

Slowdown in Auckland market – B&T

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House Prices

Strong indications that Auckland's housing market is cooling down can be found in Barfoot & Thompson's latest data – but commentators say it's not that simple.

Barfoot & Thompson's data shows that Auckland's average price in July was \$867,681, which was a 4.5% fall on June's average price which was \$908,343.

July's average price was also 2% below the average price for the last three months (\$885,522).

While Auckland's median price remained the same in July as it was in June (\$840,000), Barfoot & Thompson CEO Wendy Alexander said there was a definite change in the market in July.

"The year-on year increase in prices is still occurring, but at a much slower rate than we have seen in the past four years.

"The average price has increased by 5.3% over the past seven months compared to 2015's full year average price increase of 14%.

"The median price increase over the past seven months has been 6% compared to 17.4% for 2015."

Along with slower price growth, sales were also down.

Barfoot & Thompson sold 1034 properties in July. This was down 11.5% on June and down 25.5% on the same month last year.

Further, over the May to July period, the agency sold 3508 properties, which was a 7.8% decline on the 3780 sales in the same period last year.

Alexander said the winter months, school holidays and a slowing in the number of new listings all contributed to the slow-down in July.

But buyer determination to pay whatever is necessary to achieve a property was tempered, she said.

“Buyers remain prepared to pay a fair price and, under the hammer sales at auctions of 70% were still high, but sales activity is slower than it was at the same time last year.”

Another example of this was the fact that in July new listings were down 19.4% on June and down 19.6% year-on-year - yet the agency ended the month with more properties on its books than in June or July last year.

Alexander said it was unclear whether price increases will continue over the rest of the year, particularly as the Reserve Bank’s new LVR restrictions should start to have an impact from August.

Barfoot & Thompson’s suggestion that the Auckland market is slowing comes hot on the heels of [Realestate.co.nz’s July data](#), released on Monday, which indicated declining demand for Auckland property.

However, ASB economist Kim Mundy said the Barfoot & Thompson numbers should be interpreted carefully as July 2015 was an extremely strong month for both new listings and sales.

As a result, falls in activity in July 2016 could be being overstated once adjusted for seasonality.

But she said that July is the third month in a row that total inventory levels in Auckland have risen – which suggests that demand is not as strong as it has been previously.

“We have been warning for some time now that price resistance will begin to impact on activity, and we could be seeing the start of this.”

The next few months will be an interesting time in the Auckland, and wider, housing market, Mundy said.

“With the impending additional investor LVR restrictions due in September, we will be watching to see whether activity picks up again ahead of this.

“On the whole though, listings remain low, population growth remains strong and interest rates are near or at historical lows, while Auckland building activity is also some time from matching population growth.

“All of the above factors will keep a floor under Auckland house prices.”

Meanwhile, opposition politicians believe the market is failing to address the problem of affordability.

Green Party housing spokesperson Metiria Turei said Auckland’s average house price is zeroing in on a million dollars and the crisis is spreading to Tauranga and Hamilton.

“The market simply isn’t providing enough new homes in Auckland, so the government needs to build its fair share to stabilise the market and provide realistically affordable homes.”

She said the government also has to close speculators’ tax loopholes, restrict overseas investors, and introduce a capital gains tax (which excludes the family home).

Labour Party leader Andrew Little also said the government has to build more affordable homes and crack down on speculators.