New Zealanders selling their homes enjoyed $3.5bn in re-sale gains last quarter.

Kelvin Davidson

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This, from the latest CoreLogic Pain & Gain Report, an analysis of homes resold over the June Quarter (between 1 April 2018 and 30 June 2018). The report compares the most recent sale price to the home's previous sale price, determining whether the property resold at a gross profit or gross loss. It provides a proxy for the performance of the housing market and highlights the magnitude of profit or loss the typical seller of a home makes in those regions analysed.

Just 3.9% of properties sold over the quarter suffered a loss (a slight rise from the previous quarter's 3.8%), with total losses of $23.4m and a median loss per property of $20,000. These levels of pain remain very low in an historical context, consistent with the large rises in values seen over the past five years, as well as the fact that even though values have slowed recently, there haven't been falls.

Senior Analyst, Kelvin Davidson notes: "These figures are consistent with the continued growth in property values across most parts of New Zealand (apart from stability in prices in Auckland and Christchurch) and indicate that relatively few people are pushing through a quick sale for a low price".

Houses Vs. Apartments:

Apartment re-sales are holding steady, with 87.00% realising a gross profit in Q2, a good result historically, and consistent with the large rises in values seen over the past five years. Houses continue to outperform, with a gross profit result of 96.5%. The gap between apartments and houses remains larger than it has been for about three years, indicating that any market fatigue is more of a factor in the apartment segment, perhaps where owners' approach is more financially-driven, so are prepared to exit as soon as the sums don't add up.

The total gains on house resales in Q2 2018 were $3.2bn, with a median gross profit of $180,000. For apartments, resellers banked total gains of $74.7m, with a median of a touch less than $137,000. Median losses on apartments ($26,000) in Q2 were slightly higher than that for houses ($20,000), while total losses for the two segments were $2.1m and $18.4m respectively.

Owner Types:

By both types of reseller, profit-making resales remained very high in the second quarter. For owner-occupiers, the proportion making a resale profit held up at 96.9% (so the resale loss share was 3.1%), while for investors it was 95.4% (or losses of 4.6%). All of these figures are basically unchanged from the first three months of the year. Davidson explains: "The gain figures are at historical highs for both owner-occupiers and investors, on the flipside, pain is at historical lows. The fact that investors' resales are slightly more likely to be at a loss will tend to reflect their more financially-minded decisions (less emotion) and their greater tendency to buy apartments, where the pain figures are also a little higher than houses”.

City vs region:

Main centres:
Most of the main centres saw the share of property resales being made for a gross profit stay pretty high and stable in the second quarter, with a concentration between 96% (Auckland) up to the strongest performance of 99% in Wellington. Even despite some volatility in property values in the past few months, Wellington in particular is buoyant, with just 1.0% of resales in the second quarter being made below the original sale price. In Christchurch however, the proportion of profit-making resales fell from 91% in Q1 2018 to 88% in Q2 (or losses rose from 9% to 12%). This is not necessarily of huge concern though, given that ‘as is, where is’ sales are still going through and insurance payouts will be softening the blow to sellers’ pockets.

Davidson comments: “Overall, the message at the national level also applies around the main centres - although there are some small signs of weakness and market fatigue (as you would expect in a generally sluggish market), the property market is still generating strong profits for resellers, with gross losses at low levels”.

Main urban areas, Upper North Island:
For main urban areas in the upper North Island, there are signs that Gisborne sellers are viewing the recent slowing of growth as time to start to cash-in their gains, and are doing so profitably. The proportion of resales being made below the original purchase price fell from 3.9% in the first quarter of 2018 to 2.3% in the second quarter. The flipside is a higher proportion of gross profits on resale. Rotorua had no properties resold for a gross loss in Q2, while Whangarei’s proportion ticked up from 1.5% to 1.8% - but that’s still low.

Main urban areas Lower North Island:
For the Lower North Island, pain and gain trends also remain pretty settled. Hastings and Palmerston North saw no properties being resold below the original purchase price in Q2 2018, down from already-low proportions in the first quarter.

Whanganui and Napier saw their pain proportions hold broadly steady, and stay particularly low in Napier (0.4%). New Plymouth did see a rise, but an increase from 2.6% to just 3.6% of resales for a gross loss is hardly a disaster. Over the longer term, it will be worth watching New Plymouth for any signs that the ban on new offshore resource exploration is starting to impact the city’s property market.

The median gains in the second quarter of the year ranged from almost $193,000 in Napier down to $85,000 in Whanganui. The strong median gains reflect the growth in wider property values in all of these markets in recent years. Total resale gains ranged from $65.0m in Hastings, down to a still-healthy $28.0m in Whanganui.

Main Urban Areas, South Island:
In the South Island, the pain and gain data highlights the strength of Nelson and Queenstown. The proportion of resales being made for a gross profit was more than 99% in both markets for the June quarter (or the proportion for losses less than 1%).

Invercargill's figures weren't quite as strong, but they moved in a positive direction. Loss-making resales dropped from 6.8% in Q1 to 3.8% in Q2, meaning that in the three months to June more than 96% of resales in Invercargill were made for a gross profit. Queenstown's median resale profit was $365,000, Nelson is at $186,100 and Invercargill $65,500. Total profits were up at more than $68m in Queenstown, with Nelson at around $46.5m and Invercargill $27.2m.

Regional performance:
The lowest proportion of loss making resales were found in essentially all of the North Island – especially around Wellington, parts of Manawatu (e.g. Horowhenua), parts of Waikato (e.g. Waipa), and at the top and bottom of the South Island - Tasman District, Waitaki, and Southland.
The biggest proportion of loss making resales were located in parts of Canterbury (a continuation from the previous quarter), weaker spots included Kaikoura and Selwyn, with Ashburton softer in Q2 too, and also on the West Coast - Buller and Grey districts in particular.

Hold performance:
The national 'hold period' (how long people hold onto property between buying and selling) was 7.7 years for properties that resold for a gross profit in the second quarter, and 3.1 years for those properties that resold at a loss during the June quarter, the lowest hold period since 2010. Regional median hold periods for resale gains range from around 7-10 years. The shortest hold periods are in Auckland, Hamilton and Tauranga, all markets that have seen very strong growth over the past five years or so, and hence where owners have seen profits accumulate the fastest.

In concluding comments, Davidson notes: "Overall, whether you look at owner type, property type, or location, the latest Pain & Gain figures illustrate a still-solid property market in New Zealand".