

## Pace of Auckland's population growth holds key to housing activity

Peter Thompson Provided by Westpac 23 December 2014



Auckland is on an unstoppable growth path and this will ensure that for the first six months of 2015, and potentially longer, the Auckland residential property market will follow the same trading pattern that has existed for the past few years.

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This means a shortage of properties from which buyers can choose, properties remaining on the market for relatively short periods, the majority of homes being sold at auction or by negotiation post auction, and prices increasing.



As so many variables affect price, forecasting what that rate of increase may be is not something I'm prepared to speculate on. However, my pick is it will be relatively modest.

House sales are affected by people's confidence, economic conditions, the availability of funding and its cost, and demand. In Auckland's case, every one of those factors is stable, and is likely to remain so in early 2015.

By the second half of 2015 the significant regulation changes being implemented under Government and Auckland Council strategic reforms, including its Unitary Plan, will result in an increase in the supply of lower cost housing and will reduce some building costs.

We are already marketing some of the first homes to reach the market under this lower cost strategy, and they offer outstanding quality and excellent value for money.

The pace at which the City goes up by way of apartments, as well as out in terms of taking in green field sites, will quicken. Buyers will put greater emphasis on being located close to major transportation routes, public transport connections, travel time to and from work and location of the nearest shopping and service hubs.

Renting is likely to become a more popular medium term option as it is in other large cities world-wide, and rental prices will inevitably increase as investors seek a fairer return.

Regardless of our views as to whether Auckland property is or isn't 'overpriced', the reality is that the City's economic growth, its increasing population, and the relative affluence of a large section of its people who have the means, and willingness, to put money into their home, will ensure the market remains active.

What will not change is the over-riding consideration when buying a home in which people will spend the next part of their life, or an investment, is whether they have the ability to service their outgoings over the medium term rather than the price itself.

And while the average sales price currently sits at \$736,000, and is the figure on which many commentators focus attention, we need to remember about a third of all the homes we sold in 2014 were for under \$500,000.