



## March 2017 – Cycles of the Auckland market

Tony Alexander (Chief Economist of the BNZ) analysed the real estate market in his weekly update dated 16th March 2017. His report is interesting reading and some excerpts are below.

“We see nationwide (house) prices in the three months to February fell 1.6% from the three months to November when they rose 2% and three months before that rose almost 4%. Prices on average have flattened out with a small downward bias stemming from Auckland being hit by the 40% investor deposit requirement (down 4%).

“Housing markets move in cycles. The Auckland cycle has peaked and now will probably sit flattish with small rises for a few years. The two key forces causing the flattening are the 40% deposit requirement preventing many investors from buying, and average prices finally reaching a new temporary equilibrium. The market has not flattened because of rising interest rates, recession, a migration collapse or supply surge. But what is it that happens when a cycle peaks? Think about two of the many factors we highlighted as driving strong house price rises in recent years – ‘fear of missing out’ (FOMO) and catch-up buying. People started jumping into the market which gave the market an extra push at the same time as migration flows turned strongly. Once the market got extra momentum from this buying other people who had no plans to make a purchase started looking at the way prices had risen and realised they could have made nice capital gains by buying virtually anything in Auckland. The FOMO factor kicked in and the scramble for any piece of dirt or roof supporting walls got under way. The FOMO part of the cycle is the most dangerous part because people will borrow sometimes dangerously high amounts of money to get anything almost irrespective of its price or condition. The appearance of FOMO is one factor behind the Reserve Bank’s decision to introduce LVRs from October 2013. The LVRs have very usefully helped prevent a boom-bust cycle.

“So now think about the current Auckland housing market. It has flattened out. Listings are rising while sales are falling. Many investors have been pushed out of the market by the 40% deposit requirement and the cycle was simply getting tired. The FOMO factor is dying. Having said that, there will for a short time be a rise in FOMO for vendors. They will fear they have missed the peak and as they adjust their pricing expectations to get a sale the market will face some extra price weakness which will not persist. But its existence means that for the past few months and a few more to come the market will appear to lack direction with anecdotes of weakness matched by anecdotes that the weakness is temporary. But we won’t return to the 2008-2012 environment of high expectations of falling prices and that means that although attention on housing availability will decline, it won’t collapse as happened back then.

“So... can we predict when the next upward leg will come? That is normally difficult to do and this time around almost impossible because for the first time in some decades the cycle has peaked not because of soaring financing costs but credit supply restraints. Best guess for the next upward leg? Five years. But I wouldn’t structure anything with that timeframe in mind as it is only a guess, not a prediction. A lot of things will happen in the next year let alone the next half decade.” For the full report go to [tony.alexander.co.nz](http://tony.alexander.co.nz)

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## Eastern Beaches area figures for February 2017

These figures include all sales by all agencies for the suburbs of Bucklands Beach, Eastern Beach, Half Moon Bay, Howick, Cockle Bay, Shelly Park, Highland Park, Farm Cove, Sunnyhills, Pakuranga, Edgewater, Botany Downs, Northpark, Dannemora, East Tamaki, Flat Bush, Whitford, Beachlands & Maraetai.

	Feb 2017	Jan 2017	% change	Feb 2016	% change
Total number of sales	115	78	↑ 47%	140	↓ 18%
Average Price	1,134,000	1,083,000	↑ 5%	1,040,000	↑ 9%

### Total sales for the 12 months to February 2017 for the Eastern Beaches

- 2273 sales, of which 86% were houses. The top sale in the area last month was in Shelly Park, for a sale price of \$3,200,000.

### Property Values -

Less than \$400,000	0.5%
\$400,000 - \$600,000	4.1%
\$600,000 - \$800,000	14.2%
\$800,000 - \$1,000,000	25.9%
\$1,000,000 - \$1,500,000	41.7%
More than \$1,500,000	13.6%



We've been appraising properties for clients over the last few weeks and have found when referring them to talk to our Loan Market Mortgage Brokers they can get quite a different perspective on how much they can borrow and how much they need to sell for. If you would like a free up-to-date appraisal on what we perceive the value of your home to be in the current market, or a free lending consultation, give us a call and we'll arrange it.

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535 8128

Pakuranga  
576 4099

Botany Town Centre  
273 2228

Flat Bush  
272 8023