

# What will Property Values do in 2019

2018 was another interesting year in the New Zealand property market. With stable and relatively high volumes Hawke's Bay values generally showing consistent growth similar to the rest of the country except for Auckland and Christchurch. Without doubt in 2018 our local property market was being impacted by the more macro of government policy and this will continue in 2019. So how will these outside influences impact our values in 2019?

The first milestone for 2019 will be the relaxation of the Loan to Value Ratio (LVR) restrictions on 1 January 2019. It will be interesting to see the effects these changes may have on market activity. Whilst the LVR is relaxed banks should continue to stick to prudent lending criteria. Therefore, we should see an increase in buyers who can now enter the market as they may now meet the new LVR requirements.

The foreign buyer ban has already been in place for a few months (from 22nd October 2018) and it is still reasonably early to see what impact this has had on our local market and any impact on values. Foreign buyers can still buy into New Zealand if they are buying 'off plans' and holding apartments in bigger developments (20 apartments or more). This is more likely to affect activity in the higher residential/lifestyle value bracket as well as rural properties.

The Tax Working Group (TWG) will be submitting its final report to the government in February 2019 with a recommendation of whether to impose a capital gains tax, and in what form (if the recommendation is indeed for a tax, which seems likely). However, it's important to note that the government would then have to accept that recommendation and win the next election in 2020 before any tax would come into law.

The official cash rate is signalled to remain at 1.75% in 2019 (and probably most of 2020) and that should help



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interest rates to stay reasonably low and stable. However, in spite of efforts to keep interest rates stable the balance of risks around mortgage rates is to the upside. Also, the flow on effects from higher offshore rates as well as the signalling by the Reserve Bank that capital adequacy requirements will be raised over the next five years could also see mortgage rates rise. Any increases in 2019 will probably be small. How all of

these factors above interact with each other, and other macro factors such as GDP growth and the labour market, will go a long way to determining the path for sales volumes in 2019 both nationally and locally.

New Zealand is currently in the midst of one of the three biggest booms for building consents in the past 50-odd years, driven by Auckland and a gradual shift away from standalone houses and towards smaller dwellings (townhouses, apartments, flats). Hawke's Bay has also been part of this boom. In short, consents and actual construction volumes need to stay high - or perhaps even rise further to make a real dent in the current shortfall of housing. That could be problematic in 2019 for an industry already running at capacity.

Now for the big question that every property owner or buyer wants to know: Will prices move up, down or stabilise? The region performed well last year and is expected to continue

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in 2019 with the current imbalance between supply and demand, low interest rates and strong employment. There is certainly a positive vibe in Hawke's Bay's property market at present.

One of the issues we face as an industry is the myriad of opinion of a home's value as indicated on various property websites. These are generally called the "estimated selling range" and are

formulated based on various algorithms that use historical sales data.

In many cases these ranges are incorrect, as are the latest council valuations. These two pieces of information together are indicating a likely selling range in excess of today's value. This can be frustrating for vendors wanting to sell. This article has highlighted that there is much going on in the property sector. Our local market

is more stabilised, but there's still the unknown risk of overseas influence and national influences.

Either way, it'll be another busy year, with plenty to watch. Of course, if you're thinking of buying or selling, do your research.

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