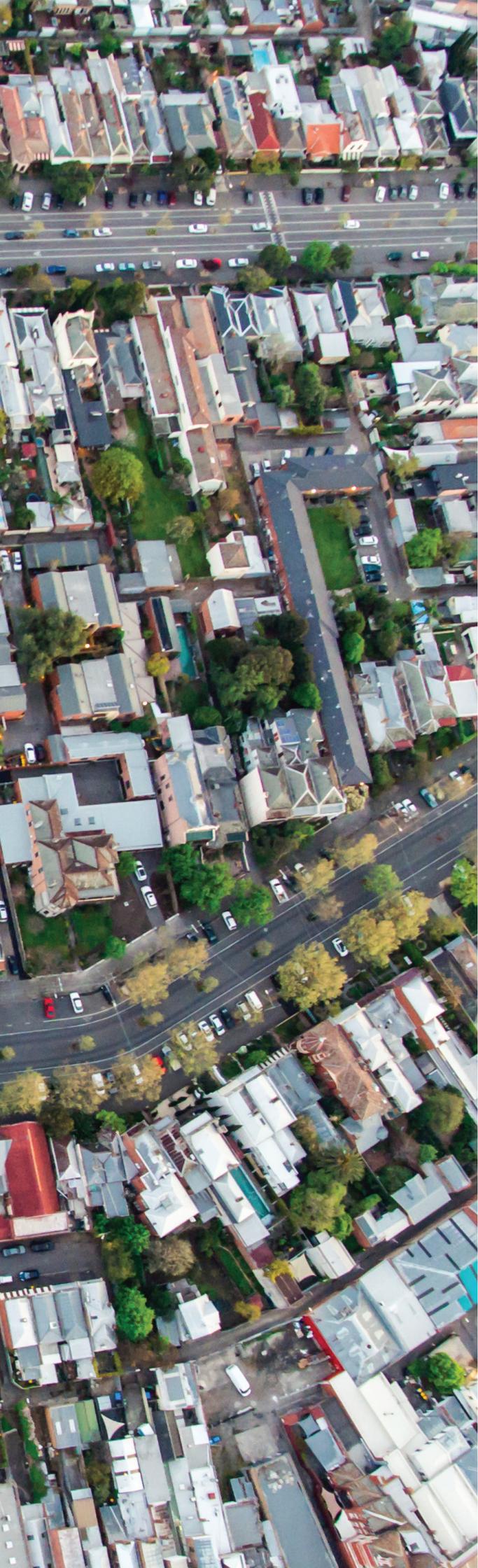




CORELOGIC NEW ZEALAND MONTHLY PROPERTY MARKET & ECONOMIC UPDATE

MAY - JUNE 2017





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About CoreLogic

CoreLogic is a leading property information, analytics and services provider in the United States, Australia and New Zealand. CoreLogic helps clients identify and manage growth opportunities, improve performance and mitigate risk, by providing clients with innovative, technology-based services and access to rich data and analytics.

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CoreLogic Data and Analytics

CoreLogic Buyer Classification

A unique and flagship product to CoreLogic, Buyer Classification determines the type of buyer for every purchase of property based on their current and previous ownership of NZ property. Created at a record level, this can be matched to other datasets or summarised at any geographic area.

Our buyer classification is used by financial institutions and Government agencies at both record and summary level and overlaid with their own data to assist strategic, policy, compliance, risk management and marketing decisions.

CoreLogic value measures

CoreLogic has a suite of products to measure property prices. This ranges from simple market measurements such as median or average sales prices through to stratified medians, various house price indices, and valuing groups of properties using Automated Valuation Models such as E-valuer. The house price indices are available both quarterly for completeness and monthly for reactivity.

The Quarterly CoreLogic House Price Index has been specifically designed to track the value of a portfolio of properties over time and is relied upon by New Zealand regulators and industry as the most accurate measurement of housing market performance. These value measures are available for long time series and for either standard or custom geographic areas and property types.

Suburb scorecard

Detailed housing market indicators at suburb level, with data either in time series or current snapshot, and segmented across houses, flats and apartments. The Suburb Scorecard data includes key housing market metrics such as median prices, median values, transaction volumes, rental statistics and market metrics such as median selling time.

To view the latest report online and subscribe to receive it in your inbox on a monthly basis, visit;

www.corelogic.co.nz/new-zealand-monthly-property-market-update.

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Macro Economic and Demographic Indicators



New Zealand Asset Classes

The value of residential property continues to grow beyond one trillion dollars, dwarfing the value of other asset classes, with residential mortgages secured against 23% of this value.

Listed stocks have bounced around in the last couple of months but the overall trend has been upward since the start of the year.

They are now only just over 2% below their all-time high of September 2016.



Residential Real Estate

\$1.03 trillion
(\$239 billion in home loans)



Commercial/Industrial Real Estate

\$162 billion



NZ Listed Stocks

\$120 billion



NZ Super and KiwiSaver

\$67.9 billion

Source: CoreLogic NZ, Reserve Bank of NZ, NZX, NZ Superfund, Financial Markets Authority

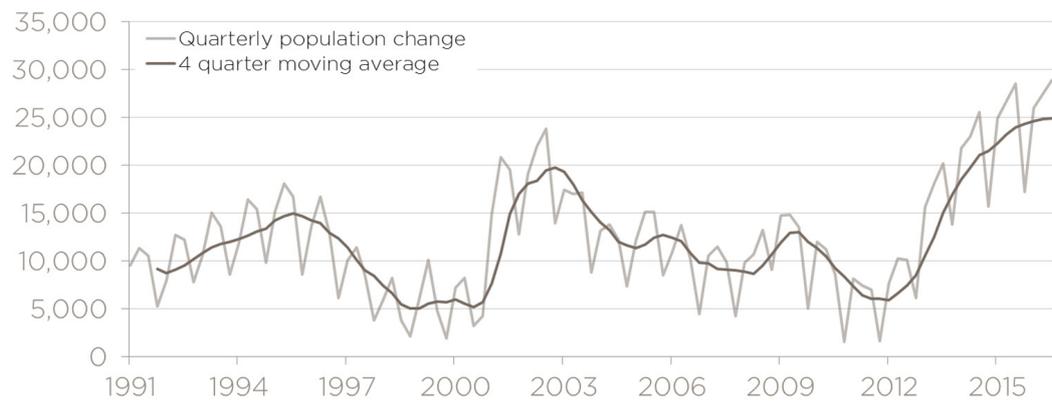
New Zealand Population

Quarterly Change in National Population

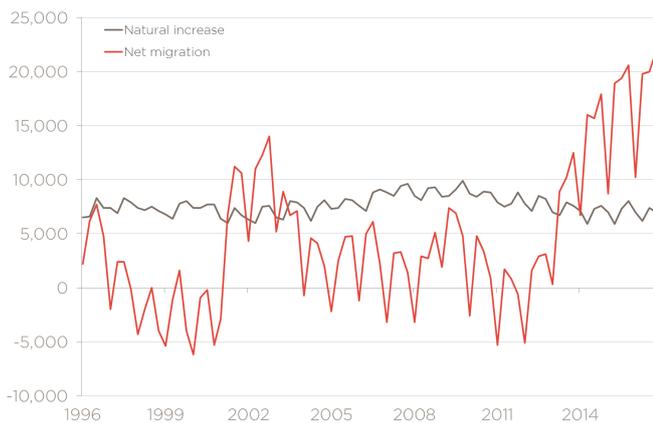
While New Zealand's population is growing at historically high levels, that rate of growth has plateaued at around 25,000 people per quarter.

That is mostly because the net migration rate is no longer increasing, but rather seems to be holding at its peak.

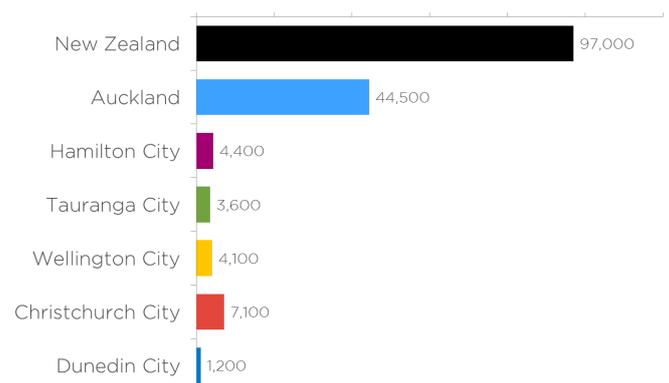
High population growth of course puts additional pressure on the need to increase the housing stock.



Population Change Composition



Annual Change in Population



Source: Statistics New Zealand

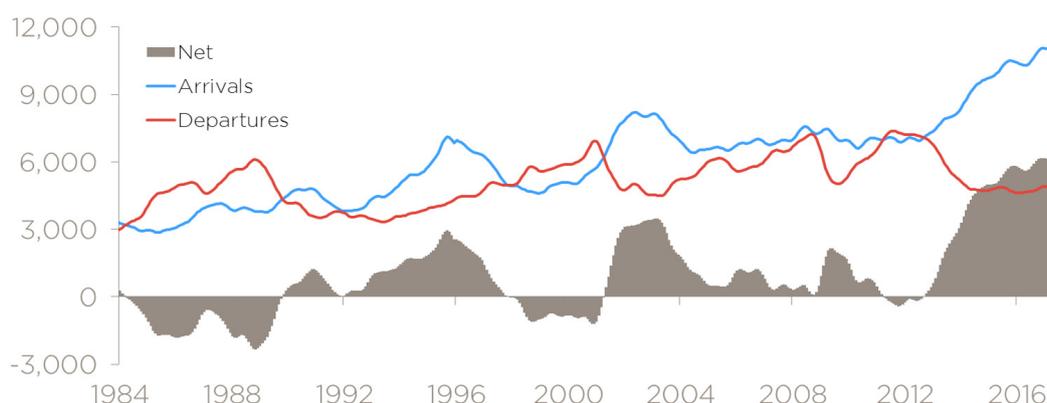
Migration

Record high net migration appears to have eased off in recent months. This is being driven by a small but gradual increase in departures and a recent drop in arrivals.

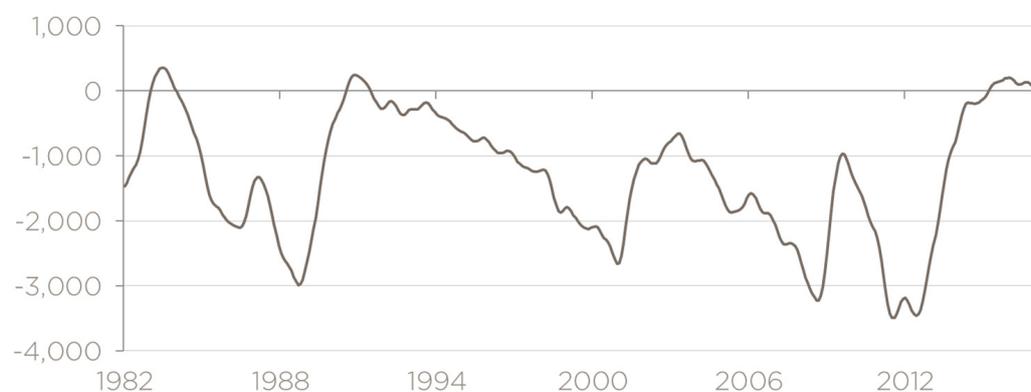
After an extended period of net gain from Australia, this has swung back to zero and would appear to be once again heading for a net loss of Kiwis across the Tasman. The recent announcement of massively increased university fees for Kiwis studying in Australia has gained attention as another reason for Australia being a less attractive home for Kiwis. This may mean that the loss to Australia, if and when it does occur, is less than in previous cycles.

While Auckland has seen the greatest annual increase in net migration, the impact is nationwide. In many cases this rate of population growth exceeds the growth in housing stock.

Long Term Migration



Monthly Net Migration Between New Zealand and Australia

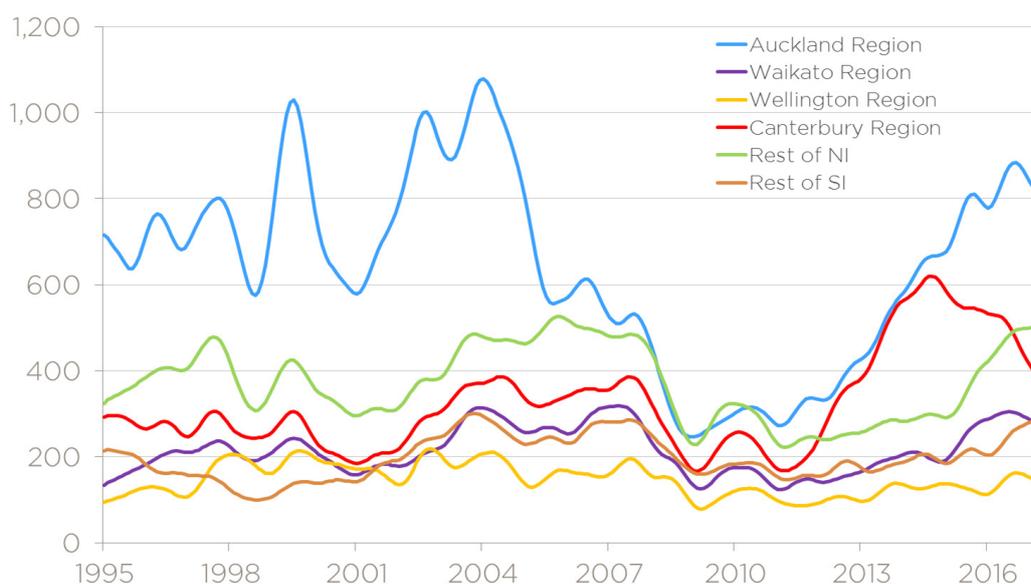


	Net Gain Last Year	% Change
TOTAL ALL AREAS	71,932	6.4%
Auckland Region	35,772	14.5%
Hamilton City	1,844	21.8%
Tauranga City	1,045	-7.2%
Wellington	3,472	36.4%
Christchurch City	5,726	-1.9%
Dunedin City	944	45.7%
Main Urban Area (Other)	5,419	104.3%
Rural Centres	4,676	116.1%
Not applicable/Not stated	13,034	84.1%

Source: Statistics New Zealand

Regional Building Consents

New Dwelling Consents Trend



Source: Statistics New Zealand

The latest monthly building consent data shows a continuing flattening or downward trend across the whole country.

The downward trend in Auckland is particularly troubling in light of the need to massively increase house building in Auckland for the next few decades to meet projected population growth.

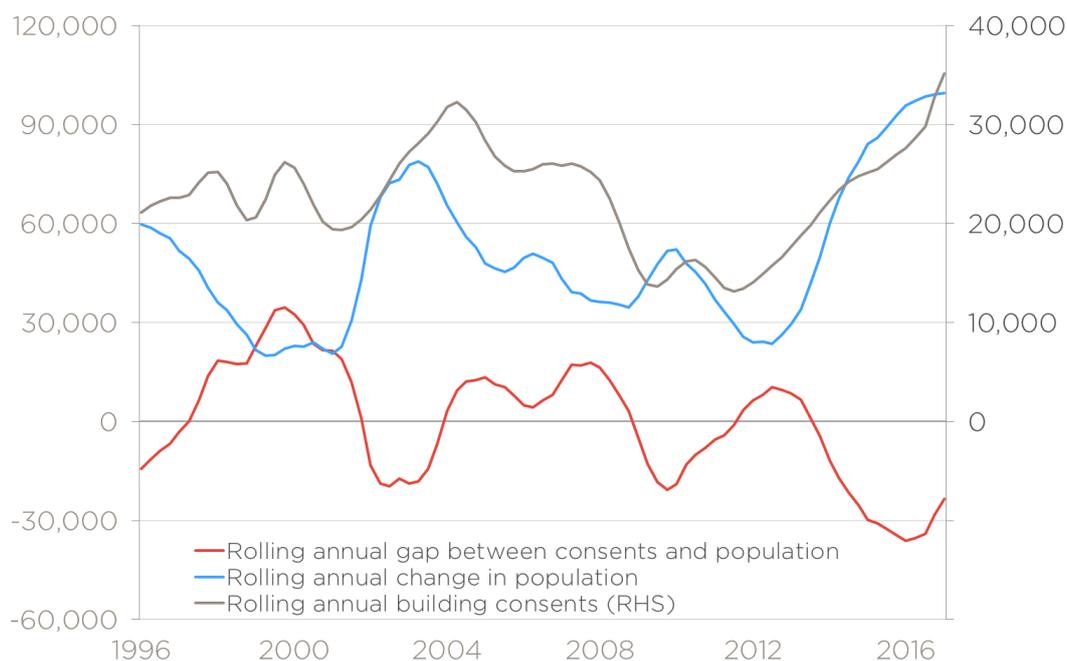
Our own analysis has shown that while Auckland consents increased to under 10,000 in the past year, the housing stock only increased by around 6,000 dwellings.

There are many reasons why the construction industry in Auckland is struggling to build houses fast enough, and the problem is not easily or quickly solved.

Population Growth Compared to Building Consents

Quarterly Population Change and Building Consents Nationwide

This series is a quarterly one so doesn't fully reflect the recent slowdown in building consents across the country. As a result it appears to show the gap between population and new dwellings closing. The recent slowdown in consent activity is likely to see the gap begin to widen again.



Source: Statistics New Zealand, MBIE

The above calculation assumes 80% of dwellings consented translate into an actual increase in the number of dwellings, and that each of those dwellings will house the current average number of people (2.7 people per dwelling).

For example, over the year to December 2016 there were 31,766 dwellings consented (able to house 68,614 people), and an increase in population of 99,800, leaving a difference of around 31,000 too many people for dwellings.

Consumer Confidence

Consumer confidence again eased back a little, but there are still more optimists than pessimists.

The drop is partly due to Aucklanders' confidence being dented a little by a slight drop in house prices.

Overall consumers feel positive about the future, reflecting the generally positive outlook for the New Zealand economy.

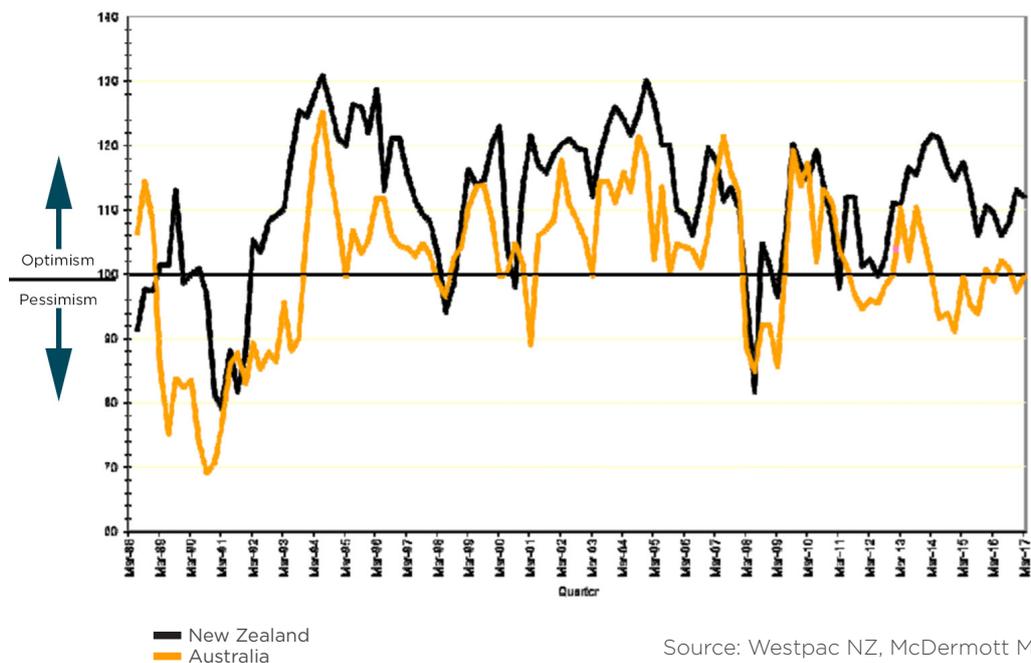
The gap in confidence between Australia and New Zealand did close a little last quarter, but New Zealand continues to remain more positive. In the past this has reflected our net migration to and from Australia. If that trend continues then this gap will need to close much more before we see more Kiwis flooding back across the Tasman to chase new lives.

ANZ — Roy Morgan Consumer Confidence



Source: ANZ NZ, Roy Morgan

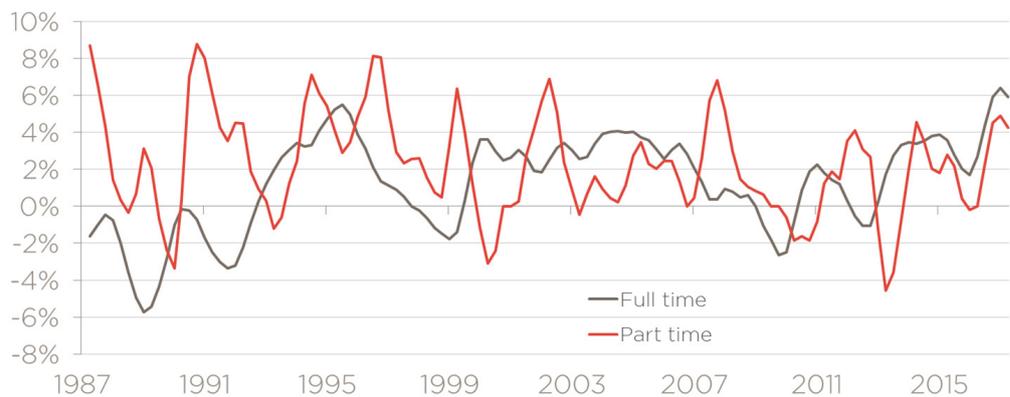
Trans-Tasman Consumer Confidence Index



Source: Westpac NZ, McDermott Miller

Employment

Annual Change in Employment, Full-time and Part-time

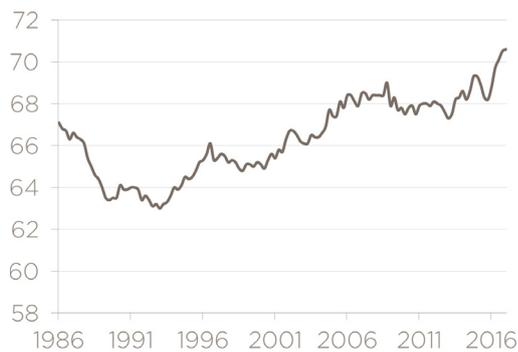


The employment story continues to look positive. While the rate of growth of both part-time and full-time employment eased off in the latest quarter, it remains at high levels.

The labour force participation rate continues to surge and unemployment has stagnated. As inflation increases we should also see wages begin to rise.

For us to see a significant correction in the housing market one factor would have to be a turnaround in employment, meaning people will not be able to pay mortgages or rent.

Labour Force Participation Rate



Unemployment Rate



Source: Statistics New Zealand

Interest Rates

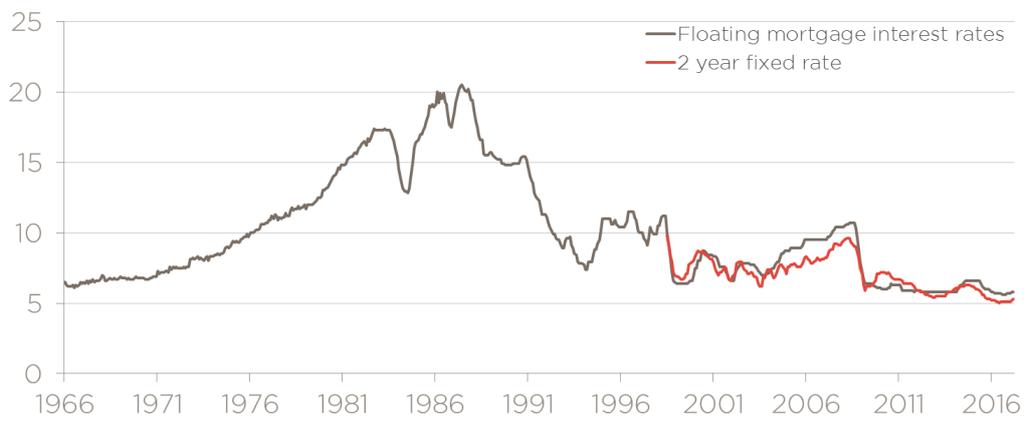
Retail mortgage interest rates have risen slightly from their historic lows of late 2016.

The Official Cash Rate (OCR) set by the Reserve Bank remained unchanged at 1.75% in May, and the tone of their announcement continues to indicate that the OCR will remain unchanged for some time. That came as a surprise to some commentators who expected them to favour the next move being an increase.

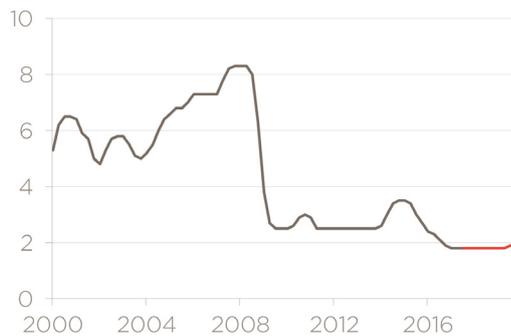
Fixed mortgage interest rates continue to plateau following a decent hike in January.

While the cost of money from offshore continues to increase, gradual further rises in fixed mortgage interest rates are likely.

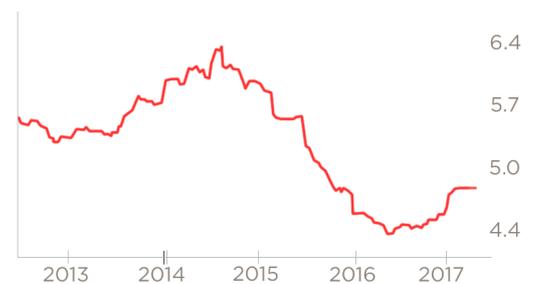
Mortgage Interest Rates - %



Projected Official Cash Rate - %



Average Two Year Fixed Rates - %



Source: RBNZ and Interest.co.nz





Housing Overview



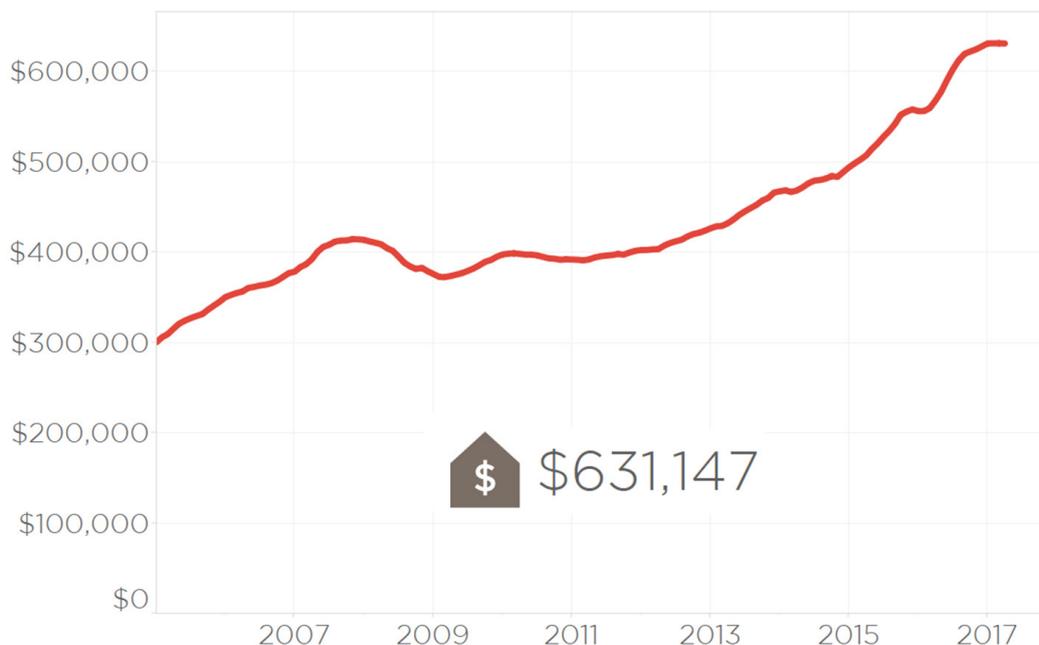
Nationwide Values

Nationwide values remain flat according to the latest QV house price index.

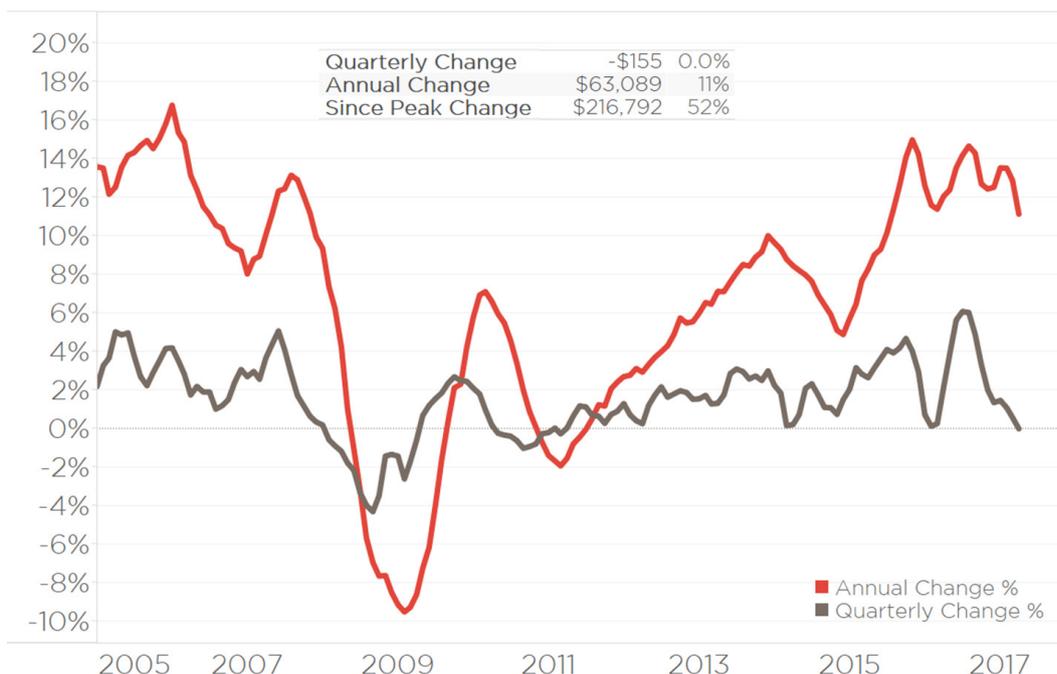
This nationwide picture is largely influenced by weakening values in Auckland, Hamilton and Tauranga. In much of the rest of the country there has been a slight slowdown in the rate of increase.

We continue to expect values to rebound, potentially after the election in September. However the rate of increase in values if and when this rebound occurs will likely be significantly slower than we have seen for the past few years.

Average Value of Housing Stock - New Zealand

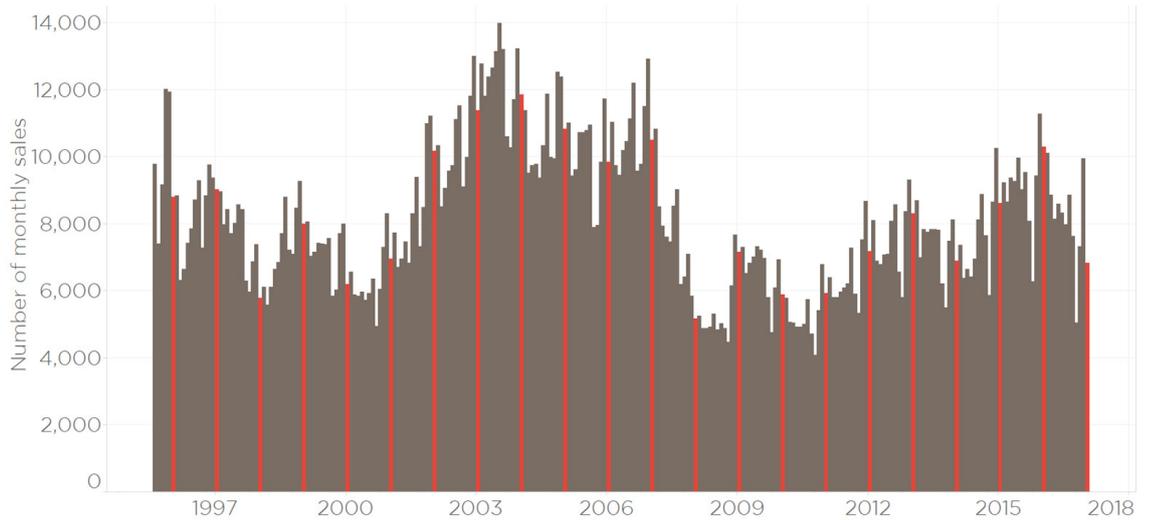


Annual and Quarterly Change in Value



Sales Volumes

Nationwide Sales Volumes

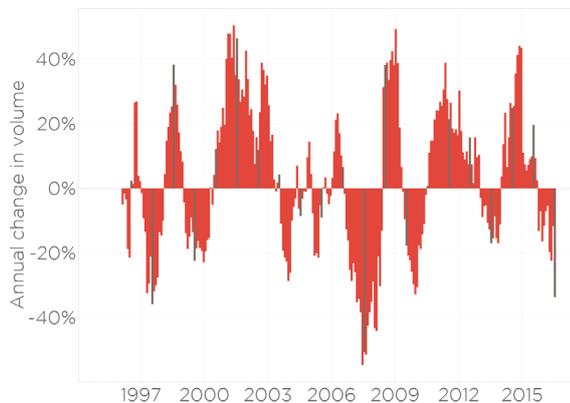


Nationwide sales volumes continue their downward slide, a trend that started a year ago. March bounced up both seasonally and in response to a brief surge in demand in late February and early March. April had Easter and ANZAC day in close proximity which will have led to many people taking extended holidays, likely impacting house sales activity.

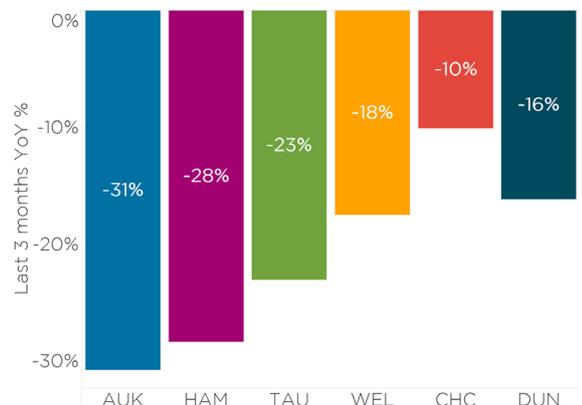
The slowdown in sales activity is particularly evident in Auckland which over the past three months is over 30% down on the same time last year. While the impact of the slowdown lessens as you move south, it is nevertheless nationwide.

This slowing sales activity follows the drop in demand we have seen, and falling sales activity usually means less upward price pressure.

Nationwide Annual Change in Sales Volumes



Regional Sales Volumes Year-on-Year



Rent

Rent growth has remained steady at around 5%, as it has for the past four years. Hamilton has seen the largest annual increase in rent compared to the other main centres.

As high prices slow the nationwide gross yield has stopped falling, but at just over 3% is still at historic low levels.

The Labour Party recently announced a policy targeted at landlords with the removal of the benefits of negative gearing, where losses from a rental property can be offset against income tax.

Claims of the impact of this policy range from landlords increasing rent, through to little or no impact.

National Annual Change in Value and Rent



Gross Rental Yield - National



	Median Weekly Rent	Annual Change in Rent	Gross Yield
Auckland	\$492	2.3%	2.1%
Hamilton	\$355	7.6%	3.5%
Tauranga	\$413	4.8%	3.2%
Wellington	\$443	3.5%	3.2%
Christchurch	\$356	-1.9%	3.7%
Dunedin	\$300	3.8%	4.3%

Source: CoreLogic NZ / MBIE

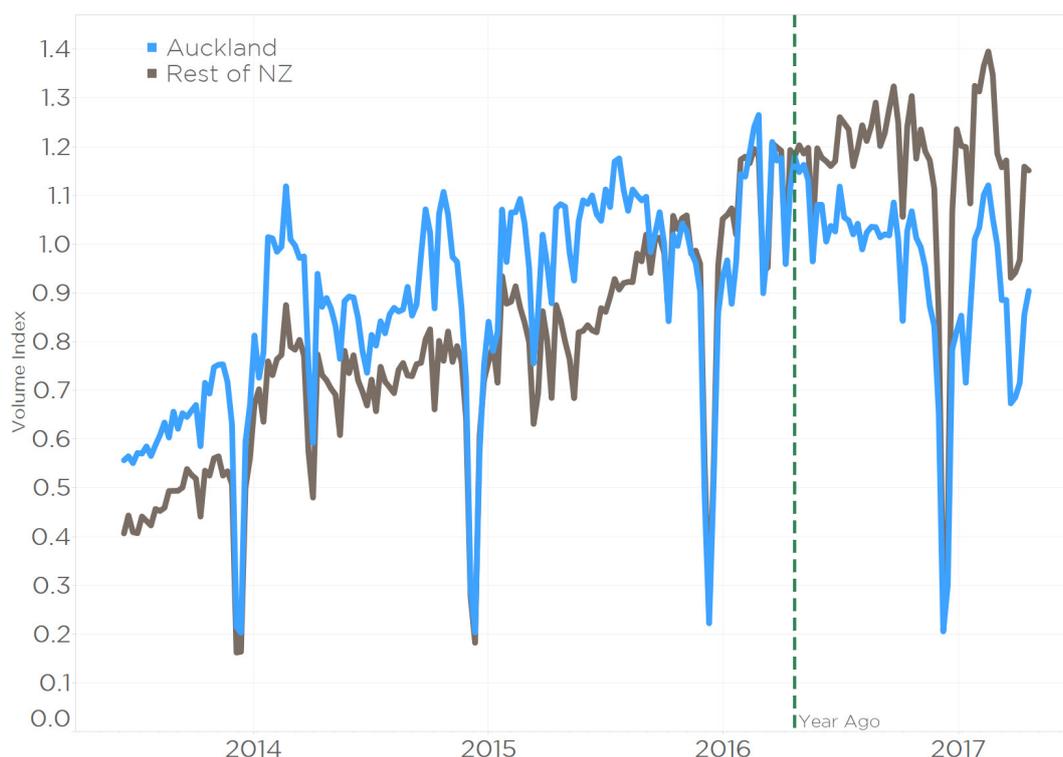
Market Activity

Market activity surged in late February and early March before falling in the weeks leading up to Easter. The ANZAC long weekend then followed just a week later meaning that there was two weeks of low activity.

Activity in the weeks since has continued to be much lower than earlier in the year. While a seasonal slowdown is normal, Auckland is well down on last year, while Hamilton has been hit even harder. Sales volumes will therefore be much weaker in those areas.

Wellington and Dunedin are up year on year, but a long way below the level seen in February and March.

Market Activity Index



Latest 3 Weeks Year-on-Year	Percentage change
Auckland	-11%
Hamilton City	-21%
Tauranga City	-2%
Wellington Region	+8%
Christchurch City	-7%
Dunedin City	+3%

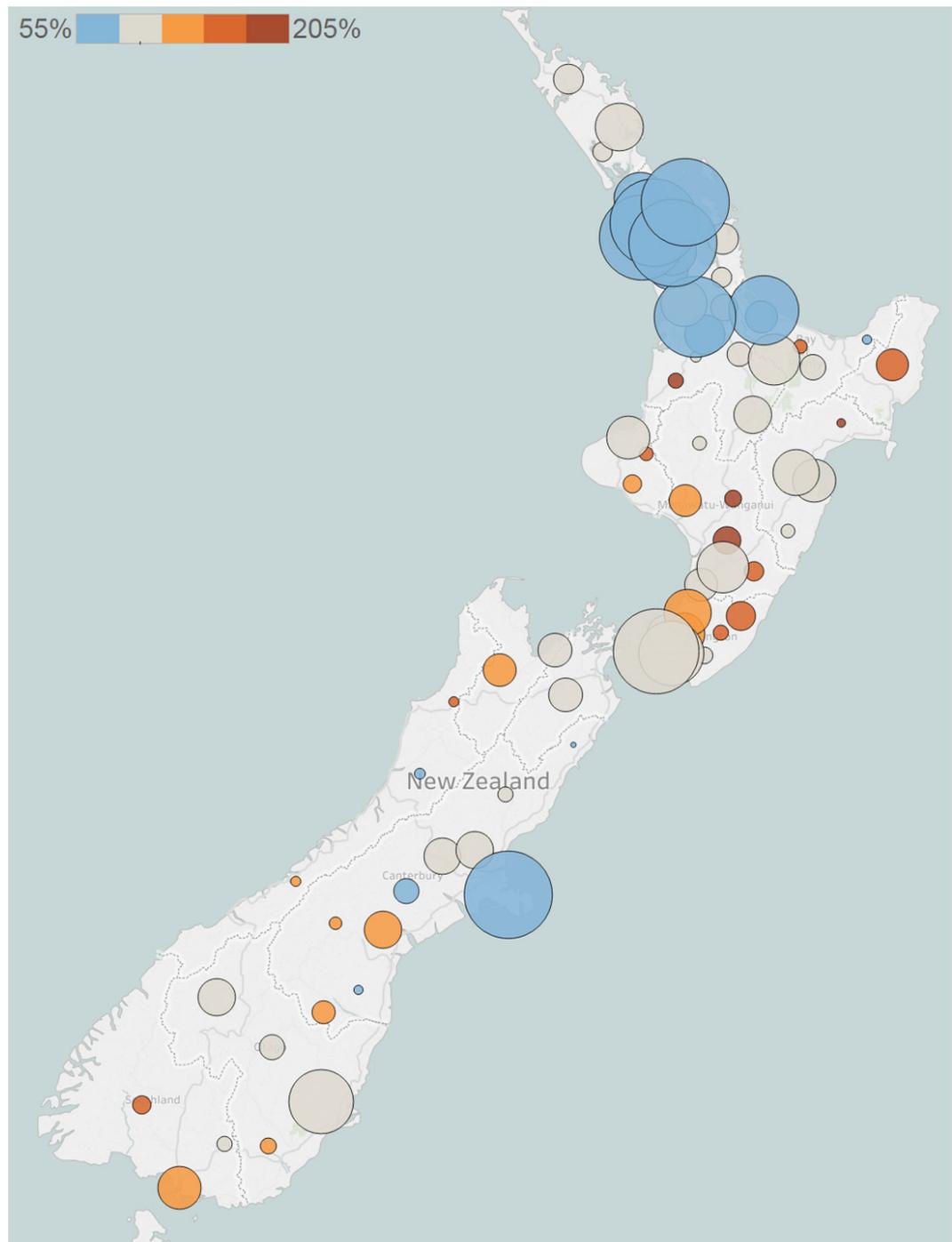
This market activity is based on the number of automated valuations run by bank staff using our systems each week. This number of valuations correlates very closely to the number of sales that will subsequently occur so this is an extremely timely measure of buyer demand, more than any measure of sales. We can also track across any geographic area.

Market Activity Year-on-Year

This map shows activity in the latest three weeks compared to the same three weeks last year.

The year on year drop in activity is clear to see in Auckland, Hamilton, Tauranga and Christchurch.

Many smaller centres in the lower North Island and throughout the South Island are up year on year and remain at similar levels of demand to last spring.



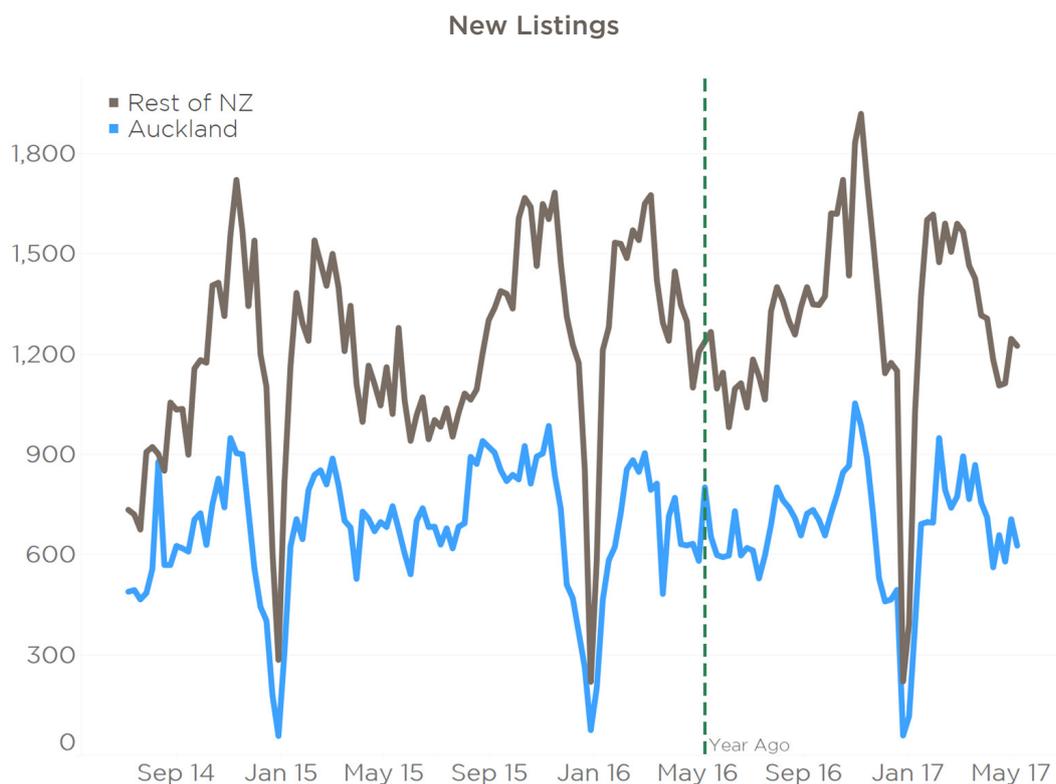
* Size of bubble represents the level of activity for the period 24 April - 14 May 2017

Listings

New listings are following their usual seasonal pattern of dropping through winter. There was an added dip thanks to the Easter and ANZAC long weekends.

New listings in Auckland and the rest of the country are around the same level as the same time last year.

There continues to be regional variation with Waikato up but Bay of Plenty and Wellington down.

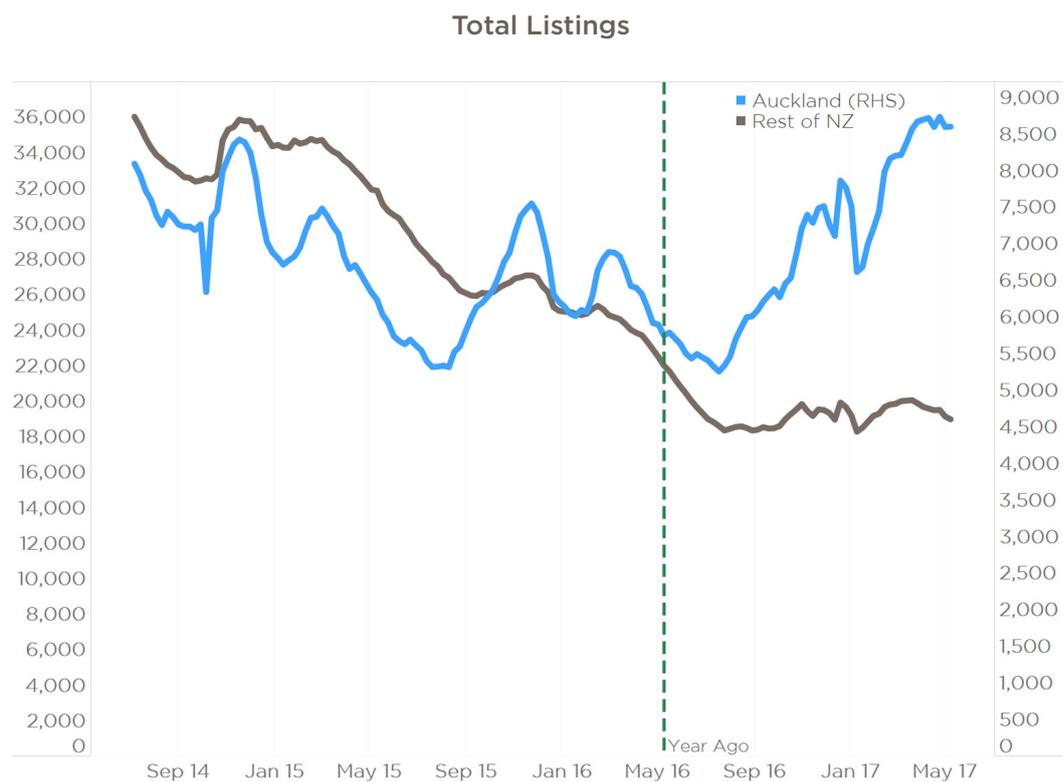


New Listings	Average last 3 weeks	1 month change	1 year change
New Zealand	1,831	-6%	-1%
Auckland	637	-6%	-5%
Waikato	169	-11%	17%
Bay of Plenty	135	-9%	-13%
Wellington	161	-6%	-11%
Canterbury	296	-2%	5%
Otago	77	4%	-5%

Total listings in Auckland are a massive 50% above the same time last year, and above the year before.

This is not so much because of a massive increase in new listings, but because the slowdown in sales activity has allowed these new listings to add to the total available stock on the market.

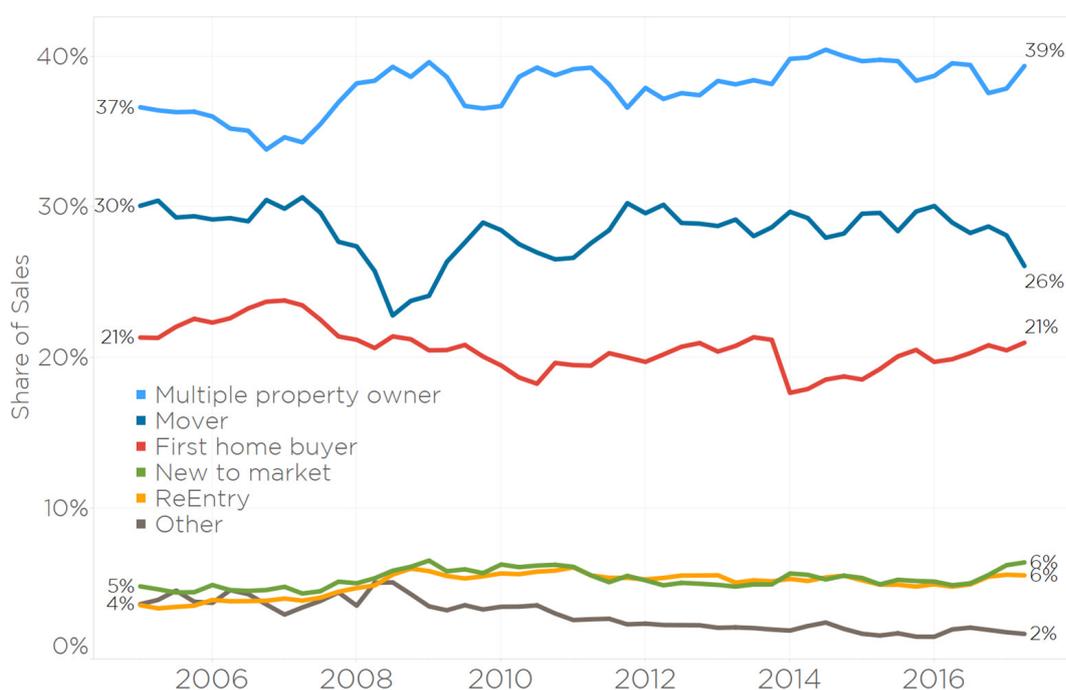
The rest of New Zealand has dropped in recent weeks but not at the same rate as we have seen at the same time of the year previously. This is also due to the slowdown in sales activity.



Total Listings	Latest week	1 month change	1 year change
New Zealand	27,557	-3%	-1%
Auckland	8,596	-1%	50%
Waikato	2,568	-4%	-3%
Bay of Plenty	1,896	-5%	22%
Wellington	1,472	-6%	-20%
Canterbury	4,613	0%	0%
Otago	909	-10%	-36%

Buyer Classification

Buyer Classification - New Zealand



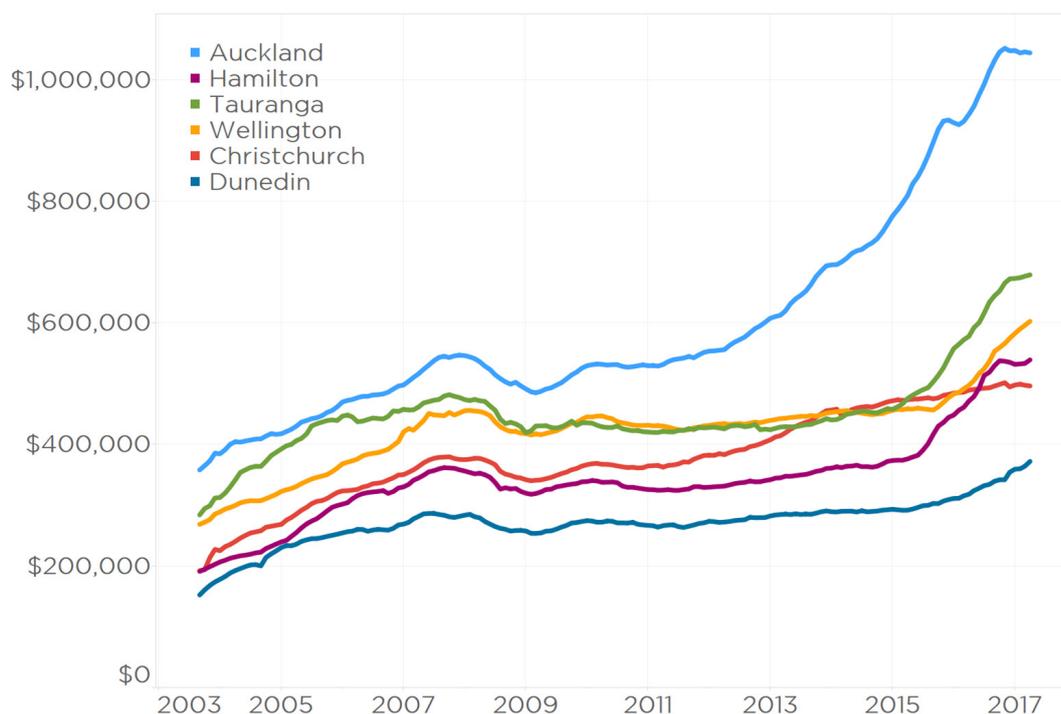
The first month of Q2 has seen investor activity rebound from a dip lasting two quarters. That puts the share of sales to investors back at the same high levels we have had for much of the past three years.

The share of first home buyer sales is holding steady at 21% while movers continue to be less active.

There has been a rise in 'New to Market'. This group is mostly made up of people buying NZ property for the first time but doing so with cash not with a mortgage. Their apparent rise in share more reflects that their activity tends to remain steady over time while other buyers step back.

House Price Index

Average Dwelling Value



According to the latest QV house price index, Auckland has continued to gradually drop in value.

There has been a clear slowdown in Tauranga while the dip in Hamilton values was short-lived and in the latest month values rebounded.

Christchurch values have also dipped a little, while in Wellington and Dunedin values appear to be increasing at the same pace as they have for the past six months.

	Current Value	April 2017		
		3 months	12 months	Since Peak
New Zealand	\$631,147	0.0%	11%	52%
Auckland	\$1,043,830	-0.4%	11%	91%
Hamilton	\$538,832	1.4%	14%	49%
Tauranga	\$678,643	0.9%	18%	41%
Wellington	\$602,230	3.4%	21%	32%
Christchurch	\$495,855	-0.3%	1%	31%
Dunedin	\$371,739	3.5%	17%	30%

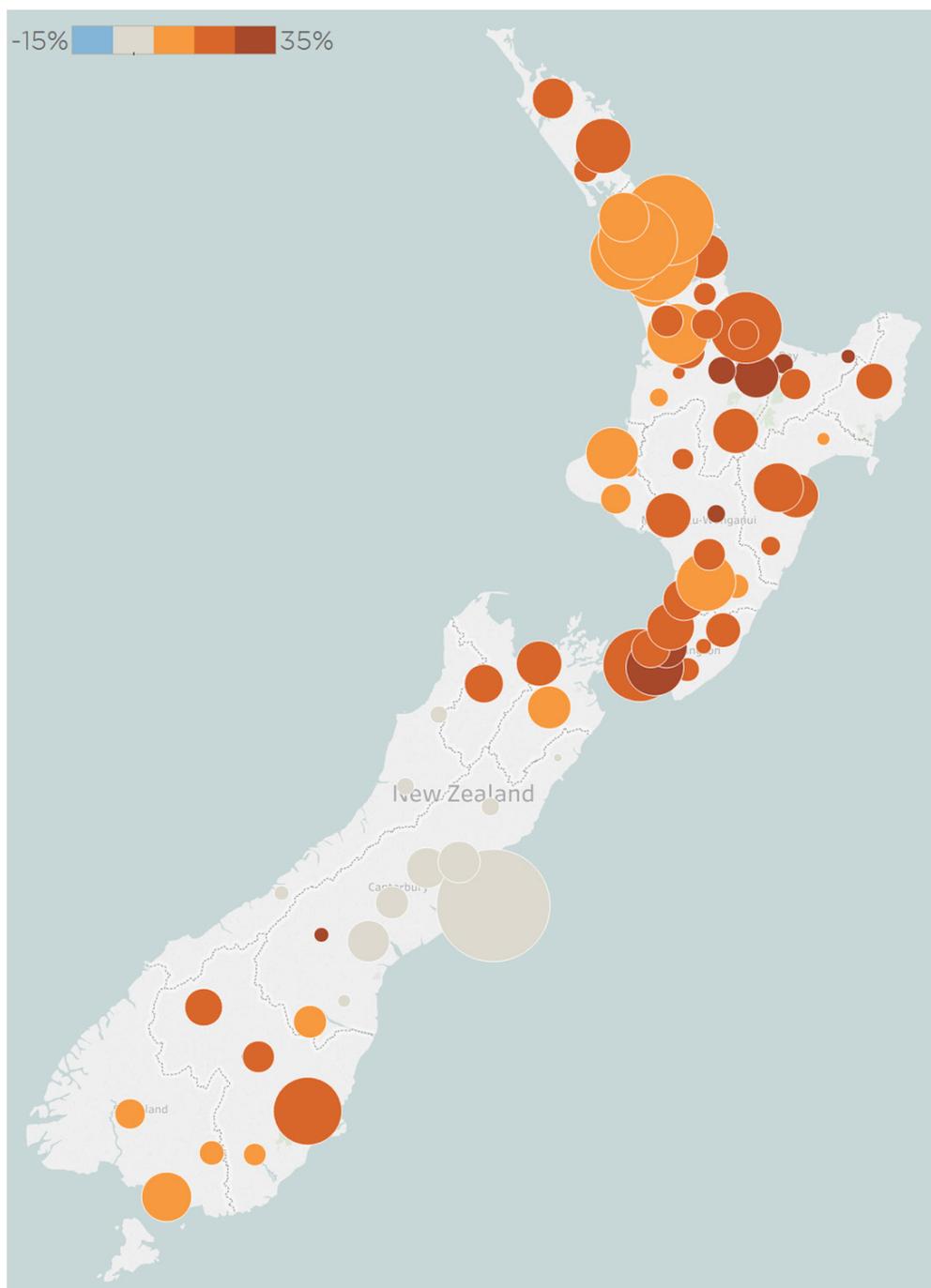
Source: CoreLogic NZ QV Monthly House Price Index

House Price Index

Annual Value Change

Canterbury and the West Coast are the only parts of the country that didn't increase in value over the past year. Even the smallest towns in the rest of the country increased in value significantly, the first such increase since the early 2000's.

Parts of the Bay of Plenty and Wellington regions increased the fastest.



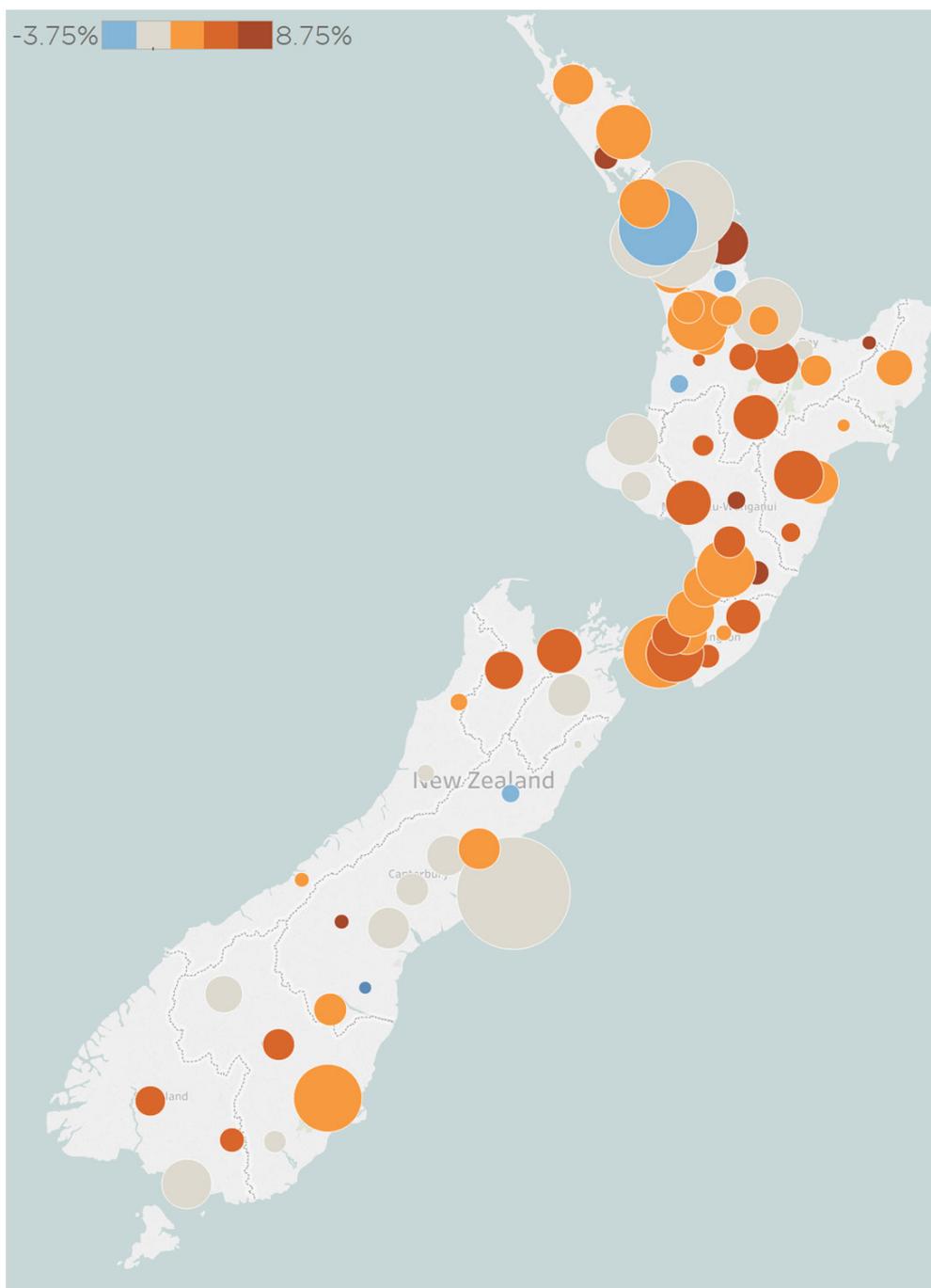
*Size of bubble represents the number of properties in the Territorial Authority

Three Month Value Change

The introduction of the latest Reserve Bank lending restrictions and a slight increase in mortgage interest rates have slowed the pace of value increases in many areas.

The slowdown has been most pronounced in Auckland, but Tauranga, Taranaki, Marlborough, Canterbury, Queenstown and Invercargill have also gone in to flat territory.

Parts of the central North Island and upper South Island are continuing to increase at the same pace, seemingly unaffected by regulation or other market changes. At least for the time being.



*Size of bubble represents the number of properties in the Territorial Authority

Main Cities Housing Market Indicators



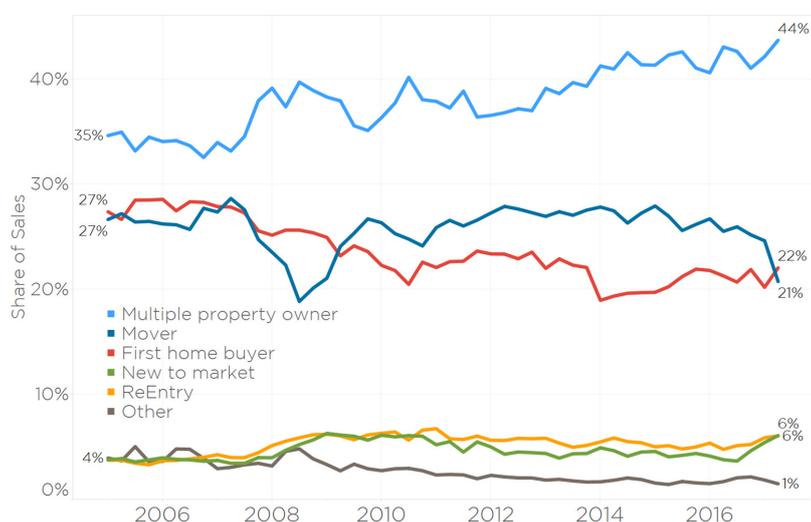


Auckland Market Activity

Market Activity Index - Auckland



Buyer Classification - Auckland



Market activity has risen after the Easter and ANZAC long weekends as expected, but apart from the surge in February and March, the trend in activity has been downward for the past year.

A normal seasonal pattern would see activity drop even further throughout the rest of winter.

The first month of Q2 data shows a continuing rebound in the share of investor purchases, with a corresponding drop in movers.

First home buyers, having dipped in Q1, have rebounded back to a 22% share of activity.

There has been an increase in New to Market buyers, these being mostly people new to the country and paying in cash. Their numbers has stayed steady over time, meaning that their rise in share of sales is due to other buyers being less active. These cash buyers are unaffected by lending restrictions and increases in interest rates.

Auckland Values

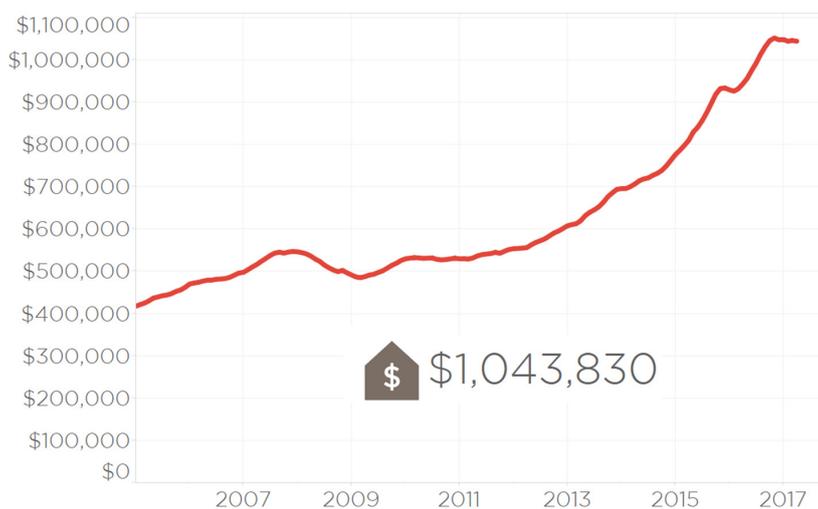
Overall Auckland values continue to drop ever so slightly. This varies across Auckland, as the fringe areas of Rodney, Papakura and Franklin are still increasing in value, just at a slower rate than previously.

North Shore and Waitakere continue to drop in value while central Auckland and Manukau are more or less flat.

The continuing drop in demand combined with significantly more listings should mean we see these trends continue in the short term. The longer term will be significantly impacted by whatever policy changes, if any, are introduced by the new Government.

Rising population combined with a slow rate of house construction will conspire against any significant drops in value.

Average Value of Housing Stock - Auckland



Annual and Quarterly Value Change - Auckland



	April 2017			
	Current Value	3 months	12 months	Since Peak
Rodney	\$956,733	2.5%	14%	63%
North Shore	\$1,195,292	-1.6%	9%	85%
Waitakere	\$826,454	-1.2%	10%	95%
Auckland City	\$1,223,387	-0.1%	11%	97%
Manukau	\$903,160	0.2%	11%	97%
Papakura	\$693,239	1.3%	14%	93%
Franklin	\$669,518	1.4%	13%	69%

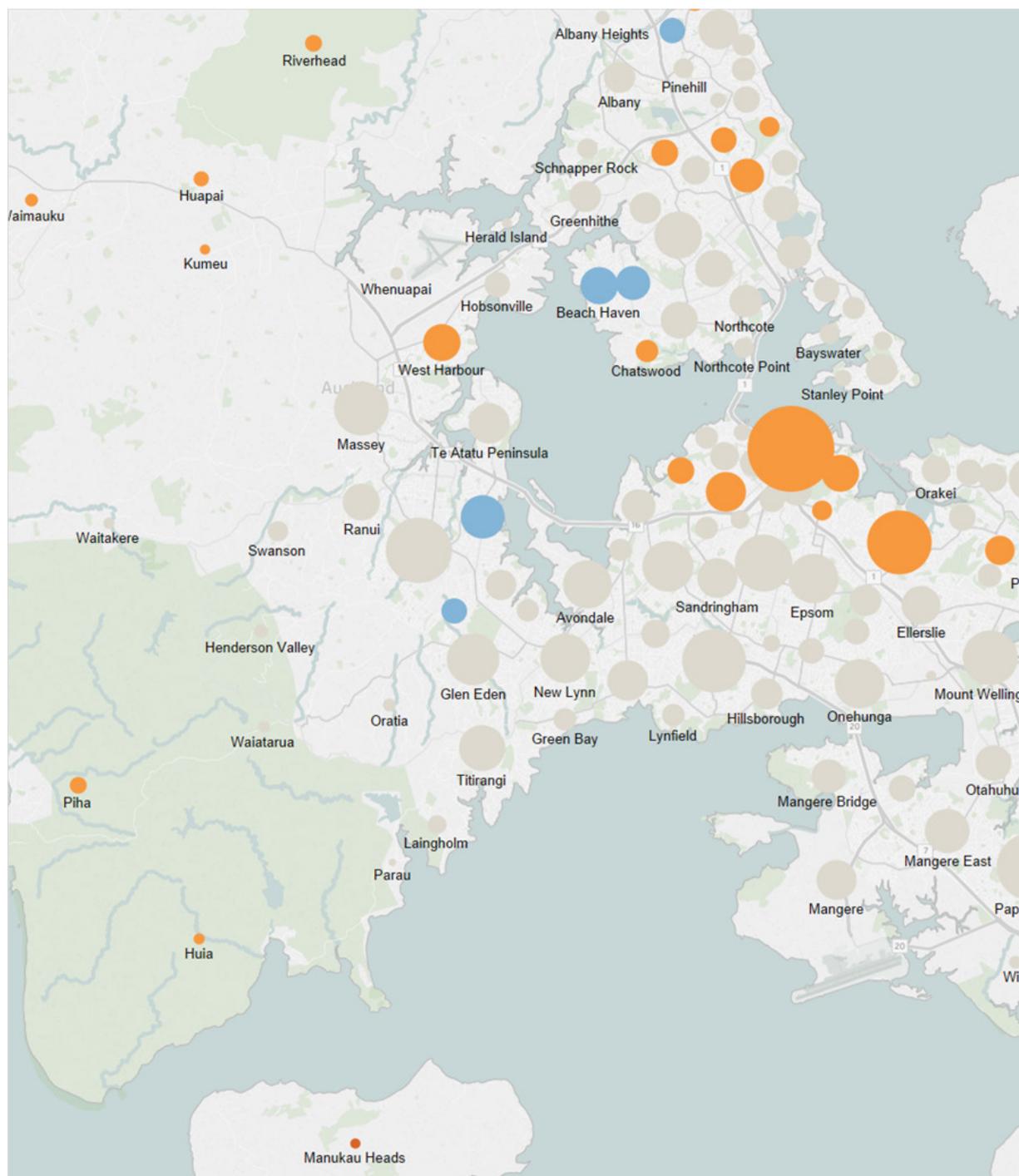
Auckland Suburb Value Change

Three Month Value Change

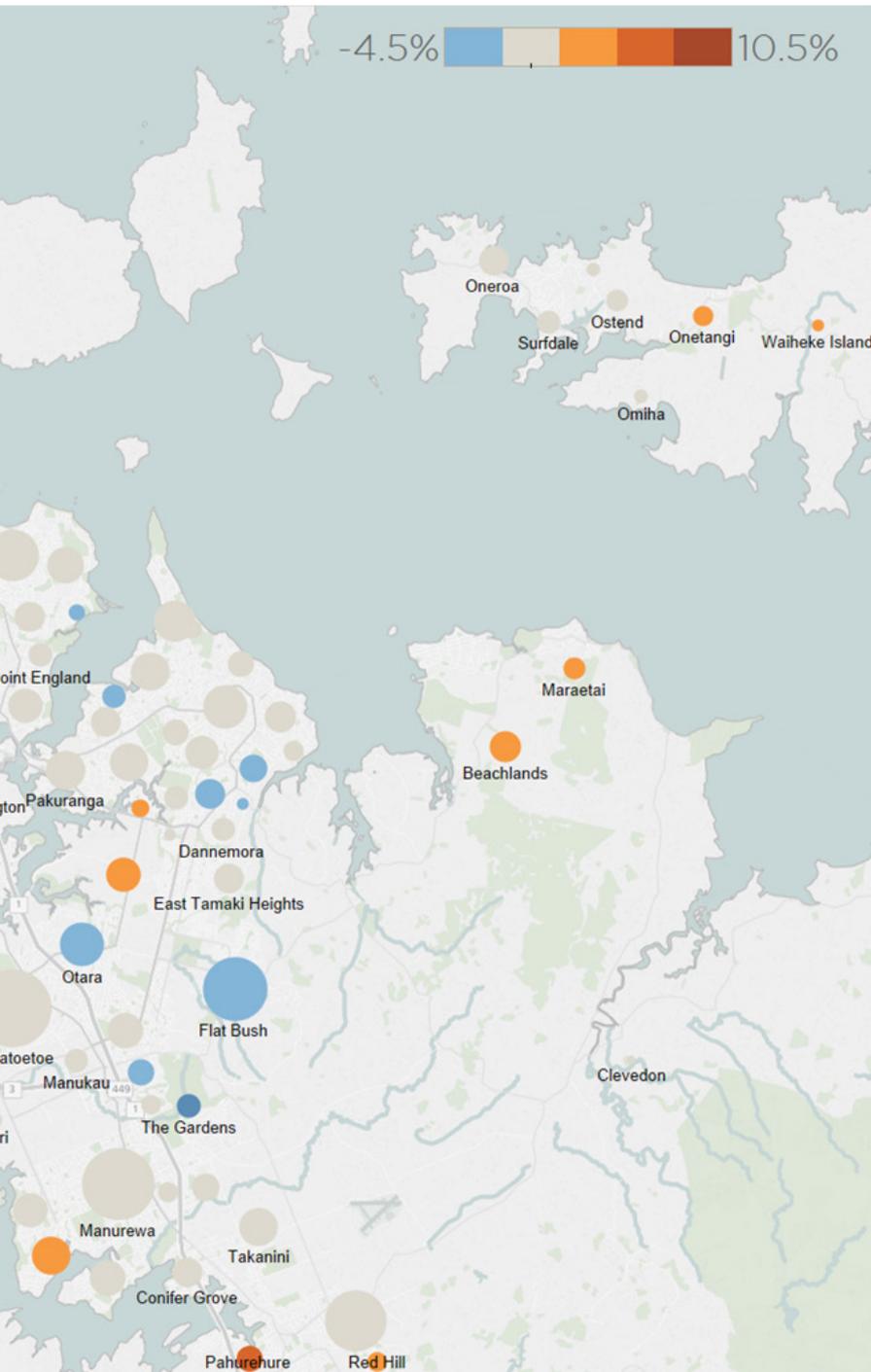
The majority of Auckland suburbs have seen relatively minimal value change over the past three months.

The central Auckland suburbs, which are almost entirely apartments, continue to increase in value, as do pockets of the North Shore.

Parts of South Auckland are sneaking a little further into negative territory.



*Size of bubble represents the number of properties in the suburb. Based on CoreLogic Median E-value

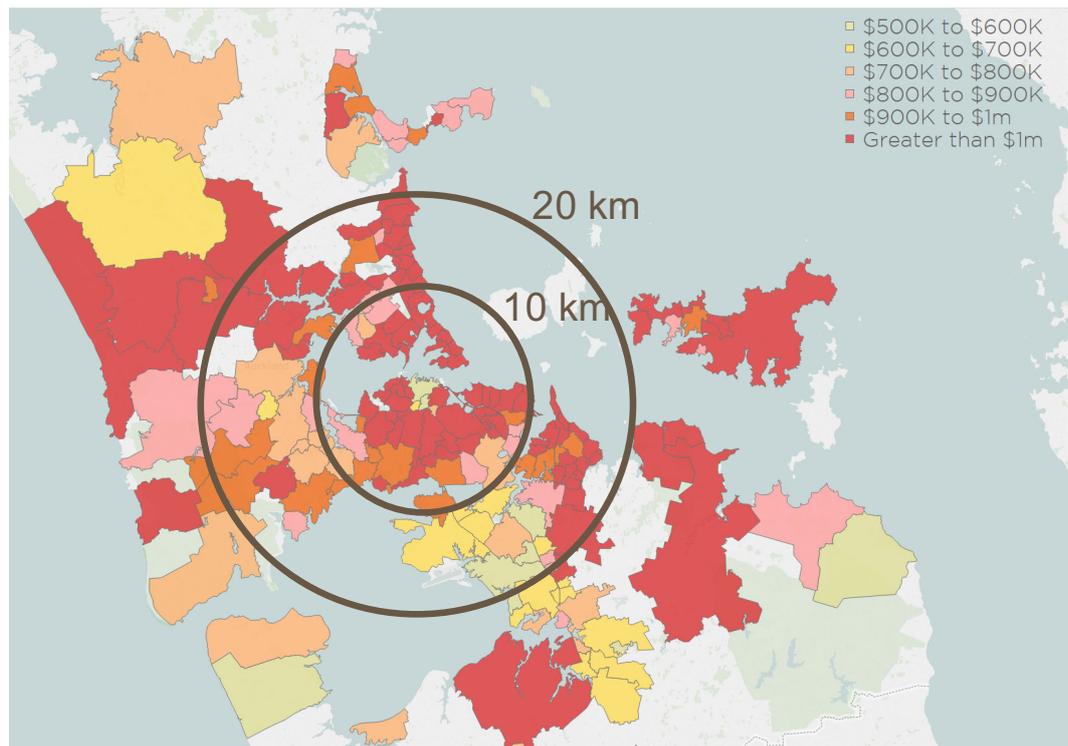


Current Auckland Suburb Values

Median Value of Housing Stock

There has been little change in the average value of Auckland suburbs, with over 100 suburbs still worth more than \$1m on average.

Herne Bay remains the most expensive suburb in Auckland with the average current value of housing stock being \$2.5m.



*Based on CoreLogic Median E-valuer

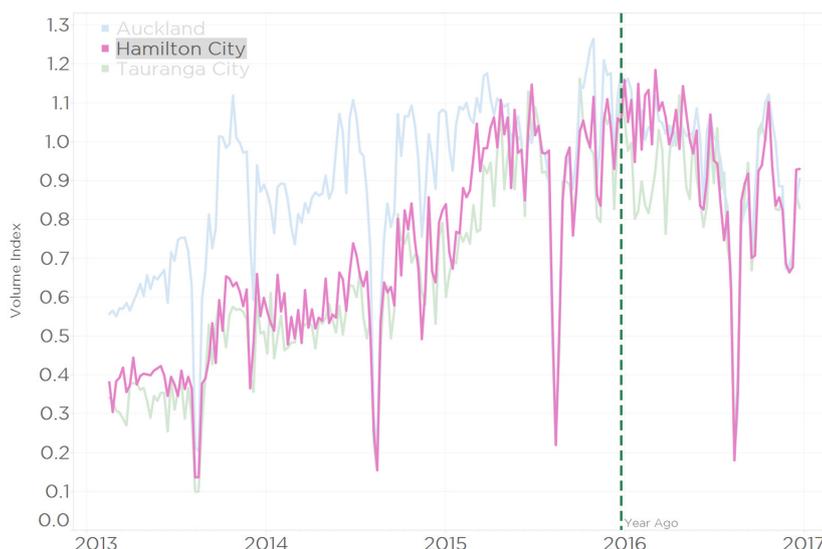


Hamilton Market Activity

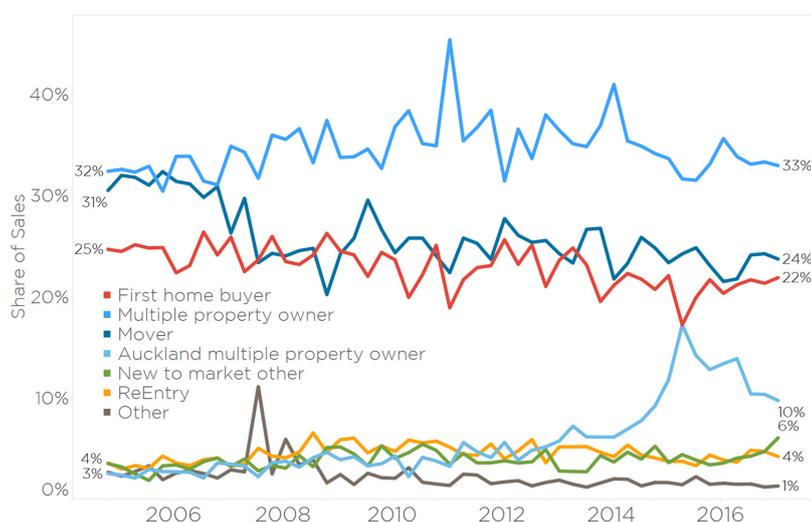
Buyer demand in Hamilton remains very weak after the two long holiday weekends in April. Like Auckland, the Reserve Bank's announcement in July of new lending restrictions seems to have taken quite a bit of heat out of the market. Demand will likely sink even lower throughout the rest of winter.

The mix of buyers has stayed relatively stable for the past few months. Investor activity, both Aucklanders and local, is now significantly less than it was a year ago. Like other parts of the country, new market entrants paying in cash are making up a greater share of sales as other buyers step back.

Market Activity Index - Hamilton



Buyer Classification - Hamilton

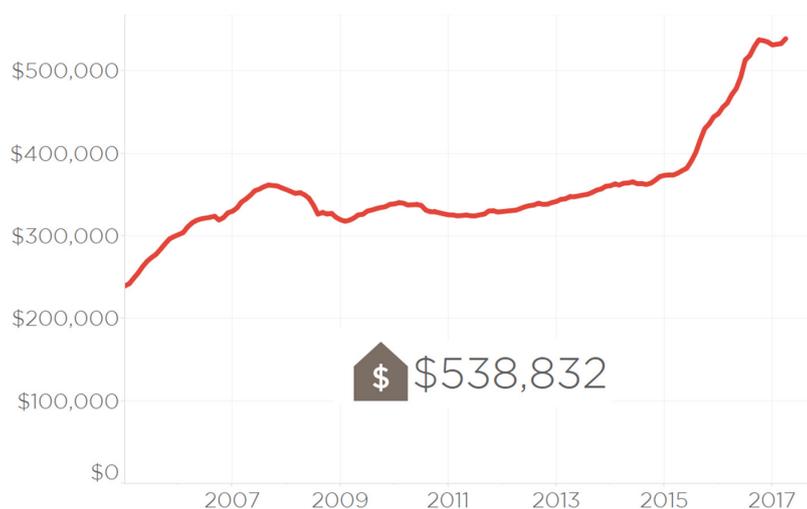


Hamilton Values

Hamilton values have rebounded after a very shallow and brief dip earlier this year, the Central and North West area seems to be leading this recovery.

Given the very weak demand and an increase in listings, this rebound is unlikely to turn into anything significant.

Average Value of Housing Stock - Hamilton



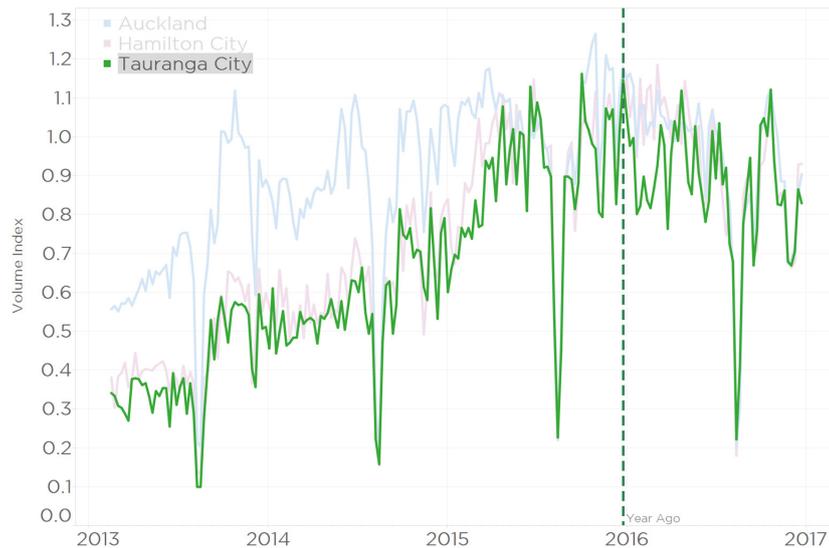
Annual and Quarterly Value Change - Hamilton



	April 2017			
	Current Value	3 months	12 months	Since Peak
Hamilton Central & North West	\$502,853	2.7%	16%	40%
Hamilton North East	\$682,774	0.6%	14%	52%
Hamilton South East	\$489,654	1.5%	13%	40%
Hamilton South West	\$475,052	1.9%	14%	39%

Tauranga Market Activity

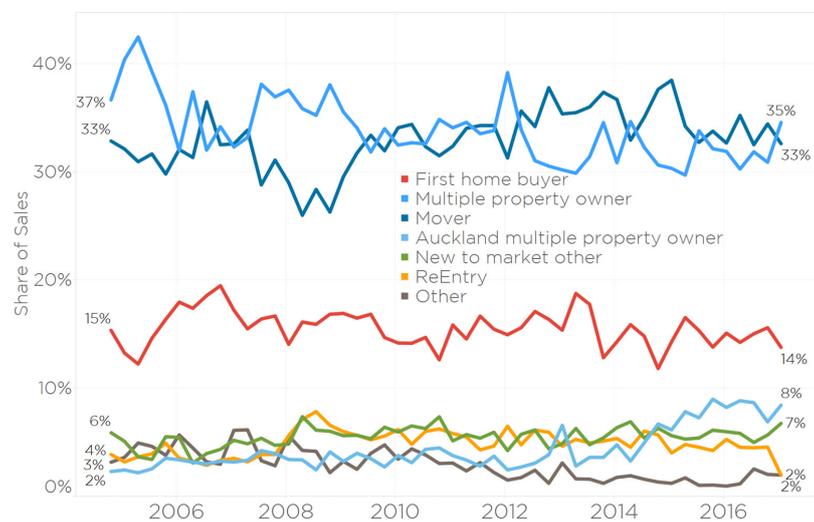
Market Activity Index - Tauranga



Buyer demand has dropped from a brief March surge and is now significantly below the same time a year ago. Demand will likely continue to weaken throughout the rest of winter if previous years are anything to go by.

Both Auckland and non-Auckland investors have ticked up markedly in the first month of Q2, mostly at the expense of first home buyers.

Buyer Classification - Tauranga

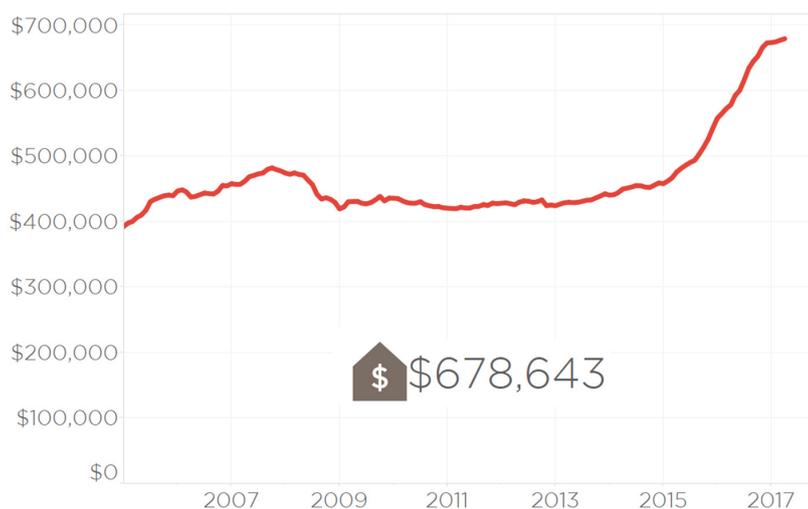


Tauranga Values

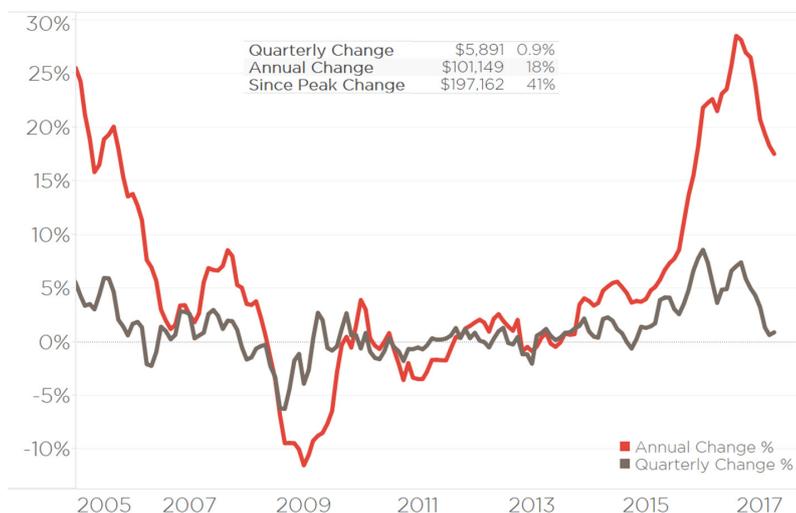
The QV house price index shows that Tauranga values are rising at just under 1% per quarter. This is dramatically slower than heady rates of increase of 2015 and 2016.

This rate of value growth is likely to remain unchanged throughout winter.

Average Value of Housing Stock - Tauranga

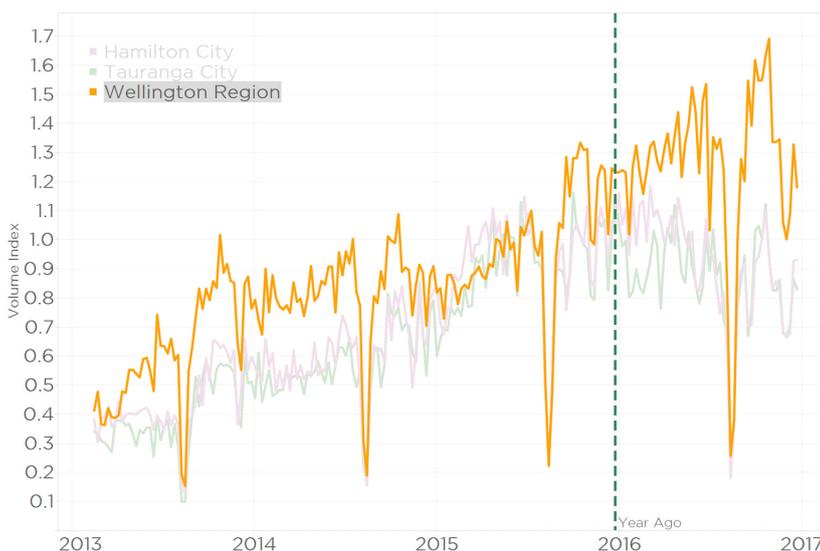


Annual and Quarterly Value Change - Tauranga



Wellington Market Activity

Market Activity Index - Wellington



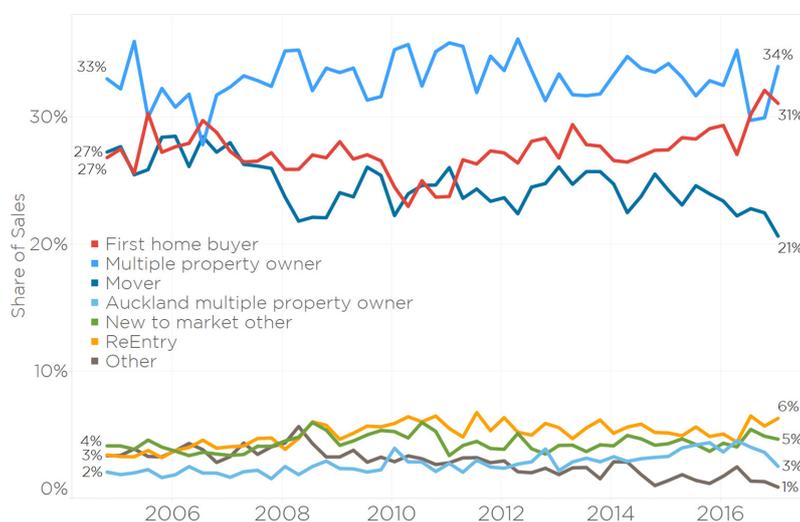
Buyer demand in Wellington climbed strongly throughout 2016 and up until March 2017. This then sagged in the weeks before the Easter and ANZAC weekends and has not really bounced back since. While back to around the same level as this time last year, it will be noticeably less than much of the past 12 months.

The first month of Q2 suggests that investor activity has bounced back again.

First home buyers remain very active in the Wellington market, especially outside Wellington City.

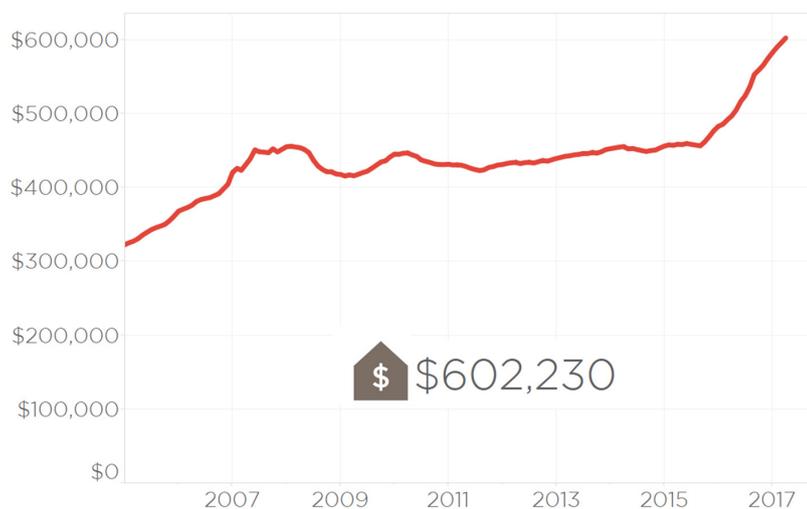
Movers continue to be less active, falling from a 25% share of sales in 2015 to 21% in Q2.

Buyer Classification - Wellington



Wellington Values

Average Value of Housing Stock - Wellington



Wellington's rate of value increase hasn't changed in recent months, still increasing at around 4% per quarter and 21% annually.

However that is slower than the 6% to 7% quarterly growth during parts of 2016.

Porirua and Lower Hutt are still rising fastest over the past three months, while the previously fastest growing Upper Hutt has slowed recently to only 2.8% over the past three months.

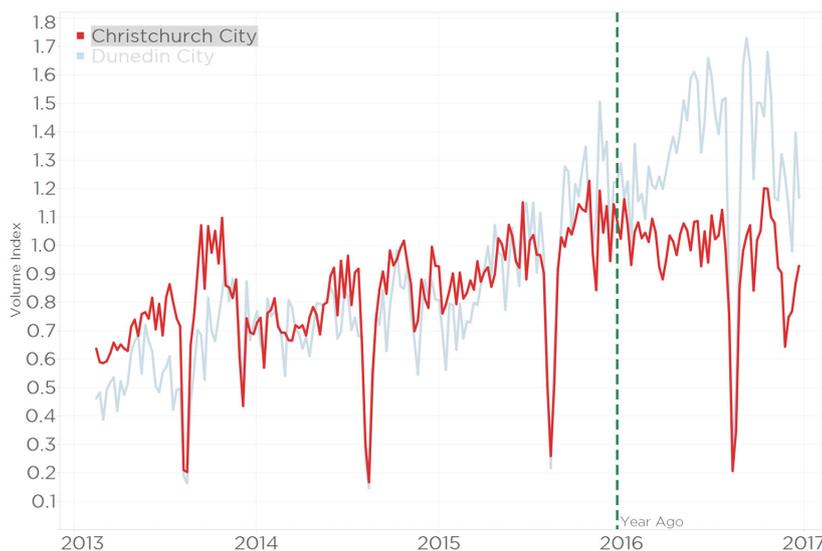
Annual and Quarterly Value Change - Wellington



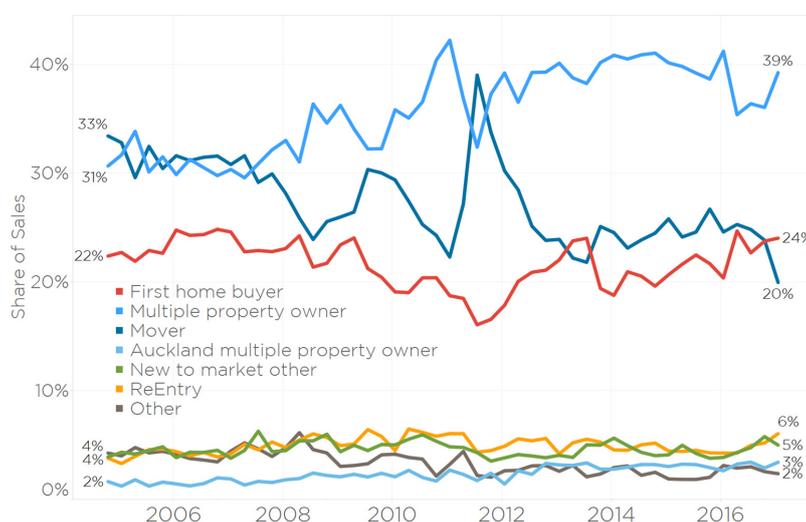
	April 2017			
	Current Value	3 months	12 months	Since Peak
Porirua	\$510,853	5.5%	24%	34%
Upper Hutt	\$445,632	2.8%	27%	27%
Lower Hutt	\$503,286	4.3%	25%	28%
Wellington City	\$724,176	3.1%	21%	36%

Christchurch Market Activity

Market Activity Index - Christchurch



Buyer Classification - Christchurch



Market demand has taken a big hit after the Easter and ANZAC holiday weekends. Like the rest of the country there was a surge in activity in late February and early March. This then dropped away in the weeks leading up to Easter and has still not recovered to that level.

The last few weeks have been the lowest seen for 18 months, outside Christmas. If winter falls further as it usually does then that suggests very low sales activity for the next few months.

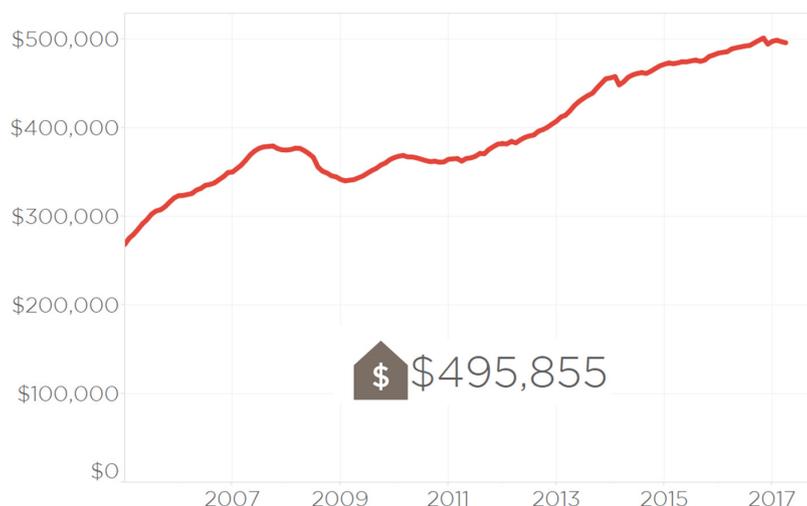
Investor activity has picked up in the first month of Q2 after the previous two quarters had dropped from earlier in 2016. This lift in investor activity has come at the expense of movers while first home buyer activity has risen further.

Christchurch Values

The slow rise in Christchurch values during 2015 and 2016 has now been replaced by a slow decline.

With buyer demand so weak, this will likely lead to a further drop in sales activity, which in turn will mean that values are likely to keep sliding throughout winter.

Average Value of Housing Stock - Christchurch



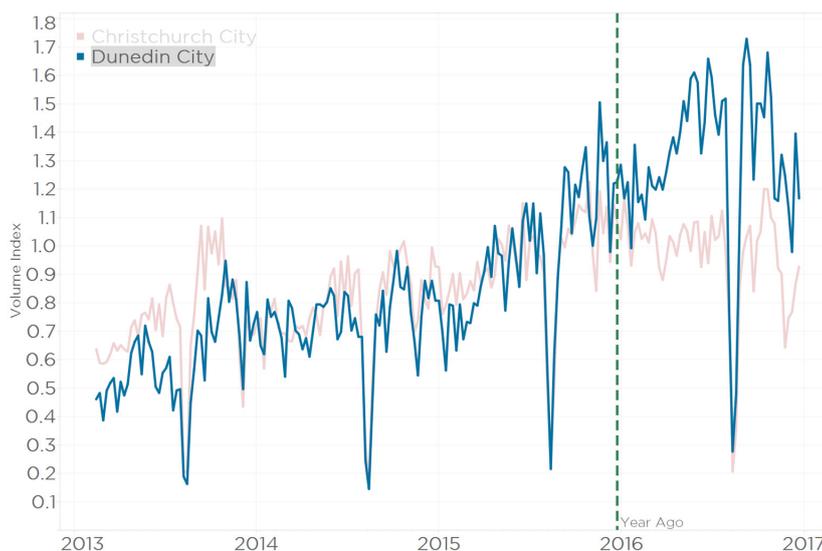
Annual and Quarterly Value Change - Christchurch



	April 2017			
	Current Value	3 months	12 months	Since Peak
Banks Peninsula	\$500,781	-2.6%	-3%	4%
Christchurch Central & North	\$585,099	-0.6%	2%	32%
Christchurch East	\$370,913	-0.1%	0%	20%
Christchurch Hills	\$672,285	0.8%	1%	22%
Christchurch Southwest	\$475,239	-0.4%	3%	40%

Dunedin Market Activity

Market Activity Index - Dunedin



Buyer demand in Dunedin was very strong in the second half of 2016 and through until March.

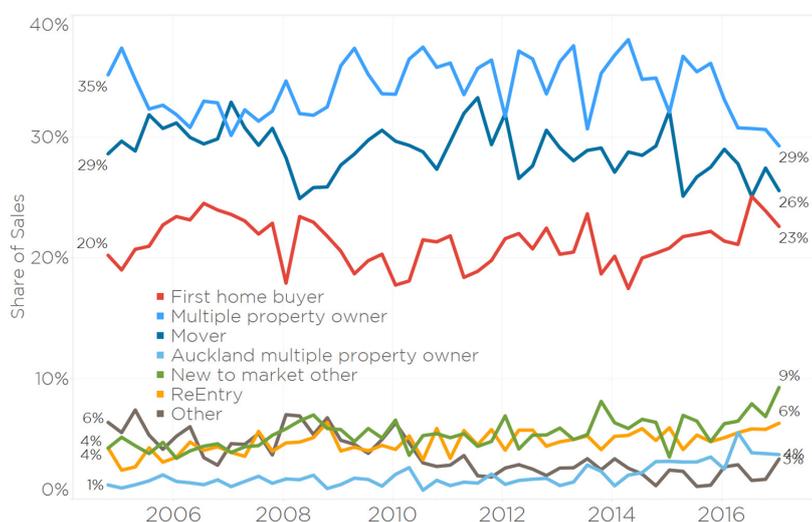
Since then, like the other main centres, there has been a significant drop through the Easter and ANZAC weekends which hasn't since recovered.

While this leaves demand at a similar level to this time last year, the market will feel a lot less active than people will be used to.

Investor activity has dropped further in the first month of Q2, making it the lowest for at least 12 years.

First home buyers, while lower than the previous two quarters, are still the highest for many years.

Buyer Classification - Dunedin



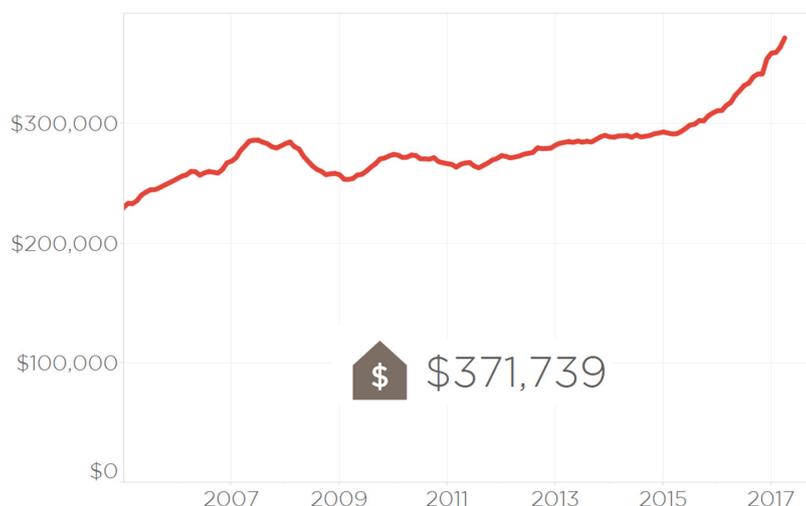
Dunedin Values

There have been a few lumps and bumps in the increase in Dunedin values over the past year, but they have generally been increasing at between 2.5% and 5% per quarter.

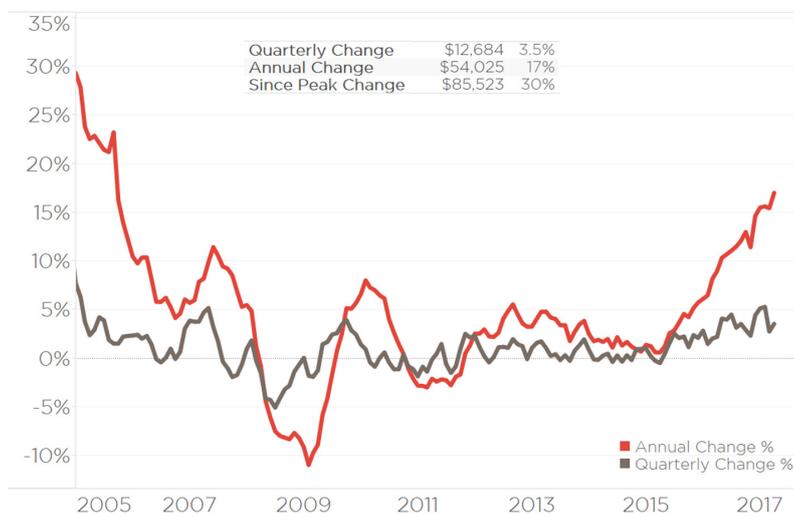
There is little sign of a slowdown in the rate of value increase so evident in most of the other main centres.

This increase in values will be at risk if buyer demand and therefore sales volumes drop much further throughout winter.

Average Value of Housing Stock - Dunedin



Annual and Quarterly Value Change - Dunedin



	April 2017			
	Current Value	3 months	12 months	Since Peak
Dunedin Central & North	\$384,959	3.4%	17%	28%
Dunedin South	\$352,212	3.0%	15%	23%
Peninsula & Coastal	\$346,444	8.2%	22%	28%
Taieri	\$385,656	2.7%	17%	31%



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