

May 2010

Homes On the Move

Speaking Professionally...

THE BUDGET & YOUR RENTALS

Owners of both commercial buildings and rental houses will no longer be able to claim depreciation on them. The move to deny depreciation deductions for buildings, such as rental housing and office buildings with a useful life of 50 years or more, takes effect from the start of the 2011/2012 income year. This will reduce the incentive for people to buy rental property purely for tax reasons. The Government view is that it made no sense to allow depreciation on buildings which appreciate in value. Mr. English expected the changes to have only a mild impact on rents. Treasury estimated they could rise by 1.5% over three to four years because of the changes. The budget also changes rules for qualifying companies (QC) loss-attributing qualifying companies (LAQC) from April 2011, so that both profits and losses flow through from them.

It is steady as you go, even with the monthly ups and downs.

Even though sales numbers and the median price have eased back slightly in April the medium term view is that the market is steady and we may see less volatility

Residential Sales Statistics for April 2010 show sales numbers falling back some 15% on March's great result.

(Source of figures; REINZ Statistics April 2010, released 14th May 2010).

Following March's big jump in sales we see April's sales numbers and median prices ease back slightly. Yes 2010 is a year of contrasting months in sales activity.

January:	3,666
February:	5,029,
March:	6,161
April:	5,207

The national median price stays strong even though it has eased slightly:

March 2010	\$360 500
April 2010	\$356 000

Once again this is a record median price for the month of April and is 4.7% up on one year ago. The median price is more settled than sales numbers and one would hope we see a more settled pattern develop. Such volatility has made it difficult to appraise property values before coming to the market. In fact the rapid rises of late 2009 have left many homes over appraised as they were assessed in a very active market.

As mentioned in earlier communications listing numbers were low in late 2009 and some price rises were clearly apparent. February and March saw sales numbers rise as more properties came to the market, but the median price wasn't too challenged, Now we see a slight easing of all three factors:

Sales numbers, median price and median days to sell. Maybe it is all settling again.

The median days to sell have also eased back nationally:

February: 46

March: 35

April 40 (April last year 42 days)

There is a trend to read too much into one month's sales and as I have commented over the page, the media can make too much "news" out of a little story. Much of what is reported is "old news" and is based on activity that may have occurred 6 or even 12 months ago.

What really matters is what is happening in the market place today. Recent events in the European Financial markets may have unsettled some sellers and buyers here - how much we can never know. Banks have in recent days slightly increased their fixed term interest rates as they anticipate a rise in the OCR next month.

We have seen residential investors withdraw from more purchases while they waited to see what the government decided to do about tax treatment of residential property investments in the budget.

With less investors buying at the lower quartile of the market and first home buyers struggling to find 20%, or even 10% deposit, we have a market where those seeking to upgrade to home number 2 or 3 are having to adjust price expectations or wait for an increase in market activity.

Two things are clear though. Looking to buy? Buy location and have sensible financial arrangements and you will do famously over time.

Looking to sell? Prepare your home, price sensibly and market well. YOU WILL SELL! One month is not a market. Time in the market is the key.

Local markets with national and global influences.

Residential sales numbers have bounced up and down over the last 8 or 9 months. Not every region has followed the pattern up or down in sales numbers in parallel, but all have shown those regular fluctuations at some stage over this period. Local markets are influenced by local dynamics: New industry start ups, mining, oil/gas fields, agriculture, unemployment and migration to name a few.

These local dynamics, mainly supply and demand, influence the market for a time but eventually the national and global issues play their part. Interest rates are most certainly a national issue. New Zealand's official cash rate (OCR) is approximately half of Australia's. It's not so long ago we were envious of their lower rates and now their growing economy has forced theirs up. The recent events in Europe and the marked fluctuations on global markets most certainly influence confidence.

These events happen outside New Zealand but they most certainly influence the sentiments consumers feel. Only a few years ago "Business News" was not news. It was hidden in newspapers and almost non-existent on the TV news. Now we see it in front of us all the time. Business, financial and real estate news are now headlines. So when we see and hear market news we need to consider:

1. Does it really impact on me and my plans? Does it change the risk on what I am about to do? Selling or buying.
2. Is the source proven and reliable? Is it just a reporter reading someone's press release or is it a researched and valid comment? Is this comment relevant to my market? Who does this really impact on?
3. Then I need to ask: How informed am I? How informed are those commenting to me at work or when I'm out socially?

Sometimes we have to do what we need to do for our families, careers or personal circumstances whatever the market sentiment. That's the time to do research, talk with experts and find the best solution. Like in most things, when you have a major item to consider you consult an expert. Local experts are more use than international commentaries when looking to sell or buy property.

The market never stops

The residential real estate market never stops completely. We often hear talk like "We will wait until spring when there are more buyers looking before trying to sell our property"

Sure sales numbers are generally higher in spring and summer. This is a combination of both more buyers and sellers being active at the same time.

It is important to remember that the market never stops completely and there are always buyers looking to make a move. Winter sales can often be quite strong in regard to sales value because there are less listings for buyers to select from.

The season does not matter if you prepare the property and the marketing correctly to suit the season. Here are some simple ideas to make that winter sale a great experience:

- Have bright photos taken on a sunny day with sunlight on the home
- Use a night shot to make the home glow
- Have open home times when the sun is at its best.
- Have the home warm and lit during viewings and open homes.
- Add colour with cushions, art work and flowers.

Property issues need fixing

When selling your house today you need to declare any known outstanding issues such as work done without permits, any works not signed off with a Code of Compliance Certificate and of course any issues you are aware of that could give concerns regarding structural soundness and water-tightness.

Today buyers are well advised and educated to look for any issues in a property. This is for 2 reasons: it gives them some negotiating power when they really like a property and helps them to eliminate properties where uncertainty is created.

The best advice we can give is that if you are aware of any issues, you remedy them before going on the market. Common-sense prevails though and you need to consider cost versus value when looking to fix problems. In either case you need to declare what you know. One thing is for certain: If there is an issue it will arise during the sales process or soon after settlement. Then you have difficulties.

If you have any concerns about your property take appropriate advice. I am here to help and once we know what the issues are we can recommend a professional advisor or tradesperson to work with you.

The key is, if you are aware of a problem, fix it or at the very least advise your agent who can disclose it to potential buyers. A sale without issues should be our aim when we work together.

Who prayed for the Rain ?

Our amazing autumn has certainly gone. The rain gods answered someone's prayers - let's hope they can also get it turned off again! Only a few weeks to the shortest day and we can start to look forward to going to and from work in the daylight again.

Haven't our predictions been fairly accurate as the residential market struggles to find a settled direction?

Once again we see properties receiving what appears to be a "low" offer in the first few weeks, only to find some time later it was the best offer. In some cases we could be seeing a market where the first offer is the best offer. A careful review of ALL the facts, and an open mind, are vital to assessing the validity of both the expected value and any offer in today's market. This makes it more difficult to accurately assess property, especially if we see a lower level of stock and continuing demand. This is a time to not price ahead of the market—this is a time to check the facts against our impressions.

For an update on the value of your home—just give us a call.

Homes Realty Ltd

Property Marketing Specialists

Phone: 03 365 0770 o Anytime

Email homes@homes.co.nz Web www.homes.co.nz