



Diversification ... is it time?

Last year the election cooled residential property activity to a point, but prices in Auckland and Christchurch have started to climb again in view the supply and demand factors in our two biggest cities.

If the rest of the country is getting sick of hearing about Auckland and Christchurch, then who can blame them, when their markets have been somewhat subdued for some time.

But it could be that the regions will become more appealing to investors when housing supply catches up with demand and it may be time to consider regional cities for investment where yields could potentially be more attractive.

Just a thought.

National News

Residential Real Estate Market Ends 2014 with Sales Surge



The Real Estate Institute of New Zealand recently released statistics for residential sales in the month of December. This is best summarised as follows:

- 7,064 dwellings sold in December 2014, up 24.2% on December 2013; strongest December sales since 2006 and the second strongest December on record
- National median price of \$450,000, up \$23,000 on December 2013 and down \$5,750 on November 2013
- Auckland median price reached a new record of \$678,000
- Annual increase over 2014 in the national median price of 5.4%, compared with 9.8% over the 2013 year
- 74,537 dwellings were sold in 2014, down 7% on the number sold in 2013. The number of dwellings sold in 2014 represents only 4.2% of all private dwellings in New Zealand
- 1,439 dwellings sold by auction in December, representing just over 1 in 5 dwellings sold by auction

The strong sales growth [compared to 12 months ago] is well above what was expected for the last month of the year and the effect has been seen right across the country, with a number of regions seeing further increases in sales in December after a strong November.

The regions who have experienced the most encouraging growth [November / December] have been Hawkes Bay, Nelson / Marlborough, Manawatu / Wanganui, Waikato / Bay of Plenty, Wellington and Northland.

The Outlook for 2015

Our expectation is that sales turnover will remain buoyant in the first few months of 2015. However the lack of listings will continue to constrain the market. While there was a usual seasonal increase in new listings from August through to November, this dropped away in December as people waited until the New Year to list their properties. At the same time the increase in sales activity outstripped this new supply meaning that total listings once again dropped back. New listing activity typically picks up from about now on so that will help supply but if demand remains similar to late 2014 then it will not be enough.

Given strong migration, continuing low interest rates, a shortage of housing and good consumer confidence, values are likely to keep increasing in Auckland throughout this year. There may be modest increases in some of the other main centres, but most smaller centres are likely to remain steady.

The Reserve Bank has also stated that it is prepared to introduce further measures to slow down the market if necessary. Given that during the last three months of 2014 Auckland values rose faster than the previous boom, and some of the other main centres are also rising again, the Reserve Bank is likely to consider what action to take. This may include further restraints on bank lending given that interest rates are unlikely to rise until later this year.



Insulation

New Zealand has become very aware of the importance of healthy homes and conservation of energy as part of the move to sustainable building. Insulation correctly installed plays a large part in ensuring efficient use of energy and a healthy internal environment in New Zealand buildings.

If insulation is installed incorrectly, e.g. with gaps, tucking in, or folds, is compressed, bent or becomes wet, the thermal resistance and the durability of insulation will be reduced.

For optimal energy efficiency, your home should be properly insulated from the roof down to its foundation. In addition to insulation, consider moisture and leakage control in each area of your house.

Unless your home was specially constructed for energy efficiency, you can probably reduce your energy bills by adding more insulation. Many older homes have less insulation than homes built today, but even adding insulation to a newer home can pay for itself within a few years.

To determine whether you should add insulation, you first need to find out how much insulation you already have in your home and where it is. You could seek an energy assessment by industry experts but if you wished to self assess then you need to find out the following:

- Where your home is, isn't, and/or should be insulated.
- What type of insulation you have.
- The thickness or depth (inches) of the insulation you have.

If you live in a newer house, you can probably get this information from the builder. If you live in an older house, you'll have to inspect the insulation.

To inspect and evaluate your insulation ...

Check the attic, walls, and floors adjacent to an unheated space, like a garage or basement. The structural elements are usually exposed in these areas, which makes it easy to see what type of insulation you have and to measure its depth or thickness (inches).

Inspect the exterior walls by using an electrical outlet:

1. Turn off the power to the outlet.
2. Remove the outlet cover and shine a flashlight into the crack around the outlet box. You should be able to see if there is insulation in the wall and possibly how thick it is.
3. Pull out a small amount of insulation if needed to help determine the type of insulation.
4. Check outlets on all floors as well as old and new parts of your house. Just because you find insulation in one wall doesn't mean that it's everywhere in the house.

Inspect and measure the thickness (inches) of any insulation in unfinished basement ceilings and walls, or above crawlspaces. If the crawlspace isn't ventilated, it may have insulation in the perimeter wall. If your house is relatively new, it may have insulation outside the basement or foundation walls. If so, the insulation in these spaces won't be visible. The builder or the original homeowner might be able to tell you if exterior insulation was used.

To be fully informed go to the Standards New Zealand website and get access to a copy of the Standard "Energy Efficiency – Insulation in Residential Building NZS 4246:2006.