CoreLogic QV August House Price Index: ‘Business as usual’

Kelvin Davidson

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The national housing market remained firm in August, following on from the steady July result. According to the CoreLogic QV House Price Index, average property values rose by 0.2% from July to August, lifting the annual growth rate a touch from 2.2% to 2.3%. A good way to characterise the August figures is, ‘business as usual’, and with sales activity still subdued (albeit showing slightly more encouraging signs of a pick-up) and affordability stretched, a solid but unspectacular result for values is no surprise.

Index results as at 1 September 2019

	Change in property values			Average Value
	Month	Quarter	Annual	
Auckland	0.0%	-0.5%	-2.3%	$1,025,193
Hamilton	0.6%	0.5%	5.2%	$588,196
Tauranga	0.7%	0.2%	5.4%	$743,202
Wellington	0.2%	1.0%	8.3%	$713,798
Christchurch	-0.3%	-0.5%	0.4%	$496,306
Dunedin	1.4%	2.0%	11.9%	$465,457

Highlights over the three months to August 2019

- Best performing main city: **Dunedin +2.0%**
- Weakest performing main city(ies): **Auckland & Chistchurch -0.5%**

The market in Auckland remains quiet in terms of activity, with neither sellers nor buyers generally in any rush to strike a deal. Of course, there are always some people who have to sell their property for family or job reasons, and they're likely to be feeling a bit of downwards price pressure. Indeed, although Auckland average property values were flat from July to August, the latest figure ($1,025,193) was still -2.3% (or $23,981) lower than a year earlier.

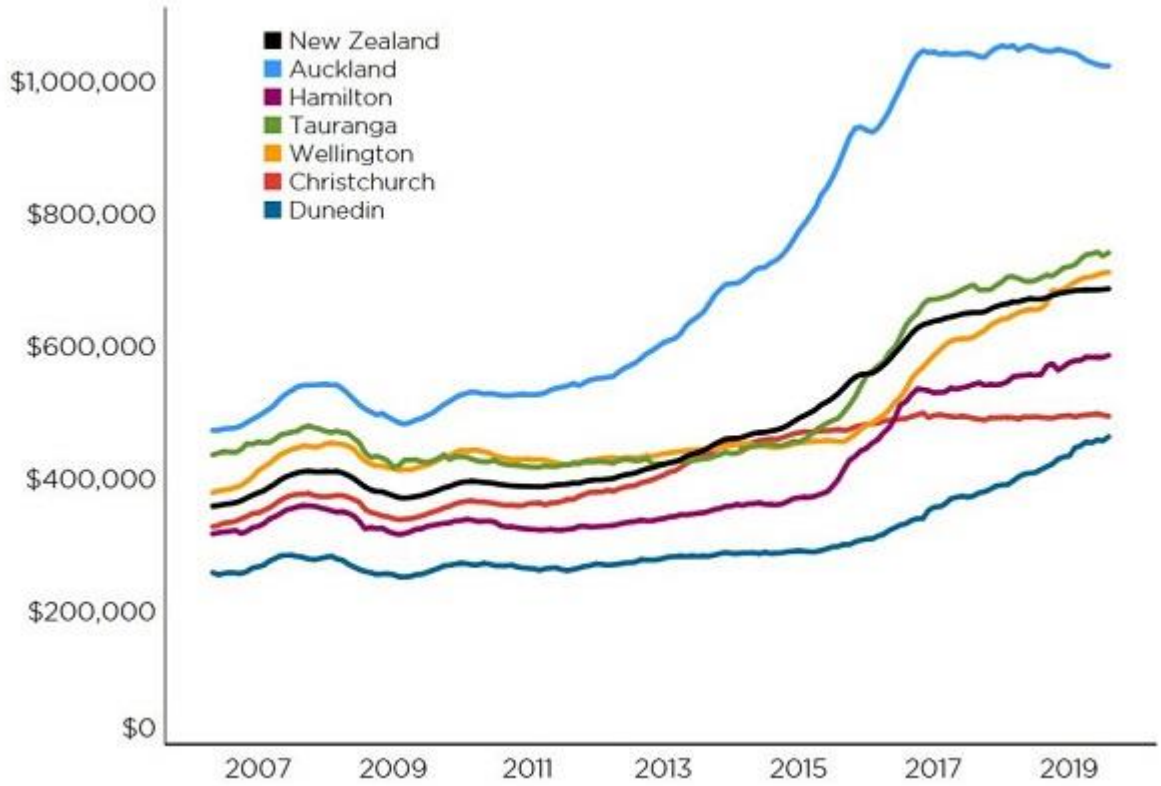
Within the Auckland region, Franklin (0.3% annual change in average property values in August) is the only area yet to see any real downwards price pressure, although the falls to date in Papakura and Waitakere have also only been modest. The greater weakness is still concentrated in Auckland City (-2.3% in year to August) and North Shore (-3.4%) – although there were at least better results for the Auckland City Central and North Shore Coastal sub-areas in August.

CoreLogic Senior Property Economist, Kelvin Davidson said *"It's largely been another steady-as-she-goes month for the housing market in August. The sluggishness of Auckland is weighing on the national picture, but away from our largest city, there are still many areas seeing consistent growth in average property values. Although the Reserve Bank delivered a shock 0.5% official cash rate cut on the 7th of August, the fact that fixed mortgage rates didn't really budge meant that the immediate impulse for property values was always likely to be fairly muted."*

Around the remaining of the main centres, values ticked along in August. Dunedin is still a consistently strong performer, with growth in average property values of 11.9% in the year to August. The average value in Dunedin now stands at $465,457, almost $166,000 higher than four years ago.

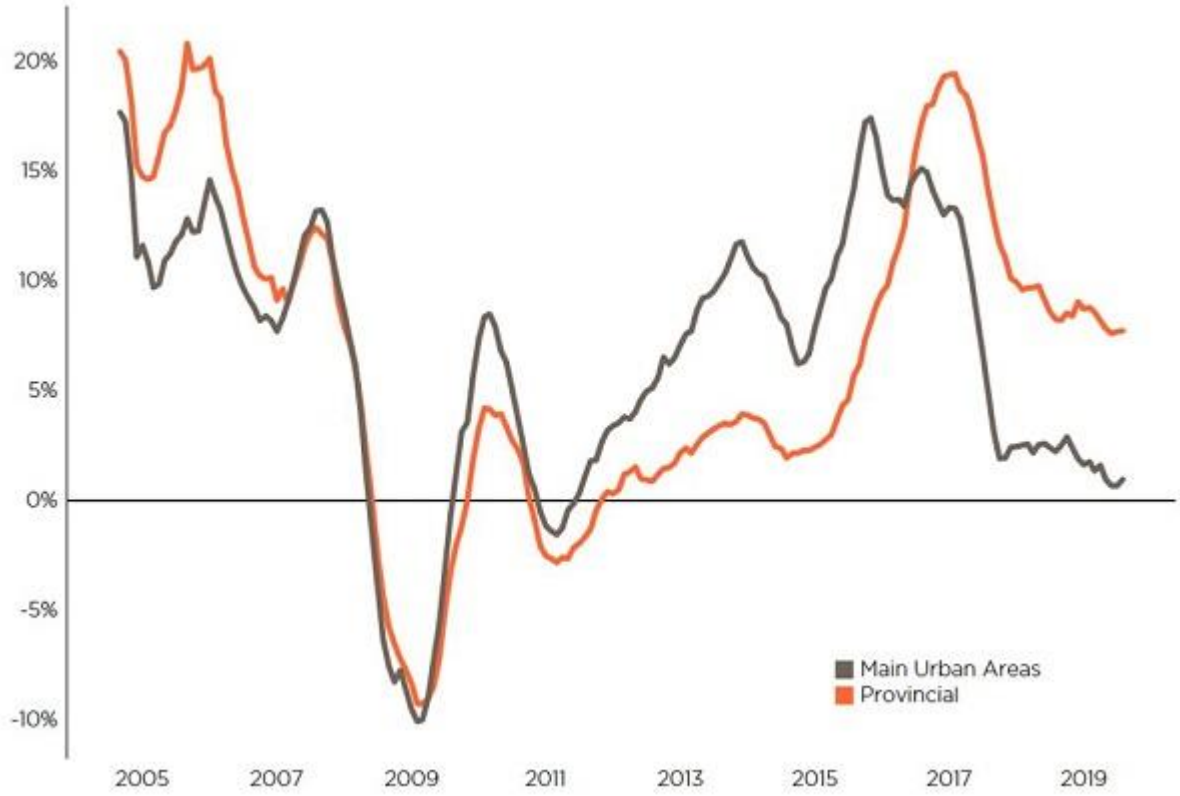
NZ average property values

Wellington continues to climb steadily higher too (growth of 8.3% in the year to August), while Hamilton and Tauranga are churning away in the background with consistent annual growth in values of about 5%. In regards to Christchurch, Davidson said “The ‘mood music’ around the garden city seems to have become a bit more optimistic in recent months, although it’s yet to show through clearly in the hard data – values only edged up by 0.4% in the year to August.”



Average Property Values, Main Centres

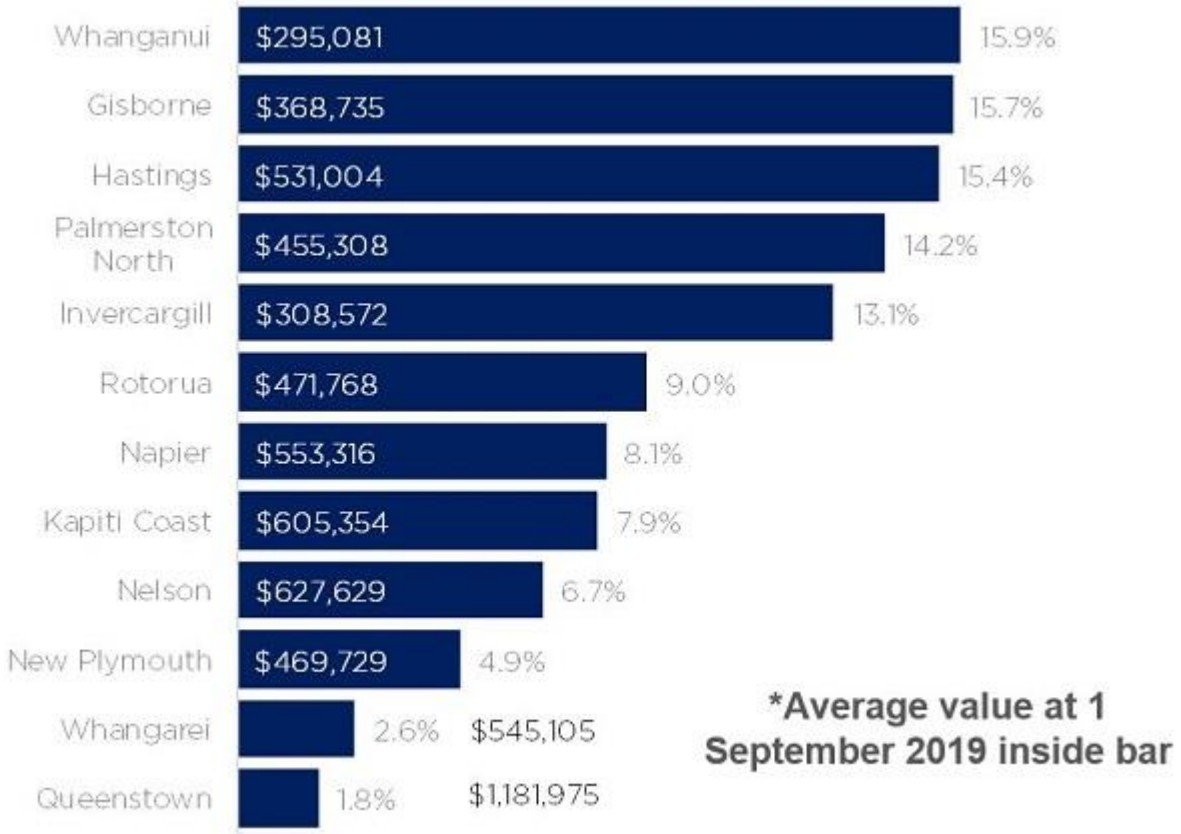
Across our key regional centres, value growth generally remains pretty strong. Whanganui, Gisborne, Hastings, Palmerston North, and Invercargill are all examples of markets that are seeing average property values rise at consistently solid, double-digit rates. However, Davidson also noted that “nothing can go up forever. Many of NZ’s regions are still seeing steady gains in property values, but the peak rate of increase is probably now behind us, as affordability becomes more challenging and credit restrictions from the banks remain in place.”



Rolling annual % change in property values

The past few weeks have brought differing views from commentators about where the property market might go over the rest of 2019 and into early 2020. On one hand, it's certainly not hard to find factors that look more encouraging for the next 6-12 months. For example, the Reserve Bank appears likely to loosen the LVR rules in November, which we suspect will be of most benefit to investors. Likewise, over the past week or two, many of the big banks have eased their serviceability tests, now checking to ensure that borrowers could keep paying their mortgage if interest rates spiked to about 7%, rather than closer to 8% as they did previously. These are not requirements enforced by the Reserve Bank of NZ, but nevertheless follow on from the easing of the regulations across the Tasman by the Australian Prudential Regulation Authority (APRA).

That said, as Davidson notes, "it remains challenging to get onto the housing ladder in the first place, not to mention for existing owners to continue to service the mortgage. These are natural restraints on the future pace of property price growth. In addition, we're still waiting with baited breath for what the Reserve Bank will decide around future bank capital requirements. It seems likely that the proposals will be watered down when the final decision is announced, but more money on balance sheet still means less to lend out and/or at a higher interest rate. Mortgage-holders need to be wary of the risk that interest rates could even face a bit of upwards pressure next year; a stark change from what most are used to."



Annual change in dwelling values, Provincial Centres

In summary, Davidson added: “the market is ticking along with no real shocks foreseeable that could push it drastically off course. First home buyers remain a key group driving demand, although we’re also starting to see signs of a revival amongst investors with only one or two rental properties – the ‘mums and dads’. It wouldn’t be a surprise to see this holding pattern stay in place in September and October, before those larger milestones of potential LVR and bank capital rule changes roll around in November.”