

A Seller's Market

The market of the moment is a seller's market in both lifestyle and the city. Having said that, it should be noted that the lifestyle market in the Waikato county runs to a different tune to the city market, the latest figures year on year showing an increase of 20% in monthly number of sales in 2020 compared to 2019. We are expecting the city market to run out of impetus early in the next year – not necessarily in terms of prices, but because of lack of stock. However, unlike the city market, I do not see any dramatic change both in prices and in number of transactions taking place. After all, a figure of 40+ sales a month on average for a market the size of the Waikato District is infinitesimal given the number of existing lifestyle properties.

Many factors come into play, such as – traditionally lifestyle people don't move as much as city people. In fact, I have a client who I sold to in 1995 and is still in possession of his property – and there are many in my database with longevity in their holdings. The market value of properties dictates the type of people who will be living in the country, regardless of their personal desires, with a median sale price above \$900,000 and closing on \$1M. This figure precludes first home buyers, and in the main, people under 40. The group of 40-year-olds and above have maturity on their side and perhaps this is the reason why there isn't such an active turnover in lifestyle properties.

Returning migration is another factor in numbers of purchasers in the marketplace – after all, over 60,000 returnees are going to have an affect on all of the market. Aucklanders looking to relocate for many reasons have, over the last 12 months, represented a significant proportion of open home attendees, and ultimately purchasers.

Interest rates in the mid 2% range are predicted to stay that way for some time, just reinforcing the traditional desire of Kiwis to purchase property as their major investment – and why wouldn't you? Consistently over many years, 7% compound increase in market value has been a standard figure, whereas in the last 12 months, this percentage has sat closer to 15%. Inevitably over time, this figure may fall to a lower number.

The Covid effect has also seen the economy look inwards to the extent that "buy local" has also extended to the property market, with Kiwis not spending their money travelling overseas and perhaps becoming more aware of the need to have a tangible investment, rather than frivolous spending.

Political pressure on the government is to control house prices, however I suggest that there is no need for any intervention or need for price control by central government in the lifestyle market, with an average number of sales per month of around 40. Perhaps over a number of years, as the number of available properties in the lifestyle market comes to hand, and with more choice, there may be an easing of values. With the current shortage of subdividable land and the time it takes for this land to come to the market, I can't see any dramatic change in stock supplies for the foreseeable future, meaning years.

There are two distinctive types of lifestyle properties, which attract two different categories of potential purchasers. Close in to the city, smaller holdings with a large dwelling and gardens, make up around 30% of current listings, and tend to be priced from \$1.3M upwards – these properties are for purchasers who are just looking for space and privacy, which is not obtainable in the city with properties being so close together. Part of this demand is for certain school zones, which tend to attract a premium, as does the magic name of Tamahere. Conversely, 60% of current listings are for the true country squire looking to run stock on somewhat more land. In reviewing the latest listings, approximately two thirds are close in to Hamilton with the rest being further out and not normally serviced by Hamilton agencies. Looking further into the figures, it is clear that the current listings in the Waikato District, of which there are around 90, represent only 2 months of supply – hardly a scenario that would put immediate downward pressure on prices.

As always, as long as you are buying and selling in the same market, you are not being disadvantaged by current market forces – it's only your net worth fluctuating up or down, as the case may be. If you are making a decision to upgrade, call us now.



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