

Street Smart Newsletter

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First-home buyers collateral damage in NZ's unbalanced market: CoreLogic

The number of sales to first-home buyers in Auckland is at its lowest level in 20 years, CoreLogic's head of research Jonno Ingerson says.

The property research firm's head of research said the usual winter drop in market activity had hit, and was compounded by Reserve Bank restrictions on small-deposit loans and on investors.

Too many people have been taken out of the property market, particularly in Auckland, CoreLogic says.

There was also political uncertainty ahead of the election, he said, and affordability was keeping buyers out in Auckland.

CoreLogic's data showed that fewer people were applying to the banks for money. "That means fewer out on the street looking to buy property," Ingerson said.

Real Estate Institute data showed that, in May, sales numbers in Auckland were down 27.5 per cent on the year before, and 18.4 per cent nationwide, or 13.6 per cent outside Auckland.

Ingerson said while Auckland and Christchurch property values had started to drop off, Hamilton and Tauranga's were flattening and the strong increases seen a year ago in other parts of the country were "ancient history".

He said, as a percentage of sales, first-home buyers were holding their own.

CoreLogic data shows that in Auckland, investors are 44 per cent of the market, movers 22 per cent and first-home buyers 21 per cent. Six per cent of buyers were people who were new to the New Zealand market and paying in cash.

Nationwide, investors are 39 per cent of the market, compared to first-home buyers' 21 per cent.

But Ingerson said given the smaller number of sales, the actual numbers of first-home buyers getting into their own properties had fallen markedly, particularly in Auckland.

"The number of cash investors is unchanged over time. They don't care about ending restrictions. If they want to buy property, they just buy. [Investors] who need a mortgage have dropped away considerably, they are at the lowest level we've seen since during the GFC.

"Job done, Reserve Bank, you've knocked out investors from the market."

First-home buyers were the collateral damage, he said. The number of sales to first-home buyers was the lowest in 20 years.

"They are not only affected by the restrictions, can they get money, but the pure affordability of the market."

Over the rest of the country investors had dropped out, but the effect on investors was not so bad.

But he said the market was now unbalanced. "In Auckland, we've taken too many people out of the market."

He warned that was at a time where there were a lot of people moving to New Zealand and not enough houses being built. If that pressure was not on the market, prices might not prove so resilient.

Impact of election on housing market

This election more than any others in recent memory looks set to have a huge impact on the direction of the housing market - and prices - next year and possibly beyond.

With the clock now loudly ticking a countdown to the September 23 election, the housing market looks to be settling into 'wait and see' mode while the outcome is awaited.

The Reserve Bank's action last year in putting 40% deposit limits on housing investors, combined with banks themselves implementing more conservative lending policies and 'rationing' credit has done the trick to take steam out of the market in the first half of the year, while the natural period of election limbo will now take hold.

So, the whole year will be a much slower one in the housing market than we've seen in recent years.

And while there might be those secretly harbouring regrets that the value of their house is not shooting up \$1000 every week, more savvy observers with an eye on the longer term will probably feel there isn't too much to complain about. The first home buyers have been given some opportunity to catch up, while there's no imminent sign of us heading from boom to bust, which of course is what the RBNZ and the banks would have feared. What happens from here though will be interesting to say the least.

Nobody likes uncertainty. It's worth remembering that even though the National Party always looked extremely likely to be able to snare a workable majority in the last election, there was still a considerable pause in housing market activity pre-election.

This was followed by an almighty rush to the real estate offices as the outcome was revealed and a subsequent reignition of the housing market's upward rocket thrusters.

So, a pause this time around, particularly after the RBNZ moves and the greater caution being shown by banks with lending, was a given. Much less predictable, however, is what happens straight after this election. It's less predictable because the election

Growth in non-New Zealanders moving here is the biggest driver of record migration numbers

Inward migration continues to surge to new highs, with a record net gain of 72,000 people in the 12 months to May, according to Statistics

"The continued high level of net migration in the May 2017 year was driven by non-New Zealand citizens migrating to New Zealand," Statistics NZ's population statistics manager Peter Dolan said.

Altogether 130,403 people arrived in this country on a permanent or long term basis and 58,439 departed permanently or long term, giving a net gain of 71,964.

Of the arrivals, 32,066 were New Zealand citizens returning this country, while 33,398 departed, giving a net loss of 1332 New Zealand citizens in the year to May.

That was more than made up for by the 98,337 citizens of other countries who arrived here on a permanent or long term basis, with 25,041 non-New Zealand citizens departing permanently or long term, giving a net gain of 73,296 non-New Zealand citizens in the year to May.

The biggest source countries for net permanent and long migration were China and Hong Kong 11,024, followed by India 7593, the UK 6534, South Africa 4729 and The Philippines 4539.

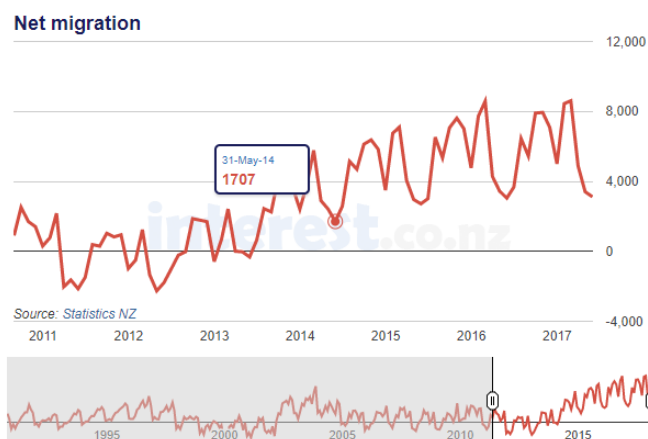
By visa type the biggest group of arrivals came on work visas (44,459), followed by 38,326 Australian and New Zealand citizens (who do not require visas), student visas (23,740) and residency visas 16,736.

The latest figures will bring little relief for the Auckland region, with nearly two thirds of the net gain in population occurring in Auckland.

It is estimated that Auckland's population grew by around 44,000 people directly from migration in the year to June, and that's on top of the natural increase (births exceeding deaths) in the region's population and internal migration from people moving to Auckland from other parts of the country.

Such a large increase in population will undoubtedly put further pressure on the city's housing supply and other overstretched infrastructure such as transport and health.

Net Long Term Migration



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Simple ways to lower your energy bill

Heating

- Turn your heaters off when you don't need them - rather than leaving them on when you're not there, this includes your heat pump.
- Set your heater thermostat - aim for 18 to 20°C.
- Many heaters are only big enough to heat one room - so close doors and in the evening pull curtains.
- Use a heater directly in the room you want to heat - and keep the door shut (unless you have central heating).

Save on lighting

Lighting is one of the easiest places you can save energy around your house.

- Turn lights off when you're not using them.
- Replace incandescent light bulbs - with energy efficient LEDs and save \$100 or more a year on electricity in your house.

Save on hot water

Heating water is expensive, so using less hot water has a big impact on your energy bills.

- Use an efficient showerhead - it still gives you a great shower, but uses much less water. To check the flow rate of your shower, put a 10 litre bucket under the shower - if it fills in less than a minute at normal showering temperature, your showerhead is wasting water. An efficient showerhead has a flow rate of 9 litres per minute, or less.
- Reduce shower time - a 15 minute shower costs around \$1, a 5 minute shower around 33c. A family of 4 could be saving around \$18 a week just by taking shorter showers. That's \$900 a year.
- Use cold washes - unless you have an especially dirty load. Modern washing machines and detergents clean well using cold water. A hot water wash can use 10 times more electricity than a cold wash.

Save on appliances

Standby power - Appliances left on standby can cost you more than \$100 a year on your power bills. Major culprits are home entertainment appliances, like TVs, stereos, game consoles and computer equipment. Plug them all into multi-plug boards so they can all be turned off properly at the same time. Turn off other appliances like whiteware at the wall too.

Heated towel rails - If you have a heated towel rail, only use it when needed. A heated towel rail left on 24/7 can cost you \$170 per year to run. You can buy timers for towel rails that come on automatically at certain times of the day.

Fridges - If you have a second fridge only to chill a few drinks, it could cost you \$200 a year to run if it's an old, inefficient model. Consider turning it off or getting rid of it. Check your fridge door seals - if the door doesn't seal properly, your fridge will use more energy than it needs to. Depending on the age and condition of the fridge,

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