



WINTER CHILL IMPACTS REAL ESTATE SALES VOLUMES, BUT NOT HOUSE PRICES

The winter chill has impacted real estate sales volumes across the country in June, but has done little to halt price rises in most regions, according to the latest data from the Real Estate Institute of New Zealand (REINZ)

In June the median price across the country rose by 5.7% to a record equal median of \$560,000 up from \$530,000 the same time last year. Additionally, the New Zealand excluding Auckland median price remained at a record equalling figure of \$460,000 in June up 7.0% on June 2017. However, Auckland's median price decreased by 0.7% year-on-year to \$850,000 down from \$856,000 last year.

New Zealand's most expensive three territorial authorities are Auckland City with a median of \$1,010,000, North Shore City with a median of \$975,000 and Queenstown Lake District with a median of \$908,000.

Three regions saw record median prices during June – Waikato (+11.7% to \$525,000), Wellington (+12.3% to \$595,000) and Marlborough (+11.4% to \$440,000).

Additionally, regions with strong annual increases included Gisborne (+26.9% to \$330,000) and Hawke's Bay (+15.3% to \$430,000). However, the number of properties sold across the country decreased by 1.6% to 6,034, down from 6,131 in June 2017. This was the result of significant decreases in sales volumes in 8 out of 16 regions and a 9.9% decrease in new property listings year-on-year.

Price Bands

The number of homes sold for less than \$500,000 across New Zealand fell from 46.3% of the market (2,839 properties) in June 2017 to 41.9% of the market (2,527 properties) in June 2018 which is reflected by the overall increasing median price across the country.

June Breakdown - Number of properties sold:

• \$1million plus	• 868	• 14.4%
• \$750,000 to \$999,999	• 866	• 14.3%
• \$500,000 to \$749,999	• 1,773	• 29.4%
• Under \$500,000	• 2,527	• 41.9%
• All Properties Sold	• 6,034	• 100%

The number of properties sold in the \$500k - \$750k bracket increased in June 2017 (1,622) to June 2018 (1,773). At the top end of the market, properties sold for more than \$1 million increased marginally in June 2017 (817) to June 2018 (868).

Inventory

The number of properties available for sale nationally decreased by 3.8% from 23,507 to 22,605 – a decrease of 902 properties compared to 12 months ago. This is the lowest level of inventory for 9 months (since September 2017).

Only 3 regions saw an annual increase and for the fourth month in a row, Nelson saw the largest increase (24%) from 310 – 285 followed by Waikato (9.9%) an additional 153 properties, and Canterbury (2.6%) an additional 86 properties.

Regions with the biggest fall in inventory were:

- Gisborne – down 28.7%
- Manawatu/Wanganui – down 25.6%
- Southland – down 22.2%
- West Coast – down 17.9%
- Taranaki – down 13.9%

Again, the Wellington region has had the lowest number of weeks' inventory across the whole country with only 7 weeks' inventory available to those looking to purchase in the area – although this is up 10.4% on the same time last year.

Inventory in the Hawke's Bay region continues to remain scarce with only 8 weeks' inventory and Gisborne, Manawatu/Wanganui not faring much better with only 9 weeks' inventory each.

Auctions

Auctions were used in 11.3% of all sales across the country in June, with 684 properties selling under the hammer – this is down slightly from June 2017, when 14.2% of properties (870) were sold via auction.

For the fifth month in a row, Gisborne had the highest percentage of auctions across the country with 27% (15 properties) in the region sold under the hammer – down from 32% (19 properties) in June 2017. Auckland saw the second largest percentage of auctions on 21% (386 properties) down from 24% in June 2017 (446 properties) and the Bay of Plenty on 12% (54 properties) down from 25% (100 properties) in June 2017.

Days To Sell

The median number of days to sell a property nationally increased by 2 days from 36 days in June 2017 to 38 days in June 2018.

Auckland saw the median number of days to sell a property increase by 2 days to 40 days (up from 38 in June 2017), but it remained the same as last month.

Regions with the biggest decrease in the median number of days to sell were West Coast -68 (from 128 to 60), Gisborne -6 days (from 39 to 33) and Taranaki -2 (from 37 to 35).

Regions with the biggest increase in the median number of days to sell were Southland +8 (from 31 to 39), Tasman +7 (from 33 to 40) and Waikato +6 (from 36 to 42).

Plaster Homes (Monolithic Cladding)

Throughout New Zealand leaky homes are a well-documented feature of the property market with many monolithic (plaster) clad properties built during the early 1990s to mid-2000s.

There are a lot of monolithic clad properties whose designs are inherently flawed and have resulted in significant moisture ingress and damage. In these situations, the cost to repair is not economically feasible, resulting in the property requiring re-cladding. The cost to re-clad can be a huge commitment to take on and may be out of reach to address right away.

The main causes of leaky homes are:

- Modern cladding systems being used outside their specifications or installed incorrectly.
- Inadequate construction of certain design features that do not allow for deflection or drainage of water.
- Insufficient testing and subsequent application of new products and methods.
- Lack of technical knowledge and skills when houses are designed, detailed and built.
- Use of un-treated kiln-dried timber framing more susceptible to rot.
- Air-tight sealing of claddings and windows and wall cavities filled batt insulation.

There are however many monolithic plaster clad properties which, through good design, flashing details and good maintenance, have good weather-tightness with no significant defects or damage.

In these cases, probably the biggest consideration is when you come to sell the property. There will be a lot of negativity and apprehension from perspective buyers, with their friends and lawyers advising them not to purchase monolithic plaster cladding, for no reason other than it being monolithic plaster cladding. You will probably experience the same reaction if you are in the market to buy a home with monolithic cladding.

The sale of a plaster home requires an even greater level of disclosure than usual.

As a seller...

Obtain a building inspection from a bank-approved building inspection company before you put your property on the market. This should identify any known defects upfront and will help would-be buyers understand the scope of the re-clad process ahead.

Get an estimate to remedy the defects (and bring the property up to current code). This will give potential purchasers a working figure to factor into their calculations. Again, they can take these documents to their bank, if required.

Obtain a registered valuation for the property in its 'current condition', which you can provide to the purchaser and they can provide to their bank. The valuation could also include the 'upon completion'(re-clad) value, if appropriate.

Clean the property and make it as easy as possible for a building inspector or re-clad expert to access spaces like the roof cavity or the area underneath the house to assess the damage. In some instances, the inspection company may be required to undertake 'invasive' testing on the dwelling. This could mean holes in the walls where the inspections took place. Get an understanding from the inspection company of the possible damage to your dwelling before they commence.

If the defects are too great to re-clad, look at renting the property out until land values improve to a level where they offset the cost of re-building.



Before & After Cladding



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