

[TO BE KEPT UP TO DATE REGULARLY, JOIN US ONLINE TODAY.](#)



### Residential Real Estate sales volume strong in March

The following summaries residential sales activity in March 2015, typically the strongest sales month for the year [source REINZ]:

- 8,803 dwellings sold in March 2015, up 20.3% on March 2014 and up 27.6% on February. This is the highest March sales volume since 2007 and highest for any month since May 2007.
- National median price of \$475,000, up \$35,000 on March 2014 [a rise of 8%] and up \$45,000 on February
- A new record of 2,267 dwellings were sold by auction in March, 604 more than March 2014 and representing 25% of total sales for the first time, with almost 50% of Auckland sales by auction.
- Dwellings took a median of 32 days to sell in March, nine days less than February and one day fewer than March 2014. Eight regions saw an improvement, in particular Manawatu / Wanganui, Central Otago Lakes and Taranaki and Waikato / Bay of Plenty.

While the increase in the number of sales is more or less spread across the country, the movement in the national median price is almost entirely an Auckland effect. The reasons for Auckland's increase have been well chewed over – high migration, good consumer confidence, and low interest rates and of course the reported house shortage.

Let's turn our attention to the other main centres. Christchurch used to stand beside Auckland helping drive up nationwide prices. But Christchurch has slowed right off since late 2013 and values now are only 4.4% higher than they were back then.

The annual change for the other main centres varies from 5.1% in Tauranga, 3.4% in Hamilton, and 0.5% and 0.6% in Wellington and Dunedin. All of those cities saw values dip during 2014 then recover in the past few months. That makes the last three month increase a lot more impressive.

The rest of the country is steadier. Amazing really when it was expected that the LVR's would really impact on the smaller centres but it doesn't seem to have.

So what about the next few months. Activity in Auckland was strong in March and the economy and confidence there remain strong. Bad news came out of Statistics NZ a couple of weeks ago when the latest building consent numbers showed a decline across the country, including Auckland.



### Interest Rates - an interesting perspective

Interest rates are the cost of buying money to spend on something now rather than later. They are also the opportunity cost of spending money you already have to purchase a good or service. On the face of it low interest rates are not having much impact when looking at monthly data on debt levels in New Zealand.



Whereas between 1992 and 2008 household debt on average in New Zealand grew by 13% per annum when the floating mortgage rate was 8.8%, [farm debt 12.5% average] it has grown just 4.9% in the past year with an interest rate of 6.7%. Debt growth rate has fallen because interest rates have fallen? No. Interest rates have fallen substantially though not totally because debt demand has fallen. We are more risk averse since the GFC.

Around the world central banks have since 2008 actually been trying to get people to borrow more so that a period of extra weak growth could be made less extreme. But what they have found is that cutting interest rates is not making a lot of difference – hence the money printing in United States which has now ceased, the money printing in Japan which has no end date, and the printing which has just started in the Eurozone with current end date of September 2016.

The interesting point about sustained low interest rates could be not how they will alter borrowing behaviour, but how they will alter saver behaviour. Especially in view of more risk averse attitudes since the GFC.

### When your home is in a trust

It is common to allow a family to live in their home owned by a family trust, on the basis that the family pay all the expenses.

If this agreement isn't documented, the payments made by the family could be treated either as rent paid for the use of the dwelling, gifts to the trust or loans to the trust. Remove the uncertainty by making sure there is proper documentation. One way of doing this is to get the trustees to record an appropriate minute in a meeting.

There is often a mortgage over the dwelling. The capital repayments on the mortgage are the responsibility of the owner, the trust. If you make those payments then, again, you're either making a donation to the trust or it owes you the money. Solution – documentation. If you choose to make an increase in the trust's debt to you then you need an ongoing record to show the accumulated liability of the trust.

In a nutshell, you need some accounting done. While this may not need to be done every year, it should be done on a regular basis.

### How to cellar wine

**Temperature** is the most important factor. Wine ageing involves complex chemical reactions that take place faster at higher temperatures. Also, reactions take place at higher temperatures that wouldn't take place at all in cooler surroundings. The conventional cellar temperature of 11–12 °C is ideal, wine kept at 20 °C will age faster, but will be less complex and interesting at maturity. Still higher temperatures will cook wine, completely ruining it. Exposure to temperatures above 25 °C should be avoided, and even relatively limited exposure to temperatures above 30 °C might be fatal for some wines. We can't be sure, though, because proper studies haven't been done. At the other end of the scale, wine freezes below about –5 °C. Not advisable. If possible, use a maximum/minimum thermometer to monitor the temperature of a potential storage space before you use it.

**Fluctuation in temperature** is also undesirable, because it increases the risk of oxygen getting to the wine. Older wines are far more vulnerable to temperature swings because their corks are less elastic. For this reason, avoid kitchens, attics and centrally heated rooms. Gradual changes (e.g. seasonal temperature swings) are likely to be less damaging than rapid ones.

**Humidity** is important, especially for older wines. A relative humidity of 60% or higher is desirable in particular if you have corked bottle [to keep corks from drying out]. Too much humidity, though, and labels will disintegrate, although this won't harm the wine.

**Vibration** is thought to be bad for wine, although there is little evidence, so it is probably best avoided.

**Light exposure** causes undesirable chemical reactions: although many wines are quite well protected in dark glass bottles, it wouldn't be advisable to leave them in direct sunlight.



Supporting Child Cancer since 1994, giving back to our Community, supporting hundreds of families nationwide, helping to recreate smiles when they're needed most. ☺

IF THERE IS A SPECIFIC TOPIC WITHIN THE PROFESSIONALS GROUP THAT YOU WOULD LIKE TO BE KEPT INFORMED OF OR WOULD LIKE US TO INCLUDE WITHIN THE NEXT PROFESSIONALLY SPEAKING, PLEASE SEND US AN [Email](#) ☺

[TO BE KEPT UP TO DATE REGULARLY, JOIN US ONLINE TODAY.](#)



IF YOU NO LONGER WISH TO RECEIVE OUR NEWSLETTER PLEASE [\[UNSUBSCRIBE\]](#) TO UNSUBSCRIBE

p 09 520 8434 | e [info@professionals.co.nz](mailto:info@professionals.co.nz)

Unit S, 383 Khyber Pass Road, Newmarket, Auckland 1023, New Zealand  
PO Box 74-024, Greenlane, Auckland 1546 | [www.professionals.co.nz](http://www.professionals.co.nz)