

The Winds Of Change

The current market, over the last three months, is a world away from the market of six months ago. Six months ago, one could ask – was there any rationale to the prices paid during that helter-skelter period of time? Money was cheap, historically, and many purchasers took the opportunity to compete with one another to upgrade, but competition resulted in a massive upturn in the median price, equally applied to lifestyle and residential properties.

Reviewing the last three months is like looking at a totally different environment. Interest rates are creeping up, but based on historic levels, are still very low, so no good reason for a slow down in the number of sales being made. I believe the major factor is the psychological effect of Covid on the population, whereby hunkering down and less social activity has become the norm for the population of the moment. Open homes are a great reflection of this – previously there would be a number of open home viewers best described as “just curious” whereas with recent open homes, basically the people coming through have been the motivated purchasers. While “tire kickers” is a common term used for people who are just being curious, it doesn’t take into the fact that those people are educating themselves on values in the marketplace – a Kiwi habit, as housing is our main form of asset-building.

Of particular note, in the last period of time, is the reluctance of the banks to lend money to prospective purchasers. They are claiming financial restrictions by the government have put them in a position where they are less likely to lend. This doesn’t seem to make a lot of sense, given that banks need to lend to make a profit. Perhaps one should ask the question – do they have a certain amount of nervousness regarding the potential number of mortgagee sales that may happen in the future as a result of over-lending? Time will answer that question.

Residential-wise, record numbers of houses and units have been built in the last twelve months, which is now starting to balance that market to an equal point where, at this stage, it is neither a buyer’s market nor a seller’s market, but pointing towards a buyer’s market in the future. This scenario does not apply to the lifestyle market, purely because the release of land for subdivision by the district councils is severely restricted under the district plans. This means a shortage of land and in the favoured areas, lifestyle sections of around 5000m² have sold for prices in excess of \$1,000,000. Extrapolating this out to the final cost after erection of a dwelling, which is now costing between \$3,000 and \$4,000 per square metre, this means that a finished product is going to be around \$2,500,000 on a section of this size. There appears to be no plans to release more land for subdivision in the near future, so crystal ball-gazing, we see no fundamental changes to the market forces because of this fact.

In reviewing the sales data for the last twelve months, we find that the majority of sales above \$1.7M on 1 hectare of land or less, have taken place in the Tamahere and Cambridge areas. Riverside settings predominate in the top-end of sales. We find a two-prong market where \$2M is now reasonably commonplace, and the second tier up to \$4M, albeit a small number of sales at that level.

So the bottom line is, irrespective of values, if you are buying and selling on the same market, you are in tune with the values of the day, so go forward with your plans, which is the Kiwi way. The only time to be concerned is when you are selling up to move into a retirement home or overseas – then the value of the moment will have much more relevance to your immediate needs.

If you need a steady hand on the wheel, myself and Ali are here to offer our combined 40 years of real estate experience to help you achieve your desired result. We’re always here to help – give us a call, whatever your needs are.



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