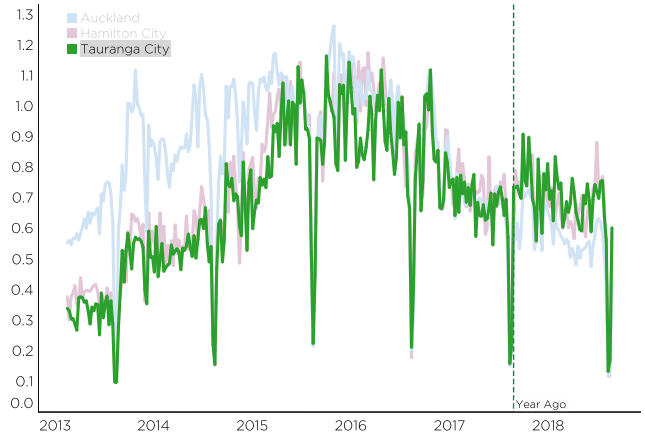
Annual and Quarterly Value Change – Hamilton (%)



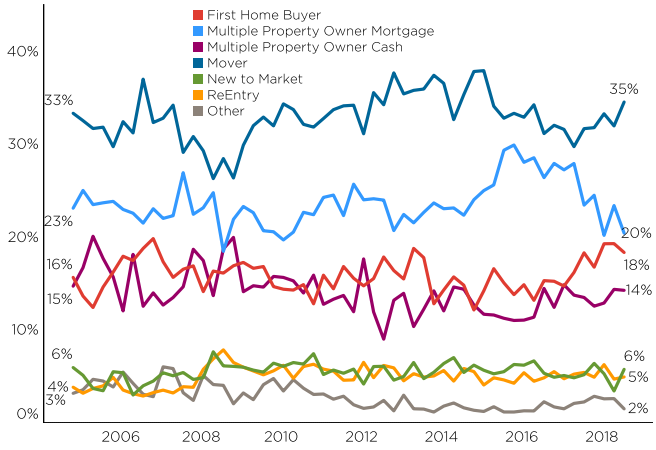
	December 2018			
	Current value	3 months	12 months	Since Peak
Hamilton Central & North West	$528,155	-0.1%	7.0%	48%
Hamilton North East	$713,105	-1.8%	3.0%	59%
Hamilton South East	$525,172	1.8%	6.0%	50%
Hamilton South West	$510,288	0.5%	5.0%	49%

Tauranga Market Activity

Buyer Demand – Tauranga (volume index)



Buyer Classification – Tauranga (% of sales)



Similar to Hamilton, buyer demand in Tauranga has flattened off (i.e. stopped falling), but of course at a much lower level than in 2016 and 2016.

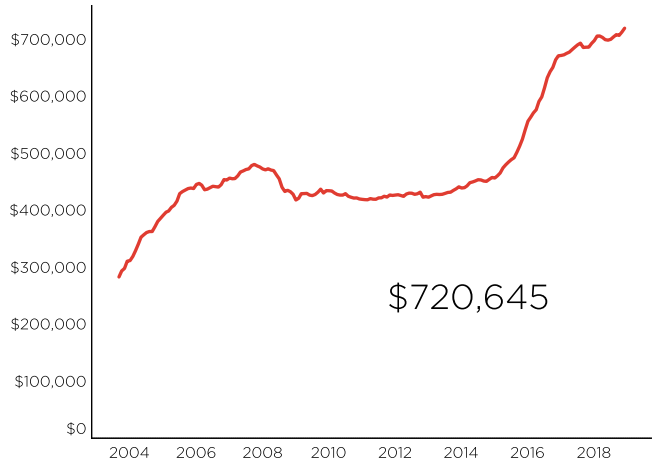
Looking at the various buyer groups, Tauranga is quite different to other main centres. Here, movers dominate the market, and accounted for 35% of purchases in Q4 2018, up from 32% a year earlier.

Also by contrast to other parts of the country, mortgaged multiple property owners (MPOs) had another soft year in Tauranga in 2018. At 20% in the final quarter, their share of purchases was down from 23% a year earlier – for context, the comparative NZ-wide figures were 23% in Q4 2017 and rising to 24% by Q4 2018.

With movers (who often have significant amounts of equity behind them) dominant in Tauranga, first home buyers (FHBs) find things a little harder, only accounting for 18% of purchases in Q4 2018 (NZ-wide figure was 23%), unchanged from a year ago.

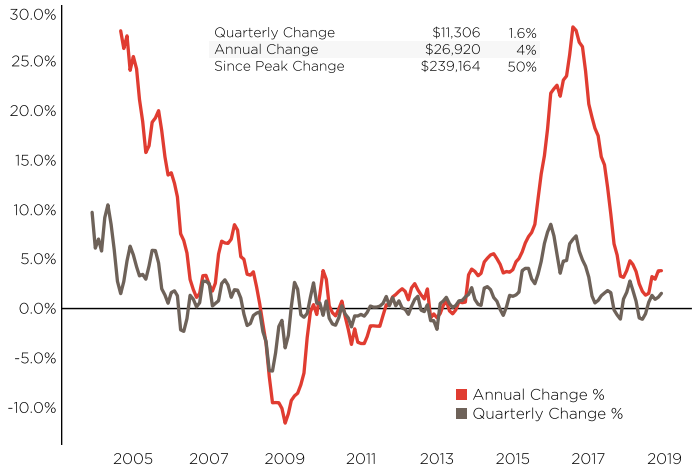
Tauranga Values

Average Value of Housing Stock – Tauranga ($)



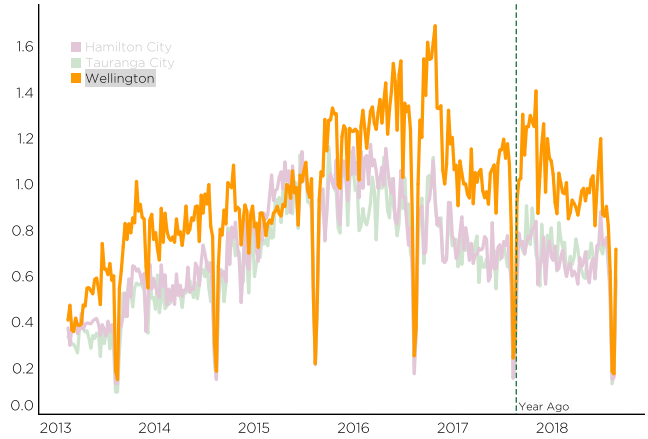
After a bit of an up and down year for values in Tauranga in 2018, the final few months ended on a stronger note. Values were up by 1.6% in the three months to December, helping to lift the annual rate from its lull of 1% in mid-2018 to 4% by the end.

Annual and Quarterly Value Change – Tauranga (%)

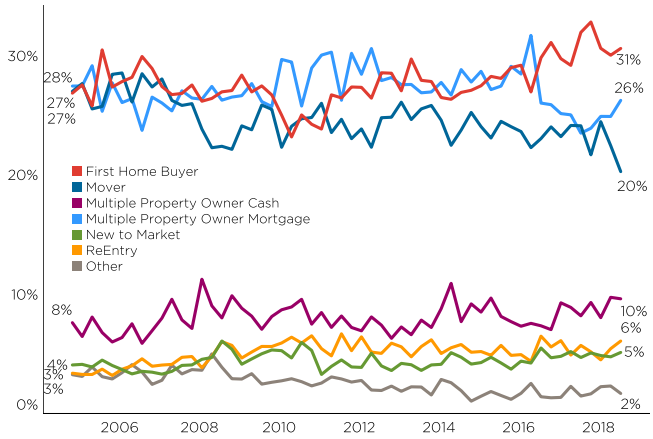


Wellington Market Activity

Buyer Demand – Wellington (volume index)



Buyer Classification – Wellington (% of sales)



Activity levels have quitened down a bit in Wellington in the past few months, which might seem odd given the buoyancy of this market. However, this can be explained by the lack of listings – sales volumes are being held back a little simply because there's not much listed for purchase.

Looking at buyer classification, the two key stories in Wellington are, the keen interest from first home buyers (FHBs) and mortgaged multiple property owners (MPOs), and also how that contrasts with low activity from movers.

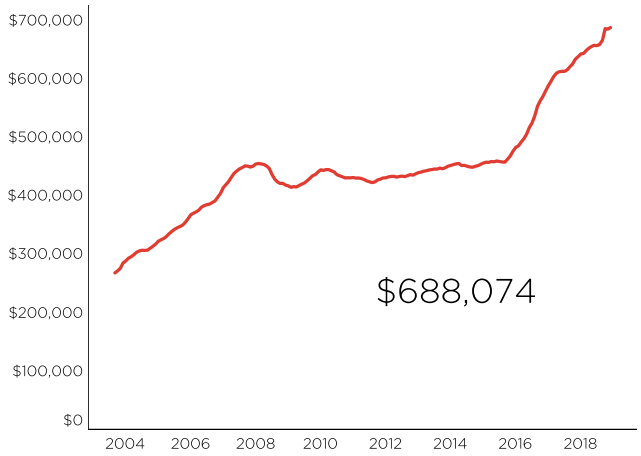
Starting with FHBs, 2018 was a strong year for Wellington, with FHBs' share peaking at 33% in the first quarter of the year. Back in 2006 and 2007, peaks were lower at around 30%. Although their share of activity eased back for the rest of 2018, it was always 30% or more. Again, KiwiSaver funds for the deposit will have helped FHBs in Wellington, along with a willingness to live further away from the CBD – note that in Q4, FHBs accounted for 34% of purchases in Porirua and 35% in Lower Hutt.

Meanwhile, from a low 24% in Q4 2017, mortgaged MPOs had increased their share of purchases in Wellington to 26% by the end of 2018 – that was a two year high. Investors have clearly been seeing enough opportunities to buy into future capital (and/or rental) gain or on a decent current yield.

By contrast, movers' share of the market dipped to 20% in Q4 2018, the lowest level since at least 2005. Along with the high costs to move house (e.g. legal and agency fees), many existing owner-occupiers in Wellington may just be choosing to sit tight and stay away from the tight competition between FHBs and MPOs.

Wellington Values

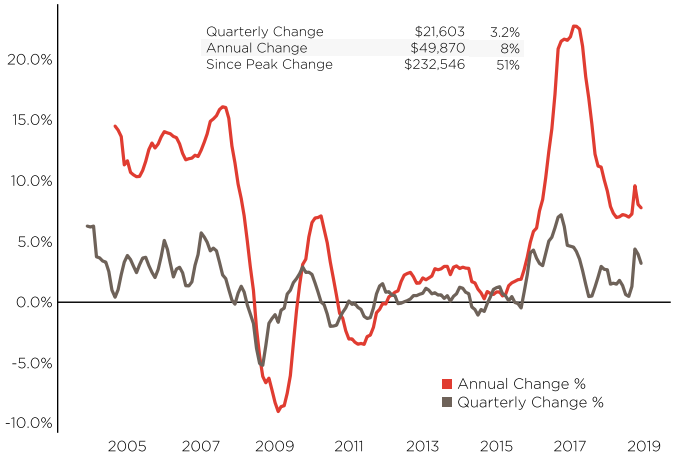
Average Value of Housing Stock – Wellington ($)



Value growth across Wellington remains strong, with the increase in the final three months of 2018 coming in at 3.2%, holding up the annual growth rate at 8%.

In the City itself, recent gains have been a little softer – presumably reflecting the higher level of average property values. But out in Upper and Lower Hutt, and Porirua, the rise in values in the final three months of 2018 was at least 4.2%. And in Upper Hutt, the annual gain in values last year was a strong 12%.

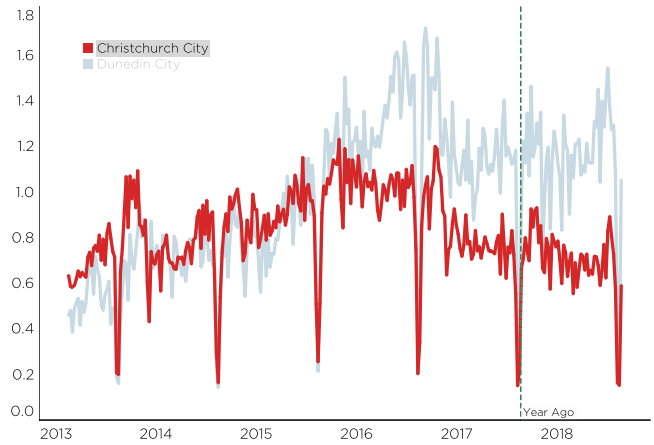
Annual and Quarterly Change in Value – Wellington (%)



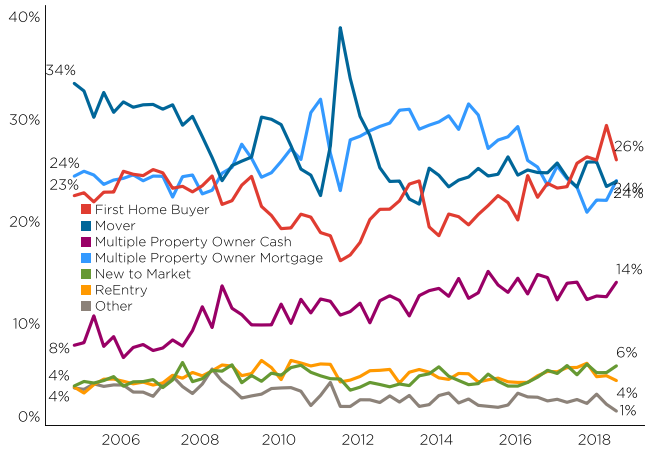
	December 2018			
	Current value	3 months	12 months	Since Peak
Porirua	$591,421	5.3%	9.0%	55%
Upper Hutt	$526,702	5.7%	12.0%	50%
Lower Hutt	$559,319	4.2%	7.0%	43%
Wellington City	$813,052	2.3%	7.0%	53%

Christchurch Market Activity

Buyer Demand – Christchurch (volume index)



Buyer Classification – Christchurch (% of sales)



Buyer demand in Christchurch has perhaps drifted a little lower in the past few months, but not by much. The bigger picture is that it seems to have found a floor, albeit at levels down on 2015 and 2016.

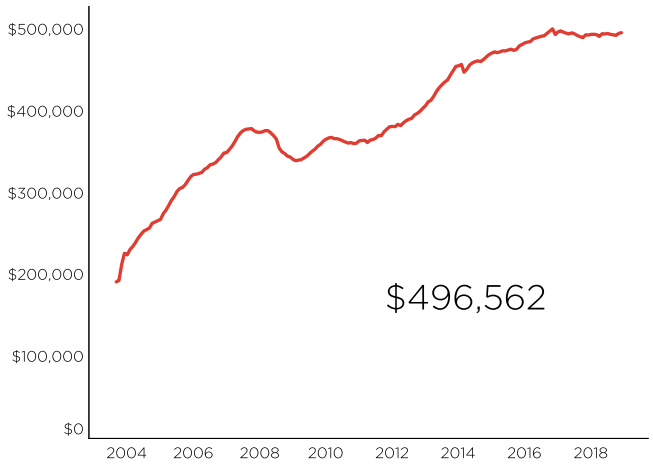
Looking at buyer classification, 2018 was 'the year of the first home buyer' in Christchurch. Having become the biggest individual buyer group towards the end of 2017, FHBs held on to that position throughout 2018, even getting as high as 29% of purchases in the third quarter. The large supply of new property available in Selwyn and Waimakariri has allowed some existing owners to move out of Christchurch, freeing up the stock for FHBs to purchase in the city.

Movers and cash multiple property owners (MPOs) were reasonably steady in Christchurch throughout 2018, so the only other point of interest in buyer classification was the mortgaged MPOs – having dipped to a 21% share in Q1 2018, they recovered to 24% by the end of the year. Again, a tendency for some owner-occupiers to leave the city will have freed up more property for mortgaged MPOs to buy.

Indeed, note that in Selwyn, movers are the biggest individual buyer category, at 37%, with the same applying even more strongly in Waimakariri (45%).

Christchurch Values

Average Value of Housing Stock – Christchurch ($)

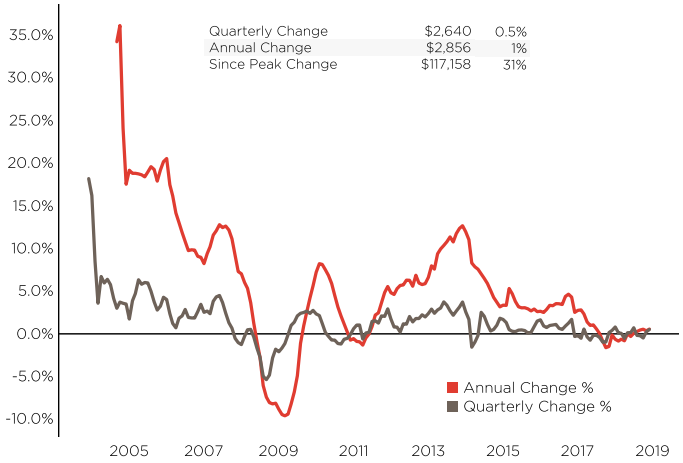


With most indicators suggesting that Christchurch's property market is nicely balanced in terms of supply and demand, it's no surprise that values are still more or less flat. Indeed, they have hovered in and around $495,000 for the past two years.

Banks Peninsula is performing reasonably well in a Christchurch market context, but the rest of the city is showing only modest gains (of around 1% annually) or even a slight dip (-0.3% in Central & North).

Around Greater Christchurch, property values in Selwyn and Waimakariri didn't do much in the final three months of 2018, but growth for the full year was a bit stronger (1.7% and 2.0% respectively) than in the city itself.

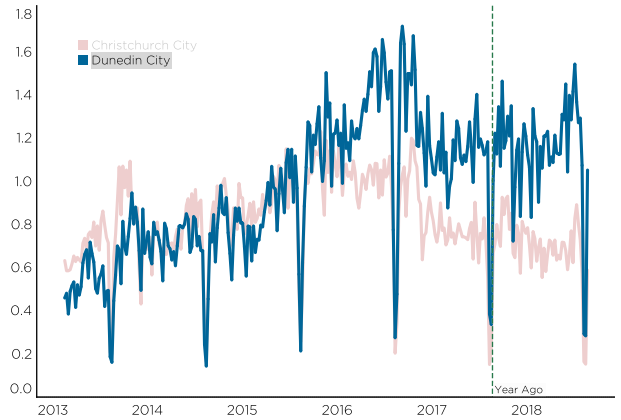
Annual and Quarterly Value Change – Christchurch (%)



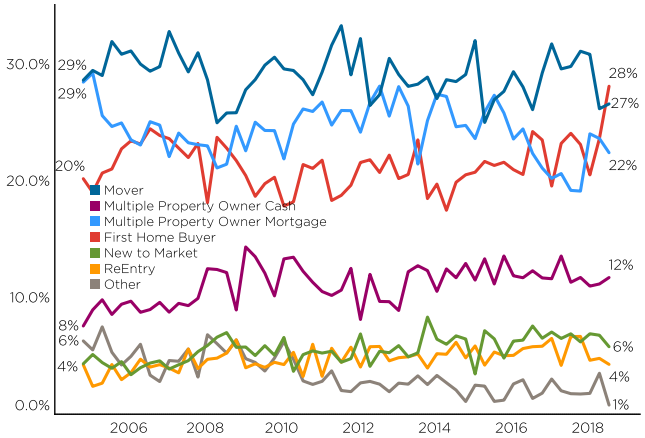
	December 2018			
	Current value	3 months	12 months	Since Peak
Banks Peninsula	$524,368	1.5%	2.9%	9%
Christchurch Central & North	$582,090	0.3%	-0.3%	31%
Christchurch East	$375,641	0.6%	1.1%	21%
Christchurch Hills	$671,507	-0.2%	1.0%	21%
Christchurch Southwest	$475,096	0.9%	0.9%	40%
Selwyn	$555,387	0.0%	1.7%	49%
Waimakariri	$448,027	0.5%	2.0%	40%

Dunedin Market Activity

Buyer Demand – Dunedin (volume index)



Buyer Classification – Dunedin (% of sales)



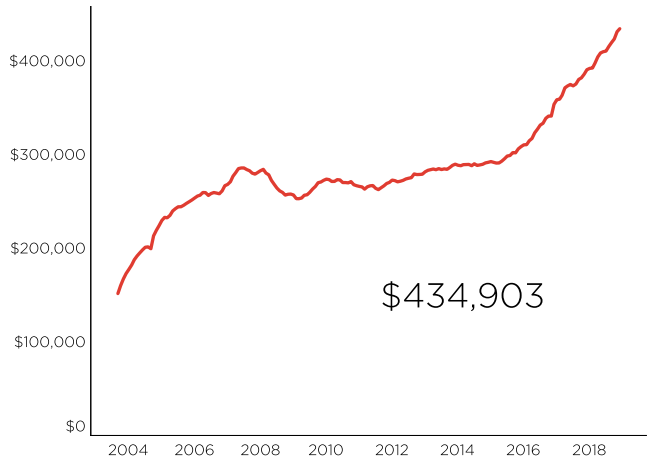
Market activity in Dunedin was strong in 2018, despite a tight number of properties available to buy.

Early in 2018, movers remained the dominant group in Dunedin, consistently accounting for 30% of purchases, with first home buyers (FHBs) and mortgaged multiple property owners (MPOs) jostling for second place. However, by the end of the year, there had been some shifts. In Q4 2018, movers' market share had dropped to 27%, and they were overtaken by FHBs – who jumped from a 21% share in mid-2018 to 28%. The lower values of properties in Dunedin will be helping FHBs get on the ladder more easily than in some other main centres.

In addition, although they tailed off at the end of the year, the share of purchases going to mortgaged MPOs was still 22% in Q4, up from 19% a year earlier.

Dunedin Values

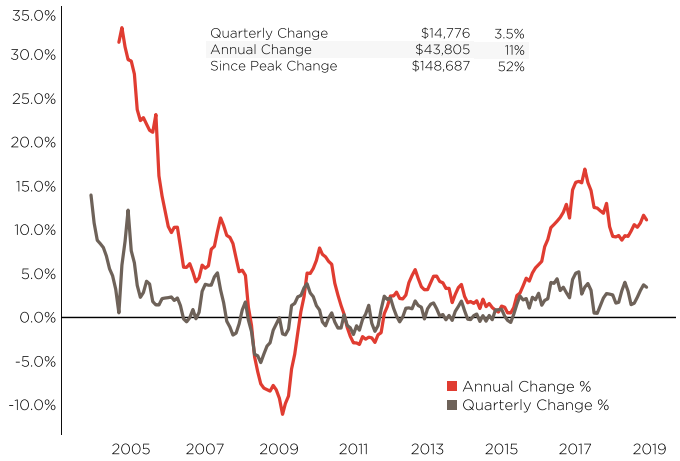
Average Value of Stock – Dunedin ($)



On the back of strong demand and a low level of listings, property values in Dunedin rose by 11% in 2018, with this upswing now having been in progress for 3½-4 years.

The upturn in values is pretty consistent across the city (11% annually), with only Taieri standing out a little above the pack, with an increase of 13% in 2018.

Annual and Quarterly Change in Value – Dunedin (%)



	December 2018			
	Current value	3 months	12 months	Since Peak
Dunedin Central & North	$451,524	2.2%	11.0%	50%
Dunedin South	$414,678	4.3%	11.0%	45%
Peninsula and Coastal	$402,558	6.4%	11.0%	49%
Taieri	$449,660	3.0%	13.0%	53%

CoreLogic Data and Analytics

Suburb Scorecard

Detailed housing market indicators down to the suburb level, with data in time series or snapshot and segmented in most cases across houses, flats and apartments. The Suburb Scorecard data includes key housing market metrics such as median prices, median values, transaction volumes, rental statistics and vendor metrics such as median selling time.

Market Share Reports

CoreLogic is in a unique position to monitor mortgage related housing market activity. Transaction volumes, dwelling values and mortgage related valuation events all comprise our Mortgage market report which provides an invaluable tool for mortgage industry benchmarking and strategy.

CoreLogic Indices

The suite of CoreLogic Indices range from simple market measurements such as median prices through to our flagship house price indices – both quarterly for completeness and monthly for reactiveness. The Quarterly CoreLogic House Price Index has been specifically designed to track the value of a portfolio of properties over time and is relied upon by New Zealand regulators and industry as the most accurate measurement of housing market performance.

Sales Volumes

CoreLogic tracks sales from a number of different sources to provide up to date insights on recent sale. Where applicable CoreLogic also applies estimation for expected final sales in recent months where not all sales have been collected.

Market Activity

Based on all valuations run through the centrally managed valuation panel CoreLogic provides an index for market activity which tracks as a lead indicator for sales in the market.

Buyer Classification

A unique and flagship product to CoreLogic, Buyer Classification classifies all purchases into types of buyer based on their current ownership of NZ property. Used at a record level by Government organisations to assist policy decisions.

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