



Inside this issue • Did the RWC really affect the Auckland rental market? • What's in it for property investors? Cost of living in Auckland • Is your new neighbour from the O3?

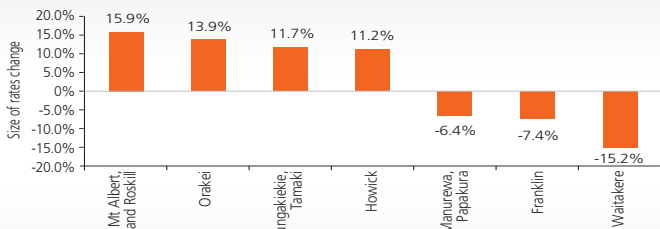
## The increasing Cost of Living in Auckland

It will be no surprise to readers that the cost of **living** in New Zealand has **increased** of late, as **confirmed** by the latest figures from Statistics New Zealand ([www.stats.govt.nz](http://www.stats.govt.nz)).

From the September 2010 quarter to the September 2011 quarter, the Consumers Price Index (CPI) increased 4.6% (including the increase to GST). During a period where many tenants will be happy to just be employed rather than seeking wage increases, many will have seen their true spending power go backwards in the face of these price rises.

Of the eleven categories that the CPI is based on, the housing and household utilities group rose 3.7% in the year to September 2011, making it the third biggest contributor to CPI change. This was largely due to the increased cost of local authority rates and payments, which increased 6.6% nationwide. In Auckland specifically, residential property rates will increase 5.21% on average. The biggest increases will be felt in Mt Albert, Eden and Roskill (+15.94%); Orakei (+13.93%); Maungakiekie / Tamaki (+11.7%) and Howick (+11.17%). Landlords with rental properties in these areas cannot help but be expected to pass on these increases to their tenants, adding still further to the increased costs of living and renting in Auckland. Conversely, some notable decreases in residential rates have also been made, improving the attraction and returns for investors with rental properties in Waitakere (-15.18%); Franklin (-7.44%); and Manurewa – Papakura (-6.36%).

### The biggest movers in the 2012 Auckland City rates changes



Source: Statistics NZ

In addition to increased rates, electricity price increases contributed 4.6% to the increase in the nationwide CPI level, an increase contributed to by the 3.5% increase in Mercury Energy residential charges announced by Mercury earlier this year.

## Auckland housing pressure added to by fleeing Cantabrians

With StatisticsNZ data still to come, EFTPOS management company Paymark has provided the best indication of where Christchurch people have moved since the February quake. By tracking where Christchurch EFTPOS and credit card holders have moved their shopping habits, Paymark released figures in May revealing that around 34,700 'cards' (and obviously the people behind them) had moved out of Canterbury, the majority (10,500) moving to Auckland and Northland. How many of these shifts to Auckland were permanent is hard to tell – but clearly this will have played a role in driving up rental demand in Auckland, already under pressure by some 15,000 Auckland households having, or waiting to have, their leaky homes repaired.

## What does a National Government mean for property investors?

With **National's** election win, many investors will be wanting to know just what John Key's **second-term** government has in mind that will **affect** the residential property market.

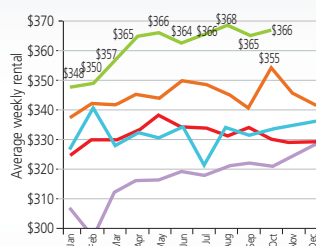
NZ Property Investor reported recently that it's what the Nat's *won't* do that is the key to their platform, their being against introducing a Capital Gains Tax (which is the policy of the Labour Party, Greens and Mana parties). Act's Rodney Hide wrote an article in July headed "Why a capital gains tax is a very, very bad idea" which doesn't have to be read to see Act's position. Currently, National has not announced any planned changes to the Residential Tenancies Act. A more recent examination of the parties' policies reveals a bit more. Shamubeel Eaqub, NZ Institute for Economic Research principal economist was quoted recently saying, that the National-led Government's main policy change was depreciation removal from all properties, including commercial, targeted at property investors to reduce their after-tax profit. "However, it is unclear if it will have much of an impact. The net rental yield on residential investment property is typically negative. Investors bought houses as an investment for capital gains. I do not believe this policy will have any meaningful impact on the housing market," Eaqub said. Other property and housing policies of the National Party focus on, first-home buyers, streamlining the Resource Management Act, and selling shares in state-owned assets to give an alternative to housing investment.

## Monthly rental values hold firm

There was little in the way of **major** change within the two and three **bedroom** Auckland rental market.

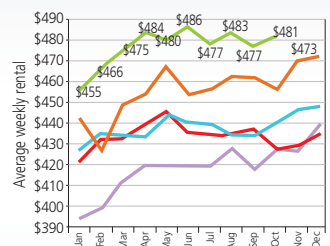
In the two-bedroom market, Auckland rental levels have continued their mild fluctuation around the \$365-\$368 level, with an average rental figure of \$366 reported for October - representing an Auckland premium for such rentals of 24% over nationwide rental levels. Rental fluctuations for larger properties in Auckland mirrored what we have seen for the two-bedroom properties, with average rentals rising slightly to \$481 per week. Nationwide, the three-bedroom rents also rose slightly (to \$350) meaning that the premium charged for such properties in Auckland is at 37%.

### Auckland residential property weekly rentals - 2 bedrooms



Source: Real Estate Institute of New Zealand

### Auckland residential property weekly rentals - 3 bedrooms



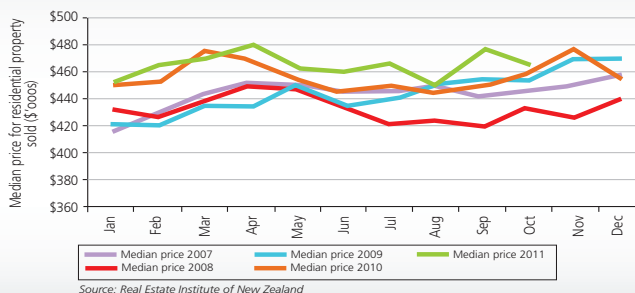
Source: Real Estate Institute of New Zealand

# Auckland residential market softens slightly

Last month we reported that Auckland residential sales activity had been the **healthiest** they have been for some time, with September's volume up almost 14% on September 2010. This month sees that growth to have **retracted** slightly, in both volume and prices.

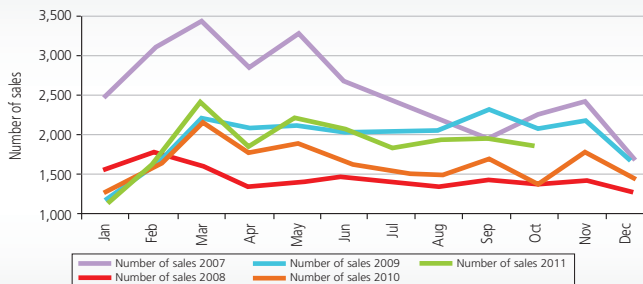
The volume of sales decreased almost 5% from 1,922 to 1,832, and the median sales price has decreased slightly, down some 2% from \$475,000 in September to \$465,000 in October. In part this could be due to a small increase in the proportion of sales represented by apartments (up around 0.6%) and also undoubtedly due to the Rugby World Cup – if one believes in the adage of 'never hold an open home during a test match', then the numbers wanting to sell during October will have naturally fallen, as too would have the number of people interested in viewing open homes when there were major rugby matches on. Meanwhile, Paymark showed retail and hospitality figures for the RWC period certainly had a substantial increase in leisure spending and behaviour for the period across New Zealand and especially in Auckland.

## Auckland residential property sales median prices



Source: Real Estate Institute of New Zealand

## Auckland residential property sales numbers



Source: Real Estate Institute of New Zealand

## How can Crockers Realty help you?

The median sales price in Ellerslie/Panmure increased 12% from, \$389,000 to \$436,000 compared to the same time last year. If you would like to receive a free appraisal on your property - call our Property Sales Manager, **Peter Holmes** on 09 968 3446 or email peter@crockers.co.nz

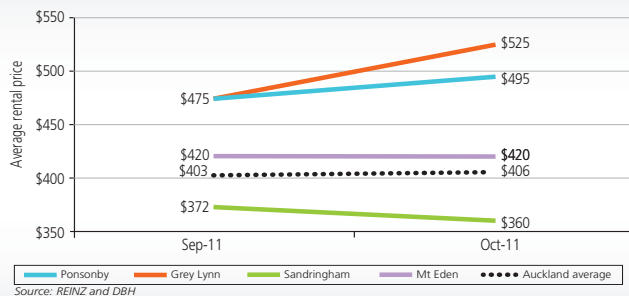
# What happened to the rents around Eden Park?

Before October, much had been written about the money to be made **renting** out properties at high rates during the **Rugby World Cup**, and it does appear that some properties close to Eden Park and the Auckland CBD did enjoy **raised** rents during October.

Against a largely unchanged average Auckland City\* rental price of \$406 for two-bedroom properties, substantial increases were noted in Grey Lynn / Westmere (\$475 to \$525) and Ponsonby (\$475 to \$495). But these increases were counterbalanced by decreases in Sandringham two-bedroom rentals, from \$372 to \$360.

\*Auckland City comprised of suburbs: City Centre, Ponsonby, Grey Lynn/Westmere, Mt Albert/Pt Chev, Sandringham, Mt Roskill, Mt Eden, Epsom, One Tree Hill, City Bays, Remuera, Meadowbank and Glen Innes.

## Average monthly rental - 2 bedroom

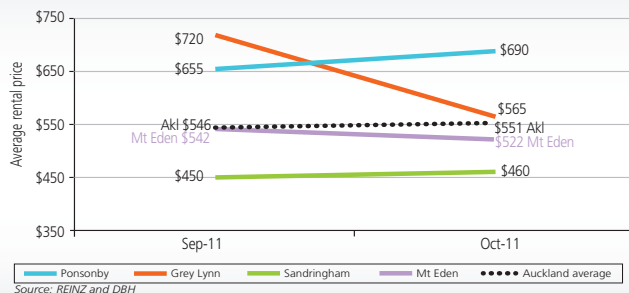


Source: REINZ and DBH

Amongst the three-bedroom rental market near Eden Park there was also some variation. The average figure for all of Auckland City\* was essentially unchanged at \$551, whereas Ponsonby rents increased 5% to \$690. What does need to be noted and understood, is that these suburb-by-suburb results can vary widely given the smaller number of properties within each as per the bonds received by the Department of Building and Housing.

France was not the only losers during the Cup, and some rentals performed better than Stephen Donald – but consistent wins across the board were not forthcoming.

## Average monthly rental - 3 bedroom



Source: REINZ and DBH