Market Indicators Report |
First Half 2017

Colliers INTERNATIONAL

AUCKLAND **RESIDENTIAL DEVELOPMENT REPORT**

First the Demand, Now the Supply

Fabric of Onehunga
Architect: Ashton Mitchell
Developer: Lamont & Co

Accelerating success.

SKHY

38 Khyber Pass , Newton, Auckland
Architect: Cheshire Architects
Developer: Lamont & Co

SKHY is a new residential precinct for Auckland with studio, 1, 2 and 3 bedroom apartment options with six distinct layouts. Designed with an enduring sense of quality and character by Cheshire Architects, SKHY is in an accessible location at the top of town. The precinct comprises 112 apartments in total along with commercial and retail premises.

Contents

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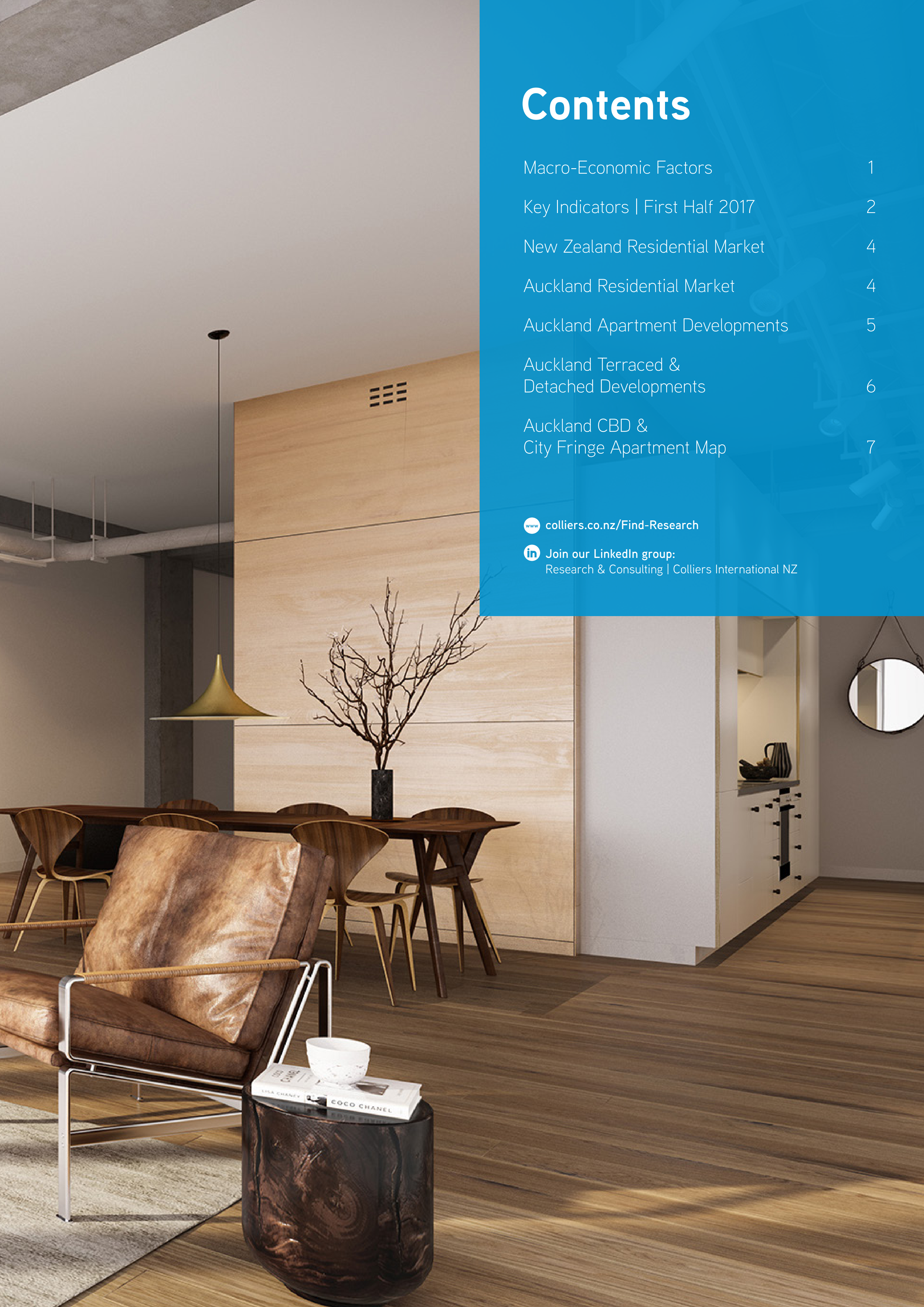


Macro-Economic Factors

INFLUENCING THE NEW ZEALAND RESIDENTIAL PROPERTY MARKET

POPULATION*

Population changes adjust the pressures on the housing market.

5.8% Increase in annual net migration

FEBRUARY 2016: 67,391
FEBRUARY 2017: 71,333

* Including migration
Source: Stats NZ, permanent and long-term migration by country of residence, age and sex (monthly)

EMPLOYMENT/WAGE

Changes in unemployment and wages change a household's willingness to take on more debt.

0.3% Increase in unemployment

DECEMBER 2015: 4.9%
DECEMBER 2016: 5.2%

Source: Stats NZ

CONSTRUCTION COST

Changes in construction and material costs affect sale and land prices.

7.2% Increase in residential building construction cost index

DECEMBER 2015: 1,856
DECEMBER 2016: 1,989

Source: Stats NZ, Price Index by Item of Capital Goods; (Base: September Quarter 1999 = 1000) (Qrtly-Mar/Jun/Sep/Dec)

FINANCING

Changes in mortgage interest rates affect household's ability to repay their mortgage.

0.1% Increase in two-year fixed mortgage interest rates

JANUARY 2016: 5.1%
JANUARY 2017: 5.2%

Source: Reserve Bank New Zealand, Mortgage rates

GOVERNMENT POLICIES

Government policy changes alter the supply and demand balance of a housing market.

October 2016 Reserve Bank imposed new loan-to-value ratio for investors purchasing property secured with a mortgage severely limiting deposits less than 40%

Source: Government Polices: Reserve Bank New Zealand, Loan-to-value ratio restrictions FAQ

INFRASTRUCTURE*

Changes in infrastructure and public transport can promote access to the local area and subsequently boost property values.

June 2016 The City Rail Link broke ground

Project will increase the frequency of trains with more direct services to the city centre

* Including public transport
Source: New Zealand Transport Agency, State highway projects

Key Indicators | First Half 2017

NEW ZEALAND RESIDENTIAL BUYER TYPES

39% Multiple property owners

28% Movers

20% First home buyers

Source: CoreLogic, Mar-17

AUCKLAND MEDIAN RESIDENTIAL SALE PRICE

APARTMENTS
$535,000
15%↑ from a year ago

DWELLINGS (incl apartments)
$830,000
11.3%↑ from a year ago

SECTIONS
$475,000
20.3%↑ from a year ago

Source: REINZ, Feb-17

NEW AUCKLAND RESIDENTIAL BUILDING CONSENTS

12 YEAR HIGH

Source: Stats NZ, Feb-17

RESIDENTIAL MARKET OUTLOOK SURVEY

NET POSITIVE
43%
↓ from the last survey

Source: Net percentage (optimists minus pessimists) of respondents who expect the median price to increase over the next 12 months, Mar-17

NEW SUPPLY: AUCKLAND APARTMENTS

PROJECTS

31 Completed JANUARY 2016 - MARCH 2017
68 Under Construction
53 Marketing/Design Stage

2017F-2018F: 6,129 units (88 projects)
2019F-2020F: 3,604 units (33 projects)
2020: 44% supply in CBD, 24% City Fringe, 32% Suburban Area

AVERAGE ASKING PRICE*

$8,285/sqm to **$13,516/sqm**

Depending on typology and location

*Average price across individual developments Based on GFA (internal and balcony area)

NEW SUPPLY: AUCKLAND TERRACED AND DETACHED DWELLINGS

STOCK

3,835

Likely to be completed over the next five years

AVERAGE ASKING PRICE*

$5,727/sqm to **$9,453/sqm**

Depending on typology and location

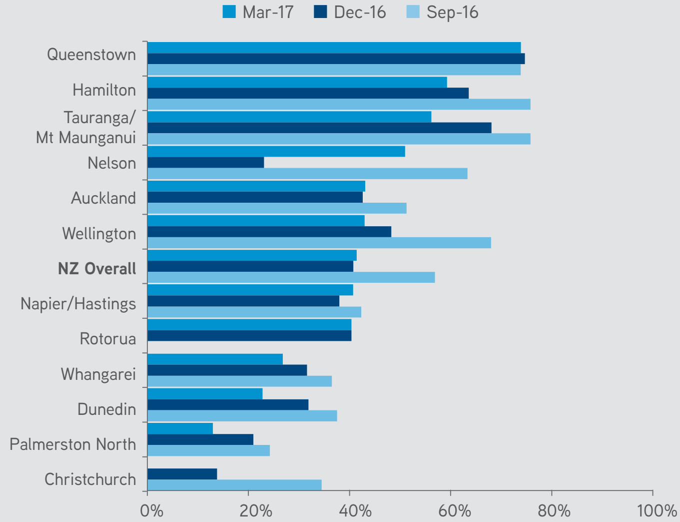
*Average price across individual developments Based on GFA (internal and balcony area)

The biggest headaches for developers are the construction industry's capacity, and project costs. While the supply demand imbalance has worked in developers' favour by boosting sale prices at a time of high demand, an imbalance in the supply and demand for high rise construction is now working against them, pushing up build prices and lengthening the duration of projects.

Pre-fabrication and large scale skills importation are among the ideas for easing the problem, but so far no significant improvement is evident. Ironically the solution may come from an unexpected source – the banks. Their tightening of credit to the property sector may result in fewer projects proceeding, potentially easing construction cost escalation, but by reducing supply it will do nothing to redress the overall supply and demand imbalance.

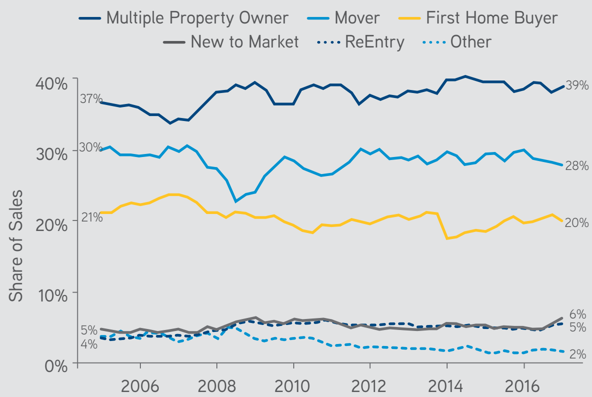
ALAN MCMAHON
National Director | Research and Consulting

New Zealand Residential Market Outlook



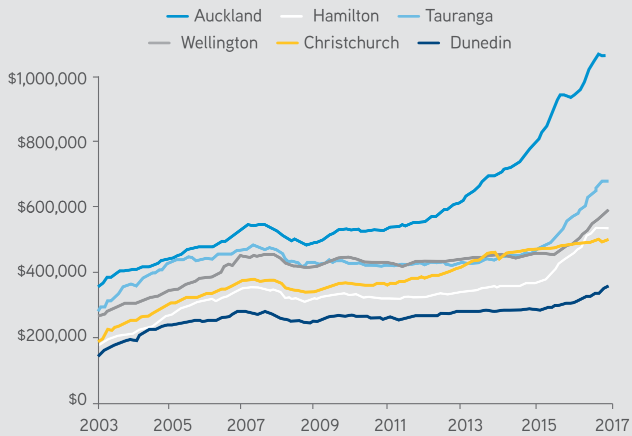
Source: Colliers International Research
Net percent (optimists minus pessimists) of respondents who expect the median price to increase over the next 12 months.

New Zealand Residential Buyer Classification



Source: CoreLogic

New Zealand Average Dwelling Value



Source: CoreLogic

New Zealand Residential Market

- Between December 2015 and December 2016, household debt increased by 9.0% ($11.9 billion) and disposable income rose by 4.4% ($6.6 billion). In the same period, the number of private dwelling increased by 1.4%, (RBNZ).
- New residential mortgage lending to investors dropped to $1.15 billion in February 2017, a 35% decrease from a year ago. Lending to first time buyers has not changed, (RBNZ).
- Multiple property owners (investors) are buying 39% of all the residential properties sold, movers 28% and first home buyers 20%, (CoreLogic).
- The annual number of new residential building consents increased from 27,745 (Feb-16) to 30,162 (Feb-17), an increase of 8.7%, (Stats NZ).
- The median price for February 2016 was $432,000 for apartments, $460,000 for all residential dwellings and $201,000 for sections, (REINZ).
- The median price for February 2017 is $490,000 (13.4% change) for apartments, $501,000 (8.9% change) for all residential dwellings and $210,000 (4.5% change) for sections (REINZ).
- The average dwelling value for January 2017 is $631,302, up 1.4% from three months ago and up 14% from a year ago, (CoreLogic).
- Queenstown, Hamilton, Tauranga/Mt Maunganui, Wellington and Auckland are the centres where the highest proportion of respondents to our March 2017 Residential Market Outlook Survey expect the median price to increase.

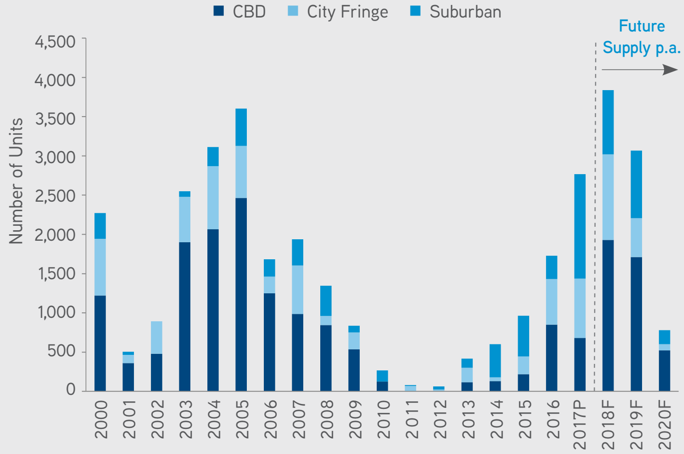
Auckland Residential Market

- The annual number of new residential building consents increased from 9,534 (Feb-16) to 10,045 (Feb-17), an increase of 5.4%, (Stats NZ).
- The median price for February 2016 was $465,000 for apartments, $745,500 for all residential dwellings and $395,000 for sections, (REINZ).
- The median price for February 2017 is $535,000 (15% change) for apartments, $830,000 (11.3% change) for all residential dwellings and $475,000 (20.3% change) for sections, (REINZ).
- The average dwelling value for January 2017 is $1,043,680, down 0.7% from three months ago but up 13% from a year ago, (CoreLogic).
- The mean weekly rent for a residential dwelling in Auckland City is $579, $453 in Franklin District, $494 in Manukau City, $550 in North Shore City, $480 in Papakura District, $503 in Rodney District and $473 in Waitakere City, (MBIE).

Auckland Apartment Developments

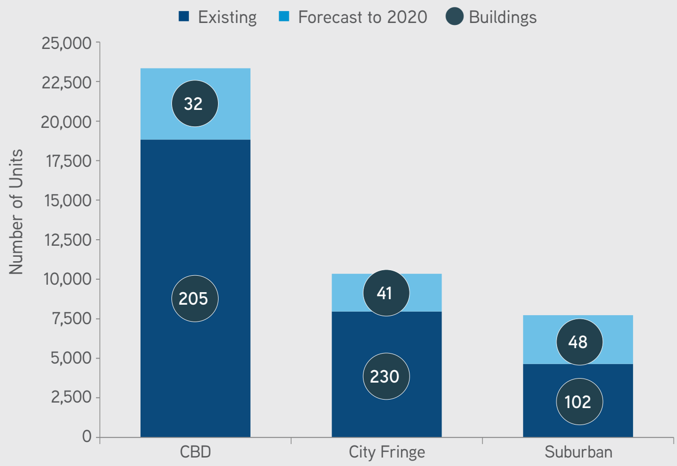
- There were 31 apartment building projects completed between January 2016 and March 2017. A further 68 projects are currently under construction and 53 are in the marketing and design stage.
- Since our last report (2H2016), 692 apartment units (12 projects) have been completed and 1,151 apartment units (12 projects) have been announced.
- The total number of apartment units estimated for completion in 2017 and 2018 is likely to reach around 6,129 units (88 projects), with approximately 3,602 more units in 2019 and 2020 (33 projects).
- Currently 60% of the total stock is in the CBD, 25% in the City Fringe and 15% in the Suburban Area.
- By 2020, 44% of the total stock will be in the CBD, 24% in the City Fringe and 32% in the Suburban Area.
- In 2016, 33 apartment projects were identified that will not proceed under original plans. Approximately 16 of these sites are currently being re-marketed for sale, 7 have been abandoned under current proposals and 10 have been deferred.
- The median sale price of existing apartments in Auckland in the 12 months to February 2017 was $535,000, up 15% from the previous year, according to REINZ.
- Our analysis of more than 9,900 apartment units currently in the construction, marketing or design phase indicates that average asking prices per square metre have increased the most for three bedroom units in the suburban area, up 20% between 2H2016 and 1H2017.
- Apartment typologies being constructed, marketed or in the design phase in 1H2017 have an average across floor area ranging between 58 sqm (average one bedroom CBD unit) and 167 sqm (average three bedroom suburban unit).
- Apartment typologies being constructed, marketed or in the design phase in 1H2017 have an average asking price per sqm ranging between $8,285 sqm (average one bedroom suburban unit) and $13,516 sqm (average three bedroom CBD unit).

Auckland Apartment Supply Timeline



Source: Colliers International Research

Auckland Apartment Supply by Location



Source: Colliers International Research

Average Auckland Apartment Total Floor Area
New Build Units – 1H2017

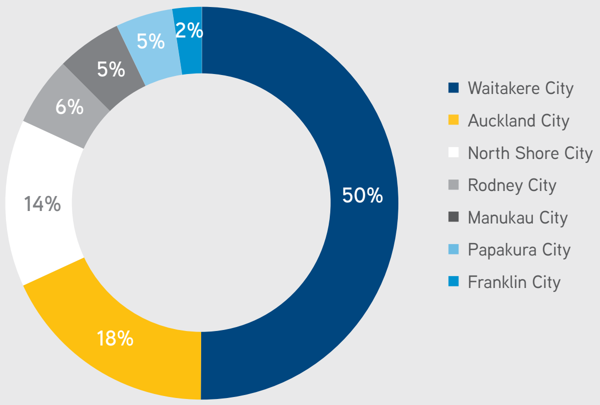
	AVERAGE 1 BEDROOM	AVERAGE 2 BEDROOM	AVERAGE 3 BEDROOM
CBD	58	95	152
City Fringe	67	103	145
Suburban	68	108	167

Average Auckland Apartment Asking Price ($/m²)
New Build Units – 1H2017

	AVERAGE 1 BEDROOM	AVERAGE 2 BEDROOM	AVERAGE 3 BEDROOM
CBD	$11,837	$12,083	$13,516
City Fringe	$9,466	$10,311	$11,002
Suburban	$8,447	$8,285	$9,382

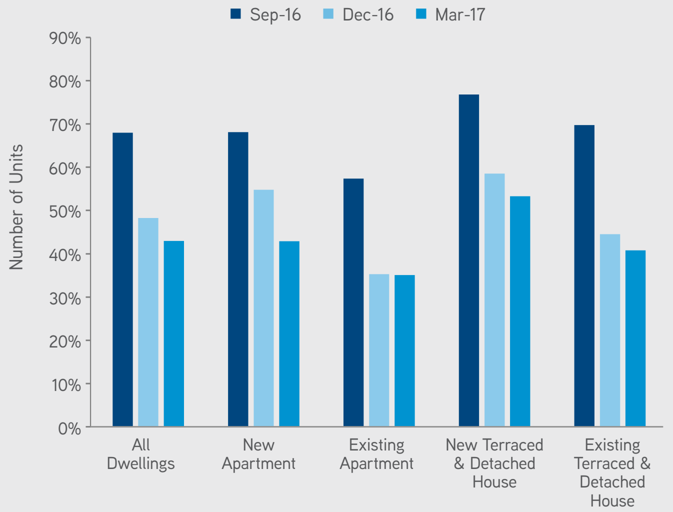
Source: Colliers International Research
Note: Only completed and units in the construction, marketing or design phase are included.
An apartment is classified as a building that has 10 or more residential units stacked horizontally and/or vertically. All prices include GST and are based on GFA (internal and balcony).

Auckland Dwelling/Terrace Unit Supply by Location



Source: Colliers International Research

Auckland Apartment Supply by Location



Source: Colliers International Research

Auckland Terraced & Detached Developments

- This section references a range of terraced and detached unit developments, not apartment developments.
- We track approximately 3,835 terraced and detached units which are likely be completed over the next five years.
- Suburban areas such as Hobsonville Point, Mount Wellington and Albany are seeing the most activity. In the next five years 2,526 units are likely to be completed in these areas.
- Of the developments we track, 50% will in built in Waitakere City, 18% in Auckland City, 14% in North Shore City, 6% in Rodney District, 5% in Manukau City, 5% in Papakura District and 2% in Franklin District.
- Airfields, Market Cove (The Lanes) and Wyllie Grove developments were announced in 2016, with over 640 terraced and detached dwellings expected to be completed.
- The median sale price of existing dwellings in Auckland in the 12 months to January 2017 was $830,000, up 11.3% from the previous year, according to REINZ.
- Dwellings/terraces being constructed, marketed or in the design phase in 1H2017 have an average gross floor area ranging between 107 sqm and 209 sqm depending on typology and location.
- Dwellings/terraces being constructed, marketed or in the design phase in 1H2017 have an average asking price per sqm ranging between $5,727 sqm and $9,453 sqm depending on typology and location.
- According to our Residential Market Outlook Survey in March 2017, a net positive (optimists minus pessimists) 54% of respondents expect the Auckland median price of new terraced and detached houses to increase in the next 12 months and 41% expect the median price of existing terraced and detached houses to increase.

Average Auckland Terraced/Detached Unit Total Floor Area *New Build Units - 1H2017*

	AVERAGE 2 BEDROOM	AVERAGE 3 BEDROOM
Auckland City	136	209
Manukau City	120	157
North Shore City	121	123
Waitakere City	107	159
Overall Average	123	171

Average Auckland Terraced/Detached Unit Asking Price ($/m²) *New Build Units - 1H2017*

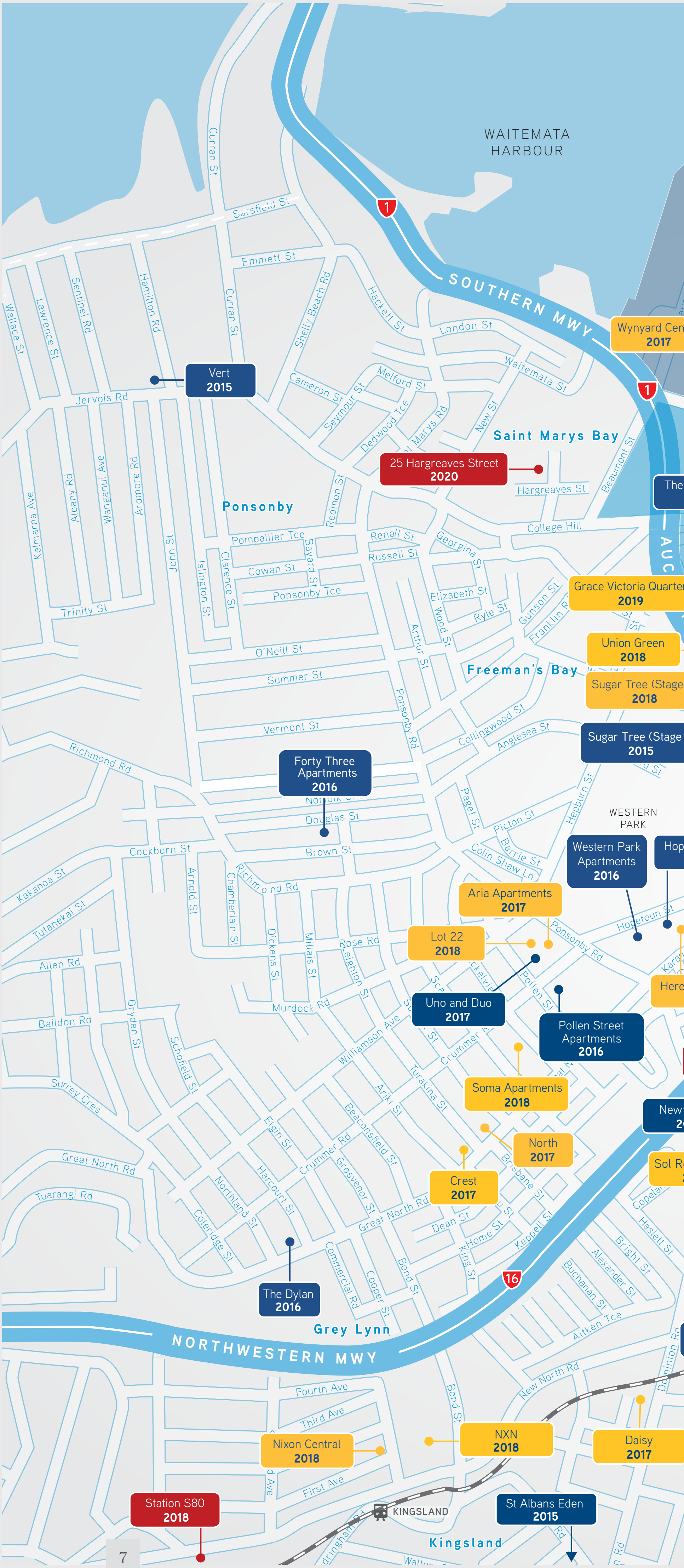
	AVERAGE 2 BEDROOM	AVERAGE 3 BEDROOM
Auckland City	$9,293	$7,260
Manukau City	$7,617	$5,886
North Shore City	$9,453	$6,487
Waitakere City	$5,787	$5,727
Overall Average	$8,456	$6,282

Source: Colliers International Research
All prices include GST and are based on GFA (internal and balcony).

Auckland CBD and City Fringe Apartment Map

KEY

Auckland Harbourside	
Auckland Central West	
Auckland Central East	
Grafton West	
Recently Completed	Building name Completed Date
Under Construction	Building name Completion Date
Marketing /Design	Building name Completion Date



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Source: Colliers International Research

Freeman's Bay
Viaduct Basin
WYNYARD QUARTER
WYNYARD WHARF
PRINCES WHARF
QUEENS WHARF
CAPTAIN COOK WHARF
MARSDEN WHARF
BLEDISLOE & KINGS WHARF
JELLICOE WHARF
BRITOMART
VECTOR ARENA
The Strand
AUCKLAND UNIVERSITY
AOTEA SQUARE
ALBERT PARK
ASB TENNIS CENTRE
Parnell
AUCKLAND DOMAIN
AUCKLAND WAR MEMORIAL MUSEUM
Grafton
GRAFTON
SOUTHERN MOTORWAY
North Western Motorway
Eden Terrace
BASQUE ROAD RESERVE
MT EDEN
Newmarket
NEWMARKET
NEWMARKET PARK
Broadway Park
AUCKLAND HAMILTON HWY
132 Halsey 2017
The Vulcan 2018
Park Residences 2017
The Pacifica 2020
Customs Residential 2019
The Maritime Apartment 2019
Block 7 2015
The Antipodean 2018
Connect 2018
Boutique 2016
Saba on Fanshawe 2019
Victoria Residences 2018
The International 2018
Sale Street Residences 2018
Hobson Fiore Two 2016
Fiore Cook Residences 2018
Queen Residences 2016
Ford Lofts 2017
Sugar Tree (Stage 3) 2019
Fiore Two 2016
Ramanda Suites 2015
CAB Apartments 2019
Library 27 2019
Carlaw Park (Stage 2) 2016
Civic Quarter 2020
Eve Apartments 2018
Carlaw Park (Stage 1) 2015
Fiore Wakefield 2020
Union & Co 2018
The Vincent 2019
The Airedale 2018
OneThree Cheshire 2017
Wyndham Residences 2018
UniLodge 2017
Skyview Apartments 2016
Whitaker Central 2016
Queens Square 2018
Whitaker Park Central 2018
Parnell Central 2018
URBA 2016
Pinnacle Apartments 2016
Oasis 2018
Lighthouse 2018
Summit on Symonds 2016
The Eight 2018
121 Grafton Road 2019
Basilica Apartments 2018
Proxima Residences 2018
The Saint 2015
Grafton Hall of Residence 2019
SKHY Apartments 2017
The Citizen 2018
The Citizen Two 2017
Kosmopolis 2018
Hypatia 2017
The James 2017
SKHY Apartments 2 2019
Parkview Residences 2015
Nugent Building C 2018
Miro 2017
Enfield St Apartments 2018
Station R 2015
The Ivory 2017
Botanica Heritage 2017
Botanica Mt Eden 2017
Newmarket Apartments 2020
Eden Green 2018
8 – 14 Meadowbank 2019
Nuffield Apartments 2018
The Seddon Apartments 2016
Scots Landing 2015
View West Apartments (Stage 2) 2018
Three Kings Project (Stage 1 & 2) 2017
The Edgerly Apartments 2017
St Marks 2018
Alexandra Park 2018

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WINNER: Colliers International 2016 RICS Award
Research & Consulting Team of the Year

2 YEARS RUNNING

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- Catchment Analysis
- Lease Audit & Benchmarking
- Site Options Analysis
- Corporate Real Estate Strategy
- Financial Analysis
- Business Cases
- GIS Mapping

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