The Rent Shop Ltd

Newsletter

August 2011

Market Improving

As promised more market comment this month. I am quoting from BNZ Economist Tony Alexander's 'Real Estate Overview' of 26 July 2011. As previously advised this is based on his survey of over 10,000 agents nationally.

"New Zealand's residential real estate market has started a cyclical recovery, evident now in rising turnover, rising prices, decreasing number of days to sell, a spike in listing shortages and entry of first home buyers into the market. We anticipate improving prices and activity over the coming couple of years however there will be restraint from easing net migration inflows over the coming year, rising interest rates, high household debt and possibly a structured lift in the savings rate and already high house prices compared with incomes."

Official Cash Rate/Interest Rates

The latest OCR review saw it unchanged at 2.5% however it is shortly expected to start moving up in .25% increments to be around 3.25% by year end and to 5% by early 2013. This means an inevitable rise in interest rates on mortgage loans. The BNZ is saying the current 2 year fixed rate @ 6.45% compares favourably against a two-year forecast average floating rate around 7.2% and the 3 year fixed rate @ 6.99% is the equal best since August 2009 compared with a three-year forecast average floating rate of around 7.6%.

Lucrative Second Dwellings

Now is a good time to use your spare land. This article by a trusted colleague Duncan Laird of Versatile Buildings Manukau.

"With the high cost of land in Auckland it is timely to look at alternatives. There are many sites in Auckland that can support two dwellings under current District Plan provisions. For the property investor this gives the benefit of having, effectively, free land to build on, with a correspondingly better return on investment.

Versatile Buildings Manukau has had considerable success in this part of the market having built in excess of 250 similar buildings over the last 7 or 8 years. We can advise clients on options available and then offer either full turn-key contracts or shell only builds to suit their particular needs. It is all a bit of a minefield of rules and regulations, however with our long involvement in the field we have been able to bring together a team of experts who can advise on any eventuality. We handle all communications with council and relevant authorities on your behalf. We have an extensive range of houses ranging from 1brm studios to 212m^2 plus, 4 brm houses. Check our range on www.versatile.co.nz. With the support of The Rent Shop Ltd your investment will be in good hands."

Depending on drainage issues, turn-key packages range around $125K for 60m^2 2 brms, $140K for 75m^2 3 brms or $155K for 83m^2 3 brms, can be 100% funded on 15 yr P&I loans @ 7% and fully covered by rental incomes.

Please call me or your Property Manager for an introduction to Duncan and assessment of your property. You may be pleasantly surprised how easy it is to improve your portfolio.

Cheers!

Warwick J James AREINZ - 09 253 9300 or 027 476 0255

Current Investment Opportunities

- **Otara**
- Three-bedroom family home
- Recently renovated
- Basement garage
- All ready for new tenants
- Very popular location
- **For sale at $265,000**

- **Manurewa**
- Two bedroom home unit
- Brick & tile with single garage
- Very good condition
- Expected rent $320 p.w.
- Ideal location close to shops
- **For sale at $249,000**

- **Otara**
- Three-bedroom family home
- Plus extra living space
- Excellent tenants
- Close to school, MIT & shops
- Rented now at $390 p.w.
- **For sale at $275,000**

- **Weymouth / Manurewa**
- Recently built brick & tile home
- Four bedrooms
- Two bathrooms
- Wonderful tenants
- Rented now at $460 per week.
- **For sale at $369,000**

Contact our Investment Specialist:

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