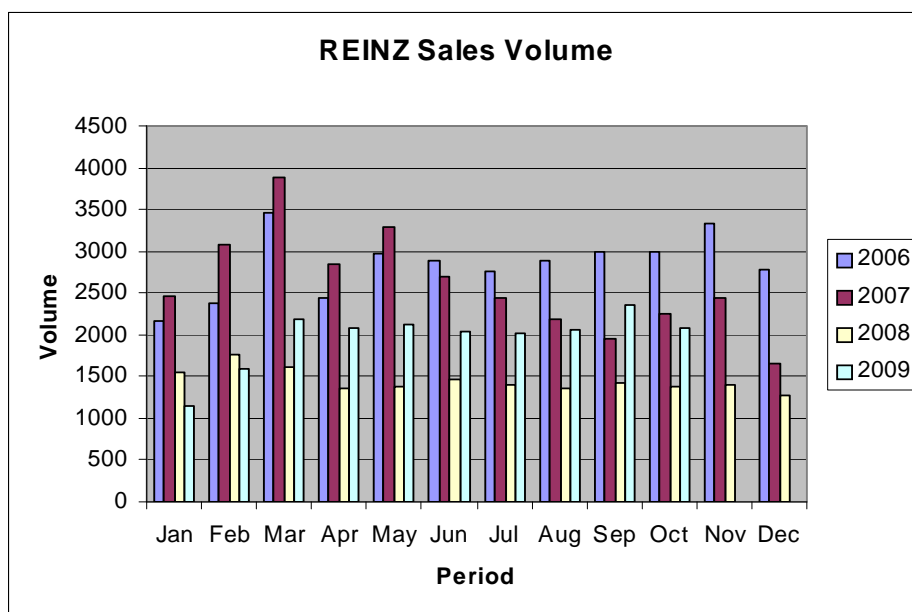


Residential Market Report December 2009



Northern Division

The housing market on the North Shore/Hibiscus Coast has recovered well from the low levels of sales activity experienced throughout 2008 as illustrated in the following graph. Demand has improved throughout the year, most notably in the more affordable housing categories typically under \$600,000. Sales activity has not reached the same peak levels of 2006 and early 2007, as the supply of listings throughout much of 2009 has been insufficient to meet demand. As a consequence, house prices have appreciated considerably this year and many have now recovered most, if not all of the lost ground since the peak of mid/late 2007.



Experienced market analysts hold wide and varied opinions on the market's future course. The question for most is whether the steady levels of activity are able to be sustained in 2010 as we begin to exit a low interest rate environment. Potentially significant market factors include:

- Interest rates are currently at historically low levels which has underpinned demand, although longer term fixed rates have been rising and projections are for higher rates from mid to late 2010;
- Strong net migration gains have resulted from the reduced number of New Zealanders relocating to Australia. The strength of the Australian economy, particularly in Western Australia and Queensland where employment opportunity is improving, may well result in a reversal of this trend.
- Locally, lending institutions continue to maintain tighter lending criteria demanding larger deposits, reduced lending ratios and improved debt servicing capability. Development funding is difficult to source and is practically non-existent outside of the parameters of mainstream banking. Mezzanine finance and development funding previously offered by finance companies has now all but evaporated.

- As new home construction has slowed over the last 18-24 months and immigration levels are up, there is potential for a housing shortage in the short term which is evidenced by strengthening demand for rental housing. The number of building consents has increased and demand for vacant land has improved markedly in the latter half of 2009.
- Deteriorating affordability of the housing sector (house prices and mortgage cost relative to income) is potentially the most significant market indicator. As house prices have increased, affordability has diminished as most of the population has experienced little wage growth. This trend is set to continue in 2010 as the average income is unlikely to improve markedly in the short term and interest rates are set to increase. Significantly, floating rate funding and short term fixed loans can still be acquired in the mid 5% range however five year fixed rates are now in the 8.5-9% range suggesting borrowing costs are set to rise.

From our analysis of property resales we have concluded that much of the losses of 2008 have now been recovered. While the 2009 recovery has been welcomed by many, some caution is warranted. There has been a noticeable increase in the number of listings over the last two months and there are signs of buyers becoming more discerning. There are far fewer investment buyers in the market place and over priced properties are now being passed over.

The use of average house price sales and median sales compared to previous periods is the most commonly quoted statistic when commenting on house price movement, however these can misrepresent the actual situation. **The only true gauge of market movement is the resale of the same or very similar property over a period of time where there has been no physical change affecting value.** For this reason Sheldons periodically analyse property resales in order to accurately assess market movement in various localities. The following examples of reportedly bona fide resales of property are itemised for your information. To the best of our knowledge there was little physical change to these properties between transactions.

Address	Suburb	Previous Purchase		Resale	
North Shore					
38 Parr Terrace	Castor Bay	11/08	\$785,000	9/09	\$835,000
84 Seaview Road	Glenfield	9/08	\$298,000	8/09	\$354,200
11 Emlyn Place	Torbay	8/08	\$612,000	6/09	\$595,000
48 Beach Road	Castor Bay	4/08	\$1,300,000	5/09	\$1,400,000
11 Cabello Place	Meadowood	4/08	\$412,000	5/09	\$413,000
B/35 Edgeworth Road	Glenfield	2/08	\$390,000	6/09	\$380,000
39 Athena Drive	Totaravale	1/08	\$408,000	6/09	\$425,000
24B Stredwick Drive	Torbay	12/07	\$375,000	7/09	\$340,000
9 Homewood Place	Chatswood	12/07	\$685,000	6/09	\$640,000
16 Rifleman Rise	Unsworth	11/07	\$570,600	10/09	\$615,000
33 Athena Drive	Totaravale	10/07	\$575,000	8/09	\$575,000
14 Helicon Place	Sunnynook	8/07	\$401,000	7/09	\$410,000
122 Onetaunga Road	Chatswood	7/07	\$860,000	7/09	\$794,000
3/15 Hanlon Crescent	Narrow Neck	5/07	\$607,125	9/09	\$580,000
16 Corunna Road	Milford	5/07	\$435,000	6/09	\$455,000
4/84 Pupuke Road	Hillcrest	4/07	\$454,000	6/09	\$450,000
42 Monte Cassino Place	Birkdale	4/07	\$620,000	5/09	\$587,500
4A Havelock Avenue	Forrest Hill	3/07	\$439,000	6/09	\$425,000

Address	Suburb	Previous Purchase		Resale	
8 Prestige Place	Castor Bay	2/07	\$780,000	11/09	\$810,000
2 Jumento Place	Unsworth	2/07	\$400,000	11/09	\$390,000
11/48A Exmouth Road	Northcote	1/07	\$470,000	10/09	\$450,000
1 Winscombe Street	Belmont	1/07	\$875,000	6/09	\$833,000
25 Calypso Way	The Palms	1/07	\$593,000	6/09	\$623,500
59 Waipuia Place	Greenhithe	12/06	\$600,000	6/09	\$595,000
17 Belle Vue Avenue	Northcote	11/06	\$595,000	8/09	\$600,000
116 George Deane Place	Greenhithe	10/06	\$550,000	8/09	\$560,000
62 Church Street	Devonport	10/06	\$1,401,000	10/09	\$1,550,000
18 Fitzpatrick Place	Chatswood	9/06	\$528,000	7/09	\$560,000
6A Grove Road	Narrow Neck	9/06	\$830,000	7/09	\$805,000
J/60 Birkdale Road	Birkdale	4/06	\$376,000	11/09	\$396,000
14 Holdaway Avenue	Northcote	9/06	\$728,000	7/09	\$715,000
6 Lyons Avenue	Murrays Bay	9/06	\$670,000	6/09	\$620,000
10 Blundell Place	Chatswood	9/06	\$569,000	6/09	\$607,500
2/22 Tui Glen Road	Birkenhead	9/06	\$405,000	6/09	\$440,000
45 Te Wharau Drive	Greenhithe	9/06	\$600,000	6/09	\$680,000
14 Waitemata Road	Hauraki	8/06	\$620,000	5/09	\$625,000
14 The Knoll	Greenhithe	8/06	\$1,100,000	5/09	\$1,058,000
5 Thomas Hunter Lane	Greenhithe	8/06	\$1,290,000	9/09	\$1,250,000
174A Glenvar Road	Torbay	8/06	\$530,000	6/09	\$498,000
26 Bronzewing Terrace	Unsworth	7/06	\$440,000	10/09	\$650,000
12 Church Street	Devonport	6/06	\$630,000	10/09	\$650,000
62B Roland Road	Greenhithe	6/06	\$1,160,000	6/09	\$1,150,000
8 Shoal Bay Road	Devonport	5/06	\$870,000	5/09	\$865,000
28 Bronzewing Terrace	Unsworth	4/06	\$480,000	6/09	\$566,000
3 Rewiti Avenue	Takapuna	4/06	\$1,050,000	5/09	\$1,065,000
76 Gladstone Road	Northcote	4/06	\$575,000	5/09	\$595,000
22 Hebe Place	Birkenhead	3/06	\$801,000	7/09	\$780,000
Hibiscus Coast					
1/22 Rosario Crescent	Red Beach	10/08	\$250,000	10/09	\$325,000
93 Riverside Road	Orewa	3/08	\$445,000	10/09	\$440,000
11B Waiora Road	Stanmore Bay	2/08	\$360,000	10/09	\$375,000
44 Vipond Road	Stanmore Bay	10/07	\$665,000	11/09	\$664,000
1/5 Zealandia Road	Manly	7/07	\$440,000	10/09	\$388,500
46 Kath Hopper Drive	Orewa	7/07	\$625,000	9/09	\$655,000
16 Serene Place	Gulf Harbour	4/07	\$454,000	7/09	\$422,000
48 Voyager Drive	Gulf Harbour	4/07	\$810,000	9/09	\$775,000
111 Tauranga Place	Orewa	4/07	\$521,500	10/09	\$570,000
52B Albatross Drive	Red Beach	3/07	\$385,000	9/09	\$355,000
24B Ellenbury Place	Stanmore Bay	10/06	\$420,000	10/09	\$425,000
48 Elliston Crescent	Stanmore Bay	9/06	\$333,000	7/09	\$300,000
23 Millennial Way	Orewa	7/06	\$475,000	10/09	\$485,000
18B Holiday Road	Stanmore Bay	4/06	\$340,000	11/09	\$355,000
42 Polkinghorne Drive	Manly	4/06	\$435,000	11/09	\$430,000
55 Clansman Terrace	Gulf Harbour	3/06	\$630,000	10/09	\$650,000

Sheldon & Partners Ltd

Disclaimer: The above information has been compiled from a range of sources and while we have endeavoured to cross check the authenticity of the information supplied, this has not always been possible. The opinions expressed are for general information only and are not intended to provide specific advice or recommendations for any individual.

Sheldons is one of Auckland's largest independent valuation practices, with specialists in all greater Auckland residential suburbs as well as lifestyle, commercial and industrial property

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