Media Release

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Residential market makes a steady start to 2022

Residential property values continue to defy predictions of a collapse – although there are plenty of signs the market is starting to ease as we get through the first month of 2022.

The average home increased in value by 6.1% nationally over the past three-month period to the end of January, down from the 7.8% quarterly growth we saw in December, with the national average value now sitting at $1,063,765. This represents an average annual increase of 26.8%, down slightly from 28.4% annual growth last month.

In the Auckland region, the average value now sits at $1,541,168, climbing 7.9% over the last three-month period, with annual growth of 27.6%, down from the 29.1% we reported in December.

QV General Manager David Nagel commented: “We saw spectacular value growth throughout 2021, with increases we’ll unlikely see again for a generation. But with interest rates on the rise, tightening credit conditions and supply pressures now easing, we’ll likely see a property market return to a more sustainable level of growth.

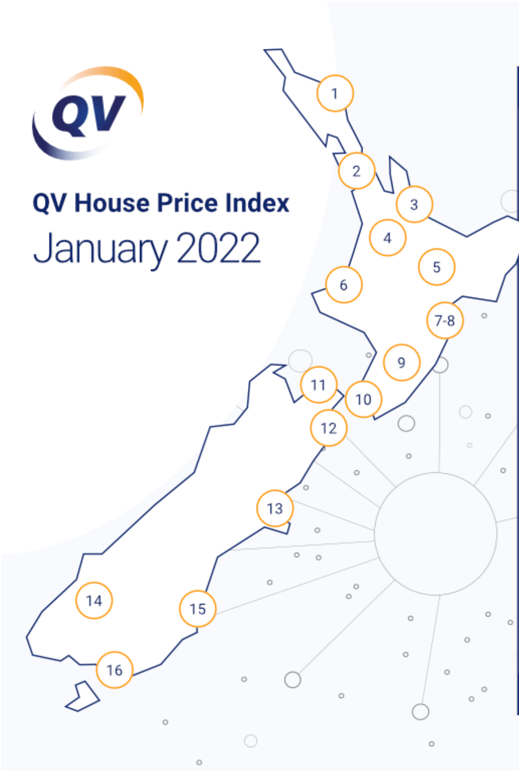
“We’ve seen house listings surge in many locations where previously there was an acute lack of stock. And with the banks tightening their lending criteria in response to the new legislation, we’ve noticed a real falling off in auction and open home attendance.”

All 16 of the major urban areas QV monitors have shown a reduction in the rate of three-monthly value growth from the December data. “This provides a pretty strong signal that value levels are peaking, as more vendors list their homes and the number of buyers reduce, especially first-home buyers and investors seeking bank credit,” said Mr Nagel.

“We’re not seeing the double digit quarterly value growth we were used to seeing throughout last year, with Christchurch still leading the way at 8.8% quarterly growth, a reflection of relatively affordable pricing of our second largest city.

“The annual rate of value growth is still exceptionally high though, reflecting the very strong value increases we saw last year. So that means it will take some time for this measure to reduce to more normal levels of growth.”

For the future, Mr Nagel said all eyes would be on the overseas response to our scheduled border reopening. “If the floodgates were to open again to new migrants and returning Kiwis at the levels last seen in 2019, then we could see some strength return to the property market as demand for housing increases. But more likely we’ll see a gradual decline in the rate of growth, as interest rates rise and tax deductibility rules take effect for investors, with only a few locations showing any significant reductions in value,” he added.



	Area	Average value	3 mth change
1	Whangarei District	$838,798	7.7%
2	Auckland Region	$1,541,168	7.9%
3	Tauranga City	$1,197,798	7.5%
4	Hamilton City	$919,951	4.1%
5	Rotorua District	$753,766	4.5%
6	New Plymouth District	$761,768	7.6%
7	Napier City	$900,777	3.7%
8	Hastings District	$928,728	5.8%
9	Palmerston North City	$775,816	2.0%
10	Wellington Region	$1,092,965	2.3%
11	Nelson City	$883,088	4.5%
12	Marlborough District	$744,700	5.0%
13	Christchurch City	$794,102	8.8%
14	Queenstown Lakes District	$1,599,524	1.7%
15	Dunedin City	$723,277	2.9%
16	Invercargill City	$490,350	4.2%
	New Zealand	**$1,063,765**	**6.1%**

Auckland

Property values continue to push skyward across the larger Auckland region, with the average home value increasing by 7.9% over the past three months.

The largest gains continue to be in Auckland’s southernmost territories – namely Papakura (10.1%) and Franklin (11.2%), where the average home values are now sitting at $1,112,811 and $1,071,834 respectively. Manukau experienced the next-highest quarterly growth rate at 9.4%, with Auckland city experiencing the smallest average home value rise at 6.3%.

In January alone, home values increased across the region by 0.9% on average – 2.1% less than December, and less than half as much as the same time last year.

Local QV registered valuer Hugh Robson said the market was showing clear signs of a slow down. “With inflation on the rise, and interest rates likely to increase as a result, the number of properties being passed in at auctions has increased in recent months, with many properties sitting on the market for much longer than they have previously," he said.

"After the very significant home value growth we saw last year, many vendors are now having to lower their high price expectations in order to sell. We are still waiting for more transactions to see a clearer picture but the trend certainly appears at this stage to be a cooling of home values across the Auckland region."

Northland

Home values remain relatively bullish in the Northland region.

Kaipara District's three-month rolling average home growth rate is 11.1%. The average home value there is now $919,243 – rapidly closing in on the $1m mark.

In the Far North, home values have increased by an average of 8% in three months – well above the national average of 6.1% – with Whangarei following closely behind on 7.7%.

Tauranga

Home values continued to push upward in Tauranga at a rate of 7.5% over the past three month period, with the average home now valued at $1,197,798.

QV property consultant Derek Turnwald said the numbers of viewers at open homes and auctions had dropped off noticeably, but properties were still selling "reasonably well". "Properties in the mid-to-high value range continue to sell fairly quickly, but the number of prospective buyers looking to purchase has decreased, with those who are actively looking to buy being in a better position to negotiate with vendors than they have been in previous months," he said.

"Bank lending continues to be tightened, which has made it tougher for first-home buyers and people 55 years and older to get lending approved. This is having a dampening effect on value growth, as has been the growing number of listings that have been coming on to the market. Vendors appear to be sensing a 'topping out' of the market and feel like now is the time to list."

Waikato

Home value growth slowed across the Waikato in January, but the region's three-monthly growth rate remains high at 7%.

The largest capital gains occurred this quarter in Hauraki District (12.6%), Thames-Coromandel (10.8%) and Taupo (9.6%). In the region's largest city, Hamilton, home values increased at an average rate of 4.1% – down on the 6.9% growth rate that we reported last month.

In January alone, Hamilton home values actually decreased by 0.1% – small enough to have little or no discernible impact on sale prices, but statistically very significant given the city's rapid home value growth over the past 12 months.

Rotorua

Rotorua home values have grown by an average of 4.5% over the three months to the end of January 2022, with the average now sitting at $753,766.

QV property consultant Derek Turnwald said local real estate agents and valuers had witnessed a decreasing number of participants at auctions and open homes in recent months, with buyers also able to negotiate more with vendors than they have been able to previously.

“First-home buyers are finding it very difficult to get finance. Loan applications are being scrutinised much more than previously. This is having a substantial impact on lending availability, particularly for first-home buyers and those buyers nearing retirement – even if they have large deposits,” he said.

“Prospective buyer enquiries are still reasonable overall, but there is a sense that the market is shifting to slightly favour buyers a little more. Buyers have less competition and less time pressure in making decisions now, so they are negotiating more than they have been able to recently. Vendor expectations are also shifting and there is a sense that the market is nearing a plateau and that now is a good time to sell.”

He said there remained a lot of uncertainty in the community due to the new omicron variant of COVID-19. “The CBD is noticeably quieter than usual, which may also be due to rising prices – people have less available money to spend as a result of inflation.”

Taranaki

Taranaki’s residential property market continues to tick along at a rapid rate of home value growth.

In the three months to the end of January 2022, home values in New Plymouth increased at a rate of 7.6% to a new average of $761,768. It’s slightly down on the 8.4% we reported last month.

Meanwhile, home values increased by a resounding 12% this quarter in South Taranaki, and 4.2% in neighbouring Stratford District.

Local QV registered valuer Danny Grace commented: “The Taranaki market has continued to be very active over summer, with agents, mortgage brokers and bank lenders in the region all reporting to be very busy at present – across all property categories.”

“There are still low levels of stock on the market overall, but they are predicted to improve throughout the year. Although there is speculation that these factors will cause market levels to level off and perhaps drop, we haven’t yet seen any evidence of this. But we have observed that buyers are being more cautious now and have been less driven by a ‘fear of missing out’ and more concerned about paying too much.”

Hawke’s Bay

Residential property values continue to climb across the Hawke’s Bay region, albeit at a slower pace than recently reported highs.

Both Napier and Hastings experienced less growth in the three months to the end of January, than the three months to the end of December − though their respective home value growth rates of 3.7% and 5.8% are still relatively high. The average value of a home in Napier topped $900,000 for the first time ($900,777) in January, with Hastings ($928,728) continuing to chase down the $1m mark.

Local QV registered valuer Damien Hall commented: “January is usually a quieter month, given that most places shut down and people are off on holiday during the first part of it. The next month or two will show how much impact increased interest rates, lending restrictions and the increasing number of property listings will actually have on growth.”

Meanwhile, home values in Wairoa District and Central Hawke’s Bay District increased by an average of 4.4% and 1.2% this quarter respectively.

Palmerston North

Palmerston North’s rate of home value growth has eased into 2022.

The city's three-monthly average rate of home value growth was precisely 2% over the latest quarter, a small drop from the 2.7% we reported in last month's QV House Price Index. In January, home values increased by an average of 0.9% − the same rate as last month and a touch under the national average of 1%.

"The number of local real estate listings continues to increase, which is giving buyers more choice now. It looks as though this leveling of supply and demand is already having an effect on house prices," said local QV property consultant Olivia Roberts.

"Home values in the lower price brackets appear to be leading the way, with a distinct reduction in value growth, especially compared to more-expensive homes further up the property ladder."

Wellington

Home value growth has generally cooled across the greater Wellington region, with values increasing by an average of 0.6% in January 2022 − considerably less than the 2.6% we recorded way back in January 2021.

The region's three-monthly rate of home value growth has also reduced from 3.2% last month to 2.3% this month, with the greatest gains again occurring in Upper Hutt (6.8%) and Porirua (4.3%). These are the only two Wellington districts that saw more home value growth during this three-month period than last.

In Wellington city, home values have grown by an average of 1.6% over the past three months (down from the 2% we reported last month), while Hutt City has experienced two small monthly home value reductions in two months, bringing its three-monthly average down from 3.5% last month to just 0.7% at the end of January.

Local QV senior consultant Blake Ngarimu commented: "The market has slowed and open home attendance continues to decline, particularly at the lower end of the market, which is a clear indication that the higher interest rates and tougher lending conditions imposed in 2021 are having an impact on the market. There has been a significant increase in listings, giving buyers more options but also indicating to vendors that longer agency periods may be required."

"Reports also indicate less investors are looking to purchase and more inclined to sell due to the disincentives imposed in 2021, potentially adding more stock on the market," Mr Ngarimu added.

He said the signs were pointing towards "a more balanced and stable market for 2022". "However, February and March have historically been the most active months for the property market and will be a clear indication on where the market is heading for the remainder of 2022."

Nelson

Nelson's rate of home value growth took a small hit in January, with values dropping by 0.35% for the month. However, the city's three-monthly rate of value growth remains at 4.5%, with the average home value now sitting at $883,088.

Local QV senior property consultant Craig Russell commented: "First-home buyers have been less active as increased interest rates and tighter lending criteria make it more difficult for them to get on the property ladder. Listing numbers have also continued to increase, which has alleviated price pressure to some degree."

He said the scarcity of land supply in Nelson continued to be a driver of residential values with strong prices achieved in recent releases of new subdivisions. "A number of properties are still receiving multiple offers, but on the flip side we are seeing a number of properties sit on the market for an extended period where vendor price expectations are not aligning with the market."

Canterbury

Home values continue to grow at a rapid rate in Canterbury − albeit at a somewhat reduced rate for the third month in a row.

The latest QV House Price Index shows the region's monthly rate of average growth dropped from 4% in November, to 2.8% in December, and now 1.4% in January, with the three-monthly average also dipping from 11.7% to 8.5% over the same period of time.

It's a similar story in the Garden City, where the monthly rate of home value growth has dropped from 4.5% in November, to 2.7% in December, and now 1.4% in January. The city's three-monthly rolling average home value growth rate has dropped from 12.7% to 8.8% in that time.

But local QV property consultant Olivia Brownie warned it was far too early to say whether this would be a longer-term trend. "January is often a difficult time to gauge activity in the market − particularly in the first half of the month with less transactions with many vendors, agents and developers taking their summer holidays. February and March will give us a much clearer picture."

Dunedin

Dunedin's residential property market has kicked off 2022 with a whimper rather than a bang.

The average home value saw a modest decline in January of 0.4%, which helped to drag down the city's rolling three-month average value growth from the 5.3% we reported last month to 2.9% this month.

Only Dunedin North (0.3%) and Dunedin Taieri (0.4%) recorded modest value gains during the month of January, with all other areas posting small drops in average value.

National revaluation manager Tim Gibson commented: "The market has slowed as higher interest rates and tougher lending conditions have begun to bite. There has also been a noticeable increase in residential listings, which has reduced some price pressure.

"But it's still too early to say whether this is part of a long-term trend. We'll have a clearer picture in February and March, as they tend to be busier months."

Queenstown

Queenstown home values have increased by just 1.7% in the three months to the end of January 2022, with the tourist town posting a small decline of -1.3% in January following two months of only modest home value growth on average.

QV property consultant Greg Simpson commented: "Banks have now tightened up on assessment of incomes, and especially expenses, with the commencement of the Credit Contracts and Consumer Finance Act. Since it came into effect, there has been increased difficulty in trying to secure mortgages which is making borrowers consider the second-tier option for non-bank lending.

"Overall there has been strong restraint applied to the housing market from tightening these credit conditions."

Invercargill

Home value growth has eased into the New Year in Invercargill at a rate of 4.2% over the last three months − down from the 5.7% we reported last month and well below the national average of 6.1%.

At $490,350, the average home value in New Zealand's southernmost city is now just short of the $500,000 mark, and less than half the national average ($1,063,765).

Local QV registered valuer Andrew Ronald commented: "While there is generally strong demand throughout the city, many buyers are experiencing difficulties in obtaining suitable finance. This, together with increasing interest rates and uncertainty surrounding COVID-19, is having a dampening effect on the market."

"Supply has also increased over recent months creating less competition amongst buyers," he added.

Ends