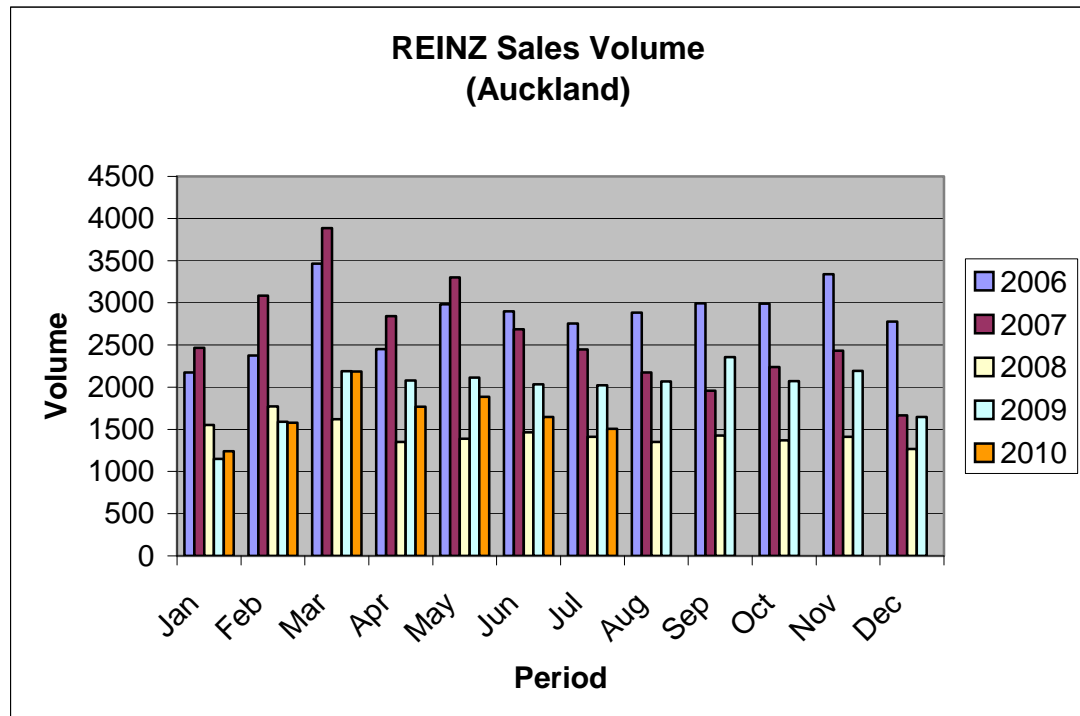


## Residential Market Report September Quarter 2010

### Hibiscus Coast

2009 saw Auckland's housing market recover well from the low levels of sales activity experienced throughout 2008 as illustrated in the following graph. Demand improved most notably in the more affordable housing categories typically under \$600,000. Sales activity did not reach the same peak levels of 2006 and early 2007, as the supply of listings throughout much of 2009 was insufficient to meet demand. As a consequence, house prices appreciated considerably and many recovered most, if not all of the lost ground since the peak of mid/late 2007. More significantly however, is the marked fall in activity experienced during 2010. There has been a noticeable attitudinal change from buyers this year as many take stock of market factors. No longer are we in a sellers market and some softening in prices has occurred in a number of housing categories. The winter months have seen the traditional drop in the number of listings but there are fewer buyers in the market with many prepared to adopt a "wait and see" approach.

The following graph illustrates the volatility in sales volume.



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

- Short term interest rates are currently close to historically low levels which has underpinned demand, although longer term fixed rates have risen slightly, the market expectations of higher rates have not yet eventuated.
- Strong net migration gains now appear to have abated. The strength of the Australian economy, is a factor here, particularly in Western Australia and Queensland where employment opportunity is improving.
- 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.
- Fewer economists are now predicting a short term resurgence in the residential construction sector as net immigration levels have fallen and the lift in GST further exacerbates the differential between the cost of new and value of existing.
- 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 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 at round 6% however five year fixed rates are now around 8.0% suggesting borrowing costs are set to rise.
- Recent changes and prior speculation of changes to tax depreciation rules applying to rental property has impacted upon sales volumes, particularly for housing categories attractive to the investor.

Some caution is likely to remain as the issue of job security will continue to impact on confidence and many economists continue to question the underlying strength of the recovery. A combination of higher property prices and the upward movement in interest rates will impact on future home affordability.



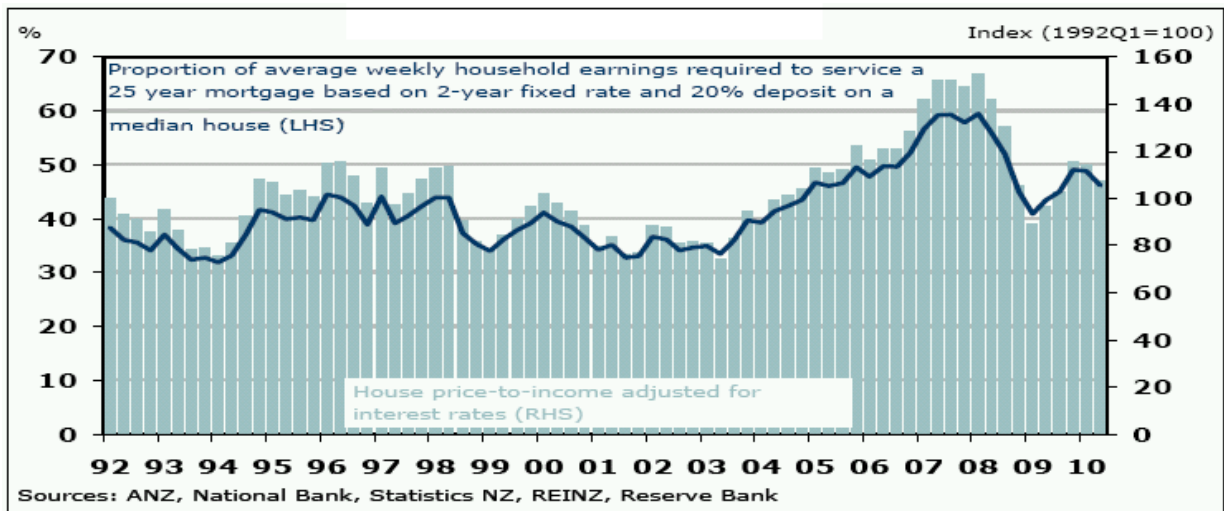
The use of average house price sales and median sales compared to previous periods is the most commonly quoted statistic when commenting on house price movement, however these can misrepresent the actual situation. The only true gauge of market movement is the resale of the same or very similar property 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.

## Resales

Address	Suburb	Previous Purchase		Resale	
		Date	Price	Date	Price
69 Stanmore Bay Road	Stanmore Bay	10/06	\$450,000	7/10	\$416,000
31A Pine Road	Orewa	1/07	\$634,000	7/10	\$635,000
3 Kensington Drive	Orewa	3/07	\$450,260	6/10	\$469,000
57 Kestrel Heights	Arkles Bay	12/06	\$400,000	6/10	\$387,000
342 Whangaparaoa Road	Stanmore Bay	11/06	\$335,000	6/10	\$352,000
3 Sundown Avenue	Manly	3/09	\$269,000	5/10	\$286,000
56 Donald Street	Stanmore Bay	4/07	\$455,000	5/10	\$440,000
33 Driftwood Drive	Red Beach	7/06	\$544,000	5/10	\$560,000
11 Moffat Road	Red Beach	3/09	\$460,000	5/10	\$455,000
1321 Whangaparaoa Road	Army Bay	7/06	\$417,000	4/10	\$412,000
50A Gledstane Road	Stanmore Bay	1/07	\$358,000	4/10	\$350,000
15 Cooper Road	Stanmore Bay	1/09	\$851,000	4/10	\$940,000
36 Rivervale Grove	Stanmore Bay	6/07	\$552,000	4/10	\$501,000
67 Elliston Crescent	Stanmore Bay	6/07	\$405,000	3/10	\$415,000
10 Wiriana Place	Stanmore Bay	4/07	\$418,000	3/10	\$395,000
1/7 Ladies Mile	Manly	2/07	\$340,000	3/10	\$340,000
17B Otanerua Road	Hatfields Beach	6/07	\$370,000	3/10	\$340,000
81 Rosario Crescent	Red Beach	7/08	\$475,000	3/10	\$455,000
37A Wade River Road	Arkles Bay	10/07	\$739,000	3/10	\$632,500
11 The Circle	Manly	5/07	\$585,000	3/10	\$635,000
202 Wade River Road	Arkles Bay	2/09	\$400,000	3/10	\$447,000
22A Puriri Avenue	Orewa	10/07	\$495,000	3/10	\$475,000
15 Palm Cove	Arkles Bay	3/07	\$525,000	2/10	\$535,000
34 Doment Crescent	Orewa	1/07	\$483,000	2/10	\$462,000
17A Hillcrest Road	Hatfields Beach	8/08	\$425,000	2/10	\$361,000
9 Te Ruru Way	Stanmore Bay	3/08	\$479,500	2/10	\$535,000
9 Otanerua Road	Hatfields Beach	11/07	\$572,500	2/10	\$485,000



## Housing Affordability



### *Where to now?*

- Few people picked last years resurgence in house prices
- Typically there is a correlation between disposable income and house prices
- Building consents are down
- 1 October GST increase will exacerbate the difference between cost of new and value of existing
- Unlikely to be a construction led recovery
- Good property sells but those with negative features are exposed in a buyers market i.e:
  - Lack of presentation
  - Monolithic clad homes particularly those built 1995-2004
  - Non permitted works
  - Vacant land / Block land
- Increasing listings this Spring will see keen competition amongst vendors

## Rating Valuations

Rodney District Council have advised that these are not to be under taken as at 1 September 2010. The revised programme as advised by Rodney District Council is shown below:

"The next revaluation WAS due as at 1 September 2010. But the third Auckland reorganisation bill has a clause which means this wont happen - instead the whole of the new Auckland Council will be revalued as at 1 July 2011. These values will be used for rating purposes in the year commencing 1 July 2012".



## A S (Angus) McDONALD



ANZIV, SPINZ, Registered Valuer

*Mobile Phone: 021 326 515*  
*Email: [angus@sheldons.co.nz](mailto:angus@sheldons.co.nz)*

Angus specialises in the Rodney District, where his experience in the residential and rural lifestyle property markets is beneficial to property owners, investors and developers.

## 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**

<b>North Shore</b> 486 1661	<b>West Auckland</b> 836 2851	<b>Central</b> 303 4378	<b>South Auckland</b> 276 1593	<b>Hibiscus Coast</b> 09426 2661
--------------------------------	----------------------------------	----------------------------	-----------------------------------	-------------------------------------

Email: [valuers@sheldons.co.nz](mailto:valuers@sheldons.co.nz)

You have received this email as a valued Sheldons client. If you would prefer not to receive promotional emails from Sheldon & Partners Limited please send your details in an email with "Unsubscribe" in the subject line to [valuers@sheldons.co.nz](mailto:valuers@sheldons.co.nz) Please note that unless otherwise advised Sheldons will continue to contact you with this material.