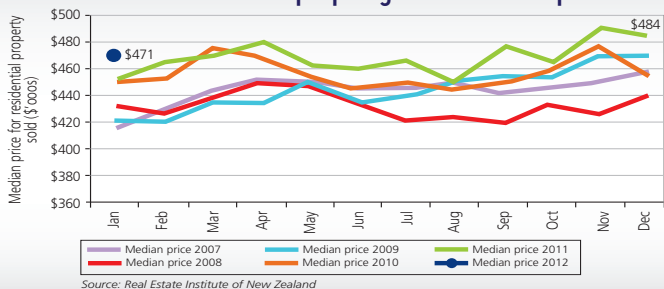


Inside this issue • Highest Auckland January sales price ever • Growth in Auckland 2-bedroom rental prices • Results from Crockers Property Investment Index February Survey • Auckland Central Review: Sales and Rental prices • Price Distribution Sales Review – where is the 'sweet spot'?

Auckland house prices, highest January price ever

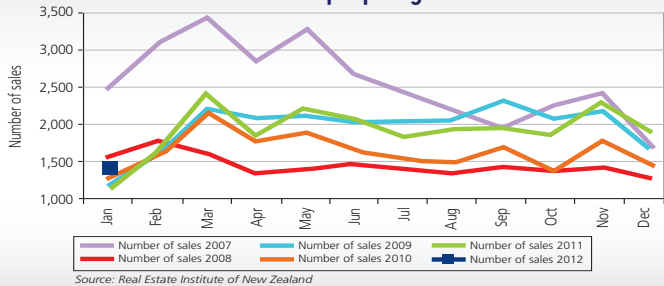
After the usual pre-Christmas increases shown towards the end of 2011, Auckland house prices have contracted slightly in accordance with the usual January activity fallback, to a median value of \$471,000 compared to \$490,000 in November for 1,421 properties (down from 2,266 in November). Despite this seasonal drop-off, the 2012 January sales price is the highest January price ever. Between January 2010 and 2011 the median sales price was unchanged – yet between January 2011 and 2012 it has risen almost 5%.

Auckland residential property sales median prices



Source: Real Estate Institute of New Zealand

Auckland residential property sales numbers

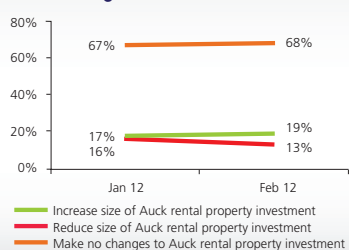


Source: Real Estate Institute of New Zealand

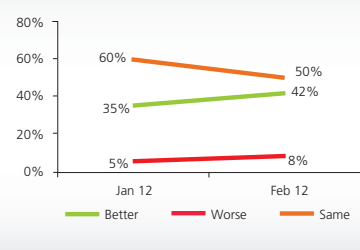
Crockers Property Investment Index February Survey Results

The latest results of the Crockers Property Investment Index (CPII) Survey indicate of those surveyed, 19% are planning to increase the size of their Auckland rental property investments, up 2% on January CPII results. These investors are significantly more likely to be at the larger end of the market; 46% of those with \$750k+ invested are intending on increasing their portfolio, compared to 41% of smaller investors.

Planned Rental Property Investment Changes - Next 12 months



Expected Rental Property Investment Performance - Next 12 months



To see the full February survey results, go to crockers.co.nz and click on "View all market research"

Insurance Changes and Rental Property Investment

In the latest CPII Crockers asked three questions on behalf of the National Business Review

Firstly, we investigated the increases in premiums being faced by most property owners since the Christchurch earthquakes. 23% said they had experienced increases between 1% and 10% whereas another 21% said their increases had been larger, between 11% and 20%.

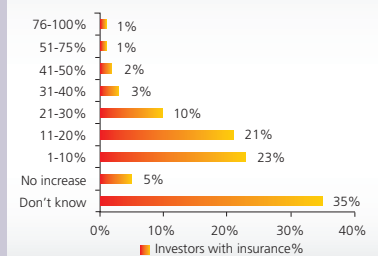
A small proportion reported much higher increases of 51% or more. Those with more expensive investments were more likely to report larger premium rises; 22% of those with \$750k+ invested reported increases over 20%, compared to 12% of smaller investors. It should be noted that smaller investors were 15% less likely than larger investors to be able to answer this question.

Those who had experienced increases in their insurance premiums were asked if they were likely to reduce the size of any current or planned residential investments. Just 12% said that they were, and there was no notable relationship between the size of these investments and the likelihood of reducing them.

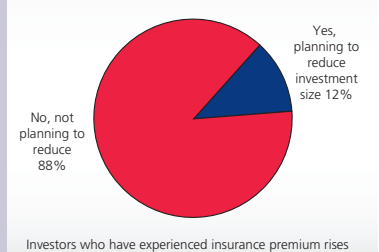
Another option for reducing overheads is to reduce the amount of insurance cover held, or even removing some policies. Most, 86% of the insurance-holding investors surveyed, said that they were not going to make any changes. Only 2% said that they were going to (or already had) made a big reduction in their insurance cover.

Interestingly, there was no relationship between the size of the insurance increases experienced and the intended policy changes, nor with investment size.

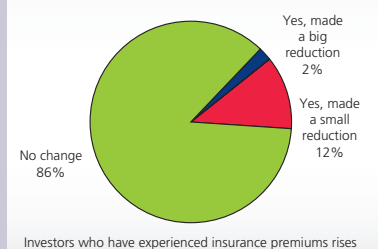
Change in Insurance Costs for Residential Investment Properties



Planned Reductions in Residential Investment Properties due to Insurance Increases



Planned Reductions in Property Insurance due to Insurance Increases

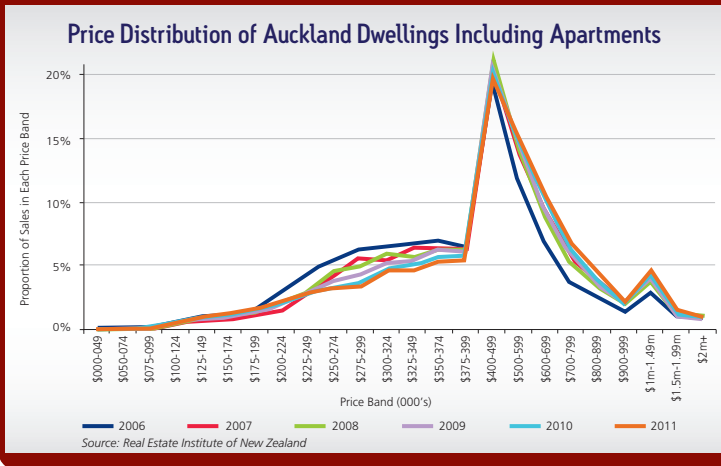


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Price Distribution Review

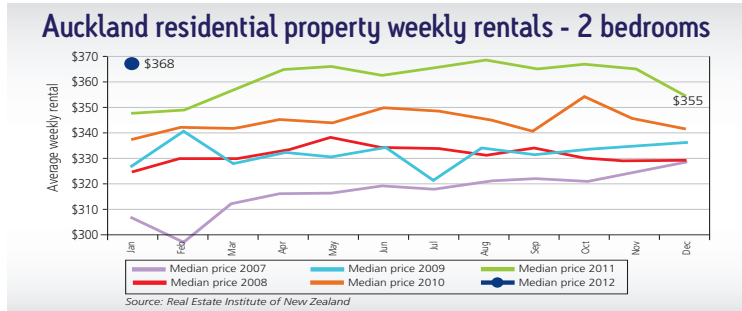
The chart below show how sales prices and volumes have been distributed for each 12-month period from 2006 onwards. We can see for example that in 2006 Auckland dwellings were more likely to sell for \$200 - \$400k, yet that since then there has been a significant shift towards the \$500k+ end of the market. Focussing on the 2011 year we can see the gradual shift towards higher prices, with the 2011 line being the uppermost line for prices of \$600k+. There has been a corresponding decrease in sales below \$400k. The 'sweet spot' remains in the \$400k-\$499k band, where the bulk of sales are occurring, although we can see that the proportion of sales in this bracket declined in 2011 as prices rose.



Two-bed Auckland rentals experience their largest summer increase for years

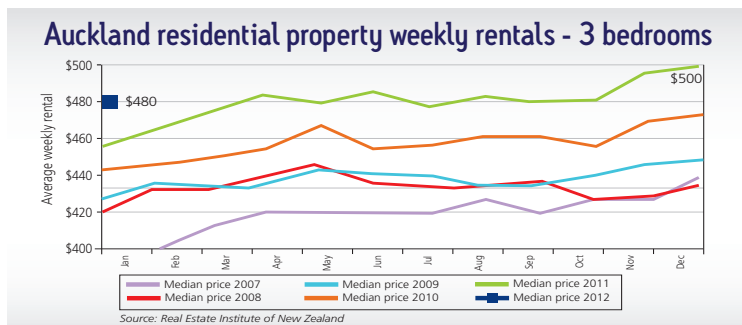
The traditional summer pick-up in 2-bedroom rental prices was again seen this summer, with average Auckland rentals increasing from \$355 in December 2011 to \$368 in January 2012, representing one of the largest Dec-Jan increases for some years.

This also saw the premium paid for Auckland 2-bedroom rentals over those elsewhere in New Zealand increase 3% to 23%.



Slight fall in 3-bedroom rentals

As opposed to the 2-bedroom rental market, the 3-bedroom Auckland rental market fell back slightly over the December-January period - with the average rental price down \$20 to \$480. This led to a matching fall in the premium paid for such properties in Auckland - down from 43% to 37%.



Suburb review: Auckland Central

The Auckland Central area is one of the most distinctive in New Zealand, as shown by the Parliamentary Library Auckland Central Electorate Profile of 2009. One of the fastest growing parts of New Zealand, the area's population rose 24% between 2001 and 2006, three-times that of the national population increase.

Most of this growth was due to an influx of younger, mainly Asian people into the city - 29% of the Auckland Central population is aged in their 20's, compared to just 13% of the national population. Auckland Central people are twice as likely to be Asian than in other areas (18% c/f 9%).

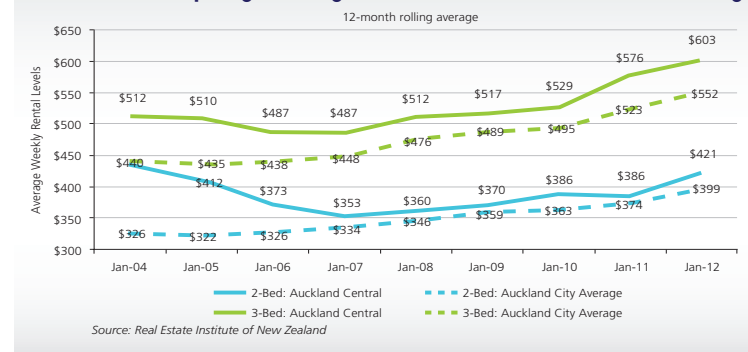
As is well known to property investors, this population change fueled an apartment boom, with the consequential bust. Nonetheless, figures shown below indicate that a steady recovery continues, with an encouraging lift over the last 12 months. As reported earlier in this market research, (the Crockers Property Investment Index Survey), Auckland Central and the CBD are expected to be key growth areas for Auckland.

RENTALS

Since the low of the 2007-2008 period rents for 2 and 3 bedroom properties have increased at a fairly consistent rate of 15-17%. These increases have been similar for both 2 and 3 bedroom rentals.

However, while rent levels for Auckland Central 2-bedroom properties are just 5% higher than for an average Auckland City suburb, Central 3-bedroom properties do command a premium, being rented for on average 9% more than in other Auckland City suburbs (\$603 c/f \$552).

Residential Property Weekly Rentals - Akld Central vs Akld City



SALES

Sales prices in Auckland Central (including Point Chevalier) are understandably lower than for the other Auckland City suburbs given the larger proportion of apartments in the area, but there is no sign of any immediate recovery like that occurring in the wider Auckland area - the prices for Auckland City suburbs on average have shown consistent price increases since 2008, albeit small ones - rising 5% against an average 21% decrease in sales volumes.

In contrast, sales numbers in Auckland Central have experienced an 11% decrease since 2008, although sales numbers from January 2011 compared to January 2012 have increased 23%, whereas sales prices for Auckland Central have fallen 14% for the same period. But with reference to Crockers Property Investment Index February survey, the second most planned rental property investment investors are looking to make within the next 12 months is Central CBD Apartments. So potentially, a shift could be on the horizon.

