

# ASB Housing Confidence Survey finds greater numbers of people say now is a bad time to buy a house; expectations of price rises easing

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There's been a further rise in the numbers of people saying now is a bad time to buy a house, according to ASB's latest Housing Confidence Survey.

The survey for the three months to the end of January has found that a net 9% of respondents now say it's a bad time to buy a house, up from a net 5% in [the last survey](#) released in November. And the November survey was the first time more people thought it a "bad time to buy" since the April 2008 survey.

Additionally, the previously large numbers of people expecting house price rises in the next 12 months has been dented, dropping to a net 47% in the latest survey from 56% in the last one.

But the numbers of people expecting interest rate rises (and there's probably a link with the house price expectations here) has increased to a net 55%, up from a net 52% in the last survey.

ASB economist Chris Tennent-Brown said the fact that expectations of higher rates have continued to lift in the latest survey "shows the RBNZ's message that higher rates are coming is getting through loud and clear".

"We expect a 25 (basis-point) increase in the RBNZ's OCR as the first move on March 13, followed by a gradual series of 25bps rate hikes taking the [Official Cash Rate] to 4% by late 2015," he said.

A "significant proportion" of respondents continued to expect house prices to rise, Tennent-Brown said.

"However, this survey shows a small sign of realism creeping in, as some start to think the strong price rises recorded over the last year or so cannot carry on forever.

"That thought is consistent with our view that the peak period of house price gains is behind us. We still expect house prices to increase this year, but the rate of house price appreciation is likely to be lower in 2014 than it was in 2013.

"But any delay in the delivery of higher interest rates or new housing construction would risk housing market pressures intensifying, particularly in Auckland given the recent strength of net migration inflows."

Tennent-Brown said Auckland and Canterbury led the decline in outlook about whether now was a good time to buy, reflecting the fact these are the areas where the housing market is the tightest.

"The combination of high house prices and higher interest rates is not great for house affordability – meaning the housing market is looking even more challenging and hence why even more people think now is not a good time to buy."

In addition, the Reserve Bank had introduced high loan-to-value lending restrictions on October 1.

"These restrictions were relatively aggressive and will lock a subset of buyers out of the housing market and reduce demand at the margin.

"While it is early days, the RBNZ's high loan-to-value (LVR) lending restrictions may have started to have an impact on some buyers, and demand for housing. However, we do not expect a meaningful reduction in housing market pressures until interest rates and new housing construction increase. This process will take time," Tennent-Brown said.

While the ASB survey is compiled quarterly, the information is gathered on a monthly basis - so differences in sentiment occurring within a quarter can be monitored.

Tennent Brown said that "drilling into" the monthly Auckland responses on the "good time to buy" question showed "an interesting development not seen elsewhere".

"In the October housing confidence survey we noted the net percentage of respondents from Auckland that viewed now as a bad time to buy leapt from 17% in August to 29% in October. Now this figure has fallen back to 14% in January.

"It could be that the RBNZ's high LVR restrictions that were introduced in October had a temporary impact on sentiment which is fading. But buyers could also be seeing a tentative sign that the market is not quite as tight as it was in October. The net figure of 14% regarding it a bad time to buy recorded in the month of January matches the level recorded in May 2013."