

Increased optimism for the property market

In the second quarterly survey of the New Zealand housing market carried out by QV.co.nz there are signs of improving optimism.

There were plenty of positive comments about the strength of the market in some areas. Good quality, well presented properties were noted to be holding their value well, amid a recent sharp increase in buyer activity. Property values and lower interest rates mean that nearly 6 out of 10 respondents still believe that now is a good time to buy.

Expectations of house price changes over the next year remain negative, although they have improved considerably over the quarter.

There was a strong sentiment expressed by some respondents that the current stability in the property market can't be sustained, and that negative signs in the global and New Zealand economies must impact house prices. There was also a commonly expressed view that New Zealand house prices have become increasingly unaffordable and that a correction is necessary, and that the worst was yet to come. However the results of the survey show that the number of people holding this view is declining with only a quarter of the respondents expecting further significant declines in property values compared to nearly half the respondents holding this view in our March survey.

There has been a strong increase in the number of people considering buying within the next twelve months, but also a sharp decline in those considering selling. The timing of their activity within the next twelve months has also changed since the March survey, with more people now intending to hold off for at least the next six months. However a higher percentage of those intending to sell are looking to do so within the next three months. This may mean the market will remain more active during winter despite the overall decline in people intending to sell within the year.

Property values remain the most common reason to buy or sell within the next year. Interest rates also rank highly, although have less influence than last quarter due to recent rises in mortgage rates. Signs of increasing unemployment have pushed up job security as an influencing factor.

Looking to buy or sell investment property remains a key reason for people to get back into the market, and is at the same level as our March survey. The number of people looking to upgrade or downsize has also risen, but those looking to move to another area, buy their first home, or buy their first investment property have dropped.

Overall, the qv.co.nz housing survey suggests improving confidence, balanced with some caution:

- A net 38% of respondents believe that now is a good time to buy, up from 30% in March

- Respondents expecting house prices to decrease over the next twelve months has dropped considerably from a net 50% in our March survey to a net 21% in June
- Of the main factors influencing the decision to buy or sell, 51% of respondents listed property values, 32% listed interest rates, and 29% listed Job Security
- 46% of respondents are considering buying in the next 12 months, and 32% selling
- 31% of respondents listed investment property as the main reason for buying or selling

Now is still a good time to buy

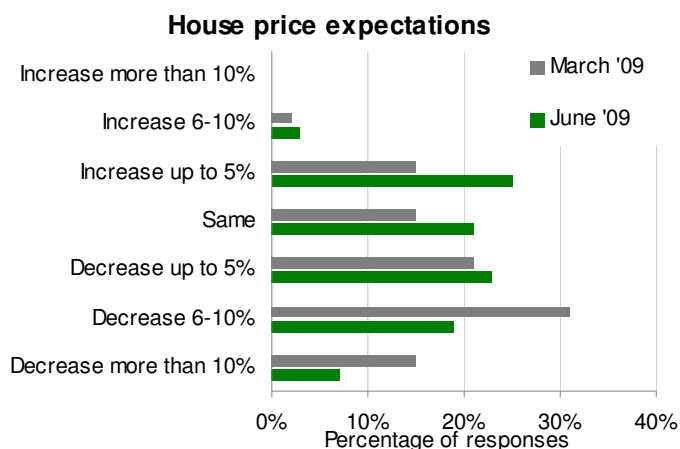
A net 38% of respondents believe that now is a good time to buy, up from 30% in March. This is likely to be driven by the view of many respondents that declines in property values over the last 18 months have made property more affordable, combined with interest rates at historically low levels. The breakdown is:

- 57% agreed or strongly agreed that now is a good time to buy (54% in March)
- 19% disagreed or strongly disagreed (24%)
- This leads to a net 38% believing now is a good time to buy (30%)
- 23% were neutral (21%)

A shift towards optimism in house prices over the next year

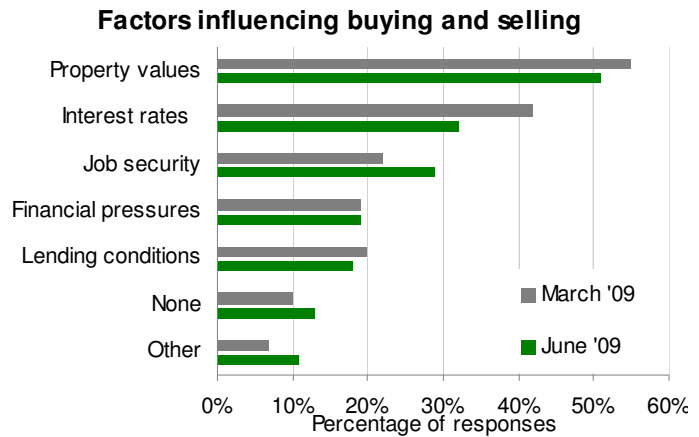
There are signs of increased optimism in expectations of house price movement over the next twelve months. While overall a net 21% of respondents still expect prices to decrease further over the next twelve months, this is a considerable improvement on the net 50% last quarter. There are now only 26% expecting further declines of more than 5% compared to the 46% who thought this in the March survey. These results reflect some respondents' views that we have already experienced a large part of an overall decline in property values, and that we are seeing increasing signs of recovery in the economy. While there are clearly still respondents who believe there is still worse to come, their view seems less common. The breakdown is:

- A total of 49% expect further house price decreases (down from 67% in March)
- A total of 28% expect house prices to increase (up from 17% in March)
- This leads to a net of 21% expecting further decreases (down from 50%)
- 21% expect values to remain the same (15% in March)



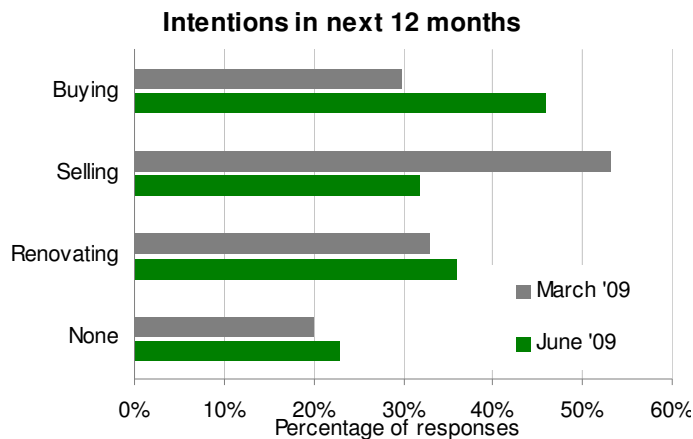
Property values remain the strongest influencing factor

Property values were the factor most likely to influence the decision to buy or sell over the next twelve months with 51% of respondents rating this as a factor, slightly down from the 55% last quarter. The biggest change since March's results are that 32% of respondents see interest rates as a strong driver, down from 42% in March. This is likely to be driven by recent increases in long term mortgage rates. There has been an increase in the number of people seeing Job Security as a key driver to their property decisions, up to 29% from 22% last quarter. This reflects the worsening outlook for unemployment.



Intention to buy increasing, sell decreasing

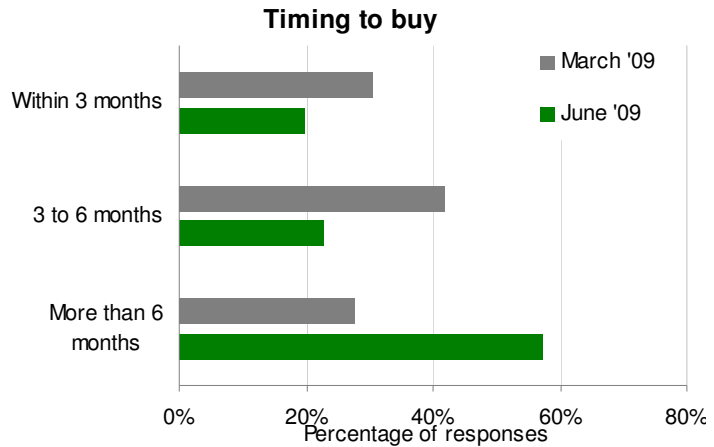
The percentage of people intending to buy a property in the next twelve months has increased sharply to 46%, up from 30% in March. However the number of people considering selling has dropped from 53% to 32%. There has been a slight increase in those intending to renovate, and a slight decrease in those intending to do nothing. The increasing number of buyers, but falling sellers, may worsen the current market situation of too few quality listings to satisfy buyer demand.



Buyers intending to hold off

While the number of people intending to buy in the next twelve months has risen, the timing of this purchase has shifted compared to the March results. There are now 57% of respondents not intending to buy for at least six months, compared to March when only 28% intended to wait that long. As a result there are fewer people looking to buy in the next three months (20% down from 31%) and fewer looking to buy in three to six months (23% down from 42%).

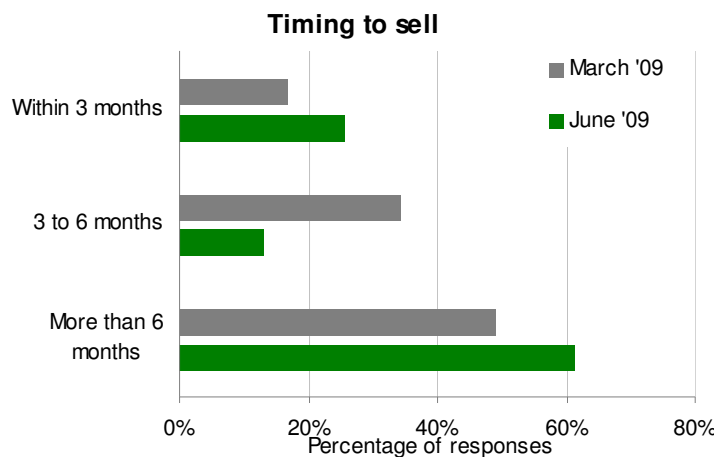
Comments from our respondents suggested two clear opinions. One group believe that it is best to buy soon before the market recovers, bringing more buyers, increased competition, and hence increasing prices. Another group expressed the strong sentiment that there was much worse to come, with property values inevitably falling further. The results of this question suggest that the second view is more prevalent than the first.



Sellers more split in their timing

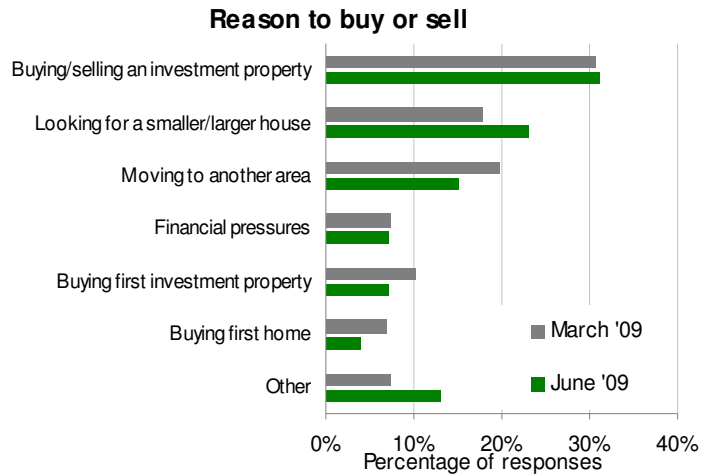
More sellers intend to hold off for at least another six months compared to our March survey, up to 61% from 49%. This supports the view expressed by some respondents that there has been an increase in sellers holding back until the market improves. However, unlike buyers, there has been an increase in people intending to sell within three months, up to 26% from 17% in March. This perhaps represents another group of respondents who felt the market would fall further, so it would be best to sell soon and take advantage of the recent increase in motivated buyers in the market.

The number of people intending to sell in three to six months has dropped markedly to 13% from 34% in March which may signal a shortage of properties for sale in the coming spring.



Investment property remains a key reason to buy or sell

Investment property as a reason to buy or sell remained at 31%. There has been an increase to 23% (from 18% in March) of people looking to upgrade or downsize their property. In many areas, values at the upper end of the market have decreased more than the lower parts of the market, which makes upgrading more affordable. Since the March survey, people moving to another area has dropped from 20% to 15%, first home buyers have dropped from 7% to 4%, and first investment property buyers from 10% to 7%.



Comments reflect a diverse market

We received many comments from the respondents to the survey and they showed both how varied the overall property market is, and how varied people's opinions are. However the overall results point to improving optimism, and clearly more intention to get back into the property market, even if not for a few months.

An overall drop in the number of people intending to sell may signal continued shortages of properties on the market throughout winter, although this may be offset to some extent by more of the sellers looking to sell in the short term.

The degree of change between the March and June surveys shows how quickly sentiment can change in response to current market conditions. Our next survey in September will be a fascinating insight into the property market in Spring, which is traditionally a peak season.

Note: All recipients of the monthly QV property value map email sent on June 8th 2009 were invited to complete the survey. 925 responses were received.

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