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Housing market direction unclear

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Residential market commentators have been heartened by latest sales figures in Auckland as evidence of “green shoots” recovery.

They cite low interest rates and anticipated demand as good news for house price and rental inflation – reflecting the perspective of brokers and vendors.

At the same time, housing affordability reports cite the current low demand and low interest rates for the strongest improvement for first home buyers in many years.

The rise in house sales during March comes after some of the lowest monthly sales in a decade.

Erskine+Owen director Lisa Phillips, a property investment specialist, says although the house price index for Auckland is still slightly lower than when compared to the 2007 peak, the increased level of sales activity means the market is moving in “the right direction.”

As demand strengthens and sales activity grows, it will translate into an increase in property prices and rentals, she says.

“The floating rate is currently the lowest it has been in 46 years. This also means an improvement in yields for investors, and with rising rents and lower interest rates it is becoming more attractive to buy than rent,” she says.

She also notes that while property prices in Auckland appear to be on the way back up, the same can't be said for the market nationally. House sales volumes throughout the rest of New Zealand were 5% lower in March



than on the same month last year.

House price inflation and rents still appear constrained (there was a 29% jump in the number of house sales at 5848 in March over the previous month with 53% more sales in Auckland, selling on average within 35 days compared with the national average of 41).

Meanwhile, Crockers market research provides a breakdown in rental figures across Auckland suburbs.

Apart from some pockets such as Ponsonby, house rental growth has barely kept pace with inflation over the past four years. During this period, the average rise in rentals across New Zealand has been between 7-9%.

The National-led government's recent tax changes – reducing the amount of depreciation that can be claimed – has also clearly dampened the enthusiasm of residential market investors.

The government's tax changes came about three years too late – the lag time it took for political clamouring about Kiwis investing too much in property to translate into legislation.