



## Should I break my fixed rate

With Interest rates at an all time low many people are considering to break their existing fixed rates.

Sadly there is no magic formula as when is the best time if at all to break fixed rates, every home loan is different and every borrower has different needs.

The floating rates are currently very competitive with the fixed rates increasing the longer they are fixed for with 5 year being the most expensive, however even the five year rate is at an historical low.

We are usually able to negotiate a discount with the Bank or mortgage provider, which will enable you to save even more and this is a free service.

Please contact me on 09 480 7980, I will be able to confirm your break fee and the options available

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## What rate is best

On the 12th March the Reserve Bank decreased the Official Cash Rate by 0.50% from 3.50% to 3.00%.

We have almost reached the bottom of the interest rate cycle, but that doesn't mean you need to feel compelled to rush in and fix your mortgage. There appears to be a bit of panic out there the past two days with a view that rates will suddenly go up again. This is a ridiculous argument - (1) rates have only just fallen and (2) we are in the middle of a major recession! The rates may stop decreasing but we are along way away from the Reserve Bank wanting to tighten the economy by lifting rates. Interest rates (particularly long-term rates will jump around a bit in response to the market and that means from time to time they may go up.)

If you have your mortgage in floating then over the next 6 weeks you should start to consider fixing it - even if it is only for a short 6 month to 2 year term. ANZ has a 3 month rate at 5.65% which looks pretty attractive. Floating rates are generally higher than short-term fixed rates because banks take higher margins on these products. However there is no rush to "fix" and you might want to wait until the April OCR before jumping in.

## Banks Tightening Lending Guidelines

Over the last 12 months the major Banks have all tightened their lending criteria making it much harder to get a mortgage or loan approved. Most have restricted the amount to 80% of a property value and for self employed they require at least two years full accounts.

We are pleased to offer a full range of lending products at the most competitive prices. As well as dealing with the major Banks we are also able to offer:-

- Home loans to purchase your own home up to 95%
- Home loans to purchase a rental property up to 90%
- Purchases and refinances up to 75% for self employed with no accounts
- Commercial loans up to 66%, income proof not always needed
- Debt consolidation and home improve loans for people with mortgage arrears and adverse credit entries

\*Normal lending criteria apply

## How low will rates Go

Reserve Bank governor disappointed those hoping for a bigger interest rate cut but still cut his official cash rate (OCR) to an historic low citing the very rapidly deteriorating world economy and extreme volatility in international financial markets.

The OCR now stands at 3% from 3.5% previously and has been cut from 8.25% in June last year.

While most economists had expected a cut of this magnitude, some had argued the worsening global outlook justified a 100 basis point cut and the financial markets had been pricing in between 65% and 75%.

Within half an hour of the announcement, the New Zealand dollar had climbed nearly half a cent against the US dollar and wholesale interest rates between three months and two years rose about 20 basis points.

Bollard is expecting the economy to start recovering by mid-year. "Given international developments at present, and the lags attached, that could prove optimistic," says Westpac chief economist Brendan O'Donovan who had thought a 100 point cut was justified.

Robin Clements, an economist at UBS New Zealand who had expected a 50 point cut, says the word "uncertain" appeared a lot in both the press release and the monetary policy statement.

"The degree of risk about what's going on is still pretty high," Clements says. Nick Tuffley, chief economist at ASB Bank, another picking a 100 point cut, says Bollard seems reluctant to push the OCR down too low.

Bollard is "putting a lot of weight on the monetary and fiscal stimulus coming through the pipeline" and seems to feel he's anticipated a lot of the bad news, Tuffley says.

The Reserve Bank is now forecasting a "super-charged" rebound in economic growth to 4.8% for the year ended March 2011, up from its previous 4.3% forecast. "You can still see a lot of downside risk coming through. I think it would be fantastic if that's the growth we end up with but private sector consensus is for worse outcomes," Tuffley says.

## House Prices - What is Happening?

According to Quotable Value, over the past 12 months, house prices have declined an average of 8.9% across the country. Auckland had a 9.4% decline, Wellington 9.3%, the brighter spots being New Plymouth declining 6.6% and Nelson 7.3%. The average time it takes to sell a property is now 59 days - well up on 30 days three years ago. These figures are gloomy but as we are talking to a number of real estate agents and valuers on a regular basis, a slightly different picture is emerging. Agents tell us that enquiries are up and the recent drop in interest rates appears to be starting to have an effect. Investors are noticing that many more properties are now cashflowpositive, and for home buyers affordability has improved. This upturn in confidence was noticed in the February figures with 40% more houses being sold in that month than in the somewhat quiet January. We really have to wait for the March and April figures to see if an upward trend is emerging. The figures last month were the first hint of something positive in the housing sector for over a year.

## Sudoku challenge March 09

Fill the grid so that every column, row and 3x3 box contains the digits 1-9.

	6	8		3	2	5		4
4		9	7		5		6	2
2	5		8	4		3	9	
	1	2		5	4		7	6
3		7	1		9	2		5
5	9		2	7		4	3	
	8		4	2		7		9
9	2		6		7	1		3
1		4	5	9		6	2	

Take the Sudoku challenge! All correct entries will go in the draw to win a bottle of bubbles! Drop in or fax your completed entry to our office by **THE END OF NEXT MONTH**

## Unit Titles Act to be overhauled

The Unit Titles Act 1972 is set to be changed, affecting body corporates and consent processes for multi-unit developments, if the new Bill read on Thursday is passed.

"There are over 16,000 unit title developments in New Zealand with nearly 96,000 units. Around 70 percent of these are residential. Within 50 years 500,000 Auckland residents will live in multi-unit developments.

If the Bill is passed applicants can comply in stages rather than meet all conditions from the start of a development.

Under proposed changes, it will no longer be necessary for a body corporate to achieve a unanimous vote on a decision - only 75 percent agreement will enable action.

New legislation would see bodies corporate owning all common property. Any repair and maintenance that affects more than one unit will be the body corporate's responsibility, taking the bill of a leak in a top floor unit away from the owner of that apartment.

Long-term maintenance plans will be required from bodies corporate, so that owners will not be stuck with one-off large bills for major maintenance such as lift replacement.

Apartment owners will not be happy "It depends how the body corporate fees are calculated, but they will probably think it is unfair - why should a unit owner on a floor below pay for a leak in a top floor unit?"

Under the Act, different components of a mixed use development will have separate body corporate management.

If apartments and a carpark share a building with retail space, each will have its own subsidiary body corporate which will belong to an overall body corporate that manages the property as a whole.

The Tenancy Tribunal will be the first port of call for disputes, avoiding relying on courts, ideally cutting time and costs for resolution.

Purchasers will be entitled to more detailed information before buying, including body corporate rules, maintenance plans and audited account details.

"It is important to ensure the legislation governing multi-unit developments provides the right level of protection, is easy to understand and will continue to work into the future.

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