

Increased optimism for the property market

The results of the latest quarterly survey of the New Zealand housing market carried out by QV.co.nz shows more signs of optimism in the housing market.

In a dramatic change from last quarter's survey, the majority of respondents now expect house prices to rise over the coming year, rather than fall. This reflects the relatively rapid turnaround in property values that we have seen since earlier this year, which was largely unexpected. There were plenty of anecdotal comments in the survey noting more interested buyers in the market, and a shortage of quality properties available for sale, leading to these properties selling quickly and prices being strong.

Compared to last quarter's survey, a lower proportion of respondents were concerned about financial pressures and job security, seemingly reflecting signs that the worst of the recession is over.

The proportion of respondents who believe that now is a good time to buy has remained steady, as has the number of people considering buying or selling in the next year. What has changed over the quarter is that those who are considering buying or selling are now thinking of doing so within the next six months rather than waiting longer as was the case last quarter. The reasons for buying or selling have also shifted slightly with an increase in people considering moving to another area, and a slight increase in first home buyers.

Despite these optimistic results, the comments received suggest people are still cautious, particularly over whether positive signs in the economy will persist beyond the short term.

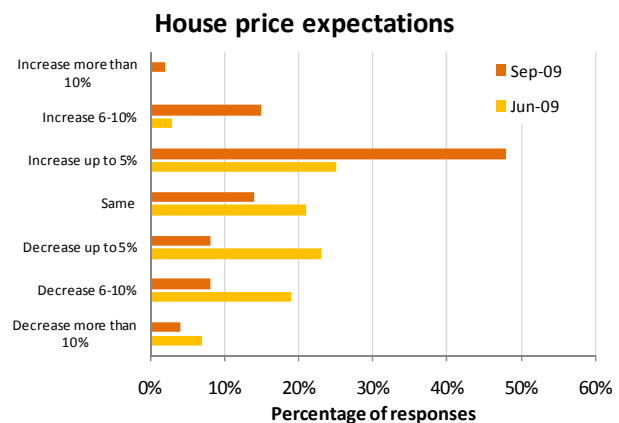
Overall, the QV.co.nz housing survey results show signs of optimism:

- A net 41% of respondents believe that now is a good time to buy, up from 38% in June
- There has been a dramatic turnaround in expectations for house prices over the next twelve months, with a net 45% of respondents expecting house prices to increase, compared to a net 21% expecting a decrease in the June survey
- Of the main factors influencing the decision to buy or sell, job security, financial pressures and lending conditions are now less important than last quarter
- There has been little change since last quarter in intentions for the next year, with 46% still intending to buy and 35% intending to sell
- There has been an increase in the number of respondents intending to buy or sell in the next three months

Most expect house prices to rise over the coming year

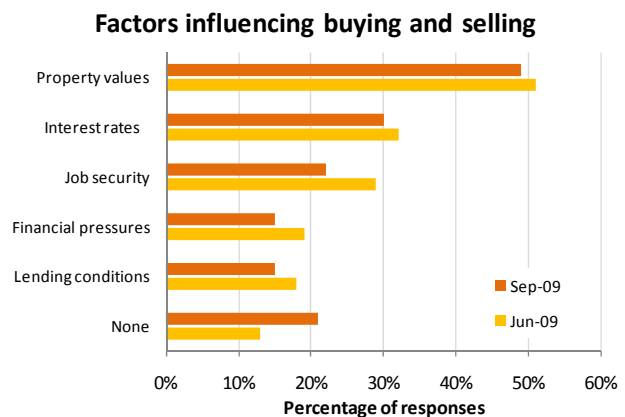
The biggest change since last quarter's survey is in people's expectations of house prices over the next year. 65% now expect prices to rise, compared to 28% last quarter and 17% in the March quarter. Only 20% expect a decrease, compared to 49% last quarter and 67% in the March quarter. This gives a net 45% expecting house prices to increase, a big change from the net 21% who expected a decrease last quarter. This suggests that the turnaround in property values seen over the last few months was not what most people expected. However the majority now believe that this turnaround will continue for the next year. There are now only 4% who expect prices to decline by more than 10% over the next year, down from 15% in March. Comments suggest that there are still people who believe that a further decline in prices will come at a later stage. The breakdown is:

- 65% expect house prices to increase (up from 28% in June)
- 20% expect further house price decreases (down from 49% in June)
- A net 45% expect increases (21% expected decreases in June)
- 14% expect values to remain the same (21% in June)



Less concern about wider economic factors

Property values remain the factor most likely to influence the decision to buy or sell over the next twelve months with 49% of respondents rating this as a factor, slightly down from the 51% last quarter. There has been a decrease in the number of people rating job security, financial pressures, and lending conditions as factors influencing their decisions. This is a result of signs of an end to the recession and an improved outlook for the economy and employment.



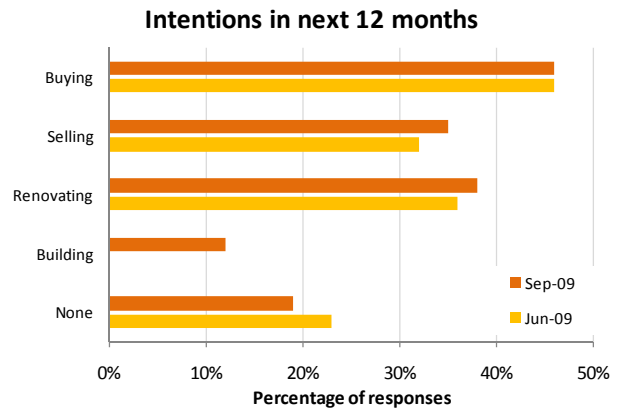
Now is still a good time to buy

A net 41% of respondents believe that now is a good time to buy, up slightly from 38% in June. This is despite recent increases in property values. The breakdown is:

- 57% agreed or strongly agreed that now is a good time to buy (same as June)
- 16% disagreed or strongly disagreed (19% in June)
- This leads to a net 41% believing now is a good time to buy (38% in June)
- 27% were neutral (23% in June)

Intention to buy and sell steady

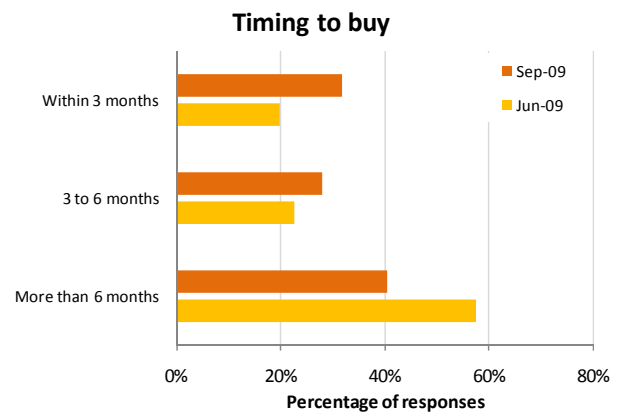
People's intentions to buy and sell in the next twelve months have remained steady since last quarter's survey. 46% still intend to buy, and 35% intend to sell (up slightly from 32% last quarter). There has been widespread reporting of an undersupply of properties on the market, and these results suggest that there may not be a significant increase in properties for sale to change this imbalance.



More intending to buy sooner

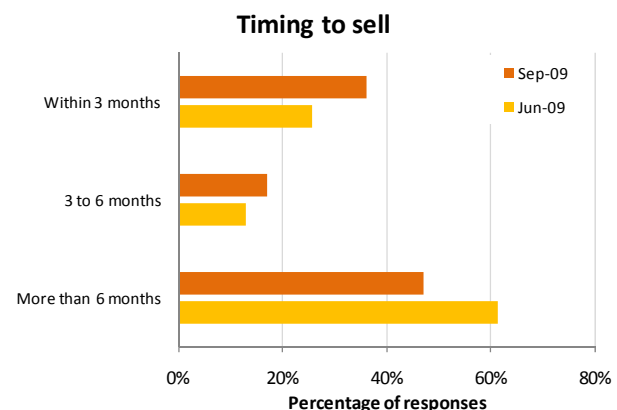
Of those intending to buy in the next year, a higher proportion of them now intend to buy sooner rather than later compared to our last survey. Some of this will be seasonally related, with Spring traditionally busier than winter. It probably also reflects the view that prices are likely to increase over the next year, so now is a good time to buy for those that can afford it. The breakdown is:

- 32% intend to buy within 3 months (20% in June)
- 28% intend to buy in 3 to 6 months (23% in June)
- 40% intend to buy in 6 to 12 months time (down from 57% in June)



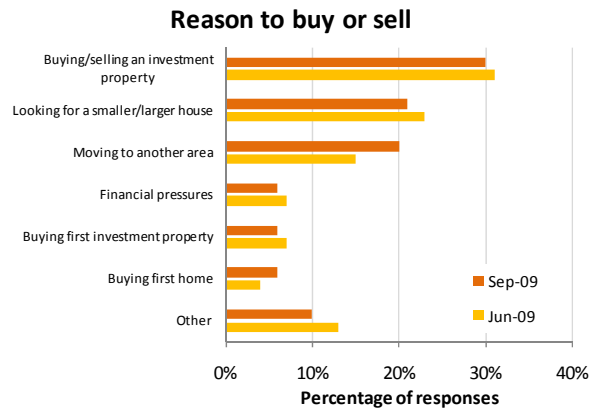
More also intending to sell sooner

Like those intending to buy, there are now more people intending to sell in the next six months rather than hold off for longer. 36% intend to sell within three months, and 17% in three to six months. As a result 47% intend to sell in six to twelve months. This is a change from last quarter when 61% intended to hold off for at least six months, and only 26% intended to sell within three months. If more properties came onto the market over spring then this may lessen the competition for available properties and lead to a stabilization of prices.



Increase in people moving to other areas

The reasons for buying and selling property have remained relatively stable over the last quarter. An increase in market activity has seen a corresponding increase in the number of people moving areas (from 15% last quarter to 20%). The number of first home buyers has also risen from 4% to 6% over the quarter. Investment property remains the most common reason for buying or selling.



Cautious comments remain

Many of the comments we received mention a marked increase in activity in the market, with competition for a shortage of properties leading to properties selling quickly. Stronger prices are noted, with most putting this down to the lack of supply.

Despite the clear signs of optimism, comments also suggest that people are cautious over any recovery. There were many comments expressing the view that property is fundamentally overvalued, and still highly unaffordable. There was a feeling that wider economic factors were still unstable or uncertain enough that a further downward correction in house prices was likely.

Interestingly, mentions of capital gains tax started to appear in comments for the first time, most likely as a result of the increased airtime that issue has been getting lately. Of those that mentioned it, most seemed to be in favour of a capital gains tax on investment properties in the belief that this would prevent further house price inflation. There is clearly much more debate yet to be had on the issue of tax on property over the coming months.

There has been a considerable change in sentiment since the last survey, as there also was in the previous survey. This continues to show how quickly the market, and people's view of it, are changing. Early signs are that there has been an increase in market activity in spring, but possibly not enough to correct the current imbalance of too few properties available for sale. The property market is likely to change further in the coming months.

Note: All recipients of the monthly QV property value map email sent on Sept 7th 2009 were invited to complete the survey. 449 responses were received.

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