

The Auckland Effect: A Buyer's Window of Opportunity?

by Paul Foster



There are always windows of opportunity in the real estate market. Some small and others larger.

In terms of buying in the Auckland market, it would be easy to say it has been a seller's market for so long now that any windows of opportunity for buyers are a distant memory. In fact, while it has been a climbing market for some time, there have been some windows of opportunity to spot within that – and there could be more to come soon...

Believe it or not there have been times where buyers exited the market temporarily, reducing competition for those that remained. Two clear examples that spring to mind are the introduction of the first LVR restrictions in 2013 and the 2014 general election.

2013 LVR restrictions

The first announcement of LVR restrictions seemed to have little impact in slowing the market. In fact they seemed to give a sense of urgency to buyers, prompting them to complete their purchases before the restrictions were applied.

However, as we got closer to the date of implementation, it seemed banks were still trying to balance their portfolios and had to be very selective about who and what they loaned. This made it much harder for some buyers to get pre-approvals.

Paul Holmes, a mortgage broker at Mortgage People said "Initially when the LVR restrictions were brought in banks required time to adjust to the new rules and the effect on their balance sheets. The emphasis throughout this period was one of looking to help their existing clients first and foremost, and any capacity to support new clients/applicants was more restrictive and selective."

At the time there seemed an element of uncertainty of what further impact it would have on values, and auction clearance rates dropped below the 50% mark.

2014 general election

The other significant window of opportunity was the last general election.

Historically, general elections have always had some sort of an impact on the market. While it may have seemed a foregone conclusion that National would get another term, you wouldn't have guessed it when speaking to buyers waiting to see the results before deciding their next move. Talks of a Labour introduced capital gains tax had some people nervous and all of a sudden it was a case of 'wait and see'. What's the next window of opportunity?

In an attempt to take some heat out of the Auckland market and encourage buyers to go elsewhere, we have new rules being applied from 1st November 2015.

We haven't yet reached that date, but there is clear evidence that there is an increase in activity outside of Auckland, particularly in Tauranga, Hamilton, and Whangarei. One comment from a client I sold for, after his recent visit to Tauranga was, "the open home registers all had phone numbers that began in 09".

BNZ Economist Tony Alexander recently reported that the "regional investment phase was now well underway". He also compares regional house prices with the NZ average noting which areas are due for a "catch up".

While the main drivers of the Auckland market (low interest rates, high immigration, and an under-supply of housing) haven't changed dramatically, the Reserve Bank may have done just enough to take some heat out of it.

One might argue that the majority of investors aren't overly affected by an increase from 20% to 30% LVR, based on increased equity in their existing portfolios. But other first time investors are seeing better value, increased returns and easier lending at what is currently a 20% LVR and soon to be just 10%, outside of Auckland.

The Reserve Bank's lending data shows the loan ratio was 3:1 of investors to first home buyers for the first half of 2015. It's easy to see that if you take a decent amount of those 31,123 investors out of Auckland, there's all of a sudden some properties that get less competition than others.

So, is there a window of opportunity in the Auckland market for buyers wanting a property without fierce competition? Quite possibly.

How long will it last? If the last introduction of LVR rules are anything to go by – not long. With the global economies also in a volatile position could we see some confidence wain? Have we reached that tipping point where affordability is just too difficult and prices are ready to plateau?

In my opinion, the three main drivers still have a big enough part to play. This could mean there are some further modest gains in the Auckland market before we see a complete plateau, but I am willing to say there is a window of opportunity for buyers in the short-term.

Want to talk more to Paul and our team? [Get in touch](#) and see if we can help you find your opportunity in this window.