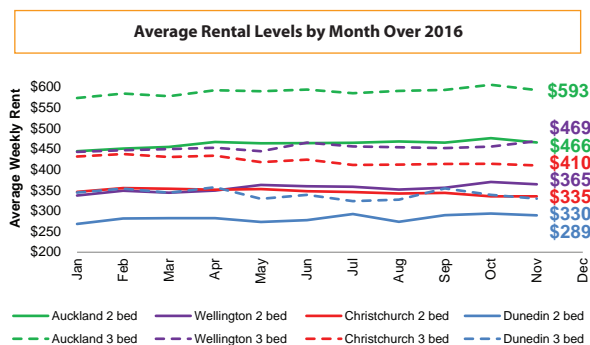
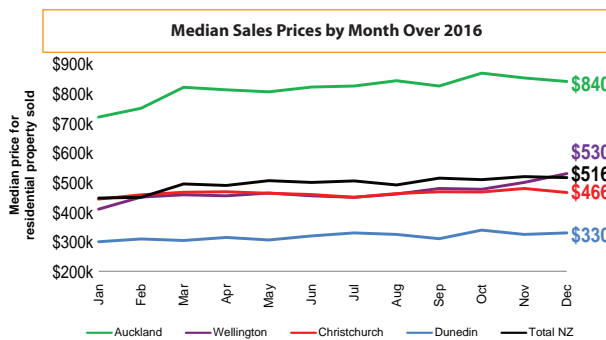




2016 Metro Review: Sales and Rentals

In 2016 median sales prices grew for all centres and the national average increased at a relatively stable rate throughout the year. Auckland posted a modest decline in median sales prices following the imposition of stricter lending requirements in October, while Wellington posted the highest proportional growth in 2016, with median sales prices increasing nearly 30 points. The growth in Wellington was experienced particularly in February and in the final quarter of the year. In contrast, Christchurch and Dunedin grew slightly, and at a generally stable rate.

At the time of this publication, REINZ rental data for December 2016 had not yet been received. As a result, 2016 rental results are up to November only. Rental prices had mixed movements in 2016. 2-bedroom rental prices in Auckland rose nearly 5 points between January and November 2016 while 3-bedroom rental price had a more modest increase of 3 points. Rental prices in Wellington rose 8 points and 6 points for 2 and 3-bedroom properties respectively. While rental prices were slightly lower in Christchurch for 2 and 3-bedroom properties than they were at the beginning of the 2016 (3 points and -5 points, respectively), Dunedin 2-bedroom rental prices increased slightly over 2016 (8 points), while 3-bedroom property prices have softened over the same period (-5 points).

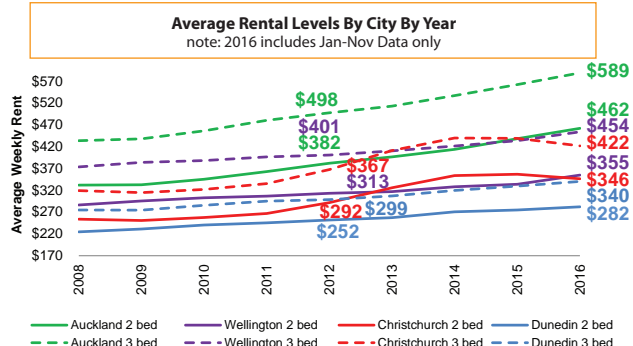
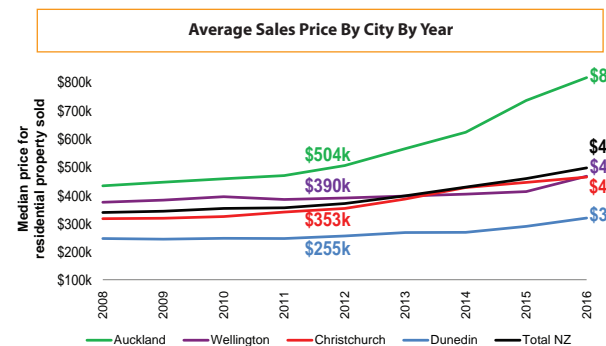


In 2016 the average selling price in New Zealand increased 8% (\$38k) on the year prior, making up just under one-third of the growth seen since 2012, 34% (\$126k). These increases were driven primarily by large shifts in Auckland, which saw an increase of 11% (\$81k) on 2015, making up approximately a quarter of the increase seen in the last 5 years.

In 2016 Wellington saw the largest growth in sales price during 2016, up 13% (\$54k), accounting for 70% of the growth experienced in the region since 2012 (\$77k). Christchurch sales price growth remained stable in 2016 at 4% (\$19k) following strong growth prior to 2015 during the earthquake rebuild. Dunedin experienced growth of 25% (\$64k) since 2012, with nearly half of the growth since 2012 experienced in 2016.

Rental prices have followed a similar trend; Auckland rental prices increasing by 21% (\$80) for 2-bedroom and 18% (\$91) for 3-bedroom dwellings since 2012, and a quarter of that growth happened in 2016 alone.

Christchurch rental prices for both 2-bedroom and 3-bedroom dwellings also increased since 2012 (19% or \$55 for 2-bed, 15% or \$54 for 3-bed), however since 2015 there has been negative growth of -3% for 2-bed and -4% for 3-bed as the post-earthquake rebuild gathers momentum. Wellington and Dunedin also experienced moderate levels of growth in rental prices for both 2 and 3-bedroom properties since 2012.



Source: REINZ

A rough estimation of the rental return (yearly rental income divided by house price) indicates returns across all four urban centres have weakened slightly since 2015. This is a result of rental price increases unable to keep up the pace with sales price increases, especially in Auckland.

For example, if someone bought in Auckland at the median price of \$815k and rented it out for all 52 weeks of the year at \$526 per week (we have averaged the median 3-bed and 2-bed rents to get \$526); they would bring in 3.4% of their original investment (before expenses). In 2012, they would have enjoyed a 4.5% return.

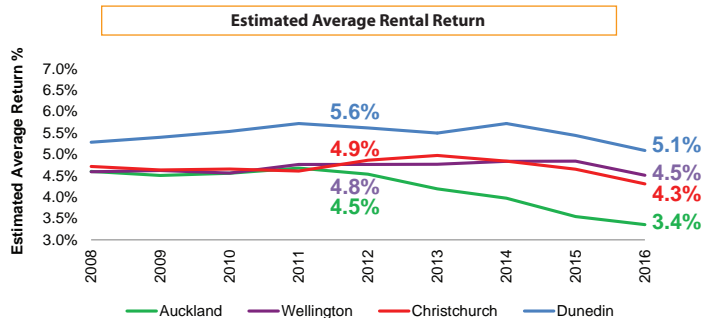
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This drop in returns indicates that rent and sales prices are not rising in equal degrees, indicating that the house sales price increases are a result of more than just a classic supply and demand imbalance.



Source: REINZ

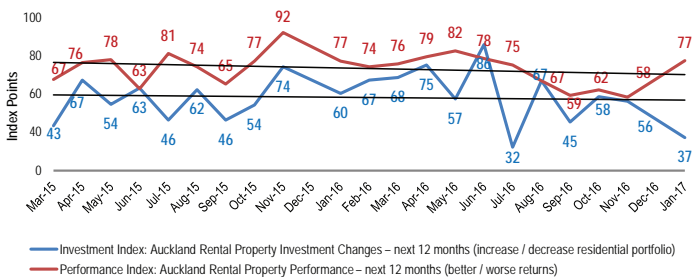
Crockers Property Investment Index



In this month's Crockers Property Investment Index (CPII) Survey in association with IPSOS, the Auckland Rental Property Investment Index has continued to ease. This decline has been driven by a decrease in the proportion looking to increase their Auckland rental property investment. The majority of property investors still plan to make no changes to their Auckland rental property investment.

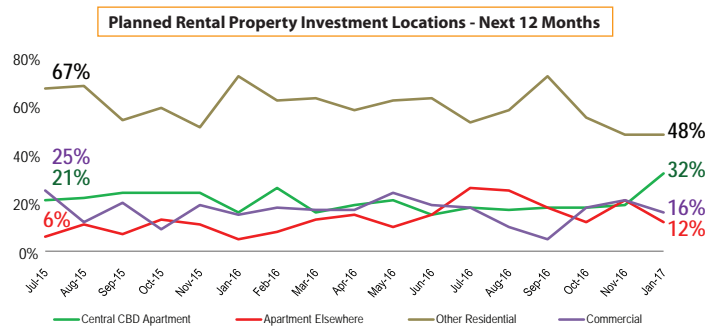
The increase seen in the Auckland Rental Property Performance Index is largely due to a decrease in the proportion of investors who believe their rental property investments will perform worse over the next 12 months. The majority of rental property investors expect their investments to remain the same over the next 12 months.

The movements seen in the rental property indices could be as a result of increased rental prices in the Auckland region, as more prospective buyers are priced out of the property market.



Investment Likelihood

Interest in Central CBD apartments has risen to its highest point since tracking began in April 2012. Other Residential has stabilised following two consecutive months of decline, while interest in Apartments elsewhere and Commercial property has softened slightly this month.



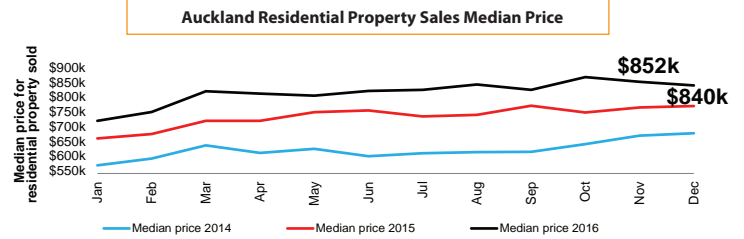
Source: CPII Survey Jan 2017

Auckland Sales & Rental Update

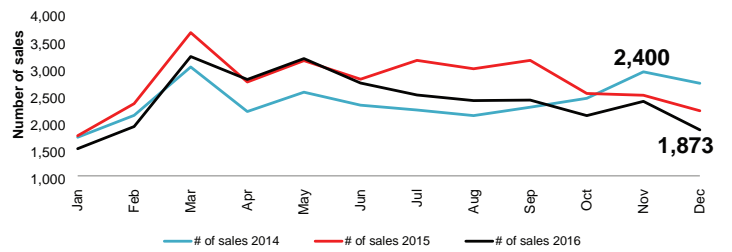
Auckland Median Prices and Sales Numbers

The Median Sales price has eased slightly for two consecutive months since a peak in October of \$868,000 to \$852,000 in November and then \$840,000 in December - the first time sales prices have decreased in December since 2013.

Meanwhile, sales volume eased from 2,400 in November to 1,873 in December. This softening in sales volume is a normal trend over the holiday period but the November-December drop-off is the steepest it's been since 2013.



Auckland Residential Property Sales Number

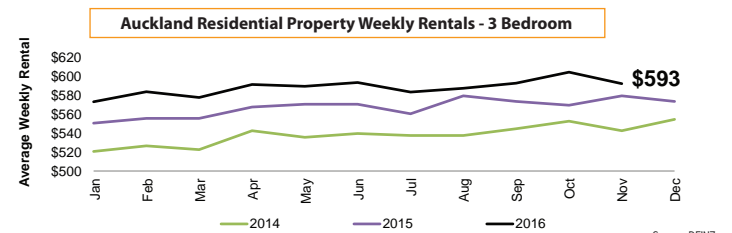
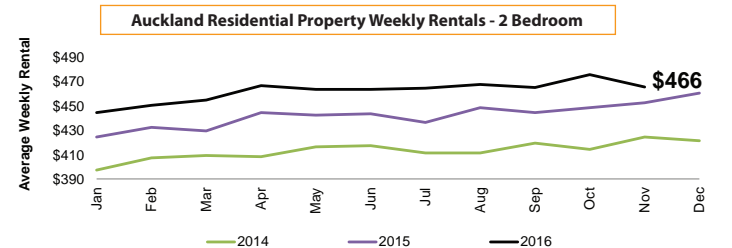


Auckland Rental Prices

At the time of this publication, REINZ rental data for December 2016 had not yet been received. As a result, 2016 rental results are up to November only.

In November, Auckland rents for a 2-bedroom residential property softened from \$476 to \$466 per week, the first November decrease we have recorded. 2-bedroom rents across New Zealand also eased, from \$390 to \$375 per week. This has resulted in the Auckland 2-bedroom premium increasing slightly to 24%.

Rents for 3-bedroom properties in Auckland fell from \$605 to \$593 per week, while 3-bedroom rents across New Zealand also eased from \$460 to \$450 per week. As a result of these movements, the Auckland 3-bedroom premium remained stable at 32%.



Source: REINZ

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