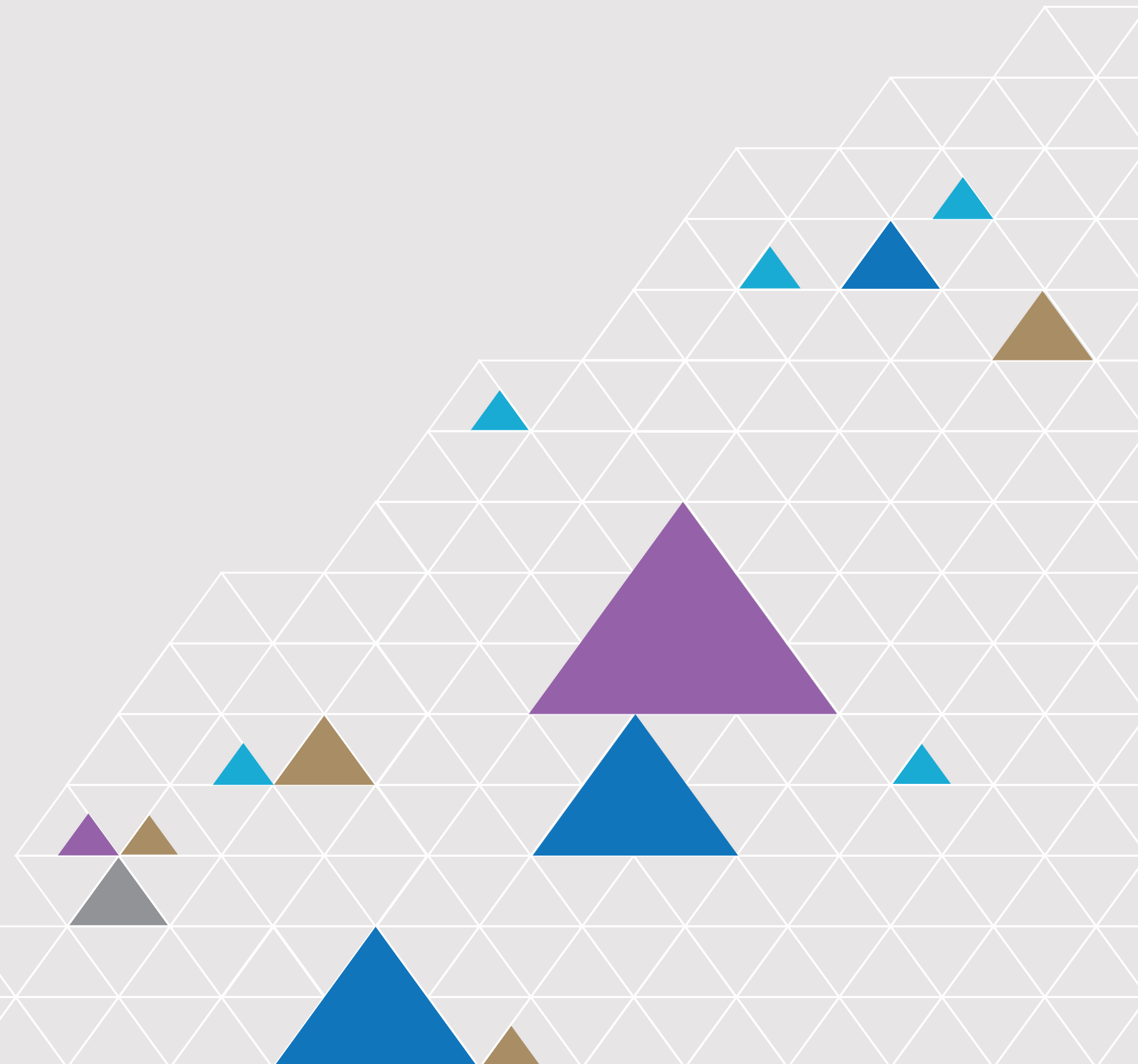


THE
HOUSING MARKET ACTIVITY

QUARTERLY REPORT

Q1 | 2016



Welcome to the first edition of interest.co.nz's Housing Market Activity Quarterly Report

HOUSING MARKET ACTIVITY QUARTERLY REPORT

BY GREG NINNESS
Property editor



Welcome to the first edition of interest.co.nz's Housing Market Activity Quarterly Report.

Most commentary about the residential property market focuses on movements in price, which is understandable because most people who either own a home or want to buy one are interested in what they worth or how much they might cost.

However the number of properties being sold is at least as important or perhaps more important than price, because it measures the overall buoyancy of the market and is also the main determinant of the amount of revenue the residential real estate industry earns.

A significant movement in the number of homes being sold can also be an indicator that prices might be about to move up or down.

The Housing Market Activity Quarterly Report will focus on trends in sales activity throughout the country and will estimate how much commission the real estate industry is likely to have earned each quarter.

Quarterly sales statistics have been used because monthly figures can be volatile and a rise or fall in sales in a particular month does not necessarily indicate a trend. Quarterly figures should remove some of that volatility and give a better indication of market trends.

We hope our readers find the reports a useful addition to the data that is already available on trends in both the housing market and the real estate industry.



Real estate agencies estimated to have earned \$1.6 billion in commissions from residential sales in year to March

But the Auckland market could be in for a leaner winter

Auckland’s residential real estate agents could be facing a lean winter, as falling sales make a big dent in the amount of commission the industry is earning in the country’s largest real estate market.

Although property prices in Auckland are at or near record levels, which has also pushed up agency commissions on individual sales, the number of homes being sold has been declining, and that has had a much bigger impact on

the total amount of commission the industry earns.

Figures compiled by interest.co.nz from the Real Estate Institute of New Zealand’s monthly sales data, show that the number of homes sold in the region have declined in each of the last two quarters, and in both quarters sales were well down compared to a year earlier.

In the fourth quarter of last year there were 7285 residential sales recorded by the REINZ, compared to 8138 in the fourth quarter of 2014, a 10.5% decline.

In the first quarter of this year there were 6692 sales, compared to 7798 in the first quarter of last year, a 14.1% decline.

Interest.co.nz also estimates how much total commission the

real estate industry earns from residential sales commissions each quarter and this has also been declining in Auckland, even though rising house prices have been pushing up commissions on individual property sales.

In March last year the REINZ’s

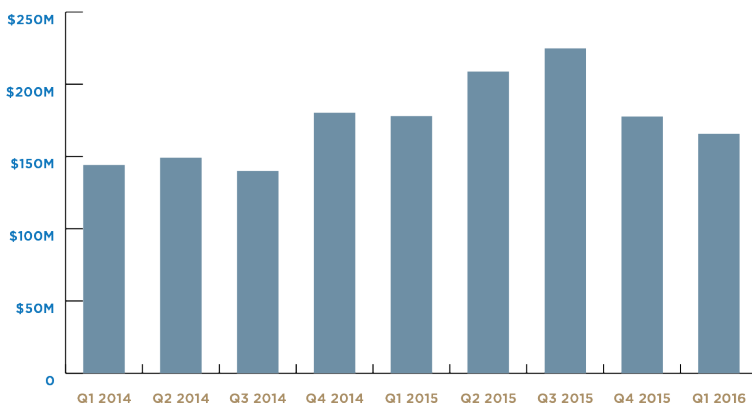
INTEREST.CO.NZ ESTIMATES THAT THE TOTAL INDUSTRY COMMISSION FROM RESIDENTIAL SALES IN AUCKLAND INCREASED DRAMATICALLY FROM \$140 MILLION IN THE THIRD QUARTER OF 2014 TO HIT A PEAK OF \$224.8 MILLION IN THE THIRD QUARTER OF LAST YEAR.

median selling price in Auckland was \$720,000 which would have provided a typical sales commission of \$23,460 (calculated at 4% of the first \$300,000 plus 2% of the balance plus GST).

By March this year, Auckland’s median selling price had increased by \$100,000 to \$820,000, pushing the typical agency commission up to \$25,760.

However the number of homes sold usually has a much impact on the total amount of commission generated by the real estate industry than movements in property prices.

Estimated total industry commissions
AUCKLAND



Interest.co.nz estimates that the total industry commission from residential sales in Auckland increased dramatically from \$140 million in the third quarter of 2014 to hit a peak of \$224.8 million in the third quarter of last year.

That's an increase of \$84.8 million (60.6%) in a year.

But since then the trend has reversed, as the number of sales has declined.

In the fourth quarter of last year total estimated industry commission in Auckland declined to \$177.7 million which was below the estimated \$180.4 million achieved a year earlier.

Then in the first quarter of this year the total estimated industry commission in Auckland declined further to \$165.7 million, compared to \$178 million a year earlier.

It appears to be an unfortunate irony for the real estate industry that while property prices in Auckland have been hitting record levels and along with them commissions on individual sales, there is less money to go around all of the agents involved.

Figures from the Real Estate Agents Authority, which regulates the industry, show that the number of agencies and people working for commission in Auckland (this excludes administrative and support staff) has increased steadily from 6468 in March last year to 6894 in March this year.

That means that there are fewer sales per person working in the industry in Auckland and less commission money to go around.

The peaking of Auckland sales in the second quarter of last year and the subsequent decline, and its flow on effect on industry commissions, corresponds with the introduction of measures introduced by the government and Reserve Bank last year to help rein in the housing market, such as requiring overseas buyers to provide their tax details, taxing capital gains on homes sold within two years and increasing loan to valuation ratios on Auckland investment properties, have had some success, at least in the number of properties being sold, although the dampening

effect they initially had on price appears to have been temporary.

But around the rest of New Zealand it's a different story.

In every region of the country except Auckland, sales volumes are running well ahead of the previous year's sales and that combined with rising prices means industry commissions are often at record levels in centres outside of Auckland.

In the Waikato/Bay of Plenty/Gisborne, the number of sales increased from 3355 in the first quarter of last year to 4115 in the first quarter of this year, and that combined with rising prices pushed the estimated total industry commission in the region from \$49.5 million to \$66.5 million over the same period, a 34.4% increase.

In Wellington the total estimated industry commission has risen from \$35.5 million in the first quarter of last year to \$44.1 million in the first quarter of this year, up 24.3%.

Nationally there were 21,866 homes sold in the first quarter of this year, up from 20,542 in the first quarter of last year.

That increase combined with rising prices has pushed the estimated total industry commission from residential sales to \$386.8 million in the first quarter of this year, up 9.4% compared to the first quarter of last year, and up a staggering 28% since the first quarter of 2014.

There are unlikely to be many industries in this country that would have posted such impressive growth over the same period.

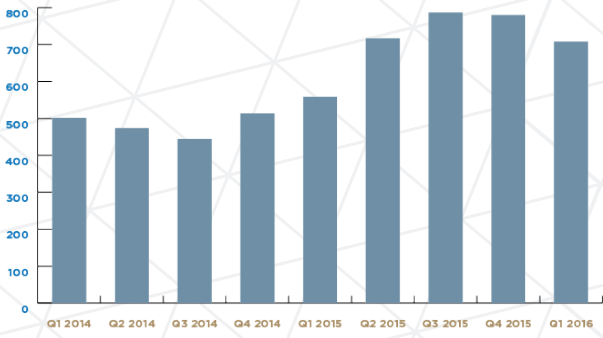
The following graphs show the quarterly trends in residential property sales and estimated industry commissions in each region and nationally since the beginning of 2014.

“
IN EVERY REGION OF THE COUNTRY EXCEPT AUCKLAND, SALES VOLUMES ARE RUNNING WELL AHEAD OF THE PREVIOUS YEAR'S SALES AND THAT COMBINED WITH RISING PRICES MEANS INDUSTRY COMMISSIONS ARE OFTEN AT RECORD LEVELS IN CENTRES OUTSIDE OF AUCKLAND.
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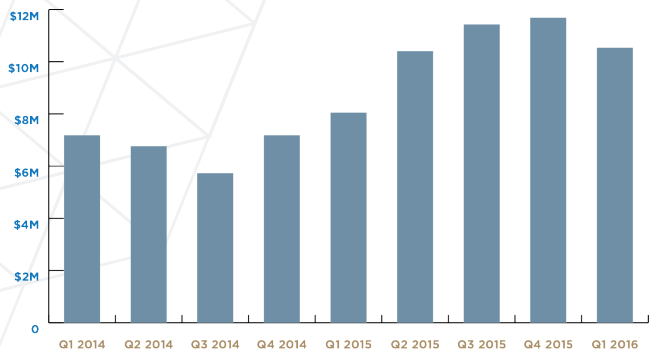
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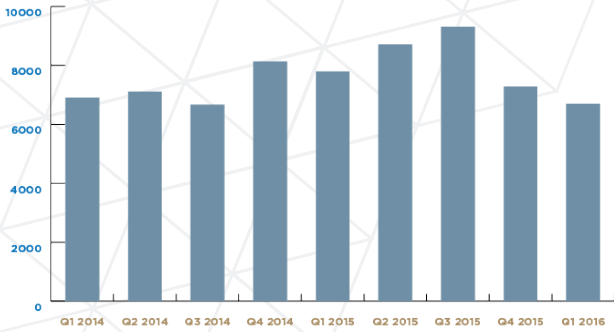
Number of sales each quarter
NORTHLAND



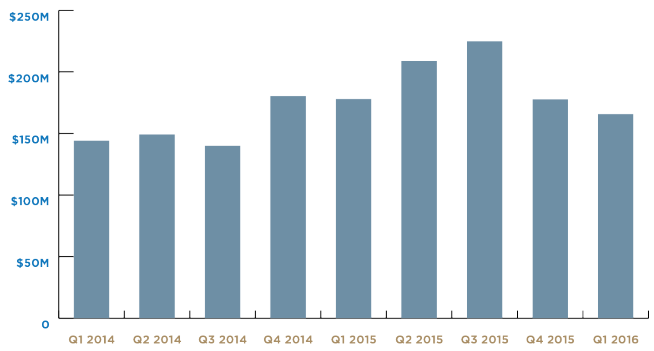
Estimated total industry commissions
NORTHLAND



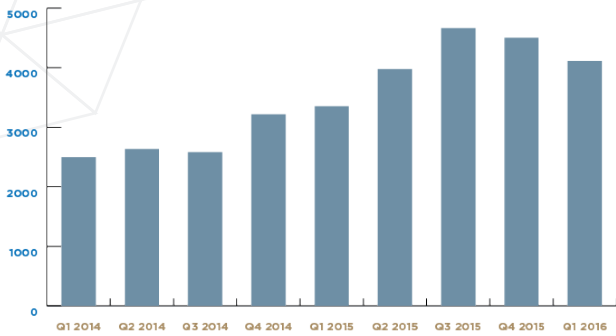
Number of sales each quarter
AUCKLAND



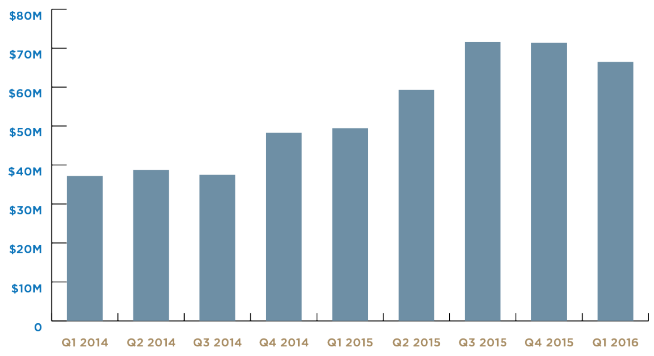
Estimated total industry commissions
AUCKLAND



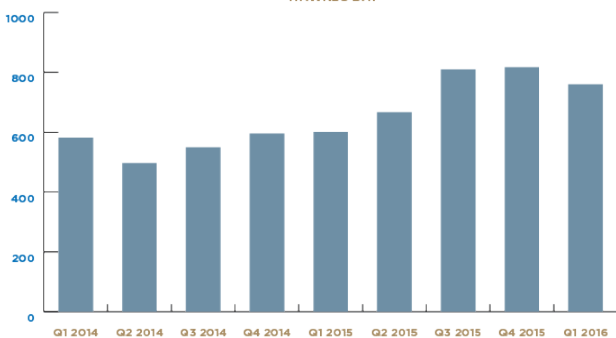
Number of sales each quarter
WAIKATO/BAY OF PLENTY/ GISBORNE



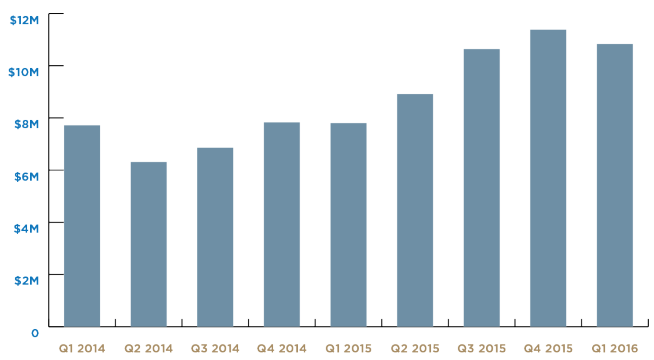
Estimated total industry commissions
WAIKATO/BAY OF PLENTY/ GISBORNE



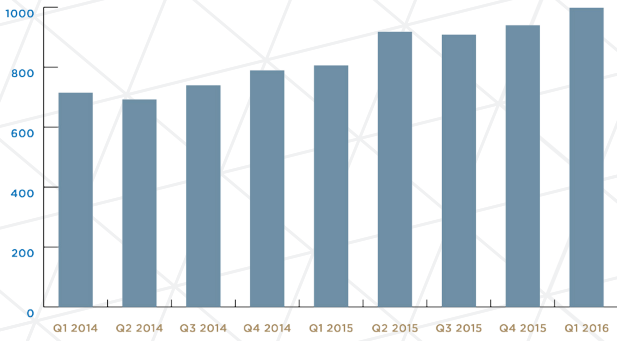
Number of sales each quarter
HAWKES BAY



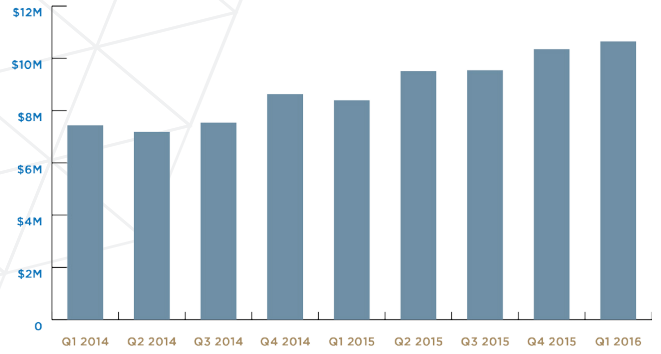
Estimated total industry commissions
HAWKES BAY



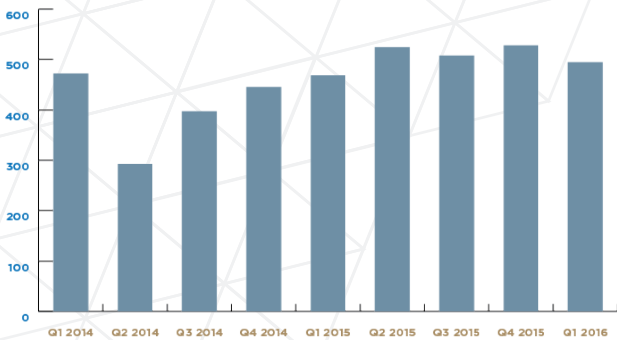
Number of sales each quarter
MANAWATU/WHANGANUI



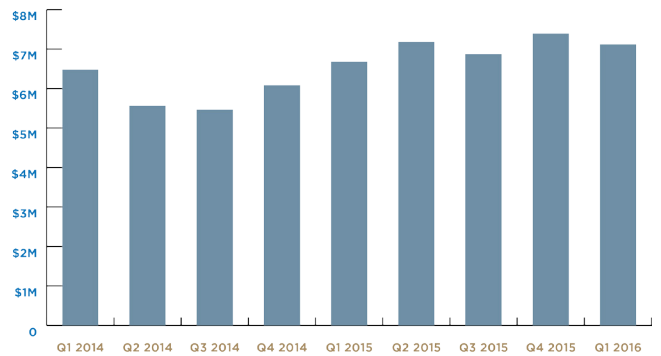
Estimated total industry commissions
MANAWATU/WHANGANUI



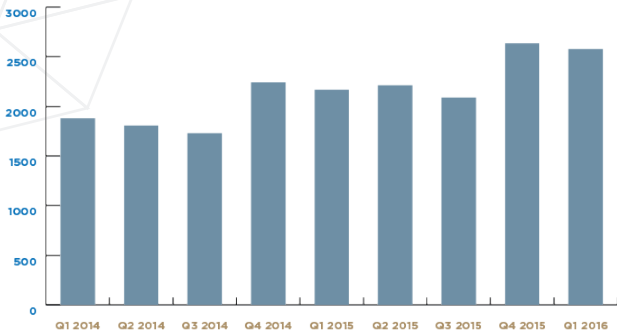
Number of sales each quarter
TARANAKI



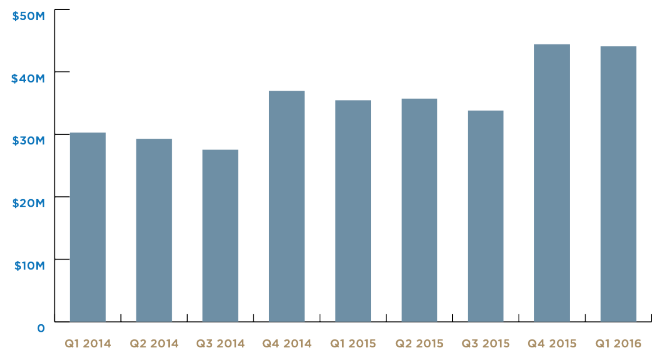
Estimated total industry commissions
TARANAKI



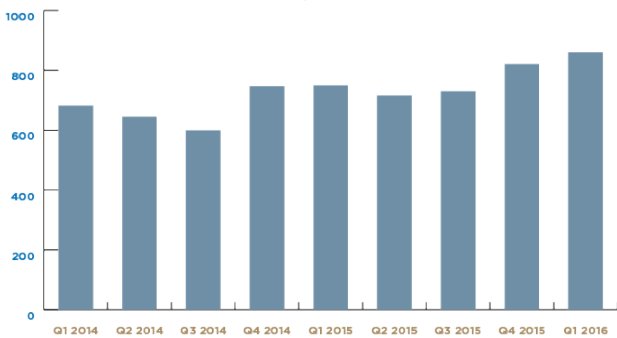
Number of sales each quarter
WELLINGTON



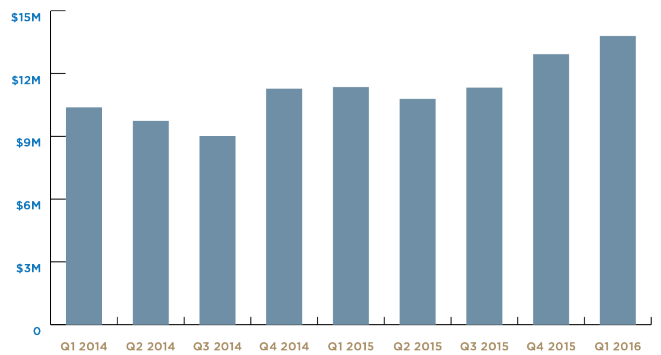
Estimated total industry commissions
WELLINGTON



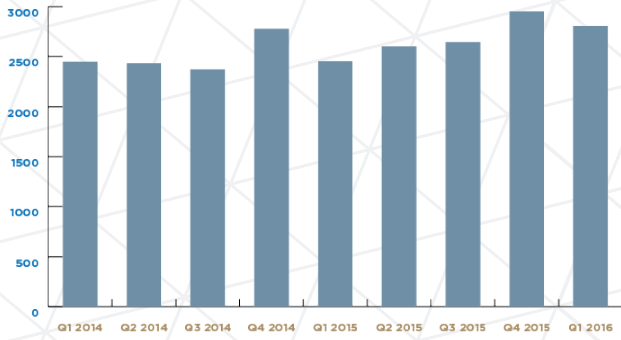
Number of sales each quarter
NELSON/MARLBOROUGH



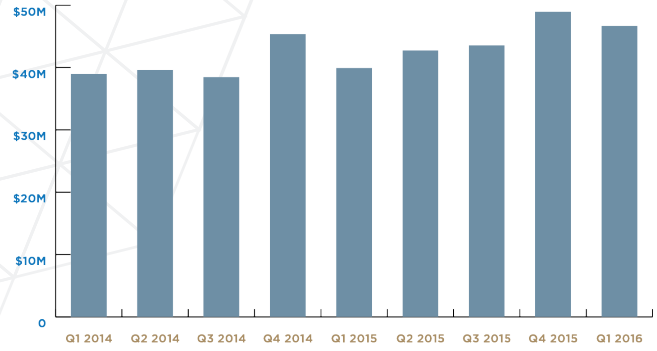
Estimated total industry commissions
NELSON/MARLBOROUGH



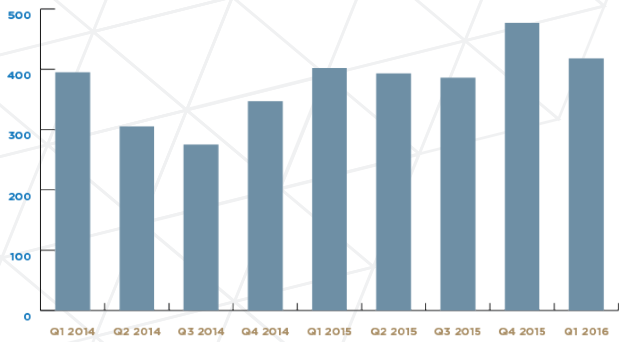
Number of sales each quarter
CANTERBURY/WESTLAND



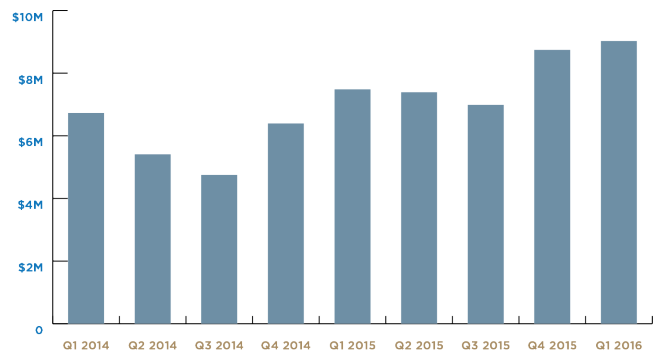
Estimated total industry commissions
CANTERBURY/WESTLAND



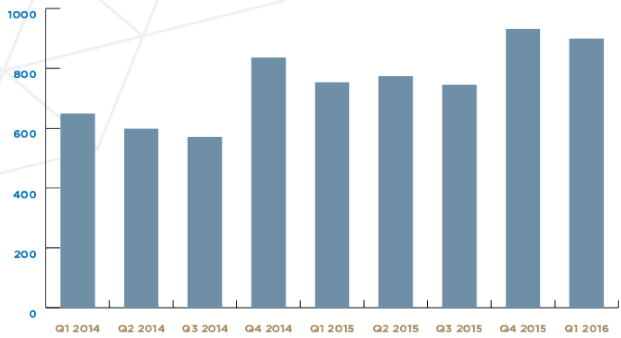
Number of sales each quarter
CENTRAL OTAGO/LAKES



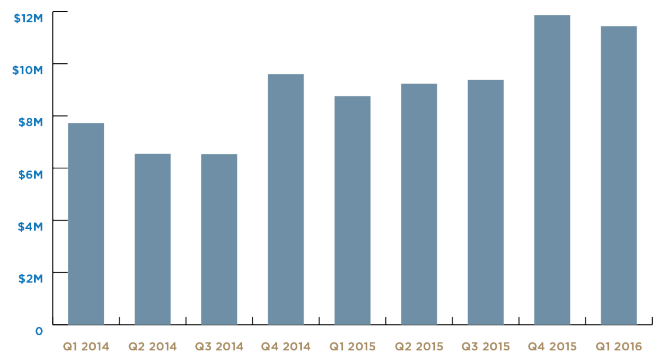
Estimated total industry commissions
CENTRAL OTAGO/LAKES



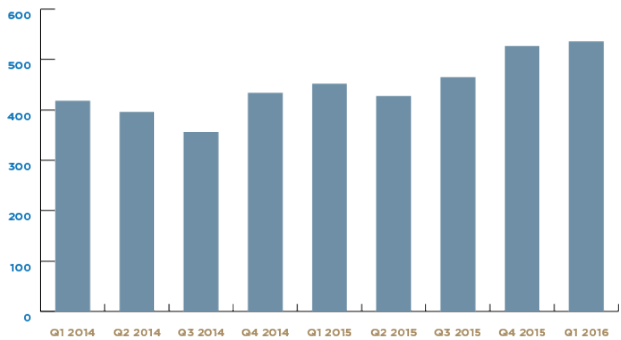
Number of sales each quarter
OTAGO



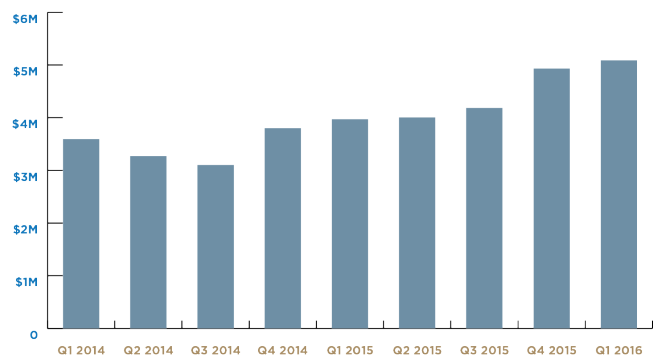
Estimated total industry commissions
OTAGO



Number of sales each quarter
SOUTHLAND

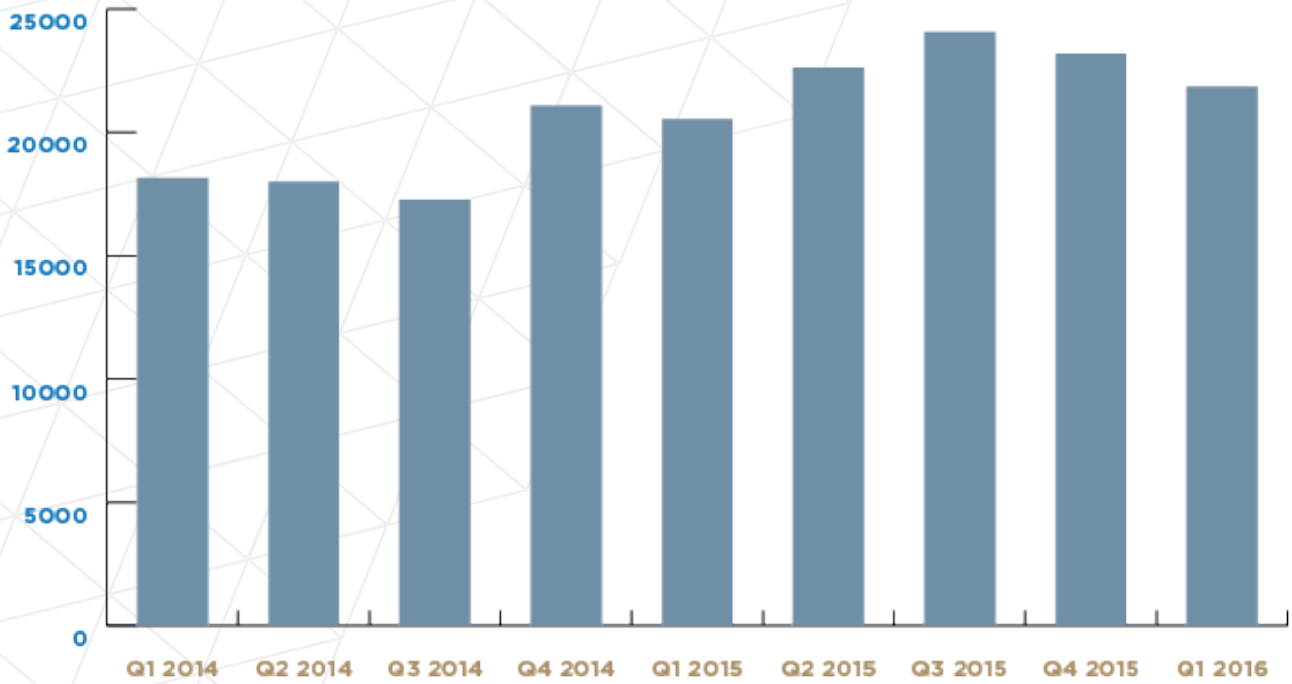


Estimated total industry commissions
SOUTHLAND



Number of sales each quarter

TOTAL NZ



Estimated total industry commissions

TOTAL NZ

