

Green Shoots

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The current talk is to speak of green shoots in relation to the economy. In order to nurture green shoots, in horticultural terms, you must have nutrients, and using that analogy, the lifestyle property market has a shortage of nutrients. This translates to a lack of stock - sufficient people to pick the product, i.e. purchasers, and willing sellers prepared to meet current market conditions.

Marketwise, the National Business Review has suggested, in an article of the 3rd of July, that lifestyle properties in the Waikato have plunged 25% in value over the past 24 months, while Quotable Value is suggesting a 21% decrease in lifestyle property values. Both of these commentators have extensive experience in the marketplace.

This presents sellers with two choices either lower their expectations, or withdraw from the market until better times. Informed commentators, right across the real estate spectrum, do not see a rapid recovery of property values to levels of 2 years ago. The current sales levels in value terms equate to those of late 2005. Seemingly, a two market system has developed, where the forties and under age group has grasped the current market situation and is getting on with life, while the more mature group has dug in for the long haul, hoping for better times in the future. The mature age group has a bigger stake in the property market, i.e. more valuable properties and probably greater equity in these properties, and are exercising the right to stay put. This has had the effect of few lifestyle properties in the Waikato County selling in the \$750,000 to \$1,200,000 bracket in the 6 months to date this year - substantially down from historic transaction figures.

There is a steady demand for sections \$300,000 and under - a number at this level have sold in the last 6 weeks, which leaves the purchasers and vendors in a stand-off with large amounts of stock being priced at the mid \$300's through to the early \$400's. Only time is going to tell whether the vendors can hold out long enough for values to recover.

For the green shoots not to wither on the plant, we just need an acceptance of the current market conditions by all. Interest rates are at their most favourable for many years and spring is close by - conditions that should contribute to increased market activity in the near future. A great time to sell - a great time to purchase.

It's worthwhile remembering that the people who get on in this world are the people who get up and look for the circumstances they want, and, if they can't find them, make them.



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