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RESIDENTIAL SALES

PROPERTY NEWS

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The 3rd Quarter of 2024 could turn out to be good year to buy a home!

REINZ Chief Executive Jen Baird said July brought a new wave of buyer activity not typically seen in late winter.

“Although we have not yet reached the spring season, we are observing early signs of growth in the market not typically associated with this time of year. This can be seen through the seasonally adjusted data, which indicates an increase of 5.4% in national sales compared to last year, which reflects a market performing above anticipated levels,” says Baird.

Buyers may look back on 2024 as a good time to have got into the property market, Corelogic says, despite the challenges.

The property research firm has released its latest affordability report, which shows that some affordability measures have improved, but are still stretched compared to long-run averages.

Median New Zealand property values are now 7.7 times the gross annual median household income, the lowest level since early 2020.

It used to be said that a measure of three times would be considered affordable, but Corelogic chief property economist Kelvin Davidson said that was probably outdated, given the structural shift lower in interest rates over the past decade.

He said the long-term average was 6.8 for the period since 2004.

The time required to save a deposit measure, based on median property values and household incomes, was 10.2 in the second quarter of this year, down from 13.6 in the fourth quarter of 2021.

The average is 9.1.

"While some measures have improved, they remain worse than historical averages. And the problems really arise when it comes to actually servicing debt. Mortgage payments as a percentage of median household income remain at 54 percent, close to the peak of 56 percent to 57 percent, and well above the average of 43 percent," Davidson said.

He said it was concerning that households who had recently purchased a property were paying more than half their income on a mortgage, because that could mean there was little money left over for emergencies.

"For nearly three years, the share of income needed for mortgage payments has remained in the 53 percent to 57 percent range, highlighting the prolonged period of elevated repayment burdens on households," he said.

"To put this in perspective, during the previous peak in 2007 to 2008, mortgage payments only reached 50 percent or more of income for six quarters. The current phase of strained mortgage affordability has lasted much longer, possibly placing many more New Zealand households under considerable financial stress," he said.

"One silver lining has been the sustained high employment and rising wages, which have helped people manage during this period."

He said many affordability measures would seem abstract to people who were facing up to the realities of the property market.

What would matter would be what people could feel - such as how long it would take to save a deposit, and the amount of rent people would have to pay while they did so.

Rents took up 28 percent of gross household income across New Zealand, Corelogic said, surpassing the long-term average of 26 percent and remaining near record highs.

"The rent-to-income ratio has stayed persistently high, creating financial pressure for many renters, particularly those with incomes below the median. These households are likely to feel the strain even more acutely than the average figure suggests," Davidson said.

"Those are the ones that really matter," he said. "People are forking out real cash."

He said mortgage rates coming down might help improve affordability, but income growth slowing would not and prices could rise when interest rates fell.

"It's hard to know how the measures evolve, there are lots of moving parts in there. What we need over the long run is for supply to rise in absolute terms and relative to demand to create more favourable ratios."

He said while things were tough, first-home buyers tended to find a way.

"It's never been easy, there are always different challenges. It might be easier now to be a first-home buyer but that doesn't mean it's easy and it may not necessarily get easy. But people always tend to find a way."

He said things such as the government moves to increase supply and the new debt-to-income restrictions should limit house price growth compared to incomes in future.

He said, in retrospect, people would probably think 2024 was a good time to have bought a house.

"Mortgage rates are a challenge but you've managed to buy 16 percent below the previous peak. Yes, cashflow might be an issue for a couple of years but now we are starting to see mortgage rates coming down which will tend to push house prices up, even if that's slower than that we've seen historically.

"You've also bought at a time where there is lots of choice. You might potentially have a better house than you might otherwise have got."