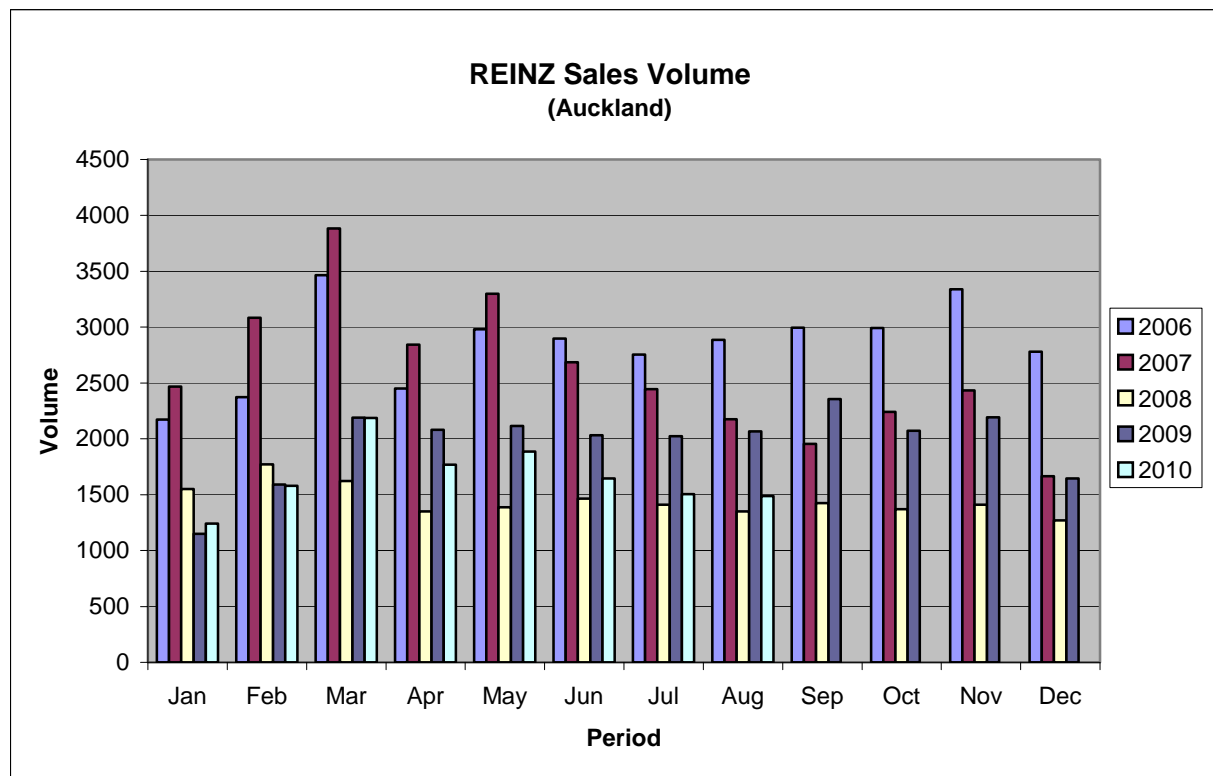


## Residential Market Report September Quarter 2010



As we enter the Spring period, Auckland's residential property market has again experienced a significant change in direction following the relatively robust market conditions of 2009. Very few market analysts forecast the resurgence in the residential market for the 2009 period where increased sales volume was followed by price appreciation. Over recent months sales volume has diminished appreciably, now operating at volume levels consistent with the buyers market of 2008 (see graph below). A paucity of listings has to some extent tempered potential falls in house prices although there is also a noticeable absence of motivated purchasers in the market place.



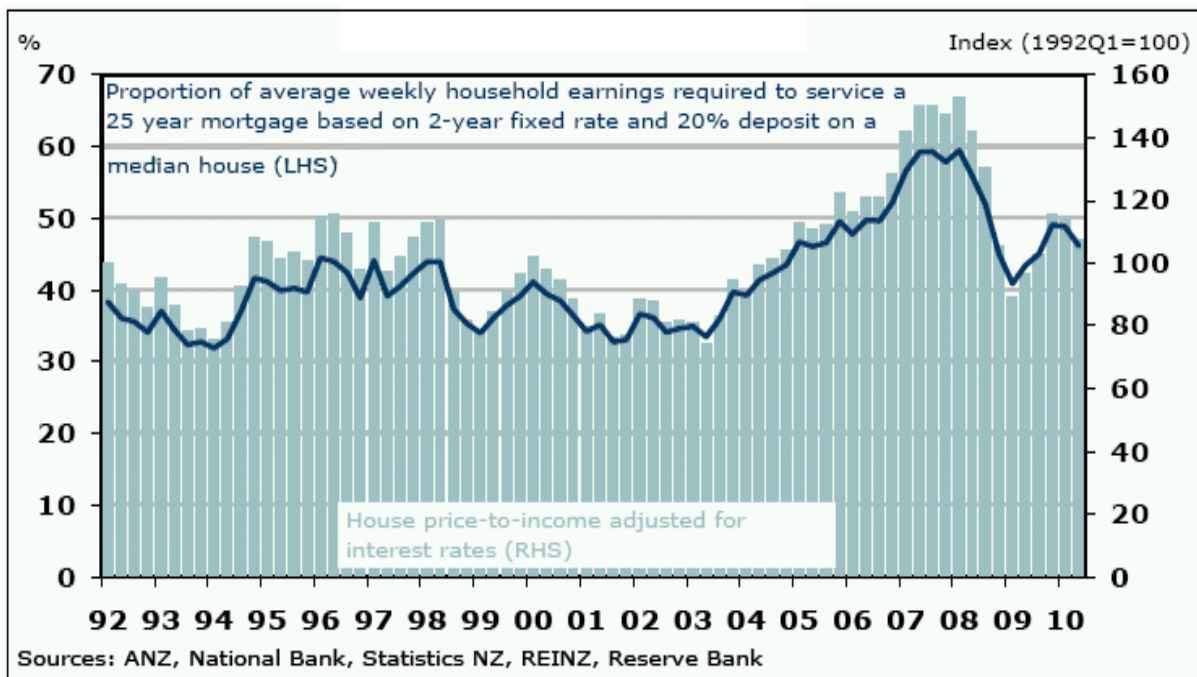
During the market correction of 2008, our analysis indicated the average Auckland residential property fell in value some 15% from peak to trough (ending late 2008), much of the correction in prices was then recovered in 2009. Four factors which can be attributed to the recovery of 2009 are interestingly no longer present in the current market.

We believe the following drivers were responsible for last year's resurgence in the market.

1. **Pent up demand.** 2008 saw many potential buyers withdraw from the market but only temporarily. Their decision to purchase was temporarily deferred as the market experienced a correction but by early 2009 these buyers were ready to re-enter the market.
2. **Low interest rate environment.** Interest rates were at historically low levels in early 2009 which enhanced the attractiveness of home purchase to borrowers. Furthermore the residential investment market was attractive to higher net worth individuals who were less inclined to accept the relatively low interest rate returns being offered by lending institutions for term deposits.
3. **Exchange Rate.** The Chinese Yuan had been trading at approximately 5.5 Yuan to the Kiwi Dollar through 2006 and 2007 and today trades at approximately 5. However, in early 2009 only 3.5 Chinese Yuan was required to purchase each Kiwi Dollar which resulted in high levels of market activity from Chinese purchasers.
4. **Immigration.** Following the GFC, the depressed employment markets in the UK and Europe in particular saw many Kiwis returning to our shores. At the same time the global recession was negatively impacting on job opportunities in Australia which saw the number of Australia bound migrants reduce. Annualised net migration gain rose to almost 30,000, however this has subsequently fallen to less than a 15,000 gain over the last 12 months and the NZ Institute of Economic Research recently suggested monthly net migration was now "next to zero" (some recovery has since been recorded for July/August).

In the absence of these four catalysts, Auckland's residential property market is experiencing subdued conditions. If the traditional seasonal increase in listings occurs over Spring, it will be interesting to see if there is an equivalent uplift in buyer interest or will we see particularly keen competition amongst vendors.

House affordability remains an issue as interest rates are predicted to rise and there is little wage growth on the horizon. The following graph illustrates that current day home affordability is consistent with the levels of the 1996 and 1997 peak but remains well short of the overheated 2006-2007 market, suggesting there is little chance of price growth in the short term.



In terms of new housing, the number of building consents remains low and appears set to stay that way as the 1 October GST increase will further exacerbate the difference between the cost of new housing and the value of existing stock. This will continue to keep a lid on land values despite the fact that there are very few new subdivisions coming on stream.

### **Resales Analysis**

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. While the latest sales have occurred within the last 12 months, some adjustments should be recognised for softening values over recent months. To the best of our knowledge there was little physical change to these properties between transactions.

<b>Address</b>	<b>Suburb</b>	<b>Previous Purchase</b>		<b>Resale</b>		<b>% Change</b>
<b><i>North Shore</i></b>						
43 Moore Street	Hillcrest	11/09	\$460,000	9/10	\$472,000	+2.6
10 Mozeley Avenue	Devonport	6/09	\$853,000	8/10	\$855,000	+0.02
11 Rosalind Road	Glenfield	4/09	\$420,000	6/10	\$440,000	+0.4
16 Langana Avenue	Browns Bay	4/09	\$765,000	9/10	\$650,000	-15
61 Laurel Oak Drive	Schnapper Rock	4/09	\$878,000	5/10	\$862,000	-1.8
16 Hornbill Drive	Fairview Heights	3/09	\$661,000	5/10	\$731,000	+10.6
64C Schnapper Rock Rd	Albany	3/09	\$450,000	1/10	\$471,000	+4.7
6 Mollyhawk Place	Birkenhead	1/09	\$780,000	8/10	\$695,000	-10.9
2/94 Coronation Road	Hillcrest	1/09	\$500,000	5/10	\$522,000	+4.4
2/179 Mokoia Road	Birkenhead	9/08	\$400,000	2/10	\$432,000	+1.08
2/18 Limmer Place	Browns Bay	8/08	\$595,000	4/10	\$622,500	+4.6
25 Mariners Views Road	Beachhaven	7/08	\$635,000	8/10	\$615,000	-3.1
13 Vincent Road	Northcote Point	6/08	\$1,337,500	5/10	\$1,419,000	+6.1
108B Monarch Avenue	Hillcrest	6/08	\$320,000	2/10	\$327,500	+2.3
41 Beach Road	Castor Bay	5/08	\$2,625,000	6/10	\$2,490,000	-5.1
20 Nor East Drive	Torbay	4/08	\$423,000	5/10	\$445,000	+5.2
Apt 1C/4 Collins Street	Takapuna	4/08	\$755,000	2/10	\$714,000	-5.4
8 Portsea Place	Chatswood	3/08	\$835,000	2/10	\$820,000	-1.8
35 Helvetia Drive	Browns Bay	11/07	\$935,000	1/10	\$865,000	-7.5
16 Langana Avenue	Browns Bay	10/07	\$870,000	9/10	\$650,000	-25.3
3 Jomard Terrace	Northcross	8/07	\$827,500	6/10	\$680,000	-17.8
9 Borneo Drive	Fairview Heights	8/07	\$805,000	6/10	\$736,000	-8.6
6 Deelee Close	Pinehill	8/07	\$455,000	1/10	\$416,000	-8.6

Address	Suburb	Previous Purchase		Resale		% Change
25B Brunton Place	Glenfield	7/07	\$570,000	3/10	\$594,000	+4.2
A/169 Onewa Road	Birkenhead	3/07	\$432,500	6/10	\$442,000	+2.2
11 Bintulu Place	Fairview Heights	3/07	\$760,000	5/10	\$625,000	-17.8
11 Newbury Place	Schnapper Rock	3/07	\$752,500	5/10	\$775,000	+3.0
1/156 Carlisle Road	Torbay	3/07	\$442,000	4/10	\$482,500	+9.2
11 Saltburn Road	Milford	2/07	\$1,460,000	4/10	\$1,315,000	-10.0
1 Poaka Place	Beachhaven	1/07	\$620,000	2/10	\$650,000	+4.8
16 Northwood Avenue	Albany	9/06	\$620,000	8/10	\$685,000	+10.5
67 Salisbury Road	Birkdale	8/06	\$361,000	3/10	\$370,000	+2.5
16 Langana Avenue	Browns Bay	8/06	\$690,000	9/10	\$650,000	-5.8
28 William Gamble Drive	Greenhithe	7/06	\$525,000	4/10	\$640,000	+21.9
134 Glenfield Road	Birkenhead	5/06	\$618,000	5/10	\$630,000	+2.0
33 Seacliffe Avenue	Belmont	5/06	\$1,270,000	2/10	\$1,350,000	+6.3
11A Aberdeen Road	Castor Bay	4/06	\$963,000	2/10	\$1,040,000	+8.0
35 Evelyn Place	Hillcrest	4/06	\$308,000	1/10	\$334,000	+8.4
49 Sylvia Road	Hillcrest	4/06	\$517,000	1/10	\$572,500	+10.7
15 View Road	Glenfield	3/06	\$300,000	5/10	\$320,000	+6.7
11 Rosalind Road	Glenfield	2/06	\$382,000	6/10	\$440,000	+15.2
3/17 Woodall Place	Totaravale	1/06	\$365,500	5/10	\$368,000	+0.7
17C Sanders Avenue	Takapuna	9/04	\$1,280,000	3/10	\$1,400,000	+9.4
<b><i>Hibiscus Coast</i></b>						
3 Sundown Avenue	Manly	3/09	\$269,000	5/10	\$286,000	+6.3
11 Moffat Road	Red Beach	3/09	\$460,000	5/10	\$455,000	-1.1
202 Wade River Road	Arkles Bay	2/09	\$400,000	3/10	\$447,000	+11.7
15 Cooper Road	Stanmore Bay	1/09	\$851,000	4/10	\$940,000	+10.5
6 Kingtide Place	Red Beach	8/08	\$613,500	7/10	\$638,000	+3.99
17A Hillcrest Road	Hatfields Beach	8/08	\$425,000	2/10	\$361,000	-15.1
81 Rosario Crescent	Red Beach	7/08	\$475,000	3/10	\$455,000	-4.2
9 Te Ruru Way	Stanmore Bay	3/08	\$479,500	2/10	\$535,000	+11.6
9 Otanerua Road	Hatfields Beach	11/07	\$572,500	2/10	\$485,000	-15.3
22A Puriri Avenue	Orewa	10/07	\$495,000	3/10	\$475,000	-4.1
37A Wade River Road	Arkles Bay	10/07	\$739,000	3/10	\$632,500	-14.4
69 Stanmore Bay Road	Stanmore Bay	10/06	\$450,000	7/10	\$416,000	-7.6
36 Rivervale Grove	Stanmore Bay	6/07	\$552,000	4/10	\$501,000	-9.3
17B Otanerua Road	Hatfields Beach	6/07	\$370,000	3/10	\$340,000	-8.1
67 Elliston Crescent	Stanmore Bay	6/07	\$405,000	3/10	\$415,000	+2.5
11 The Circle	Manly	5/07	\$585,000	3/10	\$635,000	+8.5
56 Donald Street	Stanmore Bay	4/07	\$455,000	5/10	\$440,000	-3.3
10 Wiriana Place	Stanmore Bay	4/07	\$418,000	3/10	\$395,000	-5.5
15 Palm Cove	Arkles Bay	3/07	\$525,000	2/10	\$535,000	+1.9
3 Kensington Drive	Orewa	3/07	\$450,260	6/10	\$469,000	+4.1

Address	Suburb	Previous Purchase		Resale		% Change
1/7 Ladies Mile	Manly	2/07	\$340,000	3/10	\$340,000	.0
31A Pine Road	Orewa	1/07	\$634,000	7/10	\$635,000	.0
34 Doment Crescent	Orewa	1/07	\$483,000	2/10	\$462,000	-4.4
50A Gledstane Road	Stanmore Bay	1/07	\$358,000	4/10	\$350,000	-2.2
57 Kestrel Heights	Arkles Bay	12/06	\$400,000	6/10	\$387,000	-3.3
342 Whangaparaoa Road	Stanmore Bay	11/06	\$335,000	6/10	\$352,000	+5.1
33 Driftwood Drive	Red Beach	7/06	\$544,000	5/10	\$560,000	+2.9
1321 Whangaparaoa Rd	Army Bay	7/06	\$417,000	4/10	\$412,000	-1.2
<b><i>Auckland</i></b>						
21 Baddeley Avenue	Kohimarama	8/09	\$600,750	1/10	\$685,000	+14.0
23A Quona Avenue	Hillsborough	5/09	\$660,000	8/10	\$677,500	+2.6
43 Paunui Road	St Heliers	4/09	\$2,625,000	4/10	\$2,685,000	+2.3
23 Glendon Avenue	Avondale	2/09	\$392,000	4/10	\$422,500	+7.8
10 Berwick Street	Glendowie	2/09	\$637,500	1/10	\$620,000	-2.8
24 Cotter Avenue	Remuera	10/08	\$1,325,000	2/10	\$1,435,000	+8.3
3/26 Inkerman Street	Onehunga	1/08	\$585,000	4/10	\$586,000	0.0
12 Athlone Road	Glendowie	8/07	\$795,000	4/10	\$812,000	+2.1
38 Wiremu Street	Balmoral	7/07	\$720,000	7/10	\$642,500	-10.8
1/108 Kiwi Road	Pt Chevalier	7/07	\$609,000	8/10	\$660,000	+8.4
11 Mars Avenue	Sandringham	5/07	\$791,000	9/10	\$800,000	+1.1
137 Peary Road	Mt Eden	4/07	\$690,000	5/10	\$730,000	+5.8
15 Blockhouse Bay Road	Avondale Heights	2/07	\$443,000	8/10	\$458,000	+3.4
19A Arran Street	Avondale	2/07	\$524,500	6/10	\$539,000	+2.8
119 Owairaka Avenue	Owairaka	11/06	\$452,000	4/10	\$497,000	+9.9
25 Benson Road	Remuera	9/06	\$1,635,000	6/10	\$1,600,000	-2.2
30 Te Ra Road	Pt Chevalier	7/06	\$862,000	7/10	\$1,035,000	+20
11A Cockburn Street	Grey Lynn	3/06	\$550,000	3/10	\$642,500	+16.8
21 Grampian Road	Kohimaramama	3/05	\$1,200,000	5/10	\$1,220,000	+1.6
<b><i>West Auckland</i></b>						
9 Hillwell Drive	Henderson	2/09	\$422,500	5/10	\$470,000	+11.2
38 Espalier Drive	Henderson	10/08	\$450,000	7/10	\$434,000	-3.6
58 Albionvale Road	Glen Eden	5/08	\$265,000	6/10	\$277,500	+4.7
320 Don Buck Road	Massey	10/07	\$500,000	9/10	\$450,000	-10.0
16 Lake Panorama Street	Henderson	10/07	\$543,000	7/10	\$528,000	-2.8
4 Caspian Close	New Lynn	7/07	\$350,000	5/10	\$310,000	-11.4
2 Woodbank Drive	Glen Eden	9/06	\$385,000	5/10	\$418,000	+8.6
9 Cloghan Close	Massey	8/06	\$380,000	9/10	\$388,000	
31 Zefiro Drive	Massey	8/06	\$367,000	6/10	\$355,000	-3.3
67 Woodbank Drive	Glen Eden	4/06	\$335,000	4/10	\$350,000	+4.5

Address	Suburb	Previous Purchase		Resale		% Change
<b>South Auckland</b>						
52 Moyrus Crescent	Dannemora	8/09	\$1,050,000	5/10	\$1,030,000	-1.9
6 Chipping Dale	Mangere Bridge	4/10	\$585,000	7/10	\$540,000	-7.7
24A Kelvin Road	Papakura	10/07	\$337,500	7/10	\$275,000	-18.5
21B Britannia Place	Half Moon Bay	7/07	\$518,000	6/10	\$527,000	+1.7
58 Frank Nobilo Drive	Golflands	6/07	\$540,000	8/10	\$560,000	+3.7
10 Myna Place	Weymouth	5/07	\$245,000	6/10	\$219,000	-10.6
20 Valderama Drive	Milano Heights	5/07	\$638,000	8/10	\$642,000	+0.6
21 Imatra Place	Sunnyhills	4/07	\$702,000	8/10	\$638,000	-9.1
8C Dapple Place	Flat Bush	12/06	\$409,000	5/10	\$400,000	-2.2
48 Moyrus Crescent	Dannemora	10/06	\$1,370,000	4/10	\$1,381,000	+0.8
52 Patons Road	Howick	8/06	\$475,000	8/10	\$495,000	+4.2
8 Gairloch Place	Wattle Downs	4/06	\$483,000	6/10	\$499,000	+3.3
24A Kelvin Road	Papakura	2/06	\$276,000	7/10	\$275,000	.0
136 Botany Road	Botany Downs	1/06	\$468,000	3/10	\$495,000	+5.8
6 Tsar Court	Dannemora	10/05	\$450,000	7/10	\$518,000	+15.1
524 Massey Road	Mangere	10/05	\$350,000	6/10	\$351,000	.0
38 Ennis Way	Pakuranga	9/05	\$377,500	7/10	\$428,500	+13.5

As can be seen by the variations in % change, the Auckland housing market has been on a rollercoaster ride over recent years with strong gains through 2005-2007, a strong downward correction in 2008 followed by a 2009 recovery and a current softening market.

## 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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