Stronger market on the cards

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Those predicting a property market crash might have to reconsider as the latest REINZ data reveals signs of an improving market nationwide, including an increase in sales activity.

By Miriam Bell

While the market may not be what it used to be, the July data from REINZ contains strong hints that there is renewed confidence in it.

After months of decline in sales volumes nationwide, last month saw the highest number of sales nationwide for a July in three years.

There were 6,118 sales in July which was a 3.7% annual rise on the 5,897 sold in the same month last year.

Further, Auckland – which has been experiencing a market slowdown for some time – saw an increase in sales in July.

They were up both annually (by 6.6% on July 2018) and as compared to June (by 1,2%).

Nine out of 16 regions saw annual increases in sales volumes and a number of regional markets saw double-digit annual growth in sales.

They were Nelson (up 25%), Gisborne (up 14.9%), Canterbury (up 14.6%), and Marlborough (up 13.7%).

REINZ chief executive Bindi Norwell says it's the first time in eight months that sales around the country have gone up on an annual basis – and it's a good sign, particularly for the Auckland market.

"It is an indication that there is renewed confidence in the market and that we're starting to see some early signs of growth."

She says some of the improvement can be attributed to more certainty after the ditching of the capital gains tax, but it's also about parts of the market finding their new normal in terms of pricing.

"With the Reserve Bank's big cut to the OCR in August, going forward we expect to see even more signs of growth, especially heading into Spring when, traditionally, we see more activity in the market."

Median prices nationwide were also up annually. They rose by 4.5% in July to $575,000, up from $550,000 in July 2018.

These results are in line with the REINZ House Price Index (HPI) which saw property values increase 1.5% annually.

While median house prices in Auckland remained flat at $830,000, which was the same price as July last year, record median prices were recorded in 10 out of the 16 regions.

Several markets hit record median prices in July. They were Otago (up 21.7% year-on-year to $505,000), and Southland (up 20.0% increase to $300,000).

The Manawatu/Wanganui region achieved a record equal median price of $370,000, which was the same as June this year, but up from $295,000 at the same time last year.

Meanwhile, the total number of properties available for sale in July nationally increased by 2.6% to 21,843, from 21,288 at the same time last year.

Norwell says the data shows the market is in a stable, healthy place at the moment and they are seeing an increase in both first home buyers and, to a lesser extent, investors moving back into it.

“With the added stimulus of the OCR drop, we expect the market, particularly in the regions, to pick up even more going forward.

“Access to funding remains tight though and that is likely to act as a bit of a counterbalance. But, until we sort out our ability to build more dwellings, price pressure on the market is going to remain.”

For KiwiBank senior economist Jeremy Crouchman, the REINZ data contained some encouraging signs for the market – notably the stronger sales data.

“Auckland has now seen two consecutive monthly increases in seasonally adjusted sales. And housing market activity tends to lead house price movements.

“We don’t know if this is a true turning point in the Auckland market, but investors now have less policy uncertainty to contend with.

“Moreover, mortgage rates have drifted lower since the start of the year and last week’s OCR cut and the signalled desire to do more by the Reserve Bank is likely to keep rates heading lower.”

However, their general outlook for the housing market remains unchanged, Crouchman says.

“Across the nation, prices will rise a little this year. And we expect aggregated price gains to pick up towards 5-6% into 2021.

“It’s a mixed picture, as it was this time last year. And as it will still be this time next year. What we worry about, is the potential restriction in mortgage credit growth into 2020, as the banks prepare to load more capital.”