

Which road will Auckland house prices follow?

Peter Thompson, Managing Director, Barfoot & Thompson Posted 1 September 2015



Auckland house prices are standing at the crossroad with doubt surrounding which direction they will take between now and year end.

Between May and July house prices increased at their slowest rate over a 2-month period for some time.

In that time the average house price increased by 0.6% to \$827,000. At the same time the median price increased by 0.9% to \$757,000.

SEE ALSO: [Regulations, restrictions, and penalties won't stop Auckland housing market](#)

While this significant pause in Auckland house price rises is contained in data released by Barfoot & Thompson and the Real Estate Institute of New Zealand, it has escaped the notice of most commentators.

Commentators have tended to focus on the year-on-year increase, but most of this increase occurred in the first part of the year.

Another contributor may be that the other major organisation that comments on house prices – QV – is reporting that prices continued to rise rapidly in June and July.

Whereas the Real Estate Institute and our company use 'real time' sales data each month, QV gathers its data from territorial authorities, and this potentially creates time lags. Also, QV applies formula to its data to achieve its final figures.

I've no great argument with what QV does, but I've always felt its figures are between 4 to 6 weeks behind what is actually happening in the market, and when it comes to real estate prices there is no substitute for real time numbers.

(For those interested, you can check how QV goes about its data gathering and interpretation by going to qv.co.nz.)

My reason for saying that house prices are at the crossroads in terms of direction is because at present 2 extremely strong forces are competing against each other.

In the last week the Reserve Bank has acknowledged that current mortgage rates, which are at an all-time low, are unlikely to increase for some time; net migration is running at record levels; and the home building boom in Auckland has done nothing to make a dent in the housing shortage.

All the banks are actively promoting home mortgage loans, and the start of spring is traditionally when sales activity reawakens after a slowdown in winter.

These factors would normally point to pressure mounting on prices in the run in to Christmas.

However, countering that pressure are other forces.

The Reserve Bank is urging caution about the price of Auckland homes, and is imposing new tough regulations which come into force in November. In particular, investors will need to find a 30% deposit, and have an IRD number.

The world economy has become apprehensive following the slowdown in growth in China, and this has impacted world-wide on stock exchanges, commodity prices, and exchange rates. World-wide, trillions of dollars have been wiped off asset and investment values.

Locally in the past few months we have seen owner occupiers and investors adopting the attitude that the housing market at current prices is close to being fully valued.

Also, a trend that has become very clear in the past 2 months in the number of owner occupiers and investors from Auckland who have refocused their attention on Northland. Whereas Auckland house values have stayed pretty constant over those 2 months, those in the north have risen.

Only time will tell whether the push to higher prices or the pull of the status quo will win out.

What is clear, however, is that sales numbers will be high.

The increasing number of people making Auckland their home need to find accommodation, and the main buyers are not being deterred at current prices. Their main focus will remain on their level of repayments each fortnight or month, rather than the cost of the house itself.

And based on the Reserve Bank's most recent statements, those repayments will remain stable for some time to come.

Conversely, those selling, especially if they are relocating out of Auckland, are exiting at record price levels.

Peter Thompson, Managing Director, [Barfoot & Thompson](#)