

PRESS RELEASE

23 June 2015

Each month Crocker's Property in partnership with independent market research firm Ipsos, survey Auckland property investors for their comments and thoughts on the Auckland property market. The results of the latest CPII survey (Crocker's Property Investment Index) are as follows:

This month:

- **76%** of landlords plan to **increase rents** to either partially or fully cover next year's rates increase announced by the Auckland Council
- Changes to the Loan to Value Ratio (**LVR**) **restrictions** on investment properties **don't change** future investment plans for the majority (81%) of property investors interviewed
- **48%** of those interviewed expect the changes to have **no impact on the market**, and another 41% expect the impact to be minimal, i.e. maintaining current prices rather than reducing them
- The Investment index picks up slightly as fewer plan to reduce their Auckland investments

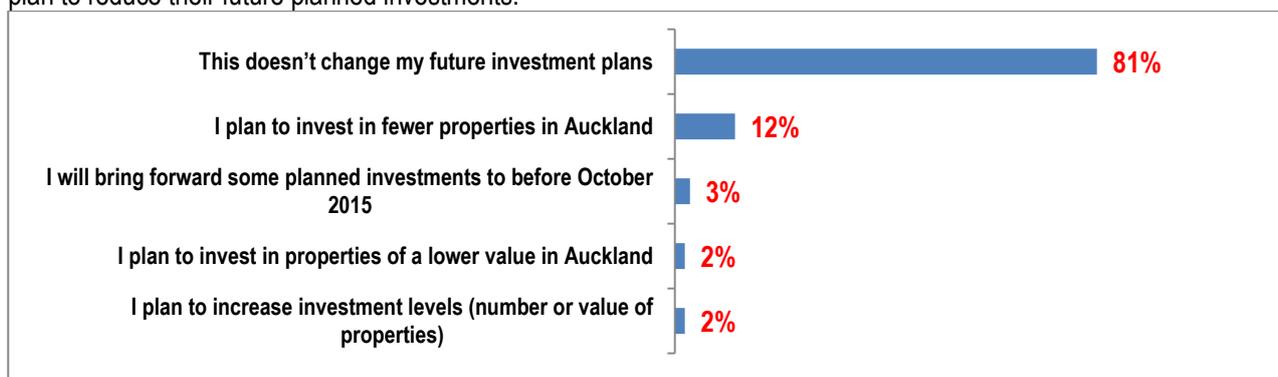
Little impact expected from new LVR restrictions on investment properties

This month in our latest CPII survey (Crocker's Property Investment Index) we asked investors their reaction to the recent changes announced by the Reserve Bank, where Auckland Investment Properties will require a 30% deposit from October 2015. For the majority of investors (81%) this change does not impact on their future investment plans, although a small number of investors did indicate that they would reduce their Auckland investments in some way, either through fewer properties or properties of lower value. In terms of the impact on the market, half expect it to have no impact and that current price increases will continue, and 41% thought the change would hold properties at around their current value. Either way, very few expected this change to result in a decrease in property prices.

We also asked about how property owners plan to manage the increasing Council rates planned for next year. The Auckland Council has announced an average increase of 4.2%, with an additional increase of \$114 for the Interim Transport Levy. Only a quarter indicated that they would not increase rental prices to cover this increase in rates, while the remainder would increase prices to cover all (33%), or part of the increase (43%).

Reaction to new LVR limits on Auckland Investment Properties

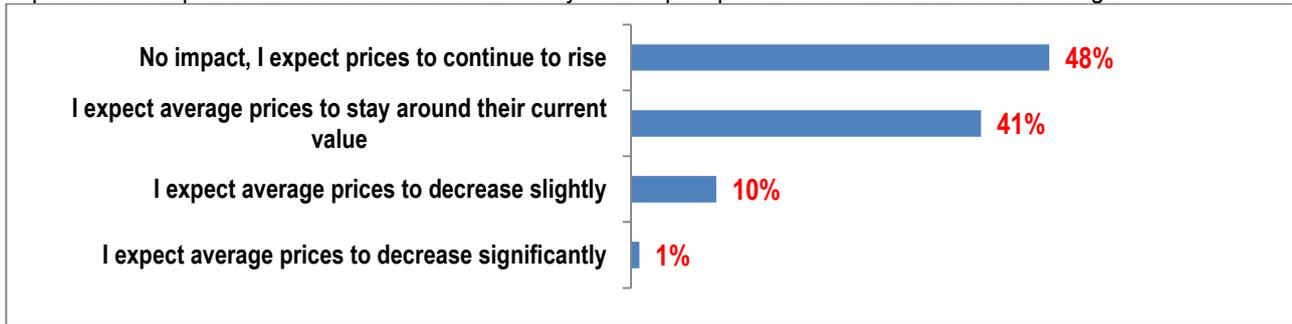
By far the majority (81%) of investors claim that this change will not change their future investment plans, very few plan to reduce their future planned investments.



Q: The Reserve Bank recently announced new loan-to-value ratio (LVR) limits on Auckland Investment properties. Investment properties in the Auckland Council area will require a 30% deposit from October this year. How does this change your future investment intentions in the Auckland property market?

Effect of new LVR limits on market

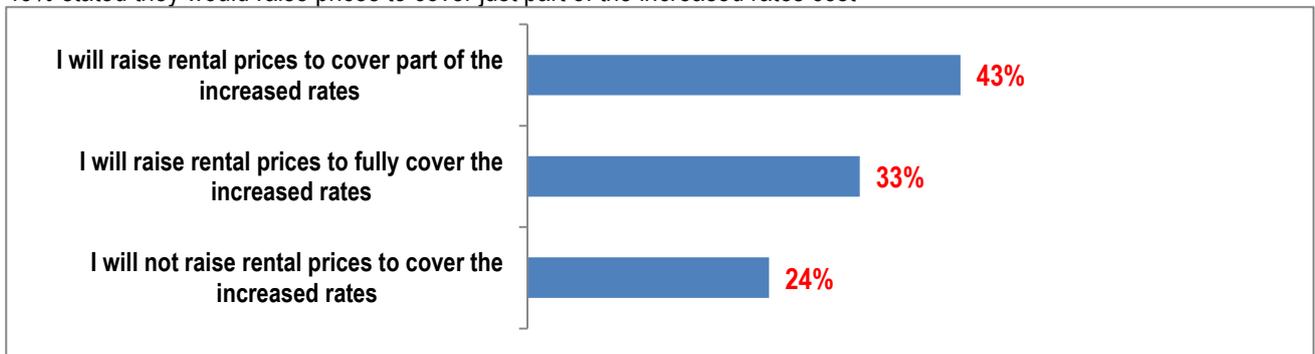
Nearly half of those interviewed don't expect this change in LVR limits to have any impact on the market, while 41% expect it to hold prices at around current values. Only 10% expect prices to fall as a result of the change.



Q: And what effect do you expect this change to have on average property prices in Auckland?

Impact of Auckland Council rates increases

The Auckland council announced rates increase for next year, including an additional levy for the Interim Transport Levy. A third of investors indicated that they would increase rental prices to fully cover this increase in rates, while 43% stated they would raise prices to cover just part of the increased rates cost



Q: The Auckland Council has announced that average residential rates will increase by 4.2% next year, and that it will fund its Accelerated Transport Programme via an additional Interim Transport Levy of \$114, which will be added onto the annual rates bill. How do you plan to manage these rates increases on your rental property/ies?

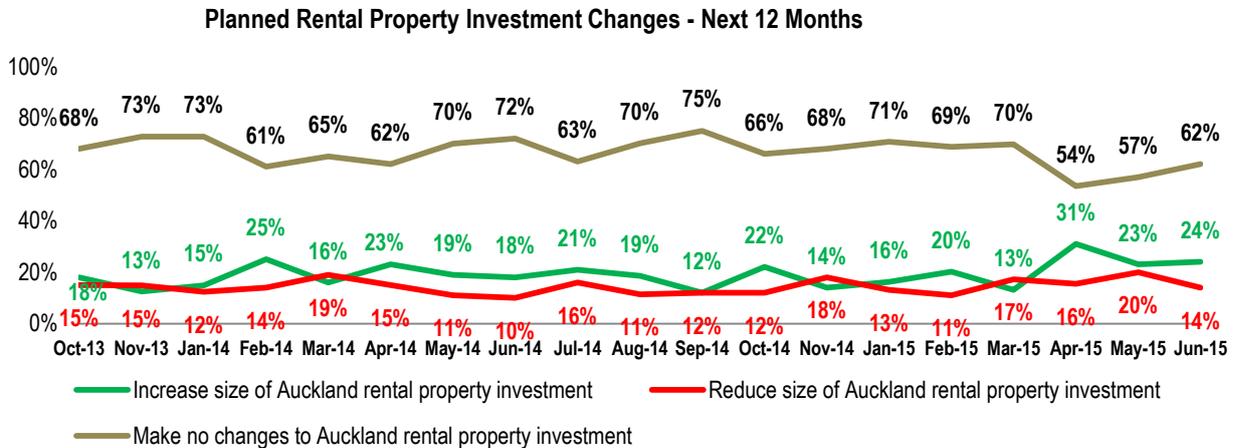
Auckland Performance Index drops sharply, Investment index picks up

This month the Auckland Performance Index drops significantly, with much fewer investors expecting rental performance to improve. This is likely a reflection of the recent changes announced around LVR limits for investment properties and the rates increases. The Investment Index sees a slight increase as those expecting to reduce their investment drop back to more typical levels.



Planned Rental Property Investment Changes – Next 12 Months

This month we see fewer expecting to make changes to their Auckland rental property investments, after the shifts seen in the last few months, although it has not yet returned to normal levels. We are still seeing more investors than usual planning to increase their property investments. In June we see the number expecting to reduce their investment drop back to more normal levels after a high in May.



Excludes 'don't know' and 'does not apply' answers

Research Details

This research, undertaken by Ipsos on behalf of Crockers, surveyed members of the Crockers Market Research subscriber's database during June 2015. Respondents included property owners, residential and commercial landlords, property managers, estate agents and tenants. This is an ongoing series of monthly surveys, delivering a regular barometer of property investors' confidence in the Auckland market.

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