

## Welcome to the TelferYoung Nelson News for October 2011

### TELFERYOUNG GROWS

TelferYoung have embraced a Strategic Plan that will enable our company to meet the challenges of an ever changing work environment in delivering improved services to our clients in Nelson and across New Zealand.

The first steps have been a restructure in the governance of the Group and the appointment of a CEO. The restructure has retained the strength of the TelferYoung group as locally owned businesses. This issue of the TelferYoung News briefly touches on some of these advancements

#### CEO

Craig McIvor took up the role as Group CEO in February this year and is based in our Auckland office.



Craig has an extensive business background having been Executive Director of Australian Associated Press for 8 years and Managing Director of the AAP Reuters business in Australia for 5 years. Prior to joining TelferYoung he was a leading strategy facilitator working with some of New Zealand's largest corporates to develop future plans.

While not a valuer by profession, Craig has a background in valuation services and compliance within the Financial Markets, both here and in Australia.

His background and experience was seen as essential as TelferYoung deals with the changes that are affecting the property markets in New Zealand and other issues related to the Global Financial Crisis. His strategic skills will also be put to the test as TelferYoung grows its geographic and market coverage.

Speaking about his appointment Craig says "TelferYoung is not only about valuation, but about giving people confidence to make important decisions that will affect their lives and others. I was impressed by the level of professionalism of the group as a whole and their desire to help customers in making these important decisions."

"My background is in real time information services and the business of valuation is similar. The Valuers at TelferYoung get a unique insight into a wide range of property issues, through their research, that our clients can use to good effect. It is all about what data we collect and how we can make sense of it for the benefit of our clients."

### Tauranga

TelferYoung is pleased to announce that from October 2011 Middleton Valuation have joined the TelferYoung Group. Middleton's have been operating in the Bay of Plenty region since 1968 and bring an experienced team of commercial, rural and residential Valuers to the Group.

Doug Saunders, TelferYoung Chairman says "we are delighted that a market leading firm such as Middleton Valuation has decided to join our Group. We see Tauranga as a vital component of being able to provide a nation-wide service to our customers."

Middleton Valuation say that the move to join a National firm is driven by its customers who need to have better access to information, knowledge and expertise to make good property decisions.

"Many of our clients have property interests right across the country, in different property sectors and now we will be able to service all of their needs by our involvement with TelferYoung."

"TelferYoung have a great deal of experience in valuation, arbitration, compensation and property advice which we can tap into for our clients. They have experts in fields such as Telecommunications, Energy, Infrastructure, Motels and Commercial property who we can bring into Tauranga to assist in our work if necessary."

In the coming months we look forward to announcing further expansion of the TelferYoung group.

### NELSON RESIDENTIAL MARKET UPDATE

#### Sections

Presently we are experiencing a market which has low volumes of sales activity. Average section sale volumes over the past 10 years have been at 240 sections per annum. Those volumes peaked in 2002 when there were 490 section sales across Nelson/Richmond. In 2010 there were approximately 120 and year to date figures for 2011 are less than 100. This is resulting in a surplus of available sections. We estimate there are currently close to 350 sections on the market and this translates to approximately 3 years supply, based on current demand levels.

At this time, a correction in section pricing would seem the only way to stimulate the section market, making it more attractive for existing home owners to build as an alternative to buying existing homes. The costs of creating sections for developers, including land acquisition costs, Council levies, construction and earthworks costs, incidental expenses and an adequate risk allowance, make the prospects of reducing prices very unappealing.



## First Home Buyers

First home buyers have returned to the market in 2011. These new entrants have largely taken up the slack in the lower end of the market previously occupied by investors. Investors have left the market in increasing numbers as real returns are affected by reduced taxation advantages and the prospect of lower capital gain.

## Housing Gap

Our observation is that there is a wide gap in the next step for owners of existing homes to trade-up to a larger/superior property. Owners of a typical 1960's three bedroom bungalow in a popular suburban locality can expect to realise a price of between \$280,000 and \$380,000. To move up the property ladder to a larger/newer/better located property the net cash difference will, in many instances, be \$100,000 or more.

In these uncertain economic times with unstable job markets, continued speculation about mortgage rate increases and low or no wage growth, many family home buyers are not prepared to take on those added levels of debt burden. This is reinforced by the record levels of saving and debt reduction presently being exercised by New Zealanders.

Our analysis of mid market activity is that a "stepping stone" is missing for those wanting to progress up the property ladder. At a trade-up cost of \$100,000 or more there is little incentive to move. This is exacerbated by steadily increasing building costs and section prices which are high by national standards.

Contributing to this "stepping stone" price gap are the demands of home owners themselves. The demand for ever increasing house and section sizes first experienced in the 1990's continues today. Four bedrooms, study rooms, separate living rooms, multiple bathrooms and two or three car garaging are now considered more the norm than the exception. Perhaps with an aging population, smaller families and a move away from lifestyle blocks in these carbon conscious times, will see a gradual acceptance of smaller dwellings and section sizes.

With acceptance of smaller section sizes and a reduction in house sizes by 10% - 20%, it is conceivable that we could see new home and land packages in popular residential localities return to the \$420,000 - \$460,000 range, thus closing the gap in this important mid market sector. New homes in this sector are presently at or around the \$500,000 level.

The challenge remains to provide a design solution for land and homes that can be realised and accepted in the market place.

## Superior Market

Demand is steady for good quality, well located family homes in the higher price range over \$800,000 This is a small sector of the residential market with historically low activity due to limited numbers of property available and fairly small pool of active buyers at any given time.

Unless there is a significant increase in active buyer numbers, then we envisage that pricing will remain stable for the immediate future.

We are yet to see a significant number of ex Christchurch buyers in this market, but that could be a short term stimulus in activity in the coming months.

## RESIDENTIAL VALUATIONS

Recent media coverage on the valuation industry has focused on a new innovation to New Zealand - the Valuation Ordering Service. The Valuation Ordering Service acts on behalf of the Bank in ordering a valuation independently from a panel of approved Valuers for a finance proposal.

ANZ have initiated the service in New Zealand, seeking to reduce risk and improve consistency and the standard of the valuations produced for their clients.

TelferYoung have met the standards required and been approved as Valuers for the Valuation Ordering Service panel.

## EARTHQUAKE PRONE BUILDINGS & INSURANCE

An update Issue the TelferYoung News in July 2011 contained commentary and observations on Earthquake Prone Building Policies and Insurance issues facing commercial property. Whilst not circulated as a newsletter, this is posted and available on our website. [www.telferyoung.com](http://www.telferyoung.com)

## VALUER PROFILE



### Ian McKeage

Ian is a Company Director and our lead Valuer in commercial property. Ian has over 25 years experience in the Nelson, Marlborough and West Coast markets.

He specialises in commercial and industrial valuation and special projects.

Ian undertakes a wide range of rental, market and insurance valuations and is an experienced arbitrator and expert witness. Ian was also a member of the West Coast Land Valuation Tribunal.

Ian was the foundation Chair of TelferYoung and has recently retired from the TelferYoung Board after being actively involved in the restructure.

## REGULAR UPDATES

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