THE PROPERTY LINE

QUARTERLY REPORT

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PROPERTY –

IT'S ALL ABOUT SUPPLY AND DEMAND

BY GREG NINNESS
Property editor

Much of the data that informs us about the property market is backward looking and tells us what has already happened.

In this issue of the Quarterly Report we take a forward looking view of some of the major forces that affect Auckland's housing market, in particular how well supply and demand for housing are likely to match up over the next five years.

We found that while the supply of new homes in Auckland is likely to keep rising strongly over the next few years, it probably won't be enough to reduce the region's existing housing shortage.

We also look at what's been happening to residential investment property rental yields around the country and how they compare to changes in capital values.

On the commercial property front, the value of new non-residential building consents issued broke all records in the September quarter. We look at what's being built and where.

Also on the supply side we look at the number of commercial properties being newly listed for sale and what the listing trends have been so far this year.

GROWTH OF NEW BUILDING CONSENTS IN AUCKLAND UNLIKELY TO DENT THE EXISTING HOUSING SHORTAGE

BY GREG NINNESS
Property editor

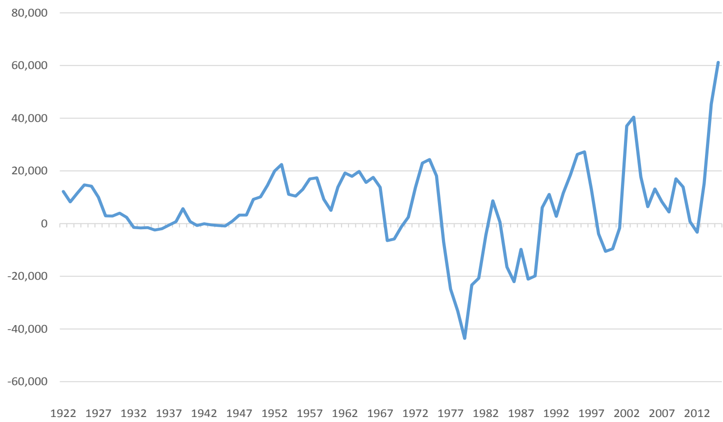
The significant increase in new home building that is expected to occur in Auckland over the next five years is unlikely to put a dent in the region's current housing shortage if net migration flows remain at current levels.

If current projections of new housing construction over the next five years prove accurate and population growth from migration continues at its current rate, then the best that can be hoped for is that Auckland's housing shortage will stop getting worse.

The accompanying graph shows how explosive the growth in net migration to this country has been over the last two years, higher than at any time since Statistics NZ began collating the data in 1922.

New Zealand's population growth from migration has more than quadrupled over the last two years, rising from 15,174 in the year to September 2013, to 61,234 in the year to September 2015, easily eclipsing the previous record of 40,437 set in 2003.

NEW ZEALAND'S NET POPULATION GAIN/LOSS FROM MIGRATION 1922-2015



The accompanying table shows the effect this has had on Auckland's population and on the demand for new housing this has created over the last five years.

It shows that Auckland's population growth was reasonably stable between 2010 and 2013, with both the natural increase (the excess of births over deaths) and the net gain from migration being fairly steady.

Then in 2014 the region's growth from migration started rocketing up, increasing from 7000 in the year to June 2013 to 29,100 in the year to June 2015, pushing annual population growth from 21,700 to 43,500 over the same period.

The sudden spurt in population growth has put growing pressure on the region's housing supply.

According to the 2013 census the average household occupancy in Auckland is three people per dwelling, putting the city in first

AUCKLAND REGION'S POPULATION GROWTH & ESTIMATED HOUSING SHORTFALL

Year to June	Natural increase in population*	Increase** from net migration*	Total increase in population*	Estimated number of new dwellings required	Number of new dwellings consented*	Annual housing shortfall	Cumulative housing shortfall
2010	16,000	7300	23,300	7767	3656	4111	4111
2011	15,600	8400	24,000	8000	3394	4606	8717
2012	15,200	6500	21,700	7233	4197	3036	11,753
2013	14,700	7000	21,700	7233	5343	1890	13,643
2014	14,300	19,600	34,000	11,333	6873	4460	18,103
2015	14,500	29,100	43,500	14,500	8300	6200	24,303

*Source: Statistics NZ provisional figures. ** Includes internal and external migration equal place with Porirua for having the most crowded housing in the country (within Auckland average household occupancy ranges from two people per dwelling on Great Barrier Island to four in Mangere/Otahuhu).

So just to maintain household occupancy levels at the 2013 census levels and stop them getting any worse, one new

home needs to be built in Auckland for every three additional people living there.

The table shows how poorly Auckland has risen to that challenge by comparing the number of new homes required each year with how many new dwelling consents were issued in the same period.

Even in 2010 when migration levels were much lower, 7767 new dwellings would have been required to house the growth in population, but only 3656 new dwellings were consented, leaving a shortfall of 4111 homes.

And although the number of new consents issued has risen strongly over the last four years, from 3394 in the year to June 2011 to 8300 the same period this year, it has not been nearly enough to keep pace with demand for housing caused by the surge in migration over the last two years.

In the year to June 2014, the strong growth in migration meant 11,333 new dwellings were required, but only 6873 were consented, leaving a shortfall of 4460 homes for the year.

And in the year to June 2015 the number of new dwellings required had grown to 14,500, and although the number of consents had risen to 8300 it was still not nearly enough, leaving a shortfall of 6200 homes for the year.

The thing with housing shortfalls (or surpluses) is that they are cumulative.

If you don't build enough homes in one year it adds to the number you need to build in the following year to satisfy demand.

And if you don't build enough homes for several years in a row, the cumulative shortfall snowballs.

As the table shows, over the last five years the cumulative shortfall between the number of new homes required to house Auckland's growing population and the number actually consented has ballooned to 24,303.

Although the number of new dwelling consents being issued in Auckland is expected to grow significantly over the next three years, it is unlikely to put a dent in the housing shortage, although it should slow the rate at which the shortage has been increasing.

> ACCORDING TO THE 2013 CENSUS THE AVERAGE HOUSEHOLD OCCUPANCY IN AUCKLAND IS THREE PEOPLE PER DWELLING, PUTTING THE CITY IN FIRST EQUAL PLACE WITH PORIRUA FOR HAVING THE MOST CROWDED HOUSING IN THE COUNTRY

The Ministry of Business Innovation and Employment's latest National Construction Pipeline Report, which was issued in July, gives forward projections of the number of new dwelling consents to be issued in Auckland for the next five years.

It is forecasting 13,557 new consents will be issued in 2016; 14,648 in 2017; 14701 in 2018; 14,264 in 2019 and 12,925 in 2020.

If you take the 14,500 new dwellings that were required to accommodate Auckland's population growth in the 12 months to June this year as the number that will be required each year from now on, consents will start catching up with demand and overtaking it by the finest of margins in 2017, when the report is predicting that 14,640 new consents will be issued.

While the increased level of dwelling consents will be a welcome development, it is unlikely to relieve the pressure that has already built up in Auckland's housing market, for three reasons:

Firstly, net migration has continued to grow.

In the year to June 2015, when Statistics NZ last updated its estimates of Auckland's population, this country's total net gain from migration was 58,259 people, but for the year to October that had increased to a net gain of 62, 477.

That makes it likely that more than 14,500 new dwellings a year will be required to keep place with Auckland's population growth, so it's possible that even with the increased level of consents forecast in the MBIE report, they could still be falling short of migration-fuelled demand.

Secondly, the increased level of consents won't be enough to put a dent on the existing housing shortfall of nearly 25,000 homes that is still increasing by the day and will likely continue to do so at least until 2017.

As long as migration flows remain at or above current levels, then at best, the increased level of consents will stop Auckland's housing shortage getting any worse. But it won't make it any better.

Finally, a consent is not a house, or an apartment, or even a garage.

It generally takes more than a year from the time a consent is issued for a dwelling to be built and ready for occupation.

And it's not until they are available to be purchased, rented and lived in that they start to have an effect on market pressure indicators such property prices, rents, vacancy rates and occupancy levels.

That suggests that the actual supply of new homes won't start to match population growth until

2019, at which point the housing shortage will start to plateau rather than decline.

Unless there is a significant fall in net migration.

So far the government has treated immigration as a sacred cow and concentrated its efforts on increasing the supply side of the equation rather than reducing demand.

So if there is a decrease in net migration, it would have to come from a significant deterioration in our economy relative to other countries.

That could increase the number of existing residents leaving New Zealand for countries such as Australia and the UK, and/or a decrease the attractiveness of this country to incoming migrants, whether they be expatriate New Zealanders or citizens of other countries such as China and India.

If that doesn't happen, it appears that Auckland's housing market will continue to be underpinned by strong demand-side pressure for at least the next five years.

NEW RESIDENTIAL DWELLING CONSENTS ISSUED

Q3 2014 - Q3 2015					
Region	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3
Northland	176	208	171	163	263
Auckland	2,079	2,188	1,766	2,267	2,500
Waikato	571	567	594	681	849
Bay of Plenty	380	356	374	408	511
Gisborne	16	16	15	9	24
Hawke's Bay	91	90	85	82	85
Taranaki	110	146	105	123	117
Manawatu-Wanganui	132	111	117	101	145
Wellington	430	383	423	358	380
West Coast	24	30	34	29	26
Canterbury	1,728	2,144	1,572	1,520	1,771
Otago	347	321	258	373	371
Southland	64	54	58	39	99
Tasman	70	78	78	79	97
Nelson	59	36	36	39	54
Marlborough	49	43	45	54	64
New Zealand	6,326	6,771	5,732	6,325	7,357

Source: Statistics NZ

RESIDENTIAL RENTAL YIELDS DROP BELOW 4% IN AUCKLAND, STAY ABOVE 6% IN THE REST OF THE COUNTRY

Residential rental yields have fallen below 4% in many parts of Auckland but are above 6% in other main centres, according to the REINZ/interest.co.nz Rental Yield Indicator for the six months to September.

The Indicator tracks the gross rental yield* that would be achieved if a property was purchased at the REINZ's lower quartile selling price in 56 locations throughout the country where there is substantial residential rental activity.

The median annual rent for three bedroom houses in each area is then used to calculate the gross rental return that would be achieved on a lower quartile-priced property in the same area.

September's report shows that four of the Auckland suburbs monitored by the Indicator now have indicative yields below 4% - Beach Haven/Birkdale 3.9%, Torbay 3.8%, Avondale 3.9% and Highland Park 3.6%, and none of the Auckland suburbs monitored has an indicative yield above 5% (see accompanying table).

That is a significant change from a year earlier when the lowest indicative yield in Auckland was 4.3% and five of the suburbs monitored had yields above 5%.

The underlying figures show that rents in Auckland have risen substantially over the 12 months to September, but have been outpaced by some extraordinarily high increases in lower quartile selling prices, which has pushed down the rental yields.

In the Beach Haven/Birkdale area of the North Shore which has traditionally been a popular area for renters and a happy hunting ground for residential property investors, the median rent for a three bedroom house increased from $465 a week in September 2014 to $495 a week in September this year, an increase of 6.5%

However over the same period the REINZ's lower quartile selling price for Beach Haven/Birkdale rose from $521,000 in September 2014 to $657,000 in September this year, a massive 26.1% increase in 12 months, which pushed the rental yield down from 4.6% to 3.9% over the same period.

> WITH YIELDS SO LOW, MANY INVESTORS ARE NOW WONDERING WHETHER THE CAPITAL THEY HAVE TIED UP IN AUCKLAND RESIDENTIAL PROPERTY IS WORKING HARD ENOUGH FOR THEM.

Similarly in the west Auckland suburb of Glen Eden, which has traditionally also been a rental hot spot, the median rent on a three bedroom house increased from $410 a week in September 2014 to $450 a week in September this year, a rise of 9.8%.

However over the same period the lower quartile selling price in Glen Eden increased from $420,000 to $574,000, a massive 36.8% rise in 12 months, which pushed the gross rental yield down from 5.1% in September last year to 4.1% in September this year.

Similar if less dramatic trends are also evident in the Waikato and Bay of Plenty.

In the Hamilton suburbs of Fairfield/Fairview Downs the median rents increased by 6.1% between September last year and September this year, while the lower quartile selling price increased by 23.8% over the same period, rising from $246,500 to $305,000.

That combination pushed the yield down from 7% to 6%.

And in Tauranga central and Greerton, the median rent increased 10.6% between September 2014 and September this year, while the lower quartile selling price increased by 16.6% over the same period, rising from $290,000 to $338,000, which saw the yield decline from 5.9% to 5.6%.

In other regions the yields have been more stable.

In Wellington they remain above 6% on the Kapiti Coast and in the Hutt Valley and in the mid-5% range in central Wellington.

In the Christchurch suburbs monitored they have fallen slightly over the 12 months to September and In Dunedin they remain above 6%.

The big increases in rents and even bigger increases in capital values that have been evident in selling prices in the upper North Island have brought mixed blessings for investors.

Investors who have purchased recently at very low yields could be vulnerable if mortgage interest rates or other costs rise faster than rents, particularly if that is accompanied by a fall in property values.

However those investors who have owned their properties for several years will have benefitted greatly from both the rise in rental income and the increase in equity that rising values would have created.

The increase in their cashflows would have been magnified by the falls in mortgage interest rates, creating not just a win/win, but a win/win/win situation for them.

However with yields so low, many investors are now wondering whether the capital they have tied up in Auckland residential property is working hard enough for them.

There are increasing signs that Auckland property prices may have peaked and that is causing some investors to cash up and redeploy their capital to other areas where prices are lower and the yields are better.

For some that means staying with residential property but reinvesting in locations such as Rotorua where yields in the suburbs monitored by the Indicator are between 6.6% and 8.7%.

Others are looking at different types of property such as commercial premises where the returns are generally higher than those achieved on residential properties.

But the great majority will probably just sit tight and play a long game, using the increased cash flow from rising rental returns to pay down debt, or simply enjoy the extra income.

*Gross rental yield is a property's annual rent expressed as a percentage of its purchase price or value, before allowing for other costs such as rates, insurance, maintenance, periods of vacancy and mortgage interest payments. The Rental Yield Indicator uses the REINZ's lower quartile selling price in each of the areas monitored and the corresponding median rent figure for three bedroom houses calculated by the Ministry of Business Innovation and Employment from the tenancy bonds received by its Building and Housing Division.

RESIDENTIAL INVESTMENT PROPERTY RENTAL YIELD INDICATOR

For selected areas with high rental activity during the previous six months.

Yields are for three bedroom houses, unless otherwise stated.

Town/region	Yield%* Sep-15	Yield %* Jun-15	Yield %* Mar-15	Yield %* Dec-14	Yield %* Sep-14
Whangarei - Kamo/Tikipunga/Kensington	7.1	6.5	6.9	7.6	6.4
Rodney - Orewa/Whangaparaoa	4.3	4.5	4.5	4.6	4.8
North Shore:					
Beachhaven/Birkdale	3.9	4	4.3	4.3	4.6
Torbay	3.8	4	4.5	4.6	4.5
Waitakere:					
Glen Eden	4.1	4.3	4.6	4.9	5.1
Massey/Royal Heights	4.1	4.4	4.6	4.9	5.1
Henderson	4.1	4.4	4.7	4.9	5
Central Auckland:					
Avondale	3.9	4.1	4.2	4.4	4.5
Manukau:					
Highland Park	3.6	3.8	3.8	4.1	4.3
Papakura/Drury/Karaka	4.9	5.5	5.6	5.9	6
Franklin - Pukekohe/Tuakau	5	5.3	5.5	5.6	5.6
Hamilton:					
Deanwell/Melville/Fitzroy	6.2	6.8	6.9	6.9	6.9

Fairfield/Fairview Downs	6	6.8	6.7	6.2	7
Te Kowhai/St Andrews/ Queenswood	5.3	5.4	5.4	5.6	5.8
Cambridge/Leamington	5.2	5.5	5.5	5.6	5.9
Te Awamutu	6.3	6.5	6.2	6.3	6.4
Bay of Plenty:					
Tauranga Central/Greerton	5.6	6	6.1	5.9	5.9
Bethlehem/Otumoetai	4.8	4.5	4.8	5.3	5.4
Mt Maunganui	4.7	5.4	5.7	5.6	5.2
Pyes Pa/Welcome Bay	5.3	5.9	5.7	5.7	5.8
Kaimai/Te Puke	6.2	6.4	6.2	6.2	5.7
Whakatane	7.3	6.7	6.3	6.7	6.9
Rotorua					
Holdens Bay/Owhata/Ngapuna	8.7	N/A	N/A	N/A	N/A
Kuirau/Hillcrest/Glenholme	6.6	N/A	N/A	N/A	N/A
Ngongotaha/Pleasant Heights/ Koutu	8.2	N/A	N/A	N/A	N/A
Hastings - Flaxmere	11	12.1	12.2	11.7	11.8
Napier - Taradale	5.5	5.3	6.2	6.3	6.1
Taranaki					
New Plymouth/Moturoa	5.5	N/A	N/A	N/A	N/A
Waitara/Inglewood	8	N/A	N/A	N/A	N/A
Wanganui	14.9	N/A	N/A	N/A	N/A
Palmerston North					
Kelvin Grove/Roslyn	7.2	N/A	N/A	N/A	N/A
Palmerston North Central	6.2	N/A	N/A	N/A	N/A
Takaro/Cloverlea/Milson	7.3	N/A	N/A	N/A	N/A
Kapiti Coast:					
Paraparaumu/Raumati	6.1	6.2	6.1	6.1	5.9
Waikanae/Otaki	6.8	6.6	6.7	5.5	5.4
Upper Hutt					
Heretaunga/Silverstream	6.1	N/A	N/A	N/A	N/A
Totara Park/Maoribank/Te Marua	6.8	N/A	N/A	N/A	N/A
Lower Hutt					
Epuni/Avalon	5.1	N/A	N/A	N/A	N/A
Taita/Naenae	7.1	N/A	N/A	N/A	N/A
Wainuiomata	7.7	N/A	N/A	N/A	N/A
Wellington:					
Johnsonville/Newlands	5.6	5.8	5.6	5.5	6.2

Vogeltown/Berhampore/ Newtown	5.5	5.1	5.5	5.2	5.6
Tasman:					
Motueka	5.3	5.3	5.5	5.6	5.5
Richmond/Wakefield/ Brightwater	5.5	5.6	5.6	5.8	5.9
Nelson - Stoke/Nayland/ Tahunanui	5.8	5.9	5.7	5.7	6
Blenheim	6.4	6.5	6.5	6.6	6.5
Christchurch:					
Hornby/Islington/Hei Hei	6.2	6.2	6.3	6.5	6.3
Riccarton	4.9	5.9	5.2	4.9	5.1
Woolston/Opawa	6.6	6.8	7.3	7.2	8
Ashburton	6.9	7	6.8	6.7	7.2
Timaru	6.2	6.6	6.8	6.7	6.3
Queenstown/Frankton/ Arrowtown	5	4.8	4.9	4.7	5.3
Dunedin					
Kenmure/Mornington	6.6	N/A	N/A	N/A	N/A
Mosgiel	6.1	N/A	N/A	N/A	N/A
South Dunedin/St Kilda	8.2	N/A	N/A	N/A	N/A
Invercargill	9	6.7	9	9.2	9.5
Source : REINZ / MBIE					

* Yield is a property's annual rent expressed as a percentage of its purchase price. The yield figures in this table are gross (before allowing for vacancy and for costs such as rates, insurance, maintenance, mortgage interest and tax). The yields are calculated from the REINZ's lower quartile selling price for each area during the previous 6 months, and the median rent for newly tenanted three bedroom houses in the same areas/period which are calculated from new tenancy bonds received by the Ministry of Business Innovation and Employment.

COLLIERS REPORT SHOWS RESIDENTIAL RENTAL RETURNS IN A SLOW BUT STEADY DECLINE AS CAPITAL VALUES BOUNCE OFF THE WALLS

Rental returns on residential investment properties have been steadily declining for more than 20 years, while capital returns have generally been much higher but also more erratic, according to research by Colliers International.

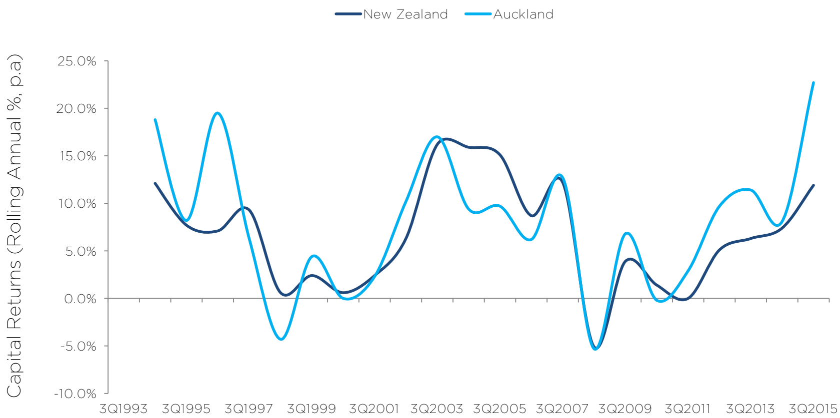
Based on the REINZ's median selling prices and the average rent figures compiled by the Ministry of Business Innovation and Employment's tenancy bond centre, both of which Colliers has tracked since 1993, net rental income returns* have dropped from 5.4% (pre-tax) in the third quarter of 1993 to 3.3% in the third quarter of this year, with the decline being slow and steady (see accompanying tables and graph).

Over the same period, capital returns, (the annual improvement or decline in a property's capital value) have been far more volatile, dipping into negative territory twice since 1993, in 2008/2009 and again at the end of 2010 and start of 2011.

The peak period for capital returns since 1993 was the first quarter of 2004, when they hit 20.5% on an annualised basis.

In the Auckland residential property market, net rental income returns have also declined steadily but at a faster pace, falling from 5.7% in 1993 to 2.6% in the third quarter of this year, which means they have more than halved over that period.

COLLIERS INTERNATIONAL RESIDENTIAL CAPITAL RETURN SERIES



Source: REINZ, MBIE, Massey University, Colliers International Research
* Residential capital returns are calculated from median price changes.

As with the national figures, capital returns in Auckland have been more volatile, starting off at 10.7% a year in 1993 and then going through several periods of substantial rises and falls to end up at an annualised 22.7% in the third quarter of this year.

Adding the income and capital returns together produces a total return figure.

Nationally this peaked at 24.8% per annum in the first quarter of 2004, when the income return was 4.3% and the capital return was 20.5%.

In Auckland, total returns peaked in the second quarter of 1996, when they hit a massive 31.1% pa, made up of a 5% income return and a 26.1% capital gain.

Their lowest point was in the year to September 2008, when they briefly fell into negative territory when income returns of 3.7% were more than wiped out by a capital decline of -5.3%, giving a total return of -1.7%.

The trends show that residential property investors have been prepared to accept ever diminishing rental returns for more than 20 years and that movements in prices can have a far bigger impact on the performance of property investments than movements in average rents.

*Pre-tax net rental income is based on 75% of a property's annual rent, to allow for outgoings such as rates, insurance and maintenance which residential landlords usually pay, but not mortgage payments.

COLLIERS INTERNATIONAL NEW ZEALAND RESIDENTIAL PROPERTY TOTAL RETURNS (CAPITAL & INCOME)

September Quarter, 1993 - 2015 (Rolling annual %, pa).

Date	Mean New Zealand Residential Rents	Annual NZ Rents (Gross)	Annual NZ Rents (Net - 75% of gross)	New Zealand Median Sale Price	Income Returns	Capital Returns	Total Residential Returns
3Q1993	$162	$8,402	$6,302	$116,000	5.4%		
3Q1994	$171	$8,912	$6,684	$130,000	5.1%	12.1%	17.2%
3Q1995	$186	$9,693	$7,269	$140,000	5.2%	7.7%	12.9%
3Q1996	$201	$10,429	$7,822	$150,000	5.2%	7.1%	12.4%
3Q1997	$207	$10,782	$8,086	$164,000	4.9%	9.3%	14.3%
3Q1998	$207	$10,765	$8,073	$165,000	4.9%	0.6%	5.5%
3Q1999	$208	$10,816	$8,112	$169,000	4.8%	2.4%	7.2%
3Q2000	$209	$10,861	$8,146	$170,000	4.8%	0.6%	5.4%
3Q2001	$214	$11,119	$8,339	$174,000	4.8%	2.4%	7.1%
3Q2002	$230	$11,961	$8,970	$185,000	4.8%	6.3%	11.2%
3Q2003	$246	$12,804	$9,603	$215,000	4.5%	16.2%	20.7%
3Q2004	$260	$13,506	$10,130	$249,250	4.1%	15.9%	20.0%
3Q2005	$268	$13,952	$10,464	$287,000	3.6%	15.1%	18.8%
3Q2006	$280	$14,542	$10,907	$312,000	3.5%	8.7%	12.2%
3Q2007	$299	$15,522	$11,642	$350,000	3.3%	12.2%	15.5%
3Q2008	$315	$16,360	$12,270	$332,000	3.7%	-5.1%	-1.4%
3Q2009	$312	$16,247	$12,186	$345,000	3.5%	3.9%	7.4%
3Q2010	$323	$16,774	$12,580	$350,000	3.6%	1.4%	5.0%
3Q2011	$334	$17,349	$13,012	$350,000	3.7%	0.0%	3.7%
3Q2012	$345	$17,957	$13,467	$368,000	3.7%	5.1%	8.8%
3Q2013	$359	$18,642	$13,982	$391,000	3.6%	6.3%	9.8%
3Q2014	$373	$19,391	$14,543	$420,000	3.5%	7.4%	10.9%
3Q2015	$392	$20,367	$15,275	$470,000	3.3%	11.9%	15.2%

Source: REINZ, MBIE, Massey University, Colliers International Research
* Residential capital returns are calculated from median price changes. Net income has been calculated by applying a 25% discount to the gross return to allow for outgoings. Percentages may not be exact due to rounding.

COLLIERS INTERNATIONAL AUCKLAND RESIDENTIAL PROPERTY TOTAL RETURNS (CAPITAL & INCOME)

September Quarter 1993- 2015 (Rolling annual % pa)

Date	Mean Auckland Residential Rents	Annual Auckland Rents (Gross)	Annual Auckland Rents (Net - 75% of gross)	Auckland Median Sale Price	Income Returns	Capital Returns	Total Residential Returns
3Q1993	$211	$10,964	$8,223	$144,000	5.7%		
3Q1994	$229	$11,910	$8,932	$171,000	5.2%	18.8%	24.0%
3Q1995	$264	$13,728	$10,296	$185,000	5.6%	8.2%	13.8%
3Q1996	$289	$15,016	$11,262	$221,000	5.1%	19.5%	24.6%
3Q1997	$293	$15,219	$11,414	$235,000	4.9%	6.3%	11.2%
3Q1998	$284	$14,775	$11,081	$225,000	4.9%	-4.3%	0.7%
3Q1999	$284	$14,778	$11,083	$235,000	4.7%	4.4%	9.2%
3Q2000	$287	$14,898	$11,174	$235,000	4.8%	0.0%	4.8%
3Q2001	$296	$15,404	$11,553	$240,500	4.8%	2.3%	7.1%
3Q2002	$338	$17,599	$13,199	$265,000	5.0%	10.2%	15.2%
3Q2003	$351	$18,268	$13,701	$310,000	4.4%	17.0%	21.4%
3Q2004	$351	$18,229	$13,671	$339,000	4.0%	9.4%	13.4%
3Q2005	$352	$18,316	$13,737	$372,000	3.7%	9.7%	13.4%
3Q2006	$356	$18,511	$13,883	$395,000	3.5%	6.2%	9.7%
3Q2007	$377	$19,578	$14,684	$445,000	3.3%	12.7%	16.0%
3Q2008	$397	$20,660	$15,495	$421,250	3.7%	-5.3%	-1.7%
3Q2009	$392	$20,394	$15,295	$450,000	3.4%	6.8%	10.2%
3Q2010	$411	$21,383	$16,037	$449,000	3.6%	-0.2%	3.3%
3Q2011	$434	$22,572	$16,929	$462,187	3.7%	2.9%	6.6%
3Q2012	$444	$23,094	$17,321	$507,000	3.4%	9.7%	13.1%
3Q2013	$458	$23,807	$17,855	$565,000	3.2%	11.4%	14.6%
3Q2014	$473	$24,583	$18,437	$611,000	3.0%	8.1%	11.2%
3Q2015	$506	$26,333	$19,750	$750,000	2.6%	22.7%	25.4%

Source: REINZ, MBIE, Massey University, Colliers International Research
* Residential capital returns are calculated from median price changes. Net income has been calculated by applying a 25% discount to the gross return to allow for outgoings. Percentages may not be exact due to rounding.

NEW COMMERCIAL BUILDING CONSENTS HIT NEW RECORD OF $1.38 BILLION IN SEPTEMBER QUARTER

Image source: Shutterstock

The value of building consents issued for new, non-residential buildings surged to a new all-time high of $1.38 billion in the September quarter of this year.

That was well up on the $1.01 billion of consents issued for new non-residential buildings in the June quarter of this year and the previous record high of $1.08 billion set in the second quarter of 2009.

The main regional contributor to the huge rise in the value of consents was Canterbury, where consents were issued for a massive $652 million of new non-residential buildings in the September quarter, almost double the $334.8 million issued in the June quarter and more than 50% higher than the region's previous record high of $407.2 million set in the first quarter of this year.

The accompanying table shows the value of new building consents issued in each of the main regions for non-residential building activity and the type of buildings that were consented in each, including shops, offices and industrial buildings and also social services buildings such as educational complexes and hospitals.

This shows that that the educational sector was the biggest source of new non-residential building consents issued in Canterbury in the September quarter, accounting for $226.8 million of the consents issued, followed by office buildings $149.2 million and hospitals $103.6 million.

There was also a big jump in Wellington, where consents were issued for $131.3 million of new non-residential buildings, with the educational sector accounting for $102.7 million of that.

In Auckland the value of new non-residential consents rose for the third quarter in a row to $269.9 million, but that was still behind the $333.8 million of new non-residential consents issued in the third quarter of last year.

VALUE OF NEW COMMERCIAL BUILDING CONSENTS Q2 2014 - Q3 2015

Auckland Region

	2014Q2	2014Q3	2014Q4	2015Q1	2015Q2	2015Q3
Hotels, motels, and other short-term accommodation	$6,645,000	$4,060,000	$10,780,000	$8,180,000	$11,400,000	$250,000
Hospitals, nursing homes, and other health buildings	$23,190,000	$22,832,537	$3,344,000	$9,306,580	$31,912,093	$19,358,000
Education buildings	$63,916,830	$141,842,500	$39,782,780	$22,477,100	$27,912,071	$44,692,695
Shops, restaurants, and bars	$90,027,685	$34,305,999	$43,965,000	$31,079,745	$38,405,526	$57,133,000
Office, administration, and public transport buildings	$18,627,600	$42,425,000	$81,218,000	$50,369,912	$17,315,100	$35,082,750
Factories, industrial, and storage buildings	$44,621,100	$76,026,843	$40,455,339	$57,126,499	$94,798,699	$70,473,455

Waikato Region

	2014Q2	2014Q3	2014Q4	2015Q1	2015Q2	2015Q3
Hotels, motels, and other short-term accommodation	$1,096,000	$1,119,000	$2,207,000	$1,440,000	$523,000	$3,450,000
Hospitals, nursing homes, and other health buildings	$1,052,000	$4,650,000	$6,550,000	$7,905,589	$2,450,000	$1,023,500
Education buildings	$11,126,804	$4,457,010	$4,251,100	$7,007,256	$12,082,700	$17,140,376
Shops, restaurants, and bars	$5,834,000	$8,130,850	$15,323,000	$7,021,000	$16,487,200	$26,284,835
Office, administration, and public transport buildings	$1,168,000	$576,000	$3,818,000	$3,360,000	$13,394,500	$5,196,000
Factories, industrial, and storage buildings	$36,798,589	$33,451,146	$31,552,012	$18,704,082	$30,308,411	$13,903,946

Bay of Plenty Region

	2014Q2	2014Q3	2014Q4	2015Q1	2015Q2	2015Q3
Hotels, motels, and other short-term accommodation	$95,000	$14,000	$1,890,000	$-	$1,893,250	$-
Hospitals, nursing homes, and other health buildings	$-	$2,573,350	$1,700,000	$2,355,710	$10,105,000	$-
Education buildings	$4,850,000	$6,748,400	$24,071,293	$7,281,369	$1,921,650	$13,260,000
Shops, restaurants, and bars	$10,390,533	$3,350,877	$5,800,000	$120,000	$18,265,000	$34,635,000
Office, administration, and public transport buildings	$3,070,000	$10,362,173	$5,084,000	$6,014,756	$10,225,000	$2,886,500
Factories, industrial, and storage buildings	$1,809,000	$6,474,819	$17,369,250	$25,796,464	$29,267,000	$18,028,000

Wellington Region						
	2014Q2	2014Q3	2014Q4	2015Q1	2015Q2	2015Q3
Hotels, motels, and other short-term accommodation	$8,076,000	$125,000	$118,900	$7,537	$107,507	$1,700,000
Hospitals, nursing homes, and other health buildings	$600,000	$9,044,323	$-	$2,950,000	$10,809,400	$12,403,873
Education buildings	$9,632,600	$6,454,500	$6,910,000	$4,143,970	$28,285,828	$102,677,000
Shops, restaurants, and bars	$3,000,000	$1,775,000	$240,000	$1,685,000	$3,495,000	$8,049,000
Office, administration, and public transport buildings	$860,499	$25,147,828	$-	$650,000	$8,331,500	$1,825,769
Factories, industrial, and storage buildings	$4,194,400	$1,616,096	$5,030,747	$431,360	$8,306,000	$2,125,000
Canterbury Region						
	2014Q2	2014Q3	2014Q4	2015Q1	2015Q2	2015Q3
Hotels, motels, and other short-term accommodation	$4,020,000	$1,258,000	$8,972,000	$4,043,200	$9,350,100	$5,876,000
Hospitals, nursing homes, and other health buildings	$83,053,800	$66,614,000	$19,450,000	$49,487,522	$71,979,000	$103,615,640
Education buildings	$26,532,879	$15,404,686	$16,943,000	$79,765,092	$28,961,000	$226,760,880
Shops, restaurants, and bars	$33,102,740	$63,635,000	$39,542,077	$12,131,952	$23,349,000	$73,259,500
Office, administration, and public transport buildings	$140,045,227	$130,046,656	$117,746,002	$114,193,250	$97,006,500	$149,188,759
Factories, industrial, and storage buildings	$47,754,250	$62,047,248	$64,172,087	$99,571,186	$45,800,981	$65,655,773

Source: Statistics NZ

COMMERCIAL PROPERTY LISTINGS SURGE IN AUCKLAND AND CANTERBURY IN OCTOBER

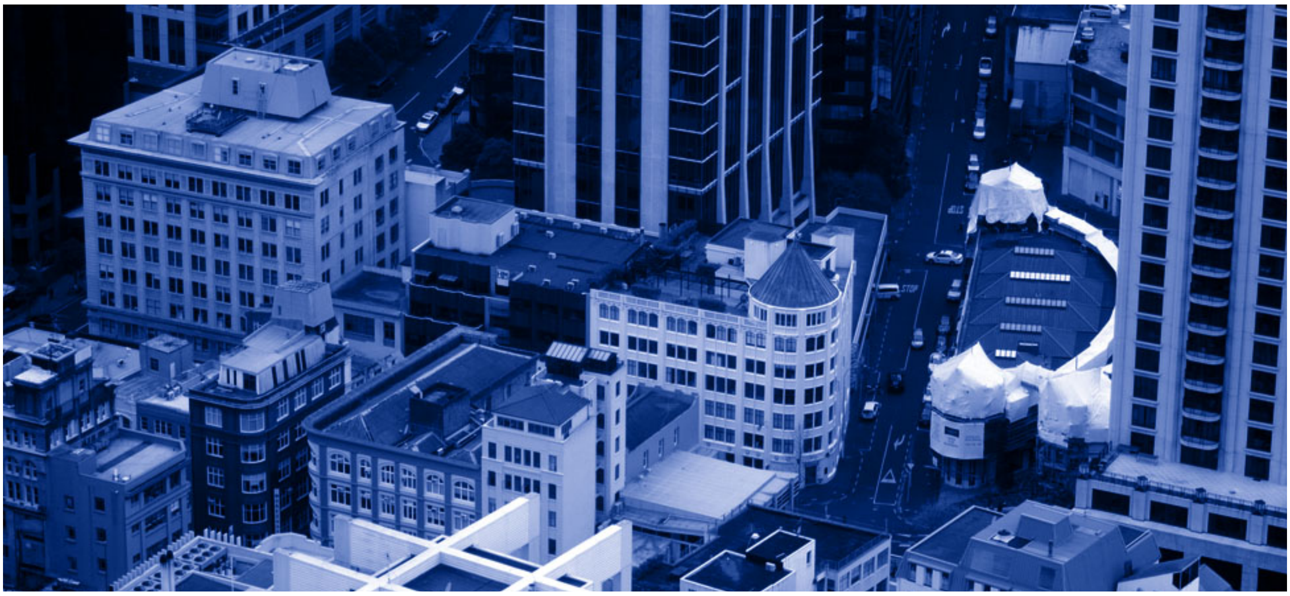


Image source: Shutterstock

Auckland commercial property investors should find plenty to tempt them as we head into summer, with a surge of new commercial listings on Realestate.co.nz in October.

The biggest increase in new listings was in smaller retail premises, with 122 new retail properties with an average asking price of $1.64 million newly listed on the specialist property website in October.

That put more than $200 million of new retail stock on to the Auckland market last month, making it easily the busiest month for new retail listings so far this year (refer accompanying table).

But by value the biggest surge in new commercial listings was Auckland industrial properties, with $605.8 million of industrial properties being newly listed for sale on Realestate.co.nz in October, with an average price of $4.589 million.

The increase in new industrial listings will bring welcome relief for investors looking to make acquisitions, because it comes after something of a lull in industrial listings.

According to Realestate.co.nz, the number of industrial properties in Auckland, Wellington and Canterbury that were newly listed for sale on the website in the September quarter was the lowest it had been in any quarter since the start of 2013.

Office listings were also strong in Auckland with a new high for the year of 72 office properties with combined asking prices of $189.6 million coming on to the market in October.

Canterbury remains the second biggest region for commercial property sales, with a surge of smaller office buildings with combined asking prices of $58.9 million newly listed on Realestate.co.nz in October and similar surge of smaller industrial properties with a combined value of $43.3 million.

The Wellington market was more subdued, with $12 million of industrial properties, $6.6 million of office properties and $7.2 million of retail properties newly listed for sale in October.

Realestate.co.nz

NEW COMMERCIAL PROPERTY LISTINGS ON REALESTATE.CO.NZ
JANUARY - OCTOBER 2015

	Industrial Buildings			**Industrial Land**		
Month	No. of new listings	Avg. Price	Total value	No. of new listings	Avg. Price	Total value
			Auckland			
January	60	$2,052,742	$123,164,530	3	$399,358	$1,198,075
February	113	$2,447,254	$276,539,700	6	$13,074,126	$78,444,755
March	94	$3,922,411	$368,706,605	13	$2,306,692	$29,987,000
April	115	$3,167,461	$364,258,015	4	$13,308,751	$53,235,005
May	78	$1,393,008	$108,654,650	6	$712,000	$4,272,000
June	76	$1,618,763	$123,025,960	8	$1,896,000	$15,168,000
July	110	$3,531,179	$388,429,665	1	$5,000,000	$5,000,000
August	73	$2,240,648	$163,567,300	5	$2,274,000	$11,370,000
September	141	$2,623,468	$369,909,010	14	$5,523,564	$77,329,900
October	132	$4,589,650	$605,833,855	4	$2,365,000	$9,460,000
			Canterbury			
January	13	$995,654	$12,943,500	2	$115,000	$230,000
February	18	$1,503,056	$27,055,000	3	$782,083	$2,346,250
March	24	$1,012,209	$24,293,004			
April	17	$707,721	$12,031,250	3	$617,387	$1,852,160
May	30	$907,859	$27,235,766	3	$2,748,333	$8,245,000
June	13	$783,769	$10,189,000	1	$105,000	$105,000
July	36	$1,009,097	$36,327,493			
August	24	$1,180,267	$28,326,400			
September	24	$1,972,938	$47,350,500	4	$5,326,500	$21,306,000
October	30	$1,445,003	$43,350,090	1	$2,000,000	$2,000,000
			Wellington			
January	11	$1,085,000	$11,935,000			
February	33	$703,167	$23,204,510			
March	17	$858,824	$14,600,000	1	$375,000	$375,000
April	9	$1,162,778	$10,465,000	2	$5,500,000	$11,000,000
May	10	$413,000	$4,130,000	1	$100	$100
June	9	$797,223	$7,175,005	1	$95,085	$95,085
July	8	$1,520,625	$12,165,000	1	$230,000	$230,000
August	10	$1,007,550	$10,075,500	1	$92,500	$92,500
September	11	$1,572,818	$17,301,000			
October	13	$930,962	$12,102,500	1	$1,000,000	$1,000,000

	Office Buildings			Retail Property		
Month	No. of new listings	Avg. Price	Total value	No. of new listings	Avg. Price	Total value
			Auckland			
January	27	$1,388,704	$37,495,000	42	$2,061,941	$86,601,510
February	50	$997,951	$49,897,530	67	$1,185,665	$79,439,581
March	42	$1,978,417	$83,093,500	36	$1,778,194	$64,015,000
April	51	$3,398,373	$173,317,005	77	$1,288,100	$99,183,721
May	41	$2,345,000	$96,145,005	62	$1,733,016	$107,446,962
June	42	$2,719,060	$114,200,500	58	$1,899,793	$110,188,000
July	64	$1,972,085	$126,213,419	76	$1,540,617	$117,086,910
August	46	$1,599,707	$73,586,500	52	$1,207,013	$62,764,700
September	54	$2,585,093	$139,595,000	45	$1,851,989	$83,339,500
October	72	$2,632,799	$189,561,500	122	$1,641,473	$200,259,742
			Canterbury			
January	5	$599,000	$2,995,000	3	$531,333	$1,594,000
February	12	$405,750	$4,869,000	20	$1,135,288	$22,705,750
March	30	$1,297,829	$38,934,874	2	$1,200,000	$2,400,000
April	8	$1,560,525	$12,484,200	6	$627,333	$3,764,000
May	12	$1,491,917	$17,903,000	5	$288,000	$1,440,000
June	14	$3,592,501	$50,295,014	6	$1,156,106	$6,936,636
July	23	$1,240,978	$28,542,500	3	$725,000	$2,175,000
August	14	$1,444,941	$20,229,171	14	$744,143	$10,418,000
September	29	$3,127,172	$90,687,990	11	$1,099,000	$12,089,000
October	40	$1,472,633	$58,905,329	7	$4,244,714	$29,713,000
			Wellington			
January	5	$680,000	$3,400,000	5	$471,000	$2,355,000
February	2	$25,450,005	$50,900,010	16	$452,500	$7,240,000
March	5	$840,000	$4,200,000	9	$1,398,612	$12,587,505
April	10	$2,197,500	$21,975,000	14	$1,161,357	$16,259,000
May	8	$487,544	$3,900,350	7	$775,715	$5,430,005
June	9	$1,113,944	$10,025,500	7	$870,714	$6,095,000
July	13	$1,593,500	$20,715,500	7	$1,650,786	$11,555,500
August	1	$1,850,000	$1,850,000	6	$1,094,167	$6,565,000
September	20	$2,553,000	$51,060,000	5	$624,000	$3,120,000
October	3	$2,198,500	$6,595,500	11	$653,182	$7,185,000