



## Forces at play in the property market

The drop in mortgage rates in February has made housing more affordable, and consequently a rebound in the housing market was recorded in March, according to ANZ chief economist Cameron Bagrie. "We will likely see further signs of increased activity in the next few months, judging from anecdotes we are hearing, not to mention the mad rush we have seen to fix longer term in April," he said.

"Migration is being seen as the housing market's saviour, and we are detecting signs of improvement. While encouraging, we suspect it will not be until 2010 that the impact of this pick up in migration - if sustained - will be felt," Mr Bagrie added.

Large swings in external migration tend to generate significant fluctuations in the demand (and ultimately pricing) for residential housing. In the early part of the decade migration flows peaked at 42,000 per annum - partly driven by an influx of international student arrivals. This, along with easy access to credit, a strong economy, and insatiable risk appetites, contributed to a significant boom period for the New Zealand property market

However, Mr Bagrie says migration flows then eased, and in fact some negative monthly outflows were recorded over 2008 - something that has not occurred since 2001. Encouragingly though, there are some early signs that migration is now stabilising (or even improving), largely driven by less New Zealanders leaving.

"At a time when the property market generally remains depressed, positive migration will help to at least provide a base level of support," says Mr Bagrie.

"There is no doubt that increased migration inflows are a positive for both the housing market and the economy as a whole.

"The recent early sign that migration is improving, albeit as a result of less New Zealanders leaving, is encouraging and will help provide a base level of support to the housing market," says Mr Bagrie.

However, migration is not the holy grail of drivers for the property market. There are other forces at play.

A deteriorating labour market will impact - particularly as the housing market turned when the unemployment rate was still at historically low levels. The risk is that the recent pick-up in the housing market activity will not be maintained. Therefore, the rise in migration inflows, if sustained, is more likely to be a key accelerant over 2010, rather than a 2009 story.

A rebound in the housing market will not deter the RBNZ from cutting rates further. It is no longer about the housing market (it hasn't been for some time). Instead, it is more a case of whether there is a risk of adverse conditions from a higher unemployment rate hindering the economy, especially at a time when the economy is yet to really find a base.

# The right person for the job

There are around 5100 real estate salespeople in Auckland, most of who would be eager for you to list with them. They all have different philosophies and styles - so it pays to shop around before you choose, to ensure you sign up with the right agent for you and your property.



**Are they capable?:** You want to go to someone who is able and capable - look at what experience they have in sales or real estate - ask to see a sales record that relates to your area.

**References:** Another good way to pick an agent is from personal reference. It's critical to get an agent you can trust, as you could be in for a three to four month relationship with them. Ask your friends who they have used, or if they know any good sales people.

**Talk to them:** Have a good chat with the agent, as you need to see that you're on the same wavelength. Hopefully they'll be on your doorstep every other day, so you need to ask yourself if you feel comfortable about trusting this person to sell your house.

**Do your homework:** Do a bit of legwork to narrow down your options. Walk around your neighborhood looking at the signs, and see who the active agents are in the area. Note the 'sold' signs as well. Also look through the community property media – such as the property press - to see who is placing ads. When real estate fliers come through your mail-box, check the agent's name and the effectiveness of their promotion.

**Spy:** Go to a potential agents' open home, and check how they present the other homes they are trying to sell. How do they come across to you, the 'potential buyer'? You can learn a lot about a sales person when you come across them as a prospective purchaser, as this is most likely how they would treat your potential buyers.

**Attitude:** It's all about attitude. How positive are they about getting a result? They have to be results-driven and have a genuine enthusiasm for your property.

## homefront

**Mortgage borrowing - what is the best strategy** *by ANZ chief economist Cameron Bagrie*

Fixed mortgage rates have falling quickly over the past 12 months. However, as we start to approach the end of the monetary policy easing cycle, we expect the pace of the decline in mortgage rates to slow down. In fact we've already seen long-term rates lift back up, and people are naturally conscious as to whether they have missed the boat.

Shorter-term fixed rates are set to fall further, and typically follow the official cash rate closely. However, long-term rates tend to move up and down as market expectations change and what the reserve bank sets bares little resemblance to banks' cost of funds. Rising deposit rates are putting pressure on long-term rates to move up. It is unlikely that long-term rates will fall when the reserve bank does actually cut.

If your objective is to minimise the overall cost of funds over a medium-term then this will best be achieved by remaining floating or fixing very short-term for now and fixing further at a later date.

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