

# New REINZ stats show LVRs making an impact

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Economists say the restrictions on low-deposit loans are affecting house sales and scaring first-home buyers out of the market.

There has been a drop in the numbers of houses being sold for less than \$400,000. The restrictions on low-deposit loans came into force in October. Five months later and real estate agents say it is clear they are having an effect, especially if you are trying to buy your first home.

"They are finding that first-time buyers are very much on the sidelines and struggling to make that first step," says the Real Estate Institute's Helen O'Sullivan.

There has not been much change to house prices, but the number of sales is falling down, 7 percent last month on a year earlier.

Sales in the \$600,000 to \$1 million price range increased by 9 percent, but sales under \$400,000 slumped 17 percent from a year ago.

"The Reserve Bank's loan-to-value restrictions are evidently biting at that lower end of the market," says ASB chief economist Nick Tuffley. "That will explain the lower sales. But we are also seeing the market is remaining quite tight. There are not that many listings on the market still."

Prices are staying firm and real estate agents say that will change the expectations of first-time buyers.

"We'd expect to see people drop their price points," says Ms O'Sullivan. "If you can't raise a 20 percent deposit for a \$500,000 house, perhaps you can manage the deposit for a \$400,000 house."

And interest rates are set to rise.

"The biggest thing we are going to see influencing the housing market is higher interest rates," says Mr Tuffley. "They are likely to go up 1.5 to 2 percent in the next couple of years and more than anything that will slow the market."

Economists say rising interest rates could slow or even reverse the increase in house prices.

The increase in residential construction might also help, although that is something that is likely to take several years.

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