First Word
November 2017

PRICES RISE IN EVERY REGION IN NEW ZEALAND BAR AUCKLAND AND NELSON

Prices rose in 14 of New Zealand's 16 regions for the year to October, leading to the median house price for New Zealand, excluding Auckland, to reach a record price of $440,000 (an 8.5% increase), according to the latest data from the Real Estate Institute of New Zealand (REINZ).

Waikato is now the sixth region in the country to have exceeded the half a million-dollar mark at least once

Contributing to the increase were record prices in four regions:

- Waikato – up 9.9% to $500,000
- Manawatu/Wanganui – up 11.5% to $290,000
- Canterbury – up 4.7% to $450,000
- Otago – up 14.4% to $412,000

Volumes still down, but showing signs of life

The number of properties sold across New Zealand was down 16% year-on-year to 5,689. Volumes for New Zealand, excluding Auckland, were down 14% year-on-year to 4,057 and Auckland's sales count was down 21% to 1,632.

Other regions with the biggest drop in volumes year-on-year were:

- West Coast – down 31%
- Manawatu/Wanganui – down 24%
- Northland – down 21%
- Bay of Plenty – down 21%.

For the last three months, not a single region in New Zealand experienced an increase in sales volumes year-on-year, however, this month we've seen two regions with an increase, Gisborne (up 8%) and Southland (up 1st) suggesting that we're starting to see the traditional spring increase finally kick in.

This picture is even more apparent on a month-on-month basis, as 8 out of 16 (or half) of the regions across New Zealand experienced an increase in volumes. On a month-on- month basis, volumes were up 45% in Marlborough, up 18% in Wellington and up 7% in Nelson.

MEDIAN DAYS TO SELL

34

Days To sell

The median number of days to sell a property nationally increased by 2 days (from 32 to 34) when compared to October 2016. Regionally, Northland saw the biggest increase in the number of days to sell (up 10 days to 49), followed by Marlborough (up 9 days to 32), Nelson (up 6 days to 29) and Waikato (up 5 days to 36). Regions with the biggest decreases year-on-year included the West Coast (down 69 days to 62 – the lowest figure for the month of October for 7 years), Taranaki (down 11 days to 28) and Southland (down 2 days to 28.)

Inventory

The number of properties available for sale nationally increased by 4% (from 23,385 to 24,307) compared to 12 months ago, whereas the number of properties for sale in the Auckland region increased by 17% year-on-year (from 7,214 to 8,465). Excluding Auckland, the number of properties for sale fell by 2% (from 16,172 to 15,843) highlighting the impact Auckland has on the overall picture.

In addition to Auckland, four other regions experienced an increase in inventory – Waikato (19%), Wellington (15%), Nelson (20%) and Canterbury (9%). The regions with the biggest decrease in inventory were Gisborne (25%), West Coast (19%) and Marlborough (15%).

October 2017 Price Breakdown		
Under $500,000	2,623	46.1%
$500,000 - $749,999	1,567	27.5%
$750,000 - $999,999	773	13.6%
$1,000,000 Plus	726	12.8%
Total	**5,689**	**100.0%**

Auctions

The number of properties sold by auction continues to decline across New Zealand with 869 auction sales in October – down 42% on the same time last year, but up 4% from last month. Auctions now represent 15% of all sales nationally.

In Auckland, which traditionally sees a large portion of sales sold by auction, 464 (28%) of all properties sold in October were via auction – this is a decrease of 44% in comparison to October 2016 but an increase of 8% month-on-month indicating a return of positivity to the Auckland market.

Other regions that saw an increase in the number of properties auctioned month-on-month were Canterbury, Marlborough, Northland and Waikato.

Price Bands

Between October 2016 and October 2017, the number of homes sold fell in every price bracket. The number of properties sold for more than $1million fell by 25% from 974 to 726 to equal 13% of all dwellings sold. The number of dwellings sold for less than $500,000 fell by 19% from 3,292 to 2,676 representing 47% of all homes sold across the country. However, month-on-month the number of sub $500,000 homes sold increased by 1%.

Source: REINZ.co.nz

The property market and the new government

From the Desk of First National CEO, Bob Brereton

There are some major talking points in terms of policy directions whenever a new government is elected, and this most recent election has more than its fair share of them. This was evidenced by significant diversity between the two major parties in terms of property related subjects.

Highest profile amongst these were potential introductions of a capital gains tax, limitations for foreign buyers and significant shakeups with residential tenancies and how they may affect the investor market.

The capitals gains tax firstly has been put off for at least three years due to its staggering unpopularity over innumerable election cycles however an extension of the Brightline test to 5 years seems inevitable during the current term. My expectation is that this will see a surge in listings in the ensuing period prior to its introduction from those investors whose property are now beyond the 2-year cycle.

I would not expect significant price movement as a result due to the extreme shortages of stock we have all been experiencing but there will likely be some downward pressure due to lending restrictions and a fall in consumer confidence.

The “Ban” on overseas buyers from purchasing existing residential stock, long term this is likely to make little to no difference whatsoever. Predominantly, the investor section of the market where the policy is aimed, has seen little activity over the last 18 months from offshore interest but I would expect a short term burst of activity in the immediate term before the legislation is implemented which should put a floor under any surge of listings from the Brightline extension.

The third being changes to the Residential Tenancies Act, this is rather more fraught and complex, some significant money will be spent to ensure the rental stock is brought up to scratch. There are definitely some upsides to this however; increase in quality of the rentals and resultant increase in rent and ultimately fee generation. The permanent removal of the right to charge letting fees will significantly impact revenues but is very popular with tenants. Ultimately the let fees will still exist, just paid by the landlord and passed on to the tenant by other means so is a bit of a nonsensical but populist idea. Other changes to timeframes for termination following sale and the removal of 90 day no cause terminations could have serious ramifications and collectively with the above has soured rental investor’s confidence and interest in the immediate term with strong anecdotal evidence to suggest this will precipitate a number getting out of the industry and investing elsewhere. This is of course, the intention of the new government but the downstream medium-term effects will result in few houses being available to rent and certainly a resultant increase in average rents with little to no depression in median house prices. My opinion, a perfect storm against the very people who are purported to benefit from the changes, first home buyers and renters.

So in summary, yes a lot of change and upheaval in terms of legislative and compliance issues. Some potential adverse risks for the market but there is still strong demand and shortage of supply, so I would not expect and radical departure from the status quo in the short term, provided there are no further domestic or international pressures.