

AUTUMN 2009

Residential sale numbers on a monthly basis are up on last year although on an inconsistent basis. March sales were 247 dwellings and units for the month through REINZ – well up on the 149 March 2008 with slightly more again in April. In general 2008 had quite poor monthly performance which led to more inconsistent pricing than evident in the market at present.

Building Consent numbers from Council for new dwellings are most likely still very low. The writer has made enquiries with Council to be told that they do not keep that statistic at present. As well as the increase in number of sales, the spread of sales throughout the City has also varied considerably. Lending regimes towards the lower end of the market have allowed much stronger increase in activity in the lower price brackets than this timeframe last year. For dwellings under \$250,000 the first three months of this year had a combined total of 140 sales within that price bracket as opposed to 115 sales in this price bracket for the previous three months even with January being a traditionally very poorly performing month in terms of real estate sales turnover for obvious reasons. This is a category and price bracket that was very difficult to move in much of 2008.

Expectations are that they poor monthly average of last year of approximately 166 per month will easily be exceeded this year. Pricing I would envisage will be reasonably consistent although I would expect the average sale price in the City to decline with the greater prevalence of sales under \$250,000 as opposed to the latter stages of last year. A greater weighting of the lower price bracket properties will naturally bring the average down. Average sale prices and the Average properties value are not the same thing. Agents are reporting some shortages within some areas or price brackets which I would certainly view to be a healthier sign than the considerable excess of stock which built up at various stages of last year as compared to this year.

Some investment activity is beginning to surface with yields ranging from a low of approximately 6.7% for an investment flat property through to still in excess of 8% reflecting a wide range of price brackets, property styles etc. With the lowering interest rate regime from a lending perspective and very much lower deposit rate regime, greater interest is being expressed in investment property although it has translated into relatively little activity as yet. Aside from the more restrictive lending practices evident in the market this year, growing employment uncertainty will also act to restrict market activity for the meantime. Property markets are cyclical and, I would note as evidence from past market cycles, it takes some time to work through into a period of growth again.

Yours faithfully

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