

# ERSKINE+OWEN

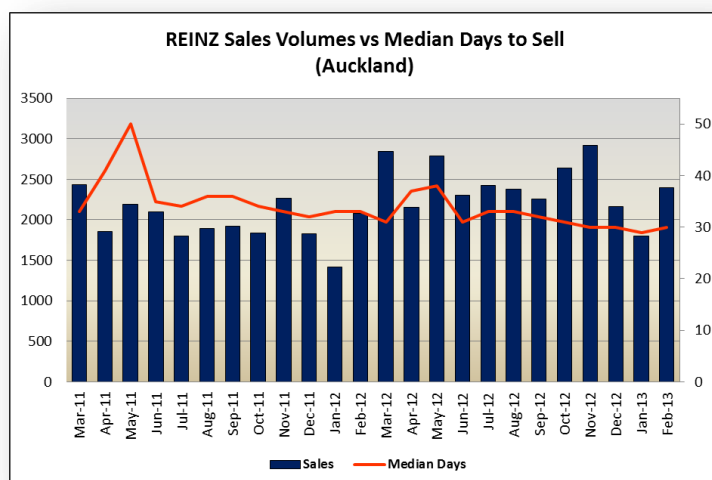
## Your NZ Property Market Update

### 2<sup>nd</sup> Quarter Market Commentary

Auckland's residential property market remains very buoyant, with annual house price inflation at its highest since late 2007. Pent up demand combined with low interest rates, has resulted in many buyers facing a long search to secure a suitable property.

Housing activity indicators have maintained an upward trend since early 2012. February 2013 sales volumes have increased across the Auckland region by almost 16% on the February 2012 volumes.

Auckland remains the stronghold for the country's housing market and continues to have a significantly tighter demand-supply balance to the rest of the country. This can be evidenced through a shorter number of days to sell than the national average. Days to sell in Auckland for February held steady at 33, significantly lower than the 10 year average for February which sits at 40.



### THINKING OF SELLING?

Talk to us first - we have clients ready to buy RIGHT NOW who may be interested in your property.

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### E+O NZ PROPERTY UPDATES

With Director, Alan Henderson

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[Auckland](#) 25 June  
[Wellington](#) 1 July  
[Singapore](#) 22 August  
[San Fran](#) 24 Sept  
[Vancouver](#) 26 Sept  
[New York](#) 30 Sept  
[Toronto](#) 1 Oct

### JOIN OUR COMMUNITY

#### NEW Property Buyers Group

A place where property buyers can come to learn, share and discuss their property buying (not selling) challenges.

### ERSKINE + OWEN

We are one of New Zealand's first dedicated property buyers agents, licensed under the REAA 2008.

### CONTACT OUR SPECIALIST TEAM

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 Property Management: [fiona@erskineowen.co.nz](mailto:fiona@erskineowen.co.nz)  
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### *2<sup>nd</sup> Quarter Market Commentary continued...*

These trends are continuing to improve, reflecting the underlying supply and demand characteristics of the Auckland market. Although listing volumes improved in February there are still record low levels of inventory, cementing the path to strong house price appreciation.

A recent report issued by Treasury indicated the market is expected to stay strong as they see little potential for supply to respond to demand pressures.

### **Other factors influencing the housing market include:**

- Interest Rates continue to sit at low levels, and most economists expect the status quo to remain at least until middle of the year. The economy has started the year on a positive note, however the labour market remains soft with some rising unemployment. The threat to primary production due to potential drought, fiscal consolidation and the strength of the NZ currency are still strong challenges. The next move in the OCR is still expected to be up, but is likely to stay on hold until 2014.
- In the last decade house prices have increased at a much faster rate than incomes, and despite current low interest rates, this has created a housing affordability concern. According to the Roost Home Loan Affordability Index it now takes 54.9% of the median income to service a loan on the February 2013 median house price. This is down marginally from the end of 2012. House price inflation over most of the last year has been the driving factor in home loan affordability, and has been only partially offset by lower fixed mortgage rates.
- Having been in 'net loss' territory for some time, net migration has been the headwind in the upturn of the housing Market. A net gain of 600 (seasonally adjusted) in February, is the highest monthly gain since February 2011. While net migration has fluctuated over the past year there was an average gain of 100 migrants per month. Monthly departures to Australia have been hindering the improvement in net gains for some time, but February 2013 year figures show departures to Australia are down and arrivals from Australia are up. In both directions most migrants are New Zealand citizens.
- Residential building activity grew for the fifth quarter in the final three months of 2012. Activity in Auckland has been lifting in response to the significant shortfall of new building work since the recession in 2008. Dwelling consent numbers continued to increase throughout 2012, but are still approx 25% below historical averages. The lower rates of dwelling construction are a likely contributor to underpinning Auckland house prices.
- Housing confidence remains strong according to the ASB NZ Housing Confidence Survey for the January 2013 quarter. Over half the respondents expect house prices to continue to rise in the coming year, together with a decrease in those who believed 'now was a good time to buy.' Confidence is lowest in Auckland, with the decline reflecting the shortage of housing available for sale. This general level of improved confidence was accompanied by a perception that interest rates would remain unchanged over the next 12 months.

## Auckland Supply and the Unitary Plan

In March the Auckland City Council released its draft Unitary plan as debate raged in the media over how to solve Auckland's housing supply crisis. Auckland needs 400,000 new homes over the next 30 years and under the current district plan it is forecast we will only be able to create 300,000. Will the proposed plan solve this problem?

### What are the proposed changes?

The plan aims to encourage greater density, mostly away from coastal areas and definitely closer to transport nodes. The main zones and the required net site areas are as per the table below

Zones	Net site Area
Single house	500m <sup>2</sup>
Mixed housing	300m <sup>2</sup>
Terrace Apartment	1,200m <sup>2</sup>
Large lot residential	4,000m <sup>2</sup>
Coastal/ rural	4,000m <sup>2</sup>

### Some key points on the zones:

- **1 dwelling** per 500s/m in the Single House zone.
- **Mixed Housing** – a maximum of 4 dwellings can be built, e.g. four 300s/m sites with a dwelling on each. It may be possible to create 5 or more dwellings on a 1,200 s/m site, but a resource consent would be required and there are other development controls that will need to be satisfied.
- **Terraced housing.** This zoning is not based on number of units per site. Rather it is based on development controls such as a maximum site coverage; a minimum floor area; maximum build height; minimum site width on the road front.

New zoning map: <http://acmaps.aucklandcouncil.govt.nz/unitaryplan/FlexViewer/index.html>

Zoning details: <http://shapeauckland.co.nz/wp-content/uploads/2013/04/factsheetresidentialcontrols.pdf>

### How will it change the face of Auckland?

Heading into this project the council knew they would need to come up with a way to control the look and feel of future developments in order to provide comfort that the changes will enhance and not compromise the face of Auckland. There have been developments in the past which council has learned its lesson from and acknowledges have compromised the aesthetics of Auckland. Understandably there is group that are concerned about what gets built.

To that end the changes come with a number of design controls and a separate design handbook is planned to accompany each new zone. For example there must be a minimum number of window facades on the road frontage side of the property, garages must not make up more than a maximum percentage of the front of the property, entrances must be at the front of the property, the front of the property must run parallel with the road front.

### When will the changes happen?

Council is hoping to pass the changes into law by September 2013. In reality it will probably take longer as the plan needs to be approved by parliament and there is concern being voiced that the speed of the approval is too fast. Therefore we may not see the plan as law until well into next year or even beyond.

*Auckland Supply and the Unitary Plan continued...*

### Will these changes solve the supply crisis?

For the extra potential supply to come on stream we need a few things to happen: developers need to be motivated to get going on the basis that they will get developments approved with reduced complexity' consents in a timely fashion, and they will derive a profit.

The new plan takes all the different zonings of the old councils and creates one unified plan. This creates simplicity and removes some of the hurdles developers face when working with a myriad of different rules. Perhaps this will motivate a new generation of developers. Many seasoned Auckland developers have either gone bankrupt or found new 'jobs'.

But perhaps more importantly is the impact the new development and design controls will have. Like most things the devil is in the detail and we won't get a full appreciation of how these controls will be enforced until the first few subdivision and building consents are processed.

Will developers see they can make a profit? Greater scale usually brings economies of scale. There are many 1,200 s/m sites around Auckland where current zonings allow for one additional property. These properties aren't being subdivided in a hurry as the profits are slim given the subdivision and sitework costs. However, under the new mixed house zone it may be possible to now put an additional 3 dwellings on the site. That will mean the subdivision and sitework costs can now be spread over three dwellings. So perhaps these sites will become more enticing to developers.

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### E+O Property Market Update 2013

With Director, Alan Henderson

The media is full of reports that the property market in NZ has and continues to heat up significantly. If you are a property owner or intending to become one, this presentation will help you make better decisions to protect and generate your property wealth.



#### Presentation highlights

- ✓ Insights on the NZ property market empowering you to make the right choices.
- ✓ How supply and demand are currently positioned and the potential pricing impact.
- ✓ Signs to watch out for that prelude a sustained price lift.
- ✓ Auckland's housing challenge and the impact on the property market in Auckland.
- ✓ After the quake – what is in store for the Christchurch property market, and how is the rebuild impacting property prices.
- ✓ What we can expect in the other main cities.
- ✓ A simple process for deciding lucrative places to invest for capital growth.
- ✓ Our top pick capital growth areas and types of properties, and more.
- ✓ Alan's own property investment story.
- ✓ **Also Alan will discuss Auckland Supply and the proposed Unitary Plan**

## E+O Recent Property Purchases

### Helping make a new Whangarei businesses dream come true!

Mike and Carolyn were looking to secure a property to launch their day care business. A site was identified and we worked through the process to negotiate the price and terms they required. They didn't want to settle too early, but they needed access to renovate the dwelling ready for opening day. We agreed a price that worked for their budget, we achieved the terms, and now they are successfully operating their business Baby Steps.

*Big Al & Lisa,*

*Thanks so much for your efforts and help. Really appreciated and will never forget your encouragement and support to help realise Carolyn's dream. Find attached opening article in local paper in Northland.*

*Whangarei Advocate Article*

*Mavis and Carolyn*

### A West Auckland suburb that has been experiencing strong capital growth



his client wanted a property that had good strong capital growth potential over the short term and beyond. We agreed on particular suburbs that have shown through our research to be drivers of long-term sustainable price growth, and searching was focused in these areas. We are currently working in a rapidly moving market. It took under a month from when we began searching to securing this property for our client.

Purchase price: \$565k, Sheldons registered valuation: \$590k

\$25k of equity on purchase

809 s/m of land, 120 s/m dwelling

Good condition – ready to rent straight away.