



## August 2016 – Three new factors that may influence the Auckland housing market

The latest data released by the Real Estate Institute of New Zealand last week showed some slowing of momentum in the Auckland market. On a seasonally adjusted basis, Auckland's July 2016 median price rose 1% compared to June 2016. REINZ spokesman Bryan Thompson noted, "Sales volumes remain below previous periods as the continued shortage of supply impacts buyer choice". However, as Rob Hosking commented in the National Business Review of 12th August, "this is an adjustment from breakneck speed to one that might only cause minor whiplash".

There were two reasonably significant events in the past couple of weeks, which could both have some effect on the Auckland housing market. The first is a tightening of the existing loan-to-value (LVR) ratios announced by the Reserve Bank. (LVR measures the amount of risk your loan may present to the lender – the lower the LVR, the lower the risk.) The changes that will take effect from 1st September (although most major banks have implemented them already) are:

- No more than 5% of all bank lending to residential property investors will be allowed with an LVR greater than 60% (that's a deposit of less than 40%),
- No more than 10% of all lending to owner-occupiers will be allowed with an LVR greater than 80% (that's a deposit of less than 20%).

Loans already exempt from the existing LVR restrictions, for example loans to construct new dwellings, will continue to be exempt. The Reserve Bank have tightened the LVR rules to further reduce banks' exposure to riskier mortgages and to assist in restraining housing demand, potentially by investors.

The second significant event is the Proposed Auckland Unitary Plan, which allows more high density housing and to extend the urban limits further out. This plan has the potential to substantially increase the supply of housing in Auckland to over 400,000 over the next 30 years. The constraining factor will be how quickly these houses can be built. We are currently building just over 8,000 dwelling a year. In order to meet the new plan, we would need to build 13,000 dwellings for the next 30 years.

The government has also increased the income caps and house price caps of the Kiwisaver HomeStart scheme which provides government grants to low and middle income New Zealanders, by. The government is hoping these changes will help more first home buyers get a foot on the property ladder, including in Auckland.

Will these three factors have the intended effects? When LVR restrictions were introduced last year, the market slowed temporarily but then galloped away again. Traditionally the number of listings increases during spring and summer, so perhaps more choice for buyers will cause a slowing of price increases. The next few months will be interesting.

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## Eastern Beaches area figures for July 2016

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.

	July 2016	June 2016	% change	July 2015	% change
Total number of sales	191	231	↓ 17%	259	↓ 26%
Average Price	1,133,000	1,130,000	no change	947,000	↑ 22%

### Total sales for the 12 months to July 2016 for the Eastern Beaches

- 2514 sales, of which 85% were houses. The top sale in the area last month was in Sunnyhills, for a sale price of \$4,000,000.

### Property Values -

Less than \$400,000	0.4%
\$400,000 - \$600,000	5.8%
\$600,000 - \$800,000	18.4%
\$800,000 - \$1,000,000	28.4%
\$1,000,000 - \$1,500,000	36.4%
More than \$1,500,000	10.6%



As you may be aware, house prices in the Auckland region have changed considerably over the past few months. If you would like a no obligation, up to date and free market valuation of your property, or if you have any questions about the real estate market, call any of our six branches now.

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