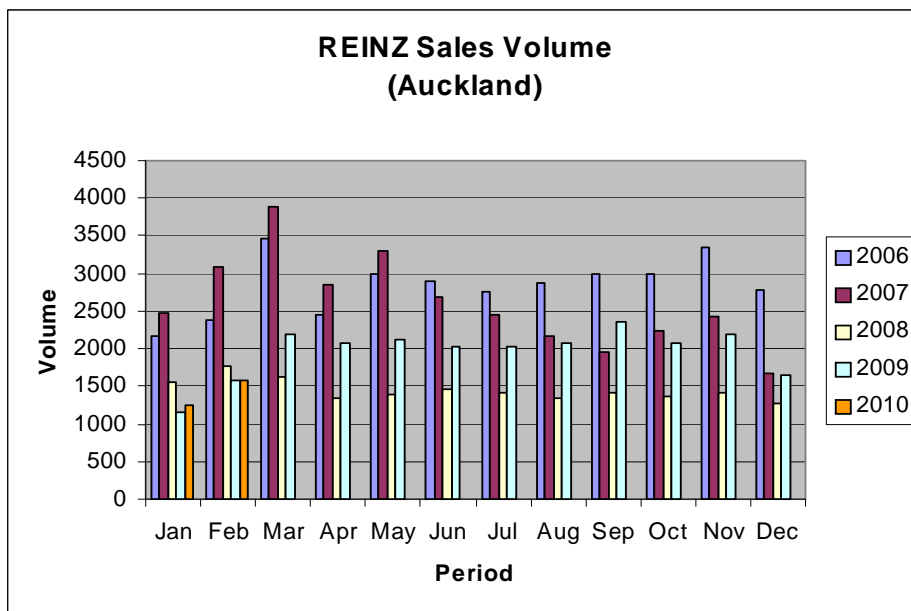


Residential Market Report March Quarter 2010



Northern Division

Signs began to emerge in December 2009 which have now continued into 2010 which lead us to believe that a significant change in the Auckland housing market is upon us. Nationally sales activity for January and February was the lowest recorded in almost two decades and the number of homes listed for sale has now ballooned out giving buyers plenty of choice in the market place.



Historically significant changes in the supply and demand equation, sustained over 3-4 months, results in the market beginning a price correction phase either in the positive or negative. Just as we saw last year, where there was a paucity of listings resulting in price growth, now we face the prospective of the inverse for 2010. As we begin to exit a low interest rate environment which underpinned demand last year, a number of potentially significant market factors need to be considered.

- Short term 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 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.

Vendors must now appreciate the need to price their property correctly if they wish to be competitive on the market and those who over price their homes run the risk of following the market down as a result. In 2008 when the market corrected, those vendors who elected to "meet the market" early in the year, looked back later with some satisfaction at having made the decision to adjust their expectations, and a similar scenario may well unfold this year as we enter the winter months. Again, accurate pricing will be paramount.

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					
64C Schnapper Rock Rd	Albany	3/09	\$450,000	1/10	\$471,000
38 Parr Terrace	Castor Bay	11/08	\$785,000	9/09	\$835,000
2/179 Mokoia Road	Birkenhead	9/08	\$400,000	2/10	\$432,000
84 Seaview Road	Glenfield	9/08	\$298,000	8/09	\$354,200
108B Monarch Avenue	Hillcrest	6/08	\$320,000	2/10	\$327,500
Apt 1C/4 Collins Street	Takapuna	4/08	\$755,000	2/10	\$714,000
8 Portsea Place	Chatswood	3/08	\$835,000	2/10	\$820,000
24B Stredwick Drive	Torbay	12/07	\$375,000	7/09	\$340,000
14 Lingfield Street	Glenfield	11/07	\$542,000	12/09	\$560,000
35 Helvetia Drive	Browns Bay	11/07	\$935,000	1/10	\$865,000
24 Salem Place	Torbay	11/07	\$725,000	12/09	\$710,000
16 Rifleman Rise	Unsworth	11/07	\$570,600	10/09	\$615,000
30 Maxwellton Drive	Mairangi Bay	9/07	\$925,000	11/09	\$858,000
4/11 Faulkner Road	Northcote Point	8/07	\$555,000	12/09	\$556,500
6 Deelee Close	Pinehill	8/07	\$455,000	1/10	\$416,000
2 Bernard Magnus Lne	Greenhithe	6/07	\$645,000	11/09	\$600,000
3/15 Hanlon Crescent	Narrow Neck	5/07	\$607,125	9/09	\$580,000
12 Church Street	Devonport	4/07	\$617,000	10/09	\$650,000

Address	Suburb	Previous Purchase		Resale	
8 Prestige Place	Castor Bay	2/07	\$780,000	11/09	\$810,000
73 Penguin Drive	Murrays Bay	2/07	\$1.092M	9/09	\$944,000
11/48A Exmouth Road	Northcote	1/07	\$470,000	10/09	\$450,000
1 Poaka Place	Beachhaven	1/07	\$620,000	2/10	\$650,000
3 Park Hill Road	Birkenhead	1/07	\$465,000	12/09	\$466,500
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
67 Salisbury Road	Birkdale	8/06	\$361,000	3/10	\$370,000
5 Thomas Hunter Lane	Greenhithe	8/06	\$1,290,000	9/09	\$1,250,000
26 Bronzewing Terrace	Unsworth	7/06	\$440,000	10/09	\$650,000
33 Seacliffe Avenue	Belmont	5/06	\$1,270,000	2/10	\$1,350,000
11A Aberdeen Road	Castor Bay	4/06	\$963,000	2/10	\$1,040,000
35 Evelyn Place	Hillcrest	4/06	\$308,000	1/10	\$334,000
49 Sylvia Road	Hillcrest	4/06	\$517,000	1/10	\$572,500
J/60 Birkdale Road	Birkdale	4/06	\$376,000	11/09	\$396,000
2 Arawa Avenue	Devonport	11/05	\$1,201,000	11/09	\$1,300,000
27A Castor Bay Road	Castor Bay	4/05	\$1,350,000	12/09	\$1,400,000
17C Sanders Avenue	Takapuna	9/04	\$1,280,000	3/10	\$1,400,000

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.

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