



# Property Market Update

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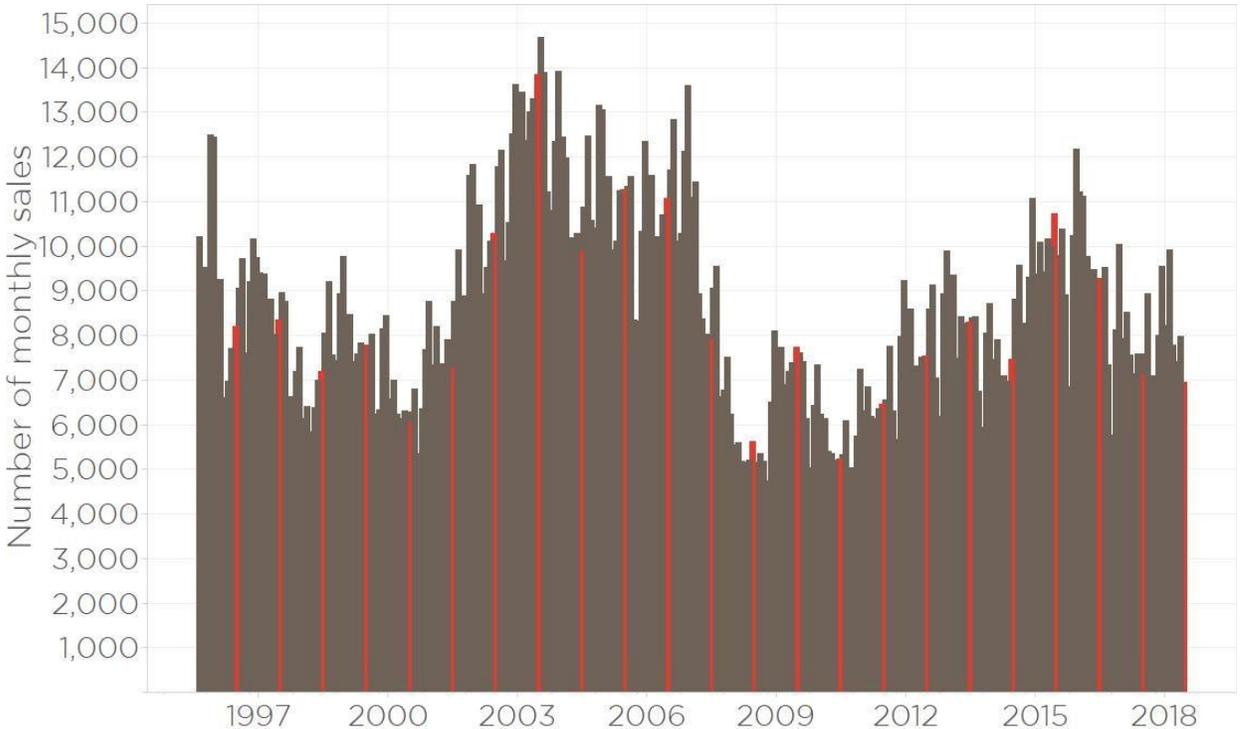


# Market Overview

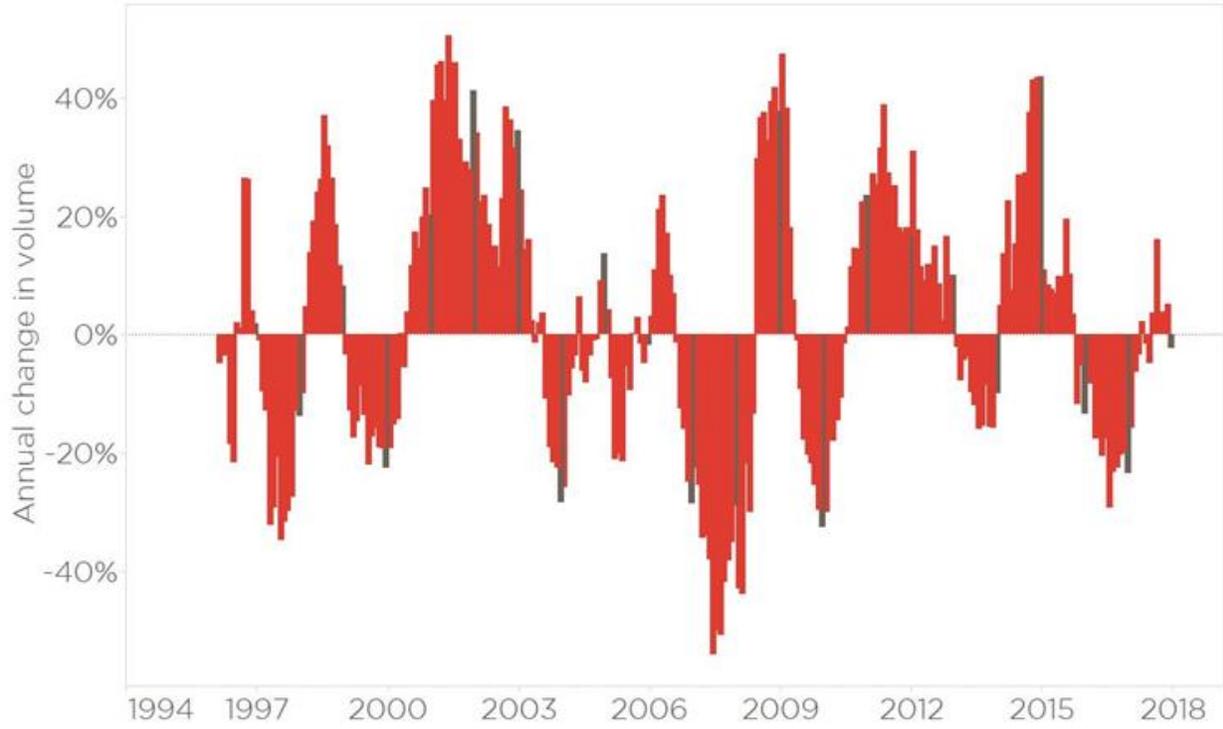
# Sales activity has consistently reduced since 2016

However there are signs it has hit a floor

### Monthly Sales - NZ



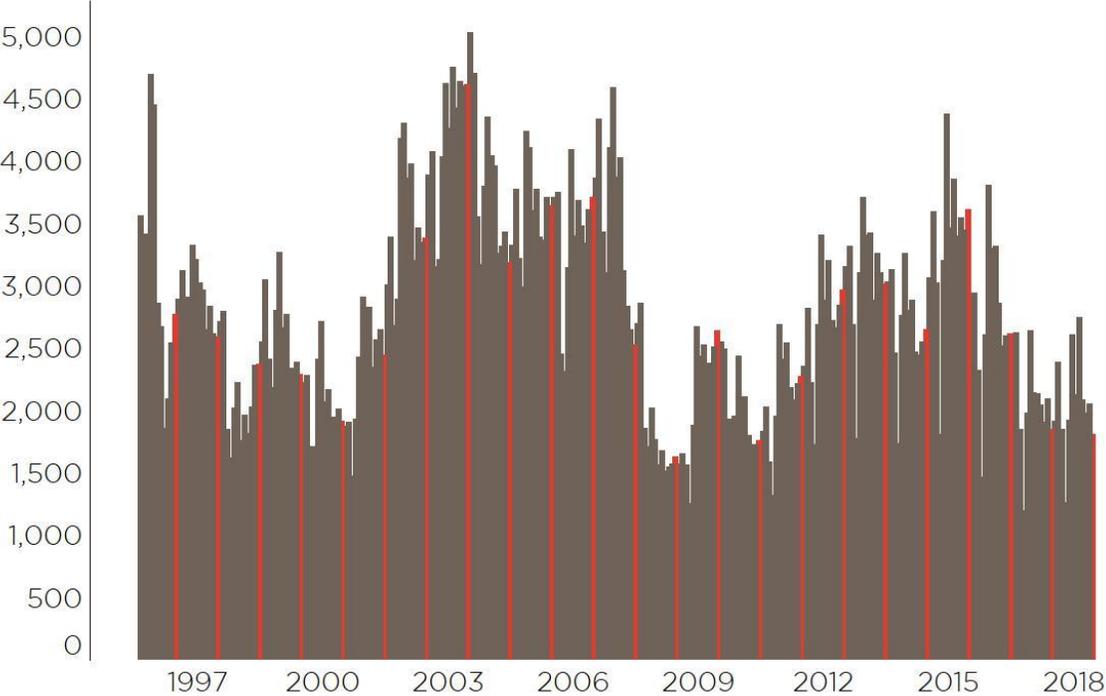
### Annual Change in Sales - NZ



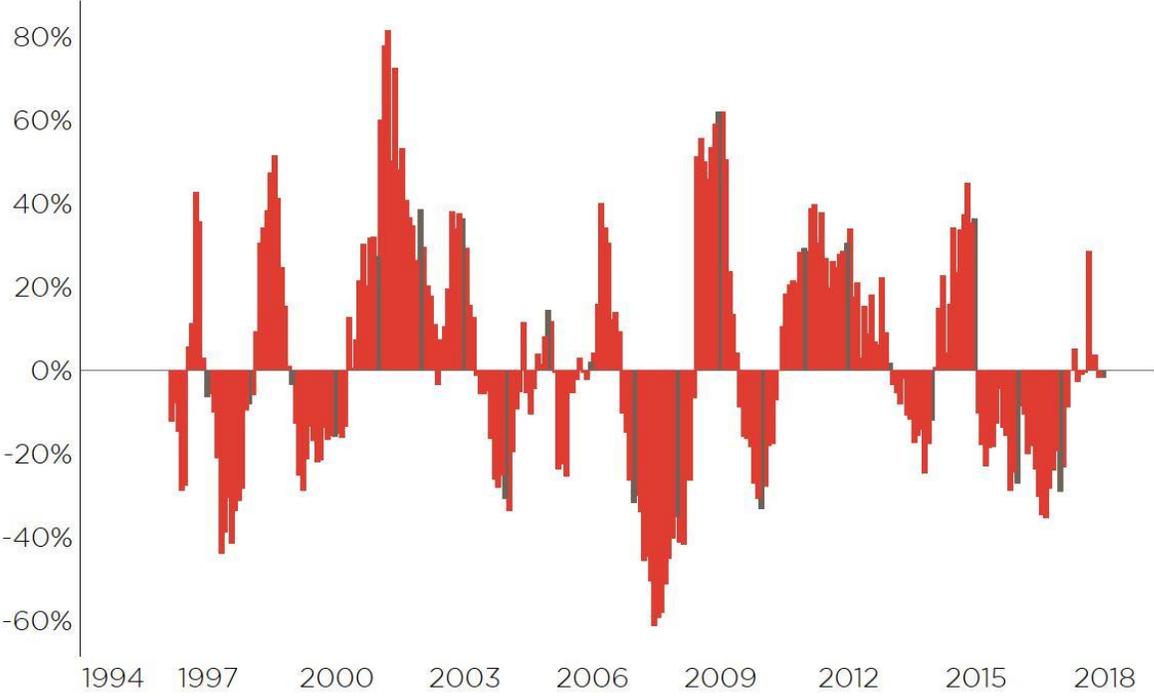
# Auckland's drop plain to see

## But also appears to have bottomed out

Monthly Sales - Auckland



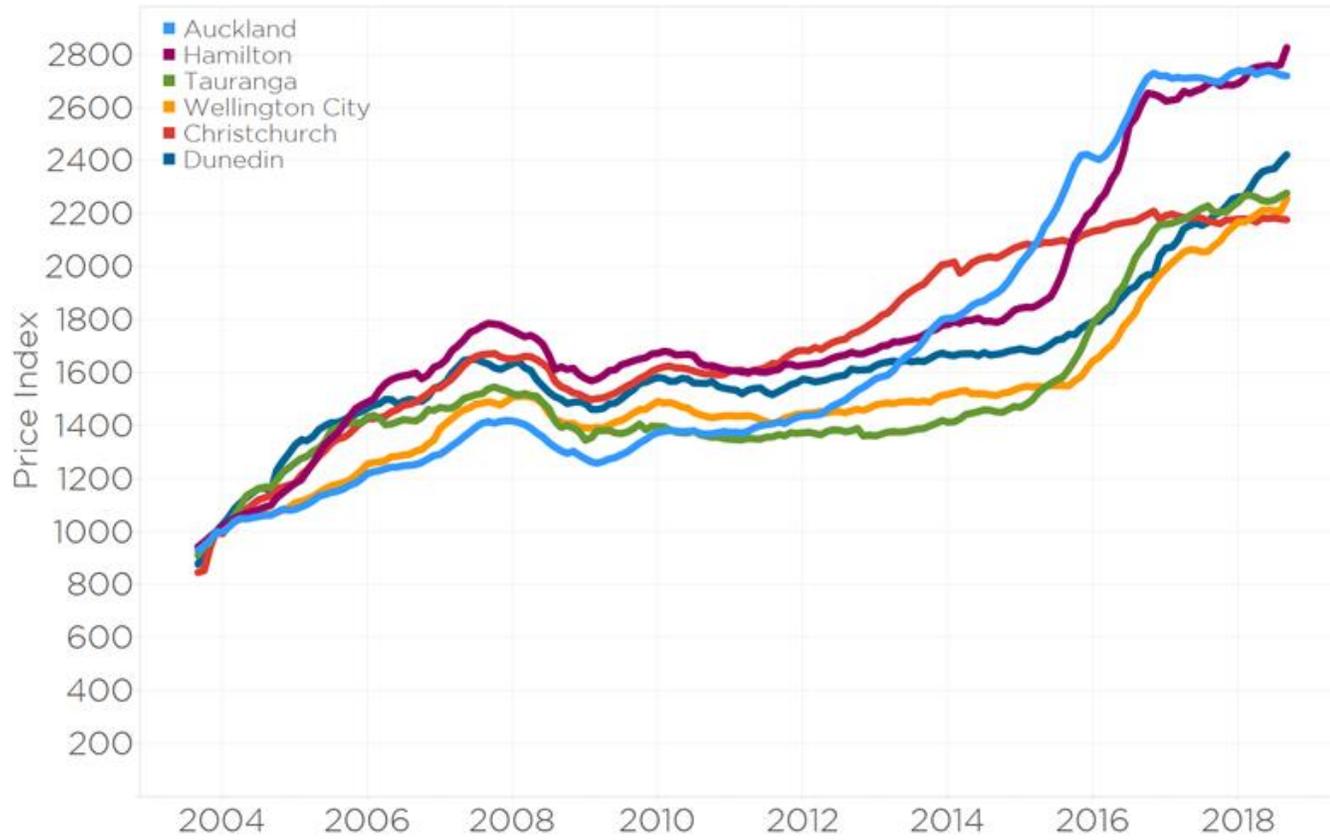
Annual Change in Sales - Auckland



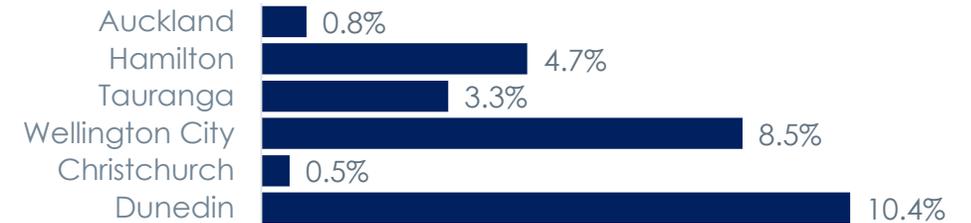
# Slightly mixed picture when it comes to value change

## Growth persisting in Dunedin and Wellington City

QV House Price Index



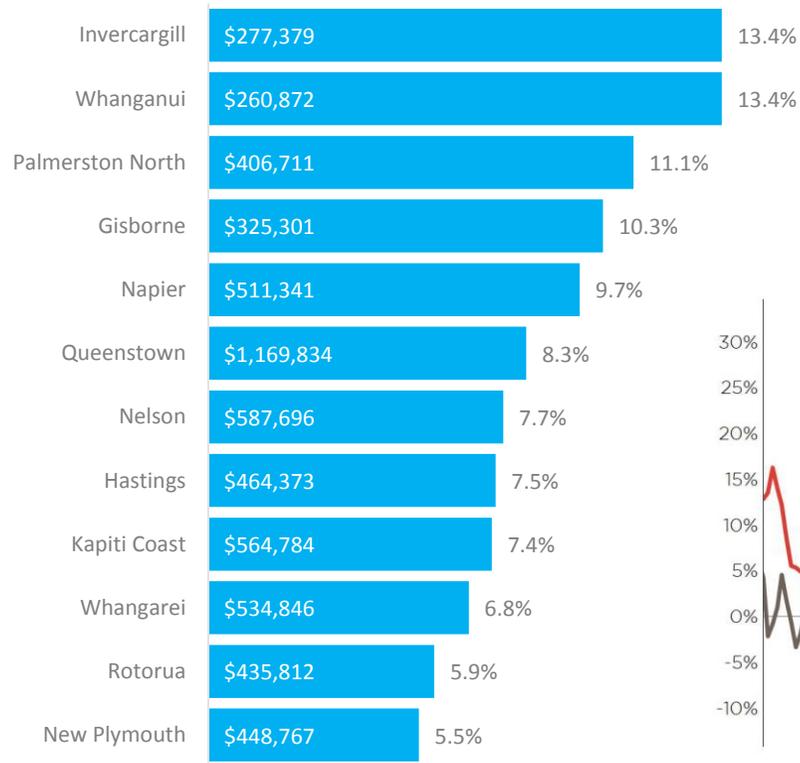
Annual value change



	Change in property values			Average Value
	Month	Quarter	Annual	
Auckland	-0.1%	-0.7%	0.8%	\$1,047,415
Hamilton	2.3%	2.4%	4.7%	\$572,169
Tauranga	0.6%	1.4%	3.3%	\$709,339
Wellington City	2.1%	1.9%	8.5%	\$795,098
Christchurch	-0.1%	-0.2%	0.5%	\$493,922
Dunedin	1.0%	2.4%	10.4%	\$420,127

# Local complexities contributing to region performance

## Main Urban Areas Annual Growth

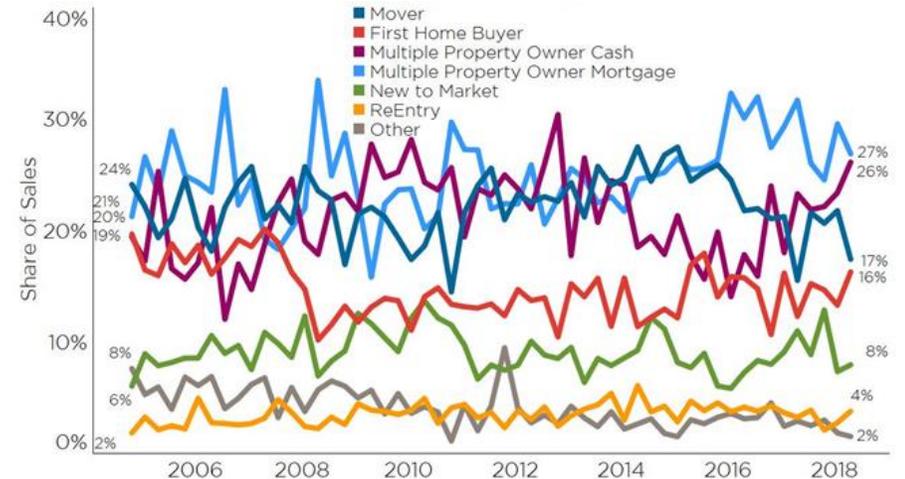


- Invercargill strongest rate for 10 years

## Queenstown Lakes Growth



## Queenstown Lakes Buyer Classification



- Queenstown now dropping – foreign buyer ban impact?

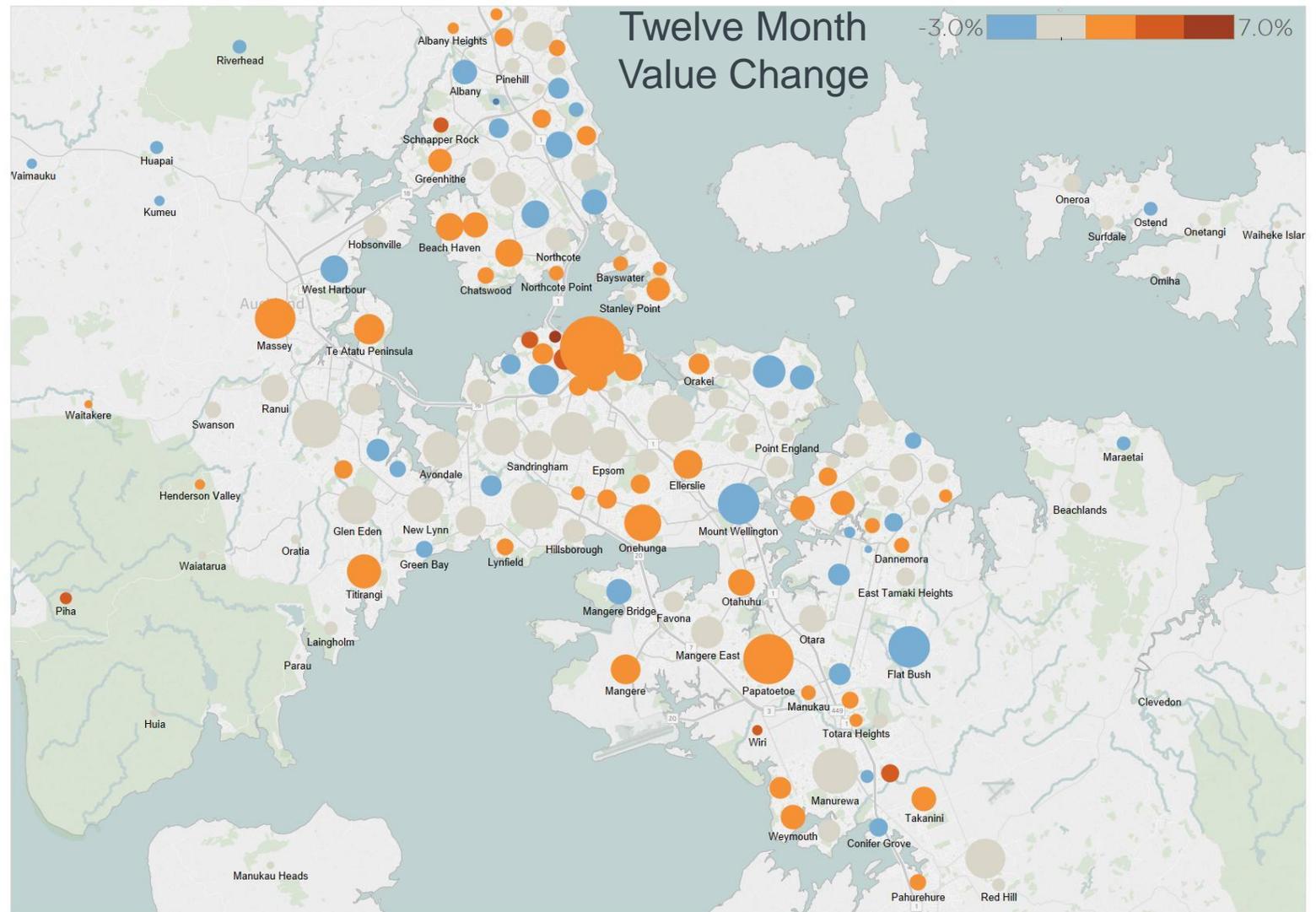
# Inconsistent growth patterns across the city

## Top 5 last twelve months

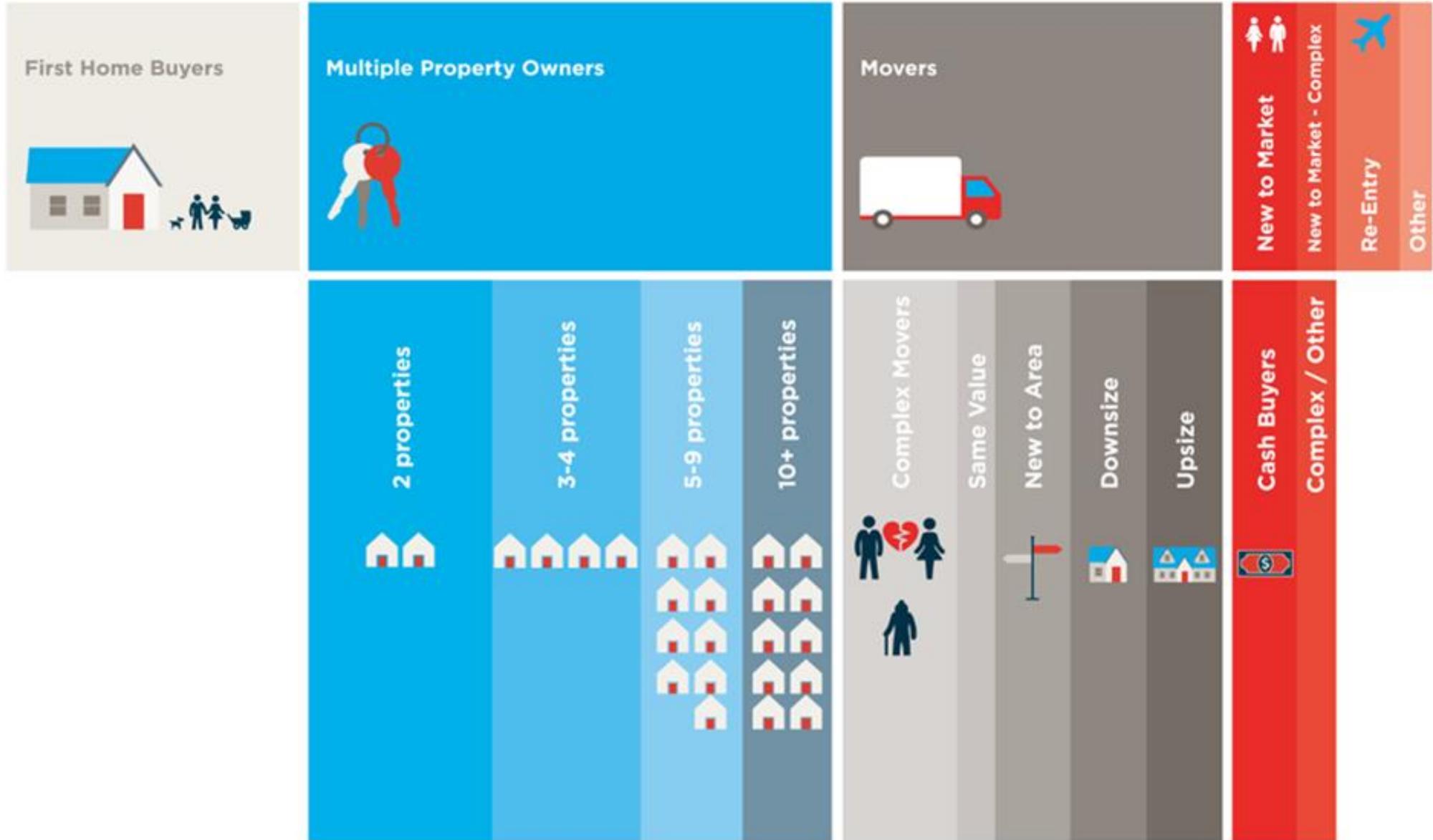
Suburb	City	12 mth change
Saint Marys Bay	Auckland Isthmus	5.5%
Piha	Waitakere	4.9%
Shelly Beach	Rodney	4.8%
Orere Point	Manukau	4.6%
Wiri	Manukau	4.3%

## Bottom 5 last twelve months

Suburb	City	12 mth change
Muriwai	Rodney	-4.3%
Matakatea	Rodney	-3.1%
Westmere	Auckland Isthmus	-2.9%
Manurewa East	Manukau	-2.8%
Unsworth Heights	North Shore	-2.7%



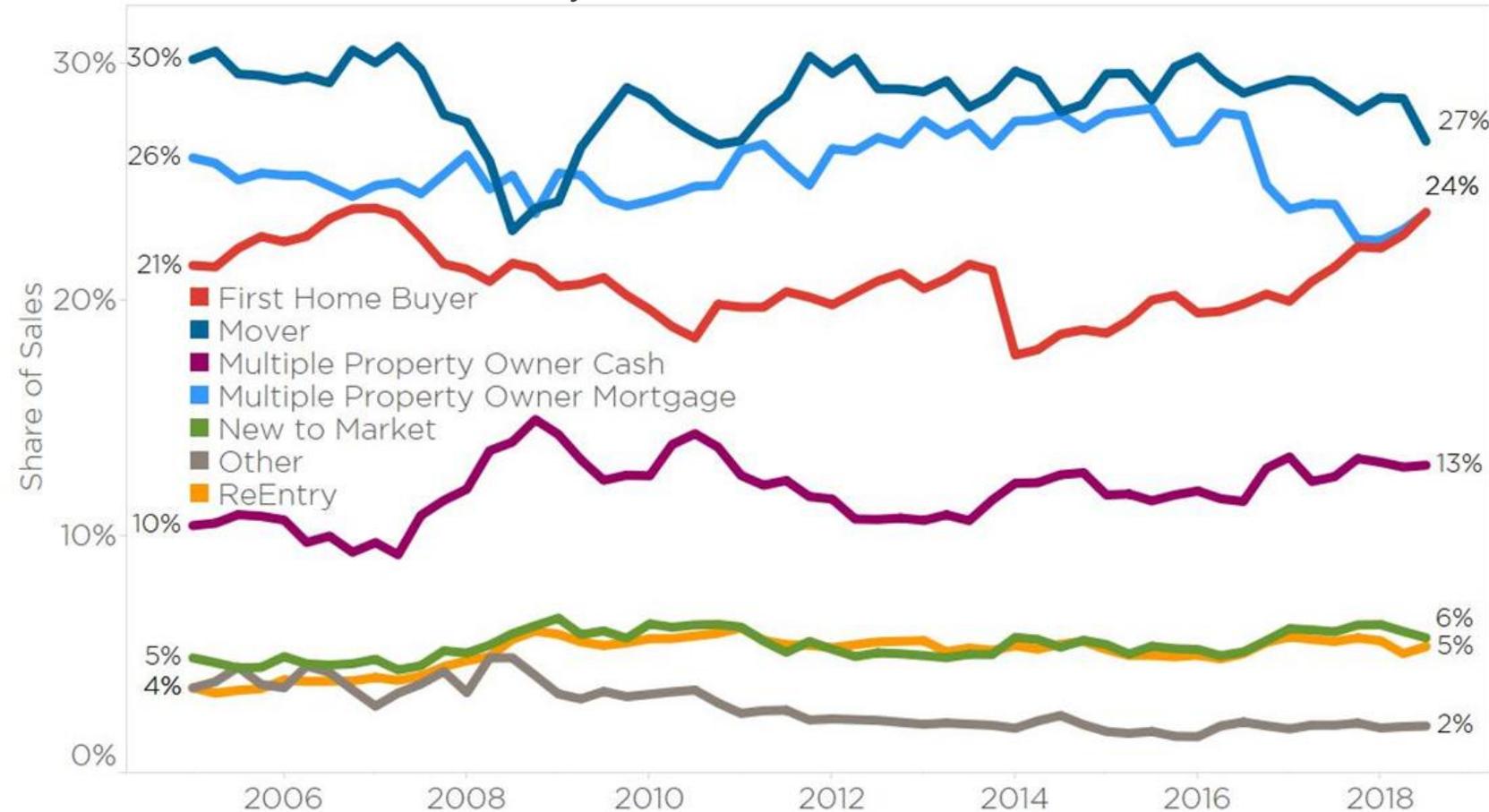
# CoreLogic NZ Buyer Classification



# First Home Buyers remain active across the country

## And mortgaged multiple property owners also coming back

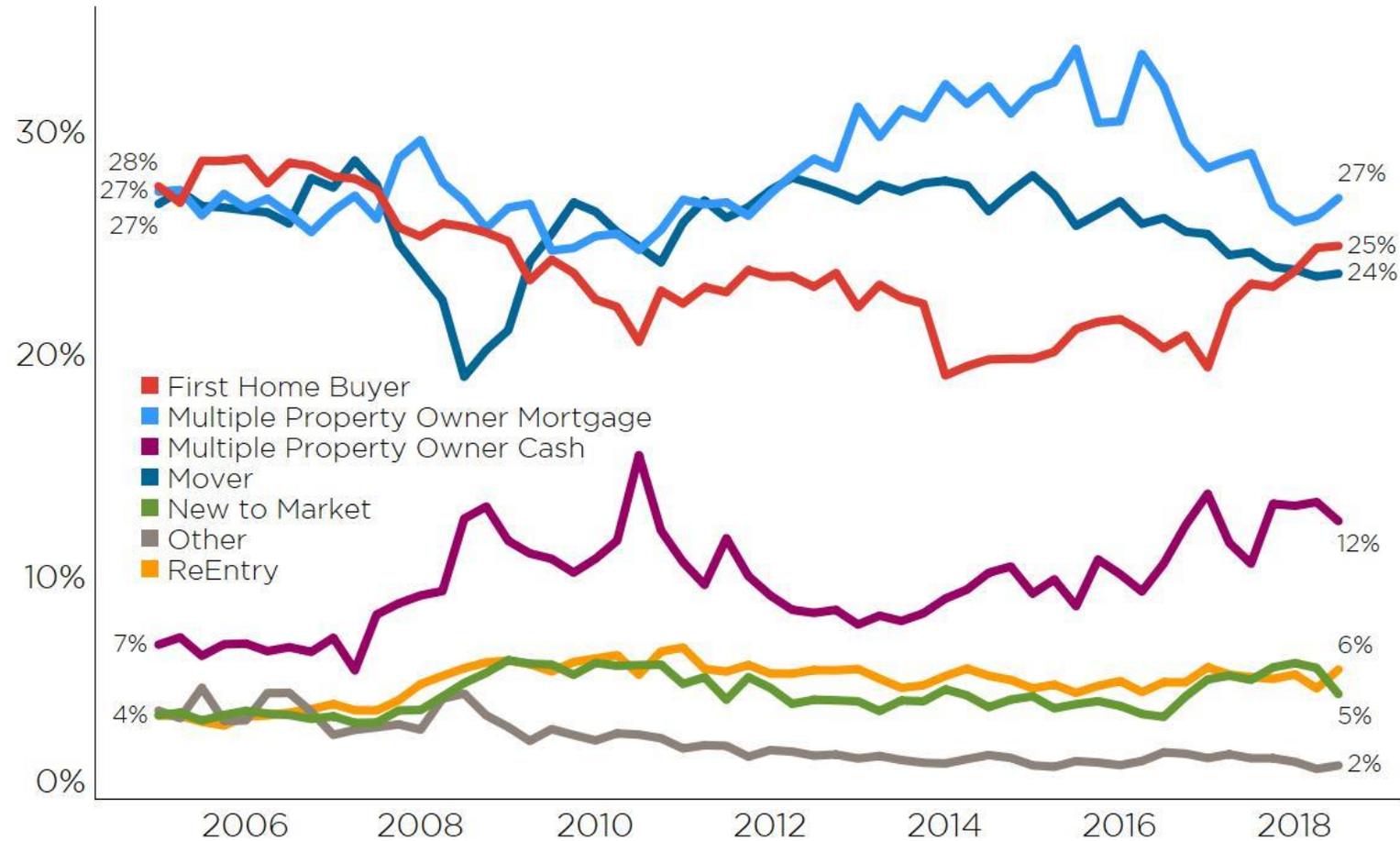
Buyer Classification - NZ



- Just over 20,000 first home buyer sales in the year to the end of June 2018.
- Over 34,000 first home withdrawals from KiwiSaver
- So a rate of 1.7 withdrawals per purchase
- \$769m withdrawn at an average of over \$22k per withdrawal or almost \$38k per purchase

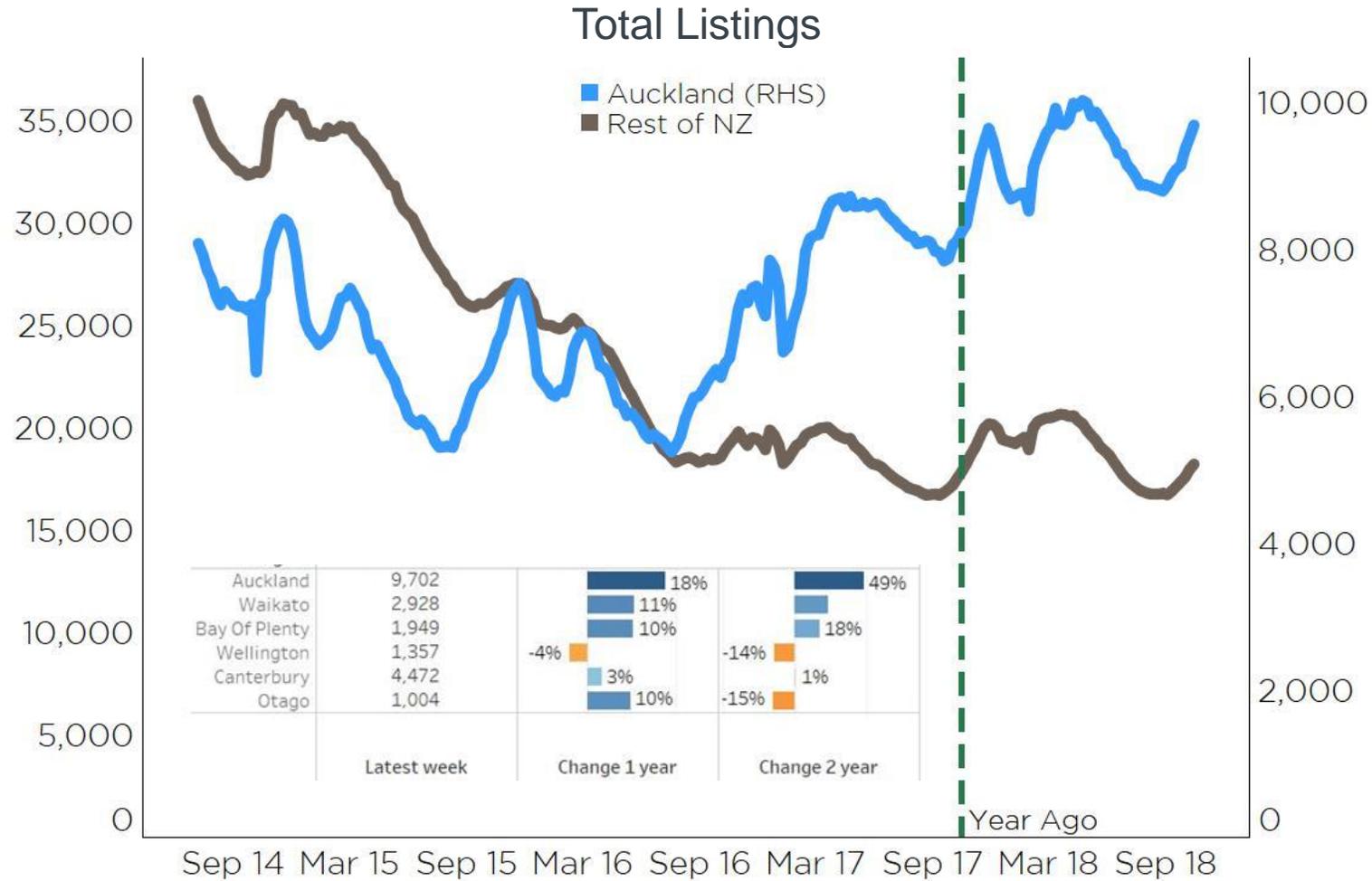
# First home buyers dialing back slightly around Auckland as Investors come back

## Buyer Classification - Auckland



# Vast difference in listings situation across the country

## Auckland with increasing listings contributing to weak value growth



# Property investors (or really speculators) under the gun

- Tax Working Group Interim Report

- Possibility of two options related to housing
  - Tax on Capital Assets (risk free rate of return)
  - Extension of assets for Capital Gains Tax
- Ruled out wealth and land taxes

82% of assets potentially affected by an extension of the taxation of capital income are held by the top 20% of households by wealth

- Residential Tenancy Law changes

- Some of the proposed changes include:
  - substituting the ability for landlords to terminate tenancies for any reason with specific and justifiable criteria for ending a tenancy;
  - setting the amount of notice a landlord needs to give to terminate a tenancy to 90 days under all circumstances;
  - limiting rent increases to once a year; and
  - better equipping tenants and landlords to reach agreement about pets and minor alterations to the home.

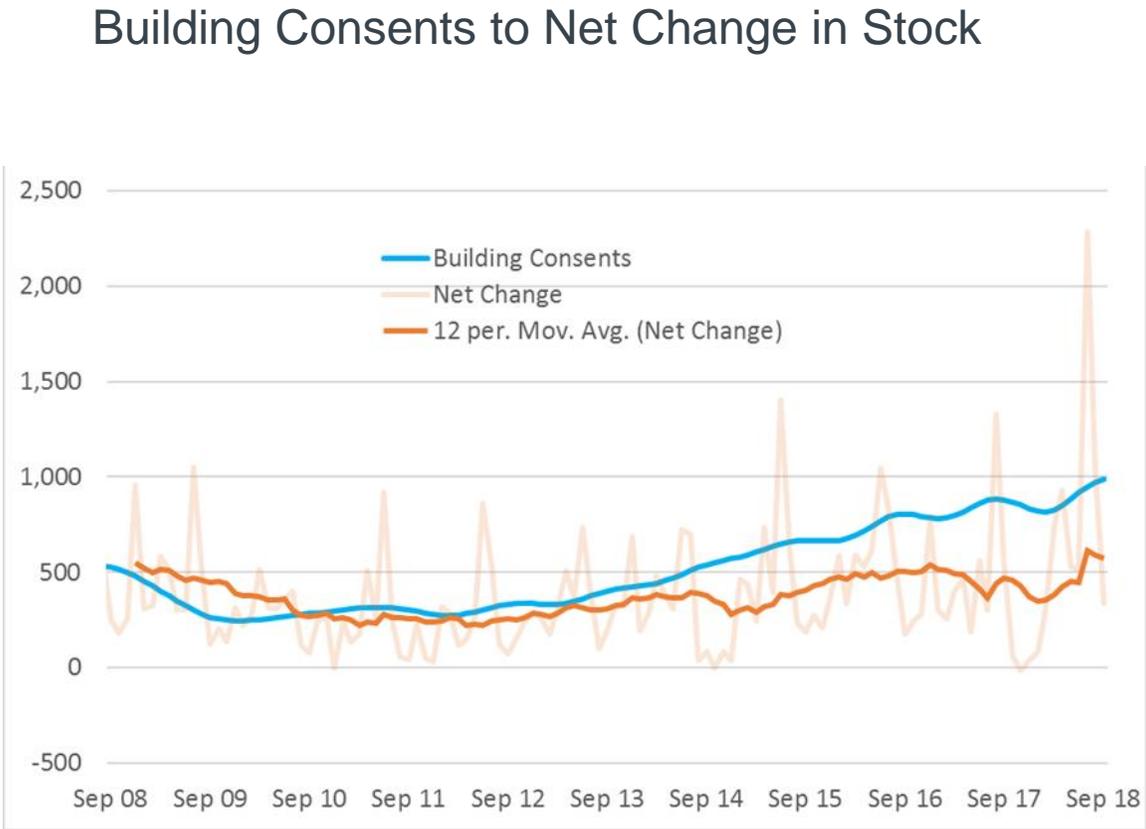
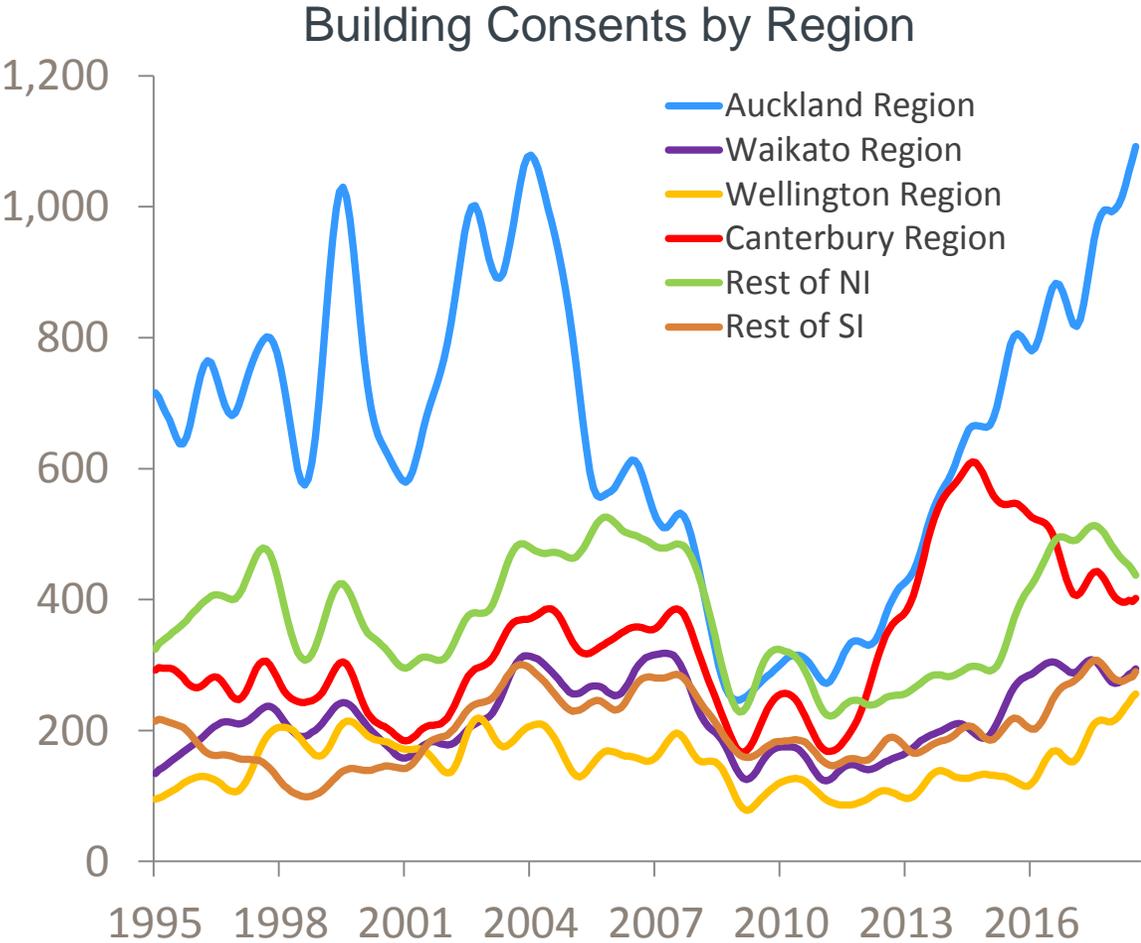
- Already follows Healthy Homes Guarantee Act and Brightline test extension

- Removal of negative gearing

- Consultation has closed
- Intention is to enact in 2019-20 tax year (so 1<sup>st</sup> April 2019)
- All else equal, inability to use rental losses to offset other tax could reduce new investor appetite.

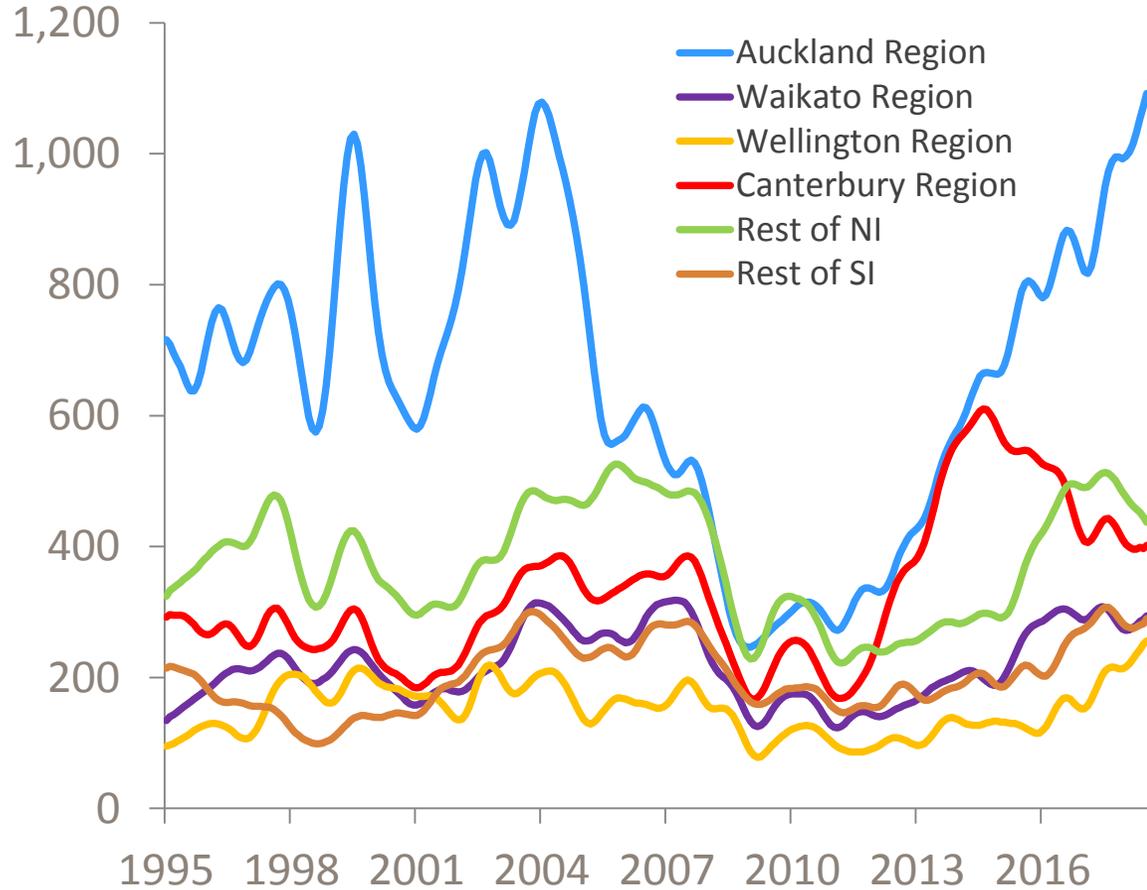
# Supply and Construction

# Strong Building Consents but the change in stock remains well behind

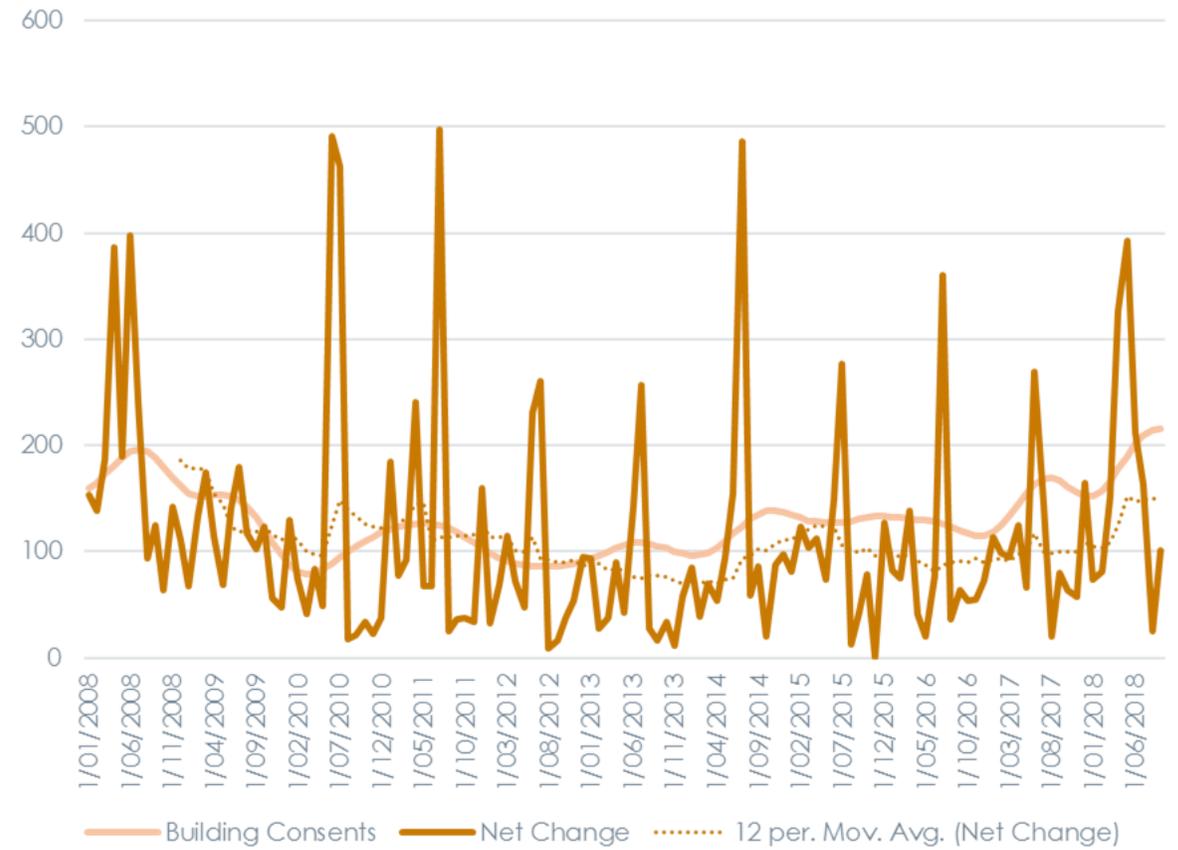


# Not as bad in Wellington but there is still a gap

## Building Consents by Region

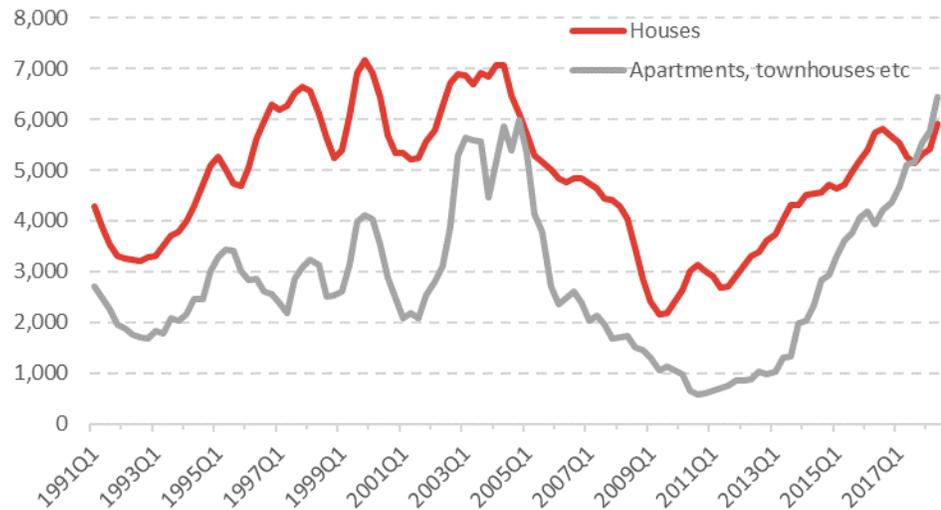


## Building Consents to Net Change in Stock



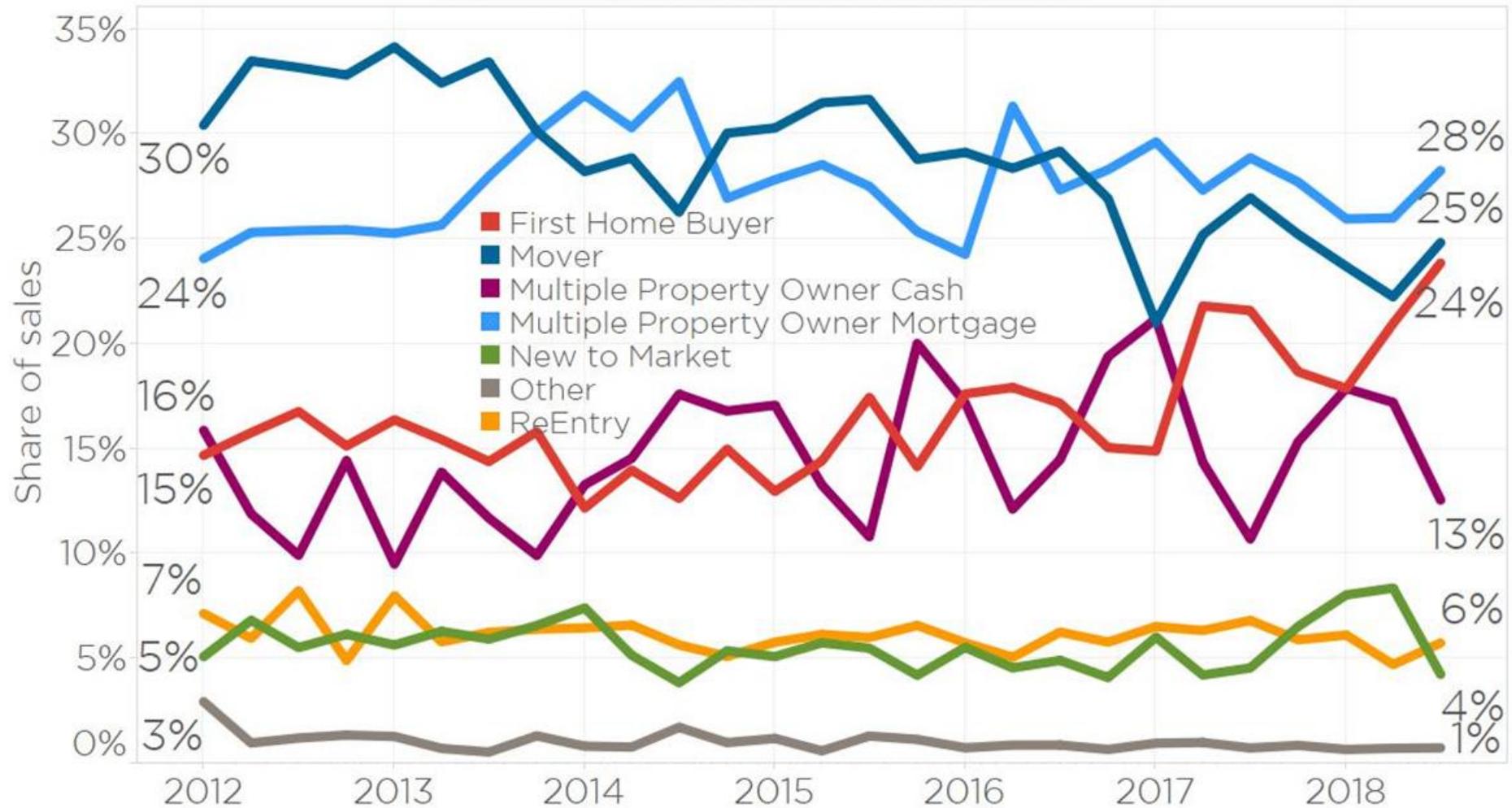
# Changing what we're building, plus... KiwiBuild a reality, although there's a long way to go

Auckland Building Consents by Property Type



# First home buyers turning to new builds

## Buyers of newly built property in Auckland

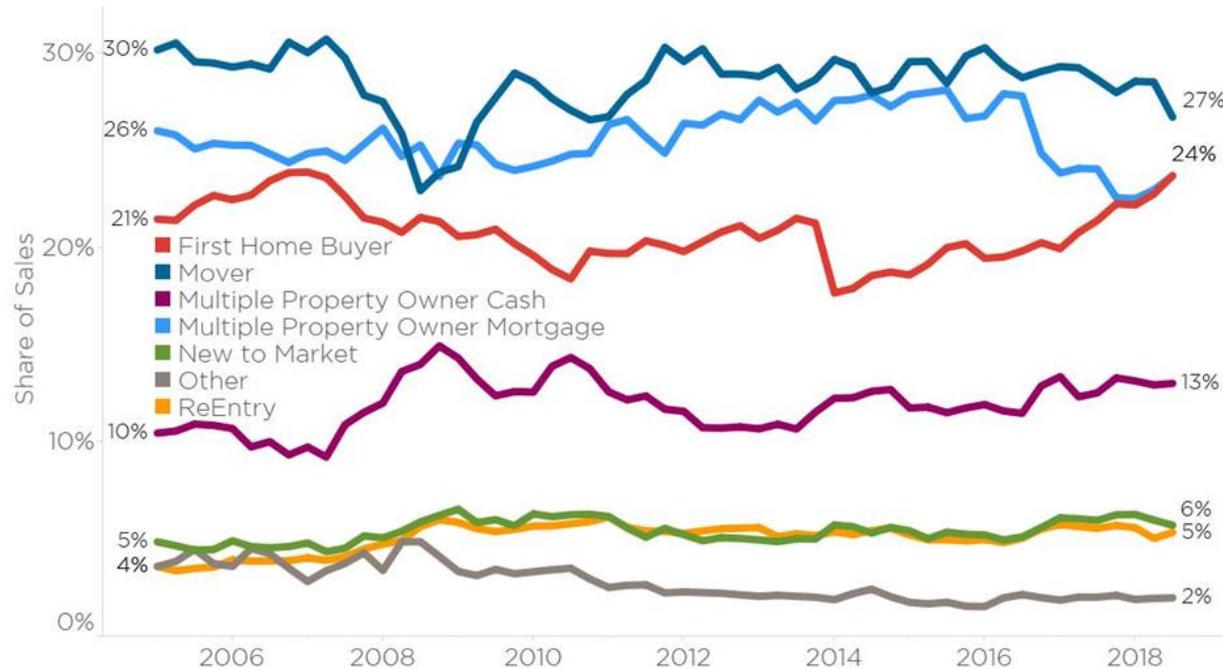


# Investor Fact or Fiction?

# Investors will get out of the market due to so many changes

Yield is low, capital gains have reduced

### Buyer Classification - NZ



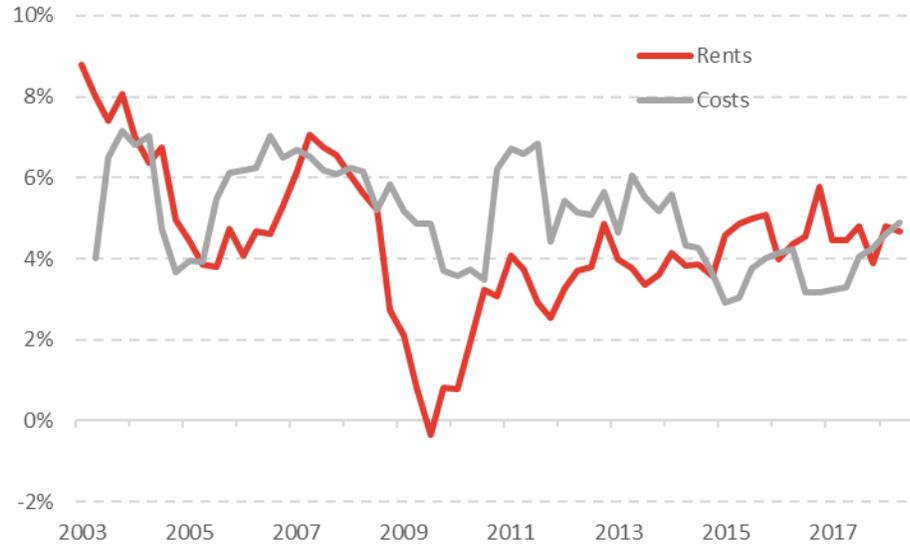
### Gross Yield - NZ



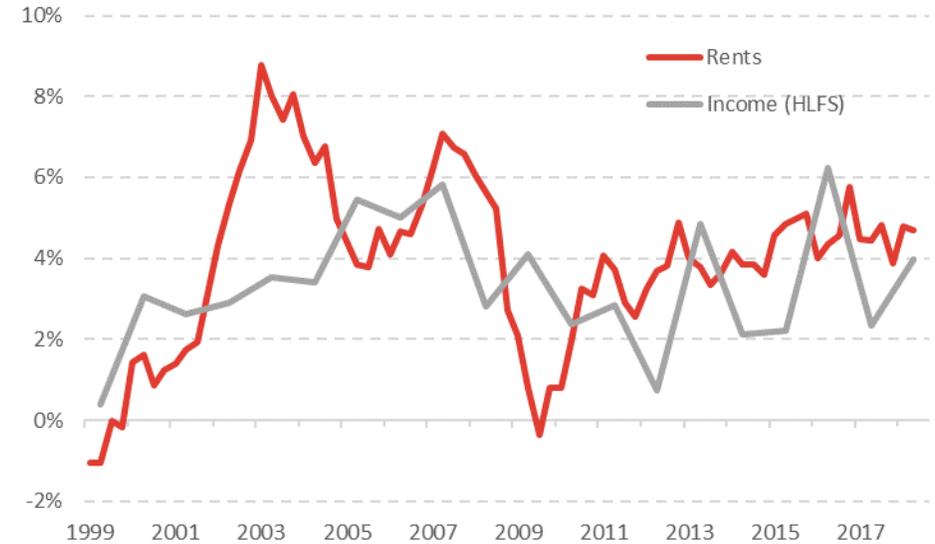
# Investors will just ratchet up rents

Rents can't keep up with costs, even if they try. Anchored by income.

### Annual Growth in Rents and Costs



### Annual Growth in Rents and Income



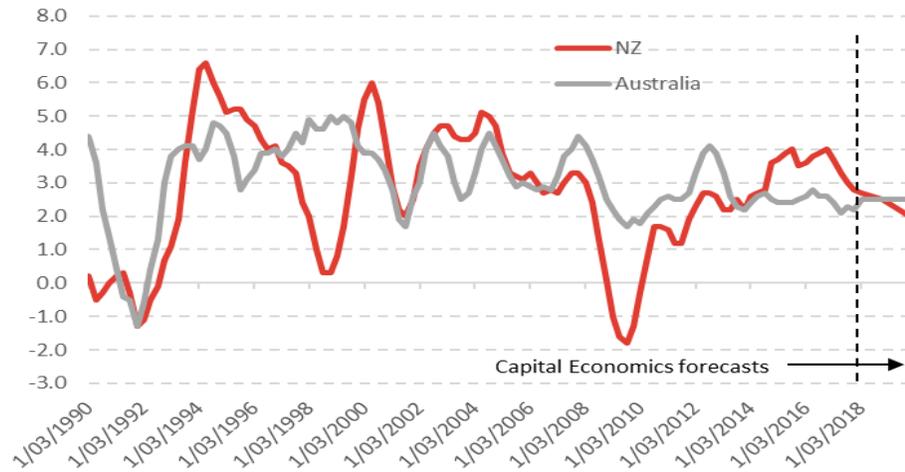
\*Costs = maintenance materials/services, water supply, refuse, rates, home insurance

Not reflecting all costs and not “regulation costs” – e.g. how the sums would be affected by pending inability to use rental property losses to reduce tax on other income

# Macro Backdrop and Outlook

# Relatively strong economy underpinning property values

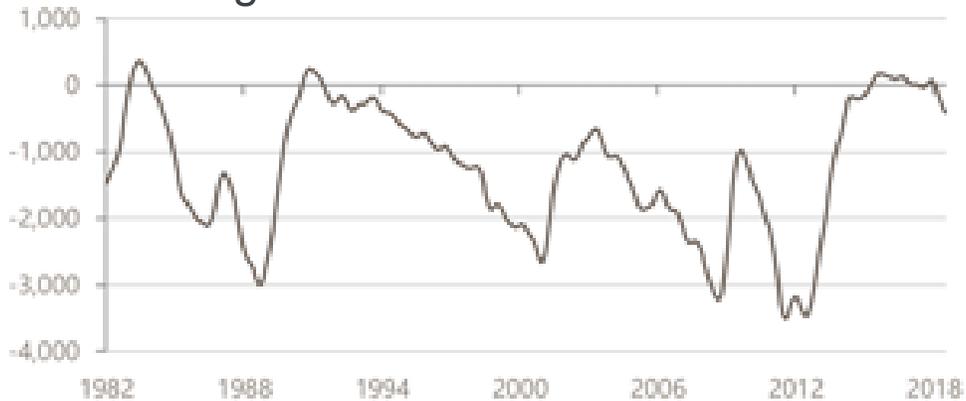
## GDP



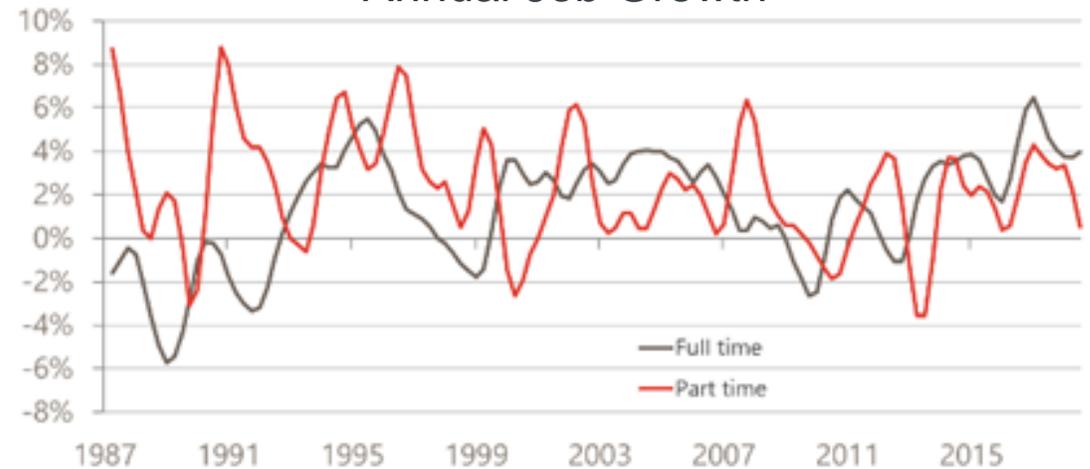
## Unemployment Rate



## Net migration between NZ and Australia

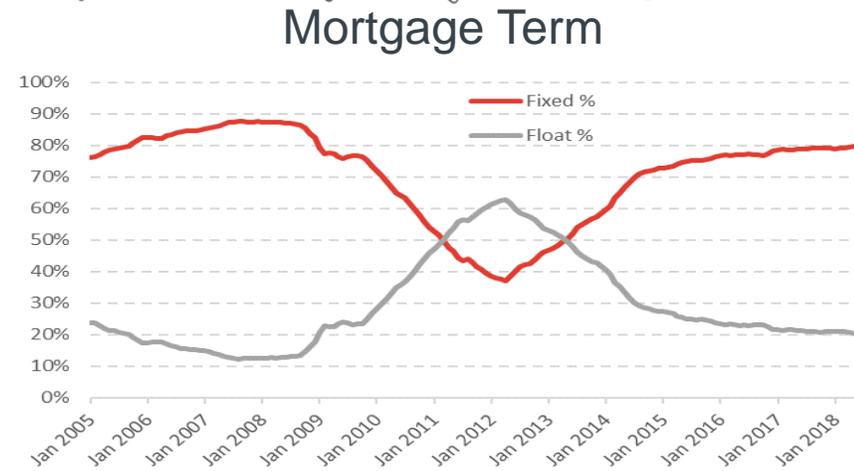
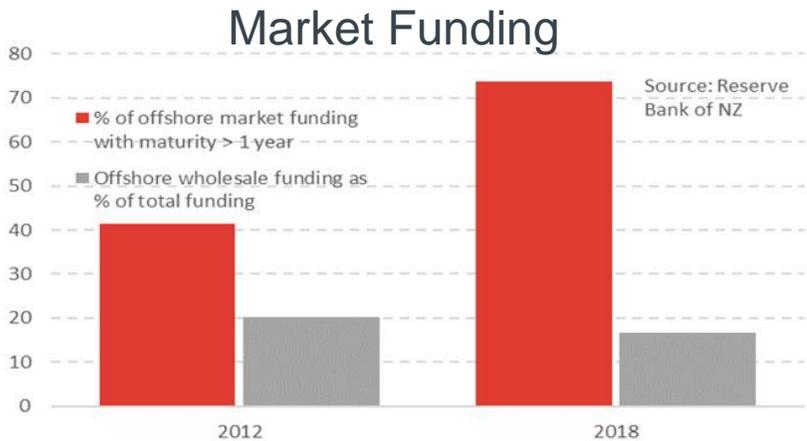
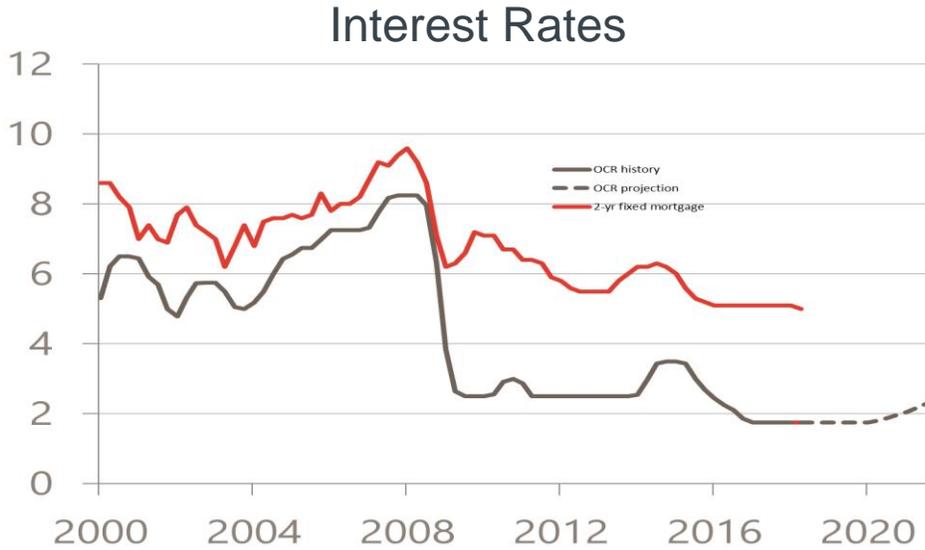


## Annual Job Growth



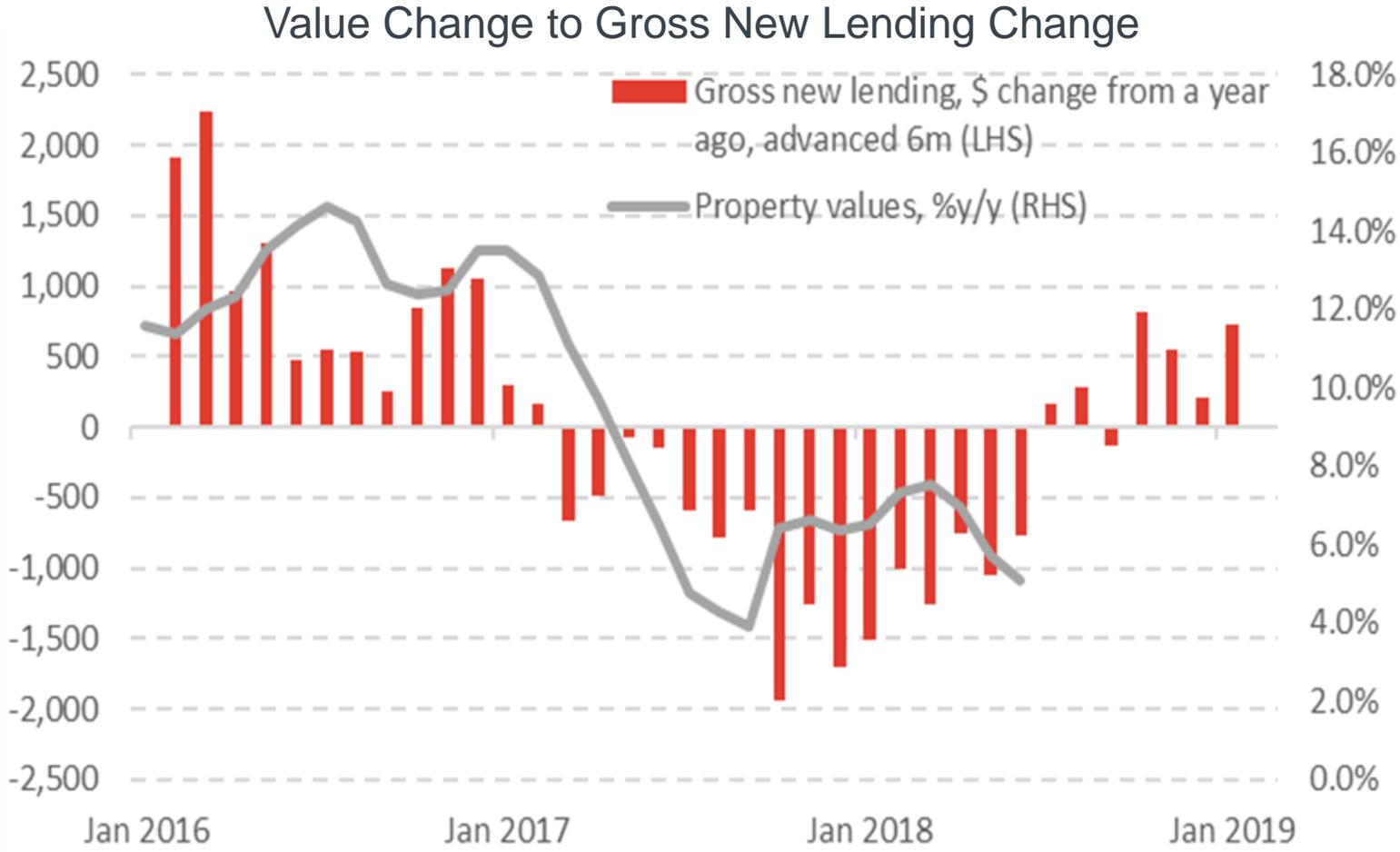
# Interest rates also staying low and forecast to remain

Meanwhile reliance on off shore funding is low, and borrowers well insulated

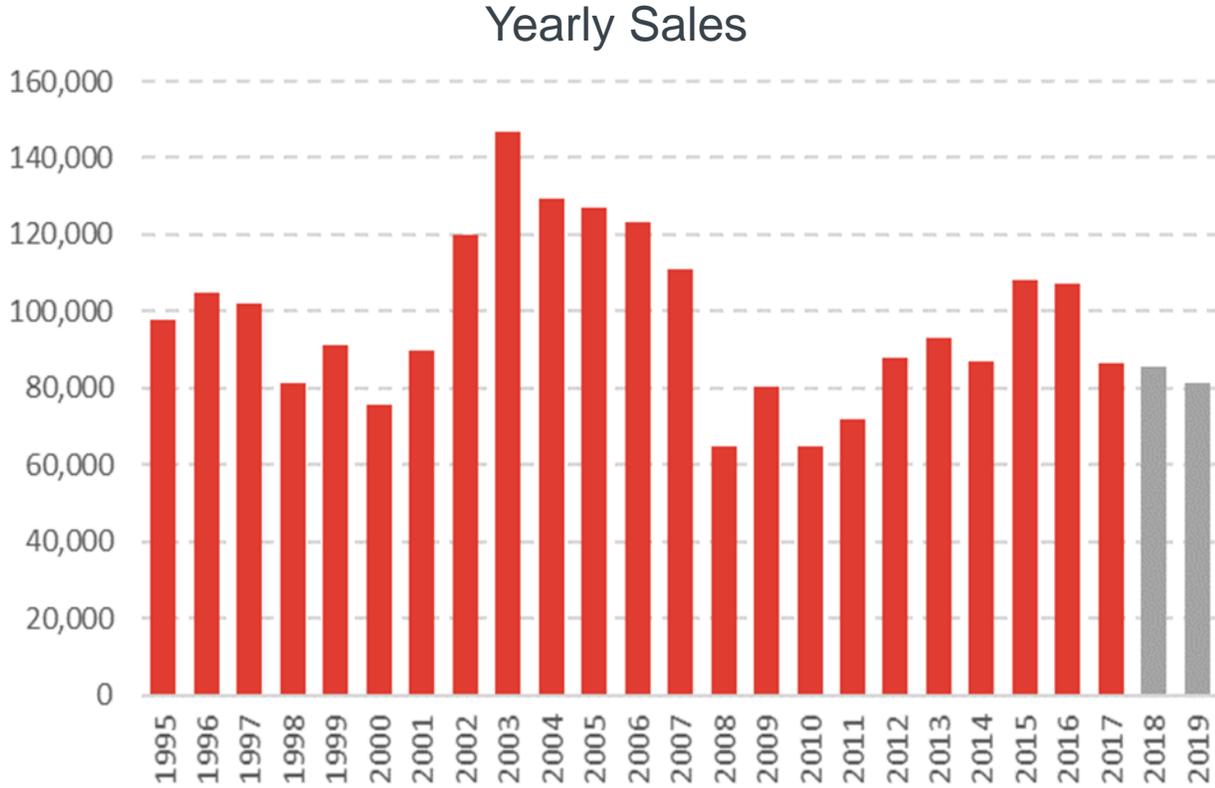


# Signs of lending flows increasing

But not much room outside the limits (banks keeping the 5% buffer under LVR)



# Sales prediction on the pessimistic side due to weak inputs



# Summary

- Sales appear to have hit a low
- Value growth remains weak
- Require a lift in listings in many parts of the country
- Despite encouraging numbers we're still not building enough
- There are signs that a loosening in credit it could help with sales in the short term
- Otherwise expect activity to remain constrained which will keep a lid on value increases
- Government/RBNZ intervention remains a key influence