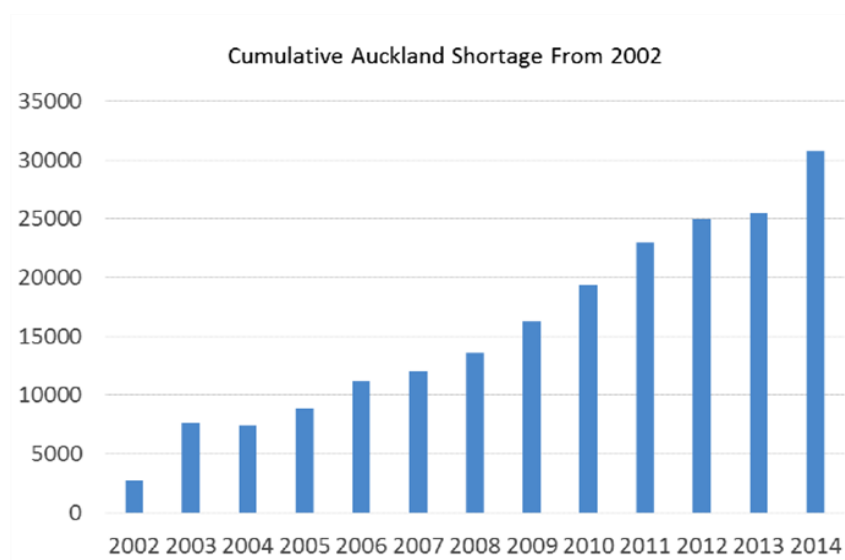


Auckland's housing shortage: when will it end?

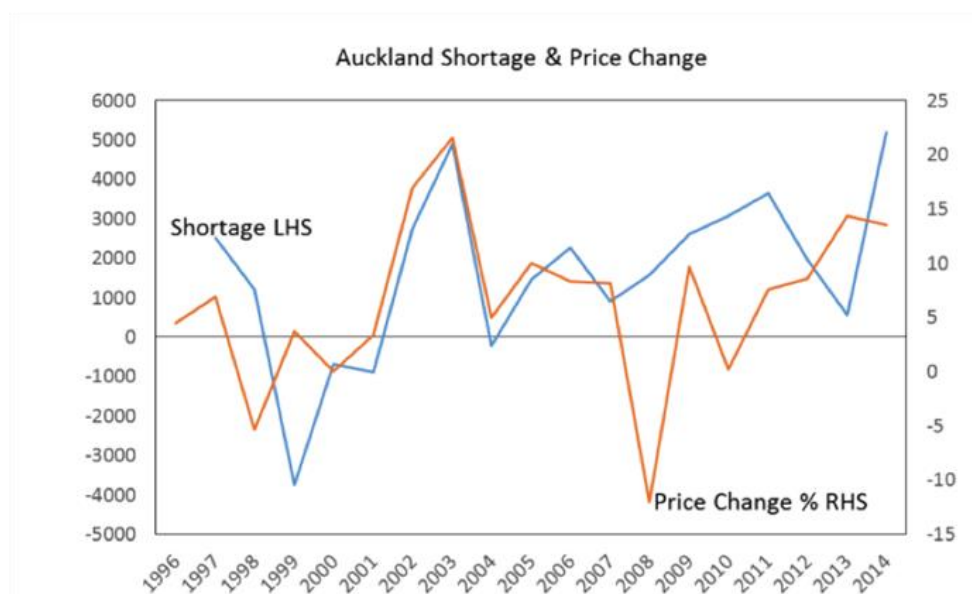
by Adam Smith

As the selling price of the average Auckland house hit an all-time record of over \$800,000 for the first time, the red-hot Auckland property market is certainly one of the most common topics of conversation at the moment. Amazingly the prices are up nearly 50% from \$546,488 at the peak of the last property boom in 2007. We've said our piece on this a few times in [recent blogs](#) - housing supply and demand is the biggest influencer on where the market will head.

BNZ Chief Economist Tony Alexander published some really interesting statistics in [his recent report](#). Take a look at this chart tracking Auckland's cumulative shortage of housing stock since 2002.



In addition, the below graph further illustrates the housing shortage (blue line) in comparison to the % price change (orange line) since 1996.



Since 2002 there has been a cumulative shortage in housing and, aside from 2008 (the GFC aberration), over that time house prices have typically been increasing. There is a correlation between the peaks in housing prices and the consistent shortage of housing stock.

There is no immediate sign of this shortage being eased any time soon, so what does the future hold?

The implications for Auckland and New Zealand as a whole are significant. **In his article, Tony Alexander invites you to calculate for yourself what this growing shortage of houses means for...**

- house prices
- rents
- the incentive for investors in Auckland to buy
- the incentive for Kiwi investors elsewhere in Auckland to buy
- the incentive for foreigners to buy
- education outcomes for those on low incomes facing higher housing costs and reduced quality of housing
- health outcomes, income outcomes, and inclusion in society for that same group.

We are seeing buyers, especially first home buyers, regularly giving up on trying to own their little piece of NZ. While searching for a home over a period of months, they see the prices keep rising until they hit a level that they can quickly find is out of their reach.

The lack of housing supply has an effect on how a correction will occur, Tony Alexander believes. On commentators who were predicting a price collapse in the market back in 2008 of up to 40%, Tony says, "I figured lack of supply would limit the decline [in house price] to 10% - 15%. Not to signal to investors that they should buy, but to tell policy-makers that they should not think prices would collapse and the social housing crisis would somehow solve itself."

While no-one can forecast exactly when, how and why Auckland property prices will fall. Tony, like all of us, is interested to see what happens. It isn't just the effect on property prices, but also the impact from the height of prices versus incomes, interest rates versus incomes, and the resulting magnitude of the housing shortage by then.

To take a punt on when we'll see a drop in the market... 2018 is his bet. Due to many factors, which you can [read about in full here](#).

We've been through these cycles before and know the long-term value property has. If you'd like to discuss your next property move, whether buying or selling, [give us a call](#).