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Auckland Council again delays CV revaluation due to Covid

Auckland Council valuations have been delayed again after being told it needed to do more work on its numbers.

It means city home owners will now likely have to wait until March next year to find out what their property's new CV is.

The new CVs - formally known as capital values - were expected last year.

However, council pushed that date back to October this year, before delaying a second time and saying the CVs would instead be out next month.

The council today said it is delaying the CVs for a third time until March.

It said the Office of the Valuer General had inspected the latest valuation results and found more number crunching was needed.

"The audit conducted by the OVG determined that the council and its valuation partner Quotable Value need to do more work on the values before they will be ready for release," the council said.

Wellington home owners received their new citywide valuations today with the local council experiencing no Covid delays.

Auckland Council blamed the Covid-19 pandemic for contributing to the delays.

"The Covid-19 pandemic has added layers of complexity, which have affected the council's ability to complete the revaluation this year," it said.

A source of fascination to property-mad Kiwis, CVs can affect the prices homes sell for as well as the council rates bill.

Homeowners wanting to sell typically hope for a new higher CV in the belief it might help convince buyers to pay more.

Banks sometimes also lend more money to people whose homes have higher valuations.

On the flip side, home owners may get a higher rates bill if their new CV jumps too much in value.

CVs are typically released every three years - Auckland Council's last CVs were calculated in 2017.

The council was last year given permission to delay the Auckland revaluation process, after arguing that attempts to estimate home values in the uncertain market created by Covid-19 would likely produce distorted results that might be unfair to home owners.

It then restarted the process this year by pretending every city home had been sold on June 1, 2021, and estimating the most likely selling price for each one.

This is done "by analysing recent property sales information, resource and building consent data and undertaking sample inspections to establish an updated picture of land and capital values across the city", it said.

These valuations must legally be approved by the Valuer General.

"Ratepayer confidence is paramount therefore it is crucial that the OVG completes a detailed audit process," it said.

Once the CVs are finalised, they will be used to determine every property owner's rates for the 2022/2023 rating year, with the rates bills kicking in from July 1, 2022.

When they are finally released, home owners can expect their new CVs to be much higher than in 2017.

The city's average property value in 2017 was just over $1m, but has now jumped to $1.5m, according to analysts Valocity.

The booming growth in the past two years has meant it's become common for homes to sell for hundreds of thousands of dollars - if not millions - above their CVs.

A Sandringham home on Hazelmere Rd is among the latest homes to fetch a stunning price as it sold for $3.56m at auction last Wednesday.

The home has four bedrooms, a swimming pool and large block, which helped it go for more than $2m above its 2017 $1.2m Auckland Council valuation.

Another 1970s North Shore home on Sequoia Pl in Sunnynook also recently earned its owners close to $2 million profit in just one decade of ownership after fetching $2.4m at auction.

Not only is that almost $2m higher than its $430,000 purchase price in 2010, but is also $1.4m higher than its 2017 Auckland Council valuation.

Although CVs play a role in helping setting rates bills, they do not change the total dollar amount the council collects from rates.

The council instead decides how much money it wants each year, and then uses CVs to help work out the share each home and commercial property owner pays.

The council has already decreed it intends to raise $2.3 billion from rates in the 2022/2023 financial year – the first year the new CVs come into effect.

Ratepayers have a right to object to their new CV value if they do not believe it is accurate.

Property valuations ready for viewing

Wellington City property owners will soon receive a Notice of Rating Valuation in the post with an updated rating value for their property.

The new valuations can be viewed online at www.qv.co.nz - type in your address if you want to see the latest numbers.

The valuations have been prepared for 80,336 properties on behalf of the City Council by Quotable Value (QV). They show the total rateable value for the city is now $123,219,693,151 with the land value of those properties now valued at $79,045,542,201.

Rating valuations are usually carried out on all New Zealand properties every three years to help local councils set rates for the following three-year period. They reflect the likely selling price of a property at the effective revaluation date, which was 1 September 2021, and do not include chattels.

On average, the value of residential housing has increased 60.4% since 2018 with the average house value now sitting at $1,435,000, while the corresponding average land value has more than doubled to an average of $985,000.

QV area manager Paul McCorry commented: “It will come as no surprise to anyone that the demand for residential housing in the Capital City has been extremely buoyant over the last three years. In 2018 we were exclaiming at the number of million-dollar suburbs in the city. In 2021 there is not a single location with an average value less than $1 million – in fact, Kelburn, Oriental Bay, Roseneath and Seatoun have now pushed over $2 million.

“A lot of the value increases have stemmed from pressure on land. The demand for vacant land has seen land values more than double in many suburbs. We have started to see developers looking to demolish modest houses on sections with development potential. Rapid intensification is the model. It is not exclusively a Wellington City problem, but one that is exacerbated by the physical constraints to urban sprawl.”

Meanwhile, commercial property values have increased by 36.1%, and property values in the industrial sector have increased by 60.6% since the city's last rating valuation in 2018. Commercial and industrial land values have also increased by 52.2% and 73.1% respectively.

"The commercial sector continues to have the greatest potential for impact from COVID-19. Our discussions with landlords and tenants across the city shows the retail space has seen little rental growth – particularly from those that rely on hospitality or tourism. On the flipside, the office sector continues to show strength in the face of the pandemic. Appetite is really robust for A-grade, seismically strong office accommodation. The government employment in this space has really helped that resilience."

Meanwhile, Mr McCorry said the industrial market has compared favourably to commercial on a national scale for some time now – a trend that has continued in Wellington City.

"There are now relatively low numbers of true industrial properties, aside from the northern corridor, but good quality industrial space is very sought after and contributing to value growth. Across the commercial and industrial sector, the demand for yield/return on investment continues."

The average land value increase for commercially zoned land has been 52.2% since 2018, which Mr McCorry attributes to a change in use from commercial to residential.

"We have seen huge demand for redevelopment land on the city fringes. Areas such as Te Aro, Mount Cook and Newtown, where you are in walking distance to the CBD are ideal for apartment living, and developers have been purchasing under-utilised sites to satisfy that need. With current supply-chain issues it remains to be seen how quickly some of these proposed developments will come to the market."

Since 2018, the average capital value of an improved lifestyle property has increased by 55.57% to $1,600,000, while the corresponding land value for a lifestyle property increased by 91.18% to $1,025,000.

"Lifestyle property makes up a modest part of the Wellington City market, with a little over 500 lifestyle properties predominantly in the Makara, Ohariu Valley and Horokiwi areas. Typically, lifestyle values align with high-end residential properties and this segment of the market has been buoyant," Mr McCorry added.

He said there were limited true rural properties in the city with less than 40 properties in total. Of these the forestry sector had performed the strongest, up 69.2% in three years.

The effective rating revaluation date of 1 September 2021 has now passed and any changes in the market since then will not be included in the new rating valuations. In many cases, this means a sale price achieved in the market today may be different to the new rating valuation set as at 1 September 2021.

The updated rating valuations are independently audited by the Office of the Valuer General and need to meet rigorous quality standards before the new rating valuations are certified. They are not designed to be used as market valuations for raising finance with banks or as insurance valuations.

New rating values will be posted to property owners after 8 December 2021. If owners do not agree with their rating valuation, they have a right to object through the objection process before 29 January 2022.

The City Council's Financial Strategy and Treasury Manager, Marty Read, said it was important that property owners remember that a change in the rateable capital value of a property does not mean rates will change by a similar percentage.

He said the Council uses property values to allocate the rates it needs to collect between all ratepayers – it doesn't collect more rates just because capital values have increased and it doesn't collect less rates if capital values have decreased.

The actual rates increase for each property will depend on a range of factors, including:

- the Council's overall rates 'budget' calculated each year in the Annual Plan.
- the capital value change for your property compared to the average change
- any change in the mix of services the Council provides
- any change in targeted rates or the Council's rating differential.

Humble home sells for twice its CV in booming Auckland market

A humble 1970s Auckland home has earned its owners close to $2 million profit in just one decade of ownership, highlighting how far prices have skyrocketed ahead of the release of new council valuations.

The North Shore home on Sequoia Pl in Sunnynook fetched $2.4m at auction earlier this month.

Not only is that almost $2m higher than its $430,000 purchase price in 2010, but is also $1.4m higher than its 2017 Auckland Council valuation.

The council earlier said it will release its new CVs next month, but is yet to officially confirm that.

Owen Vaughan, editor of NZME-owned property website OneRoof, said Auckland house prices continue to hit record highs in the meantime.

"Auckland's property market in the last three months, despite lockdown has lifted considerably, with the average property value for the city now well above $1.5m," he said.

"This house like many others that have sold in the last year and a half have seen huge gains."

The huge pace of the price growth has led prices to leap well above the last Auckland Council valuations done in 2017.

Homes selling for hundreds-of-thousands of dollars - if not millions - above their CVs has become common.

The city's average property value in 2017 was just over $1m, now its $1.5m, according to analysts Valocity.

However, with interest rates now on the rise, property pundits are expecting house price growth to slow in the coming months.

The Reserve Bank of NZ this week raised the official cash rate for the second time in as many months - taking it to 0.75 per cent - and signalled at least another seven hikes before the end of 2023.

Kelvin Davidson, chief property economist with analysts CoreLogic, said shorter term home loan interest rates had now hit 4 per cent, and are likely to climb above 5 per cent in the next six-12 months.

While those rates are still low by past standards, the enormous jump in house prices meant many will feel the pain in their pockets from higher rates.

"With house prices having soared by 28.8 per cent over the last year, mortgage payments as a percentage of gross household income are already back at 41 per cent," Davidson said.

"(That is) well above the average of about 37 per cent, and the highest since Q2 2008 (when mortgage rates were above 9 per cent)," he said.

"A mortgage rate of 5 per cent now would see that repayment burden rise to 46 per cent, and at a 6 per cent mortgage rate, it would climb to more than 51 per cent – which would be the worst level for at least 18 years."

Vaughan said "interest rate rises are just one of the headwinds the housing market will be facing next year" as more Kiwis are expected to head to Australia for better wages, thus dampening buyer demand for houses.

"Credit restrictions, rising building costs and possible changes in net migration will all have a dampening effect on house price growth," he said.

It comes as new council valuations are due in two of New Zealand's biggest housing markets.

Valuations are due out next week in Wellington, while Auckland valuations had earlier been earmarked for early next month.

The last CVs were issued in Wellington in 2018 when the city's average property value sat around $800,000.

The post-Covid surge has seen the city's house prices jump more than 50 per cent to an average price just above $1.2m.

A source of fascination to property-mad Kiwis, CVs - formally known as capital values - can affect prices homes sell for as well as the rates bill.

Homeowners wanting to sell often hope for a new higher CV in the belief it might help convince future buyers to pay more for their homes.

Higher CVs can also convince banks to lend more money to those wanting to borrow.

But residents with no intention to sell can face a higher Auckland Council rates bill if their new CV jumps too much in value.

CVs also do not change the total dollar amount councils collects from rates.

Councils instead decide how much money it wants each year, and then use CVs to help work out the share each home and commercial property owner pays.

Auckland Council has already decreed it intends to raise $2.3 billion from rates in the 2022/2023 financial year – the first year the new CVs come into effect.

New Zealand's average house price cracks $1m

New Zealand's average house value cracked $1 million for the first time in the three months to the end of October, new data from Quotable Value (QV) shows.

Nationwide, prices rose 5.3 per cent over the quarter to an average of $1,002,153, up 27 per cent from the same time a year earlier.

None of the urban areas monitored by QV had a decline in average values and in all of them, apart from Palmerston North and Napier, the rate of increases picked up.

Christchurch property values were the standout, increasing by 10 per cent over the three months.

That increase was up on the 7.7 per cent recorded last month, and it took the city's average value to $729,963.

It was the biggest increase in values of the 16 urban centres monitored by the property valuation company, and marked a change in pace for a city long considered more affordable than most.

Annually, Christchurch values were up 36.1 per cent on last year. Values increased the most in the eastern suburbs, where they were up 38.8 per cent, while values in the central city increased the least at 27 per cent.

Christchurch Quotable Value consultant Olivia Brownie said the strong market activity that occurred with the start of the spring had continued in the greater Christchurch area.

"We are still seeing the same factors driving value increases – namely low supply, high demand, and relatively low interest rates."

After Christchurch, the strongest quarterly value increases were in the Queenstown Lakes District and Tauranga, up 9.6 and 6.6 per cent to $1.5m and $1.1m respectively.

Values in the Auckland region increased by 5.6 per cent over the three-month period, which left the region's average value at $1.4m.

Of the seven former territorial authorities that made up the Auckland market only Franklin now had an average value under $1m ($963,651).

In the Wellington region, values increased by 3.8 per cent over the quarter. That took the region's average value to $1.06m.

On an annual basis, the Manawatū-Whanganui region had the strongest value increase at 34.7 per cent, followed by the Canterbury region with 34.1 per cent.

Quotable general manager David Nagel said there were keen buyers in the market despite ongoing uncertainty around Covid-19 and the impact it was likely to have on the economic recovery.

Credit availability continued to tighten as banks responded to Reserve Bank concerns around property market stability, particularly with interest rates on the rise, he said.

"But a continued lack of supply has resulted in a resurgence in prices across the locations we monitor. A reported flood of new listings will provide some welcome relief for house hunters."

With interest rates rising faster than expected, there was an element of panic buying at play, with people who had been in the market for some time keen to lock in a mortgage rate at a low level, Nagel said.

The latest figures from CoreLogic also showed house prices were rising again due to lockdown listing shortages and strong buyer demand.

Commentators say while the pace of growth may slow in coming months, there are good reasons those hanging out for a crash could be disappointed.