

1st Quarter 2009

National Property Values Down 8.9%

➡ But the Rate of Decline Shows Signs of Slowing

Downward pressure on residential property prices remain part and parcel of the current economic environment, although there are some signs that the rate of price decline is starting to slow.

Latest statistics from QV show an 8.9% fall in national property values in the one year to February 2009, down further from the 8.3% reported last month.

In Auckland, house prices have recorded a -9.4% decline over the past year. In the other main centres; Hamilton recorded the steepest fall (-10.1%), with Wellington (-9.3%), Tauranga (-8.4%), Christchurch (-9.1%) and Dunedin (-9.4%) experiencing similar fates. Tauranga was the only main centre where the level of decline eased from -9.0% last month (January) to -8.4%.

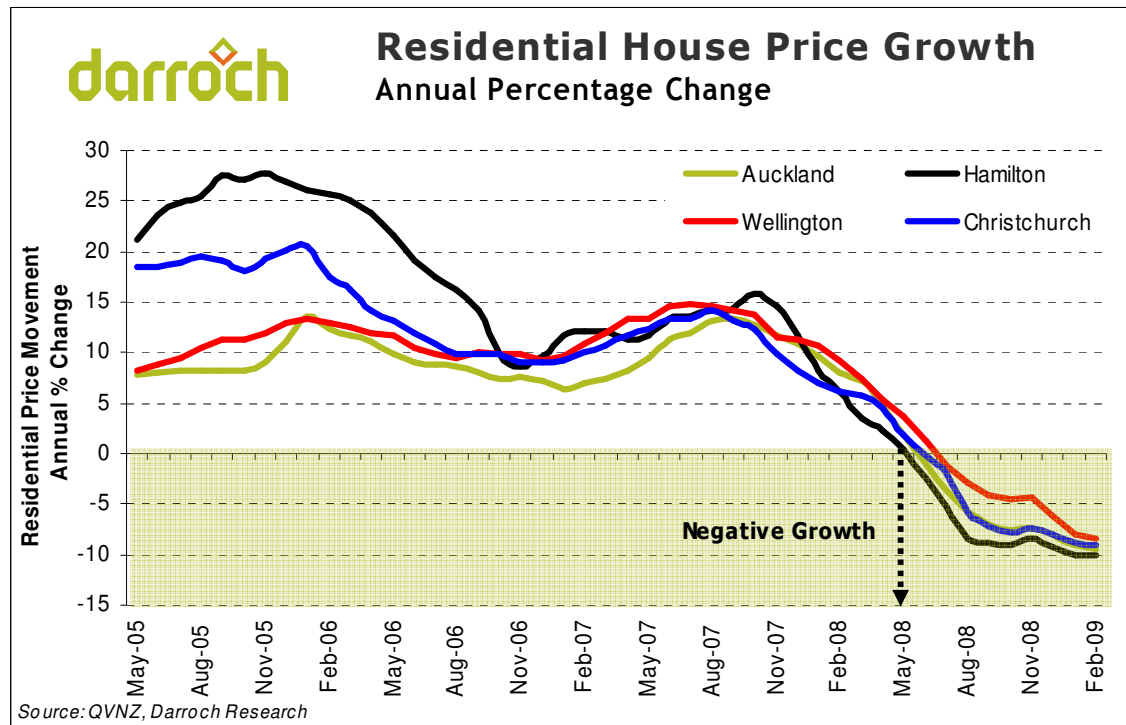


However the rate of price decline in recent months is not as steep as it was 6 to 12 months ago (refer chart over). The cumulative effect is that prices are still falling but as each new month passes, the incremental fall in price (per month) is becoming progressively smaller. According to QV data, the average New Zealand sale price for February remained steady at \$383,786; on par with January. It is probably a bit premature to suggest the market is staging a recovery but there are some signs that it is trying. Following a quiet January, buyer interest has picked up considerably with improved sales volumes and mortgage brokers reporting an upswing in pre-approvals for financing. The current low interest environment has made borrowing the cheapest for many years, with both first home buyers and investors rekindling their interest in the property market.

What is noticeable from the chart (over) is that growth in house prices originally commenced easing around mid 2007, almost immediately after news of the US credit crunch became headlines. By May/June 2008 house prices across the main centres of New Zealand entered negative territory for the first time since the Asian Crisis of the late 1990's; prices were actually lower than one year earlier. House prices fell sharply as news of the recession hit New Zealand's shores, and it is only recently that that steep decline is showing signs of slowing. Market players still remain sensitive to economic news and job security remains paramount in this environment. Despite this caution, the lowering of the OCR by 525 basis points (5.25%) since July 2008 is providing an opportunity for some to start buying while finance is historically cheap. The house price fall appears to have run most of its race.

Auckland:

Ross Forsyth, residential specialist for Darroch Auckland said; "There is growing sentiment that now is a good time to buy property and we are seeing some investors returning to the market. Low mortgage rates are reigniting interest, as residential yields are now looking more attractive. There is still however caution amongst many owner-occupiers who remain conscious about job security and financial position, and are therefore taking more time to research the market thoroughly".



Hamilton:

Property values in Hamilton declined by 10.1% over the past year, similar to the 10% decline reported in January. The average sale price for the city decreased from \$342,347 to \$334,068. During the boom, Hamilton enjoyed the greatest increase in property values out of the main centres, but it has also endured the steepest fall in price so far in this recession.

"Hamilton City experienced huge price growth in 2005/2006 as investors who had been priced out of the Auckland market looked to Hamilton as an attractive substitute. However, this 'external' demand has abated in the past 18 months due to the impact of the recession. House prices have suffered as a result" said Mr. Forsyth.

Wellington:

Property values in the Wellington region decreased by 9.3% over the past year, deteriorating further from the 8.5% decline reported in January. The average sale price for the region increased slightly from \$431,088 to \$433,339.

Christchurch:

Property values in Christchurch decreased by 9.1% over the last year decreasing slightly further from the 8.8% annual decline reported in January. The average sale price for the city decreased slightly from \$347,157 to \$344,816.