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Auckland residential market rebounds – sales and prices up

Last month we reported that Auckland residential sales activity is showing some new **growth**, although this was confined to the lower end of the market. This month the **rest** of the Auckland market appears to have **caught up** as is often the case at this time of the year.

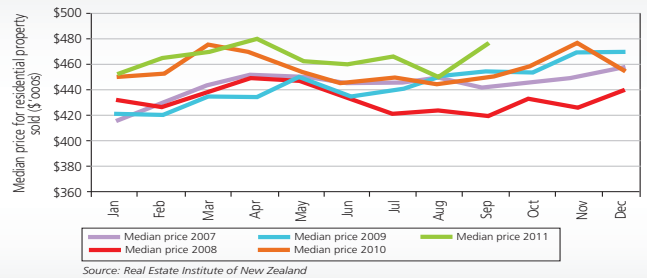
September's residential Auckland sales figures are the healthiest they have been for some time.

At 1,922 sales, September's volume was up almost 14% on September 2010, but still below the heights of 2009. Nonetheless this represents the first time there has been two consecutive months of sales increases since the February-March period earlier this year.

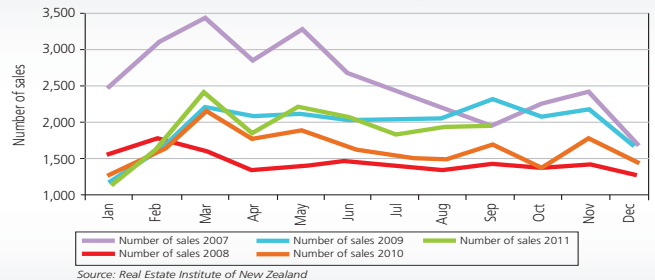
Of particular note is that the median sales price has increased substantially, from \$453,000 in August to \$475,000 for September – the highest September figure yet recorded, and second only to April this year. This represents a 5% month-on-month increase, the highest yet recorded for 2011.

In contrast, the nationwide sales data shows that the national number of sales increased only 0.8% to 5,235, and the median residential property price decreased 1.4% to \$350,000 over the August-September period.

Auckland residential property sales median prices



Auckland residential property sales numbers



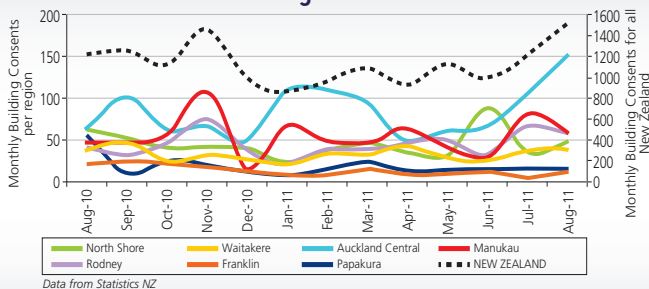
Building Consents – where is the growth?

The chart below shows that residential **building consents** have definitely increased of late, led by Auckland Central which has had month-on-month **increases** since April this year - increasing from 48 then to 152 in August; a 316% increase.

In contrast, the nationwide increase over the same April - August period was 162%.

The only other Auckland area to experience an upward trend this year has been Rodney. The North Shore experienced a spike in activity in June but this was not sustained in the months that followed.

New dwelling units authorised



The future of Auckland under the new 'Super City' Council

The **premium** prices charged for Auckland rental properties look set to **grow** if the new Council's expectations and **plans** for the future of Auckland come to fruition.

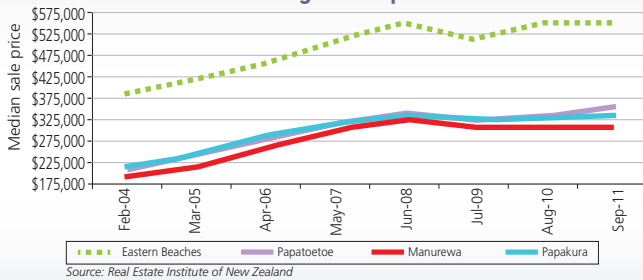
On a simple basis of 'supply and demand', there is much of interest for property investors and landlords in Mayor Len Brown's September speech on creating the 'World's Most Liveable City' (NZ Herald, 30th Sept). In it, Brown includes two predictions. Firstly a prediction of the population growing by a million more people over the next 30 years, with the resultant need for some 400,000 more homes. Given the pressures on the economy and the growing inaccessibility of homes for first-time buyers, it is fair to say that rental properties will have to comprise a sizeable proportion of these new homes. Secondly, and in a more sober vein, Brown cited the high proportion of Aucklanders living in deprived conditions - some 400,000 people by his figures, which is set to rise via an expected baby boom amongst this population. For these people Brown announced a South Auckland initiative to develop the potential of the area with a focus on education, health and housing. It is unclear yet how the new housing, (which we expect to be primarily rental), will be planned and funded. It will be worthwhile for interested property investors to keep an eye out for new activities in the area, such as new or changed land designation to allow for high density housing.

Auckland Suburban Review: South and East

In this edition, we break down some of the figures into a **view** of the **Southern** and **Eastern** suburbs. Note that the following figures exclude the 'Manukau Rural' area due to low sales figures (just five this year to date).

For the 12 months to September 2011 the median sales prices across the region were largely unchanged, increasing only 1.5% on average. The largest change was in Papatoetoe, where the median price over the period rose 6% to \$351,942.

Median sales price: Manukau / Papakura
12 month average to September 2011



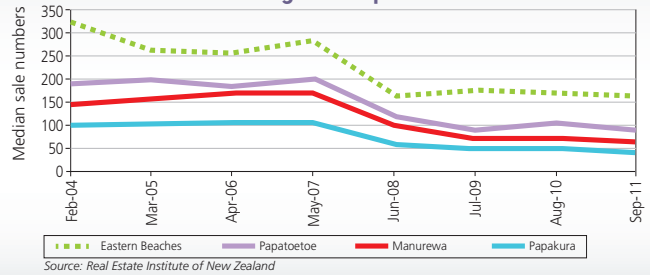
Source: Real Estate Institute of New Zealand

Sales numbers for this region remain slow, with the 12-month rolling average falling to a region-wide average of 92 sales per month for the 12 months to September 2011 (compared to 98 and 97 for the previous two periods respectively). This fall has been most keenly felt in Papakura, where the drop from 51 to 43 sales represents a fall of 16%. By comparison, the falls elsewhere were 9% (Papatoetoe and Manurewa each) and only 1% in the Eastern Beaches, see chart on top right.

The last year has seen rental prices increase across the Auckland region, with the Manukau and Papakura areas not missing out. Across the Auckland region, the average rental for a 2-bedroom property increased 4.5% for the 12 months to September 2011, to an average of \$323 per week.

Of the Southern areas examined here, Manukau (at \$320/week for a 2-bedroom) was closest to the Auckland region average, no doubt due in part to the large amount of rental stock in the area, meaning that the

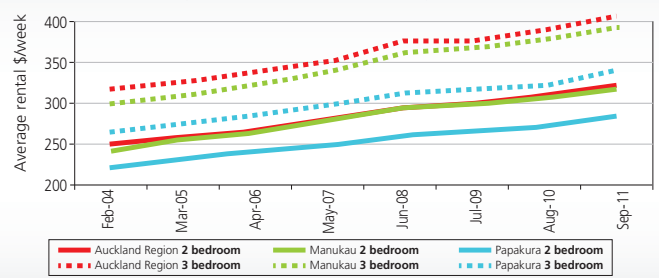
Sales numbers: Manukau / Papakura
12 month average to September 2011



Source: Real Estate Institute of New Zealand

Manukau figures have a strong influence over the figures for the wider Auckland region. In comparison, Papakura 2-bedroom rents were an average of \$285 over the last 12 months. While this is lower than elsewhere, it still represents a similar increase of 4.4% over the preceding 12 month period. The story for the 3 bedroom properties is similar to the 2-bedrooms ones, with one exception. While 3-bedroom rents have also increased markedly for the Auckland region (+4.9%) and in Manukau (+3.7%), those in Papakura have increased the most – up 5.6% over the last 12 months, albeit to what remains a much lower actual price (\$341 on average compared to \$409 for Auckland and \$394 for Manukau).

2 & 3 bedroom rental levels: Manukau / Papakura
vs Auckland Region 12 month average to September 2011



Source: Real Estate Institute of New Zealand

Each point on these charts is based on an average of the 12 months data prior (and including) the axis date.

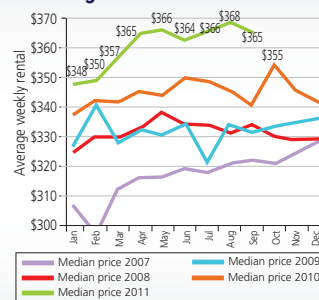
Auckland rentals command greater premiums as national rents decline

In the **two bedroom** market, Auckland rental levels have continued their **mild** fluctuation around the \$365-\$368 level, with an **average** rental figure of \$365 reported for September – representing an Auckland premium for such rentals of 26% over nationwide rental levels.

Elsewhere in New Zealand, rental prices for two-bedroom properties remained on a similar plateau.

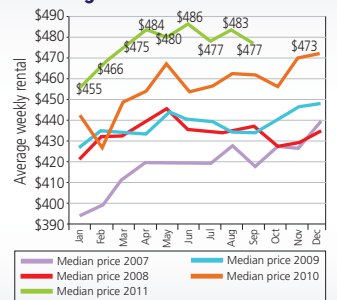
Rental fluctuations for three-bedroom properties in Auckland mirrored what we have seen for the two-bedroom properties, with average rentals of \$477 per week, the same as in July. Nationwide, the three-bedroom rents also fell slightly (to \$345) meaning that the premium charged for such properties in Auckland remains at 38%.

Auckland residential property weekly rentals - 2 bedrooms



Source: Real Estate Institute of New Zealand

Auckland residential property weekly rentals - 3 bedrooms



Source: Real Estate Institute of New Zealand