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Property Tax and Assessment News from Around the World

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Making double: Auckland properties selling for twice the CV

In Auckland this year homes have sold, on average, at a price 1.4 times greater than the capital valuation - at least four sold for more than double.

Homes.co.nz data given to the Herald showed the top four properties with the biggest margin of difference all sold for more than double their valuation.

Topping this list was a 4-bedroom house in Papakura which went for $505,000 in February - 2.24 times its valuation. Also in February a three-bedroom property in Papatoetoe sold for $870,000 - 2.2 times its valuation

Even in January, a typically more sluggish month for sales - a 4-bedroom Papatoetoe house sold for $1.45m - 2.2 times its valuation.

Homes.co.nz spokesman Jeremy O'Hanlon said of the approximately 2800 sales that went on the public record since the beginning of the year, the average sale price was 1.4 times greater than the CV.

He said the biggest price premiums were seen in South Auckland - a fact he attributed to the numbers leaving the central city in order to find a more affordable property.

Otahuhu saw the biggest margin, with 20 properties sold at an average of 1.65 times their CV. Papakura, Mangere East and Papatoetoe followed closely with between 21 and 53 properties sold for an average of 1.64 times the CV.

NZ housing market crash warning

New Zealand is one of four countries most susceptible to a housing market crash due to an explosion in house prices and household debt, an international report warns.

Credit rating agency Moody's rates New Zealand, Australia, Canada and Sweden as the advanced economy nations most exposed to a housing correction, which could spill over to the broader economies.

House prices in New Zealand have soared in real terms by 30 per cent in three years, closely resembling what happened in Spain, Ireland and the United States "on the eve of their respective housing market corrections", the Credit Profiles Resilient to Rising Household Debt and Stretched Housing Affordability report warns.

"New Zealand is most exposed due to its economy's heavier reliance on residential construction, the potentially more volatile nature of increased housing demand, households' exposure to interest rate shocks, and significant pressures on housing affordability."

While mortgage lending restrictions introduced by the Reserve Bank requiring borrowers to save bigger deposits had helped stabilised the financial sector, a significant housing market downturn could undermine economic growth and spark job losses.

The government could also be forced to bail out banks if they came under "acute" pressure.

Real Estate Institute data released today shows the national median house price hit a record $546,000 last month, up 10 per cent year-on-year.

In Auckland, the median selling price is now nudging $900,000, more than 10 times the average household wage, making the Auckland market among the most unaffordable in the world.

House price inflation has been fuelled by record high inward migration, historically low interest rates, and a severe shortage of available properties, estimated to be more than 13,000 in Auckland alone.

As house prices have soared, so too has household debt. While homeowners who have stretched themselves to secure over-priced properties might manage mortgage repayments while interest remains low, that could change quickly if rates head north.

Moody's also noted that population growth in New Zealand was forecast to remain strong for several years.

"While these projections point to sustained demand in housing, a reversal in population trends would lead to a sharp increase in property vacancies, depressing house prices and further weighing on demand," the report says.

A pull-back by foreign investors on the back of Chinese capital controls and new lending restrictions here aimed at the investor market were also a "source of risk".

Labour's housing spokesman Phil Twyford said the Moody's report was a timely warning.

"Nobody in their right mind wants to see a crash, but the fact is National has put all Kiwi home owners at risk by allowing the housing crisis to spin out of control.

"The Prime Minister likes to advise first home buyers to be careful about buying in an over-heated market. Labour thinks a better approach is to take action to take the heat out of the market," Twyford said.

The country needed policies to stabilise the market and make housing more affordable, by banning foreign buyers, taxing speculators, fixing the planning system, and increasing the supply of housing.

"That's what Labour will do."

Finance Minister Steven Joyce said Moody's reaffirmed New Zealand's Aaa credit rating just three weeks ago, citing our high economic resilience, institutional strength, and strong fiscal position compared to other countries.

"At the time they noted our elevated household debt as a risk but that the likelihood of that risk crystallising is low. I note in this latest release that Moody's stated that a reversal in house prices would need to be accompanied by other long-lasting negative shocks to have any effect on New Zealand's credit profile."

Joyce said New Zealand's household debt was high by historical standards. But it was important to note that household equity was also strong, and the financial sector was resilient, with strong capital and liquidity.

LVR restrictions had reduced the share of risky loans on bank balance sheets, he said.

The reasons for higher than normal borrowings included historically low interest rates, our strong economy by world standards, and a shortage of housing supply.

"The housing supply shortage is currently being addressed with much greater construction - which is a good thing, and that is why construction as a percentage of our GDP is growing.

"It is however important that people are careful about the prices they pay for housing in the current market. Supply is now increasing, and interest rates won't stay low forever. People need to think about what the cost of their mortgage might be in three or four years' time, not just the mortgage payments they can afford today."

New Zealand Bankers' Association chief executive Karen Scott-Howman said the Reserve Bank had "stress-tested" our banks and found them strong enough to avoid a severe downturn.

"Let's not forget that during the global financial crisis there were no bank failures or bail-outs here.

"Our banking sector is strong, stable and very well-regulated."

Auckland apartment price hits $500,000

Auckland's apartments are still feeling the heat of the property market, with values hitting half a million dollars.

Homes.co.nz weekly insights showed the median value of a SuperCity apartment was continuing to grow and was at $500,000 for the Auckland region; more than half the $997,000 median value of an average stand-alone home.

This figure was up by $40,000 (8.7 per cent) from $460,000 at the same time last year.

These figures followed the release of the latest QV data which showed the overall prices around the region dropped 0.2 per cent in the three months to the end of March.

Today, Homes.co.nz data, which was calculated using the property information site's valuation of more than 33,000 apartments, showed despite the slight easing in property prices, apartment values were continuing to rise.

The most expensive area to buy an apartment was in Newmarket with a median value of $708,000.

The most affordable area was the city suburb of Grafton, with a median estimated value of $353,000 in April.

Spokesman Jeremy O'Hanlon said on average what $500,000 could buy you in Auckland was an apartment with a 63sqm space.

"That can be a tough lifestyle for young families, so we've explored what you could achieve outside of Auckland."

He said for the same price, aspiring property owners could buy a home almost double the size on a large plot of land, in Hamilton, Wellington, Tauranga and Dunedin.

For a similar price, O'Hanlon said an 110sqm home on 670sqm land could be bought south of the SuperCity - in Hamilton.

In the capital there was potential for an 110sqm home on 530sqm land, or further south in Dunedin a 190sqm home on 700sqm land.

O'Hanlon said this showed it could be worthwhile doing a bit of research before making a choice to buy small, considering the differences in what money could buy around the country.

He said Kiwis didn't have to give up the traditional dream of having a nice backyard for the kids to play in but they might have to forgo living in the city to achieve it.

"The dream is much more achievable for families in other areas," O'Hanlon said.

However, while Homes.co.nz estimated the median value had tipped the half-million mark there were still a number in the city listed for less.

Trademe.co.nz has around 500 apartments listed on sale for up to $500,000 around the city.

Last October, Homes.co.nz data showed the median sale price of an Auckland apartment in October 2016 was $469,000, based on 78 sales.

In comparison, 280 homes sold in the city, for around $864,000.

REINZ latest figures showed, 36.4 per cent of sales (2247), nationwide went for less than $400,000 in February, compared to 41.5 per cent (3026) the year before.

Sales of $400,000 to $599,999 made up 26.1 per cent of all sales (1632) in February.

Auckland's average house price reaches record $968,570 in March

Auckland house prices charted a record high again in March, with those selling for more than $1 million accounting for 41 percent of sales in the month, says realtor Barfoot & Thompson.

The average sale price rose 2.5 percent in March from February to $968,570 and was 4.8 percent above the average price in the previous three months, Barfoot said. The average price is about 12 percent higher than in March 2016. Monthly sales almost doubled to 1,110 from 529 in February but were down from 1,341 in March last year.

Barfoot's monthly figures come after the release today of the latest QV House Price Index from government-owned Quotable Value showing that while national property values increased on average by 12.9 percent over the year to March 31, the increase in the last three months was just 0.6 percent. Auckland house prices fell on average by 0.2 percent in the first three months of this year for a 12.3 percent annual increase and QV said the appearance of slowing house price inflation as a result of tougher loan-to-valuation restrictions may only be temporary in the city's overheated property market.

“During the last quarter of 2016 the rate at which Auckland house prices were increasing slowed markedly, and this situation has continued into the first quarter of this year," said Barfoot managing director Peter Thompson. "Traditionally March is the high point for prices in the first half of the year."

Barfoot said 67 property sales, or 6 percent of the total, were for in excess of $2 million, while 99 properties, or 8.9 percent of the total, sold for less than $500,00.

The realtor had 4,413 properties on its books at the end of the month, down 2.9 percent from the end of February.

Property values boost New Zealanders' net worth

Growing house prices are boosting the net worth of homeowners.

Soaring property prices have helped to lift New Zealanders' combined net worth to just over $1.39 trillion.

That figure, calculated at the end of March 2015, was up 9 per cent on the year before, Statistics NZ said.

"Net worth reflects the balance of what New Zealanders own and what they owe – that is, assets minus debts held by households and government," national accounts senior manager Gary Dunnet said.

Except for a 3 per cent decline in 2009, net worth has grown steadily since 2007 – from just over $1 trillion in 2007 to $1.39 trillion in 2015.

From 2007 to 2015, household net worth increased $319 billion (35 per cent), to about $1236b. Investment in land and buildings was a significant contributor to this increase, although this was partly offset by increased mortgage debt.

Infometrics economist Gareth Kiernan said there was growing inequality thanks to house prices.

"Given that returns from property via capital gains have outperformed returns from other investments over the last few years, I would expect it to have resulted in greater inequality in terms of wealth between those who own property and those who don't."

He said while growth in KiwiSaver might have gone some way to mitigate wealth inequality caused by property values, much of the money that was going into the scheme seemed to have only been diverted from other savings and investment vehicles.

Over the eight years, households also built up wealth through increased bank deposits (up 58 per cent), investment in business shares (up 28 per cent), and insurance and superannuation funds (up 90 per cent).

The value of all assets owned by New Zealanders was nearly $4 trillion ($3953 billion) in 2015. This figure consisted of financial assets (cash and deposits, loans, and investments) and non-financial assets (land and buildings; plant, machinery and equipment; and business inventories) valued at $2404b and $1,549b, respectively.

All financial liabilities totalled $2557b n in 2015, with the largest contributions coming from equity (37 per cent), and loans (30 per cent).

Over the 2007 to 2015 period, the net amount New Zealanders owed to the rest of the world rose from $130b to $153b.