

English says Reserve Bank could use high LVR limit again or other Macro-Prudential tools to slow Auckland housing boom again, but supply remains key

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Speaking after fresh signs of a second wind in Auckland's housing market, Finance Minister Bill English has pointed out the Reserve Bank could go back into its Macro-Prudential toolkit again to try to slow the market, although the Government remains focused on building housing supply.

Westpac economists suggested this week the Reserve Bank could consider a tightening of its Macro-Prudential policies in response to another surge in house prices in Auckland as post-election uncertainty faded, consenting stalled and migration jumped. The economists suggested the bank could toughen capital rules for home loans.

Earlier on Tuesday, Auckland's largest real estate agency group, Barfoot and Thompson, reported sales volumes rose 17.7% in November from October and the median price rose 5.6% to a record high as "keen" buyers returned to open homes and auctions. [See Greg Ninness' article here.](#)

Asked about the prospect of further Macro-Prudential tightening by the Reserve Bank, English told reporters in Parliament the Reserve Bank seemed satisfied with its high LVR speed limit, but could use that tool again or use other tools.

"Clearly they were concerned about some resurgence in prices and actually they have got a reasonably benign view about interest rates - but those tools are available if Auckland housing really did take off again," English said.

Asked if he would be comfortable if the Reserve Bank bought in new Macro-Prudential tools, he said: "They've got a tool kit and it's their job to use it, but I think from the track record of the Reserve Bank, if they see housing prices start rising again quite rapidly they would probably take some action, but you would need to talk to them about what action they would take."

English was then asked if he would prefer the Reserve Bank to limit lending or increase capital requirements for rental property owners and speculators.

"I understand they have been working on whether to change the banking regulations around people with multiple properties," English said.

"I think they would probably need a bit more evidence than just the Barfoot & Thompson median price that's come out. House prices in Auckland have been slowing, we'd like to see them slow further but the best way to achieve that in the long run is to look at supply rather than relying on the Reserve Bank tool kit," he said.

English said the Reserve Bank was responsible for financial stability.

"If they see fit to take that measure, then they will take it. Our job is to get the planning rules altered so that we can get more supply of lower value housing, because that's what's really putting pressure on New Zealand families," he said.

"Rising prices, for people that are in houses, make them feel better but there's a whole lot of New Zealanders who are really stretched meeting their housing costs and we are working with the Council and with the State Housing agencies to get more supply of housing at lower value faster."

Australian restrictions on foreign buyers

An [Australian Parliamentary Committee report](#) into foreign investment in residential property last week called for tougher reporting and sanctions for non-residents breaching rules on buying existing properties.

English said the Government would look at what Australia was doing, but it was a distraction from the real issue.

"The real issue here is planning rules which over the last 15 years has constrained supply in Auckland and haven't allowed the city to grow in relation to the population. And we need to get those rules changed," he said.

Meanwhile, Labour Leader Andrew Little told reporters first home buyers in Auckland were being outbid by foreign buyers.

"The Government has to do something about it. The Australians have had a look at their programme of putting restrictions on offshore buyers, we should be doing the same thing," Little said.

Prime Minister John Key said a foreign buyer's register was not the Government's focus, although it had not been ruled out, and IRD records of tax returns on non-resident owned property had not shown a dramatic increase.

"They've been very consistent over the last five or ten years, so it's not showing that there's a dramatic increase in foreign buyers at this point. I think sometimes people confuse someone that is Chinese of another ethnicity and think of them as foreigner, but they may well be a New Zealand resident or citizen," he said.

Dairy price collapse

English was then asked about the 7.1% fall in whole milk powder price in Tuesday night's Globaldairytrade auction and the wider impact on the economy and the Budget.

English said under questioning in Parliament (pictured above) that the economy remained resilient and he pointed to other commodity prices going up, and a fall in oil prices.

"We're in a good position to handle the ups and downs of global pricing. Some of them work for us, like lower oil prices feeding through to lower fuel prices at the petrol pump, but also lower dairy prices - and we can handle both," he said.