

## Auckland House sales gain in May

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Auckland house sales and prices rose last month after a soft April, though the property market still faces headwinds with interest rates likely to rise and more people looking to head across the Tasman.

The number of sales climbed 18% to 792 in May from a month earlier, though it was down 2.7% from the same month in 2009, according to Barfoot & Thompson, Auckland's biggest real estate firm. The average sale price increased 0.3% to \$542,806.

The Reserve Bank is expected to hike the Official Cash Rate 25 basis points to 2.75% next week as it begins to restore monetary policy to more normal settings. The housing market has been in a state of hold this year after the government flagged changes to tighten tax rules.

Finance Minister Bill English unveiled the changes in last month's Budget, which removed investors' ability to claim depreciation on buildings and closed tax loopholes on loss attributing qualifying companies (LAQCs).

"With inventory on the market at reasonable levels, net migration beginning to wane, more restrictive credit conditions, the RBNZ about to begin tightening monetary policy and the ever-present issues with affordability, we see a number of headwinds for the market," said Philip Borkin, economist at Goldman Sachs JBWere.

"We continue to believe house price growth will moderate over the remainder of this year and remain modest for the foreseeable future."

Borkin said the tax changes weren't as aggressive as expected, and there was "potential for some pent-up demand to emerge".

"Headwinds for the housing market remain, particularly given pending monetary policy tightening, waning net migration and ongoing affordability issue," he said.

Barfoot managing director Peter Thompson said winter normally sees lower prices and volumes, so it might be several months before the tax changes filter into the market.

The firm added 1,369 new listings to its books last month, more than the 1,312 in April, and had 6,023 listings on its books at the end of May, the lowest number