



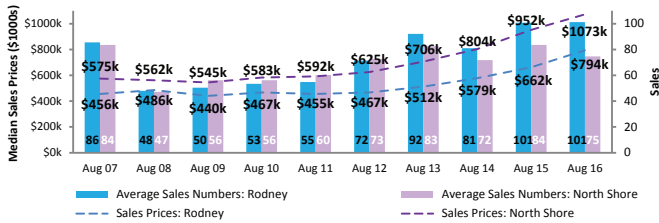
Suburb Review – North Shore and Rodney

Sales

The average number of monthly sales in Rodney has outpaced the North Shore since 2013 amid Auckland's continued population growth, economic prosperity and increasing residential development in Auckland's outskirts – including Rodney (10% vs -9%). In the current period, the average number of monthly sales on the North Shore are almost similar to 2012 figures, reflecting the shortness of supply in this area and possibly causing people to look further north to Rodney where there is more supply and prices are lower. In the current 12 month rolling period, North Shore prices are at a 35% premium over Rodney prices.

Over the past 12 months, the average price in Rodney has increased significantly more than the average price on the North Shore (20% vs 13%).

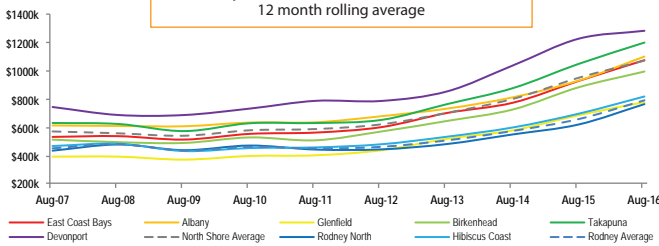
Rodney District v North Shore - Median Sales Prices & Volumes
12 month rolling average



Source: REINZ

In terms of rolling annual median sales prices, prices have risen substantially across all areas since 2013, particularly Takapuna (56%), Birkenhead (53%), East Coast Bays (53%), Rodney North (58%) and Hibiscus Coast (53%).

Rodney & North Shore Median Sales Price
12 month rolling average

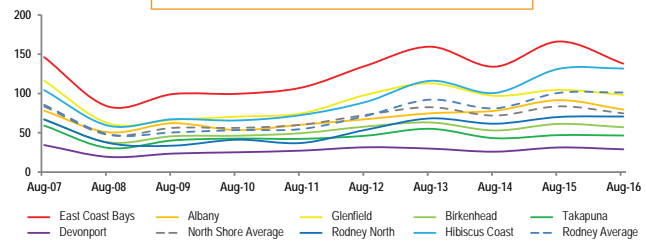


Source: REINZ

The growth of 10% in the number of monthly sales in the Rodney region compared to 2013 has come mainly from the Hibiscus coast (13% vs 4% for Rodney North).

Albany is the only area on the North Shore where there has been an increase in monthly sales compared to 2013 (6%). The biggest declines have been in East Coast Bays (-13%) and Glenfield (-13%).

Rodney & North Shore Median Sales Numbers
12 month rolling average

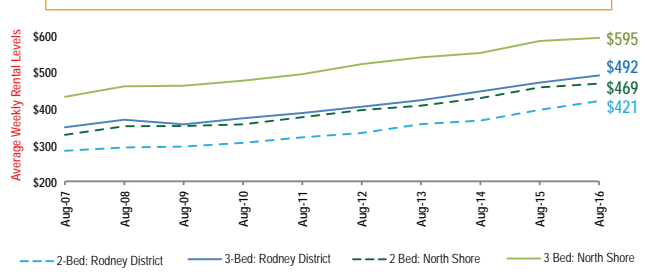


Source: REINZ

Rentals

Rents in Rodney and North Shore have grown steadily over the past decade. The rate of growth since 2014 has been higher for Rodney (6% 2-bed, 4% 3-bed) vs North Shore (2% 2-bed, 2% 3-bed).

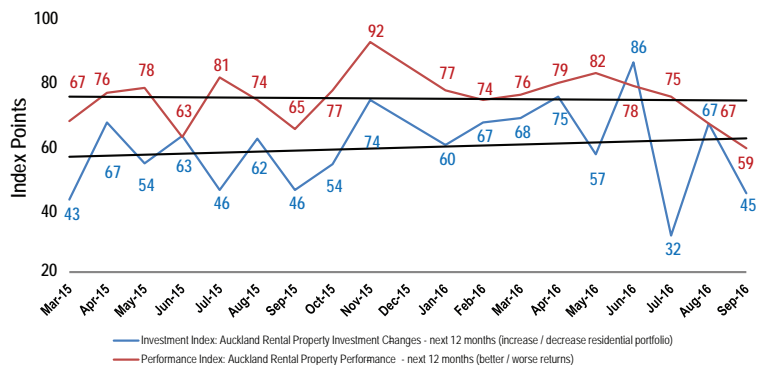
Rodney District v North Shore Residential Property Weekly Rentals
12 month rolling average



Source: REINZ

Crockers Property Investment Index

This month the Auckland Rental Property Performance Index has declined further to its lowest level over the past 18 months. This is due to a significant decline over the past 6 months in the proportion of investors who expect their returns to improve over the next 12 months and a significant increase in those who think it will stay the same. The Auckland Rental Property Investment Index has seen a sharp drop this month as a result of a decline in the proportion of investors who intend increasing their property investments. This is likely the result 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.



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Review of Rental Prices

Half the investors interviewed in our latest Crockers Property Investment Index (CPII) survey in association with IPSOS feel that rental prices are fairly priced, while nearly a third believes rents are currently below a fair price. More than half are not currently planning to increase rents within the next 6 months, while 35% anticipate an increase of 3% or more.

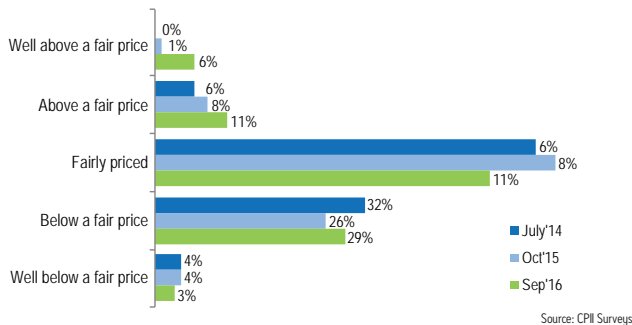


Increases in costs associated with the rental property – rates, insurance and maintenance, are all likely to contribute to a decision to increase rents. An increase in interest rates is also another key factor.

Current Rental Price Fairness

Nearly 1 in 5 investors believe rents are priced either well above a fair price or above a fair price. This figure appears to have increased over the past year. However, almost 1 in 3 investors (32%, up 2 points over the past year), believe that rents are either below a fair price or well below a fair price.

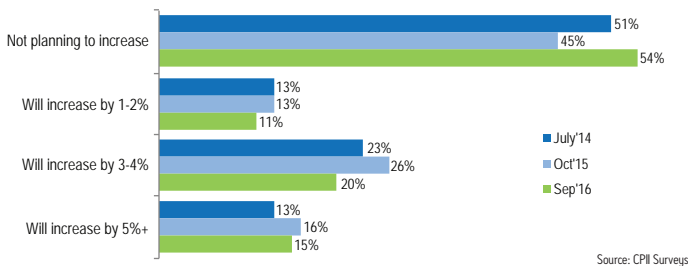
Q: Considering the current state of the rental market, the costs associated with owning a rental property and the returns you expect to get from your investment - how fairly do you think rents are priced at the moment?



Planned Rental Price Increases

Over half the investors interviewed (54%, up 9 points) are not planning to increase rents in the next 6 months. Most of those planning to increase rents are anticipating an increase of 3-4%.

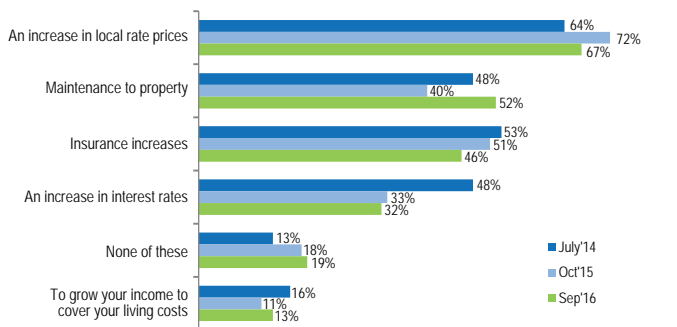
Q: Are you planning to increase the rent of your investment rental property within the next 6 months?



Factors that would influence an increase in rent

A number of factors come into play when considering rental increases. An increase in local rates is the most likely to lead to an increase in rents (67%, down 5 points), but other costs like property maintenance and insurance also play a part.

Q: Which of the following factors would influence you to increase the rent on your rental property?

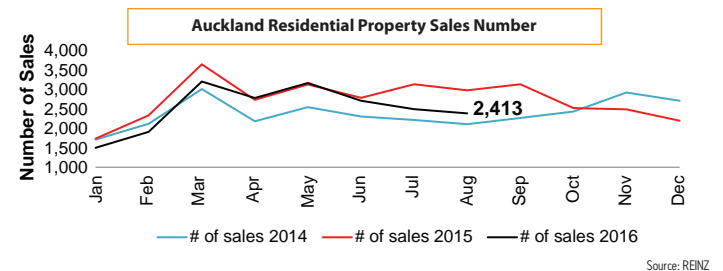
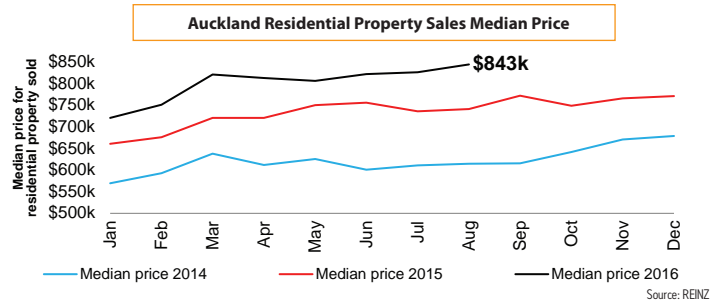


Source: CPII Surveys (Note: Recipients could choose more than one option)

Auckland Sales & Rental Update

Auckland Median Prices and Sales Numbers

The Median Sales price has increased to reach a new high in August. Meanwhile, sales volume has taken a further dip and is a substantial 20% below the volume of sales for the same period last year.

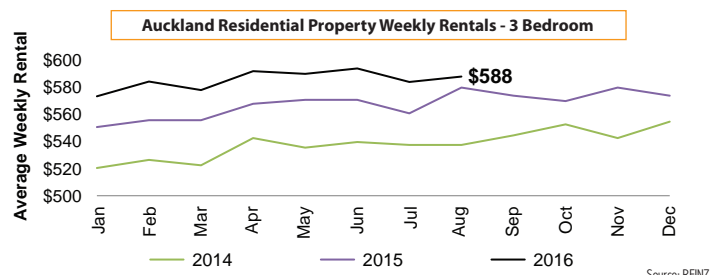
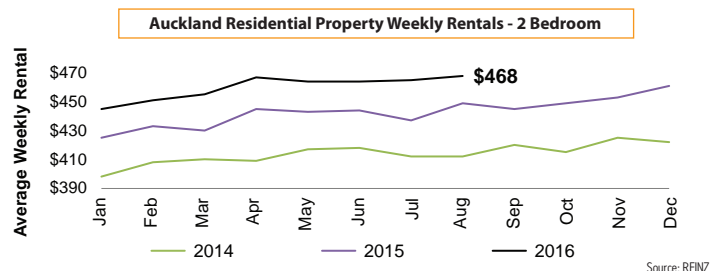


Auckland Rental Prices

This month Auckland rents for a 2-bedroom residential property have lifted slightly from \$465 to \$468 per week while 2-bedroom rents across New Zealand have lifted substantially more from \$370 to \$380 per week. This has resulted in the Auckland 2-bedroom premium declining slightly to 23%.

Rents for 3-bedroom properties in Auckland are also up slightly this month from \$584 to \$588 per week, while 3-bedroom rents across New Zealand have remained stable at \$440 per week for the third 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 33% to 34%.

The relative stability of rental prices compared to increasing property prices indicates reducing returns to be made from rental income. This means that property investors may have to investigate means by which they can charge higher rents, e.g. through property refurbishments.



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