

# MARKET UPDATE

July 2017

## Are you a housing winner?

If the housing party is over, who comes out on top? Auckland is leading the country into house price stagnation. But while a fall in prices will be good news to those waiting for their chance to buy, the past four years of rises have significantly changed the market. So let's ask, who are the winners and losers at this stage?

### First-home buyers

There is widespread agreement that first-home buyers have suffered the most in the rapid price rises of recent years. Both the increase in values and Government intervention have worked against them. In 2012, they might have been able to get a loan with a 10 per cent deposit - or \$37,000 on the average house price of \$370,000. But now, because loan-to-value restrictions reduce the amount of lending banks can do to people with a small deposit, most buyers need \$108,000, or 20 per cent on the average house price of \$540,000. But BNZ chief economist Tony Alexander said there were early signs that was changing as price rises slowed. He said they now had less competition from investors, and would feel less stress to buy quickly, thanks to the slowdown. "They may be able to grow a deposit now at a faster pace ... But capacity constraints - shortages of builders and finance for developers - mean earlier hopes of a large surge in dwelling supply in Auckland are being dashed. Overall, they are better off because of the plateauing of prices and appearance of some price reductions from investors who had bought for quick capital gain now looking to sell out." Ryan Greenaway-McGrevy, a senior economics lecturer at the University of Auckland, said it would take more than a plateau in prices to help first-home buyers. "Prices have to come down a very long way or incomes would have to increase by a substantial amount [before houses became affordable] that's highly unlikely."

### Existing homeowners

New Zealanders have a significant portion of their wealth tied up in housing - about \$1 trillion, to be precise. There is a mortgage on about a quarter of that. People who bought before 2014 have had the benefit of significant capital gains. Commentators say, in real terms, house prices in some parts of the country have tripled. But no matter how well off it makes them feel, a high house price does not really benefit homeowners, who still need to have a roof over their heads. If they sell, they still must buy in the same market. "But they are better off in terms of reduced risk in their balance sheets through less low deposit lending to over-optimistic, uninformed, under-capitalised borrowers." In many cases it can make them worse off because the jump to the "next step" property has become bigger. Only those who can cash up can access the gains made. Corelogic said "movers" or people selling one property to move to another now represented a smaller slice of the market - from 30 per cent of the market in 2006 to 27 per cent now. Infometrics chief forecaster Gareth Kiernan said the only clear winners were those, usually Baby Boomers, who had been able to downsize or move out of urban centres to realise the gains their properties had made. "If you could cash up and realise those gains and buy a smaller, cheaper property you are a really big winner." But he said that was at the expense of people at the other end of the spectrum, mostly young first-home buyers who were priced out of the market.

## **Mum-and-dad investors**

Kiernan said many investors had also been winners if they had been able to expand their investment portfolio over the past five years and achieve big tax-free capital gains. Corelogic data shows that the number of sales to investors is beginning to increase again after a couple of quarters of decline. But Alexander warned their fortunes were changing. "Capital gains are weaker, a flattening market is generating capital losses for some as they paid too much when purchasing, and access to credit has been reined in not just by the Reserve Bank's loan-to-value restrictions but bank tightening in credit more generally," he said. "In addition there is now an over-supply of developable land in Auckland and some panic-selling of subdividable properties no longer of any immediate use to potential developers is possible if not probable in investor-dominated locations." He said professional investors who had multiple properties, and were in for the very long-term, were also suffering reduced access to credit and absence of as good a rate of capital gains. "But they are more likely to be able to hold stock through to the next upturn than small investors. And many of these type of investors know that as Mum-and-Dad investors sell out cheaply to get their stress levels down there will be bargains to be snapped up. For professional investors the market is shifting toward looking for such bargains – though access to credit will restrain their ability to buy what they might like to." Greenaway-McGrevy said investors faced a problem because their rental return - the median rent received divided by median purchase price - was only about 3 per cent per year in Auckland. That is less than they could get from a term deposit, and from that they have to cover all their expenses. He said if price rises had stopped and capital gains were no longer a sure bet, that was not good from those investors' perspective. Interest rates look to be on a slow upwards trajectory, which may put on further pressure. Overseas investors have been slowed by banks' refusal to include foreign income in affordability calculations. But those who do not need a mortgage are still as strong in the market as they ever were - at a solid 6 per cent.

## **Developers**

In Auckland, the Unitary Plan may help some developers if it allows them to put higher-density buildings on their land. But the pace of building is glacial in most parts of the country and construction costs are increasing, making many projects less lucrative for developers. Banks are also backing away and are less willing to support them. "Developers are suffering from a lack of credit which is not only unlikely to get better for many years but will probably get even worse," Alexander said. Greenaway-McGrevy said construction costs had increased at twice the rate of general inflation over the past decade. If prices are falling, some developers may not be willing or able to take the gamble of building now.

## **Government**

Normally, falling house prices would be bad news for the Government but this time, it may work in its favour because the rest of the economy is sound and consumer confidence is generally high. There is a general sense that house prices rises should slow for social reasons. Kiernan said the Government response to housing affordability issues could not be said to be good. He said it had been a problem since before the last election but no real solutions had been offered. "It's a perfect storm with a large number of factors that have come together to drive the market up but if there was a more effective opposition the Government would have come under a lot more pressure." Regional New Zealand, where voters sometimes feel ignored by politicians, may be buoyed by the fact that their house prices are still rising.

## **Opposition**

Housing could have been the Opposition's big chance to win some points against the Government but its attempts have not stuck. Now the heat seems to be going out of the argument just when it needs it most. "It's just luck for the Government that Labour did not seem to have any clear ideas of what to do, either," Kiernan said.

## **Banks**

Banks have done well from New Zealand home loan borrowers over recent years. A KPMG report showed, in 2016, lending grew at its fastest pace in eight years and banks made an extra \$127.4 million from loans, than they had the year before. But Alexander said they were now suffering reduced mortgage sales because of the lending restrictions introduced by the Reserve Bank and their own tightening of lending as they struggle to raise deposits in New Zealand.

Source: [stuff.co.nz](http://stuff.co.nz)

# Choose the right heating for your home



When looking to heat a home, it's important to consider the wide variety of heating methods on offer. An under-heated home can lead to illness and poor health. Creating a warm, dry and comfortable home should be a top priority. Heating options are far now greater than they were a generation ago. Electrical, gas, new super-efficient wood fireplaces, gas fires, in-concrete floor hot water or electrical heating units, central hot water heating, heat pumps and air conditioning units and home ventilation systems are just some of the popular heating options to choose from. Because the heating needs of every dwelling are different, you need to undertake heat loss calculations based on: the size of your home, the materials used for construction, whether your home is north or south facing, the size and number of external walls and the number of windows and doors. The World Health Organisation recommendations for room temperatures are:

- 21 degrees Celsius in living areas
- 18 degrees Celsius in bedrooms
- 22 degrees Celsius in bathrooms

Start with insulation – keep in the heat you have, then add heaters to warm you up. Insulation will also reduce temperatures in the summer. Considerations:

- Ensure you have an abundance of insulation – remember, building code requirements are a minimum.
- It's important that whatever system you install is of sufficient capacity to heat your home properly – too small a unit will result in expensive bills and insufficient heating.
- Some heating system installations require a building consent and registered installer.
- The modern approach to heating is 'whole house heating'. Good insulation and an energy-efficient heating system will heat all areas of the house at a reasonable price and help keep your family healthier through cold months.

## Central heating

Central heating can be fuelled from gas, diesel, solid wood pellets or hot water heat pump, can work through warm water underfloor heating or slim water radiators (and sometimes both), with the possibility of adding domestic hot tap water and even swimming pool heating all from the one heat source.

## Modern wood burners and wood pellet burners

- They are inexpensive to run, energy-efficient and surprisingly environmentally friendly.
- They have the advantage of being able to be connected to a wetback, which will provide hot water at no extra cost apart from the installation.
- You'll need a building consent to install a woodburner or pellet burner, and have these installed by a specialist installer.
- The council will have to inspect the burner before issuing a code compliance certificate.

## Underfloor heating

These work with any floor type but care should be taken with wooden overlays as there is potential for shrinkage. Electrical systems are cheap to install but the running costs are higher. The high cost of gas in the South Island also makes these systems more expensive to operate there. Running pipes in your concrete floor slab even if you don't intend to use them initially, will future-proof your home and may add resale value.

## Heat pumps and air conditioning

Correct sizing is crucial for long-term trouble-free and economical running of your heat pump. If it is too small in capacity (kW), it may be cheaper to buy initially, but it will struggle to heat the area, resulting in the unit having to work much harder, making it less economical to run, and dying early. Options run to wall units, floor units, ceiling units or fully ducted – choose the most suitable for your space and house design. You don't need a building consent to add a heat pump to your home but this must be installed by a qualified installer.

## Modern ventilation systems

These are not usually heating systems, unless those add-ons are included, but may help heat your home through replacing moisture-filled atmosphere. Modern construction seeks to seal a home to increase energy efficiency which means you may need to have a system installed. "Heat Recovery Ventilation" refers to having warm, stale air being removed and replaced with fresh. This aids energy efficiency but works better when it's already warm, which is just when you don't want more heat.

## Solar

Solar panels provide essentially free hot water. Any excess can be diverted to heating a pool or added into a floor heating system. During winter months solar will require back-up heat supplementation. Power and gas prices are continuing to rise and are forecast to increase sharply as demand increases – solar is renewable, sustainable, efficient and reduces hot water heating costs.

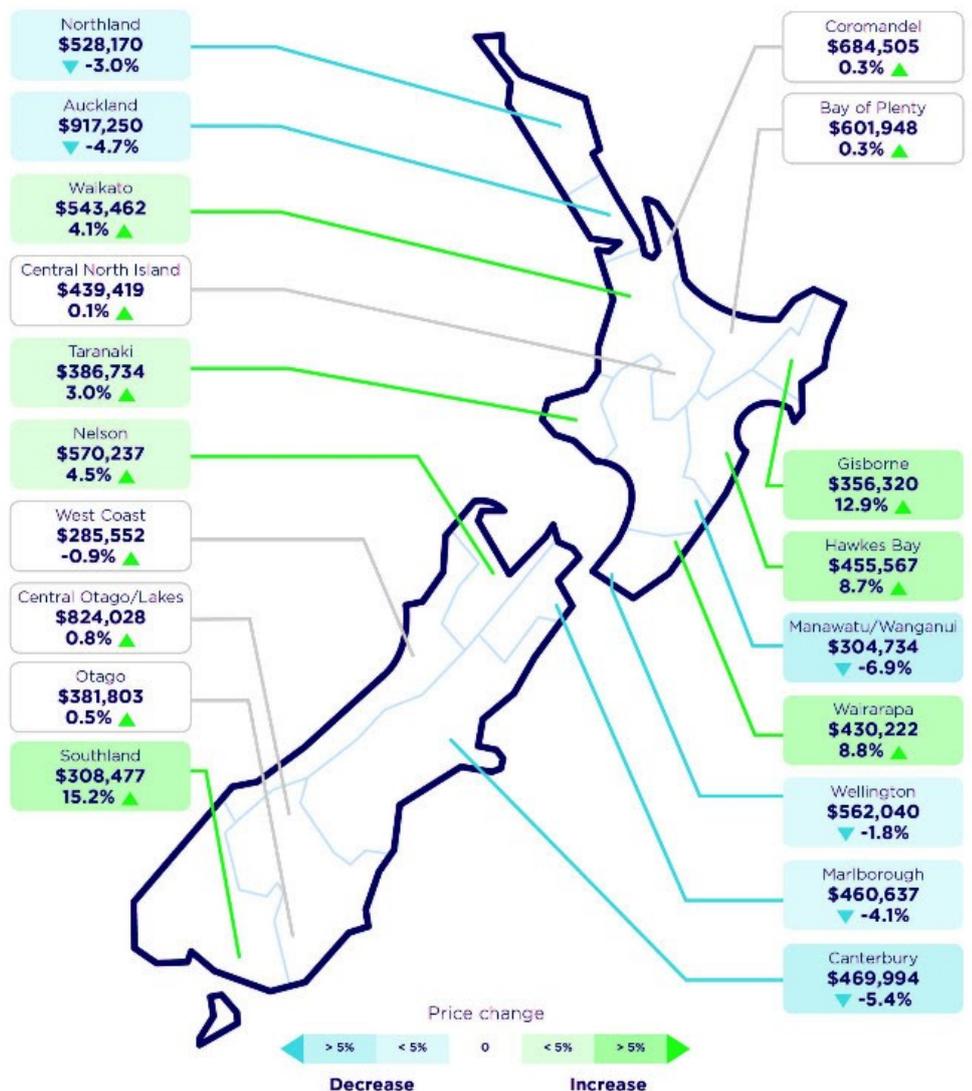
## Gas heaters and fires

Fast, convenient and easily regulated heat, gas can bring a moderately sized room to a warm comfortable temperature in about 10-15 minutes. Energy Star rated flued gas heaters are the most efficient and won't release moisture or harmful gases into your home. Glass-fronted gas fireplaces are significantly more efficient than open fronted and create much smaller carbon footprints. If you live in an area that has no gas supply, you can have tanks that are delivered to you, last for months and only get changed out as required. To learn more about the different types of heating, building consent requirements, registered installers and council code compliance certificates, visit [www.smarterhomes.org](http://www.smarterhomes.org)

## property asking price

Property asking price for June 2017 **\$628,020**  
Compared to prior month **-1.3%**

The average asking price is calculated by taking every residential listing's indicated asking price and dividing it by the total number of properties.



Source: realestate.co.nz

Asking prices for new listing calculated as seasonally adjusted prices using X12 ARIMA methodology.

# Some Recent Sales Information

NUMBER	ROAD NAME	SUBURB	RV	SALE PRICE	LAND AREA	FLOOR AREA	BEDROOMS
15	Kellsmere Cres	Island Bay	800000	1100000	2146	170	4
6	Puriri St	Miramar	485000	773000	558	130	4
11	Donald Cres	Karori	880000	1230000	507	230	4
69	Ellice St	Mt Victoria	1180000	1915000	314	290	6
21	Houghton Bay Rd	Houghton Bay	480000	646500	579	130	3
66	Epunu St	Aro Valley	630000	926000	296	109	3
28	Tuatoru St	Eastbourne	910000	1300000	562	220	4
47	Freyberg St	Lyll Bay	640000	900500	352	140	4
40	Chelsea St	Miramar	790000	1143533	440	180	4
60	Larchmont Gr	Totara Park	385000	444000	558	90	3
78	Bell Rd	Waiwhetu	485000	577500	0	106	3
9	Oxford Cres	Ebdentown	430000	570000	651	149	4
113	McLeod St	Elderslea	355000	425000	723	100	2
29	Putnam St	Northland	920000	1425000	827	170	3
11	Grace Nicholls Gr	Riverstone Terraces	600000	715000	2822	216	3
493	Fergusson Dr	Trentham	415000	450000	823	131	4
42	Seddon St	Wallaceville	460000	495000	0	158	3
9c- 120	The Terrace	Wellington Central	175000	232000	0	40	1
76	Whitemans Valley Rd	Whitemans Valley	500000	625000	1097	140	4
254	Sutherland Rd	Lyll Bay	530000	751032	825	130	3
766	High St	Boulcott	310000	402500	0	70	2
49	Roseneath Tce	Roseneath	285000	335000	221	0	0
24	Marlborough St	Silverstream	590000	720000	766	240	4
101	Waiwhetu Rd	Waterloo	470000	552000	695	90	4
24b	Barraud St	Avalon	355000	419500	0	80	2
27A	Cortina Ave	Johnsonville	485000	740000	401	180	4
27	Salamanca Rd	Kelburn	1400000	1670000	350	235	5
50	Kings Cres	Lower Hutt Central	670000	700000	682	150	4
16	Oaklands Gr	Clouston Park	345000	385000	635	77	3
49	Bengal St	Khandallah	580000	713000	591	140	3
124	Seddon St	Naenae	420000	511000	3926	170	4
6	Pritchard St	Newlands	375000	615000	509	110	3
45	Rawhiti St	Stokes Valley	370000	420000	806	130	4
38	Messines Rd	Karori	650000	866000	488	190	3
68	Oregon Dr	Maoribank	360000	410000	564	130	3
33	Hankey St	Mt Cook	760000	1290000	316	190	9
74	Heke St	Ngaio	590000	810000	589	220	5



Call us.

**RayWhite**

**Philippa Seidelin** Property Marketing Specialist

M 021 148 2430 P 04 392 2430

**John Callam** Property Marketing Specialist

M 027 223 3126