



Property market update

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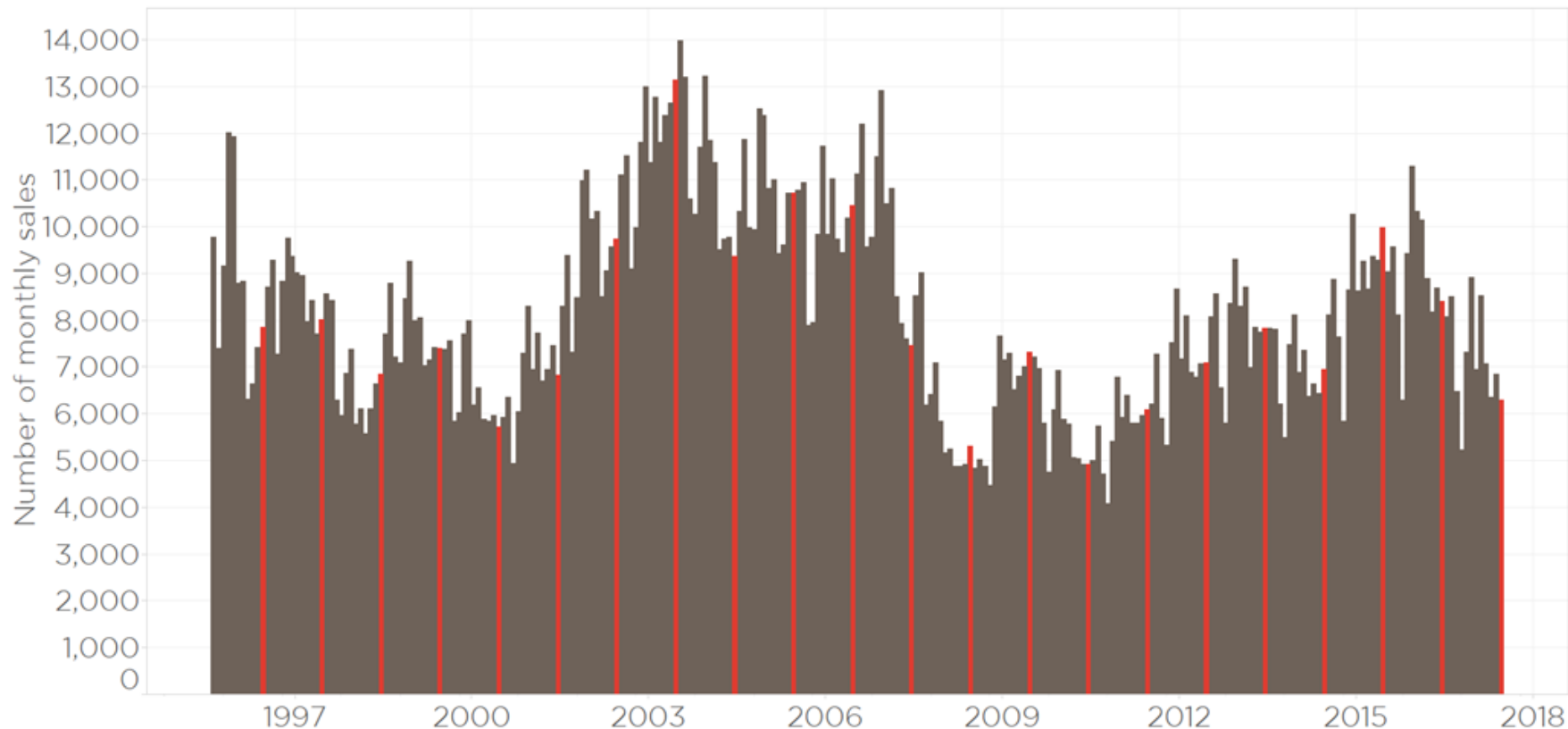
Where are we at?

Property Market not short of attention



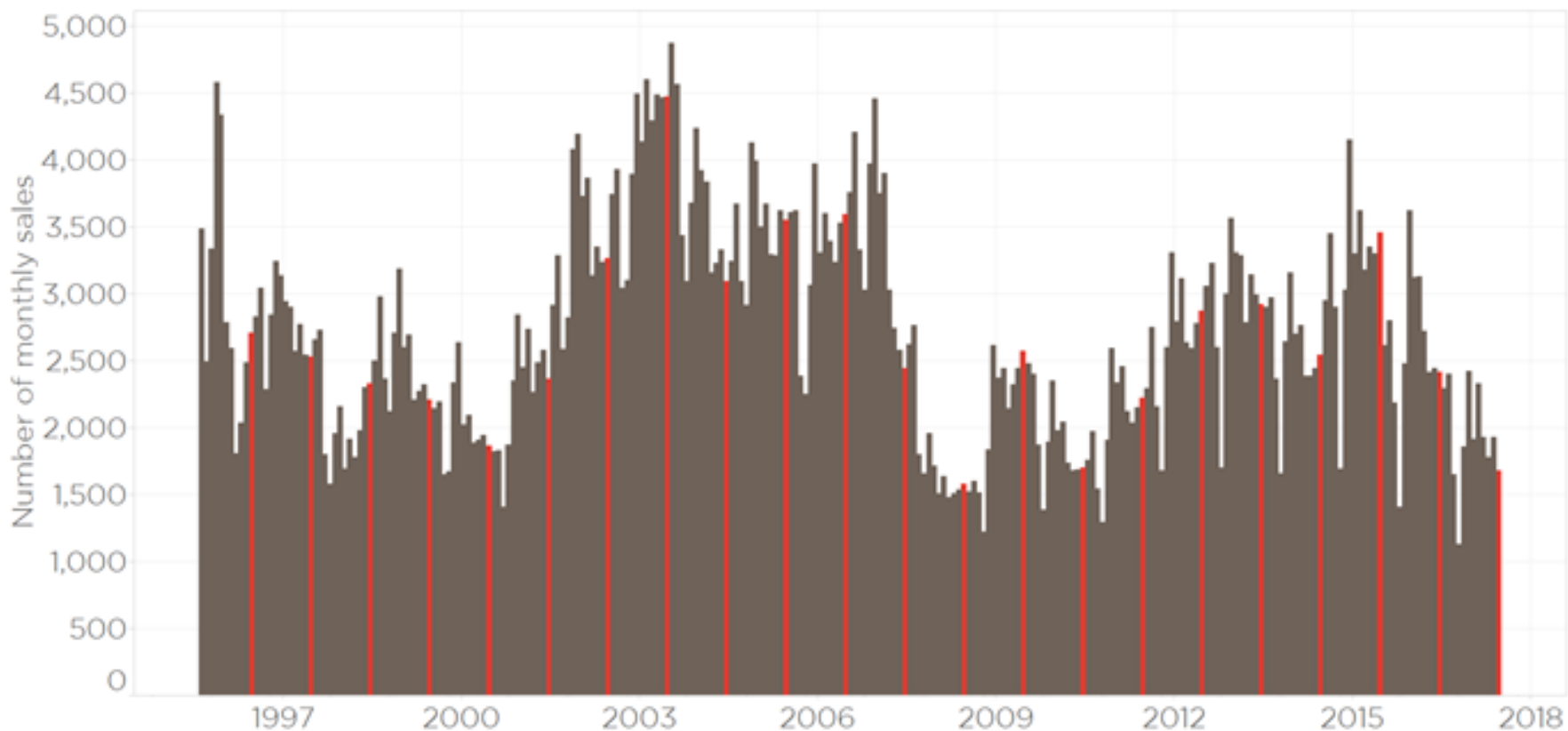
Significant drop away in sales volumes

Coming off a relative high two years ago

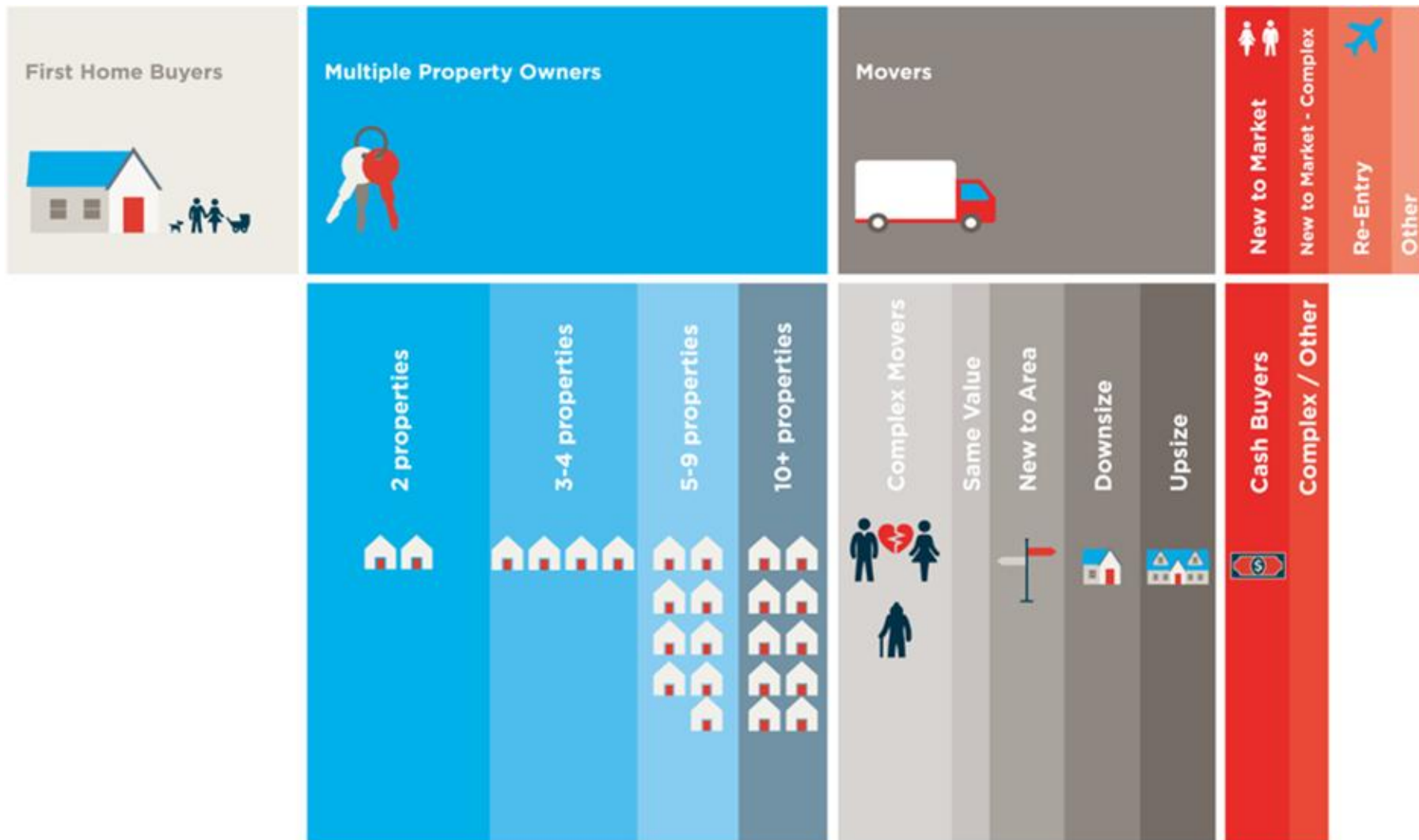


Drop away even greater in Auckland

Last month only slightly above GFC and early post-GFC times

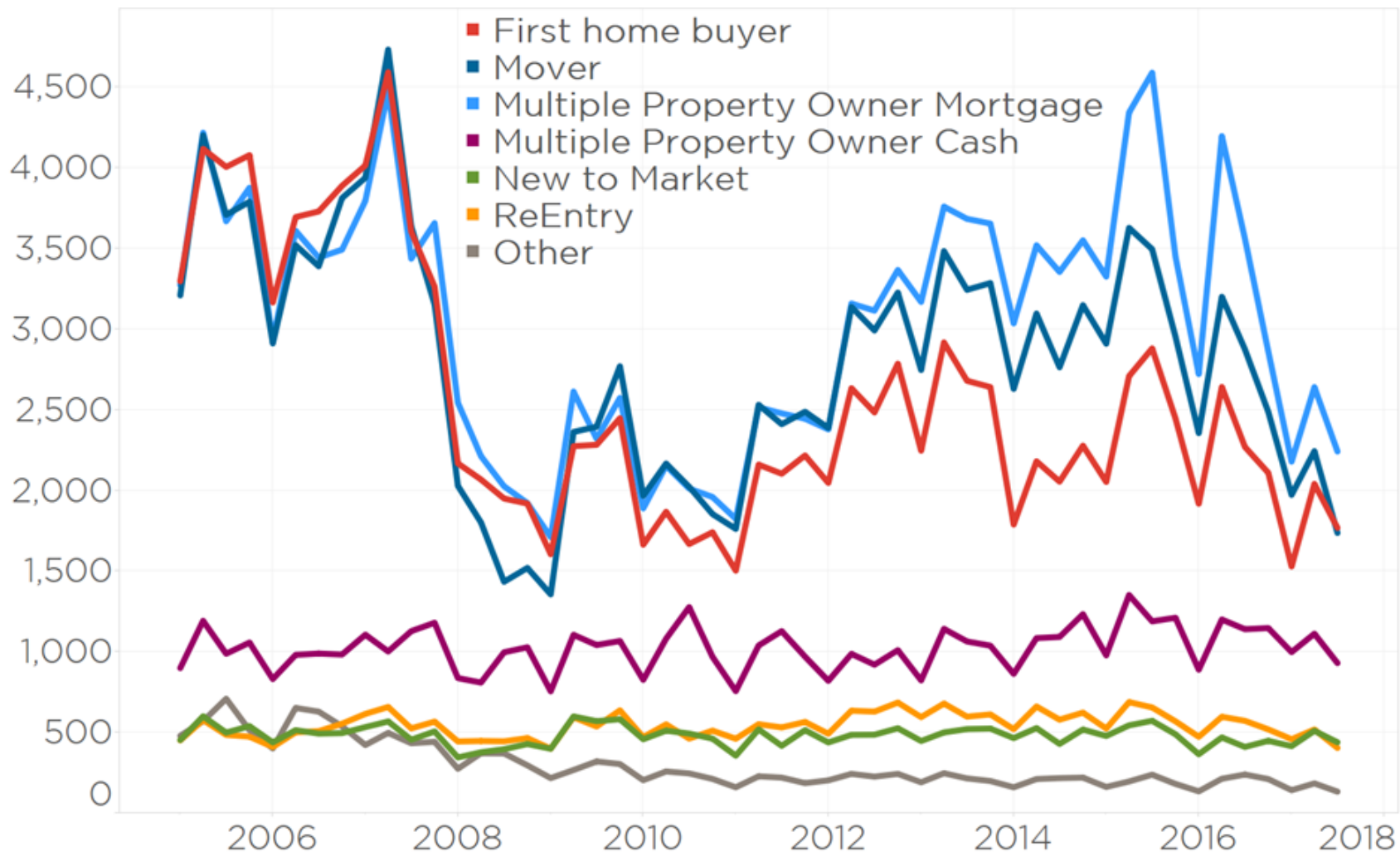


CoreLogic Buyer Classification



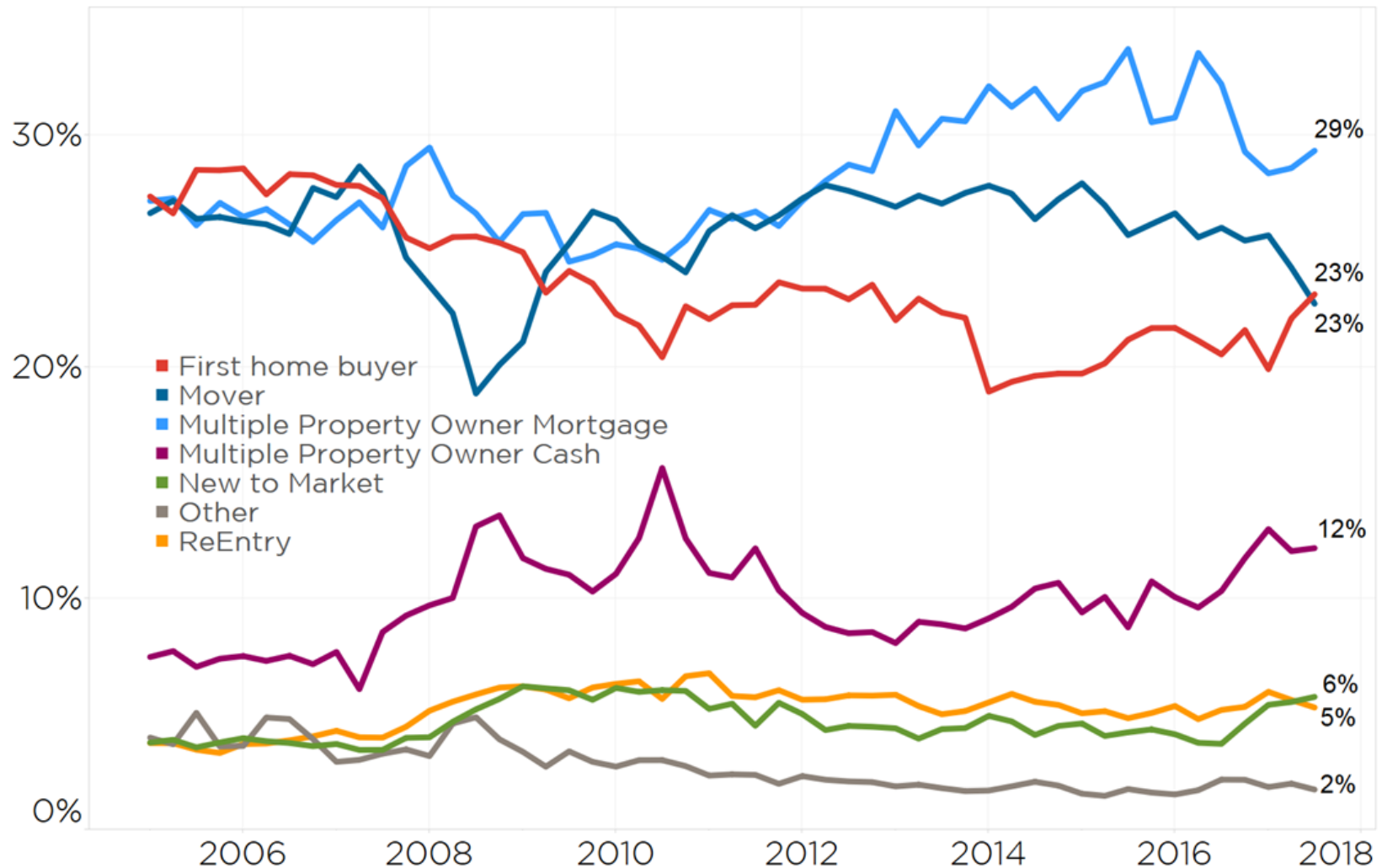
Impacting all buyer types requiring a mortgage

MPO cash unaffected by market forces



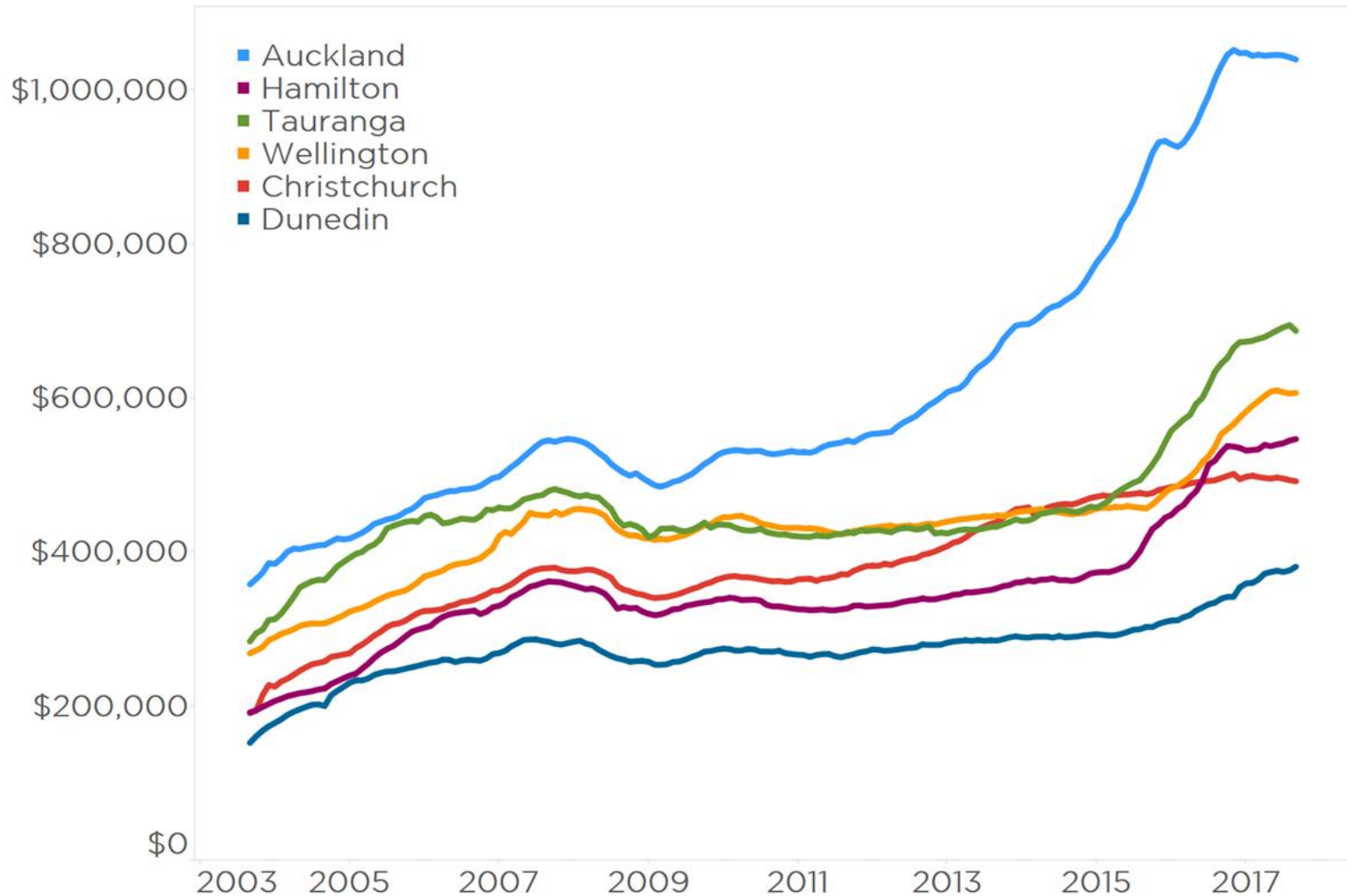
As a share, multiple property owners finding a new norm?

First home buyers continually strengthening – still need/want a home



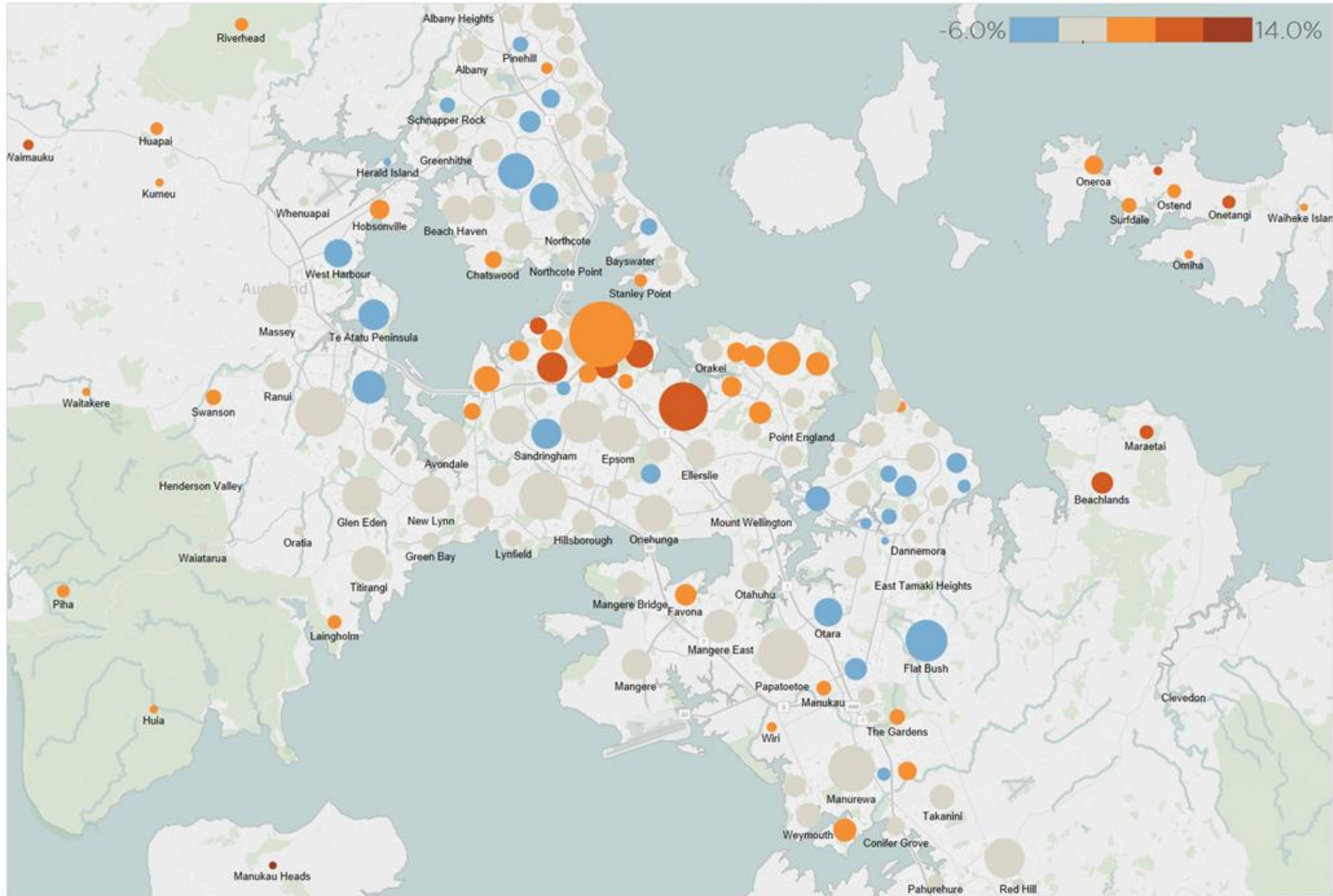
Of course that has meant a slowing in values

Especially in Auckland where affordability is so much worse.



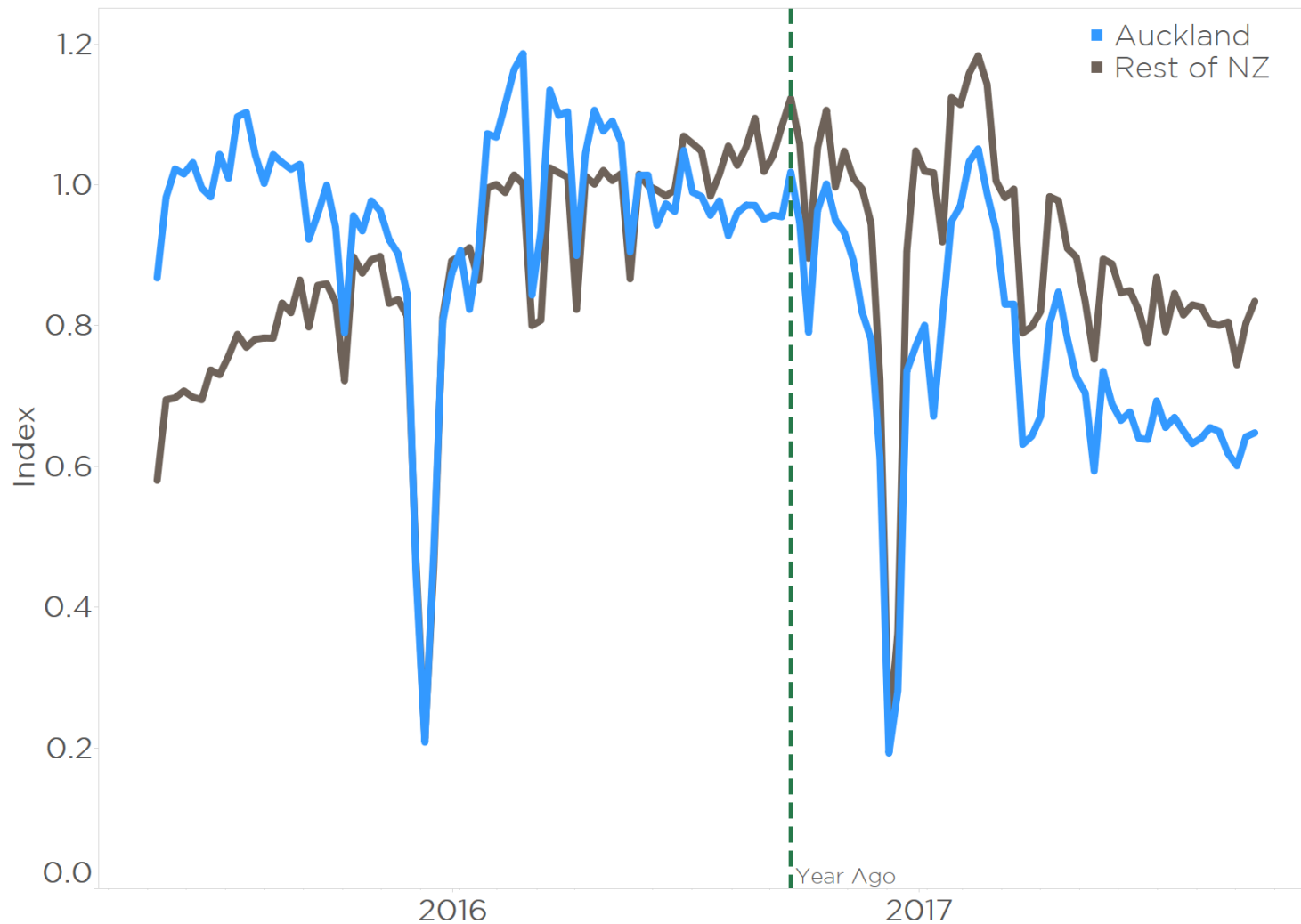
Inconsistent across the City

Central City faring better than the rest of the city



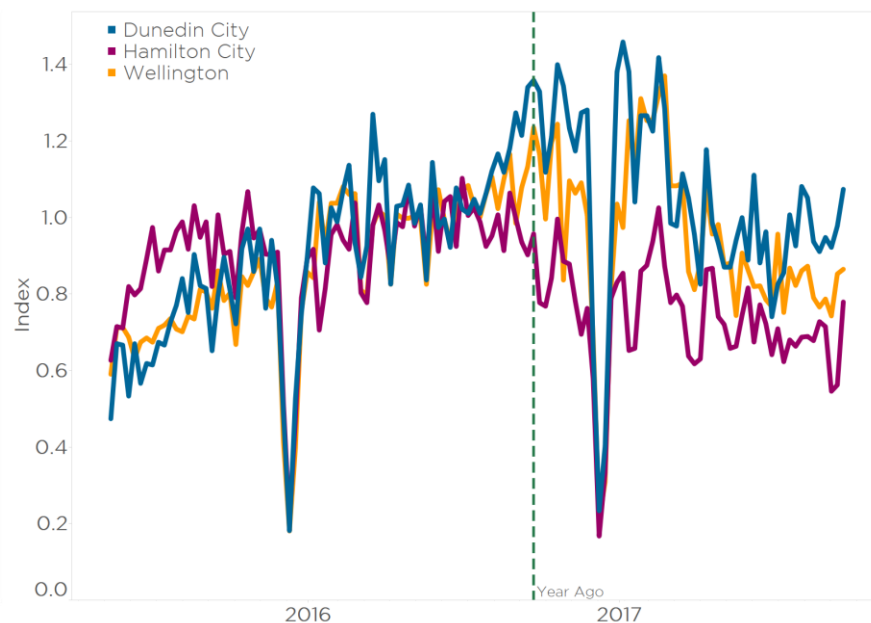
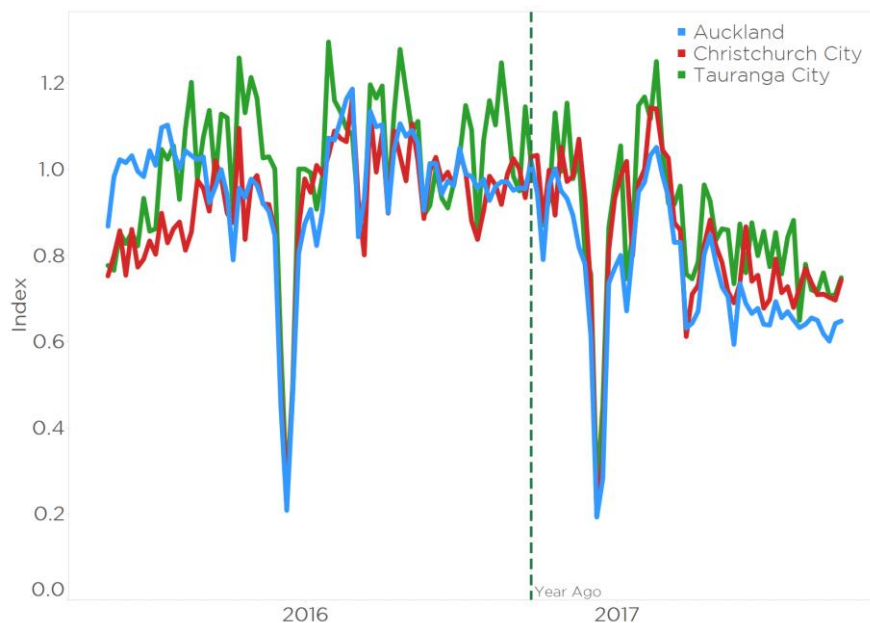
Delay in forming Government is prolonging uncertainty in the market

Weekly tracking of valuations ordered to support lending



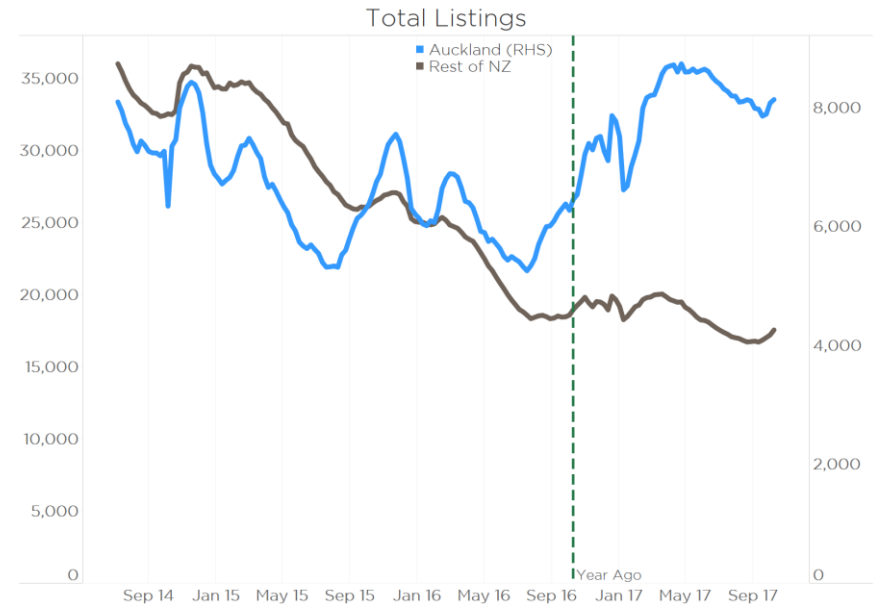
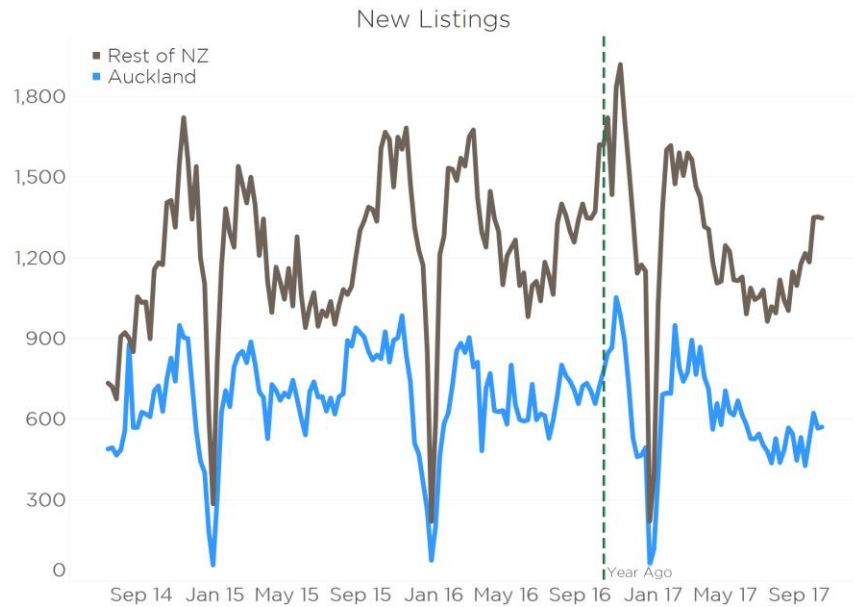
Mixed results across the main centres

A few signs of increased activity in Hamilton, Wellington and Dunedin



In those areas where demand improving, there is a lack of inventory

Price pressure likely to increase



Region	9 October 2017	Average latest 3	Change 1 month	Change 1 year	Change 2 year
Auckland	586	25%	-19%	-32.1%	13.0%
Waikato	209	25%	4%	-20.5%	13.0%
Bay Of Plenty	153	14%	-13%	-20.5%	13.0%
Wellington	163	7%	-21%	-14.2%	13.0%
Canterbury	327	22%	-15%	-14.2%	13.0%
Otago	85	26%	-20%	-14.2%	13.0%

Region	9 October 2017	Latest week	Change 1 month	Change 1 year	Change 2 year
Auckland	8,131	2%	26%	24.3%	24.3%
Waikato	2,615	10%	12%	-23.6%	-23.6%
Bay Of Pl..	1,733	3%	8%	-8%	-47.9%
Wellingt..	1,385	8%	8%	-2%	-47.9%
Canterbu..	4,270	8%	8%	-2%	-47.9%
Otago	891	7%	-24%	-53.8%	-53.8%

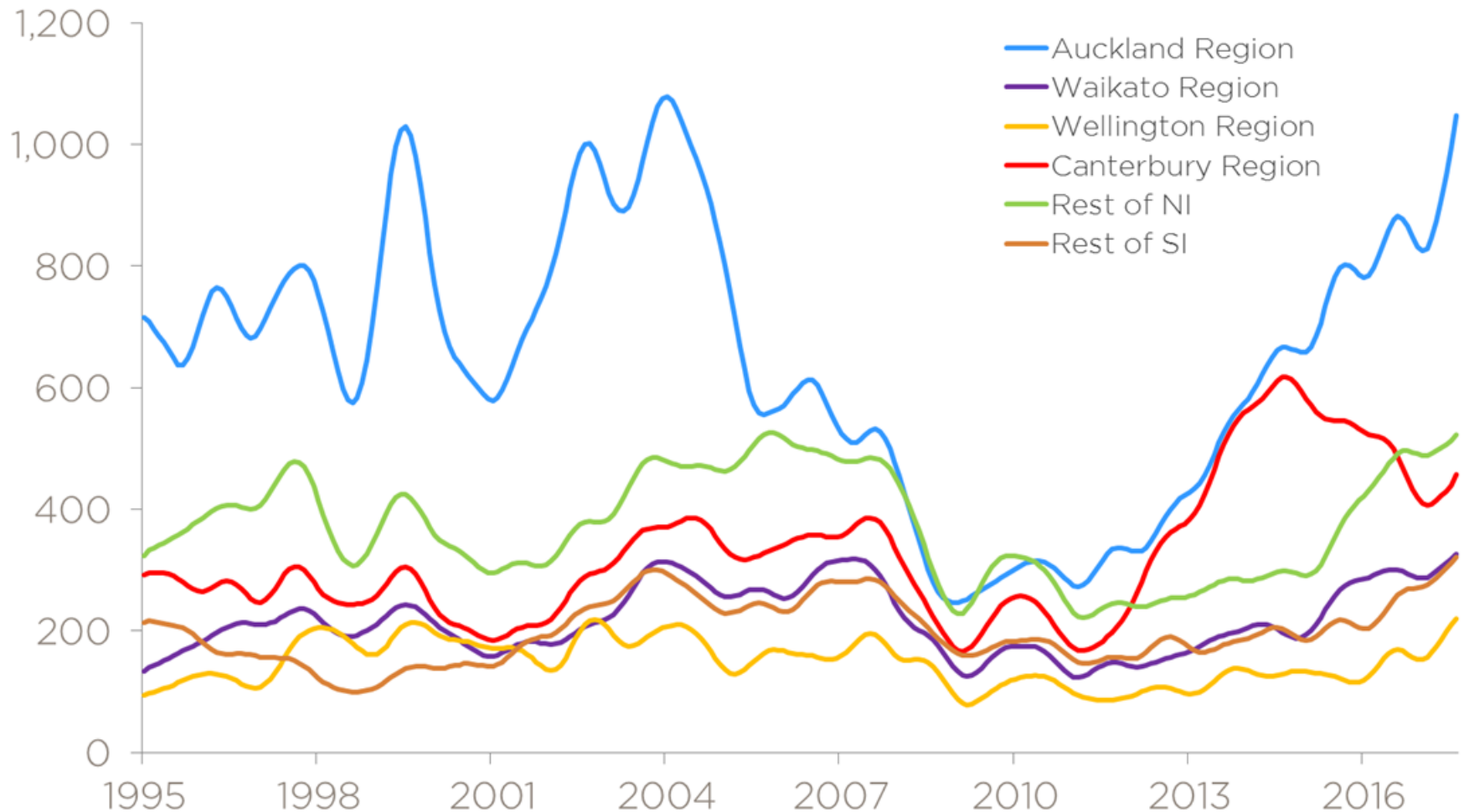
What to expect post-Election

Still don't know who will form the Government!



Both parties have policies to target supply issues

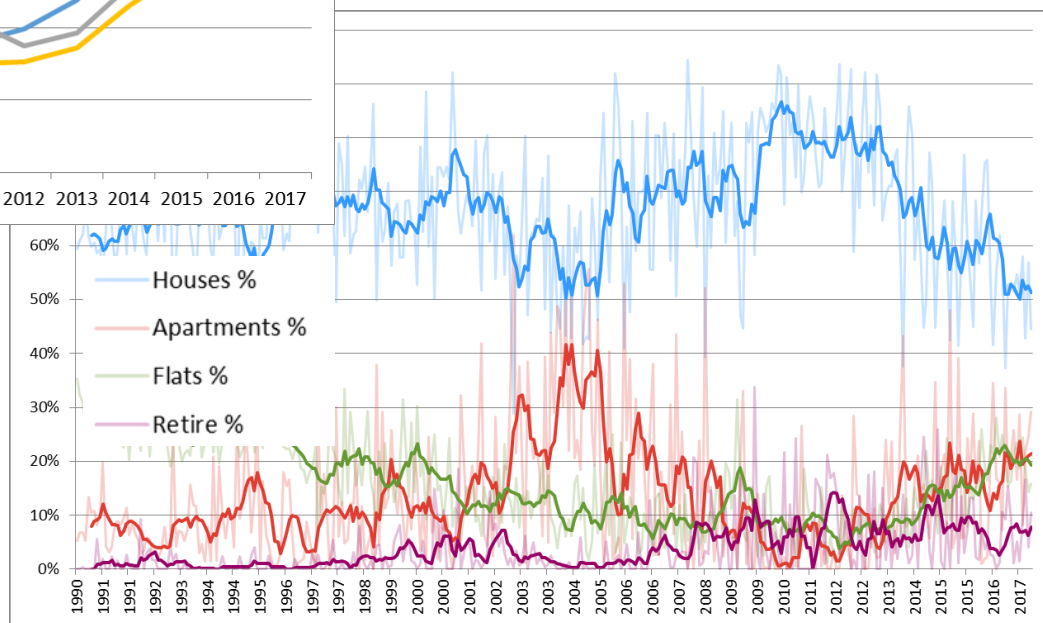
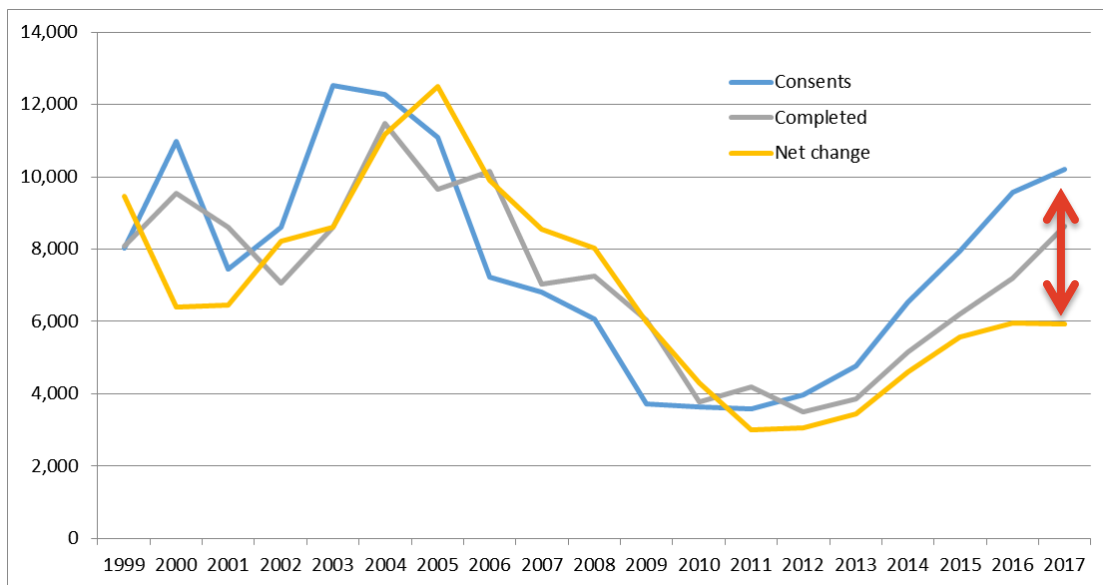
And we've seen an uplift in Building Consents, but...



Source: StatsNZ

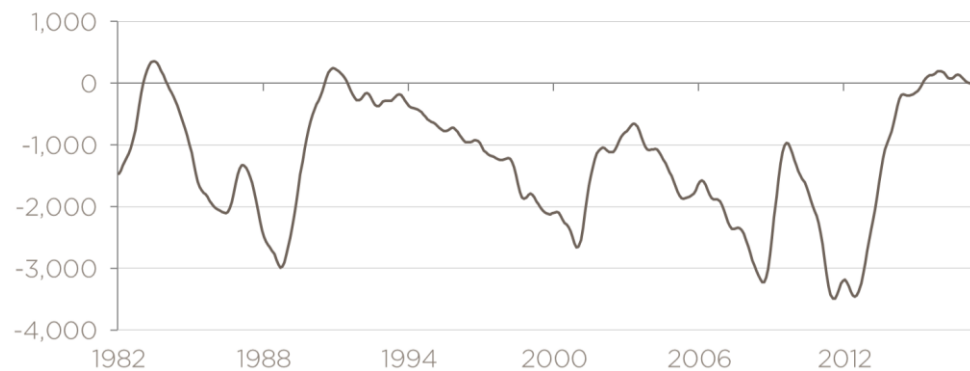
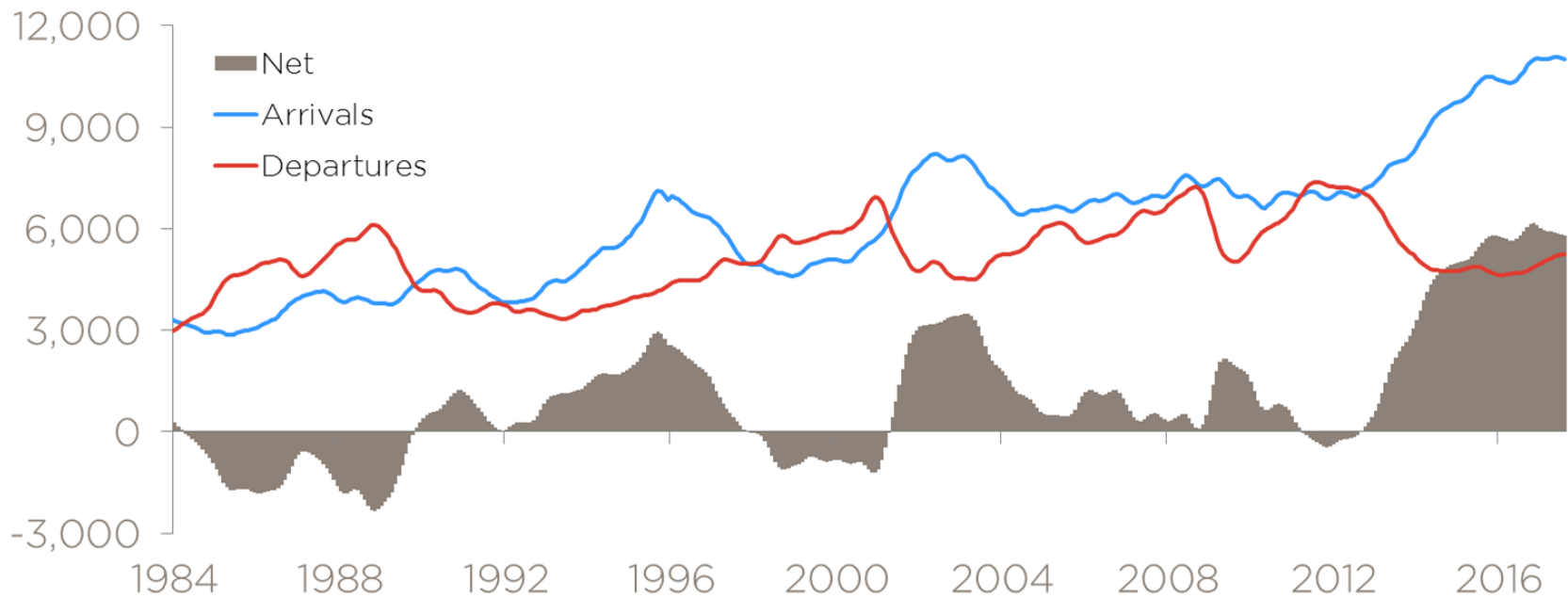
What is the actual increase to stock?

Stats NZ consent completed series & CoreLogic total dwellings, including net change series (both experimental)



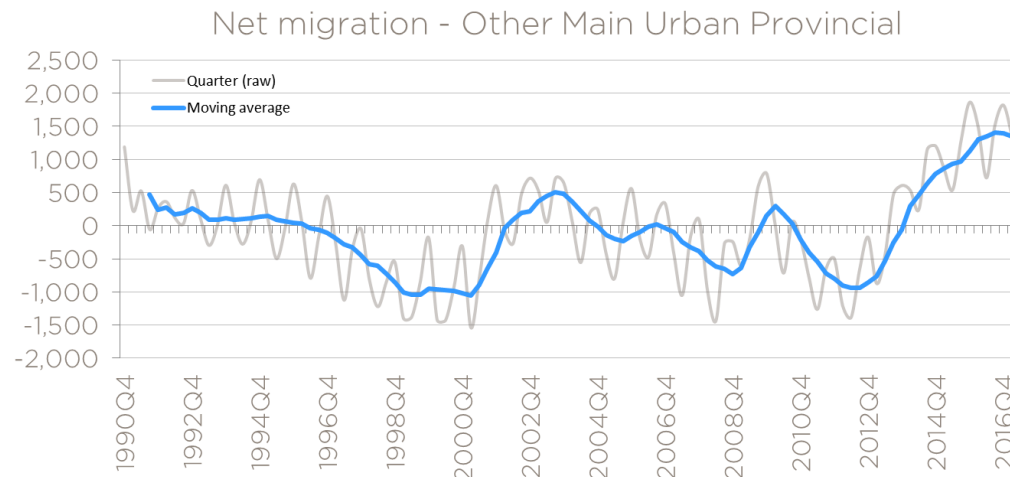
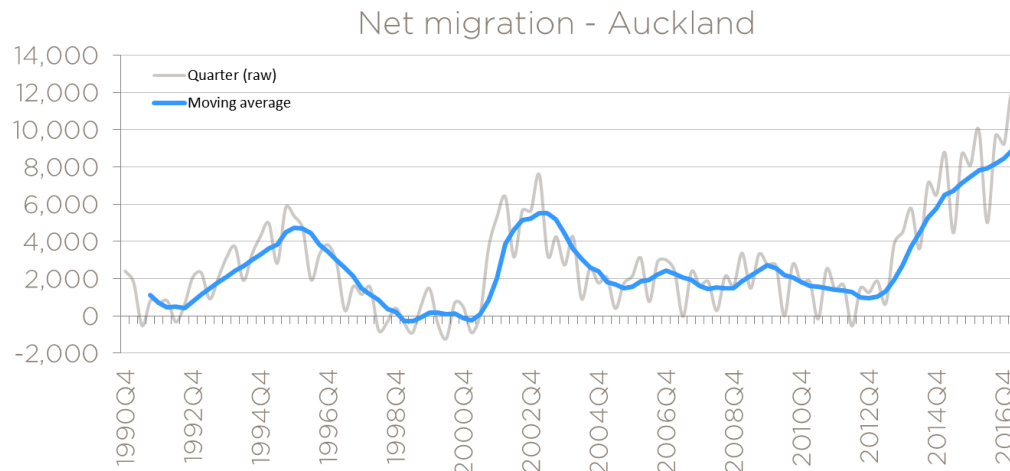
Net migration has probably turned and will continue to slow

Australia one to watch with an improving labour market and economy



Beginning to see a mixed picture across the country

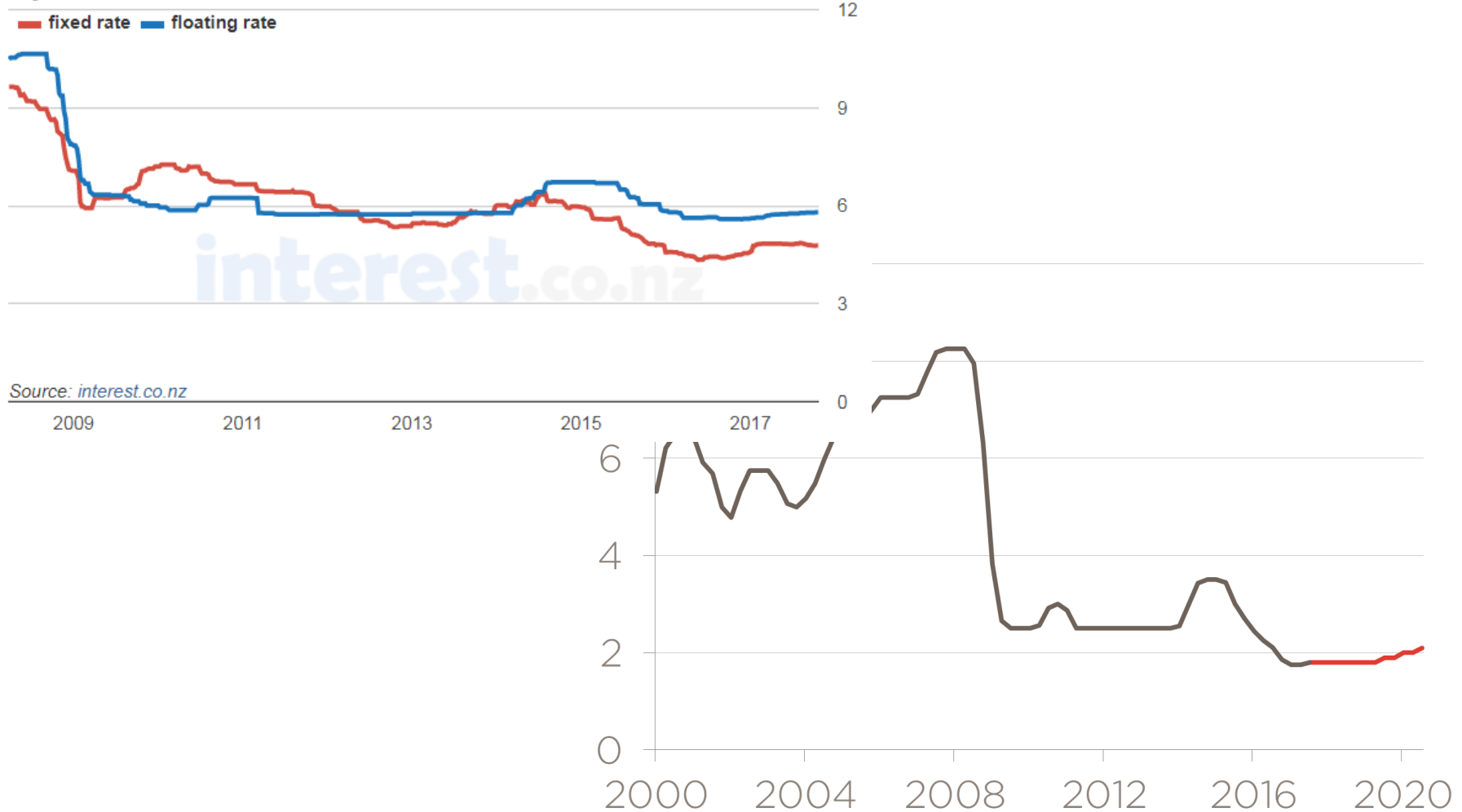
Slowdown already occurring in the provinces – arrivals have dropped back, could be linked to job growth and availability



One of the key drivers of recent growth has been interest rates

OCR projected to stay low for a while yet

2 years %



Source: interest.co.nz

Consumer confidence dipped but remains high

This, despite election uncertainty and slowing housing market.
Perception on economic outlook is waning though



Source: ANZ, Roy Morgan

Other policies to consider

Mostly from Labour, although for National it will depend on what they 'give' to NZ First

- ◆ Healthy Homes Guarantee Bill
 - Currently before parliament. Passed two readings, one more to go.
 - National have opposed but it's still moved through.
 - Likely to happen, big question is on timing.
- ◆ Improving tenants rights?
- ◆ Extension of Brightline test?
- ◆ Foreign buyers?
- ◆ Capital Gains Tax very unlikely

Summary

- ◆ Significant slowdown in sales activity, prolonged due to extended coalition discussions
- ◆ All buyers requiring a mortgage affected
- ◆ Auckland especially being affected by unaffordability
- ◆ May see a mini-lift in some areas, especially if National form Government
- ◆ Otherwise getting close to Christmas/New Year, so listings may not pick up until next year
- ◆ Looking longer term, many strong fundamentals will remain
 - any improvements to supply likely to be slow, and some way to go
 - still high net migration, many of whom are Kiwis so can't restrict them
 - Auckland continues to contribute the most to employment growth
 - historically low interest rates remain
 - consumer confidence still relatively strong
 - the combination of which should see demand outstrip supply in the longer term, meaning prices should lift again, albeit more modestly and inconsistently across the country
- ◆ Still need to await policy announcements
 - But will any of the policy changes make a significant enough dent to discourage investors from buying or encourage to sell?