

MONTHLY MARKET REPORT

AUGUST 2023



The National Market

The real estate market in Auckland, Wellington, and Christchurch is displaying signs of recovery, with the latest figures from the OneRoof-Valocity House Value Index showing house prices in these major New Zealand cities witnessing their first quarterly upturn in over a year. The figures also point to an end to the downturn for New Zealand overall, with the nationwide average property value down 0.1% over the last three months, however, a positive trend has been seen on a week-to-week basis since the beginning of July.

Auctions are again starting to provide the unconditional results that many property owners need for their next life steps. And with the pickup in Auckland, it's only a matter of time before confidence returns to the Peninsula in a similar way.

Helen O'Sullivan, global CEO of real estate for Valocity is viewing the change with cautious optimism. She suggests that the market might have reached its lowest point. She predicts a likely gentle rise in transactions as opposed to a dramatic surge in activity. Much of the increased sale activity is for properties in the \$600,000 to \$800,000 value bracket, especially in Auckland. Which would indicate the return of first-home buyers to the market. However, there have been value increases in prestige suburbs, such as Remuera and Merivale, suggesting some buyers are taking the opportunity to buy properties in desirable suburbs at the bottom of the market.

It is premature to classify what is happening as a rebound. The market is still contending with the headwinds of elevated mortgage rates; limited buyer capacity; and uncertainty around housing policy from major parties.

Another interesting influence to note is the surge in net migration. Yes, Kiwis are heading to Australia in significant numbers, however, inflow from non-Kiwis was 169,000 in the year to June, resulting in a net flow of 122,000, predominantly unskilled labour.

Economist Tony Alexander views the positive effects of net migration on the economy through two lenses:

1. Labour Market Impact: A rising share of businesses reports ease in finding unskilled labour. This fosters national growth, assists the primary sector and suggests a potential reduction in inflation due to wage growth.
2. Rental Market Pressure: The substantial influx of people is exerting pressure on the rental market. Decreasing rental property availability and potential rising rents will eventually push house prices up.

The Local Market

Across the board, we have seen an increase in enquiry and optimism as buyers start cautiously moving back into the local market. Hauraki Region and Whitianga are experiencing an increase in buyers relocating from the larger urban centres. This trend is driven largely by the desire for a more relaxed lifestyle and the value for money a smaller town property market offers.

Discussions within our offices in August revolved around the following:

1. The upcoming election is causing a sense of anticipation, leading many potential buyers and sellers to adopt a wait-and-see approach.
2. High interest rates persist, and there's little expectation of a swift decline in the Official Cash Rate (OCR).
3. Apprehension about a summer without a direct route to the East Coast.
4. As the available properties begin to sell, competition is starting to pick up again among buyers.



"Our team has been enjoying a rise in both property appraisals and listings. While a significant portion of these fresh listings are not expected to be introduced to the market until the spring (Labour Weekend), there remains a noticeable sense of caution within the market. We attribute this to the impending election, which traditionally exerts an influence on market dynamics. It will be exciting to see what happens post October 14".

EMMA ASHWORTH

Principal Director