



## ‘Interest’- ing state of property market

According to ANZ, interest rates have continued their rapid descent, with future cuts to the Official Cash Rate being anticipated. Accordingly, house affordability and debt servicing are moving in favour of new buyers. The ANZ uses 8 gauges to assess the state of New Zealand’s housing market.

**1. Affordability:** Lower mortgage rates have made mortgages more affordable. However, ANZ says that house prices remain high relative to incomes.

**2. Serviceability/Indebtness:** For existing home owners, serviceability relates interest payments to income, while indebtness is measured as the level of debt relative to income. ANZ say that debt serviceability looks to have peaked, but remains high.

**3. Interest Rates:** Interest rates affect both the affordability of new houses and the serviceability of existing mortgage payments. When it comes to dancing the OCR limbo, it’s a matter of “how low can they go”

**4. Migration:** A key source of demand for new housing. ANZ says that migration jitters are still evident.

**5. Supply - Demand balance:** Demand is derived via the natural growth rate in the population, migration, and the average household size. The bank says that supply has taken the lead and has swept supply off its feet.

**6. Consents and house sales:** These are both key gauges of activity for the property market. The bank comments that these indications are flat.

**7. Liquidity:** ANZ looks at growth in private sector credit relative to GDP to assess the availability of credit in supporting the property market. The bank says that this indicator remains on a rollercoaster ride but tracking downward.

**8. Globalisation:** ANZ looks at relative property price movements between NZ, the US, UK, and Australia in recognition of the important role that globalisation is playing in New Zealand’s property cycle. The bank says that with the global environment souring, jobs are no longer a plenty. History has shown New Zealanders return home in such situations, which could be exacerbated in terms of net migration by less New Zealanders leaving.

### 2008: A monumental year, says ANZ

1. The number of houses sold fell to the lowest level since 1991
2. The average time to sell a house jumped more than 50 percent from the preceding year.
3. The gap between sale and listing prices has been growing. This differential should revert to a more normal gap, once expectations of sellers falls into line with what the market will bear.

# Make the most of your open home

An open home gives potential buyers a chance to picture themselves living in the house. While it's still your home, you have to make it look as though the potential buyer can see it as their own. Here are a few easy tips to do this:



**Make it generic:** Put away all of the family photos, children's art, the shopping lists, doctor visit reminders and the funny magnets from the refrigerator. Also, turn the volume on the message machine to "off" so potential buyers aren't screening your phone messages.

**Clear the decks:** Stick the fancy electronic toothbrushes, deodorants, perfumes, and face creams under the sink in the bathroom, and find a hiding place kitchen for appliances. The more spacious countertops look, the more people will remember your house. Nice clean counters give people ideas; they want to know if they're big enough to store their own appliances and products.

**Entertaining tonight?** Put out your best place settings on the dining room table. It adds a touch of class, making it appear that you're going to be serving a fabulous dinner party later in the evening after the potential buyers have scooted back home.

**The doormat trick:** Just before most people enter a house, they reflexively glance down and give their shoes a rub on the doormat. If you're selling, now's the time to go all out and invest in a nice one. It's a subtle sign that you take care of the property and that you're no slob (even though you may have gotten along just fine without one for the last few years).

**Way to a buyer's heart:** Bribes. In this market, try anything. If your open home is occurring when the weather is cool, leave behind a big tray of freshly baked cookies or a canister of hot chocolate and paper cups. In summer, a big pitcher of lemonade or mini-bottles of cold water can cause some thirsty soul to pause and take a good look around at your house.

**Take off:** It can be intimidating for a potential buyer to ask an agent frank questions about a property with the owner trying to listen in the hallway. Plus, buyers are expecting to see the house, not you. And don't forget to take your barking dog with you.

## homefront

### Mortgage borrowing strategy:

There is no doubting that mortgage rates are attractive at current levels, which gives rise to the obvious question - is now the time to switch to a longer term fixed rate?

Retail mortgage rates have fallen hand-in-hand with the OCR and wholesale interest rates, and are likely to continue to do so, according to ANZ.

Wholesale credit markets remain "difficult", but they are improving and if that continues, will enable lenders to pass on cost savings.

However, the economy faces significant downside risks, and if they materialise, interest rates are likely to remain lower for longer.

Even though interest rates are very low, with an economic recovery some way away, the scope for interest rates to head is limited, and as such, ANZ does not believe borrowers should be in a hurry to extend fixed terms.



Courtesy of...

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