

What Happened to the Markets in February?

Rarely has it been so difficult to use our monthly results to interpret what is happening in our property markets.

Different cross-currents are in play. Physical damage and changed community perceptions of different urban centres and localities are without precedent. Suddenly, insurance availability is set to become a central element in the marketing and value of domestic real estate. Property values are now being influenced in a way that the global financial crisis could never achieve. In some areas, the availability of an engineer's report determines the saleability or otherwise of a valuable property.

The White Paper has, for sometime, had the premise that Ray White's monthly figures would be an accurate guide as to current trends and realities in the Australasian property markets. It would be a platform for comparison and comment. Confidence in interpreting our February figures to our previous months and previous year has been shaken. Once so reliable, now needing new interpretations.

So, to our February results. Overall, not as we would have anticipated some time ago. A total of just under \$2 billion (\$1.92 billion actually) with Australasian results down \$400 million on the same time last year. A huge drop. But, as we have claimed here, direct comparisons are dangerous.

For example, our New Zealand numbers were down from last February. But if one adjusts those results to exclude the Canterbury figures in the South Island then the rest of New Zealand actually was slightly ahead of last year – a trend we pointed to last month.

Queensland was down dramatically. One of the biggest drops yet recorded. But the position improves dramatically when taking into account the flood and cyclone disasters which affected so much of the State. These weather events also accounted for a significant drop in our Rural results.

All the other Australian states were less than February 2010 with Victoria just missing its previous year's figure.

However, our Loan Market figures were 8% up on the previous year, suggesting that there is still fundamental strength in the market. Numbers of people arranging and organising their finance remains at higher than previous levels.

The awareness/acceptance of the Australian community that Government assistance to home buyers has ceased, with no reversal imaginable, is now influencing the market. It has strengthened the resolve of buyers to negotiate with firmness.

Commercial property continues to experience ongoing demand across all sectors. Ray White's Commercial division was on budget.

What Happened in Christchurch?

Never has such a predicament been faced by a group of Ray White offices such as is facing our Christchurch team. Never in our history has a key market faced the prospect of a 25 – 30% drop in its permanent population. On top of that, to realise that a huge component of its housing "stock" has now been destroyed or irreparably damaged. That's the new brutal reality to our Christchurch team. The courage of our people to face these circumstances is absolutely inspiring. After only 2 weeks of continuing earthquake/after shock activity, our Principals are making new plans and new commitments to relate to the anticipated new circumstances. Where we had 19 offices in Canterbury, we expect to reposition with 11 offices across Canterbury.

The White Paper salutes their spirit.

New language (never envisaged before in the life of a real estate agent) is needed in Christchurch. The value of an engineer's certificate is now more important than how many bedrooms a property has. What about insurance? Can the insurance on a particular home be transferred to the new buyer? That becomes a new component of value. The need for flexibility for our people to prosper in this environment is massive.

Property management becomes so important to our businesses there now. With so much dislocation of occupiers of property, there is now the opportunity for significant growth in property management rentals (perhaps it shouldn't surprise, that rental rates are increasing due to the diminution in housing stock). Properties that cannot be sold will now be rented. Whilst so many people have left, there is still a huge ongoing continuing population that will be the backbone in the resurgence of Christchurch in the years to come.

So many new and exciting things happened in the Ray White Group during February. Somehow it doesn't seem appropriate to outline them in this issue. Next time.

Once again, we salute the spirit of Ray White Christchurch.



Brian White
Joint Chairman
Ray White Group

Brian White