

Harcourts Property Focus.

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Record migration means property market decline unlikely



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Figures released in January by Statistics New Zealand showed there was record migration in 2016 – with our population increasing by a massive 70,600.

Juxtapose this information with talk of the property market going into decline, and the two do not marry up.

As I've said before, the key forces that have fuelled the market so far – high levels of immigration and low interest rates – remain unchanged.

Immigration is particularly key when you look at the Auckland market. Approximately 60% of migrants stay in Auckland when they arrive in New Zealand. That's about

42,000 people requiring houses. What that translates to is a need for 14,000 houses a year for an average household occupancy of three. That's on top of an estimated existing shortage of about 20,000 houses.

At current levels of construction there are no indications that supply will begin to meet that demand, and no sign from the government that immigration will begin to tail off.

It's important to reiterate it's not purely immigration fuelling the market around the country. Our economy has grown 17% since 2007 and continues to grow. That in itself generates confidence and activity.

However, we have seen a fall in the number of property investors in the wake of the tougher loan to value ratio (LVR) restrictions introduced in November.

With investment dropping away a little, will the market remain at the same speeds that we have seen in 2015-16?

It has felt like that for much of 2016 market commentators and observers were willing

the strong, highly active market to fall over dramatically, particularly in Auckland. At this point, however, that seems unlikely to happen any time soon.

First, it's important to remember that a market cooling, isn't the same as saying a bubble is bursting. It's just merely returning to the healthy activity levels of prior to 2014-15. What we should be left with through this year is a more balanced market across the country that still allows room for growth, but perhaps doesn't move so far so fast, shutting some out altogether. 2015 was an unusual year and coming back a little from those levels of sales and inflated prices does not mean disaster.

Interest rates are the unknown quantity. Banks are beginning to raise rates and we're likely to see the Reserve Bank adjust the OCR. Will it be enough of offset the thirst for property still in the market? That is highly doubtful given our net migration levels and resulting demand.

Did you know?

If, as a seller, you may receive pre-auction offers from interested prospective buyers.

If you wish to accept the pre-auction offer, in most cases your Harcourts sales consultant would recommend you bring forward the auction and contact any other interested parties. The brought forward auction can then be held with the initial acceptable offer as the opening bid. That way if any buyer is prepared to pay more, you won't miss out on getting the best possible price.

Choosing your method of sale

Choosing how to sell your property can feel like a big decision. Here's an overview of the methods available and the reasons they may work best for you.



Auction

We've all read the media commentary about rising house prices, and although there are many theories as to why this is, what it fundamentally comes down to are two factors – low supply and high demand. Currently, New Zealand is undoubtedly a high demand, low supply market, with fierce competition for properties – particularly in Auckland and Christchurch.

Auction is the best way of achieving a premium price in a competitive market. Auction involves a short, sharp and intensive marketing campaign of a property without a price. This is to test the market to see what buyers, in a competitive situation, are prepared to pay to become the new owners of that property.

Marketing with a price limits what a keen buyer may pay. Once a listing price has been established for a property, a ceiling has been placed on what a buyer expects to pay for it. Auction, on the other hand, offers a real opportunity to get more for a property than the seller might expect.

Tender

Tender works in a similar way to the auction system, except there is no public auction day. Instead, tenders or offers close at a specific time on a specific date.

Tender presents another opportunity for sellers to create a competitive situation without stating a listing price. They set the terms, conditions and the deadline, and prospective buyers have only one opportunity to put forward their most competitive offer.

The seller doesn't necessarily have to accept the highest price. They can choose to negotiate with any of the tenderers to achieve a satisfactory conclusion.

Fixed Price

This means that a property is listed with a definite price. If the property is priced correctly it will attract a lot of interest, and in some cases have multiple offers resulting in a premium sale price. The fixed price also gives the buyer a price guideline and allows for a property search by price on real estate websites.

However, it is easy to over- or under-price the property and buyers may discount the property without inspecting it, judging it solely on the price. This can effectively limit the market for that property.

Price By Negotiation (PBN)

This method of sale can be applied in any of these three ways:

1. No price is advertised. Buyers make offers through the sales consultants.
2. A minimum price may be advertised. Offers above this minimum price are considered by the seller.
3. A price range may be advertised. Offers within this price band are considered.

The benefit of PBN is the level of market interest will help the seller gauge a fair sale price. The "no price" aspect will also attract more genuinely interested, cash-in-hand buyers. By contrast, unlike auction and tender there is no sale date or deadline in place so there is no urgency placed on buyers to make a buying decision.

