

# Economist predicts long term strength for NZ property market

New Zealand's economy is in for some rough times in the near future, but conditions look far better in the medium-term, says a leading economist who recently spoke at Bayleys national conference.



ANZ National Bank chief economist Cameron Bagrie says the property market is going through a familiar cycle: six years of growth followed by a year of stabilising prices and two to four years of 'flattening' where rising wages push close the affordability gap.

Mr Bagrie said house prices rose 92 per cent over the past six years, similar to booms of the 1970s and 1980s. He is more concerned about the over-valuation of land, which rose on average 132 per cent over the past seven years and should see the biggest drop.

"The big picture is that we've eaten like an elephant for the past five years. Now we're going through the rebalancing phase where those sectors which have done well since 2003 will find it tough. Conversely, sectors which have been struggling, such as exporters, will do better from 2009 onwards."

Short-term, Mr Bagrie predicts property prices will drop 10 - 20 per cent, followed by an upward correction and slow improvement with a return of real strength in the 5-10 year time frame.

"There's still a lot of cash around - investors and speculators who pulled out of the market in 2006 and are sitting back smoking a cigar just waiting for the right time to re-enter the market," he says.

In July, the Reserve Bank reduced the Official Cash Rate (OCR) from 8.25% to 8.0% and Mr Bagrie believes it will continue to drop towards 6% next year.

### What's that mean for my house?

Values have slipped and are expected to continue falling in the near term. To understand the trend, look at sales of comparable properties in your area in the *last three months*, not the last year.

Properties sold a year or two ago are not an accurate guide to values in this market. However, prices are expected to recover in the mid-term and property remains a good long-term investment.



### Brighten up a teen space

Of all the rooms in the house, the bedrooms of older children and teenagers can be the messiest. This can be a real detractor if you are trying to sell your home. Here are a few tips for making a "clean sweep."



Set aside a morning for a clear out. Hand your teen some big trash bags and get to work.

Assess the clothes: Make three piles: keep, store, donate/trash. Get rid of everything you can. Store out-of-season gear in big clear bins under the bed or in the closet. Everything else goes back in the drawers.

Clear out closets: There will be piles of things your teen doesn't care about any longer and can go in the bin. Organize miscellaneous items into plastic boxes and put the rest back.

Stow the keepsakes: Most teens have a hard time getting rid of items from childhood. Help them choose a few to display. The rest goes in the trash, or if it can't be parted with quite yet, in a box in the garage.

Install a shelf above the bed: This is the perfect place to show off those special mementos, photos, or collections.

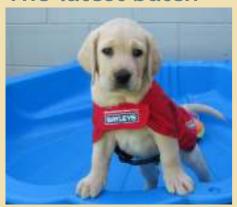
Insist on regular tidy-ups: Once a week, give them another trash bag and tell them you will dispose of anything left on the floor after one hour.

If the room still looks messy: It probably has too much furniture or electronic equipment and will look better with less.

Last step: A fresh coat of paint will transform the room and motivate your teen to keep it clean.

## homefront

### The latest batch



Each year, Bayleys offices raise funds to sponsor guide dog puppies to become Guide Dogs for the Blind, which costs \$22,500 per dog. So far Bayleys has raised enough for 75 new Guide Dogs. The latest batch to enter "Guide Dog School" and their office sponsors were:

JB (above) & Whispa - Bayleys Realty Group

Jim & Izzy (Dunedin)

Kingston (Christchurch)

Kirby (Auckland)

Archie (Counties, Manukau & Howick)

Xavier & Molly (Wellington)

Cashie (Tauranga, Rotorua, Mt Maunganui

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