# Ten property market predictions for the rest of 2019

Kelvin Davidson **CoreLogic Senior Property Economist Kelvin Davidson writes**
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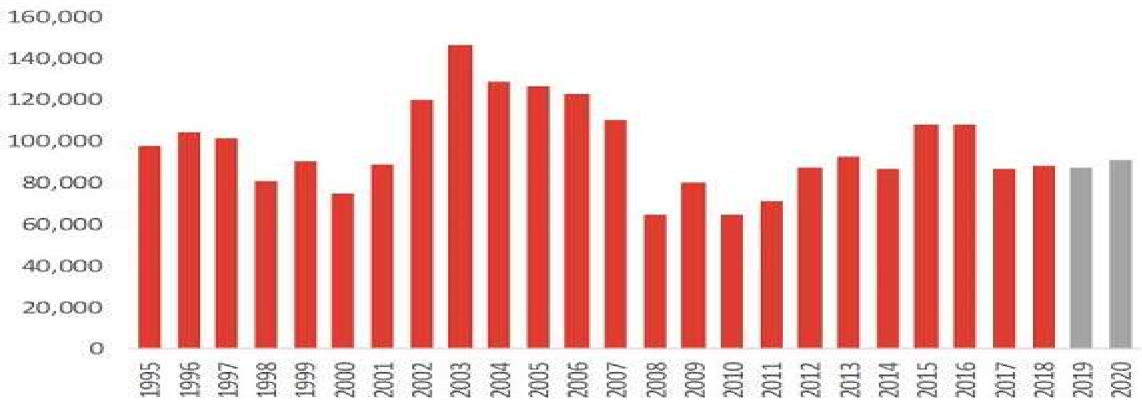
Residential property sales activity looks set to tick along at the same controlled pace in the second half of the year as it has in the first, with average values growing in a restrained fashion. Other key factors to watch over the rest of 2019 include policy decisions from the Reserve Bank (e.g. LVR and bank capital rules), the landscape for investors' returns, the potential flattening off of residential building consents, and how buildings insurance premiums might change due to risk based pricing.

It's been a really interesting and eventful year so far for the residential property market. Now that we're almost into July, it's a good time to look ahead and see what might be in store for the rest of the year. Here's our top 10 factors to look out for.

*High level market trends:*

**1. Sales volumes to stay pretty flat,** with various downward drivers (e.g. slowing GDP growth) largely offset by other positive factors (e.g. low mortgage rates). Our sales model points to an annual total in the range of 85,000-90,000 for 2019 as a whole, about in line with the average for the past decade.




Annual NZ property sales (Source: CoreLogic)

**2. Average property values still rising but in a restrained fashion,** with the more affordable towns and cities in 'regional NZ' likely to record the largest increases. By contrast, it wouldn't be a surprise to see further weakness in Auckland – as buyers bide their time.


Annual % change in average property values (Source: CoreLogic)
*Within that bigger picture, more detailed aspects:*

**3. Further loosening of the LVR rules in November**, reflecting our expectation of steady market conditions. Possible options include lowering the owner-occupier deposit requirement from 20% to 15% and/or raising the investor speed limit for high LVR lending from 5% to 10%.

**4. Imposition of extra capital requirements on the banks by the end of November**, with a phased approach (potentially over five years). This may prompt some consideration of offering different mortgage rates to borrowers with different abilities to service their debt.

**5. Banking sector competition to remain intense and 'rate wars' to be a recurring theme.** This will be the case regardless of whether or not the Reserve Bank cuts the official cash rate again.

**6. Foreign Buyer Ban to remain a contributing factor to softness** in the Central Auckland and Queenstown property markets. The figures for Q1 2019 showed net selling of property by non-citizen/residents, and Stats NZ's figures for Q2 will be available 26th July.

**7. More homeowners potentially 'trading up',** or in other words taking advantage of a subdued market, especially in Auckland, to get a bigger or newer property, or in a better location. This will of course depend on not already being at the limit of their borrowing capacity.

**8. Rental yields to continue to rise** (albeit from a low base), as rental growth continues at a steady pace of about 5% annually, and above the growth in average property values. This will be welcome news for investors, who are facing plenty of other cost pressures at present (e.g. tax ring-fence for losses) – although at least they don't have to worry about capital gains tax anymore.


Annual totals for new dwelling consents in years to April (Source: Statistics NZ)
**9. Residential building consents to flatten off**, as capacity constraints around labour and materials bite. However, they will still stay high, and that'll be necessary to help alleviate housing shortages. A looming 're-set' for KiwiBuild could have implications here too.


Annual totals for new dwelling consents in years to April (Source: Statistics NZ)
**10. Buildings insurance to come into starker focus**, especially given the issues we're already seeing in Wellington with changes to pricing methods and big increases in premiums. This will have implications for property values, especially apartments, and need to watched closely – not just in Wellington either.