



TOP FIVE REASONS BUYERS BENEFIT



Continuing low interest rates make this a very good time to buy a home, and those who do will enjoy many benefits. Here are some of the reasons why home ownership remains a top priority for most people.

Appreciation: Over the long term, real estate rises in value. Mortgage rates are near historic lows and home prices in many parts of the country are affordable and thus it is a great time to buy.

Preferential Tax Treatment: When you sell your home in New Zealand, your profit (or capital gain) is not taxed.

Equity Building: Every month a portion of your mortgage payment goes to equity and increases your wealth.

Pride: Homeownership is an accomplishment that shows your style and brings the respect of your friends and family.

Security: Renters can lose their lease or have a rental home sold out from under them. Owning your own home puts an end to the rental home carousel.

REGIONAL REAL ESTATE OUTLOOK

The real estate market in 2011 showed gradual nationwide improvement, with values increasing in all the main centres, including Wellington, and many of the provincial and rural towns. What happens in 2012 will be heavily influenced by consumer confidence and the strength of the local economies in the provincial and rural areas, QV says in its latest report. A strong rural sector and the recent favourable weather to the farming community has a spin off effect on nearby towns.

North

Auckland values are likely to increase further, given population growth, weak building activity and a shortage of listings. Values in Hamilton and Tauranga are likely to stay fairly stable. Whangarei has risen in value over the past three months, recovering lost ground, and could be stabilizing.

South

Whether values continue to rise over the short term in Wellington and Dunedin is uncertain. The one thing we know is that building costs have increased 50 percent in the past decade. In most cases you can buy a home in many areas for less than the cost of building a new home.



KEEPING INSURANCE AFFORDABLE

Homeowners throughout New Zealand may see rising insurance bills this year due to the financial shocks of the Canterbury earthquakes. Insurers battered by earthquake claims and rising fees from overseas reinsurers say they are balancing ballooning costs against keeping prices manageable.

Home Owners & Buyers Association president John Gray says some homeowners may consider forgoing insurance for the sake of their budget, but it leaves a family open to disaster.

"It's extremely risky to go without insurance, because we clearly can't rest on our laurels saying it [damage leading to an insurance claim] is never going to happen to me," he told the *New Zealand Herald*.



He encourages homeowners to shop around for better deals and pay attention to the details of policies. Increasing excesses for cheaper premiums may be an option.

Some insurers also give multi-policy discounts; thus you can save money in some cases by combining auto and home

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LISTING WITH A PRICE IS A DILEMMA

Trying to put a price on a property at present is just about impossible. If the property is listed too high, it runs the risk of not selling when it is fresh to the market due to over inflated expectations of the vendor.



If the property is listed too low, it may be under sold. Nobody can afford to under sell a property.

Often at an appraisal the vendor is only interested in what listing price the agent recommends. The vendor often lists with the agent who gives the highest appraisal.

One option for the vendor is to list without a price for possibly two weeks which will give the agent and the vendor time to evaluate how the interested parties coming through the open homes feel about the property and the price range they see it in. The vendor has total control over this no-price strategy and is in an informed position regarding price from the feedback from the market. This creates the opportunity for the vendor to obtain a premium for their property especially with vendor investment marketing introduced, as multiple buyers may compete.

FIX OR FLOAT?

Interest rates remain low compared to historic norms, around 5.7 percent for floating, 6 percent for a two-year fixed, and 7.2 percent for a five-year fixed. Tony Alexander, BNZ Chief Economist, says personally, he'd float. "The chances of the Reserve Bank of New Zealand raising its cash rate during 2012 at a time when household spending is near flat-lining and world growth prospects are dim are extremely low. I would be more than happy to stay floating."

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