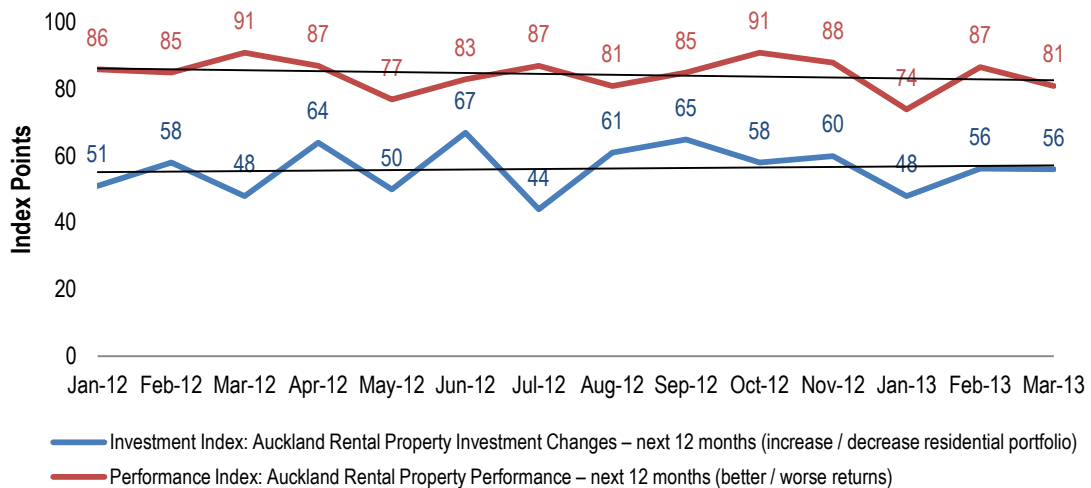


# PRESS RELEASE

19 March 2013

## Most Investors Expect Little Change in Property Investment Performance

The Crocker's Property Investment Performance Index, which tracks performance expectations from the Auckland residential property market in the next year, continues its gradual downward trend, decreasing 6 points from February to March. This may reflect a belief that house price rises cannot continue on their current trajectory, thereby reducing the returns to be enjoyed. Nonetheless, a solid 86% are not intending any portfolio reduction, as indicated by the Crocker's Property Investment Index which tracks whether people are planning to increase or decrease their Auckland residential portfolios. This shows that most investors are sitting and waiting, with an unchanged index of 56 points – 68% planning no changes, 18% planning an increase and 14% a decrease in their Auckland property investments.

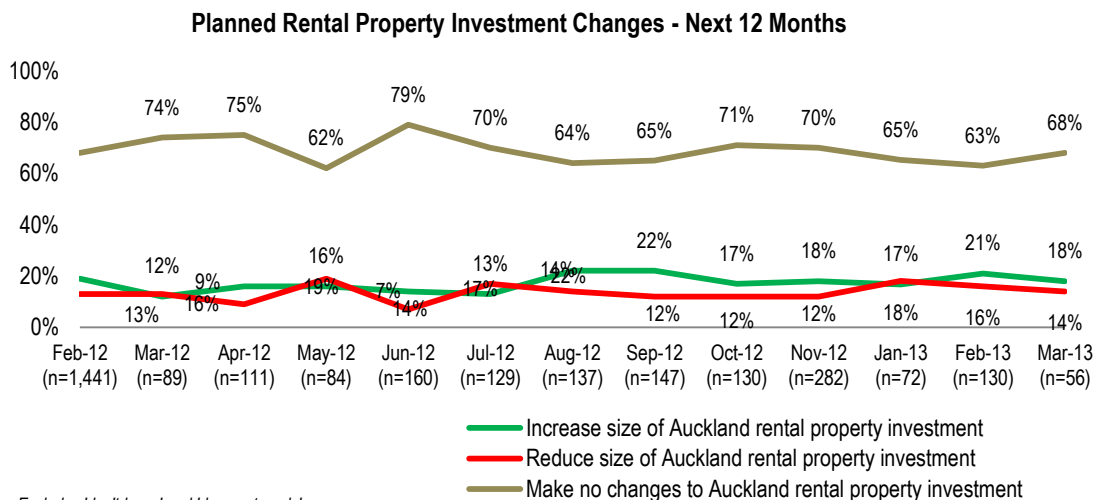


## Expected Rental Property Investment Performance – Next 12 Months

As discussed above, optimism appears to be waning. Those believing that their rental property returns will improve over the next year decreased from 44% to 32%. Instead, most believe that they will remain unchanged (60%), leaving just 8% expecting a deterioration.

## Planned Rental Property Investment Changes – Next 12 Months

With 60% expecting no change in rental property returns, it is not unsurprising to see the majority, 68%, planning no changes themselves. The 14% planning to reduce their investment are outnumbered by those planning to increase their portfolios (18%), indicating a stable market.



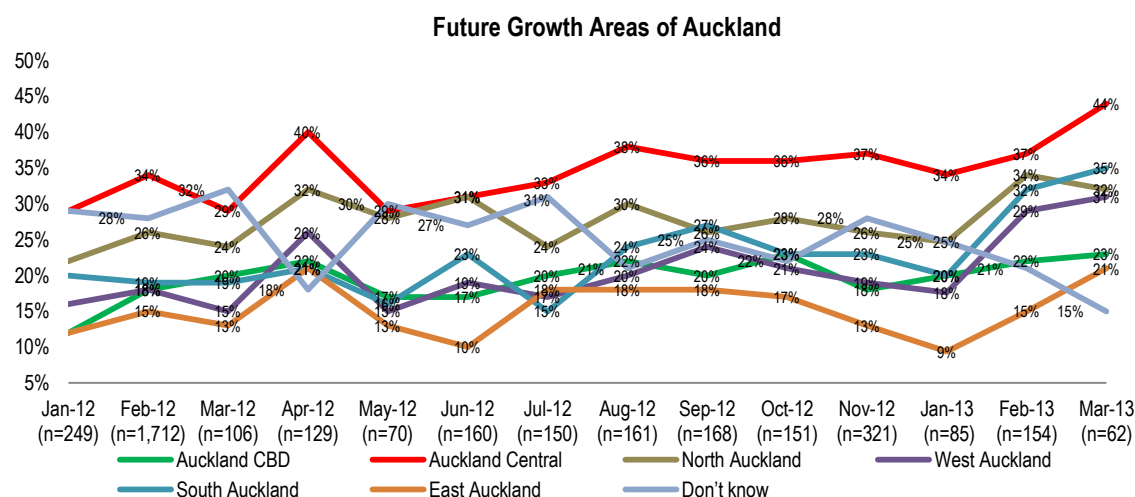
Excludes 'don't know' and 'does not apply' answers

## Non-Apartment Investments Continue their Gradual Fall in Appeal

Despite a small sample for March, the gradual decline in the appeal of non-apartment residential investments has continued, (57%), no doubt reflecting their increasing prices and resultant inaccessibility. In contrast, the appeal of commercial property investment continues its slow but steady improvement in appeal, now with 21% intending on making a commercial property purchase over the next 12 months. While Central CBD apartments bounce back from 11% seen in January 2013 to 29% this month and Apartments Elsewhere are at 11%.

## Central and South Auckland Are Top Growth Areas, East Auckland Surging in Popularity

The media has included a lot of coverage about future growth areas of Auckland in recent weeks, as the Council tries to assess how much free land is available to help quell the property demand. We see that East Auckland continues its recent surge popularity, with 21% citing it as a future growth area, the strongest growth in popularity of all the regions. With the exception of North Shore, all the regions have become increasingly likely to be seen as a growth area, reflecting a notable decrease in 'don't know' responses.



Our 3 key questions this month were asked on behalf of Infometrics Ltd, to our survey respondents and Gareth Kiernan comments on the results below;

### Influencing factors – what do you believe is currently the most important factor influencing rents in Auckland?

The majority of respondents see the shortage of accommodation as one of the most important factors currently influencing rents in Auckland. With the shortage of housing in the region also pushing up property values, 40% of respondents identified rising house prices as an important factor when rents are being set. These responses suggest that property investors are conscious of both increasing demand for rental accommodation, as well as maintaining their investment yields by ensuring that rents do not fall too far behind rising property values.

Only 10% of respondents chose mortgage rates as an important factor influencing rents, which reflects the fact that interest rates are at historically low levels. However, 19% of larger investors saw mortgage rates as an important factor, possibly indicating a greater degree of leverage among these investors and a greater sensitivity to the potential for mortgage rates to rise over the next couple of years.

### Tenant demand – how would you describe tenant demand for rental accommodation in Auckland relative to a year ago?

The perception of strong tenant demand for rental accommodation in Auckland is reinforced by the fact that 58% of respondents believe that demand is stronger than it was a year ago. A further 35% of

respondents see demand conditions about the same as a year ago, leaving just 6% of respondents who believe that demand is a little weaker than this time last year.

**Property investment plans – assuming a change of government next year; would Labour’s KiwiBuild policy to build 100,000 houses over a ten year period have any effect on your property investment plans over the medium term?**

The housing market and the affordability of housing has been one of the major areas of government policy debate over recent months. The Labour Party’s KiwiBuild policy proposes building 100,000 new low-cost houses over a ten-year period, but the prospect of a major building programme seems unlikely to have any significant effect on investor behaviour. An overwhelming 80% of respondents said that Labour’s policy would not affect their holdings of rental property in Auckland, with the remaining 20% of respondents almost equally split between increasing and reducing their property holdings.

**Research Details**

This research, undertaken by Ipsos on behalf of Crockers, surveyed members of the Crockers Market Research subscriber’s database during March 2013. 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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