Media Release

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National average drops below $1m as downturn bites across New Zealand

The QV House Price Index for July shows the housing market correction is beginning to bite across most of New Zealand, with rising interest rates, credit constraints and inflationary pressures causing the national average home value to drop below $1,000,000 for the first time since September 2021.

The average home decreased in value by 4.9% nationally over the past three-month period to the end of July, with the average value nationally now sitting at $989,790. In the Auckland region, the average value now sits at $1,410,163, falling 5.5% over the last three-month period, but it is in the Wellington region where the residential property downturn is hitting the hardest. The average value in Wellington city is down almost 11% over the quarter.

QV Operations Manager Paul McCorry commented: “The reduction in annual growth across the country is staggering. The almost 30% national growth we were reporting at the turn of the year is now down to just 4%, and that is only half the story. Locations such as Wellington, Palmerston North and Dunedin, which saw such meteoric increases in mid to late 2021, have had those capital gains wiped out and are now into negative growth over 12 months – the first time in a decade this has happened in Dunedin.”

Wellington city is leading the charge, where in real terms, the average home value has dropped by more than $130,000 in only a quarter. It is not just confined to the city either – suburban areas such as the Hutt Valley and Porirua have also seen values drop between 7-9% over the last three months.

“While those numbers seem jaw dropping, it’s no surprise that the areas that saw the fastest gains towards the peak at the end of 2021 are now seeing the sharpest declines. One of the few exceptions is Christchurch, which had seen almost 40% annual growth by the later months of 2021, but is now only seeing relatively moderate declines of 3.4% for the quarter,” Mr McCorry said.

A symptom of the last major market correction, the Global Financial Crisis (GFC) in 2008, was high volumes of mortgagee transactions, but Mr McCorry speculated that such a widespread trend was unlikely to occur in the current market.

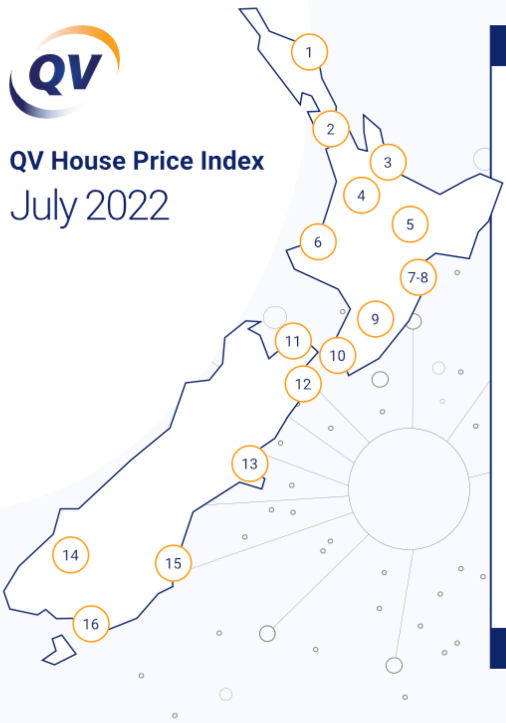
“Following the GFC, mortgagee sales were common as job security was weakened and serviceability became an issue. If there were a lot of mortgagee sales, this current market correction could well tumble into a crash. But the most recent unemployment statistics, nudging up only marginally to 3.3%, demonstrates just how tight the labour market is, which is also supporting some wage growth. So unless there is a dramatic shift in unemployment, it seems improbable that this will happen in 2022, even with higher interest rates."

In addition to a strong labour market, he said Loan-to-Value (LVR) ratios were now performing as they had been designed to. "Stringent LVR restrictions were much maligned by first-home buyers over the last few years but the insulation blanket of a 20% deposit required by the Reserve Bank is now serving its purpose," Mr McCorry added.

Meanwhile, Queenstown-Lakes District remains an outlier as the only one of the 16 major centres QV monitors that has had positive growth over the last three months, albeit only just at 0.2%. Mr McCorry suggested that the region would continue to buck the trend: "With the complete removal of all border restrictions as of the end of July, the obvious benefactor will be the tourist capital of the country. With increased tourism, the demand for accommodation for hospitality and tourism workers will return, which could be a boost for property investors in the region, as well as breathing some much needed air back into the local economy."

"Now how we track nationally over the next three months will largely depend on the Reserve Bank announcement on the OCR later this month. We've seen four successive 50 basis point increases since February and little sign of an arrest in the rate of inflation – any further increases will only fan the flames of this correction further," he added.

QV House Price Index
July 2022



	Area	Average value	3 mth change
1	Whangarei District	$821,644	-3.5%
2	Auckland Region	$1,410,163	-5.5%
3	Tauranga City	$1,134,808	-4.9%
4	Hamilton City	$858,401	-4.1%
5	Rotorua District	$707,122	-4.8%
6	New Plymouth District	$742,935	-2.0%
7	Napier City	$834,305	-7.2%
8	Hastings District	$868,055	-3.3%
9	Palmerston North City	$702,066	-4.3%
10	Wellington Region	$960,004	-8.9%
11	Nelson City	$839,432	-3.5%
12	Marlborough District	$747,102	-3.0%
13	Christchurch City	$774,566	-3.4%
14	Queenstown Lakes District	$1,652,464	0.2%
15	Dunedin City	$659,950	-5.5%
16	Invercargill City	$482,263	-2.7%
	New Zealand	**$989,790**	**-4.9%**

Auckland

Auckland home values have dropped by an average of 7.7% across the first seven months of 2022 – including 5.5% in the most recent quarter.

It marks the fifth month in a row of increasingly negative home value growth, with all districts once again posting a loss this quarter. Property values in Waitakere saw the biggest decline (-6.2%), followed by Auckland's central suburbs (-6%), North Shore (-5.3%), Franklin (-5.1%) and Manukau (-4.8%).

The average home value across the wider Auckland region is now $1,410,163 – just 4.3% higher than the same time last year – with properties within the former Auckland City territorial authority now recording a negative annual growth rate of 0.6% on average. Home values in Franklin (12.4%), Papakura (10.4%) and Rodney (10.1%) are still showing annual growth in double figures.

Local QV valuer Hugh Robson commented: "What we're seeing is a continued slowdown of the market in Auckland. FOMO is long gone – buyers are being more cautious, doing more research, checking things out and comparing properties to each other. There are now more properties on the market advertised with actual asking prices, which is a sign that vendors are recognising the fact that the market has turned in favour of buyers."

"There are still a lot of new-build developments under construction right across the city. It will be interesting to see how they sell as they come onto the market over the next 3-6 months," Mr Robson added.

Northland

Residential property values have declined by an average of 4.8% this quarter in Northland.

Across the top of the North Island, properties in the Far North saw the biggest average declines at 6.5% for the quarter. Kaipara wasn't far behind with an average home value reduction of 6%, with Whangarei property values holding up relatively better but still falling 3.5% since the end of April.

Across the region, home values are still 12.2% higher on average than they were at the same time last year – down from the 15% annual home value growth we reported in last month's QV House Price Index.

Tauranga

Home values have dropped by an average of 4.9% in Tauranga this quarter – the same rate of reduction as the national average.

It's a marginal increase from the quarterly rate of negative home value growth we reported for June (-3.5%), with the average home value now sitting at $1,134,808 – well above the national average ($989,790). Values are still 8.5% higher on average than at the same time last year.

QV property consultant Derek Turnwald commented: "WIth high inflation and the rising cost of living, prospective purchasers are taking much longer to deliberate over purchasers, holding off until they find the perfect property or a vendor who is willing to negotiate. Though the market remains largely subdued at present, first-home buyers are beginning to show some renewed enthusiasm, but for most it's a struggle to save a large enough deposit."

"Considering the current degree of economic volatility, it seems unlikely that prices will stabilise in the short term," he added. In the meantime, "low population growth and a loss of young people overseas now the borders are open might allow the supply of dwellings to catch up with demand".

Waikato

The downturn continues to gather pace across the Waikato region – with just two districts showing very modest home value growth this quarter.

Otorohanga (0.8%) and Matamata-Piako District (0.1%) were the lone exceptions to a general downward trend that has seen home values reduce by an average of 3.1% across the region since the end of April. The biggest reductions this quarter have been recorded in South Waikato (-6%), Waitomo (-4.3%) and Hamilton (-4.1%).

The average home value in Hamilton is now $858,401, which is 6.8% lower, or $144,717 less in dollar terms, than at the start of this calendar year. It remains 2.9% higher than the same time last year, with negative annual home value growth looking likely in the coming weeks or months.

QV registered valuer Tom Schicker commented: “The market continues to transition from a sellers’ market to a buyers’ one, with more stock becoming available in a slowing, volatile market. Interest rates are continuing to increase with further increases to the OCR likely for the remainder of 2022. With uncertainty in the market and the ‘fear of missing out’ among buyers long gone, buyers are continuing to be cautious and selling periods are reportedly becoming longer as a result.”

Rotorua

The average home value has declined by 4.8% this quarter in Rotorua to $707,122.

Values have declined by an average of 5.4% throughout the first seven months of 2022, but remain 3.4% higher than the same time last year – though QV property consultant Derek Turnwald pointed out that interest rates are also around 3% higher than the same time last year, “which represents a fairly rapid rise”.

“Generally there are very high levels of uncertainty among New Zealanders at the present time. Rising costs, rising interest rates, overseas conflict and the COVID situation have meant that confidence in the future economy and the housing market are low at present,” he said. “Demand for residential property remains subdued as a result.”

“Fear of paying too much (FOOP) is still strong among prospective buyers. With supply outweighing demand, they are now feeling less pressure and are able to negotiate with vendors, who are being forced to lower their expectations if they wish to meet the market.”

“Investors appear to be holding off from selling investment property despite rising interest rates and also appear to be resistant to raising rents particularly if they are satisfied with their existing tenants – as it is becoming harder to attract quality long-term tenants in many areas,” Mr Turnwald added.

Taranaki

Home values have dipped by an average of 2.7% in Taranaki this quarter, with the region’s rolling three-month rate of reduction increasing from 0.6%.

In New Plymouth, home values have reduced by 2% since the end of April to an average of $742,935, but they remain 11.7% higher on average than the same time last year. That annual growth rate is considerably higher than the national average, which is 4%, down from 7.2% last month.

In neighbouring Stratford and South Taranaki, home values have fallen by an average of 4.8% and 5.8% this quarter respectively.

Hawke’s Bay

Home values continue to trend downward across the Hawke’s Bay region, as they do throughout much of the country.

The latest QV figures show negative home value growth of 7.4% and 6.5% over the last six month period in Napier and Hastings respectively, with the average home value in these twin cities also sitting at $834,305 and $868,055 respectively.

Local QV registered valuer Damien Hall commented: “While the number of listings has increased, activity has declined – although some agents have reported a rise in interest over the past couple of weeks. Vendor expectations remain high, and as a result, we are seeing extended selling periods and a lot of price adjustments."

"The traditional lower valued areas have seen the biggest decline so far. On the other hand, while there is still some interest and a number of cash buyers in the upper end of the market, values have started to cool," Mr Hall added.

Palmerston North

The average home value in Palmerston North looks likely to dip below the $700,000 mark in the coming weeks.

Values have fallen by an average of 8.7% throughout the first seven months of this year, including 4.3% in the July quarter, with the average home value now sitting at $702,066. That figure is now 4.3% lower than at the same time last year.

Local QV senior property consultant Olivia Betts commented: "We're continuing to see a correction cycle in the Palmerston North market, with a consistent negative pattern. The cost of borrowing is making it more difficult for buyers, even with sale prices reducing. It's likely to get more difficult, with interest rates speculated to keep on increasing in the short to medium term."

Wellington

Wellington's residential property downturn continues to snowball, with home values declining for the sixth straight month.

Home values have declined across the wider region by an average of 12.2% over the last six months, with the rate of reduction escalating in recent months – from a drop of 1.6% in April, to 2.4% in May, 2.8% in June, and now 4% in July.

The biggest reductions in this time have occurred in Upper Hutt, where the average home value has dropped 14.9% in six months to $834,619. But all districts across the wider Wellington region except Kapiti Coast (-8.4%) are showing double-digit drops over the past six months.

Local QV registered valuer Blake Ngarimu commented: "Lower value suburbs are being hit the hardest by this property downturn, largely due to the fact that so many potential buyers are struggling to obtain finance. However, it is also creating good opportunities for buyers who do have the finance available to get into the market now."

He said listings remained high across the Wellington region, with open homes generally quiet. "Asking prices on listings are a new norm with homes priced to sell. While sale volumes undoubtedly remain low, deals are still continuing to be settled – albeit at a much slower rate than we've seen in recent years – with vendors having to be realistic in order to achieve a result. We're also seeing less interest now in off-plan purchases with the state of the property market still uncertain."

Nelson

Home values have fallen for the fourth straight month in Nelson.

The latest QV House Price Index shows the average home value went down by 3.5% in the July quarter to $839,432. That figure is still 5.2% higher than the same time last year, which is marginally higher than the national average (4%) but significantly lower than the city's annual rate of home value growth at the turn of the New Year, which was 23.8%.

“The largest fall in values is at the lower end of the market, with rising interest rates and a withdrawal of investors resulting in weak sale prices,” said local QV property consultant Steve Russ. “The number of properties available for sale has more than doubled compared to 12 months ago, and vendors who have been on the market for a few months are now beginning to reduce their prices in order to attract interest from buyers.”

He pointed out that two properties in the Cathedral/CBD areas had recently sold for significantly less than their rateable values of more than $1.5m. “This may be an indication that even this part of the market is beginning to come under pressure now.”

West Coast

It was a mixed bag on the West Coast last month, with the latest QV figures showing a 5.8% decline in average home value for the quarter, but a slight increase for the month of July.

As a result, it remains one of just two regions across New Zealand to record net positive home value growth over the first seven months of 2022, alongside Canterbury, with values up 1.6% since the start of the calendar year – a stark contrast to the national average, which is a 6% loss over the same period.

Annually, home values also remain significantly higher than the national average of positive 4%, with Westland District (17.4%) and Buller District (13.1%) still in double figures despite the downturn. Grey District isn’t far behind on 9.6% average home value growth since the same time last year.

Local QV registered valuer David Shaw commented: “The volume of sales in the region has reduced significantly, which is causing these statistics to fluctuate month to month. Despite the downturn, there have been sales in the higher-value range, with recent vacant land sales throughout the West Coast region also indicating a significant increase in value levels.”

“Agents report that buyer inquiry is still steady and there is still a lack of quality listings in some locations,” Mr Shaw added.

Canterbury

Just as July was the wettest month on record for Christchurch, economic pressures have had a similarly dampening effect on the city’s housing market.

Following a similar trend from the previous month, the latest QV House Price Index shows a monthly decline in average house values of 1.2% for the Garden City during July. This is reflected in a 3.4% quarterly decline, up from the 1.7% quarterly decline reported last month. The average house value now sits at $774,566, which is still 16.7% higher than the same time last year.

Local QV property consultant Olivia Brownie commented: “Sale activity has picked up slightly from last month in Christchurch, which can be attributed to seller’s expectations now meeting the market. The continuing increase of listings and softening market is affecting the lower end of the market more than the more expensive end of the market. This can be credited to the increase in borrowing costs for buyers.”

Meanwhile, home values have decreased by 3.6% this quarter in the Selwyn District, with the average value now sitting at $860,431. Annually, that figure is still 20.9% higher than the same time last year. Likewise, the Waimakariri District has posted a quarterly decline in house values of 2.5%, but the average home value remains 20.1% higher than the same time last year at $709,236.

“While Canterbury has remained more resilient than most regions, economic pressures have taken effect. The next few months are highly likely to be more of the same, until the market finds some stability once costs start increasing at a slower rate,” Miss Brownie added.

Dunedin

The average home value in Dunedin has recorded its first annual loss in more than a decade.

In the 12 months to the end of July 2022, the average Dunedin home value has declined in value by 2.6%, following a reduction of 9.1% over the first seven months of the year – including a 5.5% drop in the most recent quarter. It’s the first average annual loss QV has recorded in the city since September 2011.

Local QV registered valuer Rebecca Johnston commented: “Increasing interest rates related to the continued rise in the OCR, as well as rising inflation and building costs, are continuing to impact on demand for new and existing homes. These factors are causing a greater number of people to stay put in their current properties, rather than buying or selling.”

“Land sales continue to be low – though properties in desirable locations with harbour/coastal outlooks or in close proximity to the beach continue to hold up in value – with demand for ‘off-the-plan’ townhouses and apartments appearing to be stronger than completed builds for investors.”

Queenstown

Home values continue to hold up better in Queenstown than in most of New Zealand.

The latest QV House Price Index shows the average home increased in value locally by 0.2% this quarter to $1,652,464 – a stark contrast to the average 4.9% reduction across the country – with the average annual home value growth rate sitting at 15.1%.

QV property consultant Greg Simpson commented: “Market conditions remain highly changeable. We note that there is currently reduced sales volume but still positive value growth for residential property. The market for higher value property continues to perform well and we are also seeing the return of investors due to increasing rental returns for both long and short term investments.”

Invercargill

The residential property downturn appears to be marginally less severe in Invercargill than in much of the rest of the country.

The average home value has declined by 2.7% in the three months since the end of April to $482,263, while the national average home value has declined by 4.9% at the same time.

Annually, local home values are 7.3% higher on average than they were at the same time last year, which is also higher than the national average at 4%.

Provincial centres, North Island

The district of Wairoa (10.2%) has recorded the most average home value growth this quarter. It’s not even close in the North Island, with Otorohanga (0.8%) and Matamata-Piako District (0.1%) in second and third place respectively with only modest home value growth in the three months to the end of July 2022.

Provincial centres, South Island

In the South Island, the Mackenzie District (9.3%) leads all other provincial centres this quarter. That Hurunui (2.4%) and Ashburton (1.9%) are its closest competitors is a reflection of how widespread New Zealand's residential property downturn has become.

Ends