

Property BULLETIN

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Anytime 04 390 0132
Mobile 021 472 132

MALCOLM MORRIS

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First Home Buyers Active Over Summer Break

5,048 dwellings sold in New Zealand in January 2016, up 4.3% on January 2015, but down 31% on December 2015, although on a seasonally adjusted basis the number of dwellings sold rose by 9.7% compared to January 2015, and fell 5.1% compared to December 2015

National median price of \$448,000, up \$22,000 (+5.2%) on January 2015 and down 3.7% on December 2015

New record national median prices in Hawkes Bay and Taranaki, with Canterbury/Westland equalling its record median set in April 2015

An 18% rise in the number of sales of \$1 million between January 2015 and January 2016 – from 360 to 423

20,065 dwellings sold by auction in the 12 months to January 2016, representing 22.1% of all sales, an increase of 45% in the number sold by auction in the 12 months to January 2015

Sources: REINZ stats

Welcome to 2016. I hope you enjoyed your break. The market is certainly rattling its cage showing good signs of price growth in sales achieved to date. With low interest rates seemingly here to stay and an excess of demand over supply, interest is intense and competitive for most homes being marketed.

Demand in the rental market is increasing with property managers reporting larger rent increases on renewals of houses on fixed term tenancies than in 2015.

Apartments have been slower to respond to rent increases but interest is still high.

I hope you enjoy the read and if you wish to discuss anything property don't hesitate to call.

Regards

**Malc and the
Team
Leaders
MREINZ**



Activity in the regions continues to show the influence of the halo effect with new record median prices reached in Hawkes Bay and Taranaki with first home buyers, attracted by low interest rates which has increased their purchasing capacity, becoming more active in these regions.

January is an unusual month for real estate data due to the Christmas/New Year period and the summer holiday break, so comparisons with December are always a bit difficult. January typically has a significant drop in sales volume and a noticeable drop in median prices compared to December. That said, over the past 10 years the average drop in sales volume for January has been close to 20%, while there has been an average 3% drop in the median price nationally.

Auckland continues to show declining sales numbers, however the reasons are many and varied, including an

increasing large group of potential sellers who are unable to find suitable new properties – a reflection of the very tight listings position in Auckland and increasingly tight listings across the rest of the country. The market in Wellington appears to have taken a pause in January with a decline in sales volume and median sale price.



OCR – Where is it heading?

As you are probably aware, Dominic Stephens from Westpac has been pretty consistent in his predictions of the OCR falling to 2%. The Reserve Bank announced on Tuesday 16th February the results of their "Survey of Expectations on Inflation" which seem to mirror the empirical data.

Inflation has been below the 2% midpoint of the Reserve Bank range for quite a while. With the unwinding of the dairy pay out predicted to now be at \$4.00 in 2016, the continuing weakness in China and overseas nervousness, all of these factors are coming home to roost. Initially most pundits were picking an OCR fall in June with recent events now placing a more likely scenario of March.

My thoughts are March.



Home Ownership in NZ Today

A report by Statistics NZ published in mid 2015 'A Century of Censuses' points to NZ now having the lowest home ownership rate since the 1950's.

Looking back at NZ history it seems quite clear to me that government intervention in the housing market has featured strongly during the times of increase, and its absence has been felt when ownership levels have declined.

Home ownership has risen and fallen twice over the last century. In 1916 when statistics were first taken it was at 53% rising to 61 % in 1926, only to crash to 50% in 1936.

Post WWII NZ introduced low-interest loans at between 3-4% known as State Advances Loans to get the country going!!!! Parents could capitalise their Family Benefit to assist them in buying a house. Over time home ownership rose, peaking to 73% in 1986. Since then with the abolishment of the Family Benefit and the State Advances Corporation, home ownership rates have dropped back to 64.8% in 2013, the lowest since the 1950's.

The statistics report indicated (alarmingly) that since this time most new homes being built are larger and not aimed at first-home buyers. This is at a time when the size of families is decreasing and efficiencies of design allow us to live in smaller homes.

Are we building the right type of housing for the future dynamics of our society? Should not local district plans and government policy around housing reflect current and future dynamics? Should there be some penalty placed on developments that don't reflect the future dynamics of year 2050 rather than the highest and best use model in NZ today?

To me a high home ownership rate presents a very stabilising influence on the development, stability and contentment of the family and hence the country as a whole.

The government needs to strive a lot harder and look to earlier periods in our history when successful home ownership schemes were implemented, in order to achieve better ownership outcomes.

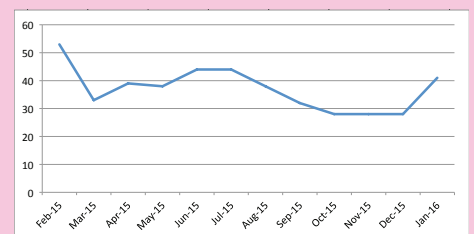
The Pantry is Bare!

Currently the number of listings in Wellington is only around 60% of the number at the same time last year, and we've been sitting at that figure since early December (excluding the Christmas sale period).

Below is a table of days on market which clearly indicates a sharp contraction in the average time to sell a property. You can see this in the marketing of most homes, with the running of two to three week tender/auction campaigns rather than the traditional three to four week campaign.

The figure in January blowing out to 41 days may just be a blip but February and March will give the true measure.

DAYS ON MARKET



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Are you interested in receiving our newsletter or house sales information on a monthly basis of your local area? We produce sales stats of Postcode 6021, 6022 and 6023 on a monthly basis and is available to clients by email. Email Kirsty@malcolmmorris.co.nz or phone (04)3900132 to receive just good content. Your privacy will be respected and I confirm your email address and details will not be passed to any third party or people trying to sell you things!

Mobile 021 472 132
Anytime 04 390 0132
Fax 04 387 1650
Email malcolm@malcolmmorris.co.nz
www.leaders.co.nz www.malcolmmorris.co.nz
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