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## Mega interest rate cuts spur property market

Plunging interest rates are helping thaw out the real estate market as buyers get a boost, investors awake and existing homeowners once again contemplate the luxury of an upgrade.

January's official cash rate cut to 3.5 per cent brings rates down to one of the lowest levels ever and represents a vertiginous drop from the 8.25 per cent peak in June last year. Reserve Bank governor Allan Bollard has been urging banks to pass on the benefits to households, and many have responded quickly.

The result is a massive reduction in borrowing costs over the last few months. Consider a typical \$300,000 mortgage: six months ago it might have carried a rate of 9.5 per cent; today, at 6.0 per cent, the interest expense drops by \$690 per month.

With New Zealand entering its sixth recessionary quarter, the interest rate cuts are a lifeline, showing Mr Bollard is prepared to do what it takes to get the New Zealand economy moving again.

ANZ chief economist Cameron Bagrie said in January that the property market has started to find its base, with several indicators turning upwards. Seasonally adjusted sales activity is improving, affordability is up and debt service levels for home owners are also improving.

Though sales volumes are down 23 per cent from a year ago, it's a big improvement from the hypothermic 40 per cent year-on-year drop last June.

While some New Zealanders may find their pocket books pinched by the loss of a job, many people will



*The outlook is good if you are considering a new home*

not be affected by the recession and are cashed up and waiting impatiently in the wings for the right opportunity.

That opportunity has come knocking, not only for residential buyers but investors. With the new low interest rates, property investments are moving into positive cash-flow territory.

At the same time, lower rates for term deposits and a collapsed share market have made those investments less attractive.

If your New Year's resolution is to change homes, your timing is very good, and you can take advantage of the new low interest rates to make the dream a reality.

# Renovations for added value



The easiest way to add value to a home is a strategic makeover. Whether you are considering selling your home or simply trying to keep it up in a cost-effective way, here are some time-tested tips for improving your home for beauty, livability and re-sale appeal.

## Update the kitchen:

You don't have to do a total re-do to add value. Start with cosmetic improvements like new flooring and paint. Next replace out-of-date cabinets and install new appliances. Budget permitting, you can organise a complete renovation, however if other areas of the house need updating, don't blow the whole budget on one room.

**Add or upgrade a bathroom:** Same routine - start with paint and new flooring, as these are not costly for such a small space. Then add fixtures, such as new sink and shower. If your home has only one bathroom, you will meet the needs of today's buyers and make living more pleasant by adding another.

**Paint:** This is a simple way to dress up your property and the results are usually transformational, with friends and relatives wowing over the change. Depending on your budget, your project can involve the entire home, selected high-traffic areas such as kitchen and lounge, or a touch-up. Stick with neutral colours and focus on trim as well as wall surfaces.

**Add features that improve living quality:** If your home is cold and damp, address this issue first by installing insulation and a heating system. If living areas are dark and closed in, open them up by adding windows or ranch sliders to create indoor-outdoor flow. If you have checked all those boxes, a new deck can add substantial value to your home as it a key to the outdoor entertaining we all love so much.

# homefront

## Lifestyle market slower but stable

Sales have slowed in the lifestyle real estate market but values have held up reasonably well, particularly for blocks that come with well-developed infrastructure and a good quality home.

The national median sale price for a lifestyle block in the three months to December 2008 was \$450,000 compared with \$455,000 in the same period last year, the Real Estate Institute says.

However, the number of sales has dropped to 959 in the three months to December 2008 from 1793 in the corresponding period in 2007.



Courtesy of...

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