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Property Tax and Assessment News from Around the World

NEW ZEALAND – November 2022

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NEW ZEALAND HOUSE PRICES SEE BIGGEST FALL SINCE THE 1990S

The New Zealand house price index saw its largest drop in 30 years last month and sales activity was particularly soft, fuelling expectations that prices might fall further than many economists had previously forecast.

The house price index, which measures changes in house prices on a like for like basis, fell for the 11th consecutive month and is now down 10.9% on October last year, according to data released by the Real Estate Institute of New Zealand on Tuesday. The median house price was down 7.9% on October last year.

Kiwibank economists said the house price data was a sobering read with the fall in the index its biggest since the early 1990s.

"Rising mortgage rates continue to weigh on house prices and sale activity," they said in a note.

House prices in New Zealand rose roughly 40% over the pandemic before peaking last November at levels repeatedly described by the central bank as unsustainable. However, as the central bank has aggressively hiked the cash rate, and mortgage rates have followed suit, prices have come off sharply.

Many economists expect that with the cash rate forecast to go higher, house prices still have further to fall.

Westpac said on Tuesday it now expects house prices to drop 20% from their peak, having previously forecast a 15% fall.

In its quarterly economic update, Westpac said 'real' house prices were in fact set were set to fall by 30% from their 2021 peak, given high inflation more broadly in New Zealand.

"That would completely erase the gains that we saw in recent years and take real house prices back to the levels we saw prior to the pandemic," it noted.

New Zealanders have a lot of wealth tied up in the housing market and falling house prices are expected to knock confidence and drag on spending in the coming months.

PROCEEDINGS ON COUNCIL RATING OF MARSDEN CITY LAND STAYED

The High Court will not hear a claim by a land-based investment and development company over the way its various parcels of land had been valued south of Whangārei.

Marsden City Limited Partnership owns 87 parcels of land at One Tree Point and following the 2018 revaluation by the Whangārei District Council, the company filed objections to the Land Valuation Tribunal.

Marsden City and WDC accepted the tribunal did not have jurisdiction to decide on two issues raised by the company.

First, a dispute on the rating category applied on the land at One Tree Point and the council not amalgamating the various parcels of land into one rating unit for rating purposes.

Rather than apply to the High Court for a judicial review of WDC's decisions, Marsden City sought declarations but without reference in the statement of claim to any particular law or any other basis for the court's jurisdiction.

The statement of claim sought a declaration its land should have been valued on the basis of several records of title comprising a single rating unit. It also sought a declaration that the basis of value should not be the property's zoning for each record of title but as a single rating unit used for pastoral farming.

Marsden City sought an order setting aside the valuations and directing WDC to undertake new ones taking into account declarations sought.

The parties settled the course of action in respect of a declaration that the basis of value should not be the property's zoning for each record of title but as a single rating unit used for pastoral farming.

The only remaining issue in respect of which the tribunal considered it did not have jurisdiction is whether the 87 properties comprise a “single rating unit”.
Different lawyers appeared for the parties in the High Court and accepted the tribunal did have jurisdiction to determine the issue.

Lawyers for WDC submitted it would be open to the High Court to direct that the proceedings be treated as if they were an application for judicial review and invited the court to do so.

But Justice Christine Gordon said there were two difficulties with that submission. First, the way Marsden City framed its case was not an attack on WDC’s decision and secondly, the court was also asked to make decisions on disputed factual matters.

She stayed Marsden City’s claim pending further order of the court. “The court anticipates that the proceeding will be stayed at least until the decision of the tribunal on the objections before it and possibly pending the outcome of an appeal to this Court, if any appeal were to be heard prior to and separately from this stayed proceeding,” Justice Gordon said.

CHRISTCHURCH COUNCIL LOOKING AT 'EVERY FINANCIAL LEVER' AMID 9% RATES HIKE PREDICTION

Christchurch City Council is looking at “every financial lever” it can pull as it stares down an estimated 9% rates rise.

Initial calculations had earlier put the projected rises as high as 15%, but the council said "work so far” has reduced it to between 9 and 9.5%.

Council chief executive Dawn Baxendale stressed that this range is a “work in progress”. Staff and councillors were working hard to reduce it “as much as possible”, she said.

Baxendale said the council was facing the same challenges as other organisations. She said inflation, interest rates and supply issues were having “a big impact”.

For example, the official cash rate can add about $5 million in interest costs for the council if it increases 100 basis points above the council’s forecast.

The 9 to 9.5% range for next year’s rates rises has been announced just days after new mayor Phil Mauger admitted that achieving his election promise of 3 to 4% would be “very challenging”.

Mauger said last week the council had to cut its cloth because it was "heading into a bit of strife".
Councillor Sam MacDonald, a close ally of Mauger who chairs the council's finance committee, said the 9 to 9.5% range for rate rises was still too high.

"It disturbs me," MacDonald said, adding it was a consequence of the council having so much debt on its balance sheet.

A 9% rise would not be acceptable to the public and the council needed to go back to the drawing board, he said. "We're going to have to make tough choices... I don't know what that will look like yet."

To achieve a 1% reduction in rates, councillors have to cut operational costs by $6.3m.

Although the council did a "root and branch" spending review in late 2020, MacDonald said not all proposals were adopted. He wanted to look at whether items were value-for-money and if services were being delivered as efficiently as possible.

However, it was clear Mauger has no appetite for spending cuts to pools or libraries, he said.

MacDonald stressed the council was at the beginning of the process and the public would get a chance to have their say on the rates increases in early 2023.

Baxendale said a public briefing about the rates increase and the council's proposed budget would be held next Tuesday.

The council was committed to maintaining the service levels that residents expect, she said.

"We're looking at every financial lever we can pull to reduce the impact of these external economic factors," Baxendale said.

"We know ratepayers are dealing with rising cost[s]."

Monday was the first time the council publicly released information about next year's forecasted rate rises, despite briefing councillors behind closed doors almost three weeks ago.

Baxendale said releasing "first cut figures" without an indication of how the council could reduce them would be "misleading".

The delay has upset former mayor Garry Moore.

Moore said the closed-door briefings given to councillors, which he called "secret meetings", had brought the council into disrepute.

"If you have given numbers to [councillors] and you have produced documents, then let the public know what they are," he said.

"Open up the windows and let some fresh air in."

Meanwhile, Auckland is also facing major projected rate increases. Auckland Council has a budget hole of nearly $300 million and mayor Wayne Brown has said if left unaddressed, rates would rise by more than 13%.