

## Auckland's average house sales price not \$1 million

Peter Thompson, Managing Director, Barfoot & Thompson Posted 29 September 2016



The prices paid for Auckland homes is probably the topic most intensely covered by our media.

Words such as ‘in a crisis ... out of control ... and heading for a crash’ are bandied about regularly. You have to wonder whether it has got to the point where the power within such words is being lost through overuse. After all, calling ‘wolf’ too often leads to people stop listening.

The latest phrase being used to shock is that “the average sales price in Auckland has topped \$1 million”.

**SEE ALSO:** [Auckland property: Should I stay or should I go?](#)

While such a statement makes a powerful impression, the simple truth is it is factually incorrect.

The only real estate company with a sales base large enough to provide a meaningful average sales price is [Barfoot & Thompson](#), and monthly we regularly sell 40% of all Auckland homes.

Our average sales price in August was a shade under \$907,000. The average for the past three months is \$894,000 ([www.barfoot.co.nz/market-reports](#)).

The [Real Estate Institute of NZ](#) does not measure the average price, instead preferring to focus on the median (or most common) price.

Its median sales price in August was \$842,500. Our median sales price was a little higher at \$850,000.

So where does the figure of \$1 million (more than 10% higher than our figure) come from?

The answer is from [\*\*Quotable Value NZ\*\*](#) (QV) a state owned enterprise which specialises in providing local authority rating information and property valuations. In September it issued a statement that in August the “average value” of a house in Auckland had hit \$1.163 million.

QV’s House Price Index\* measures “movement in house prices … providing an indicator of capital growth and how prices are trending”.

QV plainly states it is talking about “average values”. Regrettably, too many media, commentators and politicians translate this into “average prices”.

Those using QV’s information owe it to the public to be precise in the words they use.

When QV talks about average Auckland values the term covers the 470,000 plus homes that make up Auckland.

### **Comparing chalk and cheese**

When the Real Estate Institute and Barfoot & Thompson talk about average and median prices they are talking about the 2500/3000 (on average) homes sold in a month.

When QV talks percentage increases, the increase is in the value of the housing stock. When the Real Estate Institute and Barfoot & Thompson talk percentage increases, it is about the price at which [\*\*properties for sale\*\*](#) are changing hands.

Comparing value and price is like comparing chalk and cheese.

For the record, I am not in denial about the extent to which prices have increased.

However, I do not believe that over inflating the average price (whether inadvertently or deliberately) assists in having a reasoned debate about what is taking place in the marketplace and what more, if anything should be done.

The issues are known to all, and those that are buying at today’s prices are doing so with their eyes wide open.

The medium term answer is working towards a soft landing, which will be achieved in the main by building more homes as rapidly as possible.

While the current situation makes it tough for first time home buyers to get into the market, it is not impossible. For example, in August 11% of the homes we sold went for under \$500,000, a price which falls below the current definition of “affordable home”.

The worst possible solution would be to deliberately work on ways to reduce the economic value that the 470,000 current home owners have in homes. While advocated by some, the impact such a development would have on a great number of people is unacceptable.

\*QV names its monthly index the *House Price Index*. It might help the wrongful translation of ‘value’ into ‘price’ if the index was renamed *House Value Index*.

**Peter Thompson**

