

Topics this month • CPII Survey Results - Landlords thoughts on rental prices in Auckland • Net Migration Flows and House Prices - Is there a connection?
 • Suburb Review - North Shore and Rodney • Auckland Rental and Sales Review

Review of rental prices

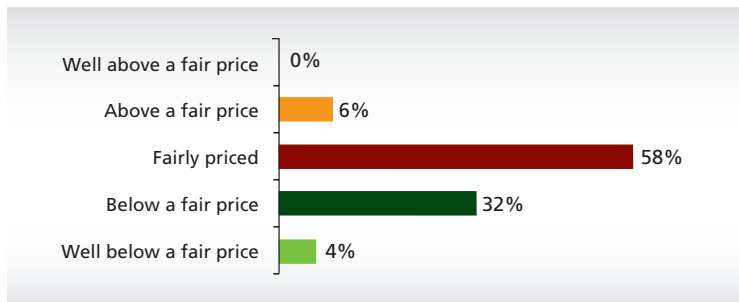
In the latest Crockers Property Investment Index (CPII) survey in association with Ipsos NZ, over **half** of the owners and landlords interviewed felt that **rental** prices are fairly priced, while a **third** believes rents are currently below a fair price.

Similarly half are not currently planning to increase rents within the next 6 months, while over a third anticipate an increase of 3% or more. Increases in costs associated with the rental property – rates, insurance and maintenance, are all likely to contribute to a decision to increase rents, and an increase in interest rates is also another key factor.

With the topic of overcrowding in rental properties occasionally discussed in the media, we asked owners and landlords how open they were to having extra people in their property, assuming the tenants were happy and that they were able to charge a higher rental rate. Two thirds were not open to this at all, while a third would consider this option.

Current rental price fairness

Considering the current rental market, costs associated with owning a rental and expected returns, when asked about how fairly priced current rental rates are, over half felt that prices are fair, although a third thought rents are below a fair price.



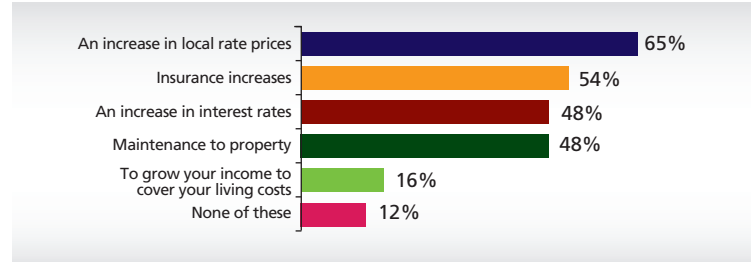
Source: CPII Survey – July 2014 Q: Considering the current state of the rental market, the costs associated with owning a rental property and the returns you expect to get from your investment - how fairly do you think rents are priced at the moment?

Planned rental price increases

Half of the investors and landlords interviewed were not planning to increase rents in the next 6 months. Most of those planning to increase rents (24%), were anticipating an increase of 3-4%.

Factors to influence an increase in rent

A number of factors come into play when considering rental increases. An increase in local rates is the most likely to lead to an increase in rents, but other costs like insurance, property maintenance and interest rates also play a part.



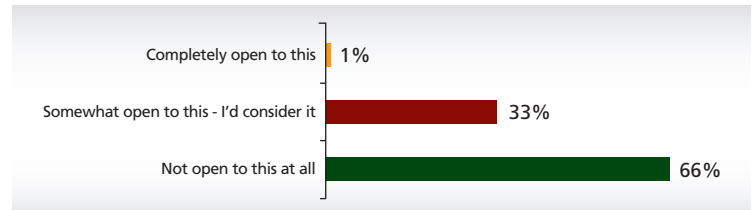
Source: CPII Survey – July 2014

Q: Which of the following factors would influence you to increase the rent on your rental property?

Note: Respondents could choose more than one option

Openness to more people in a property

Overcrowding in rental properties is a topic that is discussed occasionally in the media. A third of the owners and landlords interviewed were somewhat open to letting extra people live in their property, assuming tenants were happy and they were able to charge a high rental rate. However the majority were not open to this at all.

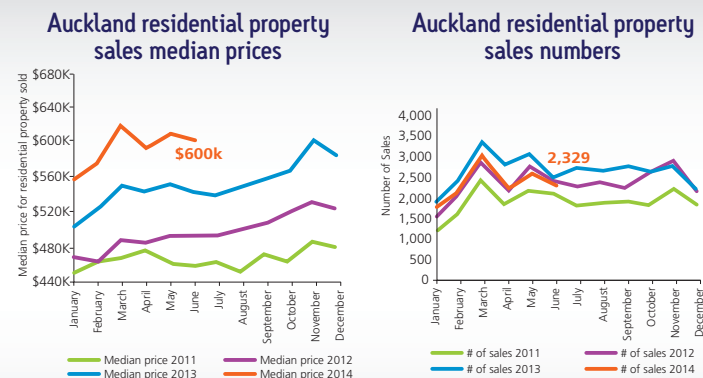


Source: CPII Survey – July 2014 Q: Overcrowding is a topic that some are discussing. How open would you be to having more families or extra people living in a property than you would normally expect - if the tenants were happy to be a bit crowded and you were able to charge a higher rental rate?

Auckland Sales & Rental Update

Median Auckland prices and sales figures

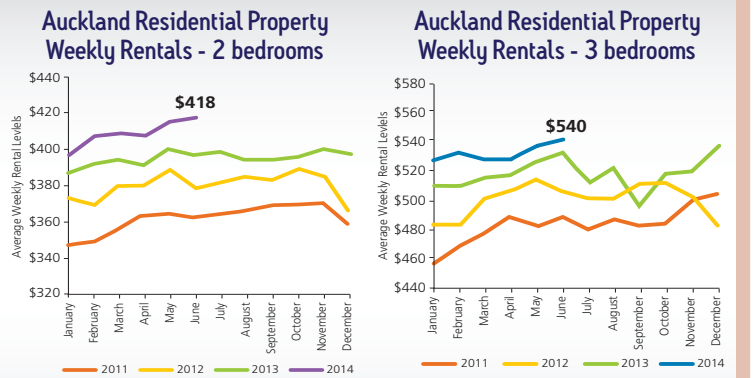
Median prices are sitting much higher than last year (\$600K vs \$555K), and sales numbers are closer to 2012 figures.



Source: Real Estate Institute of New Zealand

3-bed Auckland rental prices grow

Prices for 2-bed rentals in Auckland remain stable in June, after an increase in May. Rental prices across New Zealand remain stable. The average price of a 3-bed rental in Auckland rises again in June after a steep increase in May. These increases weren't seen across the rest of the country, resulting in a higher than normal Auckland 3-bedroom premium (now 35%).



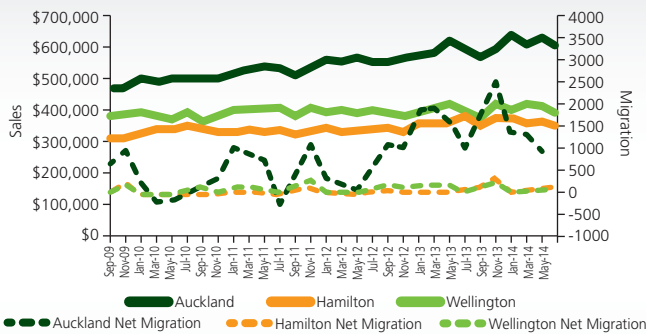
Source: Real Estate Institute of New Zealand. Note: September 2013 - suburb of Devonport had no bonds received for the month. December 2013 - small numbers of higher value bonds received in City Bays and Devonport.

Net Migration Flows and house prices – is there a connection?

Recent **migration** data from Statistics New Zealand indicates that net migration continues to **grow** strongly and has again “hit a **10-year high**, as far fewer New Zealanders leave for Australia than in recent years” (Source: stuff.co.nz article 21 March 2014).

Using Net Migration figures from Statistics New Zealand and sales data from REINZ, we can compare long term migration across major New Zealand cities and look for links to the trends seen in housing prices for those areas.

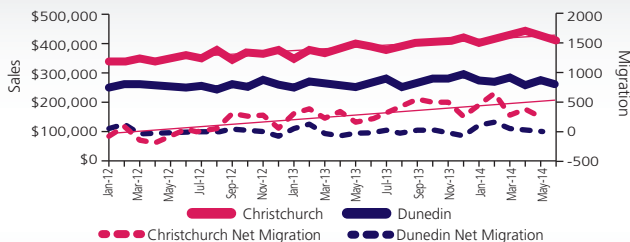
North Island Main Centre Median Sales Prices vs. Net Migration



Source: Real Estate Institute of New Zealand / Department, Median Sales Prices, Jan 2012-June 2014. Source: Stats NZ Net Migration, Permanent & long-term migration by Country of residence, citizenship and NZ area (Monthly) Jan 2012-May 2014

When focusing on the North, Auckland has seen steady and significant growth in house prices over time. However Net Migration into Auckland has fluctuated a lot but remained fairly stable up until the middle of 2013. There are seasonal peaks in February – due to the university year; and in September – due to a drop off in departures while arrivals remain high. However since September 2013, baseline migration has jumped significantly, this is mostly driven by the reduced number of New Zealand citizens leaving for Australia and an increase in New Zealand citizens returning home from Australia over this period. The significant peaks in net migration in Sept 13 and Feb 14 are followed by small peaks in Median sales prices, possibly indicating that these seasonal peaks on top of underlying increases in migration may be adding to demand in the region and therefore impacting on prices. Both Median Sales Prices and Migration into Hamilton and Wellington have been stable, with no significant change.

South Island Main Centre Median Sales Prices vs. Net Migration



Source: Real Estate Institute of New Zealand / Department, Median Sales Prices, Jan 2012 - Jun 2014. Source: Stats NZ Net Migration, Permanent & long-term migration by Country of residence, citizenship and NZ area (Monthly) Jan 2012 - May 2014

In Christchurch we see growth in Median Sales Prices at the same time we have seen an increase in international migration into Christchurch. However given the impact the 2010 and 2011 earthquakes caused on housing demand, net migration into Christchurch is not the only factor to impact house prices. Dunedin on the other hand has seen stable Median Sales Prices and migration over the past few years.

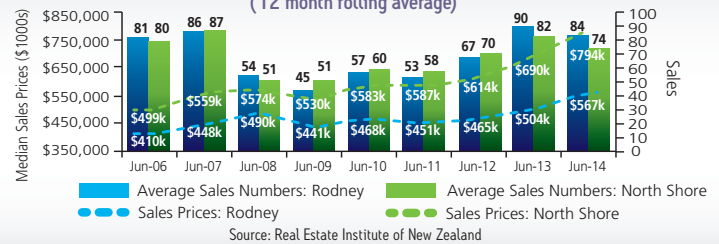
Suburb Review

North Shore and Rodney

Sales

The average number of monthly sales has followed a similar trend in both Rodney and the North Shore, although from 2012 we start to see the number of sales on the North Shore drop off relative to Rodney. This coincides with sales prices in the North Shore increasing at a faster rate than Rodney (reflecting the supply-demand trade-offs). Since 2012 prices in Rodney have increased 22% while on the North Shore prices have risen 29%.

Median Sales Prices & Volumes - Rodney District vs. North Shore (12 month rolling average)



In terms of median sales prices, we can see that some parts of the North Shore are quite volatile (driven by smaller volumes of sales which increase the statistical influence of those homes selling for much higher or lower than average levels). Over the last 12 months based on a rolling annual average we see that both North Shore and Rodney on average have seen similar growth around the 15% mark. While Devonport has seen the strongest increase in median sales prices of just over 20%, most of that coming in the last few months. Over the last 12 months sales numbers across this region are mostly declining, with the exception of Albany which sees very low level growth. Glenfield, Birkenhead and Takapuna see the greatest declines over the last 12 months.

Rodney and North Shore Median Sales Price

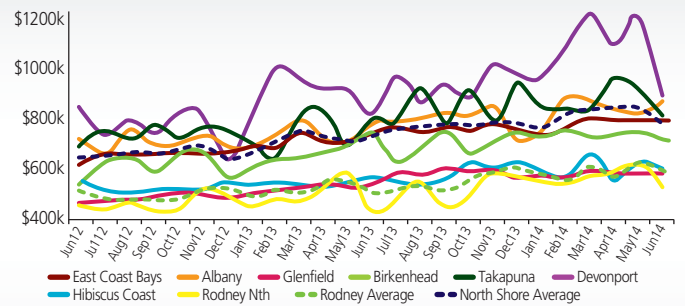
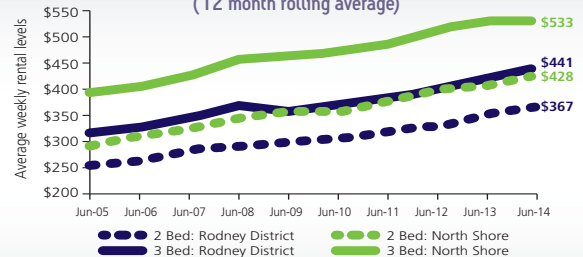


Chart shows Rodney and North Shore Median Sales Price - June 2012 to June 2014. Source: Real Estate Institute of New Zealand

Rentals

Rents in Rodney and North Shore have seen very steady growth over the last 10 years. The rate of growth since 2012 has been slightly higher for Rodney (11% 2-bed, 10% 3-bed) vs North Shore (8% 2-bed, 3% 3-bed).

Residential Property Weekly Rentals - Rodney vs. North Shore (12 month rolling average)



Source: REINZ and Ministry of Business, Innovation & Employment