Uncertainty Around Legislation & Difficulty Accessing Finance

The number of residential properties sold in March fell by 12.9% from the same time last year to 6,938 (down from 7,964) according to the latest data from the Real Estate Institute of New Zealand (REINZ). The last time sales volumes fell this much on an annual basis was 17 months ago.

Regions with the greatest decrease in annual sales volumes during March were:

- Gisborne: -33.3% (from 75 to 50 – 25 fewer houses)
- Marlborough: -32.2% (from 121 to 82 – 39 fewer houses)
- Northland: -24.4% (from 246 to 186 – 60 fewer houses).

Only one region saw an annual increase in sales during March:

- West Coast: +2.1% (from 47 to 48 – 1 additional house sold).

Bindi Norwell, Chief Executive at REINZ says: "At a time when sales volumes are normally very strong and total sales figures for the country are typically well over the 7,000 mark, with 6,938 sales this was the lowest number of properties sold for the month of March since March 2011.

"Despite some extremely competitive mortgage rates on offer from the banks and the high chance of an OCR cut in the near future, it appears the legislative changes on the horizon and the difficulty accessing finance are now really starting to impact the housing market in terms of sales volumes. Hopefully, as we gain more certainty over the coming months – particularly in relation to CGT we'll start to see volumes pick up. However, winter is normally a quieter time of year, so time will tell what happens with sales volumes going forward," continues Norwell.

Record median house price recorded for NZ in March

Median house prices across New Zealand increased by 4.5% in March to a record $585,000, up from $560,000 in March 2018. Excluding Auckland, they were even stronger increasing by 6.7% to $491,000 up from $460,000 in March last year.

Median house prices in Auckland fell by 2.7% from the same time last year to $856,000 – down from $880,000. Despite the year-on-year fall, prices in March were the highest Auckland has seen for three months.

There were three regions that saw record median prices achieved in March:

- Southland: +25.0% to $300,000 (up from $240,000 at the same time last year)
- Otago: +21.6% to $492,000 (up from $404,500 at the same time last year)
- Hawke's Bay: +10.8% to $493,000 (up from $445,000 at the same time last year).

Days To Sell Drops Significantly since February

In March the median number of days to sell a property increased by 2 days from 34 to 36 when compared to March last year, but it fell by 11 days from February 2019 where the median number of days to sell was 47.

Manawatu/Wanganui again had the lowest days to sell of all regions at 25 days, down 5 days from 30 at the same time last year. The West Coast again had the highest days to sell of any region at 69 an increase of 5 days since March 2018, but a fall of 22 days since February.

"We're hearing that vendors are starting to readjust their pricing expectations, which has contributed to the significant fall in the median number of days to sell a property in March compared to February this year," says Norwell.

March Breakdown – Price Distribution:

$1million plus	1,029	14.8%
$750,000 to $999,999	1,128	16.3%
$500,000 to $749,999	2,113	30.5%
Under $500,000	2,668	38.5%
All Properties Sold	6,938	100%

Inventory

March saw 7 regions with an annual increase in inventory levels. Regions with the largest percentage increases were:

- Marlborough: +15.3% from 339 to 391 (+ 52)
- Auckland: +15.2% from 9,572 to 11,026 (+ 1,454)
- Waikato: +11.9% from 1,941 to 2,172 (+ 231)

Regions with the biggest percentage decrease in inventory were:

- West Coast: -24.8% from 584 to 439 – (-145 less)
- Manawatu/Wanganui: -19.6% from 1,074 to 864 (– 210 less)
- Otago: -19.4% from 717 to 578 – (139 less)

Wellington once again saw the lowest number of weeks' inventory with only 8 weeks inventory available to prospective purchasers. This was closely followed by Otago and Hawke's Bay on only 9 weeks' inventory, followed by Manawatu/Wanganui on 10 weeks' inventory available.

Auctions

Auctions were used in 13.2% of all sales across the country in March, with 918 properties selling under the hammer.

Gisborne again had the highest percentage of sales by auction across the country with 30.0% (or 15 properties) in the region sold under the hammer with Auckland coming in second at 25.1% (503 properties sold, and Bay of Plenty came in at third with 12.7% (60 properties.)

Source: REINZ.co.nz

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DID THE FAMILY BENEFIT INCREASE HOME OWNERSHIP?

THE 30-YEAR PERIOD BETWEEN 1961 AND 1991

Last month I wrote about the rate of home ownership in New Zealand – particularly noting that that rate has been remarkably consistent, with around 65% of kiwis owning their own home, for nearly 100 years. I also noted that during the 30-year period between 1961 and 1991 the rate of home ownership increased to a high of 73.8% before dropping back to the long run average.

Following publication, I'm thankful to a couple of readers who contacted me and reminded me that this 'blip' coincided with a payment called the 'family benefit' which was paid to families between 1945 and the mid-1980s.

The Family Benefit was universal (meaning everyone with kids received it) and was paid to mothers at a standard rate, per week, per child, from birth, usually until that child turned 16. It was one of a package of measures designed to increase the post-war population by incentivising people to have children – and it was certainly a contributing factor to the phenomenon known as 'the Baby Boom'.

The weekly amount changed over the years – from around 4 shillings, per child, per week in 1945 to $6, per child, per week in the 1960s – a period with which I'm familiar because it's the decade in which I was born. It's also notable for the introduction of a significant piece of legislation – the Family Benefits (Home Ownership) Act of 1964. This Act introduced the ability to 'capitalise' the Family Benefit – which allowed families to take the entire amount which would be payable for a child, until age 16, as a lump sum, provided they were using it to buy a first home. At $6 per week, the capitalised amount payable for a child from birth to 16 would be $4,992 – although the legislation limited the capital sum to $4,000 per family. This was still a substantial amount in 1964 – and would represent $86,000 in today's dollars.

Tens of thousands of kiwi families took up this option to use the Family Benefit to buy their first home – including my mother and father who built a home in the new suburb of Pirimai, in Napier, in 1970. According to my Mum it cost the princely sum of around $15,000 ($250,000 in 2019) and, given that I came from a family of 7 kids we easily qualified for the full $4,000 contribution from the capitalised Family Benefit. This represented 26% of the total purchase price and was, according to my aging mum, the difference between buying and not buying a home.

The Family Benefit (and the ability to capitalise it) continued through until 1986, at which time it was replaced by the Family Support Scheme (now known as 'Working for Families') by the Lange Labour Government. This new policy targeted support to those who actually needed it rather than paying it universally, regardless of need – but this 'means testing' element of the policy also meant that a family's circumstances could change, and they may not qualify in any given year. Because of this, capitalisation was no longer viable, since a family could not be guaranteed to qualify for the programme throughout the life of a child.

Is it a coincidence that our rate of home ownership peaked just 5 years later, in 1991? Probably not. But how could we replicate the success of Family Benefit capitalisation without a return to the crude, clumsy and costly downsides of universal benefits?

One option might be to allow families to capitalise their Family Support Tax Credit payments on the proviso that they would be required to repay a portion of this amount in any year in which they did not qualify. The numbers to provide an example are difficult to calculate as payments are tailored to individual family circumstances – but if the capitalised sum was set to a maximum of $50,000 and was claimed for the full qualification period of 18 years for a family with one child – that family would be required to repay up to $2,700 in any year in which they did not qualify, or in which their entitlement was reduced.

Since Family Support is now managed by IRD this would be relatively straightforward to monitor and manage – and such a program would have the added benefit of directing support to that part of kiwi society which is arguably currently under the most pressure.

Source: *Ashley Church, the former CEO of the Property Institute of New Zealand and the Auckland Property Investors' Association. He has been a regular media commentator on property matters for more than 20 years and now writes on behalf of First National Real Estate and OneRoof.*

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