NEW ZEALAND REACHES NEW RECORD MEDIAN HOUSE PRICE: RATE OF GROWTH SHOWS SIGNS OF EASING

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Two out of 16 regions reached new record median prices, two regions saw equal records and 20 districts reached new record median highs. Th- NZ median house price for New Zealand excluding Auckland increased by 23.3% from $557,500 in July last year to a new record of $687,500 in July 2021.

Auckland again underpinned the strength in the New Zealand median, reaching a record median house price in July, up 28.0% from $918,000 in July 2020 to $1,175,000 in July 2021.

In addition to Auckland, 3 other regions reached record median prices. They were: • Canterbury: with a 24.7% increase from $477,000 in July 2020 to a new record of $595,000 in July 2021. Additionally, Selwyn District ($740,000), Waimakariri District ($620,000), Timaru District ($460,000) and Ashburton District ($458,000) all reached record median highs • Manawatu/Wanganui: with a 31.8% increase from $440,000 in July 2020 to a record equal of $580,000 in June 2021 -

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July 2021 Price Distribution

$1 million plus	2,516	35%
$750,000 - $999,999	1,657	23.1%
$500,000 - $749,999	1,951	27.1%
Under $500,000	1,063	14.8%
All Properties Sold	7,187	100.0%

– flat from last month. Additionally, Palmerston North City ($678,000), Manawatu District ($629,000), Rangitikei District ($520,000) and Tararua District ($445,000) all reached record median prices • Southland: with a 16.7% increase from $360,000 in July 2020 to a record equal of $420,000 in July 2021 – the same as last month.

Jen Baird, Chief Executive at REINZ says: "House prices have continued to rise across the country as every region saw a year-on-year increase from July 2020. The last two months have shown early indications that the rate of growth is starting to ease, however, it is too early to say whether this is the usual winter easing we would normally see or if the Government's intervention in the market and signalled changes to the OCR are starting to take effect. "The strength of the market has again been reflected in the REINZ House Price Index which reached a new high on the index nationally. Every region across New Zealand reached a record level in July, indicating the underlying value of property is holding strong and will likely do so for a few months yet," continues Baird.

LOCKDOWN LEADS TO A HOLD ON CASH RATE

Given the move back to COVID alert level four it's no surprise that the Reserve Bank (RBNZ) has chosen to delay an increase to the official cash rate (OCR). The rise could presumably happen as soon as there is a bit more certainty around lockdown, rather than necessarily needing to wait until the next 'official' opportunity on 6th October.
Lockdown could also mean that any looming OCR increase is more likely to be a gradual 0.25% rather than the 0.50% rise that many were speculating about. Even so, whilst acknowledging that uncertainty is obviously very high right now, inflation is above target and employment is high, so there's still a case for higher rates. Indeed, the RBNZ itself has projected the OCR hitting 2% by about the middle of 2023 – i.e. 1.75% higher than it is now.

For the property market, the medium term outlook of continued rises in mortgage rates means that borrowers are going to have to divert more money towards paying their mortgage, and some may not be able to access as much home finance as before. Either way, this is another headwind for the market, in addition to regulatory changes such as tighter loan to value ratio rules and the phased removal of interest deductibility for investors.

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From a financial stability perspective, the hope has to be that borrowers recognise that even a small rise in mortgage rates from a low level equates to a large proportional change – and a significant rise in their repayments (whenever their current fixed rate comes up for renewal). In the event that mortgage rates rose from 2.5% to 4% over a period of time, somebody buying the average property at a value of $922,421, with a 30-year mortgage and a 20% deposit, would see fortnightly repayments rise by roughly $280 (or nearly $7,300 annually).

“a small rise in mortgage rates from a low level equates to . a significant rise in their repayments”

On the whole, we’ve all got a tricky period to negotiate. But assuming short lockdowns, not much has changed in terms of the property outlook. Our view is that sales activity and price growth are close to (or at) a peak, and that both will ease for the rest of 2021 and into 2022. However, with unemployment low and in the absence of a GFC-style credit crunch, a full-on property downturn still seems unlikely – especially since the expected end point for interest rates will still be low.

This article is written by Kelvin Davidson for Corelogic

https://www.corelogic.co.nz/news/official-cash-rate-July2021#.YPYPhegzaUk

WHAT MAKES A GREAT INVESTMENT PROPERTY?

Do you ever wonder how some property investors seem to have continually added to their portfolio and get wealthier and wealthier, whereas the vast majority buy a few properties and then can't go any further?

So, what separates the really successful investors from the average investors? It is the properties they buy and how they look at their investments.

Treat your property investment like a business. Know what your objectives are. Most investors want to create a passive income stream. What is yours?

So, what separates the really successful investors from the average investors?

Before you make a purchase of an investment property you will need to know what makes a great residential investment property.

If the property covers all costs of ownership (mortgage interest, rates, insurance and maintenance), it won't put additional strain on your resources, making it easy to own. As rents increase, a property that covers its costs today, should produce increasingly positive cash-flows in the future, giving you your passive income. This is essential. If a property doesn't have good income, look for another.

Look for a property that is located in an area that is appealing to tenants. There will have periods of vacancy, but if the property is in an area that is appealing to tenants, you will easily be able to replace tenants when they leave. The majority of tenants want to live close to shops, transport links and other services. Close to the city and suburban shopping centres is best. So, Location! Location! Location!

The configuration will also need to appeal to as many prospective tenants - and future buyers - as possible. Your target tenant market will depend on the location, so too different configurations will be suitable depending on the location. 2-bedroom apartments maybe great for inner city professional couples, but not in the suburbs. Where a 7-bedroom house maybe a higher risk than a 4-bed house with a 3-bed flat below, or a 3-bedroom house is lower risk than 3 x 1-bed flats. Consider not only the number of bedrooms but the layout, eg open plan living areas.

If you can add value, and increase rental income, this may fast track your ability to get your next property faster. Simple cosmetic renovations can be done quite cost effectively and can add significant rental income. Adding an extra bedroom from a large lounge or repurposing a laundry room will add enormous rental income and value to the property. Turn a basement into a self-contained flat. A large back yard may fit a self-contained “tiny home” unit. You might be able to subdivide the back yard in the future. All these options represent equity. This can increase your loan to value ratio giving you the opportunity for your next investment.

Often investors throw in the towel because of the seemingly ongoing maintenance costs. “Healthy Home” law changes have certainly added to this in the last couple of years. Look for low maintenance options. When repairs do need to be done, don’t do patch jobs. Eventually the job will need to be done right. A property that requires lots of ongoing maintenance is time consuming and money wasting, which in turn will keep you from continuing to building your portfolio.

Another reason property investors give up is dealing with tenants. Chasing rent, water charges, moving in, moving out, property inspections… and the list goes on. A good property manager can take the hassle out of all this. While pay them a percentage of the rent, they also insure you get a good tenant, by running credit and background checks, and make sure you stay compliant with the latest legislation. A good property manager is well worth the money.

In summary, if you can buy a well maintained, free-standing property with a fee simple title, in a high demand location, with a strong cashflow and the ability to add value, then you are in PROPERTY INVESTMENT HEAVEN!

Use the below check list to make your next investment. Maybe your current investments have added earning / value potential that you haven't realised yet. If you have owned your investment property for some time, you may have already accumulated enough equity to purchase your next investment.

- Location
- Potential rental income (Yield)
- Cover cost
- Appeal to potential tenant
- Add value opportunity
- Low Maintenance costs
- Capital Gain potential

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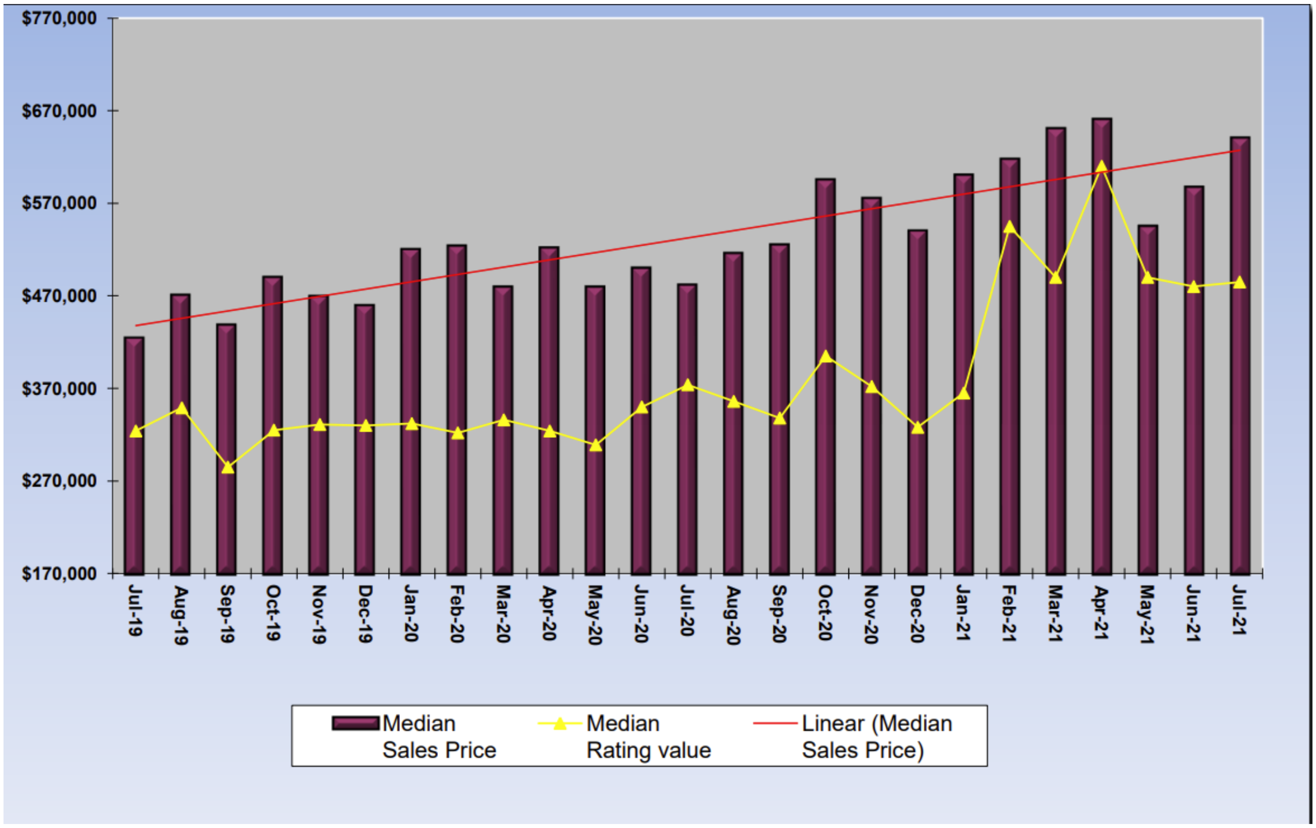
ROTORUA SALES LAST 24 MONTHS TO JULY 2021

This month we have added a new monthly graph showing the total sales volume for 2021 with a predicted trendline for the year.

This graph is influenced by the median sale price and the number of sales each month (which in turn is influenced by the number of new listings each month).

The result is a quick snapshot of how the Rotorua market is performing month on month.

Date	Median Sales Price	Median Rating value	Number of Sales	Median Days to Sell
Jul-19	$425,000	$324,000	112	45
Aug-19	$471,000	$349,000	100	32
Sep-19	$439,000	$285,000	106	42
Oct-19	$490,000	$325,000	117	37
Nov-19	$470,000	$331,000	123	32
Dec-19	$460,000	$330,000	100	38
Jan-20	$520,000	$332,000	75	44
Feb-20	$524,000	$322,000	113	42
Mar-20	$480,000	$336,000	89	31
Apr-20	$522,000	$324,000	15	24
May-20	$480,000	$309,000	44	67
Jun-20	$500,000	$350,000	116	65
Jul-20	$482,000	$374,000	104	50
Aug-20	$516,000	$356,000	124	44
Sep-20	$525,000	$338,000	143	39
Oct-20	$595,000	$405,000	114	39
Nov-20	$575,000	$372,000	161	31
Dec-20	$540,000	$328,000	139	27
Jan-21	$600,000	$365,000	77	37
Feb-21	$617,000	$545,000	96	37
Mar-21	$650,000	$490,000	114	28
Apr-21	$660,000	$610,000	110	31
May-21	$545,000	$490,000	117	41
Jun-21	$587,000	$480,000	90	34
Jul-21	$640,000	$485,000	96	32
Average:	**$532,520**	**$382,200**	**104**	**39**
Differential to GV:		-39%		



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