

4th Quarter 2009

Residential Property Market Tries To Break New Ground

➤ Prices Returning to Peak Levels?

The aggressive recovery of house prices in 2009 has many owners wondering if the housing sector has fully recaptured value erosion experienced during the downturn. Several property commentators have been quick to imply 'yes', citing limited stock and buoyant average prices. While general indications suggest the market is quickly moving in this direction, the country's leading data source says we are not quite there yet.



According to latest statistics from QV's Residential Price Movement (Index), national house prices are still -5.9% below the market peak of late 2007. But growth this year can still be called impressive. National house values for November are up 4.1% from their low in April and up 1% on values 12 months ago.

QV says that the price recovery on last year has been strongest in the main centres, with the Auckland Region's values now +3.1%, the Wellington Area +2.9%, Christchurch +2.8% and Dunedin +4.1%. In Hamilton and Tauranga values have remained relatively static in recent months and as a result remain below last year's levels at -0.5 percent and -2.2 percent respectively.

There has also been some recent value recovery in provincial centres, but overall results remain mixed. Values are up on 12 months ago in Napier (+0.2%), New Plymouth (+6.6%), Palmerston North (+2.3%), Nelson (+1.1%) and Invercargill (+0.4%). Despite this some areas are still below last year with Gisborne at -4.8%, Hastings -0.4%, Wanganui -2.2% and Queenstown Lakes at -6.1 percent. Values have also started to slide back in recent months in Whangarei (-6.2 percent) and Rotorua (-1.8 percent).

Another market measure (distinct from the index) is the national average sale price which also increased to \$393,373 in November. It should be noted however that this figure tends to reflect the mix of properties sold during the period, rather than absolute value shifts. In Auckland, the average price reached \$519,000 in November compared with \$524,000 in late 2007. Value changes in other key cities are shown below:

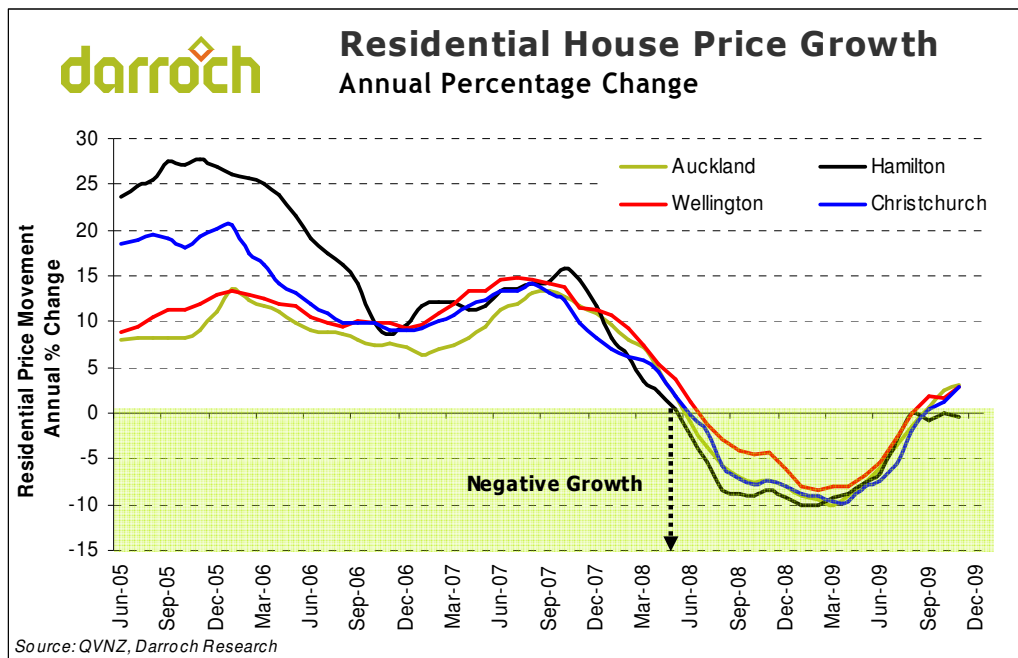
Average Sale Price	Peak Month/Price	Low Month/Price	Current
Auckland Region	Oct-07 \$524,000	May-09 \$483,397	Nov-09 \$519,051
Hamilton	Oct-07 \$368,194	Feb-09 \$334,068	Nov-09 \$343,562
Wellington Region	Jun-08 \$456,035	Oct-08 \$411,228	Nov-09 \$438,584
Christchurch	Jun-08 \$368,016	May-09 \$339,695	Nov-09 \$357,801
Dunedin	Feb-08 \$280,121	Jan-09 \$254,088	Nov-09 \$271,460
Overall New Zealand	Oct-07 \$406,176	May-09 \$371,555	Nov-09 \$393,373

Source: QV. Darroch Research

What is clear is that in some of the big centres such as Auckland, owners have become more optimistic about what their properties are worth.

Darroch's residential property specialist in Auckland, Cole Cleverley said; "There has been a significant mind shift among property owners over the course of this year. Back in January, many were wondering how much their properties were down in value from the peak of late 2007. Now the sentiment is focused on whether their current property value is above or still behind that previous market peak. This is a significant focal swing".

News of the economy edging out of recession and a shortage of stock has played a major part in persuading vendors to utilise auction campaigns. This seems to be an effective way of presenting properties to the plentiful number of buyers sniffing around. We also observe that listing numbers are on the way up, with the weekly Auckland Property Press now significantly fatter than 12 months ago. Mortgage interest rates also remain reasonably priced and as these are expected to rise next year, buyers have been keen to secure finance sooner rather than later.



Overall, the market is heading upward again with prices trying to recapture lost ground over the past 18 months. In some specific cases new ground might have been broken but this is generally localised to certain areas within the major centres. Nationally, we are not quite there yet with provincial New Zealand still playing catch-up.