

Peter Thompson: Residential property market in unusual territory

Peter Thompson, Managing Director, Barfoot & Thompson Posted 3 July 2017



The Auckland residential property market is in the unusual situation of experiencing a significant fall in the number of property sales while prices are holding steady.

It's unusual in that when property sales numbers fall to the extent they have, the natural response is for prices to start falling.

Factors encouraging prices to fall include the Reserve Bank and trading banks tightening the criteria around mortgage lending, and a belief among buyers that property at current prices is fully valued.

Pushing back the other way is a significant shortage of properties to house a growing population and extremely low mortgage lending rates.

In all probability the current situation will last until after the September general election.

In the meantime those seeking to stay across what is likely to happen will scour a variety of sources looking for hints as to direction.

I've always found the most authoritative and up-to-date information you can get on where the market is at is the [Monthly Report](#) issued by the Real Estate Institute of New Zealand.

The Institute compiles actual sales data from members throughout the country and issues it in the form of a monthly statement in the middle of the following month.

No other entity reporting on sales matches it in terms of its detail and timeliness. The report covers the national situation as well as regional variations.

As a country we are well served by having this factual information available so timely and free of charge to all who wish to access it.

At Barfoot & Thompson we publish our **monthly sales data** on the second or third working day of the next month, and this is available on our website.

Given that we consistently sell some 40% of all Auckland homes, our data gives a pretty accurate heads up at to what is happening in the market, with experience showing that our average and median sales prices tend to be similar to those for Auckland as reported by REINZ.

Many find our data releases of value as it gives them a two-week advance indication of any movement that might be reported by REINZ.

Both the Institute and our data shows that while sales numbers in the Auckland property market are down significantly on those achieved in recent years, prices on a year-on-year basis continue to grow, albeit at a much slower rate.

The Institute's June report (covering May) says the May year-on-year median price increase was 5% while our figure is 4.5%.

The Institute reports on the median price only, while we also cover the average price, and our May year-on-year average price increase was 7.8%.



While residential housing affordability is likely to be an election issue, for me the real housing issue remains supply, and that is the issue we should be debating.

I was therefore disappointed at the limited coverage the **Mayoral Housing Taskforce Report** prepared for the Mayor of Auckland has received. It made sound medium and long term recommendations at ways to deal with the current housing situation and the issues that significant population increase will create.

What did catch the headlines recently, however, was **media coverage** of the city of Vancouver achieving a 19% drop in house prices from January 2017 compared to January 2016 by introducing a

15% tax on homes bought by foreigners and a \$10,000 empty-homes tax. The foreign buyer tax was introduced in August 2016.

For those convinced that excluding foreigners from buying property is the answer to 'our problem' it made compelling reading.

Dig a little deeper, however, and the story unwinds as by May this year the average price was up 5% on what it was in May 2016, and had surpassed the previous record average price set in January 2016.

So in Vancouver excluding foreign buyers appears to have had only a 12 month impact.

The latest information about foreigner buyers of New Zealand residential property comes from the Land Information NZ Property Transfers and Tax Residency Report, which states in its March report that only 3% of property transfers were to non resident tax payers (5% for the Auckland market).

The most common nationality of non resident taxpayers was Chinese. Nationally they made up 25% of foreign buyers and in Auckland 48%.

It's hard to believe that imposing a foreigner buyer tax on such a small group of people would have a major impact on New Zealand residential property prices.

A question worth asking too is just how many current home owners want their property to fall by 19% even if only for 12 months? While a fall of that magnitude might assist some into their first home, in reality there is also numerous would be investors that would see it as a golden investment opportunity.

Peter Thompson

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