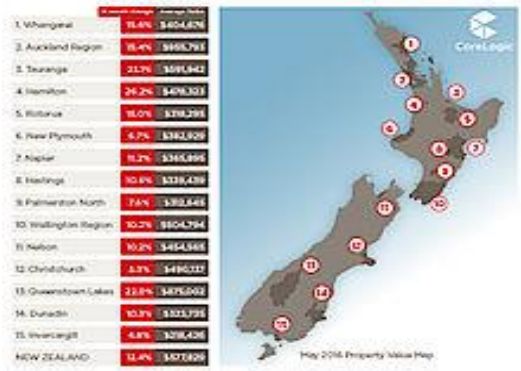
Property values continue to grow, and not just in Auckland

03 June 2016



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The latest QV House Price Index is out and confirms a continuation of previous trends. Auckland values have continued to rebound after their short and shallow drop, while much of the rest of the country is also rising.

If you look at the accompanying map you will see the extent of value increases over the past six months for every local council area across the country. Why six months? That covers the period of time that Auckland has responded to regulatory change introduced late last year, and it is also the last six months that have seen most other parts of the country kick up.

The dot size on the map represents the number of properties in the area, and the colour reflects the value change, from blue where values are dropping, grey where values are flat, then shades of orange to brown reflecting increases.

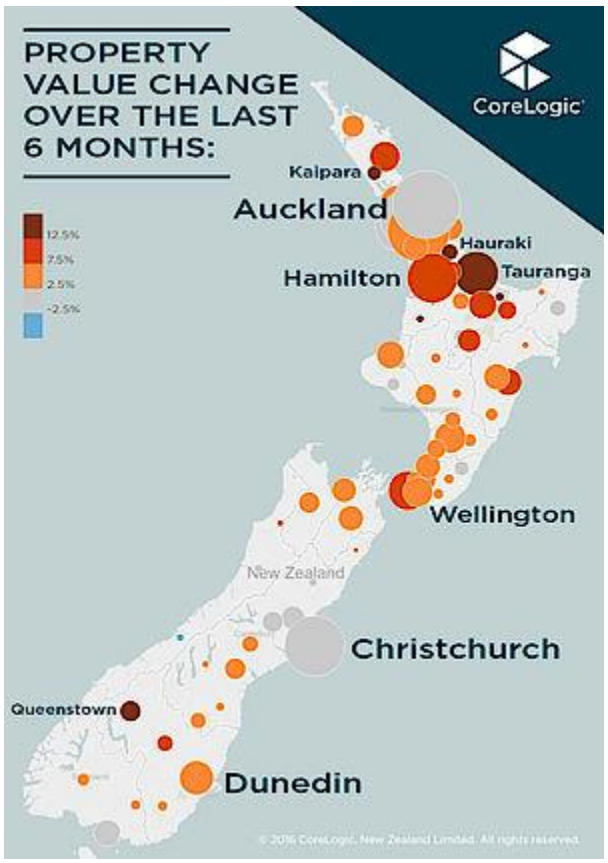
First you will note the extent to which values are now rising across most of the country. A very different picture to a year ago.

Auckland, which we still show separated into the old council areas pre-Supercity, is flat to slightly up over this six month period. Remember that values in Auckland dropped for a couple of months and have now rebounded, so the six month view covers that. The last three months in

Auckland have really begun to pick up again, not quite as fast as mid last year but not too far off it.

This re-acceleration of Auckland coincides with investors jumping back into the market in a big way. Investor activity eased a little in late 2015 in response to the regulatory changes from 42% of sales in mid 2015 to 40% by year end. But it didn't take them long to see that little had changed and investor activity has now surged back to a new record high of 46% of all Auckland sales.

Values are also rising strongly in some areas near Auckland as you'll see from the brown dots.



Tauranga is the most obvious, and values there are up 12.6% over six months. That translates to $66k on the average value of $592k.

Using our Buyer Classification analysis we can see that the most active buyers in Tauranga are non-Auckland investors. That marks a significant

change from the past few years when people moving house have been the most active buyers. Auckland investors have also increased from around 3% of sales in 2013 to 9% in the latest quarter. The total Auckland influence, investors plus movers, accounts for around 20% of all Tauranga sales currently.

Hidden underneath the Tauranga dot is Western Bay of Plenty where values are up nearly 16% over the past six months, and have accelerated even faster over the past three months. Investor activity there is not a dominant force with movers accounting for nearly half of all sales lately. While most of those movers have come from other parts of the Bay of Plenty, there has also been an increasing influence of Aucklanders, peaking at around 10% of all sales late last year, but easing off since.

Moving back towards Auckland we come across Hauraki District where the towns of Paeroa and Waihi are the largest settlements. Values rising at 9.5% over the past three months alone give you an idea of the heat in that market. The most active buyers there are people moving from other places, and Aucklanders make up a fair chunk of that.

It is a very similar story in Kaipara District just to the north of Auckland where values have also climbed more than 9% over the last three months. Movers are the most active buyers here also, especially Aucklanders moving to Mangawhai. Auckland investors have also been active in this market for many years and still make up around 17% of all sales.

Slightly less extreme value increases can be seen from Whangarei in the North then throughout most of Waikato and Bay of Plenty. Auckland buyers, either movers or investors, make up around 20% of the buyers in many of these areas and are no doubt helping to push up prices.

Value increases in the lower half of the North Island are generally more sedate at around 4% to 6% over six months, with Wellington City the exception as a shortage of listings, eager first home buyers and local

investors pushing values up. Auckland money is not a big influence in the Wellington market.

Most of the South Island is now also rising in value. Again the influence of Auckland money in those markets is minimal, even in Queenstown where they account for only 5% of sales. Non-Auckland investor activity has strengthened to nearly half of all sales in Queenstown where high demand fuelled by the tourism sector and a shortage of housing is leading to values rising at 9% over the past three months. The overflow from Queenstown is pushing up values in Central Otago also.

Christchurch values have risen only 1.1% over the past three months and 3.3% over the past year. The overheated market in the two years after the quakes means values and rents overcooked a little and as a result are not responding like the rest of the country.

Let's jump back to Auckland where the re-acceleration of values has once again led to plenty of discussion about what can be done to slow it down. Ultimately a lack of supply is a huge issue. The National Policy Statement released by the Government on June 2nd will require local councils to release more land for housing when demand requires it. While they have been criticised for this having little impact on the current Auckland situation, this is far more of a future strategy, to try and stop a repeat of Auckland in the future.

Slowing Auckland down now is going to require intervention of some sort, and probably targeting investors who have jumped back into the market with boots on. Without this intervention I can't see Auckland values, and surrounding areas for that matter, slowing any time soon.