

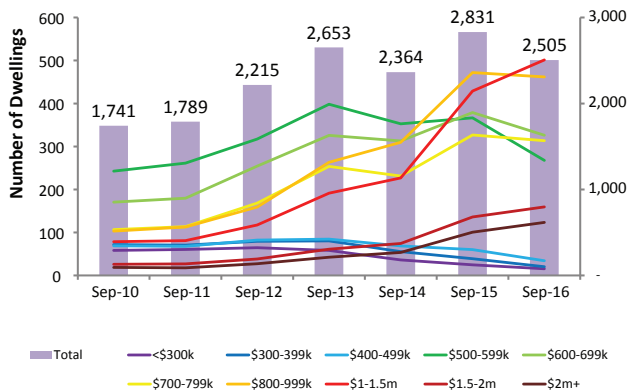


## Price Distribution Review

The sales distribution in Auckland for all dwellings (including apartments) has been relatively stable up to late-2011, with a steady increase in higher value properties as market values rise between 2012 and 2014. From March 2015 the proportion of Auckland properties sold for over \$700k grew quickly: 38% in Sep 2014, 52% in Sep 2015 and 62% in Sep 2016. Meanwhile the proportion of properties valued between \$500-700k has declined steadily, while those valued under \$500k declined from 34% in Sep 2014 to 14% in Sep 2016. The easing of growth in the proportion of properties sold for over \$700k from Sep 15 to Sep 16 may relate to new property investment rules and tighter mortgage lending restrictions introduced during 2015 and 2016.

The average number of dwellings sold in Auckland grew strongly from 2011 to 2013, but has dropped off in 2014 followed by a spike in 2015 and easing again in 2016. Growth to 2013 was seen across the mid-to-high price brackets (\$500k+). Since 2014, the number of houses sold valued \$800k+ has risen substantially while the number of houses sold valued under \$500k has steadily declined, in-line with rising median property values in Auckland over this period.

**Auckland Dwellings (incl Apartments) Sales Distribution**  
12-Month Rolling Average

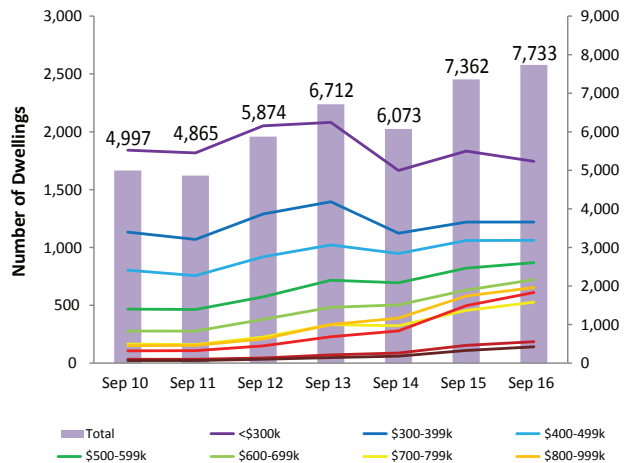


Source: REINZ

From 2010-2013 sales of dwellings in New Zealand across all price brackets have all increased at a similar pace, but from 2014 onwards, there has been a growth in the proportion of higher-value dwellings sold. The proportion of dwellings sold for over \$500k grew from 37% in Sep 2014 to 43% in Sep 2015 and 46% in Sep 2016. Similar to Auckland trends, the easing of growth in the proportion of higher-value properties sold may also relate to new property investment rules and tighter mortgage lending restrictions introduced during 2015 and 2016.

As seen in Auckland, across New Zealand the number of properties sold grew from 2011 to 2013, but dropped back in 2014 before picking up again in 2015 and 2016. The decline in 2014 comes as property values increase and fewer properties sell in the lower price brackets. However, unlike Auckland, there hasn't been the same level of decline in the proportion of lower-value properties sold since 2014.

**New Zealand Dwellings (incl Apartments) Sales Distribution**  
12-Month Rolling Average

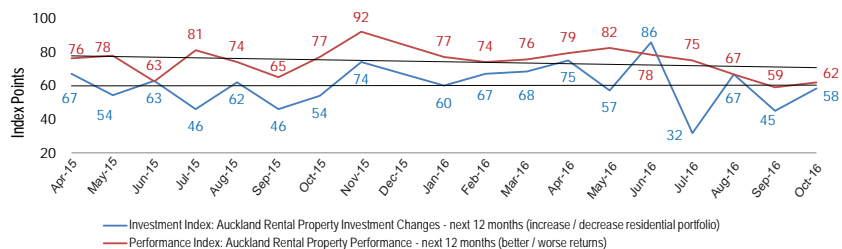


Source: REINZ

## Crockers Property Investment Index

This month the Auckland Rental Property Performance Index has seen a modest recovery due to the proportion of investors who expect their returns to improve over the next 12 months, outpacing the relatively small increase in the proportion who think it will get worse. However, the Index still remains at the low levels seen in June and September 2015.

The Auckland Rental Property Investment Index has seen a recovery this month, led by an increase in the proportion looking to increase their property investments and a decrease in the proportion looking to reduce their property investments. This suggests that the impact of the Reserve Bank regulations which came into effect on 1 September 2016 requiring property investors to have a 40% deposit for any new property investments may have a limited impact on property investment intentions.



— Investment Index: Auckland Rental Property Investment Changes - next 12 months (increase / decrease residential portfolio)  
— Performance Index: Auckland Rental Property Performance - next 12 months (better / worse returns)

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# Risks & Opportunities

In our latest Crockers Property Investment Index (CPII Survey) in association with IPSOS, we asked investors what they thought were the biggest **risks and opportunities facing New Zealand property investors over the next 6 months**. Many investors are concerned about "P" contamination, interest rates increasing and the prospect of lower property prices, a greater proportion see opportunities to make a profit outweighing the risks.



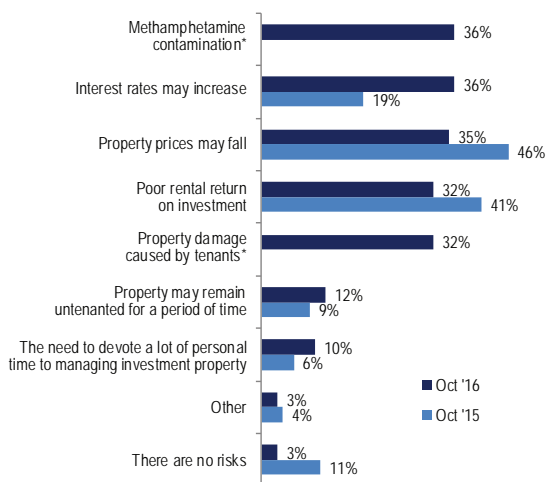
## Risks

Methamphetamine contamination is a major concern among property investors, with 36% considering it to be the biggest risk facing property investors over the next 6 months, this is consistent with the finding the Crockers survey conducted in August 2016 which found that 71% of property investors would ask for a methamphetamine test on any new property they were purchasing.

This is followed closely by the prospect of higher interest rates (36%, up 17 points from 2015) and a fall in property prices (35%, down 11 points from 2015).

For relatively few property investors, the prospect of untenanted properties (12%) or the need to devote personal time to managing investment property (10%) are seen as big risks.

### The biggest risk over the next 6 months...



NOTE: Respondents could choose more than one answer / \*New option added Oct '16 Source: CPII Survey Oct 2016

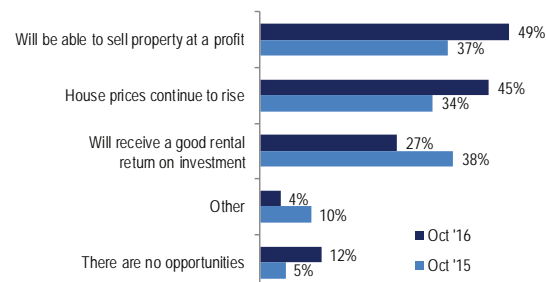
## Opportunities

Although 32% feel there may be a risk of poor rental returns over the next 6 months, 49% (up 12 points from 2015) see the prospect of selling property at a profit as being the biggest opportunity over the next 6 months.

This is followed closely by rising house prices (45%, up 11 points from 2015) and a good rental return on investment (27%, down 11 points from 2015).

This suggests that property investors are motivated more by the expected future capital gains of their residential property rather than immediate rental income.

### The biggest opportunity over the next 6 months...



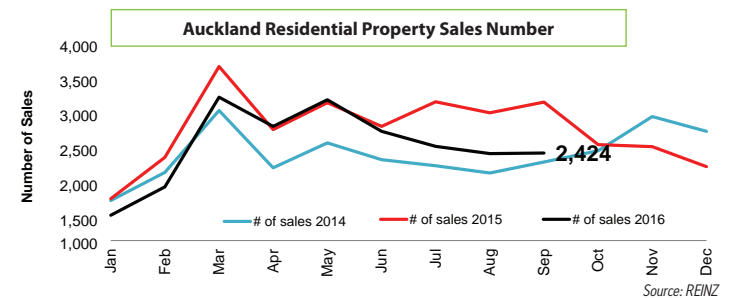
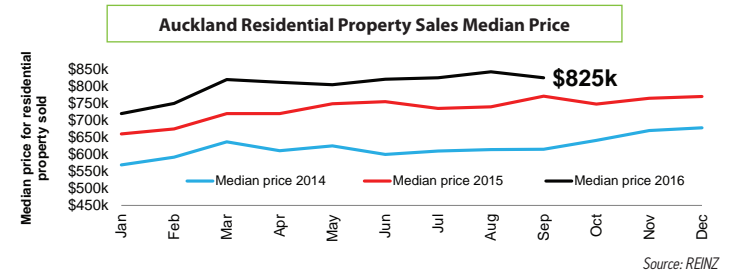
NOTE: Respondents could choose more than one answer

Source: CPII Survey Oct 2016

# Auckland Sales & Rental Update

## Auckland Median Prices and Sales Numbers

The Median Sales price has eased slightly from August's high but remains inline with the prices seen since June. Meanwhile, sales volume has held steady in September, but remains a substantial 23% below the volume of sales for the same period last year.

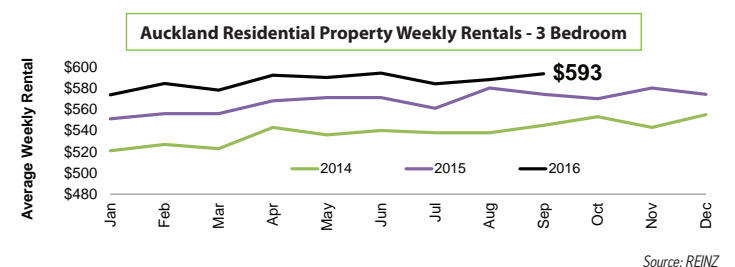
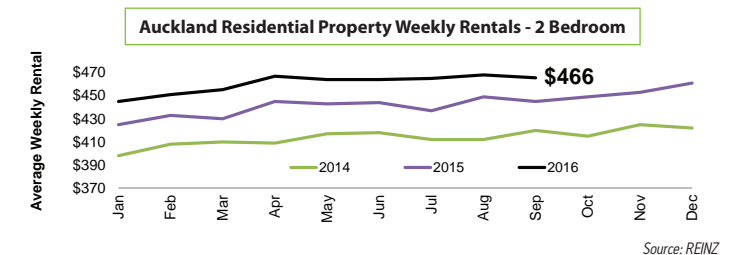


## Auckland Rental Prices

This month Auckland rents for a 2-bedroom residential property have eased slightly from \$468 to \$466 per week while 2-bedroom rents across New Zealand has also eased slightly from \$380 to \$375 per week. This has resulted in the Auckland 2-bedroom premium increasing slightly to 24%.

Rents for 3-bedroom properties in Auckland are up slightly this month from \$588 to \$593 per week, while 3-bedroom rents across New Zealand have remained stable at \$440 per week for the fourth consecutive month. Because 3-bedroom rents in Auckland have increased slightly this month, their premium over 3-bedroom New Zealand rents has also increased slightly from 34% to 35%.

Despite the slight declines in sales and 2-bedroom rental prices, there appears to be appetite among renters for 3-bedroom properties amid Auckland's continued population growth and relative economic prosperity.



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