

NZ house prices look to have peaked, Joyce says as Treasury warns borrowers on rising interest rates; Greens eye BC-style stamp duty

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New Zealand house prices look to be peaking, according to Finance Minister Steven Joyce, while he's also warning home buyers to consider whether they can afford higher mortgage rates in coming years.

Speaking to Parliament's Finance and Expenditure Select Committee Wednesday, Joyce said his view is there is "not much upside" in house prices as the supply of new builds increases and as interest rates are forecast to rise.

Treasury Secretary Gabriel Makhoulf echoed Joyce's comments.

There has been a moderation in house prices recently in Auckland as the Reserve Bank's loan-to-value ratios and government tax changes took hold, he noted.

Makhoulf also warned home buyers: "People who want to purchase property should think about being able to afford paying higher mortgage rates [in coming years]."

Most economists expect the Reserve Bank of New Zealand to start raising the Official Cash Rate during 2018. However, New Zealand banks' partial reliance on offshore funding could mean rates begin to rise while the OCR is on hold if that funding becomes more expensive, Makhoulf told the committee.

New Zealand house prices have been driven up by three factors, Joyce said: Historically low interest rates, a strong economy and a shortage of supply. He later said prices were predominantly high due to the supply side factor.

However, the supply gap has started to close, he said, adding there is "no argument that New Zealand is in the middle of its biggest ever construction boom". He cited Auckland building consents being at 12-year highs.

Green Party co-leader James Shaw raised the impact of foreign capital inflows to New Zealand on house prices. He asked Joyce whether he thought a stamp duty, like the one imposed in British Columbia last year, could help alleviate pressure on the housing market. In mid-2016 British Columbia imposed a [15% stamp duty](#) on foreign house buyers in Vancouver.

Joyce responded that high house prices were “predominantly” a supply side problem, adding that capital inflows created opportunities for the New Zealand economy. The response needs to be to ensure there is sufficient land to build houses on, he said.

Meanwhile, the debate on house prices spilled over into Parliament’s Question Time on Wednesday afternoon, with Labour Party leader Andrew Little quizzing Prime Minister Bill English. Little cited the latest Demographia survey showing Auckland’s housing market is the world’s fourth most unaffordable, asking English to accept New Zealand is facing a housing crisis.

English responded that the reason for Auckland’s problems was 20-30 years of misguided planning in the city, “designed to stop the city growing”. He cited the new Auckland Unitary Plan and Housing New Zealand developments in Hobsonville, Tamaki and Northcote as evidence supply would loosen.

“The problem has been constrained planning that stopped the supply of housing when it was needed,” he said. It will take a number of years with house building of more than 10,000 per year to alleviate Auckland’s supply problem, he said.