

Valuing Up

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I wrote in my last article "So where to from here? If I had a dollar for each time I was asked what affect this will have on future property values I could probably retire. Possibly, the more important question should be: What is the impact going to be on volume? Answering this question will probably give a more informed prognosis because in time it will have a more material impact on property values. Certainly, residential sales have defied predictions and both values and volume have increased.

Bindi Norwell, CEO of the Real Estate Institute of New Zealand (REINZ) reported that the number of residential properties sold in September across New Zealand increased by 37.1% from the same time last year (from 6,112 to 8,377). This is the highest number of properties sold in a month in New Zealand for 42 months (March 2017) and the highest number of properties sold in a September month for 14 years.

"The housing market has defied expectations post Covid lockdown with values and volumes increasing nationwide. Yet there are fears New Zealand's housing-led economy is highly vulnerable to a correction."

At the risk of boring you I have rounded up some statistics of the property market since we came out of



lockdown when no one was quite sure how the residential property market would respond.

The stats quoted are up to September 2020 as there is approximately a month's lag with receiving data. September 2020 saw a record national Median Sale Price (MSP) achieved at \$885,000 with nine out of the 16 regions also posting record MSP's. Not only that, the volume of sales was also the highest it's been in New Zealand since March 2017. Regionally, Hawke's Bay also recorded a 3.1% increase in volume over last month and 21.2% increase over

September 2019 with 263 properties sold – the highest number of properties sold in a September month since 2006.

Values do not seem to be hindered by this increase in sales volume. In Hastings City, the suburbs of Camberley, Mahora/Tomoana, St Leonards and Hastings Central all recorded their highest MSP's since records began. Mahora/Tomoana recorded an MSP of \$749,250 off 12 sales with the suburb's first million-dollar sale also recorded. Furthermore, Frimley and Clive recorded their second highest MSP

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and Mayfair recorded the suburb's highest volume of sales since May 2016. In Napier City the suburbs of Pirimai, Westshore, Taradale and Napier South also all recorded their highest MSPs since records began. Also, of note is that the median days to sell a property regionally is now 29 days, which is down from 32 days at the same time last year.

However, inventory is down by 17% from September last year. In Hawke's Bay listings decreased -8.0%, bringing the region to the lowest level of inventory that it has seen since July 2019.

We have seen first time buyers become more active in the market probably due to the low interest rates and lack of 'loan to value ratios (LVRs). Investors are also taking advantage of low interest rates and have been showing interest at all levels across the market. The increasing levels of demand has created tough competition, resulting in multi-offers on many properties. Furthermore, the Reserve Bank has relaxed the market for property investors since Covid. By scrapping LVR restrictions, the Central Bank has given the green light for banks to lend more money to landlords, further fanning

the flames of the market. Investors borrowed \$1.45 billion in August, the highest figure since May 2018. Journalist Daniel Dunkley describes the market as 'tearaway' and it's hard to see this fervour being maintained. Opinion also appears divided as to whether this is a negative or positive aspect to our economic recovery. The housing market has defied expectations post Covid lockdown with values and volumes increasing nationwide. Yet there are fears New Zealand's housing-led economy is highly vulnerable to a correction.

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