

NZIV PROPERTY INSTITUTE

Lincoln Mainland Property Seminar



Agenda

Value

Value Consideration

Recent Statistics

Market Overview



Value



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Value

What is Value?



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Value

Economic value is a measure of the benefit provided by a good or service to an economic agent. It is generally measured relative to units of currency, and the interpretation is therefore...



Value

"what is the maximum amount of money a specific actor is willing and able to pay for the good or service"?



Vendors



Vendors

‘So what it is worth?’



Purchasers



Purchasers

‘So what it is worth?’



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REA

Requires Real Estate Agents Licensed under the Real Estate Act 2008 to complete a Comparative Market Analysis (CMA) on all properties prior to listing to ascertain 'value'



REA - CMA

What do we use as comparatives?



REA - CMA

Recent Sales
Active Listings



Value

Among the competing schools of economic theory there are differing theories of value.



Market Value

Economic value is *not* the same as market price, nor is economic value the same thing as market value.



Market Value

If a consumer is willing to buy a good, it implies that the customer places a higher value on the good than the market price.



Market

Why do we spend so much time marketing property in
Non-Priced Marketing Campaigns?



Market

Deadline Sale

Tender

Auction

Price by Negotiation



Consumer Surplus

The difference between the value to the consumer and the market price is called "consumer surplus"





Value Overview

The economic value of a good or service has puzzled economists since the beginning of the discipline.

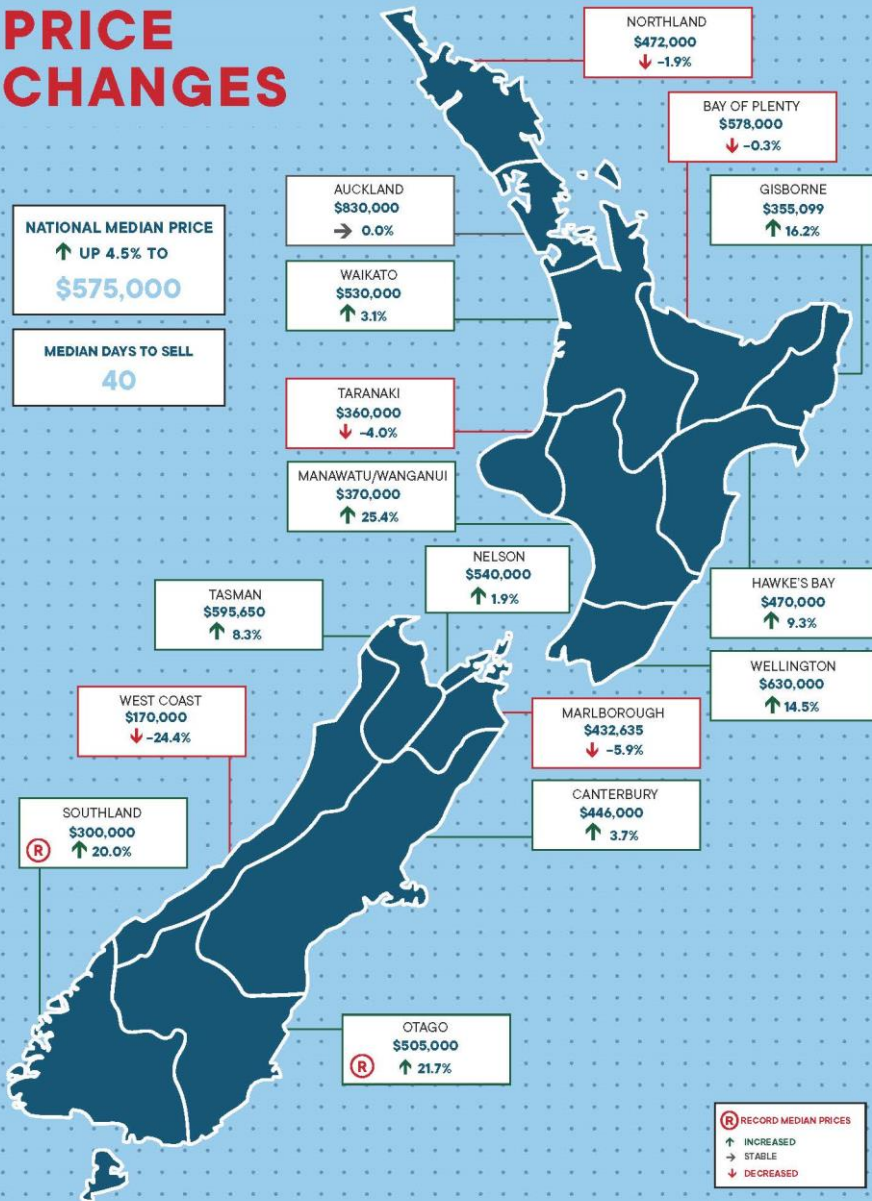


Value Overview

Value is linked to price through the mechanism of exchange. When an economist observes an exchange, two important value functions are revealed: those of the buyer and seller.



ANNUAL MEDIAN PRICE CHANGES



Value Overview

Just as the buyer reveals what he is willing to pay for a certain amount of a good, so too does the seller reveal what it costs him to give up the good.



Value Overview

Additional information about market value is obtained by the rate at which transactions occur, telling observers the extent to which the purchase of the good has value over time, Days on Market





REINZ Residential Statistics Report for July 2019

Highest number of properties sold across NZ in month of July for 3 years, says REINZ

Bindi Norwell, Chief Executive at REINZ says: "This is the first time in eight months that we've seen the number of properties sold around the country increase on an annual basis suggesting that we're starting to see some early signs of growth. Some of this can be attributed to more certainty post the removal of the Capital Gains Tax, but it's also about pockets of renewed confidence and parts of the market finding its new normal in terms of pricing."

Median House Price **\$575,000**

Northland	\$472,000
Auckland	\$830,000
Waikato	\$530,000
Bay of Plenty	\$578,000
Gisborne	\$355,099
Hawke's Bay	\$470,000
Manawatu/Wanganui	^(R) \$370,000
Taranaki	\$360,000
Wellington	\$630,000
Tasman	\$595,650
Nelson	\$540,000
Marlborough	\$432,635
West Coast	\$170,000
Canterbury	\$446,000
Otago	^(R) \$505,000
Southland	^(R) \$300,000
NZ excl. Auckland	\$485,000
New Zealand	\$575,000

Median Days to Sell **40**

REINZ House Price Index

New Zealand	+1.5% on July 2018
NZ ex. Auck	+5.9% on July 2018
Auckland	-3.3% on July 2018
New Zealand	+0.2% on June 2019
NZ ex. Auck	+0.4% on June 2019
Auckland	+0.1% on June 2019

For more REINZ HPI information see
<https://www.reinz.co.nz/reinz-hpi>

Value Overview

Said another way,
value is how much a desired object or condition is worth
relative to other objects or conditions.



Value Overview

Economic values are expressed as "how much" of one desirable condition or commodity will, or would be *given up* in exchange for some other desired condition or commodity.



Market Surplus

Unmeasurable/Intangible Market Influences



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Unmeasurable



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Unmeasurable

Address	RV	Floor Area	Land Area	Beds	Baths	Garage	Sale Price
1 Dublin Street	Not Struck	204sqm	227sqm	3	2	2	\$1,660,000
3 Dublin Street	Not Struck	184sqm	197sqm	3	2	2	\$1,500,000
5 Dublin Street	Not Struck	184sqm	204sqm	3	2	2	\$1,320,000



Market Surplus

Emotions – Desire, Fear, Greed



CMA

Conservative Range

Statistical Range

Emotional Range



Market Surplus

Positive Stigma –Post Earthquake Build
Quality Presentation
Quality Profile
Competition
Quality Under Bidder



Market Surplus

Death, Divorce, Debank

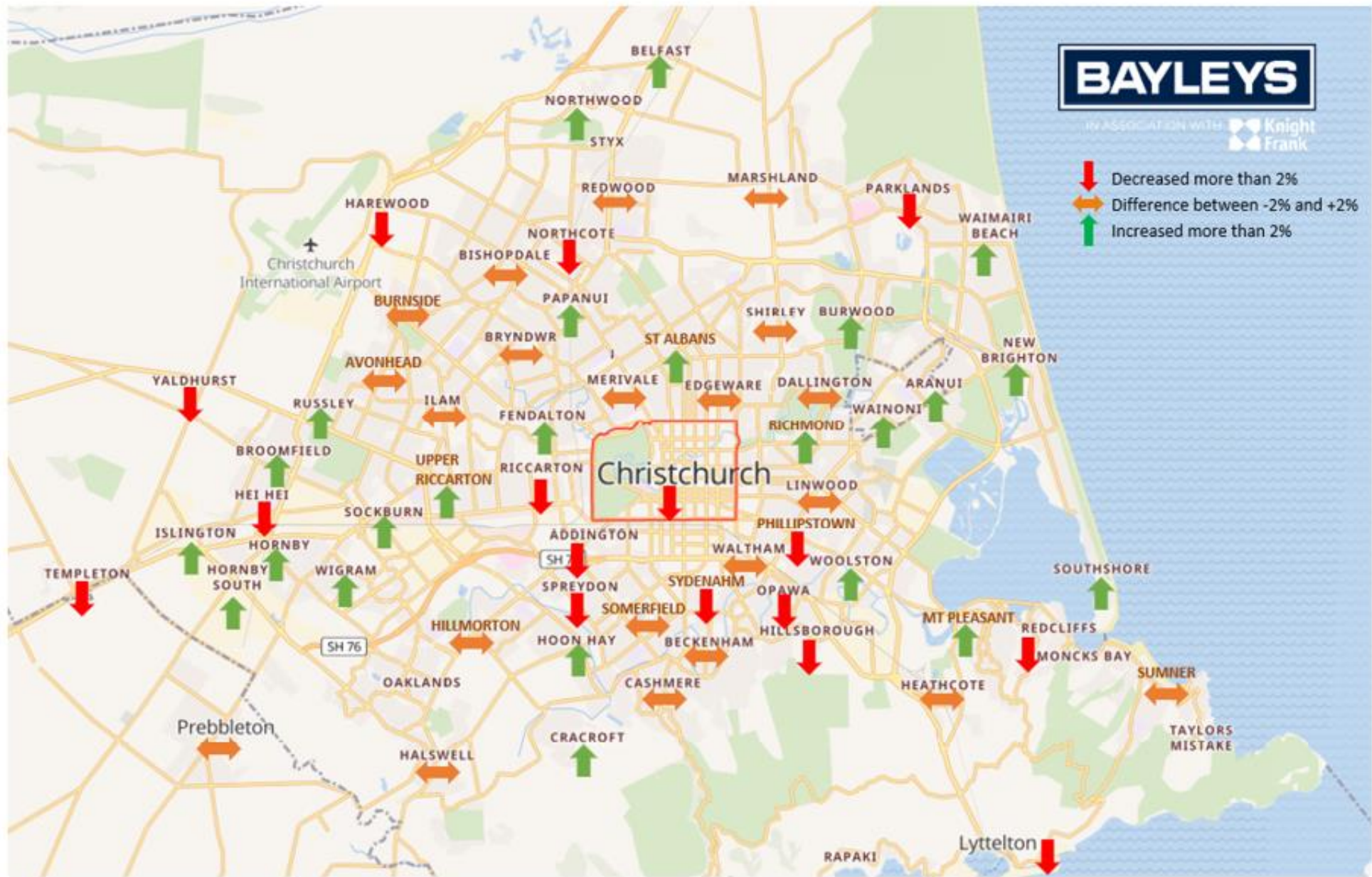


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Market Deficit

Negative Stigma – Pre-Earthquake Build
Earthquake Damage/Repair Uncertainty
Construction/Polystyrene Plaster Coat System
Diminished Enquiry
Competition Deficit





Market Overview



Tale of Two Cities

It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair...



Tale of Two Cities

1. Auckland

- The trend in the median house price has been flat over the past 24 months
- The volume trend slightly decreasing over the past six months
- The days to sell continues to ease

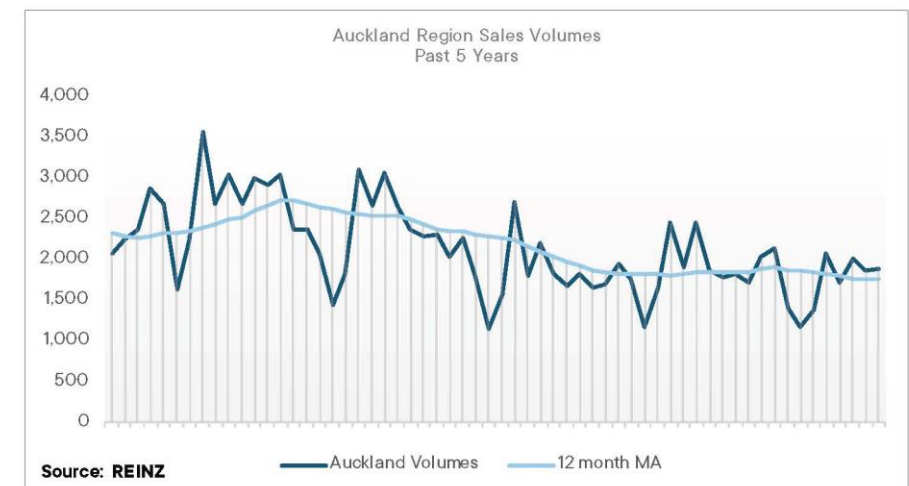
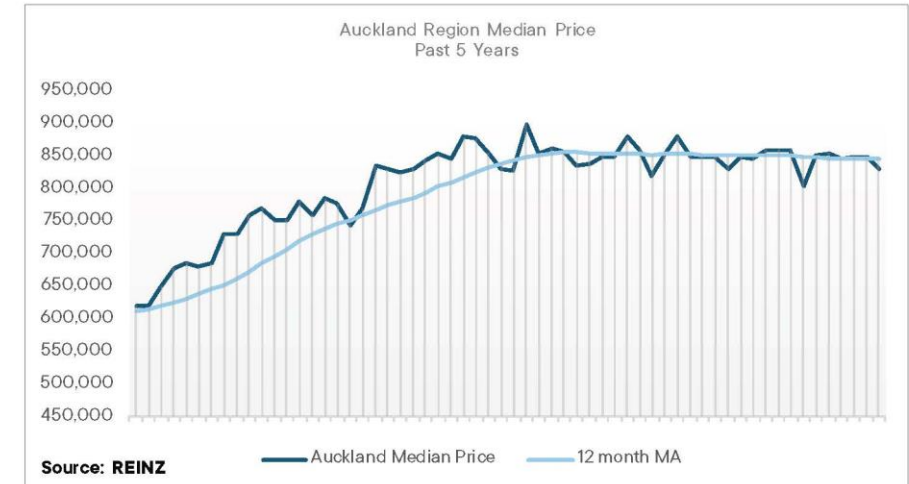


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GRAPH COMMENTARY

The trend in the median price has been flat over the past 24 months with the volume trend slightly decreasing over the past six months. The days to sell trend continues to ease. The House Price Index had slight positive upticks in the last three months but still has the worst 12 month movement of all the regions.



Tale of Two Cities 2. Gisborne/Hawkes Bay

- The median house price trend is increasing strongly
- The volume trend improving over the last few months
- The HPI has resumed it's rapid ascent

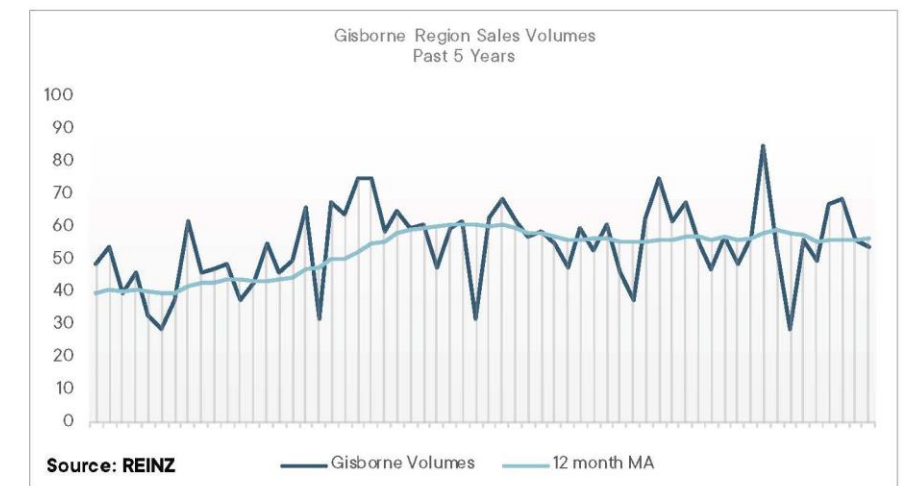


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GRAPH COMMENTARY

The median price trend is increasing strongly with the volume trend being steady. The days to sell trend has been improving over the last few months. The House Price Index for the Gisborne/Hawke's Bay has resumed it's rapid ascent after a lull in March-April. It has the third strongest movement across the 1, 3 and 12 month periods



Tale of Two Cities

3. Wellington

- The trend in the median house has been strongly increasing over the last 12 months
- The volume trend has been slightly falling
- The days to sell remains flat to easing over the last 2 years

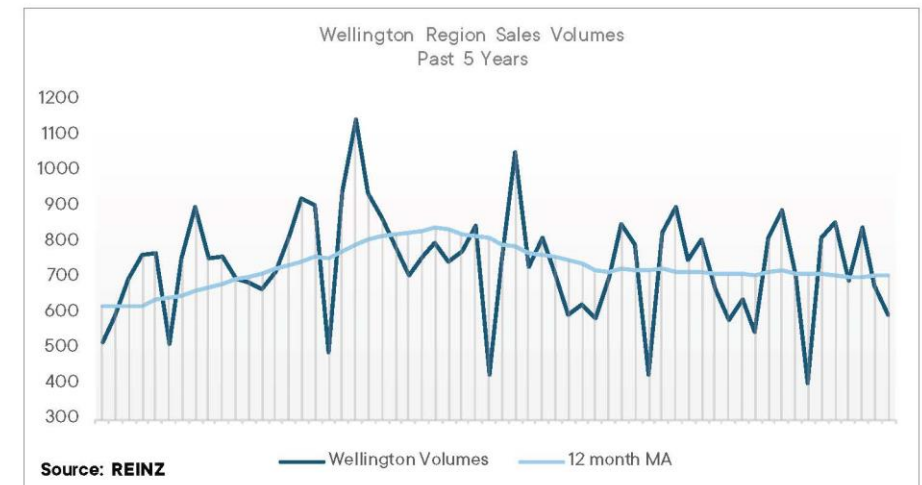


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GRAPH COMMENTARY

The trend in the median price has been strongly increasing over the past 12 months. The volume trend has been slightly falling over the past year. The days to sell trend remains flat to easing as it has been over the past two years. The House Price Index has been fairly flat over 2019 after a strong performance over the prior couple of years.



Tale of Two Cities

4. Otago

- The trend in the median house price is increasing strongly
- The trend in sales volume has been flat to decreasing over the past year
- The trend in days to sell has been improving over the past six months

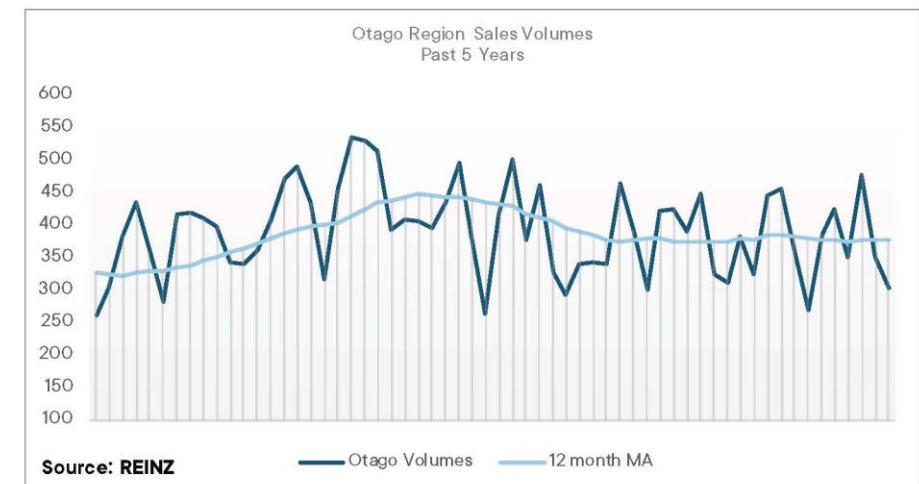


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GRAPH COMMENTARY

The trend in the median price is increasing strongly. The trend in sales volume has been flat to decreasing over the past year. The trend in days to sell has been improving over the past six months. The House Price Index for Otago has had worst performance of all regions over the past month leading to only moderate performance over 12 months.



Tale of Two Cities

5. Canterbury

- The median house price continues to increase slightly
- The sales volume has been stable over the past year
- The days to sell continues to ease

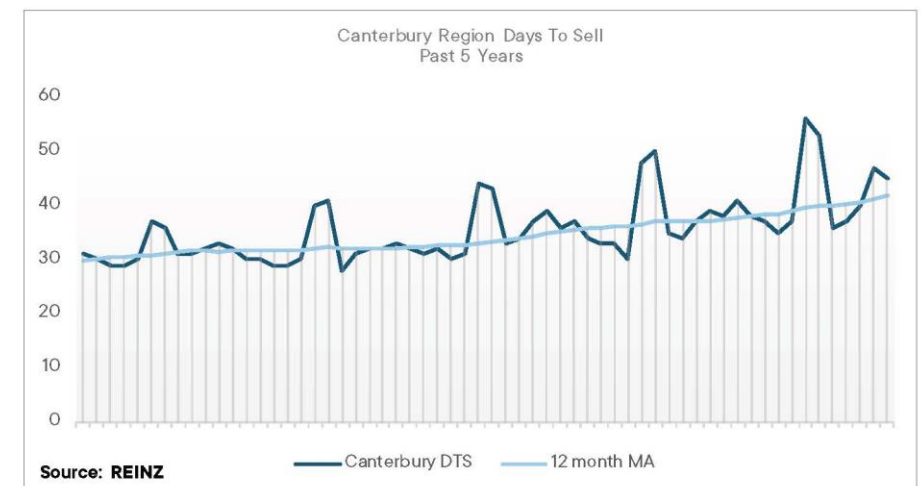
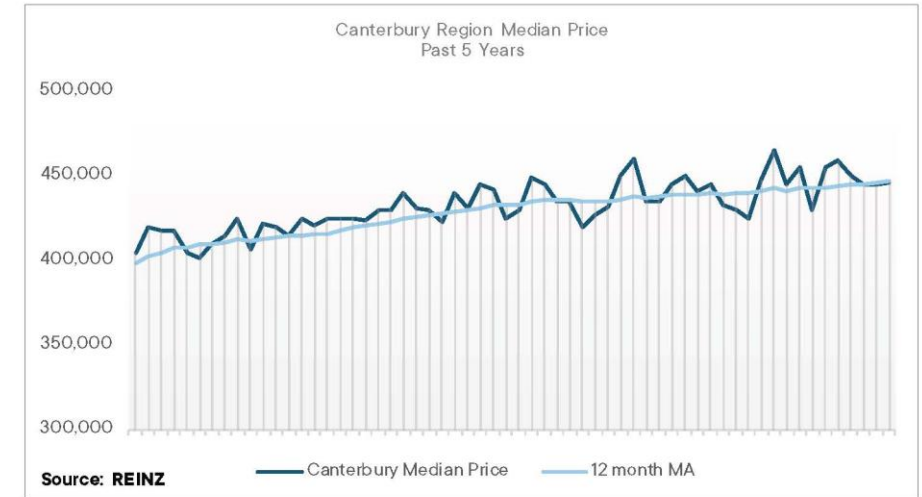


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GRAPH COMMENTARY

The median price trend continues to increase slightly. The sales volume trend has been stable over the past year. The days to sell trend continues to ease slightly. The House Price Index has been fluctuating over the past two years with a relatively small percentage increase over the past 12 months as a result.



Key residential indicators - selection of Christchurch areas

Year to May 2019 vs year to May 2018

	Median sell price	% Change	Transaction count	% Change	Average days on market	% Change
Port Hills area	\$690,000	1%	172	5%	52	34%
City Centre	\$460,000	-1%	128	-7%	52	14%
Fendalton area	\$825,000	6%	522	5%	49	9%
Riccarton area	\$450,000	4%	194	-6%	49	-4%
Sumner area	\$680,000	-6%	143	-9%	43	-4%
Hornby area	\$455,100	4%	501	-9%	48	0%
Linwood area	\$315,000	3%	318	-5%	50	8%
Shirley area	\$420,000	2%	670	1%	44	0%
Addington area	\$431,500	1%	380	8%	47	21%
New Brighton area	\$361,000	2%	309	-2%	54	23%

Source: REINZ



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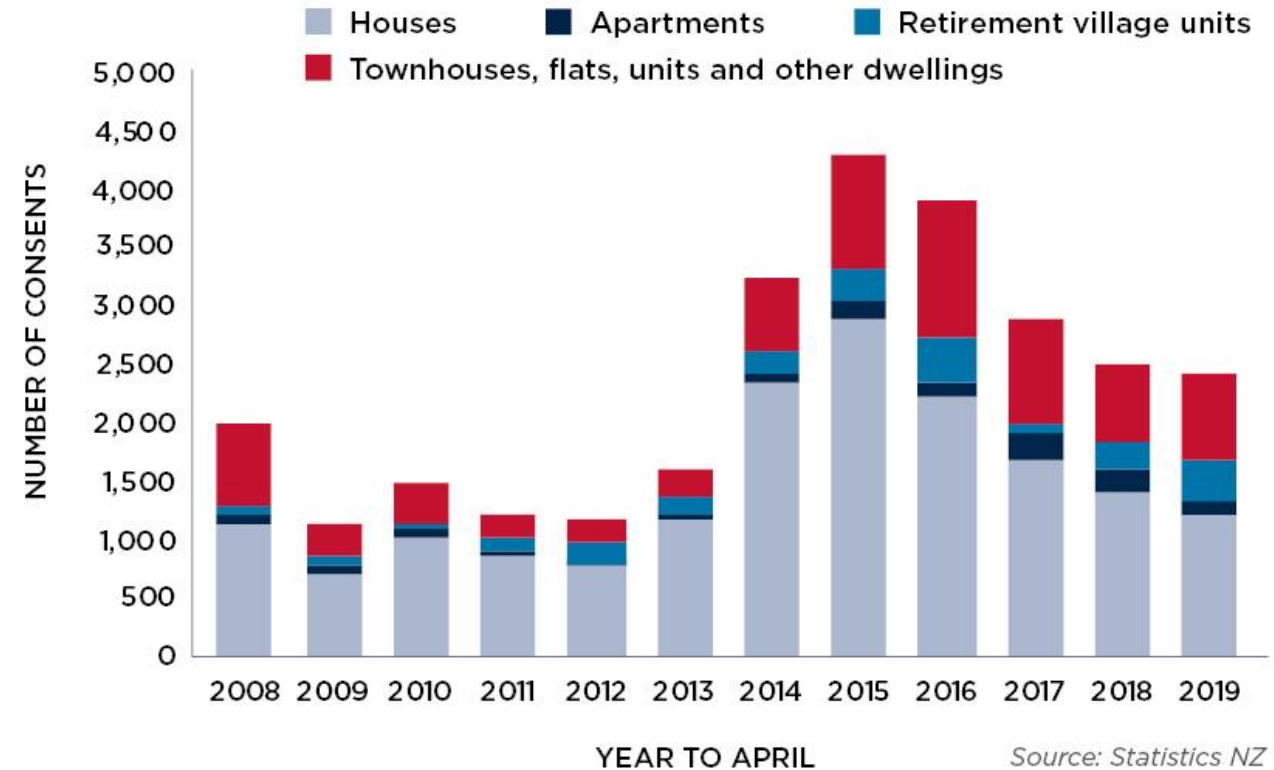
Housing supply has met demand

Construction activity ramped up significantly after circa 10,000 homes were lost as a result of the earthquakes. From 2014, a wave of post-earthquake re-development took place, in efforts to meet the heightened demand in the market.

Higher density housing was encouraged by the council through zoning rules requiring a mix of housing densities. Generally, townhouse accommodation has been more successful within the central city offering locational benefits, Suburban townhouses however, have witnessed some resistance as they compete with comparable and affordable stand-alone dwellings.

Eventually, housing supply met demand which has consequently seen construction activity reduce over the last three years.

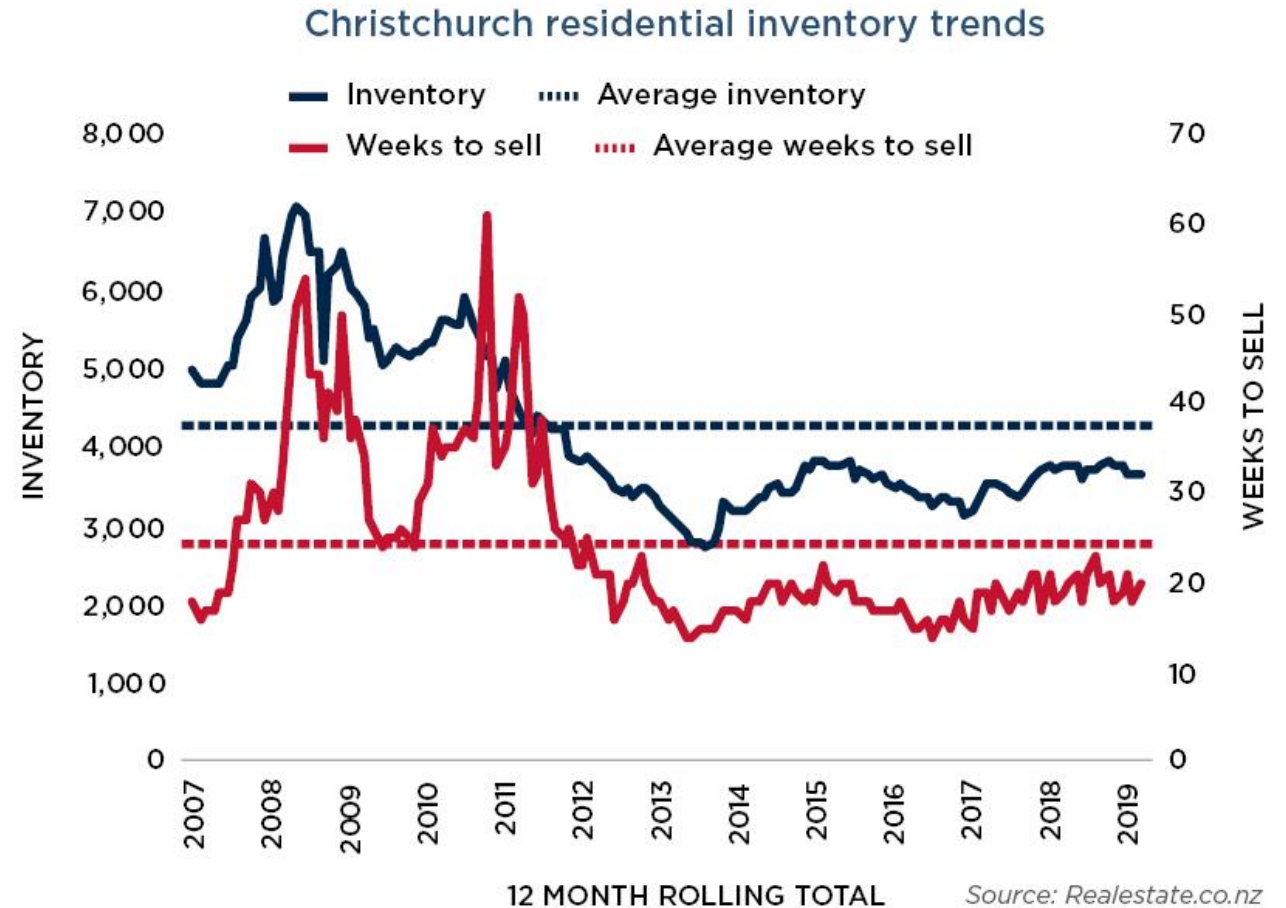
Christchurch city number of new
residential building consents



Inventory trends run flat →

The total amount of residential property available to sell in Christchurch city is now close to its long term average of 4,300.

The Christchurch market appears to be in a phase of equilibrium with sufficient supply to meet demand. This is seeing inventory trends run relatively flat and close to long term averages, which is contributing to residential values holding at elevated levels.



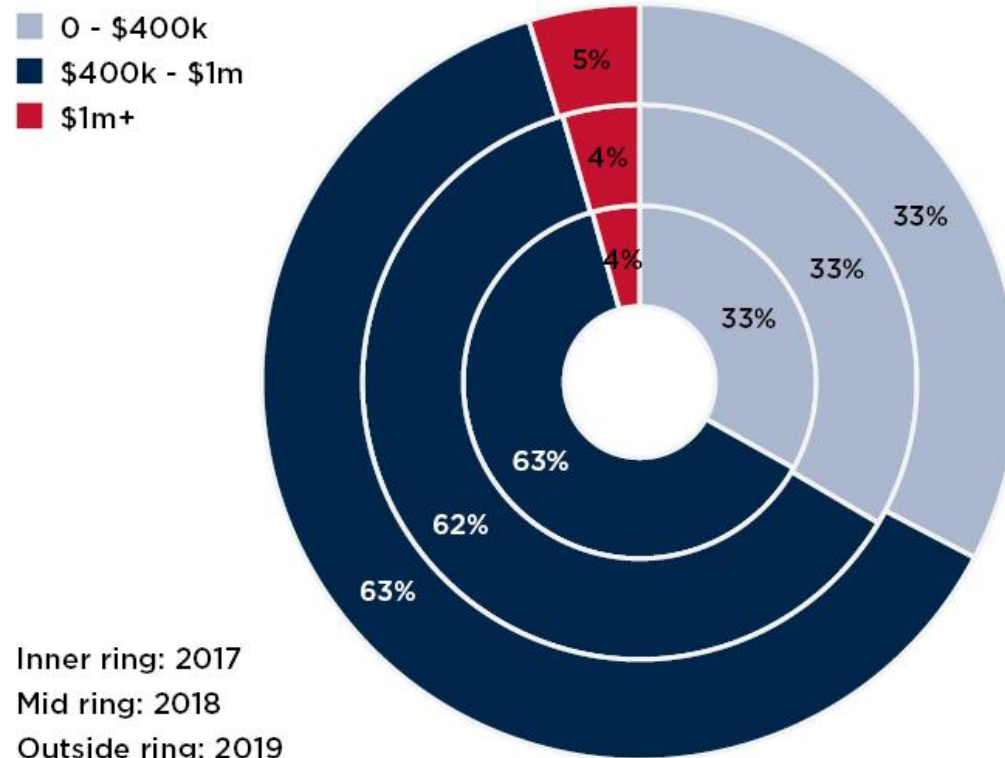
The market is in a period of consolidation 

When analysing residential transactions in Christchurch by price bracket, it is evident that the market is in a period of consolidation.

Over the last three years, there has been limited movement in the distribution of value bands with the majority of transactions continuing to take place within the \$400k - \$1m price bracket.

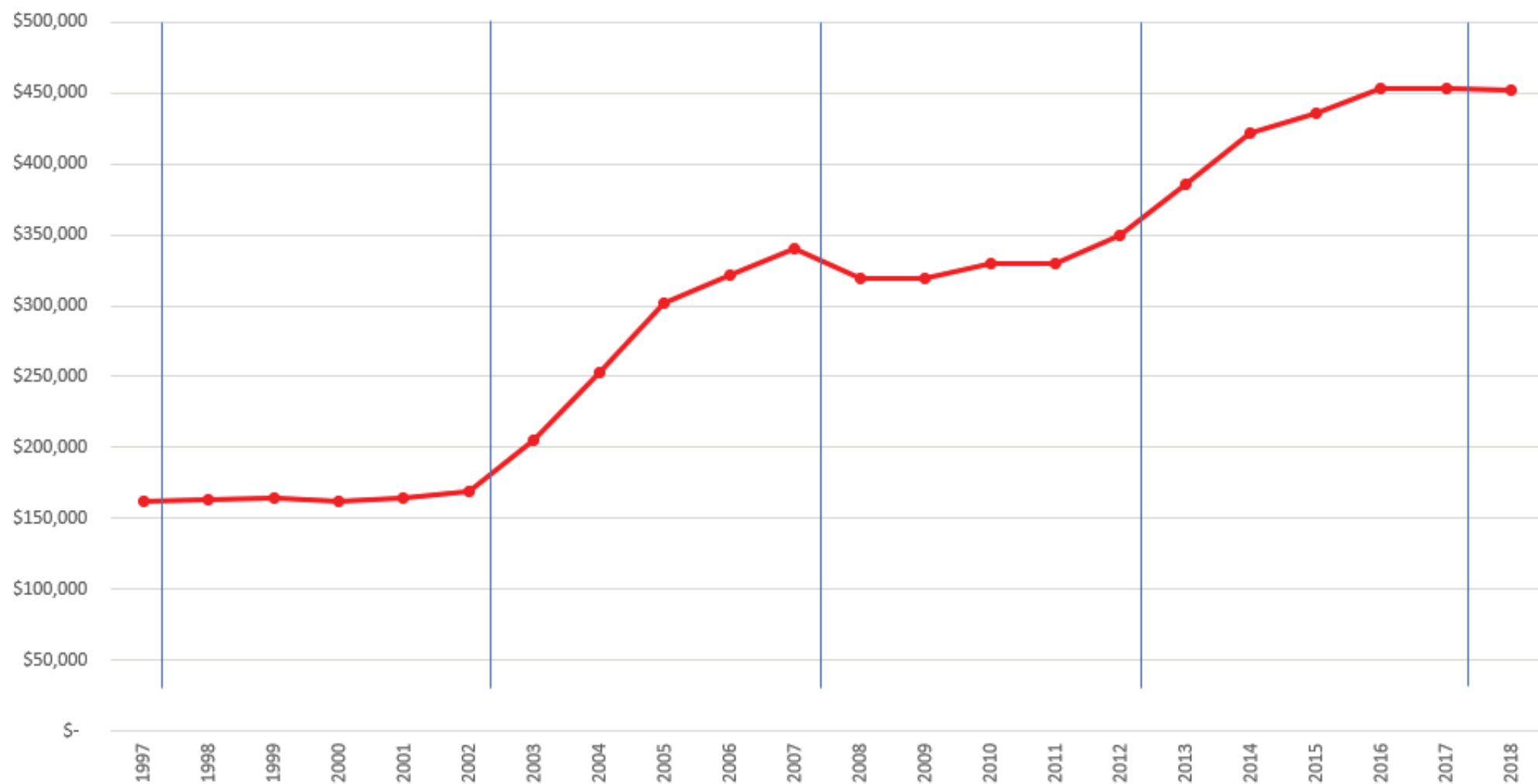
As Christchurch continues to rebuild and offer increased amenity and attraction, the population and demand to move back into the city will grow. A quality house at a more affordable price than New Zealand's other major cities will increase Christchurch's desirability and eventually drive growth and residential price appreciation.

Christchurch residential price bracket breakdown by number of transactions (year to May)



Source: REINZ

Christchurch Median Sale Price 1997 - 2018



Inevitably...



Value is what the Consumer
says it is...



Thank you

