

# Most property sellers still making a healthy gain

Catherine Harris 15:19, Dec 02 2018.



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Property sales lost none of their warmth in winter, with very few making a loss.

New Zealanders are still making plenty of money when they sell their homes, according to winter figures from property data researchers CoreLogic

The company's latest "pain and gain" report shows that \$3 billion in gross profit was made from house sales during the July to September quarter, and that 96 per cent of all properties made a gain.

The median gain was of \$180,000 per property.

Only a few sales, just 4.2 per cent, made a loss over the same period, which totalled \$29.9 million or about \$20,000 a property.

CoreLogic's head of research Nick Goodall said while many people would plunge the equity they made straight back into another property, the property market was still looking very solid.

"The degree of pain in New Zealand's housing market has been hovering around very low levels of 4 per cent each quarter for about two years now."

Property values continued to grow across most parts of the country, except for Auckland and Christchurch where they were flattening, "and show that relatively few people want to push through a quick sale for a low price."



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Goodall says landlords have not made a run for the exit door yet because house values and yields are still high.

Since September, the property market has seen a couple of major changes including the Reserve Bank's decision to loosen the rules on LVRs or loan to value ratios.

That means banks can lend to slightly more people with slimmer than required deposits.

Another potential game changer has been the enactment in October of the Overseas Investment Amendment Bill which curtails the number of homes which overseas investors can buy here.

Property researchers will be poring through sales figures to see whether these two events have had much effect on demand.

But November sales figures from the Real Estate Institute suggest that the usual spring bounce in house sales had occurred. October's national median house price rose 0.5 per cent on the previous month to \$562,000, which was 6 per cent higher year on year..



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Most apartments sell at a profit, but also tend to have owners who are happy to quit when the financials no longer stack up.

Tellingly the proportion of investors making a profit on resale was almost as strong as owner-occupiers at 95.4 per cent which perhaps explained why there had not been an exodus of investors from the market.

They were sitting on high values and yields based on much lower purchase prices, Goodall said. "Investors are sticking in the market despite extra government regulations and aren't abandoning their portfolios at cheap prices."

If there was any sign of owners bailing out, Goodall said it was more likely in the apartment market. About 90 per cent of apartments sold at a price above the original purchase price, meaning 9.9 per cent were sold at a loss.

That represented a bigger proportion of losses than house sales and a bigger median loss – about \$27,500.

"This shows that any market fatigue is more of a factor in the apartment segment, perhaps where buyers' approach is more financially-minded and they are prepared to exit as soon as the sums don't add up anymore," Goodall said.

In the long-term, the proportion of loss-making apartment sales had shrunk sizeably, from levels of 45 per cent in 2000 and 53 per cent in 2008, "so the current levels aren't actually too bad."

Dunedin had the least amount of losses, with only 1 per cent of house sales taking a bath.

Christchurch's figures remain weaker, with 13.4 per cent of resales making a loss, but much of that was due to the number of 'as is, where is' sales following the 2011 earthquake.

"In reality, the loss from original purchase price to recent sale price is mitigated by insurance," Goodall said.

### **Median gross resale profits (and losses) in Q3**

- \* Auckland \$340,000 (-\$27,000)
- \* Tauranga \$225,000 (-\$28,500)
- \* Hamilton \$206,500 (-\$20,500)
- \* Wellington \$242,000 (-\$17,500)
- \* Christchurch \$130,000 (-\$22,000)
- \* Dunedin \$155,000.(-\$25,000)

(Source: CoreLogic)