

March 2010

TEN YEARS OF VALUED LEADERSHIP

It's ten years since leading valuation and property advisory professionals across New Zealand came together to create TelferYoung.

It's been a great decade during which our business has doubled in size. That is due to the high standard of skill, service and local market knowledge our people offer to the clients we work with.

Our priority now is to ensure we keep the high standards of professionalism and service as we continue to grow. That's why we are improving the connections between our nine offices, ranging from Northland through to Canterbury, so that each office can draw on the impressive range of specialist skills, expertise and experience to offer we have within our national team. Our new head office in Wellington will be responsible for national market analysis, and making sure we deliver a consistent standard of communication and service right across the country.

This will help us add an extra national dimension to the strong connections and local market knowledge of each of our regional offices.

We live in interesting times, and for everyone in the property business, there is a great need for quality information on what is happening in the market. That's what TelferYoung provides - and we're looking forward to keeping you up-to-date as the value of New Zealand property shifts in relation to local, national and international economic events.

QUEENSTOWN - A DYNAMIC PROPERTY MARKET



Yes - we all know Queenstown is a dynamic holiday location with plenty of adrenalin rush activities on offer. The qualities that make it a dynamic place to holiday, also make it a dynamic property market.

As a premium Australasian tourism destination, Queenstown feels the highs and lows of national and international economic events more quickly than New Zealand's main metropolitan areas, says Chris Stanley of TelferYoung's Canterbury office. "Queenstown's property values react quickly to changes in both the domestic and global economies, so it has a more pronounced

"boom-bust" cycle than major New Zealand cities. But its unique location and national and international standing as a destination means a positive medium to long-term outlook for property in the greater Queenstown area."

Chris says Queenstown is currently suffering from an over supply in most property sectors but particularly in apartments, tourist accommodation and office space.

"The market for higher valued residential properties is subdued but there is good demand for lower priced property suitable for first home owners, and for premium properties. There has been a substantial fall in section values and a significant reduction in sales volumes. The apartment market has also gone through a price correction as well as a significant reduction in sales volumes, although there have been a number of mortgagee sales."

There has been a substantial increase in commercial development in Queenstown over the last two years creating a significant increase in supply of retail and office accommodation. "Office rentals, and to a lesser extent retail rentals have eased as a result," Chris says. "But investor demand for good quality investment property remains strong."

If you'd like more information on the Queenstown market, give Chris a call on 027 293 3279.

LEAKY HOMES - A MONOLITHIC STIGMA

Leaky homes remain a concern to many of our clients. Evan Gamby of TelferYoung has researched the approaches required to quantify the loss in value associated with leaky monolithic cladding systems. It's a complex subject, which includes needing to address the potential outcomes that may arise through the process of remediation including claims pursued through the Weathertight Homes Resolution Dispute Tribunal and the High Court.

Our research has considered the impact on the valuation process of the 'inherent stigma' associated with all monolithic cladding systems whether or not they leak.

Stigma with respect to leaky building syndrome is a term valuers used to describe "a loss in value - that cannot be accurately quantified but is known to exist and may change over time".

If you would like to learn more about this topic, go to our website: www.telferyoung.com

EMAILING US JUST GOT EASIER

A small change, but a good one! From 15 March our email addresses will change. You no longer will have to type in the office location of the person you are emailing. So if you want to mail Ian McKeage in Nelson, for example, you no longer have to type in ian.mckeage@nelson.telferyoung.com Just email him at ian.mckeage@telferyoung.com



THE CANTERBURY PROPERTY MARKET

The past three months have seen a dramatic reduction in residential sales volumes within Christchurch. January showed the lowest volume of sales since records began in 1992. Christchurch had a total of 506 dwelling sales in December and 339 in January.

During 2009 the supply of housing stock was limited and this was a major factor in the recovery of average sale prices. Popular suburbs and quality dwellings experienced stronger demand, with buyers competing for fewer properties. Since late 2009, supply has been increasing, tipping the demand and supply equation in the buyers' favour.

Mid-term supply predictions are for a housing shortage. Low current building consent figures, a growing population and a trend for fewer occupants per household will see a growing need for further housing stock. Even when construction picks up, it will take some time to rebalance the supply and demand equilibrium.

Tax changes are affecting interest in investment in residential property. Investors anticipate that claims on depreciation of buildings will no longer be available. This nervousness about the impacts of tax policy changes may be creating a short term 'one-off' downward pressure on prices.

A MORE POSITIVE RURAL OUTLOOK

While the Canterbury rural property market followed national trends with a significant downturn in market activity, sales volumes and median prices, the medium term outlook is more positive.

For the three months to January 2010, a total of 23 farms were sold in Canterbury at a median price of \$1,555,000. This was 55.5% above the national average median price. Significantly, the total number of farms sold in the three month period to January 2008 was 114.

Of the farms sold, 13 were grazing properties and four were arable farms. Only one dairy farm sold. The median farm price for Canterbury in January 2010 was 20.46% below the median price recorded in January 2008.

These statistics should be treated with caution due to the low number of transactions, but they illustrate recent market conditions. The drop in median price is largely due to the decline in dairy farm sales, and uncertainty in a market where many participants are still adopting a wait and see attitude.

Currently, there is stronger interest, including a limited number of cashed-up buyers, but still very few confirmed sales. Vendor expectations are exceeding the price which buyers are willing to pay.

Private buyers are finding that a lack of equity is a major obstacle in completing purchases. The availability of credit continues to be tight as banks are looking more closely at debt / equity ratios rather than just the cash flows which had previously underpinned the growth in the dairying sector. While the New Zealand dollar remains relatively high it is likely the banks will continue to require high purchaser equity.

Looking ahead, the indicators for agriculture are positive. Global food demand continues to increase, commodity prices are higher, and major trading partners, including the United States, China, and Europe, are returning to growth.

The areas which we consider most likely to recover quickly are sheep meat and dairy. The beef industry continues to be affected by subdued demand in the US.

Rural lifestyle property in Canterbury has also seen a slight downturn with the median price for the three months to January 2010 being \$424,000, against the national average of \$455,000. This represents a 7.82% price reduction since January 2008, when the Canterbury average was \$460,000. Sixty-seven properties were sold in the three months to January 2010, a downturn of 28.4% on the 87 sales to January 2008. The demand for top end properties and vacant blocks remains moderate, with most activity being in the mid value range.

THE CHRISTCHURCH COMMERCIAL INVESTMENT MARKET

The New Zealand economy has experienced five consecutive quarters of negative growth. While this trend reversed in the 3 month period ending June 2009, growth for this period was less than 0.1%. While some commentators have interpreted this as evidence that we have reached the "bottom of the trough" we are still in a very fragile economic position.

There is reasonable demand for well located, good quality buildings leased to sound tenants. In broad terms the strongest demand exists for property below \$5,000,000.

Property syndication is proving a popular investment vehicle in the present market. The syndication allows individuals to participate collectively in a sector of the market that would normally be unaffordable. "Moorhouse Central", for example, was syndicated in 114 parcels at \$100,000 each with a forecast return of 9.00%.

There are a number of commercial and industrial properties available on the market. The few prime properties that have been on the market have been keenly sought after. Many of the properties on the market are less desirable due to location, condition, strength of leasing arrangement or vacancy.

In the office leasing market, competition has increased, fuelled by an increase in a number of office buildings recently completed, including HSBC Tower and Hazeldean Business Park. 'The Press' Precinct is also due for completion in 2011. Competition with these new developments for quality tenants has led to upgrades of some older style offices, such as the Clarendon Towers.

SO WHERE TO NEXT?

The economic recovery is fragile, investor confidence and equity levels are low, and finance is limited. The immediate goal of many is to reduce debt. The property market will recover, but it will take time. Participants within the market need to be prudent. The need to obtain sound, independent property advice to make informed decisions has never been greater.

REGULAR UPDATES

If this is the first time you have received our newsletter, and you would like to be on our distribution list, please email canterbury@telferyoung.com

