

Questions from Kaiapoi residential red zone workshop

8 February 2012, Kaiapoi Working Men's Club

Answers provided by CERA and Department of Building and Housing.

Real estate/property market

1. Is there a market for selling relocatable homes?

There has been some interest from both residential red zone property owners who want to relocate their homes, and from developers that would like access to houses in the residential red zone that can be relocated.

There is some preliminary information to suggest relocating homes from the residential red zone would be one way to lower the cost of new supply – particularly if it is done at scale.

We don't know whether there is a market, per se. But we can't really see why there wouldn't be.

2. Subdivision covenants – what restrictions do they pose for building or relocating affordable housing?

Some subdivisions may have covenants over sections prohibiting relocatable homes. Covenants are usually imposed by developers over land title, rather than being resource consent/District Plan requirements imposed by the council. In these cases, relocatable homes cannot be sited on those subdivisions unless the covenants are removed.

Covenants are sometimes restrictive, i.e. they impose more rules on what you can build, in addition to resource and building consents. Sometimes this might result in buyers having to spend more – some common examples of covenants include ones that require a certain site coverage or certain materials be used (or not used), meaning you could have less ability to choose build options that would lower your costs.

If you are looking at buying a section you should find out whether there are covenants and, if there are, whether the effect of any covenants means you can't build what you want or relocate an existing house.

3. Is the current market in Christchurch out of step with the rest of the country?

No – it's just different. It is not really useful to compare Christchurch with the rest of the country – and, in fact, if you did compare the housing situation across the country, places like Auckland are much worse in terms of affordability and constraints on supply but for different reasons.

What is unique about Christchurch right now is that the housing market is fluctuating considerably on a suburb by suburb basis and from month to month. Prices are volatile. This is happening both in terms of the rental market and the sales market.

4. Are there any predictions for the next 12 months?

No. Things are uncertain and will continue to change – it is difficult to forecast in this kind of climate.

5. Prices have gone sky high – what is expected in around two year’s time when more land becomes available?

Generally speaking, when you add more supply prices tend to drop. But that all depends on how much demand there is and whether there is enough supply to meet that demand.

Things are uncertain and will continue to change. We don’t know what will happen in two years’ time and it is difficult to forecast when things are so uncertain.

6. Will the settlements we are getting now cover the rising prices? Some people can afford but others are victimised. More than a moral obligation.

It depends on what and where you want to build, buy or rent and how much you can afford.

It’s up to residents to decide how to meet their long-term housing needs – whether this involves building or buying a new home, renting or buying a unit in a retirement village.

There are a number of housing options for people to consider depending on your situation and budget.

People can also consider borrowing, utilising other alternative finance products like Welcome Home Loan, or accessing their Kiwi Saver savings to supplement their settlement.

7. Do you think prices will stabilise when land becomes available?

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Things are uncertain and will continue to change. We don’t know what will happen in two years’ time and it is difficult to forecast when things are so uncertain.

8. If you buy now, wouldn’t you be mad because houses are selling for more than their valuation?

The information we have at the moment is that entire Canterbury region – particularly Waimakariri and Selwyn – are seeing buyers willing to pay up to 15% above the valuation.

We can’t predict what this means in the long term – whether buyers will be able to sell a house for what they paid for it (or more). This is always the case when you buy a house.

There are some areas of the country where paying above the valuation is common and has been happening for a while (e.g. Auckland), but the price you get when you go to sell (and the amount of appreciation) very much depends on the market at the time and how long you have owned the house.

It is up to residents to decide how to meet their long-term housing needs – whether this involves building or buying a new home, renting or buying a unit in a retirement village.