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Steady finish for 2011 for Auckland residential sales

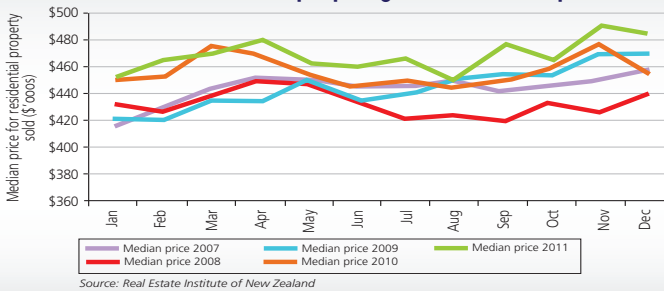
Volume of house sales fell in December, but it's not necessarily cause for concern. The seasonal fall to 1,826 residential sales is actually less of a December drop than in previous years – in fact more residential properties were sold this December than any of the previous five Decembers. For every four residential properties sold in December 2010, five were sold in December 2011, giving a healthy finish to the year.

Auckland house prices higher than ever

Auckland house prices in the last quarter of 2011 are higher than they've ever been. The average sale price was \$490k in November and \$484k in December - setting a new record.

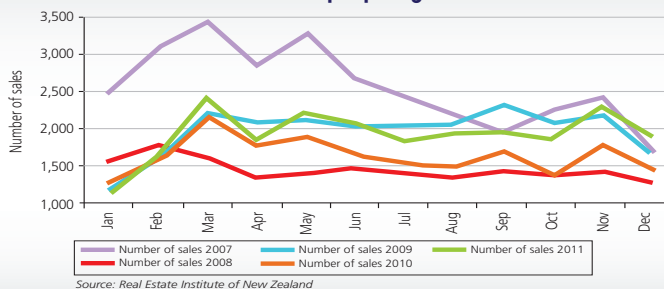
Auckland house prices have been increasing steadily (at about 3% year-on-year) over the past 9 months, while volumes have held steady at a good post-recession level of around 2,000 properties sold per month. Increased prices are due to more sales of properties worth over \$700k; 431 sales in December 2011 compared to 295 in December 2010. The December results cement a solid three quarters, and suggest that investors are cautiously optimistic – or perhaps unwilling to wait any longer to invest.

Auckland residential property sales median prices



Source: Real Estate Institute of New Zealand

Auckland residential property sales numbers



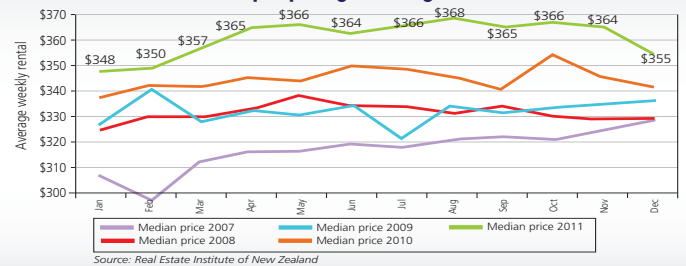
Source: Real Estate Institute of New Zealand

Two-bed Auckland rentals cheaper while three-bed rentals continue to climb

After remaining steady for several months, **two-bedroom** Auckland rents **fell** in December to \$355pw. The national average of \$295pw is steady, which means that tenants in two-bedroom properties pay only **20%** extra to live in Auckland (compared to 24% last month).

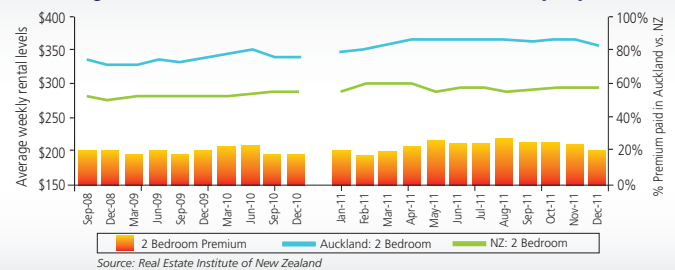
The December cost of rent in Auckland (\$355pw on average) is still higher than a year earlier, however. Rents have increased in all areas of the city except Papakura and Sandringham (which have slightly decreased). Trendy suburbs Ponsonby / Grey Lynn / Westmere and Takapuna / East Coast Bays show notable increases, reflecting their desirability for renters.

Auckland residential property weekly rentals - 2 bedrooms



Source: Real Estate Institute of New Zealand

Average rentals - Auckland vs NZ 2 bedroom properties



Source: Real Estate Institute of New Zealand

Auckland premium on larger rentals now over 40% as rents climb

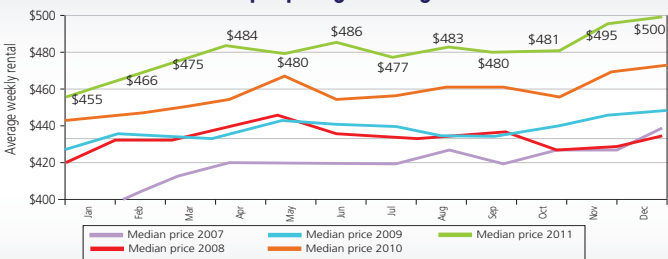
With **larger** properties, the picture of growth is more **pronounced**. Three-bedroom properties finished the year on an average of \$500pw - a record **high**.

Prices have risen steeply over the past year. Compared to a year ago, renters will have to find around \$25 more per week for rent if they need a three-bedroom Auckland home.

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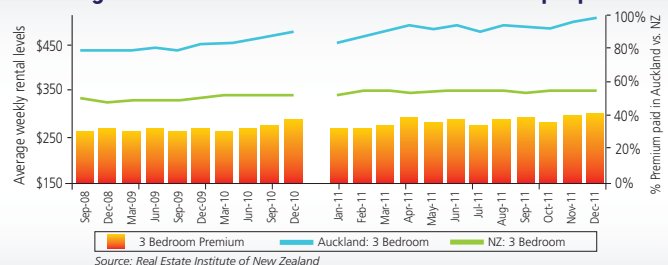
Prices in the rest of New Zealand have remained stable throughout most of 2011, finishing the year on an average of \$350pw, meaning renters now pay 43% more (around +\$150pw) to live in a three-bedroom in Auckland rather than elsewhere in New Zealand. What does need to be taken into consideration is that not every suburb of Auckland is able to command an average weekly rental price of \$500 per week for a three-bedroom property. Areas like Takapuna, City Centre, Ponsonby, Grey Lynn, City Bays and Remuera are strong contributors towards the three-bedroom average rental price.

Auckland residential property weekly rentals - 3 bedrooms



Source: Real Estate Institute of New Zealand

Average rentals - Auckland vs NZ 3 bedroom properties



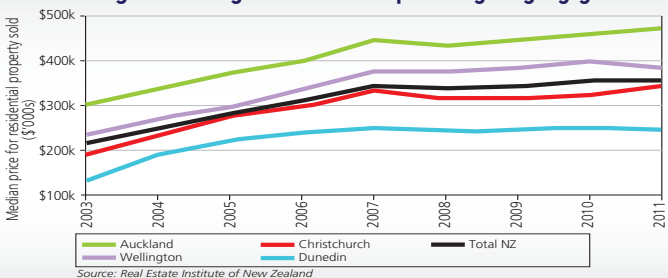
Source: Real Estate Institute of New Zealand

The Auckland premium grows

2011 saw New Zealand's **largest** city continue to pull **away** from the rest of the country in **both** rents and residential sales prices.

The average Auckland sales price in 2011 is almost \$470k: about a third higher than the rest of the country (and almost double those of Dunedin, where the average residential property costs under \$250k). This is regardless of the fact that the properties sold tend to be smaller in Auckland. Wellington (average residential sales price \$384k in 2011) and Dunedin (average residential sales price \$246k in 2011) show a flatter trend in 2011, with modest declines in residential sale prices and relatively flat rental prices in Wellington in particular. Whereas residential sales prices in Christchurch (at \$340k in 2011) closely reflect the New Zealand average.

Average monthly median sale price by city by year



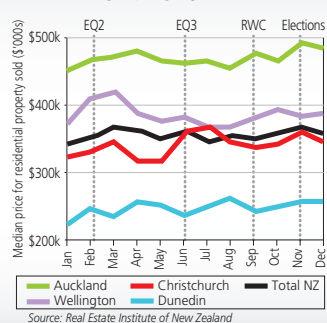
Source: Real Estate Institute of New Zealand

An eventful year concentrated demand

2011 was a year of highs and lows for New Zealanders, and the **impact** of some of the year's big **events** can be seen in the movements of people – in particular out of **Canterbury** after the second earthquake in February and the June aftershock.

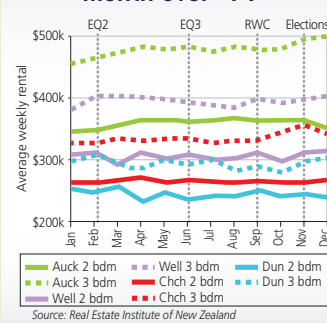
Christchurch sales prices peaked, but rentals remained flat after the June '11 aftershock. Both sales prices and rents (for three-bed properties) increased in November in Christchurch, suggesting that demand remains high. The Rugby World Cup ran from early September to late October, and seems to have been followed by more-than-normal sales at high prices. A spring peak in prices is often seen, but this year it may have been pushed later and compressed into a shorter period by the RWC.

Median sales prices by month over '11



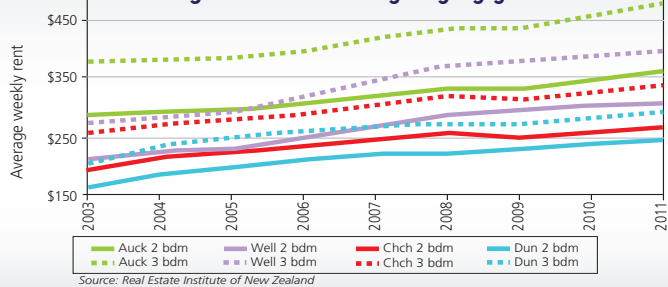
Source: Real Estate Institute of New Zealand

Average rental levels by month over '11



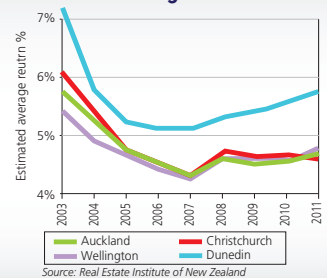
Source: Real Estate Institute of New Zealand

Average rental levels by city by year



Source: Real Estate Institute of New Zealand

Estimated average rental return



Source: Real Estate Institute of New Zealand

Prices increase, ROI shows little change

Using the figures in this article, a rough calculation shows rental returns in 2011 were similar to the previous two years at around 4.7% per annum. Returns are similar across the cities of New Zealand, with the notable exception of Dunedin. The popular university city continues to outperform the rest of the country with a 5.7% return on investment, thanks to increasing rents.