

House sales drop almost 50 per cent, but prices stay record levels

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Property experts joined OneRoof to discuss the future of the housing market and the challenges posed by the election and the coronavirus.

Ben Leahy is a reporter for the New Zealand Herald

House sales in Auckland and New Zealand are almost 50 per cent down on the same time last year, yet prices continue to reach near-record highs.

Just 3990 homes sold across the country in May - 47 per cent down on the same month in 2018, the Real Estate Institute's latest monthly sales data showed.

In Auckland, 1117 homes sold, down 45 per cent on last year.



Volatility has crept into the Auckland housing market with four of seven districts experiencing price drops in May. Photo / 123rf

Yet despite the dramatic slowdown in sales volumes, New Zealand's median sales price hit \$620,000 in May, up 6.9 per cent on the \$580,000 median sales price in May 2019.

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Auckland's median sales price jumped 7.1 per cent to \$910,000 from \$850,000 in the same month last year.

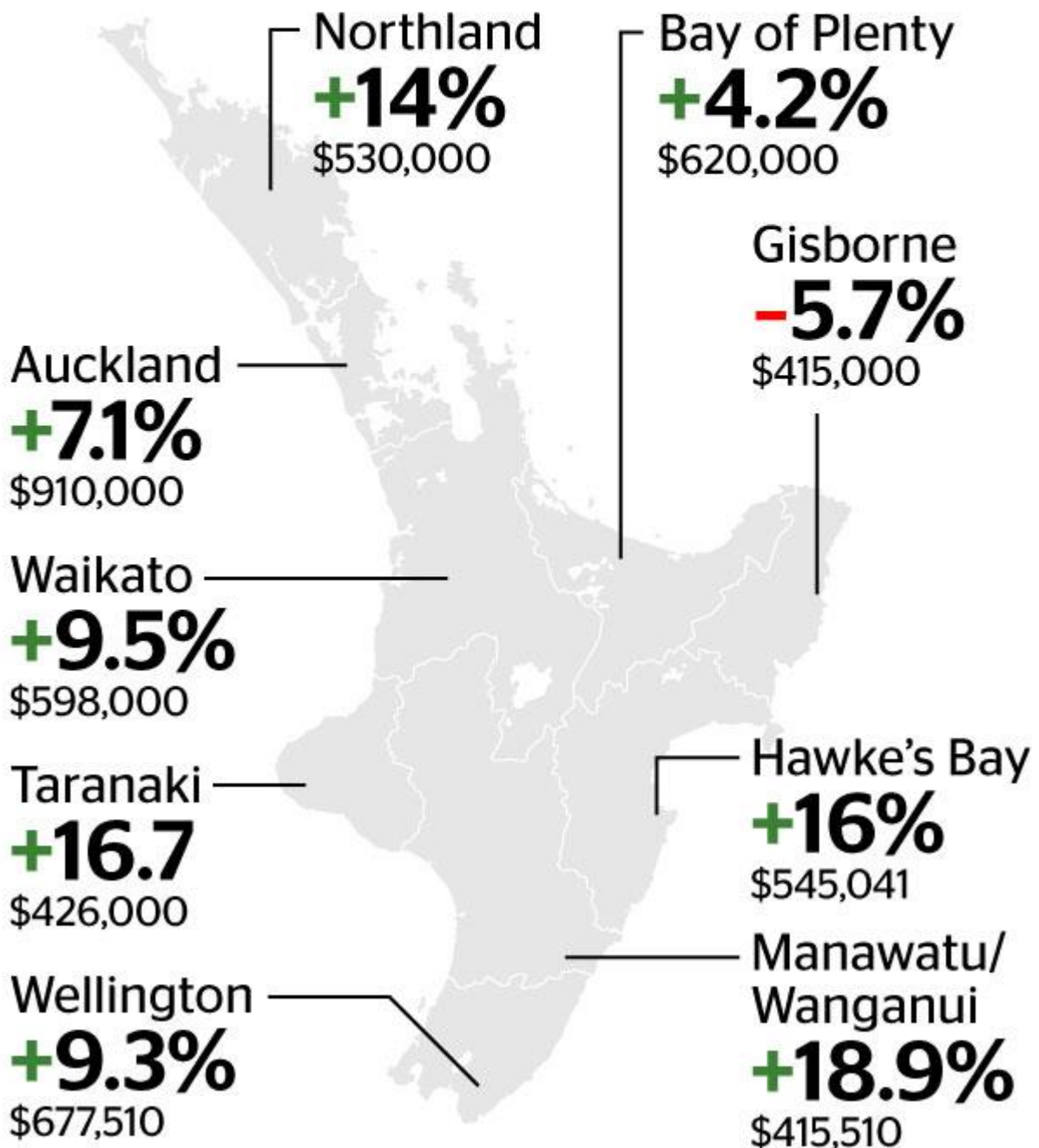
Real Estate Institute chief executive Bindi Norwell said that even though sales volumes had fallen off a cliff compared to last year, this was not surprising because May had 12 days of level 3 restrictions.

"These restrictions meant only two property viewings, per property, per day were allowed, making it difficult to get interested parties through a property in a timely and efficient manner," she said.

Annual median price change

May 2020
North Island

National median price
+4.2% \$620,000



Owen Vaughan, editor of NZME-owned property listing platform OneRoof.co.nz, said the rise in median sales prices was likely due to the pool of buyers who were active in the market before lockdown.

"Low supply and high demand has certainly been the key driver of some strong auction results since the country moved to alert level 2," he said.

"But what will happen when that pool of buyers dries up?"

He said the early signs were that new mortgage applications and valuation requests were reasonably solid, which suggests buyers have confidence in the market for now.

"Will this be enough to lure more vendors back to the market? That's the key question right now," he said.

Westpac chief economist Dominick Stephens, meanwhile, said house prices were on track for a 7 per cent decline between March and December.

He said the Real Estate Institute's house price index - which attempts to give a more accurate picture of overall home values compared to median sales prices - showed national house values dropped 0.5 per cent over the past month.

When seasonally adjusted to take into account for the slower winter housing market, the drop was 0.3 per cent.

That came on top of a 0.9 per cent fall in April, meaning prices are down 1.2 per cent since the Covid-19 lockdown so far, he said.

"There is nothing in the Reinz data out today that dissuades me from that forecast of a 7 per cent drop by December," he said.

Norwell, meanwhile, said that while the market was starting to show volatility due to unexpected results across the country, it was holding up better than expected.

"Median house prices in May were slightly more reflective of what we would expect to see as a result of a global pandemic, in that there was some volatility in prices with five regions seeing prices fall from April to May," she said.

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Source: Reinz

"But what continues to surprise us, is the fact that there are still regions with increases in median price and that there are still regions experiencing record

median prices – a far cry from some of the doom and gloom predictions that were immediately touted when Covid-19 first hit the country."

Auckland, for instance, reached its third-highest median price on record, she said.

Auckland climbed to its third highest median sales price ever in May. Yet even in Auckland there was volatility. The Auckland City, North Shore, Papakura and Waitakere districts all had falls in price, while the three remaining districts - Franklin, Manukau City and Rodney - all experienced jumps.

"While it still may be too early for the full impact of price declines to be showing through, the reality is that the majority of regions in New Zealand [11 out of 16] saw median price increases from April to May," Norwell said.

"All bar one region [Gisborne] saw annual increases in price – likely a continuing effect of demand for good properties outstripping supply."