

## **Christmas 2003 Newsletter**

I'm not sure about you, but I don't know anyone who hasn't had an exhausting year. The market has been so active new levels of patience have been required when dealing with valuers, banks, councils, builders etc., as the volumes of work are beyond the capabilities of many systems.

Our turnover has doubled as have our property managements, and at times it is hard to promise that sanity prevails. However, a break beckons us all and will be much enjoyed I'm sure, ready for 2004.

### **Market Comment**

In true "tall poppy knocking" fashion, the media from October started to look for reasons to burst the housing market bubble, stating (Press Oct 15) "Growth Set to Slow" and (Press Oct 21) "House Market Simmers Down". By the end of October it was evident that September's figures, where the median figures had remained unchanged from August, had led some to conclude that the market had gone into a consolidation period. However, according to our REINZ President, Graeme Woodley "...this month (October) it is clear prices, especially in some regions, are moving ahead still."

Over the last year (October '02 to October '03) the national median prices for residential housing were up by 20.7% overall. Southland caught up an incredible 71.7%, Nelson/Marlborough 48.2% and thirdly Otago 43.1%. Canterbury/Westland rose 20.1%, whereas Christchurch recorded a 29% rise (REINZ stats). With 10,923 dwellings sold in New Zealand in October, sales rose an incredible 15.6% from a year ago (BNZ Weekly Overview Nov 20).

Properties that were put on the market in October, took an average of 24 days to sell compared with 31 days a year ago (REINZ stats).

By the end of October the signs were evident that the market wasn't slowing - at least not yet. "Property Boom Spurs Confidence" (Press Oct 28) quoted the ASB Bank's September Investor Confidence Survey that 17% of respondents expected better returns for investments (including property) next year, up from 10% in the three months to June.

The bounce up from September to October figures, with the national median house price rising 5.6%, put paid to any expectation of things starting to slow.

Various economists we follow have repeatedly said that the housing market was good for another 12-15 months (was 18 months, back in August/September) and as we have seen, it seems to be led by the South Island with Auckland (17%) and Wellington (18%) holding the South Island figures back to the national median of 20.7%.

As we move on from here, there has been speculation that due to the "new house" demands not physically being able to be met for many months yet, the normal

equilibrium that occurs when supply eventually meets demand will not happen for 12 months or so. When this does happen it will be interesting to see if equilibrium requires a correction downwards after the prolonged fervour.

The positive factors in our market that are still driving our housing price rises include; under supply, strong net migration, firm labour markets, investor demand from the baby-boomers, still low interest rates, world economies improving, commodity prices rising, and business expectations up.  
(BNZ Weekly Update Nov 20).

Economists are not picking a correction till late 2004 or early 2005. In fact, predictions of a further 7-13% increase (PMI Mortgage Insurance and Infometrics) and 10 -15% (Tony Alexander - BNZ) should have us looking forward to another good year.

Personally, my optimism comes from demographics and coal face trends but I tend to believe 2004 will be a little slower than 2003 but still buoyant (around 11%). Inevitably, as it usually does, the market will go too far and have a correction towards 2005 (BNZ Weekly Review Nov 20) as mentioned above.

Therefore in conclusion, mid to late 2004 is a good opportunity to off-load, then wait for the correction back towards the long term trend line that property growth seems to have. This is then the time to re-enter the market to enjoy the equilibrium, until the next time.

This year we have caught up on a number of years of missed growth, next year we may well over-do it. Watch for the early signs of slowing: interest rates up, sales taking longer, rentals stabilising, other investment forms taking off, net migration changes etc. Sell then if you have a mind to, or as always, hold for the long term.

Have a great break, see you next year.