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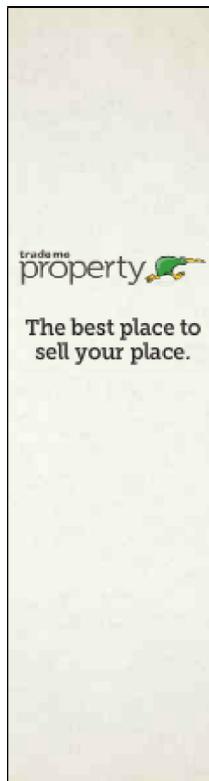
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Property value growth rate slows

10 February 2014

37

7

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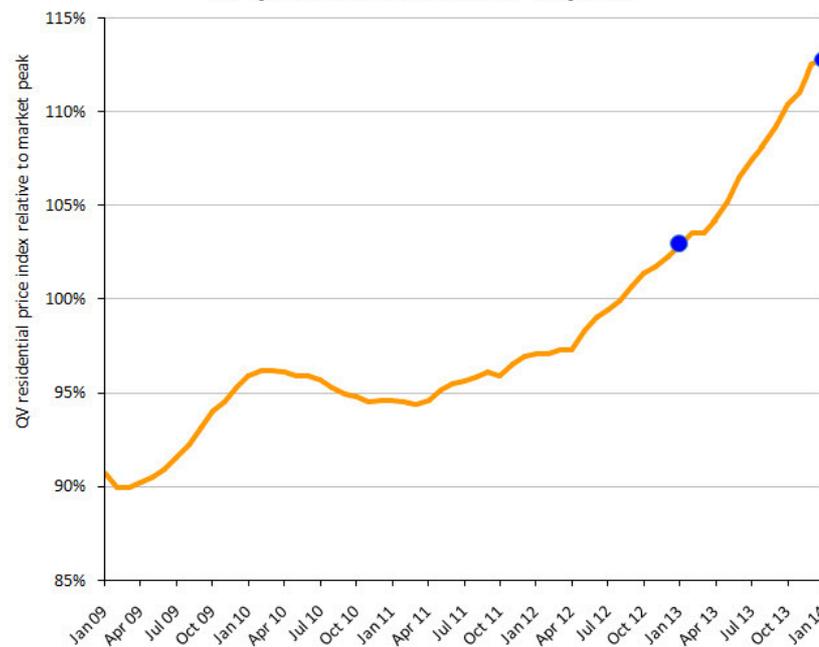
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The latest monthly property value index shows that nationwide residential values for January have increased 9.6% over the past year, and 2.2% over the past three months. This means they are now 12.8% above the previous market peak of late 2007. When adjusted for inflation the nationwide annual increase drops slightly to 7.9% and values remain below the 2007 peak by 2.8%.

The Auckland market has increased 14.5% year on year and values are 27.2% above the previous peak. When adjusted for inflation values are up 12.6% over the past year and are 9.6% above the 2007 peak.

NZ price index relative to peak



Jonno Ingerson, QV.co.nz Research Director said "Property value growth has slowed down in the first month of the year. The January index shows that nationwide values increased 0.3% compared to December, while a month earlier the increase was 1.3%. So while values are still increasing the rate of this increase has slowed considerably."

"This pattern of slowing value increases is evident across Auckland also. In most parts of central Auckland the January index shows a slight decrease in values in the last month, while across wider Auckland the rate of growth slowed. Most of the other main centres have also slowed considerably to the point where values were either flat or slightly decreased in the past month."

"While this is the first month that values appear to have slowed, and generally we would wait for subsequent months before claiming a trend, the timing does align to the LVR speed limits. These speed limits have reduced the number of first home buyers active in the market, but perhaps more importantly have led to increased caution amongst buyers. This caution is offsetting any potential upward pressure on prices due to a lack of listings in many areas."

"There was widespread expectation that the LVR speed limits would slow down value increases, at least temporarily. However we did not expect values in Auckland to slow as they appear to have, given the supply demand imbalance. We also expected the other parts of the country, particularly provincial and rural areas, to be hit harder by the LVR speed limits, but at this stage this does not appear to be the case."

"The predicted increase in mortgage interest rates in the near future are likely to also slow down values further. This may in fact already be affecting buyer confidence and contributing to the slowing we are seeing."

Auckland

Values in the Super City are up 14.5% since January 2013 however there are early indications that the rate of increase in property prices across the Auckland region is slowing.

Waitakere is once again leading this increase with values up 19.2% year on year, with Manukau City coming in as the second best performer with an increase of 16.1% in the past year.

In the past three months, values in Papakura have risen the most with a 4.8% increase, with Franklin and Manukau Central close behind, with a rise of 4.6%. There appears to be an element of "catch up" in these movements as most other parts of Auckland have moved ahead strongly over the past year.

In comparison the old Auckland City had a significantly lower increase of 1.6% during the same quarter but values in the central suburbs are still 31.9% above the previous peak in 2007 which is one of the largest increases in the country.

QV Valuer Bruce Wiggins said "There is limited stock on the market at present and real estate agents are having to work hard to sell properties. Although first home buyers have had their wings clipped with the LVR caps, there is still activity and plenty of other buyers to fill the gap."

"Land values have remained high and we are seeing fewer auctions than last year with many properties now advertised as 'Price by Negotiation'.

We are also seeing increased numbers of auctions that are resulting in no bids or being passed in which will by its very nature will slow down the volume of sales as the time to negotiate a sale post auction is extended."

"When properties are sold by negotiation it allows buyers to undertake more due diligence and some may play 'hard ball' when negotiating on price. This is particularly so with investors who tend to be more hard-nosed and may be willing to walk away from a property if it does not meet their investment requirements."

Hamilton and Tauranga

Values in Hamilton city have remained relative stable with an increase of 1.4% over the past three months, and 5.6% over the past year and -0.2% below the 2007 peak. The Tauranga city market is increasing even more slowly with a 3.8% rise in values since January 2013 and a 1% rise in the past three months. The market there remains at 8.6% below the peak of 2007.

QV Valuer Richard Allen said, "The LVR restrictions seem to be taking hold with the signs being that there is less demand from buyers and also a lack of supply with less listings on the market.

Values are remaining up which is likely to be due to the lack of supply rather than due to high demand. First home buyers particularly seem to be struggling with this new environment.

Wellington

There are some early signs of improvement in the Wellington market but over the Christmas period the market has been relatively quiet.

Wellington West saw an annual rise of 3.8% compared to Wellington North, Central and South which were up 2.9% and Wellington City which was up 2.7%.

Values in Upper Hutt have increased 4.2% since this time last year compared to a 2.6% increase in Lower Hutt.

QV Valuer, Pieter Geill said, "There are now more listings coming on the market in Lower Hutt than Upper Hutt and open homes in Lower Hutt have reportedly had up to 15 to 20 people through however this has not yet resulted in a significant change in values."

"There is a noticeable movement from buyers who are widening their search out of Wellington city looking for more affordable homes in outlying areas and this is creating more demand."

Christchurch and Dunedin

Indications are that the rate of growth in the Christchurch market is slowing and in some areas is levelling off.

In the last three months values in the central, north and southern areas of the city rose 2.9%; the city and Banks Peninsula rose 2.6%, values in the Port Hills were up just 1.2% and values in the eastern suburbs increased just 0.8%. However, year on year values in the city were up between 12 and 14% on this time last year.

QV Valuer Daryl Taggart said "Christchurch city has been relatively quiet over the holiday period but things are now picking up again."

"There is a noticeable flattening off of values in the Selwyn district with values 1.1% in the last three months, but post quake this area had a significant increase. Values have risen 30.6% since 2007."

"We are still seeing high demand for properties and with rents remaining high, there is also interest from investors as there are good returns to be had in the market at the moment."

The Dunedin City property market is showing good levels of activity and reasonable demand. Values are now 2.5% above this time last year and there's been a 1.6% increase over the past three months.

QV Valuer Duncan Jack said "We are seeing more confidence at the upper-end of the market between \$500k and \$1million which is a sector that hasn't been affected by the LVR changes."

"There is less activity in the lower end of the market which could be the effect of the LVR caps kicking in."

Provincial centres

Values in the provincial centres are variable with some experiencing growth, others remaining stable and in some cases a decline. In the North Island, the Gisborne district was up 5.1% and New Plymouth was up 6.5% over the past year.

In the South Island, annual growth in Queenstown was 5.6% and central Otago saw a 6.6% rise while Westland values rose 6.9% in the past year. Areas such as Southland, Invercargill and the Buller district have seen declines in values over the past year.

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