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Newsletter Winter 2010 - 1010 Victoria Street - Ph: 838 3800 - Fax: 838 2765 - Email: admin@lugtons.co.nz

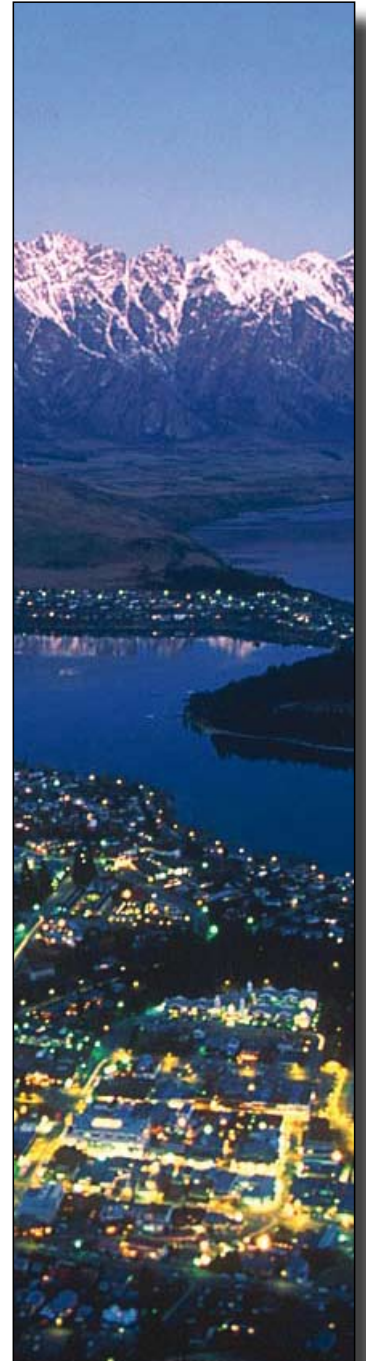
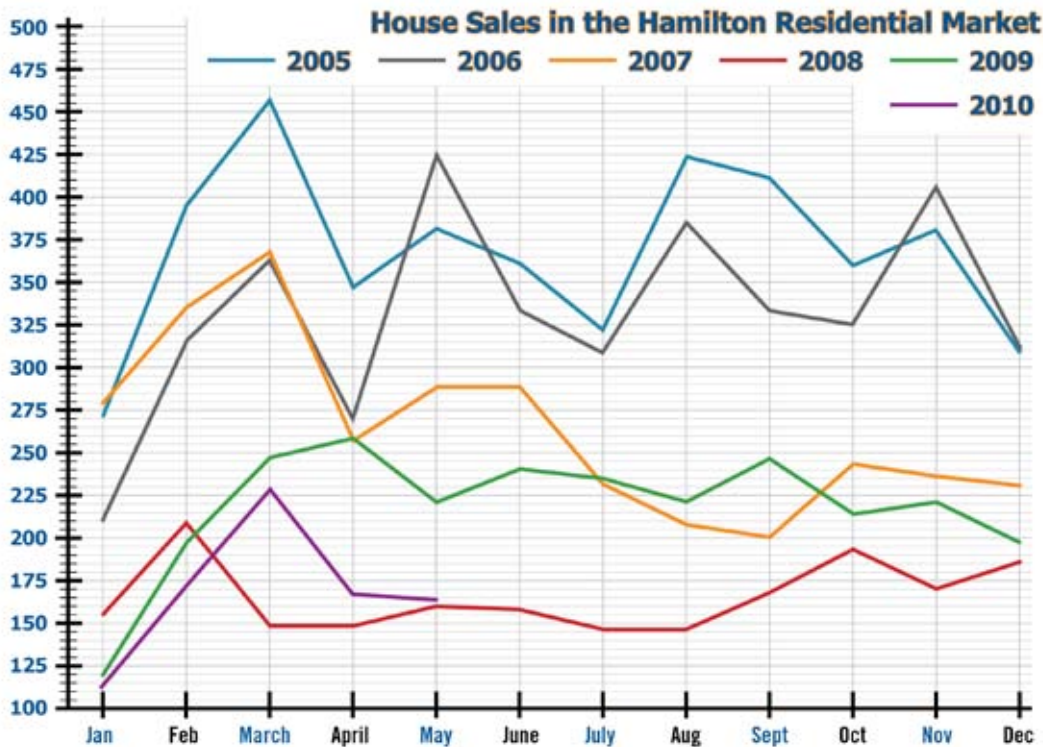
Hamilton's Residential Market

Since our last newsletter in April, Hamilton's residential property market has taken significant drops from the March sales figures of 225 residential sales.

April dropped by approximately 26% to 166 sales with May continuing that trend with 164 sales. Looking back 12 months to April 2009 sales were at 259, a drop of over 35%. May last year was 221 sales, a drop of over 26%.

We think the existing trend is unlikely to continue as we notice more people braving wind and rain to attend open homes and a reasonable kick off to June with a good number of transactions signed and processed.

To give you a really clear picture of where our Hamilton residential market is I have compiled for your information residential house sales on a monthly basis from January 2005.



Kerry Hopper

1010 Victoria Street, Hamilton

Phone: 838 3800 - Mobile: 021 984 173 - A/Hrs: 855 3411





Interest Rates

The big news of course is The Reserve Bank's first interest rate rise in 3 years taking the official cash rate from 2.5% to 2.75%. Predictions are for a further increase at the next six weekly review due July 29th.

At the time of writing this newsletter there had been little change in the retail market with the comment being that banks have started to factor increases into retail rates over recent times.

According to Brendon O'Donovan, Westpac's Chief Economist, Allan Bollard Reserve Bank Governor is signalling a start to normalising interest rates. While the OCR has a long way to go to return to more normal levels, Bollard has indicated he is very open to letting events determine how fast the OCR moves.

Fix or Float

Borrowers shouldn't panic about the Official Cash Rate (OCR) increase to 2.75% says ANZ chief economist Cameron Bagrie. He says decisions borrowers make should depend on individual circumstances. "If you want certainty, take a short-term fixed rate but acknowledge the cash flow cost. If you want the cash flow benefit, you're better off floating."

He says the floating rate will go up, but it will have to increase by a stunning amount before borrowers lose out. BNZ chief economist Tony Alexander says in the next 12 months BNZ expects the average bank floating rates to be around 7%, and in the next two years 7.9%.

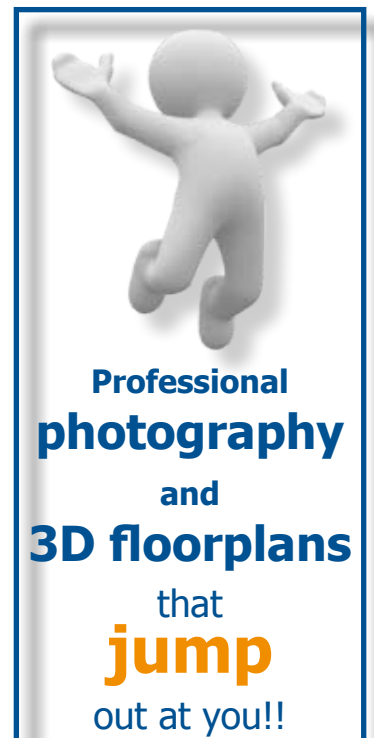
With the one-year average rate for the major banks at 6.35% at the moment and the two-year rate average at 7.3%, he says borrowers would be better off fixing, although there will be a cash flow cost. However he sees there is also a risk that the Reserve Bank may not tighten as quickly as he predicts because of uncertainty in the recovery and Euro-zone worries.

"As a result, I'm still left flipping a coin on whether to fix or float," he says.

3D Floor Plans and Professional Photography

Our new innovation of 3 Dimensional floor plans and professional photography has had a tremendous response from both vendors and purchasers. And it's free when you list your home with us. More and more people are using the major property websites to check out homes for sale.

The 3D floor plans available through Lugton's allow people to better remember homes that they have seen. It gives room sizes and deck placements. It is a significant asset to all our vendors and purchasers. All they need to do is visit our website www.lugtons.co.nz and hit the Floor Plan button to go straight to homes displaying 3D floor plans, or call in at one of our open homes for a brochure.



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