

EDUCATION'S AFFECT ON REAL ESTATE

When the first Boards of Trustees (B.O.Ts) for Primary schools were set up about fifteen odd years ago the first item on the agenda was bulk funding. A solicitor friend and I were part of our inaugural B.O.T for our small integrated school.

At the time I remember discussing the affect that the bulk funding of schools would have in the long term. We decided even then that it would drive a wedge through society like we've never seen before in the slow but gradual movement of population to perceived "better" areas. Initially bulk funding was set up to give schools discretion over their own spending, instead of being issued prescribed items like class sets of gardening trowels by their local Education Board. Latterly, it has been smudged into the commercialisation of corporate sponsorship and outside income produced by the fee paying students.

Whatever guise it presently takes, as outside money has been allowed to infiltrate and swell the schools' coffers the prediction of the wedge through society has evolved.

Having been in both professions as a Principal and seeing the decision making processes involved in educating and housing one's family, it was inevitable that the rich getting richer and the poor getting poorer scenario has been assisted by outside money flowing into schools.



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Upper Riccarton. 6x2/3 brm totally
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\$870,000.

Imagine if you will the temptation of a teacher to take a job at a school that has the ability to offer more, through various incentives, use of resources and the backing of corporate sponsorship. Teaching does not allow a superb teacher to be paid any more than a mediocre teacher within the same school. A Principal cannot say to you that you are more successful, here is \$5,000. Teachers must be head hunted or shift voluntarily hoping someone on the new Board will know of their classroom prowess and not judge them simply on how many courses they have been able to endure.

Natural attraction over time results in better teachers moving to better conditions, facilities, back-ups, attitudes, extra-curricula opportunities and money provided by schools that are all round 'better off'. When the doors were opened for schools to handle their own business some areas found it difficult to rally up a B.O.T with one professional in it to handle this new business, others had professionals fighting for positions.

Like many business ventures, a lot fail. It has been extremely hard for this to be forced upon some schools, others have flourished. Good teachers know which schools are struggling and which are not. Therefore some of the better teachers (not all, because of their loyalty) have been attracted slowly but surely by greener pastures and the inspiration of working in a like minded environment.

As good schools became better the curve became exponential. Schools perceived to be poor could not attract the great teachers that were once spread evenly throughout. Real Estate Agents have always known the pull that a good privately funded school may have or one that, by its uniqueness of position or demand, will attract many enrolments. But recently this has expanded into schools which have not traditionally by virtue of position or ownership

been in high demand. Their ability to govern and manage have resulted in their attraction to good teachers which has in turn put them on the map as a school of note.

Parents will shift house to give their children the education that they perceive to be the best that they can get. They will shift cities, buy a rental or even rent from someone else to be "in zone". On Wednesday September 17th the Press had an article headed "High Schools May Face Closure". This is now the reality that comes with some schools attracting big benefactor parents and sponsors and others who cannot. Even though the numbers of students are adequate to fill all schools in total, the student's households have shifted to a desired zone putting huge pressure to expand some schools and contract others. Furthermore it puts real estate demand up in some areas and down in others.

Presently in Nelson another quandary has arisen whereby the schools are attracting great teachers but the price of the houses only allows the wealthier teachers to settle. This reverse situation only serves to exacerbate the problem.

Is it a good thing? – For real estate yes, especially if you're investing or selling in the desired zones. But for those who remember that it didn't matter where you settled, from Kaitaia to Bluff, rural or town, where the standard of schools and teaching in the past was managed and uniform, it may not be a good thing. The dangers; socially, psychologically, financially and even environmentally are apparent. Education changes have had a major affect on Real Estate in New Zealand. There are those that cannot take advantage of choice. Are we creating a wedge through society that will give them even less? As an ex-teacher turned real estate agent I believe progress should be a win – win for all where possible, especially in the area of Education and equal opportunity.

MARKET COMMENT

Unlike other property booms of the 80's and late 90's where particular NZ age groups at particular life stages put demand on a variety of parts of the property market this boom is also driven by external population influences. These immigrants have not only caught a wave created by demands for more rental stock and empty-nester housing they have also created their own market.

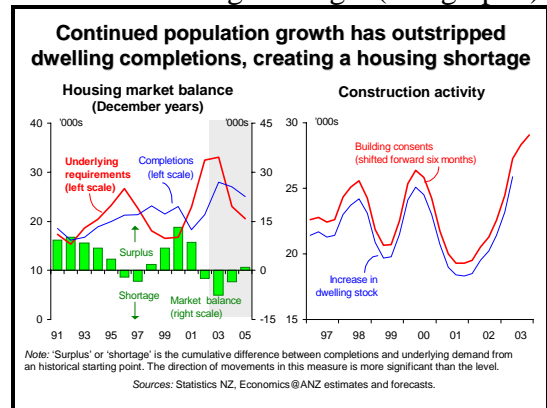
Imagine if you will our market in equilibrium i.e. enough housing of each type to handle the demands of each user group. Enter in the last year 8,000 new immigrants mainly from the United Kingdom, Australia, China but also from Canada, US, Europe and Asia, and it's easy to see why house prices have generally risen to an annual growth rate of 14% p.a. over the last 2 years (Press August 03). These rises have added 1 percent (Press 11/9/03) to economic growth in each of these last two years prompting Reserve Bank Governor Alan Bollard to keep the OCR level at 5% in case any further reduction in bank interest rates fuels growth and makes inflation rampant.

Add to the above immigrant scenario the needs of our own population bulges and one can only imagine the pressures going on particular parts of the country.

Immigrants choosing Auckland City as their first port of call (up 34.4%); baby boomers and immigrants wanting sea views and sun in Nelson/ Marlborough (up 36.2%) plus retirees from Southland and Otago settling in the new wine district of Central Otago (up 25.6%). Christchurch city at 21.5% shows good growth but a lack of appeal for the retirees heading for warmer climates (Press 13.9.03). However there is undeniable evidence that the rising population which is fuelling this housing boom will continue for some time yet.

ANZ in its recent "Market Focus" (5 September 2003) shows, what the likes of Gareth Morgan, economist, has been saying on national television, that because continued population

growth has outstripped dwelling completion this has created a housing shortage. (See graph1).

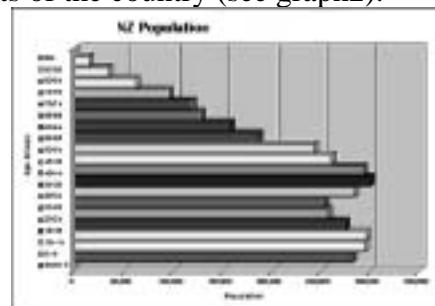


Graph 1

ANZ show that the market will be out of equilibrium till the end of 2004. This has prompted Morgan to say that there is plenty of fuel left in the tank of this boom for another 18 months. Neither commentator believes this is a bubble (i.e. that it will burst).

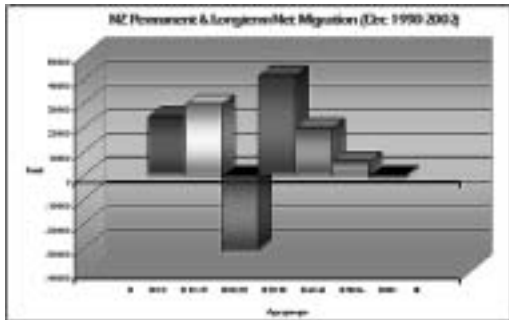
With developers being the characters that they are they will possibly still be building when the demand is back to equilibrium. However, delays in materials, titles and resource consents will delay the building cycle due to the present demand not being able to be met physically for up to 12 months lag time.

I like the theory behind this 18 months left in the market, however I believe it will continue for much longer due to a coming of age of not only our own population but of all those countries who participated in the W.W.II. You will remember the following two graphs inserted in this newsletter March 2002 No. 46. Graph 2 shows how the influence of retirees is increasing, explaining pressure on particular parts of the country (see graph2).



Graph 2

Other nations like the UK, USA, Canada, Europe, Japan etc must have similar bulges coming through. Their population, some of whom will be retiring early in their late 50's will be joining the large group of "30 something" Kiwis entering our shores (See graph3).



Graph 3

The influence of those in their 50's has just started whereas the influence of the "30 somethings" is going to slow down dramatically soon, (over the next 3 years). If our immigration is being driven by these nation's early retirees we have a long way to go yet (20-25 years) but as the influence of the 35 – 39 year bracket goes into reverse, I will re issue the warning that it won't be clever to be holding a property specifically attractive to this age-group as there will be less of their occupants once the re-roosting process is over.

Viva le boom

WE GET ABOUT TOWN!

As we've grown in the property management company we've found it essential to get around town quickly to secure the best tenants for our landlords' properties. When you see our distinctive logo don't be afraid to pull up and discuss our specialist services with one of our mobile letting agents, that is, if you can catch them.



PERCEPTION CREATES REALITY

As we progress through this property boom we hear much commentary about it not being a bubble and that there is plenty of fuel left in its tank yet. All sorts of experts are now coming on board, (after the fact I might add) and stating how they could see it coming etc, etc. What doesn't get discussed at various stages of property cycles is the human side. The perceptions and reactions to particular events which then flow through to become the next driving forces in the market at that time. Perception certainly creates reality in the property market as can be seen by self perpetuating price rises and almost frenzy-like buying patterns that are emerging with buyers today.

Due to the previous perception, - now become reality, that the market is finally correcting from the late 90's, vendors who have been through those times are now holding on to reap the rewards that any good medium to long term "hold" should give them. This has created a void of particular types of listings in the market, including residential investments. This in turn creates anxiety amongst agents who must find listings to satisfy the buyers' perception that they must get in before it's too late. With few listings and many buyers it is easy for these buyers to gain the perception that what is before them is the only chance they'll get to purchase therefore, they act with fervour and secure well. In some parts of the country you can't buy anything it seems.

Add to this the fact that many of these buyers have been to seminars run by some guru and these guys come out armed and dangerous, to themselves.

(N.B An old real estate agent once told me that in the 1980's he sold a block three times as he walked from the building to the street. I found that difficult to believe until recently.)

On the other side of the coin vendors who have realised that the market has improved for rental and selling may not, yet, realise by just how much. Their old realities with respect to rental and price levels lead them to believe that a lift of \$10 - \$15 p.w. in rent is great, as is another 10 – 15% on their purchase price.

Add this and the previous buyers perception together and it's a feeding frenzy, at times with disastrous consequences for the vendor. Let me elaborate. Recently a block of flats sold for \$600,000 through an approach to the vendor. Compared to the yield received and the perceived value the vendor thought this seemed a good deal. Within three days of the buyer telling us they'd purchased this block we took them an offer \$100,000 over their purchase price. Another buyer of a block of four was offered \$150,000 more before he had even confirmed. Stories like this break our hearts after 16 years of updating you. These original vendors are the ones who deserve the gains, not the new chums in the market. Vendors need to ensure their perception equates to reality. Take advice. However, the confusion between perception and reality at the moment is making life very hard for valuers, too.

Perception creates reality on the macro level as well. In recent times we've all been a little bit to blame for the treatment of our Asian students. From Winston Peters' ranting down to individuals on the street, from the media to our government. The perception overseas, especially in China, is that we don't like them, we're not set up for them, and that their children aren't safe. My clients in China, Singapore and Japan e-mail me with reports from local media and websites, which are turning what is small news here into national news over there.

We warned of a 30% decrease in numbers in our June Newsletter but due to this perception overseas China's visa applications alone have halved in the last year. Don't fall for the misconception that this will only affect the furnished market. Furnishings will be stored or sold and the flat will re-enter the unfurnished market.

In this above example the perception internationally is that we are an immature nation. One who thinks it can prosper on its own within its' own boundaries, not willing to give as a consequence of taking. This is a multi-billion dollar export earner, our fourth largest, threatened in its infancy by "...ill considered comments about certain ethnic groups..." (Press 13 Sept)

Our nation seems to have the perception that if we all close our eyes the world will go away. I'm sorry to inform those people but we "have been found" by the rest of the world. All those wonderful ideas for businesses that we have had that never worked before due to lack of population may now have the opportunity to take off. We've all done it whilst overseas, looked at particular good ideas and decided it wouldn't work due to lack of people in NZ.

A new perception for all of us is that globally we are the last pool in the fountain to start filling up. This will bring huge opportunity for those willing to see it as more than just a bubble. This is our generation's opportunity to make a difference. Seize it.

RENTAL MARKET COMMENT: (All figures based on 2 bedroom units)

If you are not getting \$25 p.w. per flat more today than you were a year ago then you should be. Latest figures for August (take six weeks to come through) show a lift of 14.45% from the same time last year which also equates to a good \$ per unit increase.

Compare these figures with our April '02 to April '03 figures outlined in the last newsletter and it is plain to see that in the middle to latter part of this year the increase in rentals has accelerated to almost double the increase. (See table 1)

Table 1 : Comparison 2002 to 2003 Two Bedroom Units - Christchurch

Increase	Value	City	Burw/ Avons	Linw/ Brom	Syd/ Wools	Cash	Add/ Hoon H	Ricc	Broom/ Hals	Fend/ Meriv.	Avonh.	Redw.	St A/ Rich/ Shirley	Average Increase
April 02 to April 03	%	20.6	6	3.3	6.7	5.6	3	5.3	-15.9	16.7	10.5	16.7	13.8	7.70%
	\$	37	10	5	10	10	5	10	-27	30	20	30	20	\$13.33
August 02 to August 03	%	23.6	15.2	10	17.2	12.5	10	17.6	3	19	15.8	22	7.5	14.48%
	\$	48	25	15	25	22	17	30	5	35	30	38	12	\$25

There has been a steady stream of inquiry recently but the tenants are not acting with the same amount of fervour as they once were. This is especially true in the furnished units. The fervour will return if and when the foreign student numbers increase.

We have re-let a number of our student flats for the beginning (Jan; Feb '04) of next year

already. Don't feel you need to shorten your holiday at Christmas. Get everyone bedded down before they leave after their exams. Inner city rentals have gone particularly well through August with a massive 23.6% increase since the same time last year.

Great stuff.

AUGUST 2003 RENTAL PRICES (AUGUST 2002 shown in shaded boxes)

Source: Tenancy Services Bond Centre

No of Rooms	Median Price	Price Range	No Let	No of Rooms	Median Price	Price Range	No Let	No of Rooms	Median Price	Price Range	No Let
CHRISTCHURCH CENTRAL				CASHMERE				FENDALTON/MERIVALE			
One	\$185	\$130 - \$210	34	One			0	One			0
Two	\$225	\$180 - \$290	42	Two	\$197	\$160 - \$225	14	Two	\$220	\$186 - \$250	31
Three	\$300	\$265 - \$313	9	Three	\$250	\$225 - \$275	23	Three	\$305	\$260 - \$350	22
Four			0	Four	\$335	\$320 - \$375	6	Four			0
One	\$182	\$120 - \$200	36	One			0	One			0
Two	\$177	\$150 - \$275	38	Two	\$175	\$153 - \$192	17	Two	\$185	\$175 - \$235	26
Three	\$220	\$200 - \$253	11	Three	\$210	\$180 - \$230	18	Three	\$260	\$228 - \$317	21
Four			0	Four			0	Four			0
BURWOOD/AVONDALE/NEW				ADDINGTON/HOON HAY				AVONHEAD			
One			0	One			0	One			0
Two	\$190	\$172 - \$210	32	Two	\$187	\$160 - \$200	26	Two	\$220	\$205 - \$230	20
Three	\$240	\$210 - \$253	55	Three	\$230	\$210 - \$250	51	Three	\$265	\$240 - \$292	37
Four	\$295	\$250 - \$320	14	Four	\$310	\$247 - \$342	5	Four			0
One	\$125	\$97 - \$161	5	One	\$115	\$110 - \$120	9	One			0
Two	\$165	\$147 - \$180	25	Two	\$170	\$140 - \$200	34	Two	\$190	\$190 - \$203	11
Three	\$210	\$190 - \$225	43	Three	\$215	\$200 - \$227	40	Three	\$240	\$210 - \$252	37
Four	\$245	\$215 - \$280	8	Four	\$240	\$192 - \$255	7	Four			0
LINWOOD/BROMLEY				RICCARTON				REDWOOD			
One	\$115	\$108 - \$121	17	One	\$117	\$100 - \$170	12	One			0
Two	\$165	\$150 - \$190	50	Two	\$200	\$170 - \$235	38	Two	\$210	\$196 - \$227	19
Three	\$210	\$185 - \$232	33	Three	\$240	\$228 - \$300	25	Three	\$250	\$220 - \$260	39
Four			0	Four	\$275	\$222 - \$310	11	Four	\$360	\$265 - \$380	12
One	\$100	\$92 - \$120	16	One	\$115	\$105 - \$135	6	One			0
Two	\$150	\$140 - \$175	147	Two	\$170	\$150 - \$187	39	Two	\$172	\$165 - \$200	10
Three	\$200	\$180 - \$220	35	Three	\$250	\$220 - \$300	23	Three	\$220	\$211 - \$230	27
Four	\$225	\$180 - \$230	6	Four	\$200	\$200 - \$272	15	Four	\$310	\$230 - \$375	6
SYDENHAM/WOOLSTON				BROOMFIELD TO HALSWELL				ST ALBANS/RICHMOND/SHIRLEY			
One	\$115	\$100 - \$130	11	One			0	One	\$130	\$120 - \$141	21
Two	\$170	\$150 - \$200	54	Two	\$170	\$152 - \$200	16	Two	\$172	\$160 - \$200	54
Three	\$220	\$200 - \$240	31	Three	\$235	\$220 - \$250	43	Three	\$250	\$230 - \$300	37
Four	\$240	\$220 - \$260	6	Four	\$300	\$257 - \$302	9	Four	\$377	\$290 - \$415	8
One	\$110	\$100 - \$125	10	One			0	One	\$120	\$105 - \$141	17
Two	\$145	\$140 - \$165	42	Two	\$165	\$142 - \$180	27	Two	\$160	\$130 - \$190	62
Three	\$195	\$180 - \$205	26	Three	\$210	\$200 - \$225	38	Three	\$222	\$210 - \$250	22
Four			0	Four	\$245	\$210 - \$282	8	Four			0

A SURVEYOR'S LOT

Am I a Surveyor or am I just Passionate

In the world of rules & regulations such as the Resource Management Act, Building Act, Local Government Act, Survey Act, Land Transfer Act, District Plans, Health and Safety Act, the question that comes most often from clients is 'how can I?' A client has a concept and needs help building confidence that it can happen. Providing clarity as to the consent process, costings for financiers, or initial site meetings to discuss issues all builds confidence that a development option will work.

...how can I...

The road to consent approval can be very procedural. The word procedural has been chosen carefully as the process is not complicated or difficult it is simply a structured set of procedures that need to be followed to allow consents/titles to be issued. Due to the prescriptive nature of rules and regulations there are usually acceptable solutions, assessment matters or legal precedences that assist in the interpretation of the rules and regulations. In answering a clients 'how can I?' question I am usually working in the grey area surrounding the fringe of rules. I like to use the word 'grey area' rather than bending the rules as it has a better legal connotation.

...grey area vs. bending the rules...



In Resource Consent work it is interesting to note that in 1991 the Resource Management Act introduced a different mindset into planning and it is only now that we are seeing District Plans formulated under the RMA being made operative. Under most rules and regulations there are grey areas and clearly defined approval processes for working in these areas. The best analogy in relation to any rule is that rules are for the guidance of the wise and the observance of fools. There is a trick to working in the grey area and that is to know the rules inside out, know what the procedure is for seeking reductions in the rules and know what the bottom line is if it all goes to custard.

...rules are for the guidance of the wise and the observance of fools...

I recently read an article in a publication on the resource consent process and obtaining neighbour's consents. The legal firm had obviously spent a lot of money putting together what was essentially a vomit stain of sections of the Resource Management Act relating to notification of applications. It didn't empower or impassion me I just thought, gee, I hope I don't sit next to you at a dinner party.

In working in the grey area, particularly with resource consents, neighbour's consents are required. The main issue with neighbour's consents is informed decision making. A business decision to develop a property entails reports from various professionals to build confidence for an informed decision. So to do this neighbours require information about the consent process, possible outcomes, potential complying alternatives, mitigation measures etc so that the benefits of the proposal can be evaluated. The fall back position with neighbour's consents is a formal hearing. A Councillor once told me at a resource consent hearing that you should never let someone else make a resource consent decision on your behalf at a hearing as the scope of consent conditions is very limited. At a hearing mitigation measures such as landscaping, window placement or fencing are usually beyond the extent of what would be deemed fair and reasonable conditions.

...you should never let someone else make a resource consent decision on your behalf...

Essentially to get neighbour's consents anything is up for grabs and the only limit imposed should be the time period to provide consent. This process also has the benefit of initiating dialogue and good will so your builder and other site contractors can work unopposed by neighbours on the site.

Finally in terms of food for the mind I suggest that successful people get up early – (actually I saw that on the back of a truck) – and derive your energy and drive from the passion of the people that surround you, and say thank you for a job well done.

Phillip Conway Surveyor Ltd (03) 366 7030

RECENT SALES

Categories: RR – Blocks, RC – Conversions, RD – Dwelling, RF – Units, T/H – Townhouse

Suburb	Cat	Size	Price	Return	Suburb	Cat	Size	Price	Return
City	RF	1x2bd	\$196,000	9.5%	Avonside	RD	1x2	\$86,000	N/A
Bexley	RD	2x3, 1x1 & RF 1x2	\$306,000	10.6%	City	RF	1x3	\$223,500	8.8%
Woolston	RC		\$137,000	11.7%	Linwood	RR	4x2	\$288,000	9.75%
Linwood	RR	1x3, 3x2	\$350,000	8.6%	Linwood	RR	5x2	\$425,000	8.7%
Sydenham	RR	2x1	\$136,000	8.8%	St Albans	RR	4x2	\$372,000	9.7%
Linwood	RR	4x2	\$315,000	9.2%	Spreydon	RC	1x3, 1x3	\$182,000	10%
Riccarton	RF	1x3	\$197,000	10%	Linwood	RR	4x2	\$371,000	9.6%
City	RF	1x2	\$195,000	9.6%	Aranui	RD	1x3	\$93,000	11%
Sydenham	RF	1x3, 1x2	\$300,000	(N/A)	Mairehau	RR	2x2	\$184,000	9%
Linwood	RC	2x2	\$127,615	10.4%	New Brighton	RF	1x2	\$114,000	9.5%
Riccarton	RF	1x5	\$192,500	10%	Linwood	RR	4x2	\$367,500	8%
Spreydon	RD	1x3	\$148,000	7.7%	Sydenham	RR	8x2	\$660,000	8.8%
Casebrook	RR	2x2	\$255,000	7.3%	Spreydon	RC	1x1, 1x2	\$157,500	10.2%
City	RR	2x2	\$215,000	9.6%	Addington	RR	6x2	\$490,000	9.4%
Cashmere	RR	1x2, 1x3	\$275,000	9.6%	Merivale	RC	4x1	\$550,000	5%
City	RF	1x3	\$235,000	6.9%	City	RR	4x2	\$1,050,000	N/A
Sydenham	RF	1x3	\$124,000	7.9%	Wigram	RR	2x2	\$298,000	8%
St Albans	RR	2x2	\$245,000	7.7%	City	RF	1x	\$180,000	7.2%
Sydenham	RR	8x2	\$675,000	9.5%	St A/ Mer	RR	2x2	\$298,000	7.2%
Richmond	RF	1x2	\$100,000	8.8%	St Albans	RC	5 units	\$162,000	10%
Bishopdale	RF	1x2	\$137,500	8%	Richmond	RR	2x2	\$218,000	7.1%
					Riccarton	RF	1x2	\$162,500	7%

PROPERTIES FOR SALE



Roimata 2 bdrm bungalow. Rented at \$195 pw. Suit younger family or first time investor. N/O \$110,000



City Apartment. 2 bdrm. Rental appraised at \$370 - \$380 pw furnished. Great town pad or invest. From N/O \$205,000



4x2 bdrm Merivale block. Rented up to \$210pw each. Solidly built. Prime location. N/O \$680,000



Central city. 2x2bd units in block of eight. Avail separately. Rentals at \$280 pw. N/O \$170,000each.



Hornby/ Hei Hei. 3 bdrm perm. Mat. House. 890m2. Ideal rental or first home owner. N/O \$144,500



Riccarton. 6x4 bedroom student units. Rental up to \$300pw. Neg over \$895,000.