

Factors influencing the market today



When considering selling your property a number of factors that influence real estate values have to be taken into account, including employment levels, interest rates, immigration and current supply and demand.

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1. Employment

When unemployment levels are low, consumer spending confidence tends to be higher. Purchasing a home – and potentially everything which goes in it – is a reflection of consumer spending confidence.

Conversely, when unemployment levels are high, not only is there less money in circulation (as fewer jobs equal less wages and salaries) but those in jobs are more circumspect as to the stability of their employment in the short term. Consumers with jobs tend to save more (just in case, for that rainy day) rather than spend optimistically.

What does this mean for the housing market? When times are good and jobs are plentiful, the housing market ‘booms’. When times are bad and jobs are harder to come by, the housing market ‘contracts’.

2. Interest rates

Fluctuations in the Official Cash Rate (OCR) directly affect the amount of domestic borrowings which can be accessed for mortgage funding. A lower OCR – such as that seen throughout 2009 – means lower floating mortgage rates. Conversely, a higher OCR makes mortgage borrowings tighter.

Either way, this can affect the ability of potential purchasers to fund their next home.

For residential investment properties, higher interest rates offered by banks for term deposits can mean an alternative to investing in property – meaning vendors and agents have to think of counter-strategies to attract buyers to their property offering.

3. Immigration levels

Each year, New Zealand warmly welcomes some 50,000 new immigrants to its shores. English, Europeans, South Africans, Australians, Asians and returning Kiwis bolster population numbers – from the major cities through to provincial towns.

Most of these immigrants arrive in New Zealand highly ‘cashed-up’ after selling their major assets abroad. All of these new immigrants require homes in which to live. That’s

where Bayleys comes to the fore – targeting many of these new immigrants with marketing collateral even before they arrive on our shores.

When immigration levels exceed new housing stock supplies in a simple supply and demand equation, house prices tend to rise. So where are international buyers coming from? In the past year alone through international marketing initiatives, we’ve sold residential property to Germans, Koreans, Saudi Arabians, Australians, British, Tahitians, Singaporeans, Bermudians, Fijians, Chinese, Japanese, Indians, North Americans, Malaysians, and Italians to name just a few of the multi-nationals.

4. Supply and demand

Another factor that has a substantial influence over the market is supply and demand, which in real estate terms effect the all-important “absorption rate”.

The absorption rate is calculated by establishing:

- A) Currently here in (town) there are (X number) properties on the market
- B) According to the Real Estate Institute of New Zealand (Y number) of those dwellings sold last month.
- C) What this means is that (Z number)% of properties currently on the market are selling each month.

Summary

Not all of these factors influence the sale prospects of every property. Furthermore small shifts can be observed on a weekly or even daily basis.

We would very much like to discuss the implications for your property and how best we can turn them to your advantage.