

ASB says house prices are likely to start rising again but at a slower pace than previously seen

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ASB expects house prices in Auckland and Canterbury to start rising again, but at a slower pace than in the previous two years.

Following the release of the August sales figures by Auckland's largest real estate agency, Barfoot & Thompson, which [showed a drop in prices and sales volumes in August](#), ASB senior economist Chris Tennent-Brown issued a note which said the current tightness in the housing market appeared to be easing slightly.

The market had pared back expectations of future interest rate hikes, he said.

That, combined with competition between banks for mortgage business and falling long-term interest rates globally, had created an environment where fixed interest rates were under downward pressure, particularly for 1-2 year terms.

"Whether the dynamics of the mortgage market stimulate buyers over the coming months remains to be seen," he said.

"Picking the direction of the housing market over the coming year or two is difficult," he said.

"We have very strong migration (particularly in Auckland) and a level of supply that has risen only marginally since mid-2013.

"In addition, LVR restrictions are having an impact on activity."

Although the Reserve Bank had been lifting the Official Cash Rate this year, some fixed term mortgages were lower now than they were when the RBNZ began raising rates, he said.

"On balance, we expect house prices to continue rising in Auckland and Canterbury but not at the pace we've seen over 2012-13," he said.

"Demand is unlikely to drop off significantly while migration is so strong and fixed term rates remain lower than the RBNZ might like.

"But affordability is getting very stretched because of price gains over recent years.

"A period of modest price appreciation appears likely, as incomes catch up with prices over the coming years."

In terms of the August Barfoot & Thompson figures Tennent-Brown said seasonally-adjusted sales dropped 6.9% month-on-month, and new listings fell 22.3%. Total listings were down 0.6% in August month-on-month on a seasonally adjusted basis.

"The ratio of total listings to sales remains low, but listings are up 7.6% on a year ago, suggesting the market isn't quite as tight for buyers as it has been," said Tennent-Brown. "There are a number of uncertainties for buyers to consider at present: the tightness of the housing market does appear to be easing slightly; the RBNZ has signalled a pause after four OCR increases; and the General Election is just around the corner. "