

Property values in Auckland and Christchurch continue to track sideways, while other main centres sprang into action in September.



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2 Oct 2018

According to the September CoreLogic QV House Price Index, property values in both Hamilton and Dunedin grew by 2.4% over the last three months. This holds the annual rate in Dunedin above 10% reflecting relatively consistent growth rates in the lower south, but it is quite the change in trend for Hamilton, where values had begun to plateau from March this year.

The number of new listings over the past three weeks in the wider Waikato region is also 22% higher than the same time last year, providing a much-needed boost in available stock for prospective buyers - however, it's worth noting that Hamilton's annual value growth remains below 5%.

Wellington City and Tauranga showed similar, if slightly smaller, bounce-backs in value, with 1.9% and 1.4% quarterly growth respectively, to the end of September 2018.



	Change in property values			Average Value
	Month	Quarter	Annual	
Auckland	-0.1%	-0.7%	0.8%	\$1,047,415
Hamilton	2.3%	2.4%	4.7%	\$572,169
Tauranga	0.6%	1.4%	3.3%	\$709,339
Wellington City	2.1%	1.9%	8.5%	\$795,098
Christchurch	-0.1%	-0.2%	0.5%	\$493,922
Dunedin	1.0%	2.4%	10.4%	\$420,127

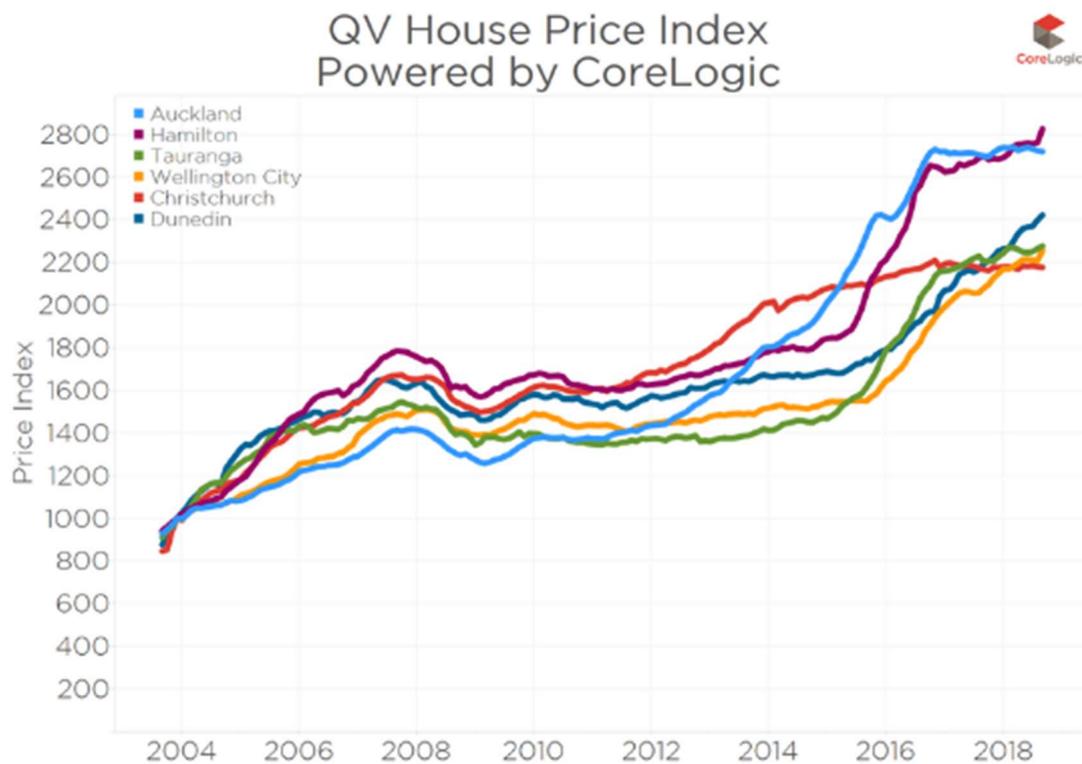
Index results as at 30 September, 2018 (Source: CoreLogic)



Rolling change in property values, national. (Source: CoreLogic).

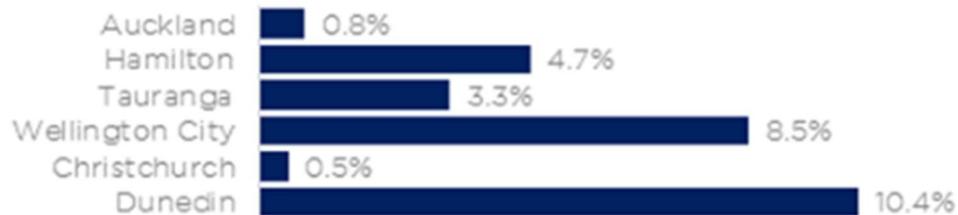
The Reserve Bank of NZ has reported an upturn in gross new lending over the past few months, perhaps this is in response to continued competitive mortgage interest

rates, with buyers acting with a renewed market confidence. Both first home buyers and investors remain active in the market, with first home buyers continuing to take advantage of the availability of their KiwiSaver funds, while investors appear undaunted by yet more announcements which are likely to impact their profitability.



House Price Index, Main Centres Relative to December 2003. (Source: CoreLogic)
Potential changes which could impact investors was the government's Tax Working Group interim report which floated two possible options of 'tax on capital assets', designed to make the tax system 'fairer'. There's no guarantee of either actually being recommended, let alone implemented, however it would be another layer for investors to sift through before they can retain the gold that is their profits.

Despite KiwiBuild ballots opening, and subsequently being touted as potential 'lotto wins' for the successful applicants, first home buyer activity remains strong, suggesting not everyone is hanging their hopes on entering the market via the Government scheme.

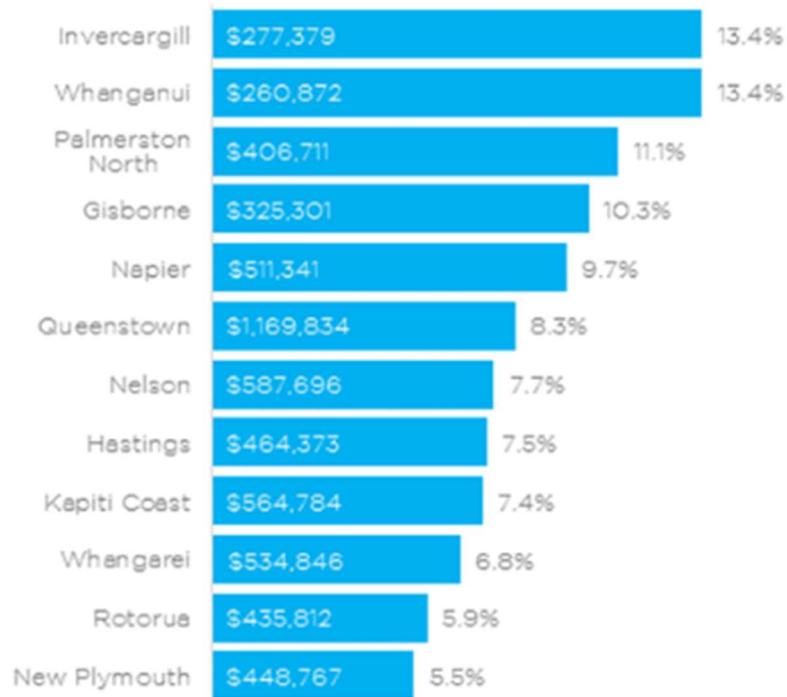


Annual change in dwelling values.

Values in Auckland dropped 0.7% over the last three months, driven by a greater weakness in the more expensive areas of Auckland City (-1.1%) and North Shore (-0.8%). Much further from town, Franklin was the only Auckland area to see growth over the last three months (1.2%).

In Wellington, anecdotes of continued growth in the market are backed up in September's index results. Values are up 1.9% over the last three months in the City, while Upper Hutt saw a slight drop in quarterly growth rate (to +1.8%) but it retains the highest annual growth figure for the region of 8.8% (above Wellington City's 8.5%).

Across the other main urban areas, a relatively distinct trend has appeared, with the four lower value centres topping the annual value growth rate chart. Whanganui (average value \$260k) joins Invercargill (\$277k) at a rate of 13.4% over the last 12 months.



Annual change in dwelling values, Territorial Authorities Main Urban Areas. (Source: CoreLogic)

Palmerston North (\$406k) and Gisborne (\$325k) also saw property values grow by more than 10% over the last year as competitive mortgage interest rates support affordability for those who can satisfy bank lending criteria.

Napier's annual growth rate has now dropped below 10% for the first time since May 2016. Fifty per cent growth over the two and a half year period between October 2015 and April 2018 was always going to impact affordability, and with an average value now exceeding \$500k that certainly seems the case.

Values grew 2.6% over the last three months in Hastings, perhaps a reflection of the slightly better affordability as the average value is almost \$50k lower compared to its Hawke's Bay neighbour.

Meanwhile, a minor lift in values in the Queenstown Lakes District could reflect a late surge before the Foreign Buyer Ban is enacted, however longer-term prospects for the popular tourist district appear to be less prosperous.

New Plymouth values continued to track sideways. Clearly there's more to the region than just mining, but future growth will likely remain constrained as people consider their future employment prospects.

The QV House Price Index for September illustrates there are still pockets of strength in the market as we head into the warmer, often more popular, months for market activity.

While some of the macro-economic factors (GDP growth, net migration) which influence the property market are weakening, we can't ignore the influence of credit availability and with banks dropping mortgage interest rates, and subsequently increasing their loan book, demand is holding up.

The short-term supply situation, as measured by properties on the market, also remains low across most of the country, excluding Auckland. And while we've seen the typical spring lift begin to occur already, overall levels are historically low, which means some price pressure persists for those properties currently on the market.