



Topics this month • Rental property maintenance - what do investors budget for? • Metro Review - return on investment
• Auckland Rental Review • Auckland Sales Review

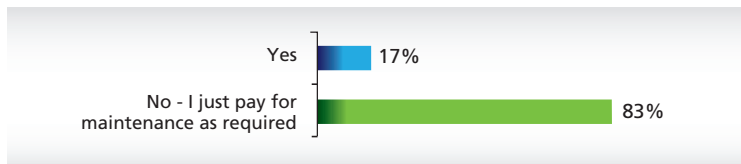
Residential rental property maintenance and renovation

In the latest Crocker's Property Investment Index (CPII) survey in association with Ipsos NZ, the **majority** of investors interviewed are not **budgeting** for maintenance on their rental properties, **choosing** instead to simply pay for it as required.

Just under half are using Property Managers to manage maintenance issues for them, while around a third are dealing with tradespeople themselves, only a small number do the maintenance themselves. For the next property they plan to sell, over 40% of investors are likely or very likely to upgrade some part of the property in order to achieve a higher price. The areas most likely to be upgraded are the kitchen and bathroom, although a third would also upgrade the outdoor/garden area.

Maintenance budget

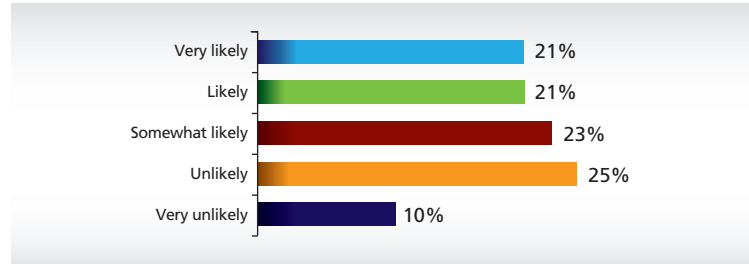
By far the majority of investors are not budgeting for maintenance to their property and just pay for maintenance as required.



Source: CPII Survey – August 2014 Q: Thinking about maintenance for your investment property, do you have a set budget for maintenance each year?

Likelihood to upgrade

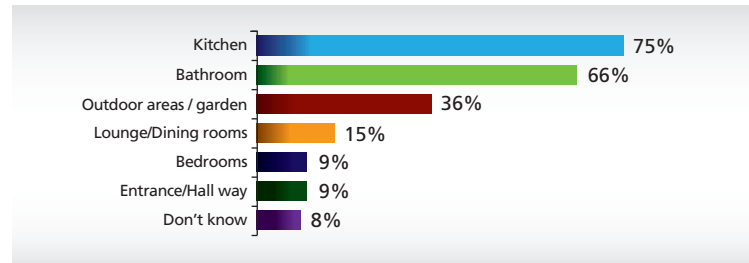
Over 40% of investors are likely to upgrade part of the property they sell next in order to achieve a higher selling price. A further 23% are somewhat likely to upgrade some part of their property.



Source: CPII Survey – August 2014 Q: Thinking of the investment property you are most likely to sell next, how likely is it that you would upgrade any part of it to get a higher price?

What to upgrade

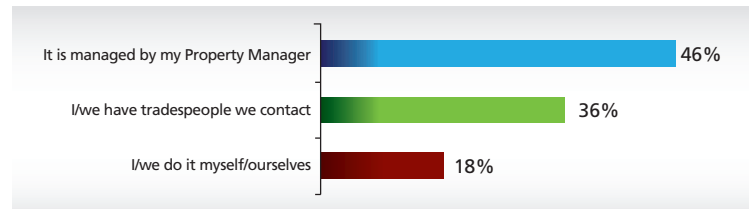
Kitchens and bathrooms are the areas most likely to be upgraded prior to sale. For over a third of investors, outdoor areas would also have some sort of upgrade prior to sale.



Source: CPII Survey – August 2014 Q: If you were going to upgrade an investment property prior to selling, which areas do you feel are the best ones to upgrade? Select as many as apply.

Managing maintenance

To manage maintenance most (46%) investors use Property managers, while a third deal work with tradespeople. Only a small number of investors (18%) manage maintenance themselves.



Source: CPII Survey – August 2014 Q: How do you usually manage the basic 'wear and tear' maintenance of your investment properties?

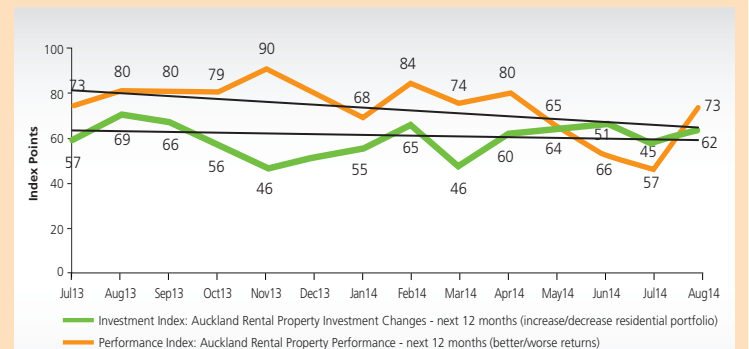
Crocker's Property Investment Index

The **Auckland** Performance Index **bounces** back strongly after 2 months at very low levels.

This is driven by a sharp increase in the number of investors who expect performance to improve in the next 12 months and a decline in those expecting performance to worsen. While the Performance Index sees some fluctuation, the Auckland Investment Index is relatively stable.

Expected Rental Property Investment Performance – Next 12 Months

Since the high in April there has been a steady decline in those expecting investment performances to improve in the next 12 months; however this has turned around in August with a strong bounce back to now sit at 34%. There has also been a decline in those expecting performance to be worse (12%) in the next 12 months while 54% of investors feel the performance will be the same.



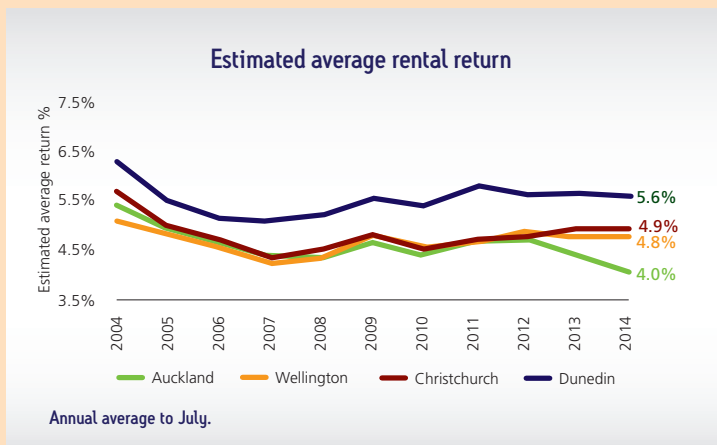
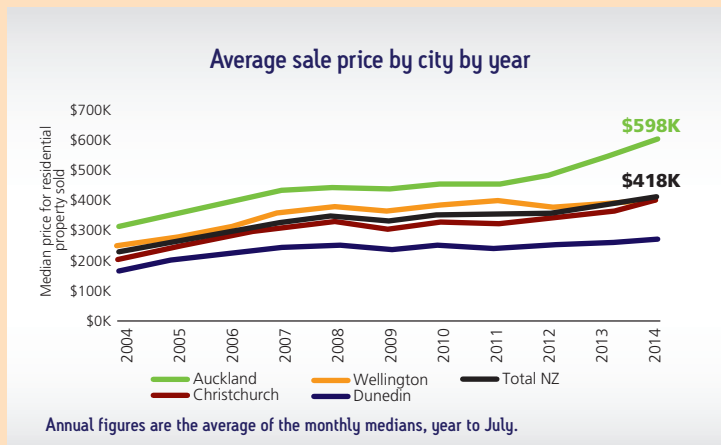
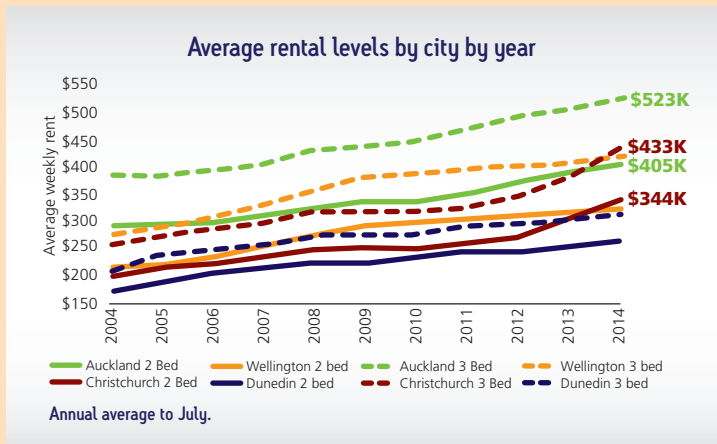
Source: CPII Survey - August 2014

Return on investment (sales prices vs. rental returns) - Auckland, Wellington, Christchurch and Dunedin

A basic **calculation** of rental returns (average yearly rental income [2 and 3 bedroom homes] **divided** by sales prices) shows that returns are relatively stable for **Wellington** and **Dunedin** markets, largely unchanged since 2011.

In contrast, we can see that the Auckland market has seen a decline in estimated returns, as sales prices rise faster than rents. Auckland sales prices have risen 30% since 2011, with most of that happening in the last 2 years, while rents have only increased just over 10% (14% 2bed and 11% 3bed) – the average return dropping 0.6% since 2011.

In Christchurch we continue to see the effects of the quake, strong growth in both sales prices (25% since 2001) and rents (30% 2bed and 32% 3bed) result in a relatively stable return, up 0.2% from 2011.

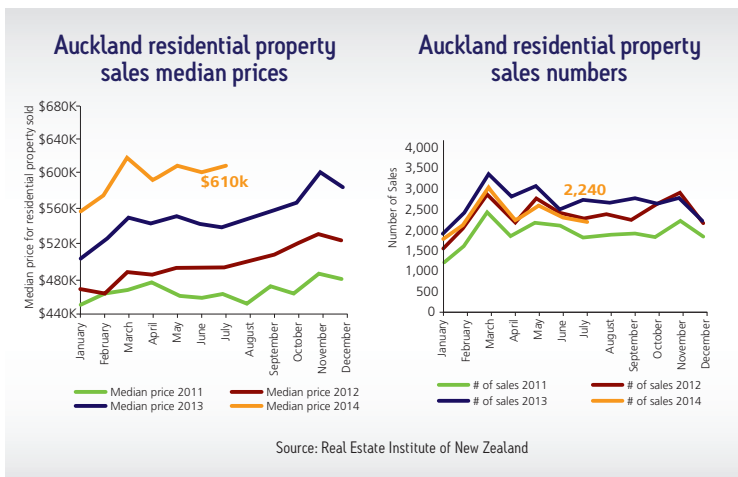


Source: REINZ

Auckland Sales & Rental Update

Median Auckland prices and sales figures

Median prices are sitting much higher than last year, relatively consistent at around 8-12% higher, and sales numbers are closer to 2012 figures.



Slight drop in 2-bed rental prices

Prices for both 2 bed and 3 bed rentals in Auckland have dropped back slightly in July, after steady increases over the previous 2 months. The NZ average 2 bed price also saw a slight decline in July (\$340), while 3 bed prices are stable (\$400).

