

Price expectations heading downward

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Housing prices are expected to keep heading south, according to the latest findings from the ASB Housing Confidence Survey.

Only 17% of the survey respondents expected house prices to become higher in the next year, with Auckland property expectations being the lowest in eight years with only 9% expecting prices to rise. In the last quarter 32% believed that house prices would rise.

North Island respondents outside of the Auckland region also expect house prices to remain soft, with only 23% predicting an increase.

These results represent the fifth quarter in a row that housing expectations have fallen. According to ASB economist Nick Tuffley, this fall has been precipitated by a number of factors, including the recent election.

“Loan-to-value ratio restrictions and slightly higher mortgage rates were causing most of the softness. But in recent months, uncertainty around the election has seen the market slow even further,” he says.

When it comes to house buying, 1% of respondents from Christchurch believe it's a good time to buy property in that city. The mood was darker in the rest of the country, with 11% of overall respondents disagreeing that now is a good time to buy.

“We expect house price expectations to remain muted, as respondents are likely to continue anticipating soft market conditions,” Tuffley says.

“With a number of uncertainties around future housing policy, respondents appear to be remaining cautious.”

Nationally, over a third of respondents believe that interest rates will rise (35%), but this has fallen a little from the last quarter.

“This is likely to represent the fact mortgage rates have settled (if not fallen slightly) since the last ASB Housing Confidence Survey,” Tuffley says.

He continues by saying that there is a general expectation that RBNZ will stay the course when it comes to the OCR, and not make upward move until early 2019.

“[However] offshore interest rates could see New Zealand mortgage rates creep higher in the meantime.”