

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 PROPERTY MARKET IN WAIKATO

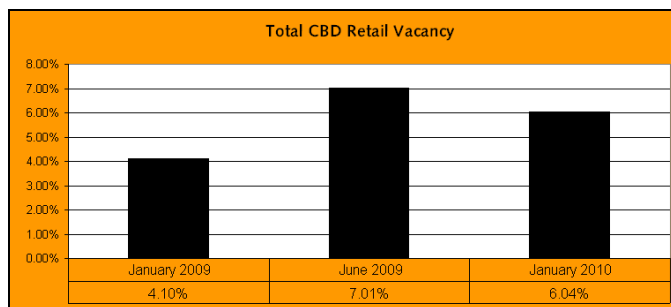
The property market in Hamilton and the greater Waikato ended 2009 on a relatively positive note. The New Year started quietly, but momentum started building in February.

In the residential sector we have seen more confidence in the market so far this year, compared to January February 2009. While sales volumes are lower, we are seeing a relatively strong median sale price. This is to be viewed with caution as this median sale price does have a bias towards that segment of the market that is most active, and there has been more activity in the higher priced properties. This effectively increases the median sale price.

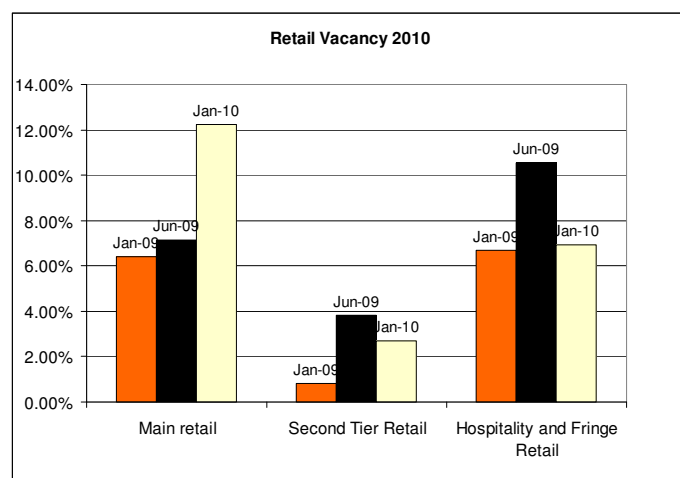
Our analysis suggests that sales of lower end properties remains proportionally slower, and this has been confirmed anecdotally by real estate agents. Unemployment, concerns about job security, and difficulty obtaining funds, are factors contributing to restrained demand for homebuyers at this end of the market. And potential tax reforms are also creating an air of uncertainty.

IN THE CBD

TelferYoung conducted a retail survey in January 2010 within the Hamilton Central Business District. We calculated a vacancy rate of 6.04%, which is up from 4.10% in January 2009 but down from 7.01% in June 2009.



Prime retail vacancies in the CBD grew as a result of six premises being vacated. Vacancy levels dropped in the second tier retail and the hospitality, and fringe retail precincts.



We are continuing to see vacancies in the office and industrial sectors with the use of incentives and rental holidays being used in some instances by landlords to secure tenants.

The commercial and industrial property investment market has continued much the same as 2009 with well located modern property with a secure cash flow still selling reasonably strongly. Properties that are less desirable due to location, condition, strength of leasing arrangement or which are suffering vacancy remain much harder to sell.

During 2009 we were aware of only 14 vacant land sales of commercial and industrial land within Hamilton. The sales have fallen off the values from the market peak in 2007.

Recent sales include:

- + An industrial site of 2,400 m² in McKee Street sold in December 2009 for \$540,000. This equates to \$225/m².
- + The ex Pizza Hut commercial site on the corner of Ulster and Mill Streets sold in September 2009 for \$1,660,000. There were some improvements on the site, and our analysis showed it sold at \$890/m².
- + A single uncovered carpark in Ward Lane was sold at auction recently for \$21,050. Analysis showed a return of 5.91% was achieved on the sale price.

In the Waikato, we are always keenly aware of what is happening in the dairy industry, and its potential to affect the local property market. The Fonterra interim forecast milk solid price has increased from \$4.55 to \$6.05/kg MS. This is on the back of the higher world commodity prices at the end of 2009. Indications are that this level could be hard to maintain with the influence of European milk production.

PROFILE - LLOYD STEPHENSON



TelferYoung welcomes Lloyd Stephenson to the Waikato office. Lloyd has recently commenced his valuation career after playing hockey for the Black Sticks (103 tests) over the past eight years. He obtained his qualifications from Massey University and has worked previously as a financial consultant with AMP.

Lloyd is working in the Hamilton residential market alongside Roger Gordon and Jeff Alexander.

His passion for hockey continues and Lloyd is still involved playing for Midland's Regional hockey as well as coaching. Outside of valuation, Lloyd is working alongside Black Stick captain Phil Burrows developing their Chryso and Atlas hockey sticks.

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 waikato@telferyoung.com

