



CORELOGIC NEW ZEALAND MONTHLY PROPERTY MARKET & ECONOMIC UPDATE

MARCH - APRIL 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.

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Published date: 22 March 2017

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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.



Residential Real Estate

\$1.01 trillion
(\$232 billion in home loans)

Listed stocks more than doubled in value from 2012 through to last September, but then lost over 11% of their value by November.



Commercial/Industrial Real Estate

\$161 billion

By January their value had recovered to within 7% of that September peak, and have been more or less steady since. The extraordinary rise in NZ listed stocks in recent years has been largely unreported compared to the coverage of the rising housing market.



NZ Listed Stocks

\$117 billion



NZ Super and KiwiSaver

\$66.9 billion

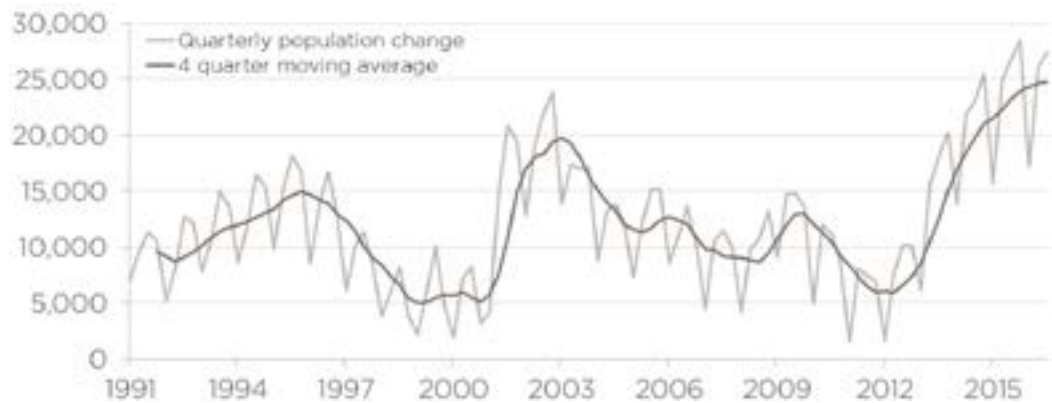
Source: CoreLogic NZ, Reserve Bank of NZ, NZX, NZ Superfund, Financial Markets Authority

New Zealand Population

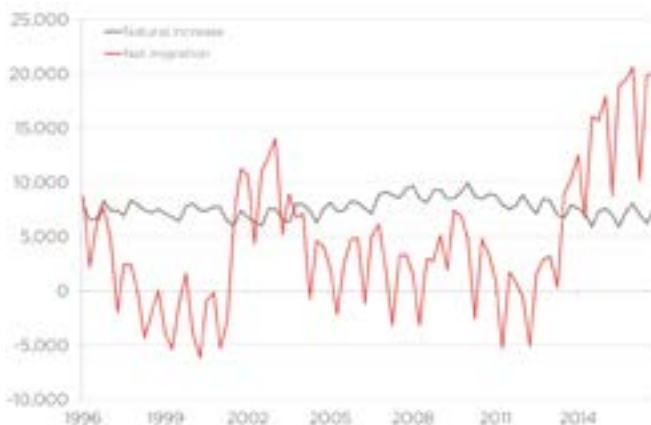
Quarterly Change in National Population

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

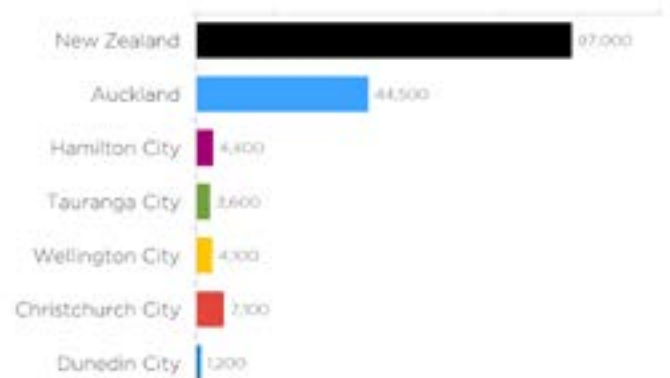
That is mostly because the net migration rate is no longer increasing, but rather seems to be holding at its peak. High population growth of course puts additional pressure on the need to increase the housing stock.



Population Change Composition



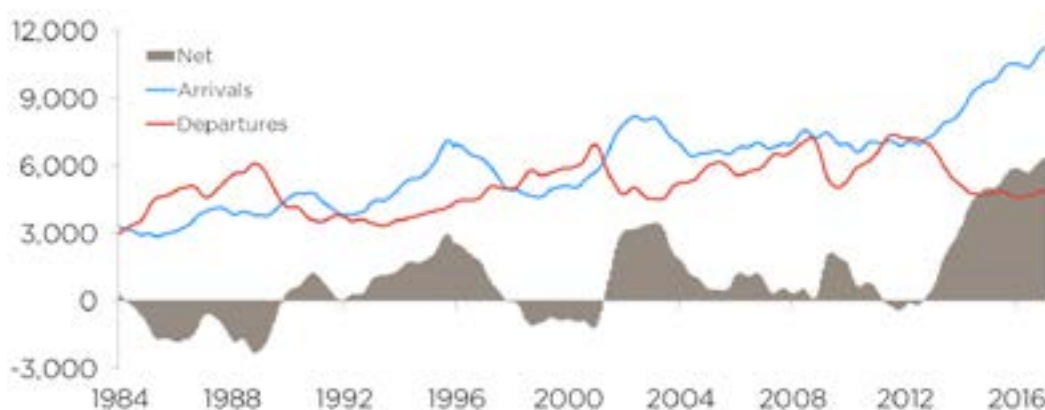
Annual Change in Population



Source: Statistics New Zealand

Migration

Long Term Migration

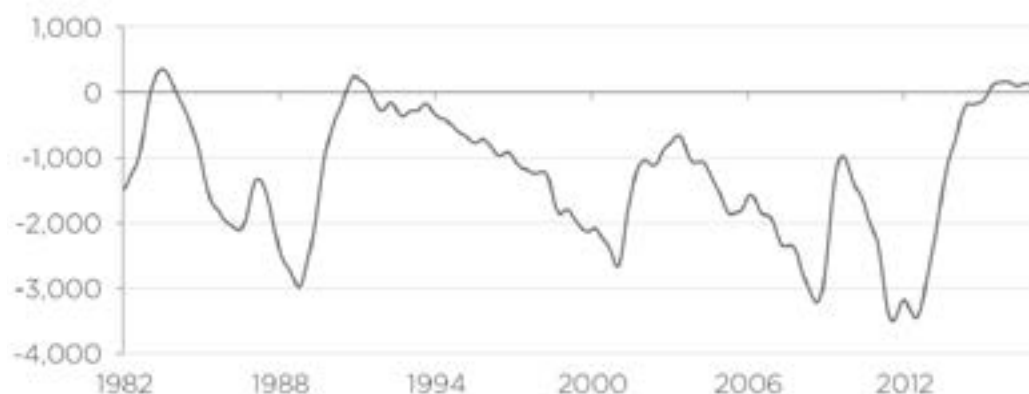


While arrivals continue to climb there has also been a pick-up in departures.

Our small net gain in people (particularly Kiwis) from Australia continues to hold, meaning we are seeing the longest period of net gain since at least the early 1980's.

The impact of the net gain from Australia tends to be spread around the country as Kiwis don't tend to leave the regions and are more likely than foreigners to not choose Auckland as their preferred destination.

Monthly Net Migration Between New Zealand and Australia

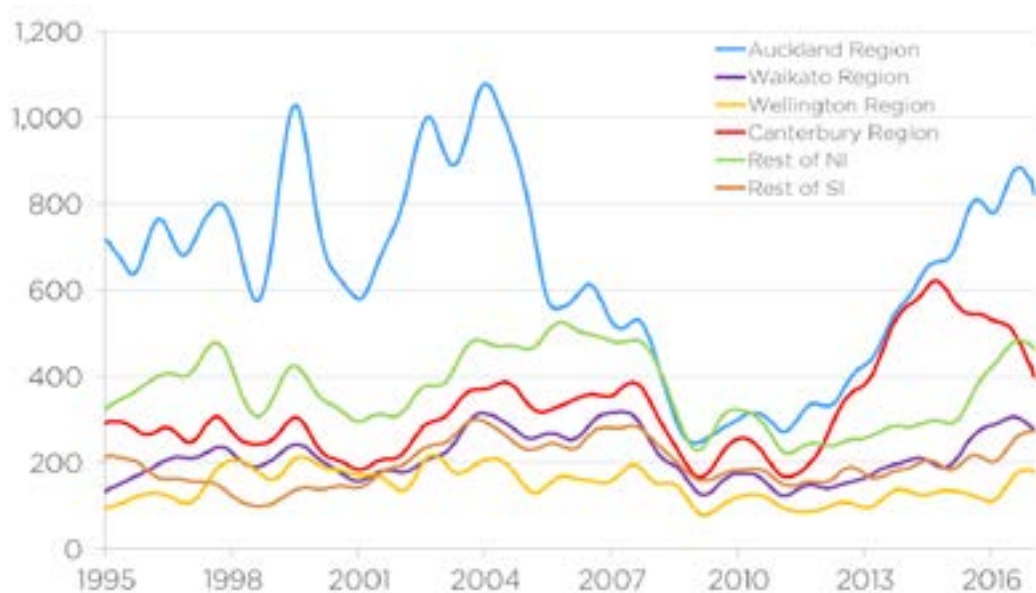


	Net Gain Last Year	% Change
TOTAL ALL AREAS	70,588	8.7%
Auckland Region	33,916	13.1%
Hamilton City	1,670	11.8%
Tauranga City	1,047	2.2%
Wellington	3,239	43.3%
Christchurch City	5,626	-2.0%
Dunedin City	828	33.1%
Main Urban Area (Other)	5,567	122.6%
Rural Centres	4,420	111.2%
Not applicable/Not stated	14,275	93.3%

Source: Statistics New Zealand

Regional Building Consents

New Dwelling Consents Trend



Source: Statistics New Zealand

Statistics NZ's trend series for building consents showed a dramatic turnaround when January's figures were released. December's figures have been adjusted down and almost all areas are now trending downwards, with Auckland's drop of particular interest.

This continues to raise serious concerns about whether the rate of building in Auckland is progressing as quickly as it needs to.

In the last month there has also been discussion on whether Wellington may be on its way to a serious housing shortage, with reports of it already being 3,000-4,000 properties short, and rental properties in particular in short supply. The slight downwards turn in consents in Wellington will therefore be of interest to many.

In order to build enough houses in Auckland to meet current and future demand, the level of current activity needs to increase then hold for several years. A shortage of skilled workers, increasing costs, time delays, and quality issues are beginning to emerge in the Auckland market already, so there are clearly challenges to be overcome in order to step up the rate of building.

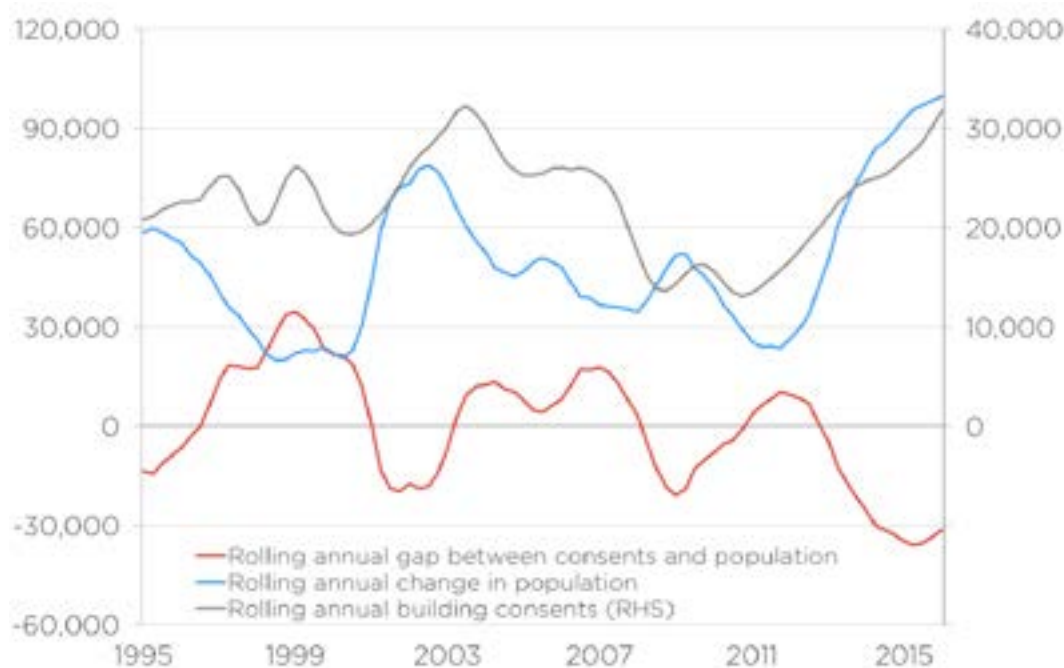
Population Growth Compared to Building Consents

This series is a quarterly one so doesn't reflect the recent slowdown in building consents across the country.

Previously the upwards trend in building consents for new dwellings had meant that the gap between population growth and housing supply was beginning to close.

So the fact this is no longer the case means it is worsening again.

Quarterly Population Change and Building Consents Nationwide



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

ANZ — Roy Morgan Consumer Confidence

Consumer confidence dipped ever so slightly in March, but the story remains positive.

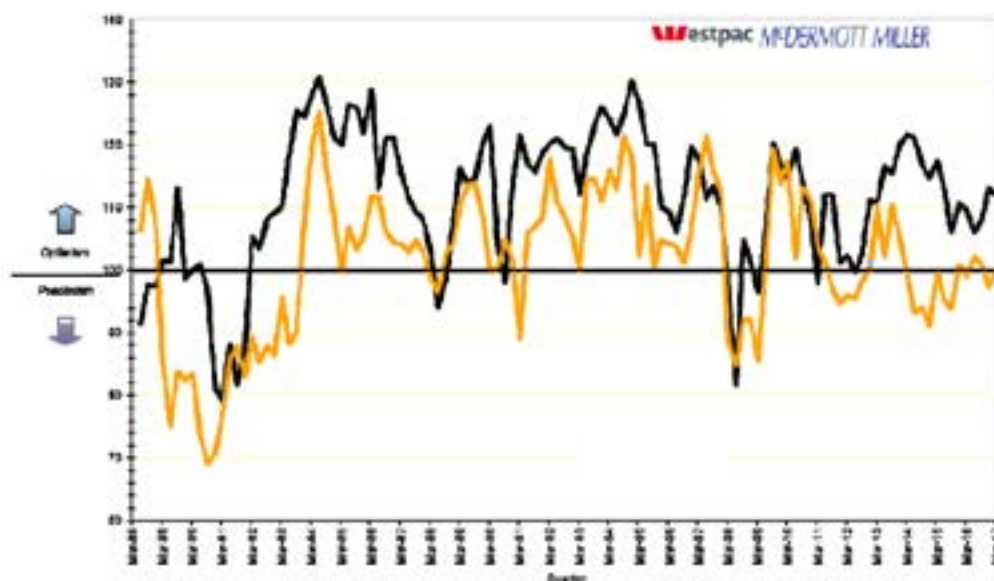
Auckland is the most optimistic region and house price inflation expectations lifted slightly in March.

The gap in confidence between Australia and NZ reduced slightly in March, but remains relatively wide. This will probably need to close before we see a significant turnaround in net migration of Kiwis to and from Australia.



Source: ANZ NZ, Roy Morgan

Trans-Tasman Consumer Confidence Index

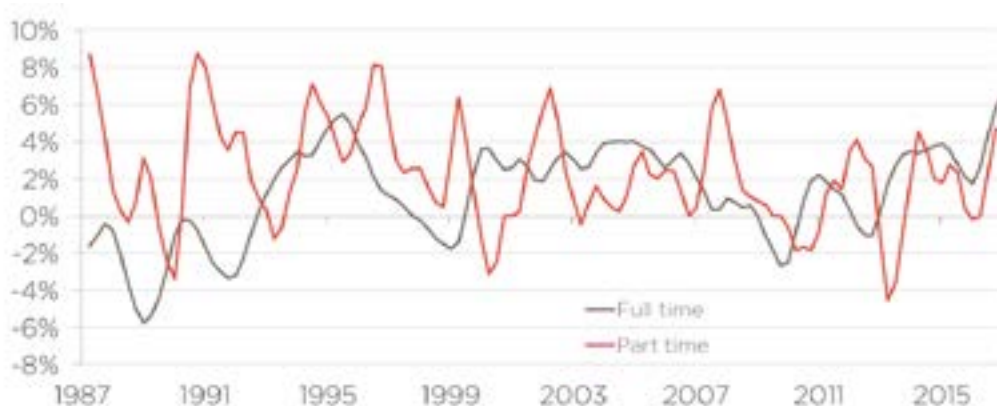


— New Zealand
— Australia

Source: Westpac NZ, McDermott Miller

Employment

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

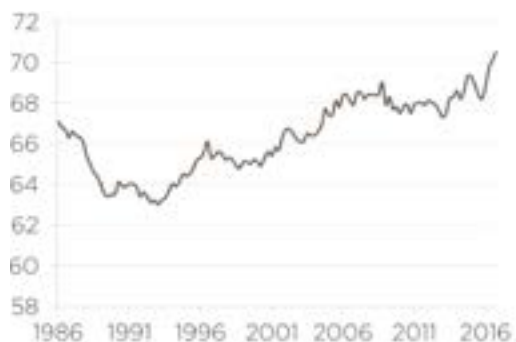


The rate of growth of full-time employment and the labour force participation rate are both at their highest levels for several decades.

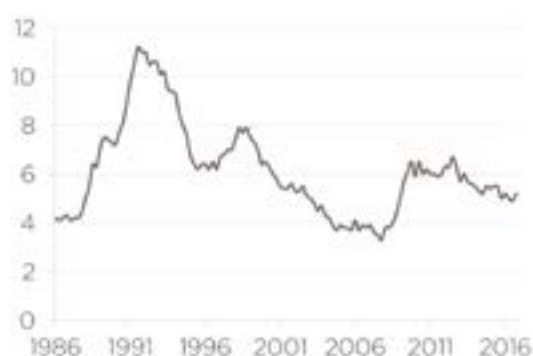
High migration is leading to job creation and more working people.

A turnaround in employment will be a warning sign for pain in the housing market as people will then struggle to pay mortgage debt. There is no sign of that turnaround yet.

Labour Force Participation Rate



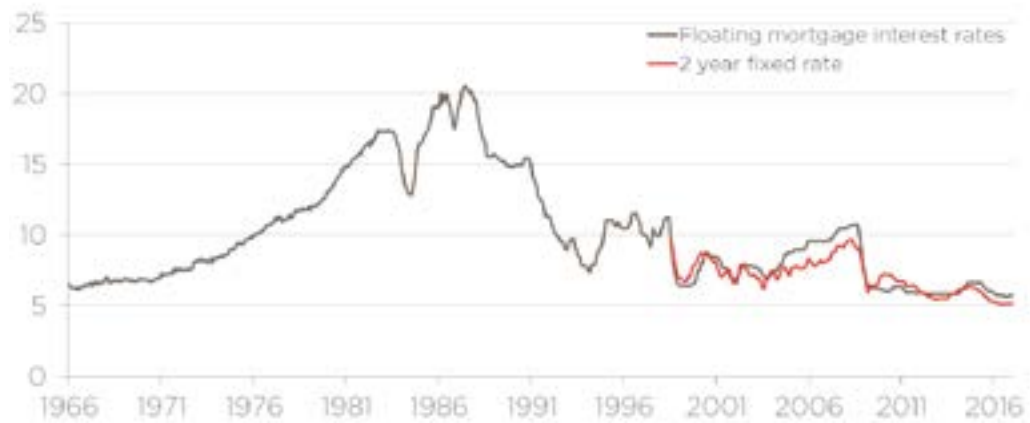
Unemployment Rate



Source: Statistics New Zealand

Interest Rates and Mortgage Debt

Mortgage Interest Rates



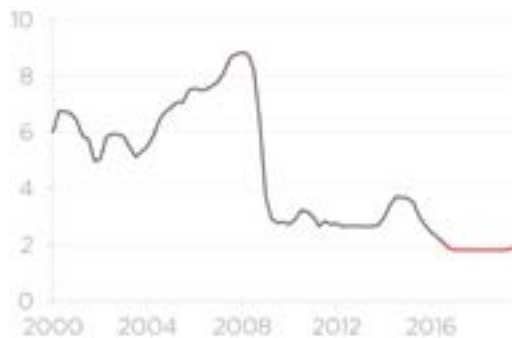
Retail mortgage interest rates remain at their historic lows.

The Official Cash Rate (OCR) set by the Reserve Bank remained unchanged in February and is likely to do so again this month. The tone from the RBNZ continues to indicate that the OCR will remain unchanged for some time.

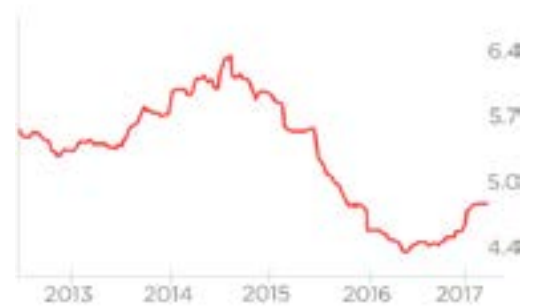
Fixed mortgage interest rates are likely to creep upwards over the coming months as the cost of offshore funding increases.

However, they are not likely to rise significantly for several more years.

Projected Official Cash Rate



Average Two Year Fixed Rates

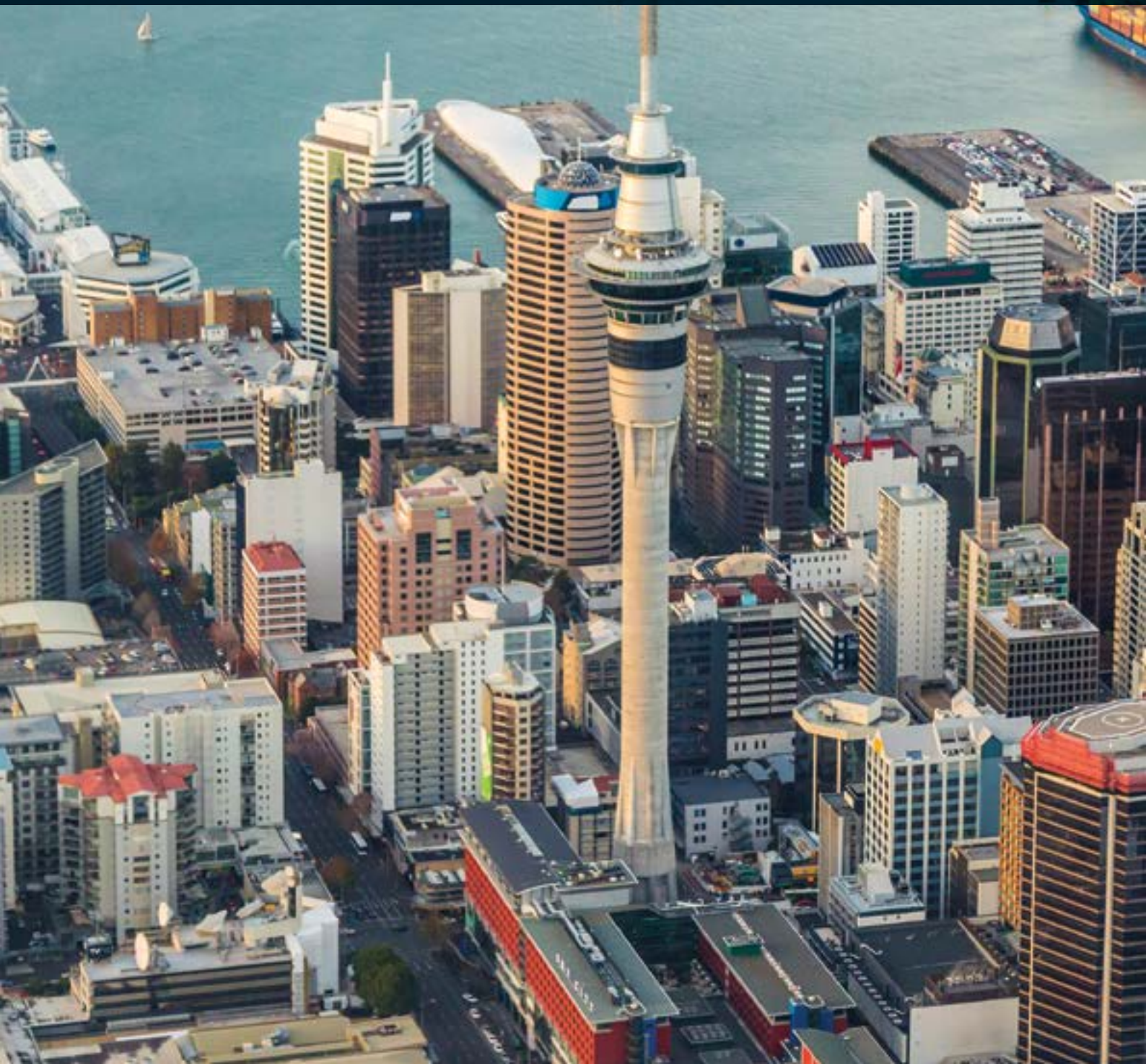


Source: Interest.co.nz





Housing Overview



Values

Nationwide values flattened in February according to the latest monthly QV house price index.

This has led to the rate of quarterly growth dropping to 1.1% and the annual change dipping slightly to 13%.

The previous round of LVR restrictions saw a similar slowdown in value increases last year, with the quarterly growth bottoming out at 0%. That slowdown was short-lived.

Our expectation remains that the latest lending restrictions will slow values for a few more months before things pick up again, probably after the election in September.

Average Value of Housing Stock - New Zealand

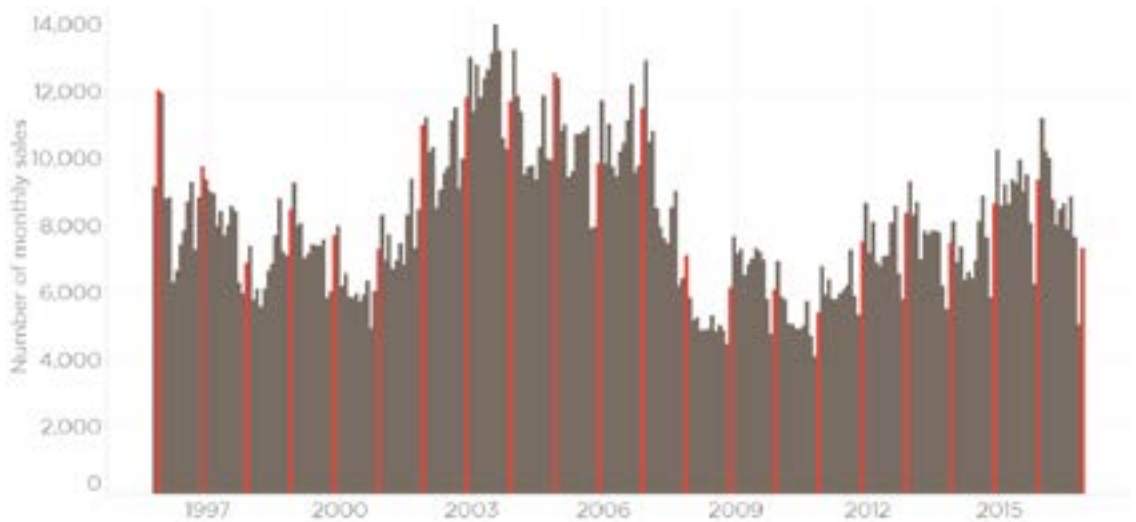


Annual and Quarterly Change in Value



Sales Volumes

Nationwide Sales Volumes

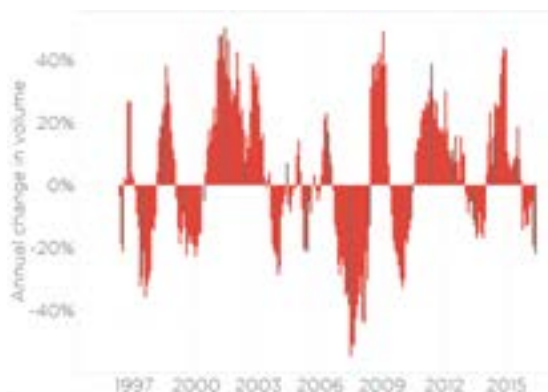


Nationwide sales volumes have continued to be weak, with this February the lowest since 2011. Sales have now been less than the same time a year earlier for eight months in a row. The latest round of lending restrictions are the main cause of this.

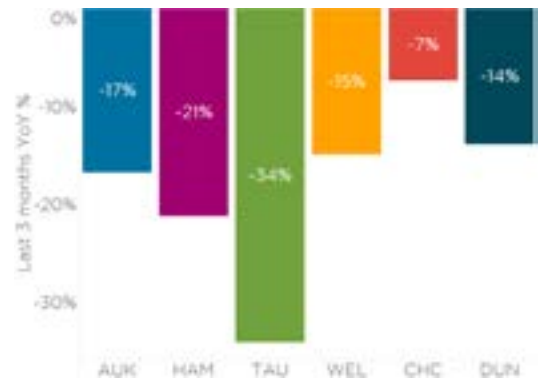
Auckland sales have been less than the same time a year earlier for 17 months in a row. This is the longest we've seen since the GFC. February sales were the lowest in Auckland since 1993 - even lower than during the GFC.

Sales in February were the lowest since the early 1980's in Christchurch, other than February 2011 when the second of the major earthquakes struck the city.

Nationwide Annual Change in Sales Volumes



Regional Sales Volumes Year-on-Year



Rent

Annual rent growth remained below 5% for the second month in a row. Increases have not been much higher than this since 2007 even though house prices have increased at a much faster pace. This is likely due to both low mortgage interest rates and low wage growth which constrains tenants from paying dramatically higher rent.

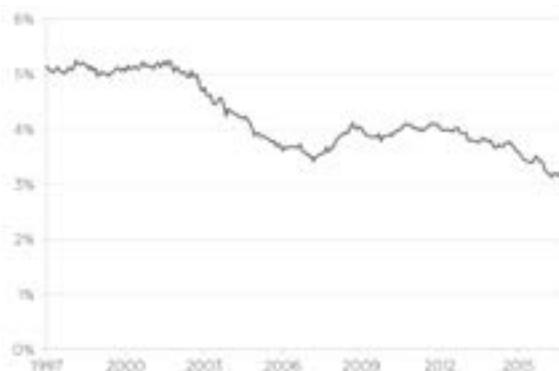
The slowdown in house prices in recent months saw nationwide gross yield plateau at just over 3% and in February this inched up to 3.2%.

All the main centres have lower yields than this time last year as value increases over that time outstripped rent increases.

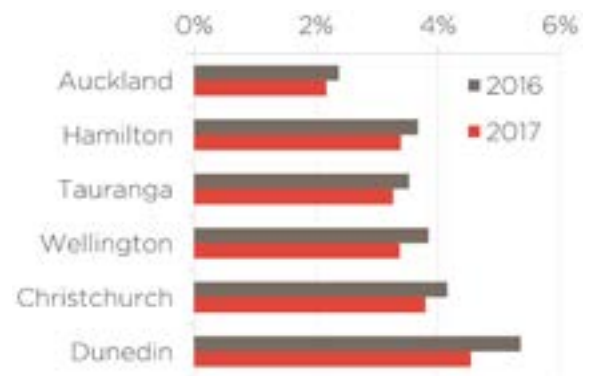
National Annual Change in Value and Rent



Gross Rental Yield - National



Gross Rental Yield - Main Centres



Source: MBIE, CoreLogic NZ

Market Activity

Market Activity Relative to pre-Christmas 2015



Market activity, or buyer demand, has started to pick up in Auckland but is still well behind the same time last year.

If prior years are anything to go by then activity will start to drop, or at least flatten, throughout autumn which would take demand to very low levels and further illustrate the impact of the latest round of LVR restrictions on demand in Auckland.

Activity across the rest of the country hasn't been as badly affected with Wellington and Dunedin still up on the same time last year.

Latest 3 Weeks Year-on-Year	Percentage change
Auckland	-13%
Hamilton City	-5%
Tauranga City	-4%
Wellington Region	+18%
Christchurch City	-3%
Dunedin City	+16%

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.

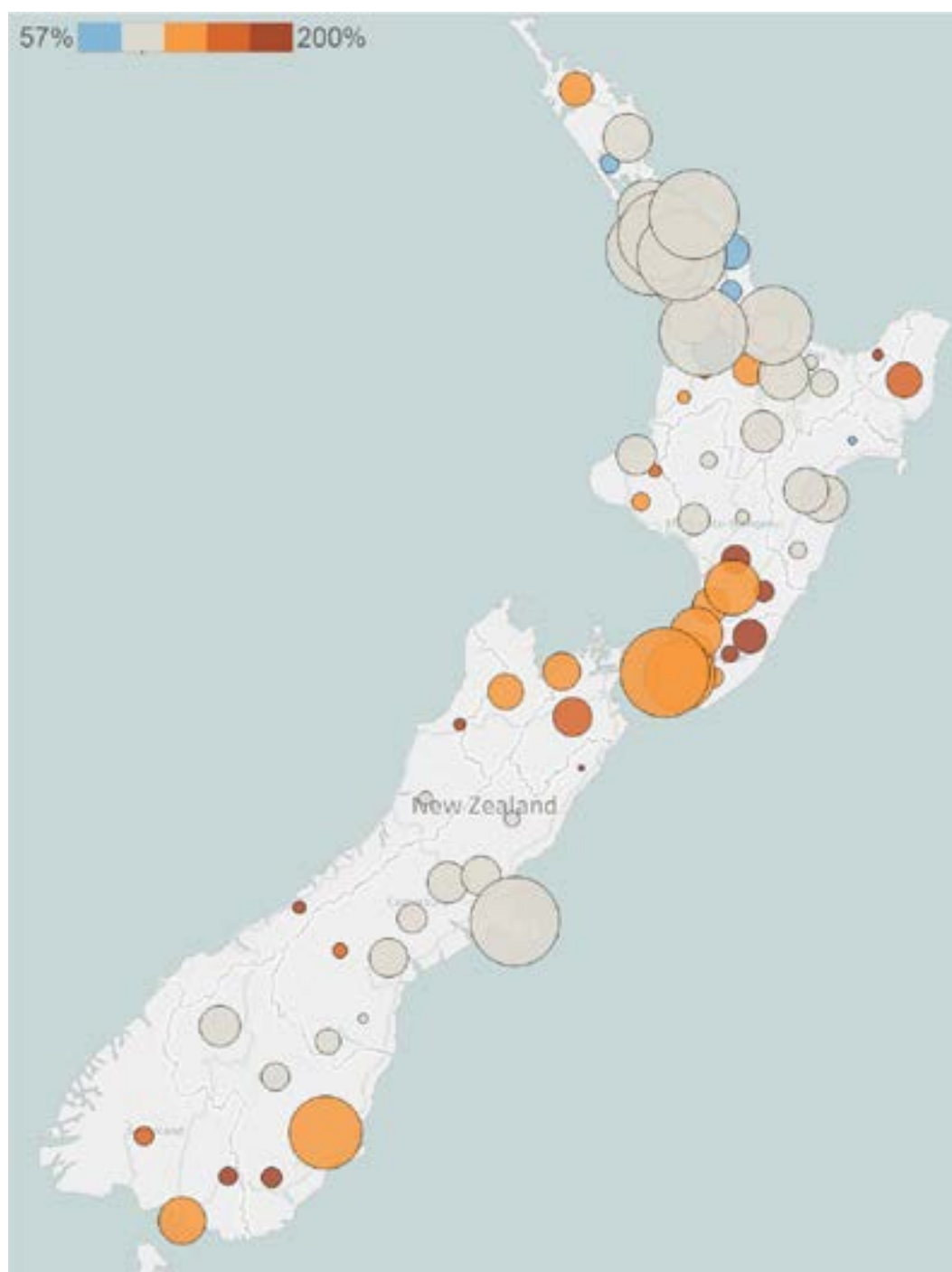
Valuations Completed

Market Activity

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

Activity throughout most of the North Island is similar to the same time a year ago except for south of the Manawatu District where demand is stronger than the year prior. This is a continuation of the strong demand witnessed throughout a lot of 2016.

In the South Island it's both the upper and lower regions experiencing the stronger market activity, while Christchurch and Queenstown are at similar levels to the prior year.



* Size of bubble represents the level of activity for the period 23 January - 12 February 2017

Listings

New listings tend to drop away from now through winter. In Auckland they are slightly down on the same time last year while for the rest of NZ they've been flat throughout 2017 and are also below the average at the same time last year.

Across the main regions the picture is relatively bleak with all down on the same time last year. Especially Wellington which is down 17% and Waikato down 11%.

New Listings



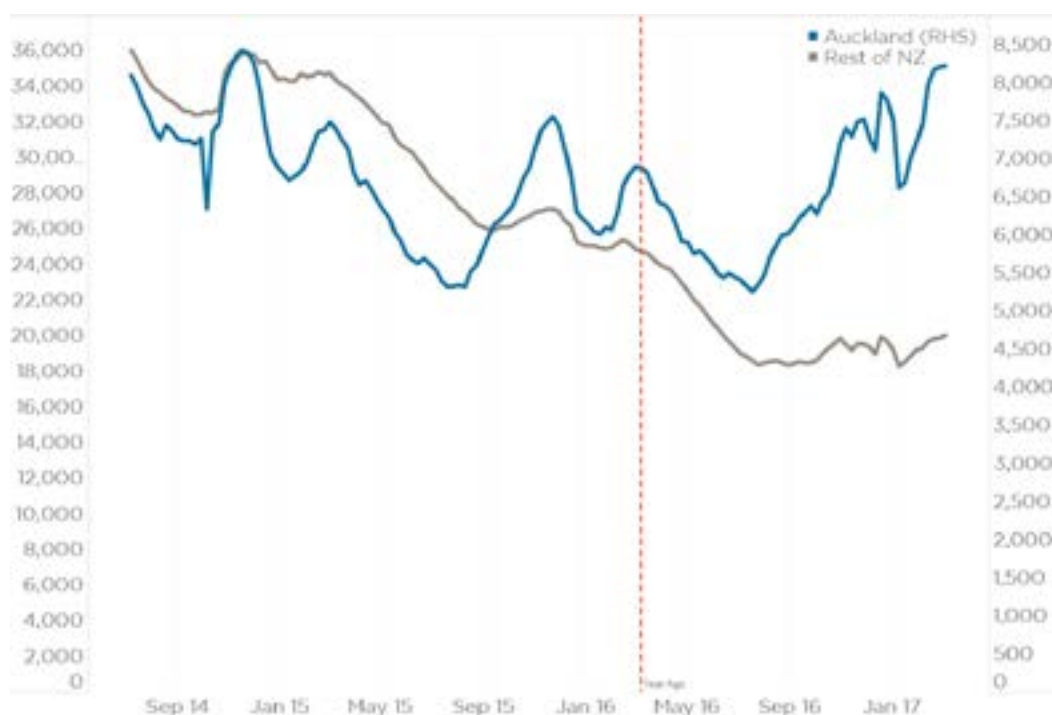
New Listings	Average last 3 weeks	1 month change	1 year change
New Zealand	2,356	0%	-5%
Auckland	802	3%	-5%
Waikato	187	-20%	-11%
Bay of Plenty	191	9%	-2%
Wellington	217	-12%	-17%
Canterbury	368	4%	-6%
Otago	102	18%	-7%

Total Listings

Total listings in Auckland are at their highest point for the last two years but will likely begin to drop away as new listings weaken in Autumn.

Bay of Plenty is showing an improving situation with total listings up 9% on the same time last year; however this is still near all-time lows and is 41% below the number of total listings on the market two years ago.

Elsewhere total listings remain near to historical lows, with the situation particularly bad in Otago and Wellington. It remains tough for buyers in many areas.



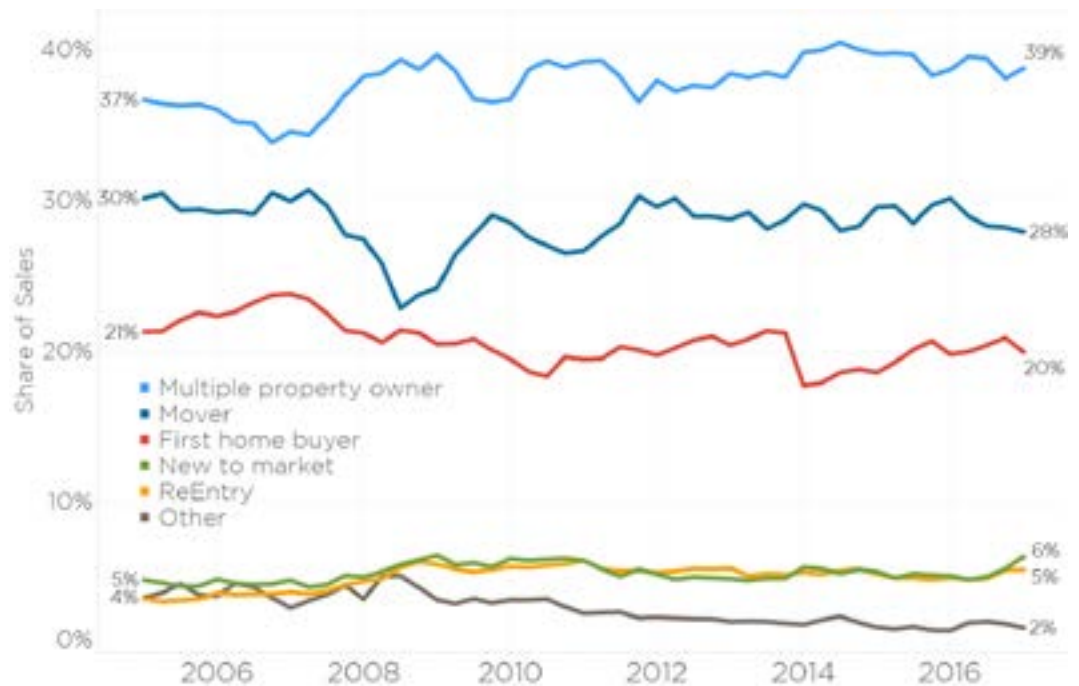
Total Listings	Latest week	1 month change	1 year change
New Zealand	28,194	6%	-11%
Auckland	8,210	10%	19%
Waikato	2,665	0%	-16%
Bay of Plenty	2,002	9%	9%
Wellington	1,696	10%	-27%
Canterbury	4,613	6%	-9%
Otago	1,054	4%	-34%

Buyer Classification

Buyer Classification - New Zealand

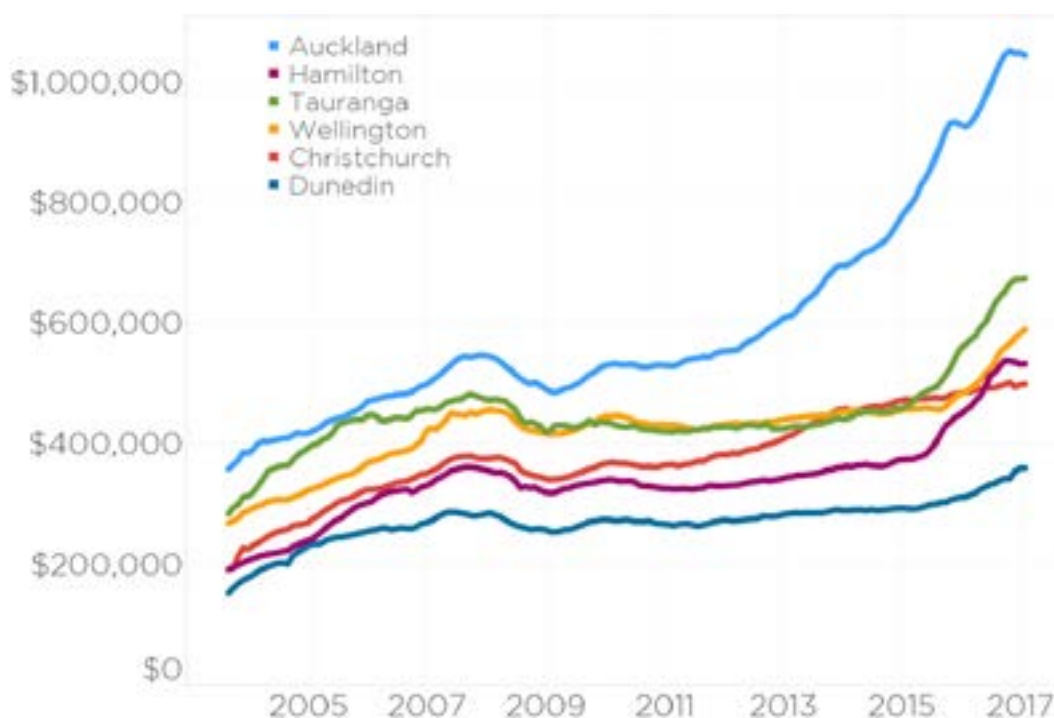
With a second month of Q1 2017 now complete we can see investor activity holding relatively strong while first home buyer share has still slipped from its 2016 strength.

The strength in investor activity is being held up by those purchases not requiring a mortgage, while those investors requiring credit have been impacted by the latest round of LVR restrictions. We have also seen that the bigger banks have reduced their lending to investors over the past two quarters.



House Price Index

Average Dwelling Value



According to the latest QV house price index, Auckland values dipped again in the latest month.

Our latest data continues to suggest that values are dropping in Auckland, so we should expect to see the index drop further in coming months. A drop in values is consistent with the drop in demand and sales activity.

Similarly the latest data for Hamilton is dropping, while Tauranga and Dunedin values are now flattening. While the index is not indicating much of a slowdown in Wellington, our latest data suggests there was a slightly quieter period over Christmas.

	Current Value	February 2017		
		3 months	12 months	Since Peak
New Zealand	\$631,349	1.1%	13%	52%
Auckland	\$1,043,680	-0.7%	13%	91%
Hamilton	\$532,171	-0.8%	17%	47%
Tauranga	\$673,923	1.3%	19%	40%
Wellington	\$589,784	4.3%	21%	29%
Christchurch	\$498,710	-0.5%	3%	31%
Dunedin	\$359,629	5.3%	16%	26%

Source: CoreLogic NZ QV Monthly House Price Index

House Price Index

Annual Value Change

Looking back over the past year we can see values have increased across the country, with the notable exception of Canterbury. The recent slowdown in Auckland is evident in the lower annual change - with the Taranaki region also experiencing annual growth in the low teens.

The smaller centres in both Waikato and Bay of Plenty region, along with the Hutt Valley and Queenstown, show as having the greatest annual growth.



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

Three Month Value Change

The three month change map is now starting to show the decrease in values in parts of Auckland as well as a few other smaller districts in the North Island.

Relative strength remains through the spine of the North Island and in the northern and southern parts of the South Island.



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

Main Cities Housing Market Indicators





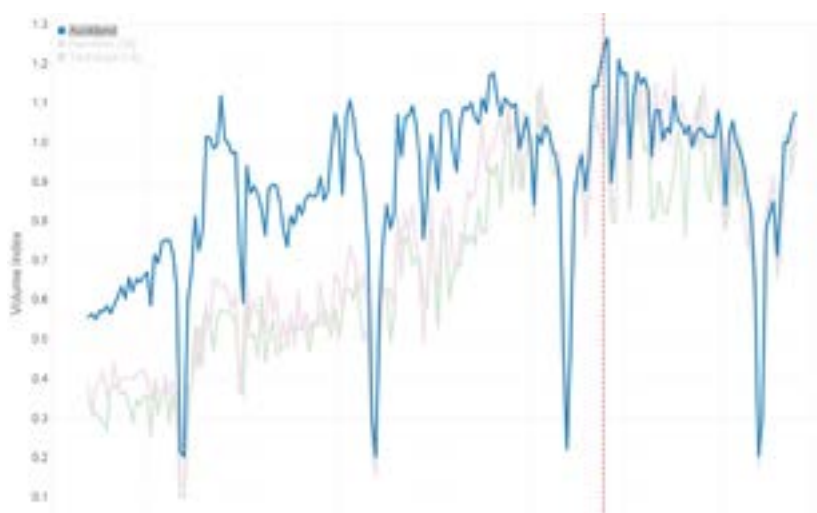
Auckland Market Activity

Buyer Demand - Auckland

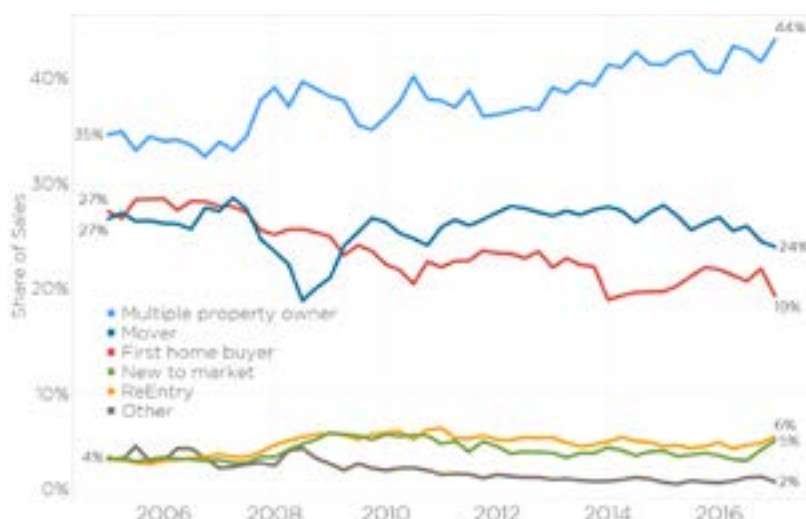
Market activity, or buyer demand, has started to pick up in Auckland but is still well behind the same time last year.

If prior years are anything to go by then activity will start to drop, or at least flatten throughout autumn, which would take demand to very low levels and further illustrate the impact of the latest round of LVR restrictions on demand in Auckland.

The dramatic change in the mix of buyers noted last month has been reinforced with February's data. By the end of last year first home buyers had climbed their way back into the market, but so far this year their share of sales has dropped to a record low.



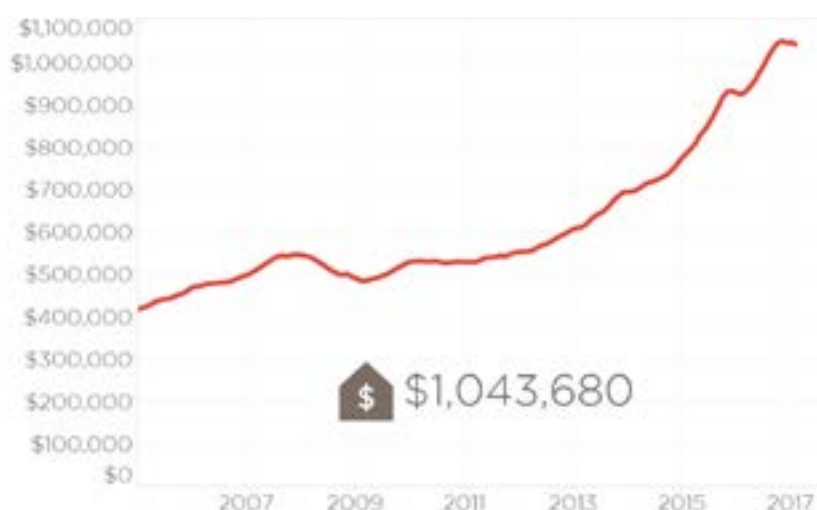
Buyer Classification - Auckland



Investors appear to have rebounded after slipping late last year however further investigation has revealed this is mainly due to cash investors remaining active, while those requiring a mortgage have reduced their activity. This is probably an involuntary reduction based on not having the required 40% deposit.

Auckland Values

Average Value of Housing Stock - Auckland



The QV house price index for Auckland showed another slight drop from January and as a result is now 0.7% below three months ago.

High migration, low interest rates, tight listings and a housing shortage are all strong upwards pressure on prices being constrained currently by the latest lending restrictions.

We saw a similar slow down last year after the initial investor LVR restrictions in Auckland and we suspect we'll see a similar trend this time around, with the slowdown not lasting particularly long.

The outer parts of the city are still experiencing some growth on a three month basis, while Auckland City (central) and Manukau are relatively flat. North Shore and Waitakere have seen the largest drops in value over the latest three months.

Annual and Quarterly Value Change - Auckland



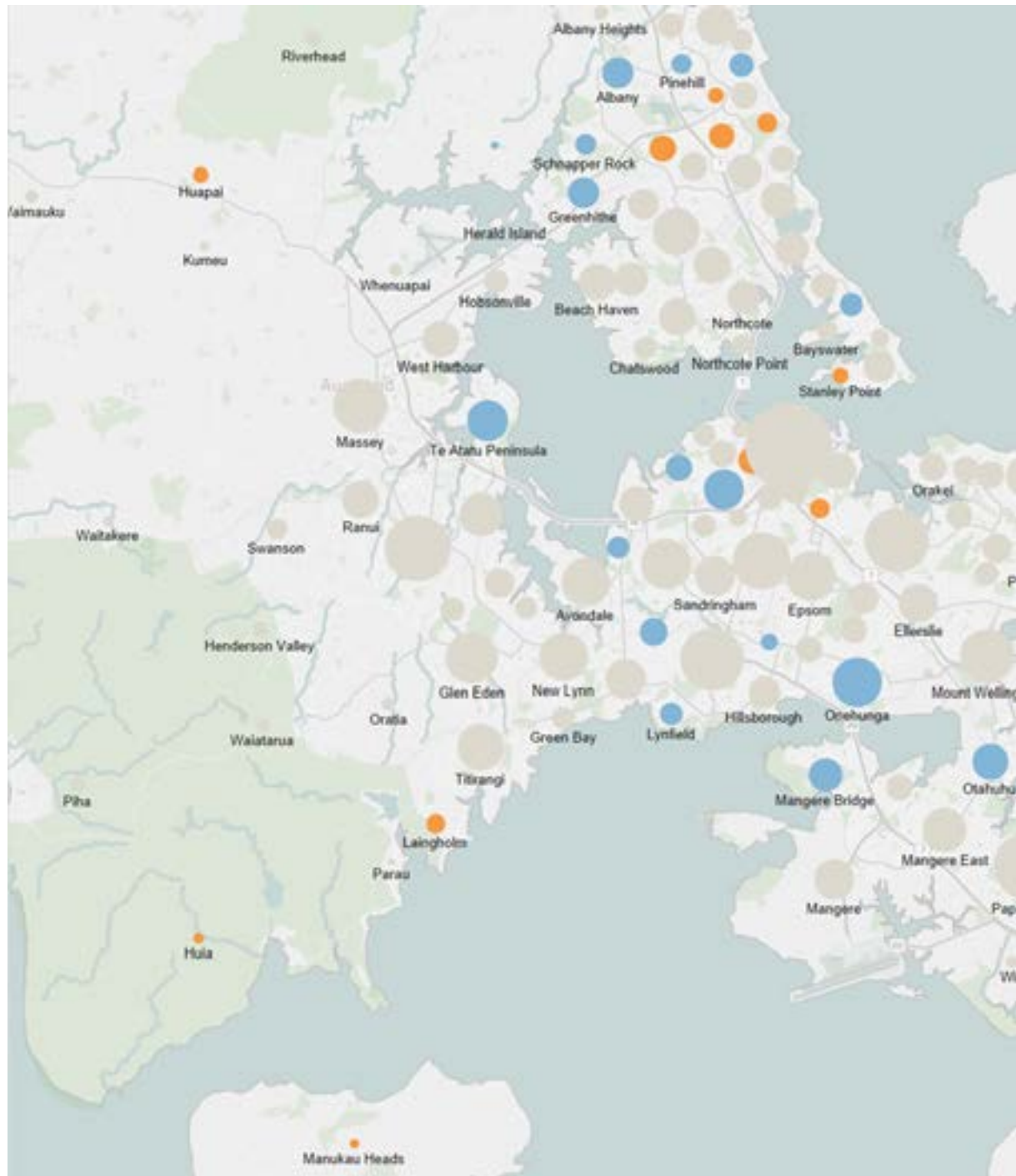
	February 2017			
	Current Value	3 months	12 months	Since Peak
Rodney	\$936,877	1.4%	14%	60%
North Shore	\$1,196,987	-2.2%	11%	85%
Waitakere	\$831,705	-1.7%	14%	96%
Auckland City	\$1,224,673	0.2%	12%	97%
Manukau	\$902,477	-0.4%	14%	97%
Papakura	\$686,465	0.9%	14%	91%
Franklin	\$663,638	2.4%	13%	68%

Auckland Suburb Value Change

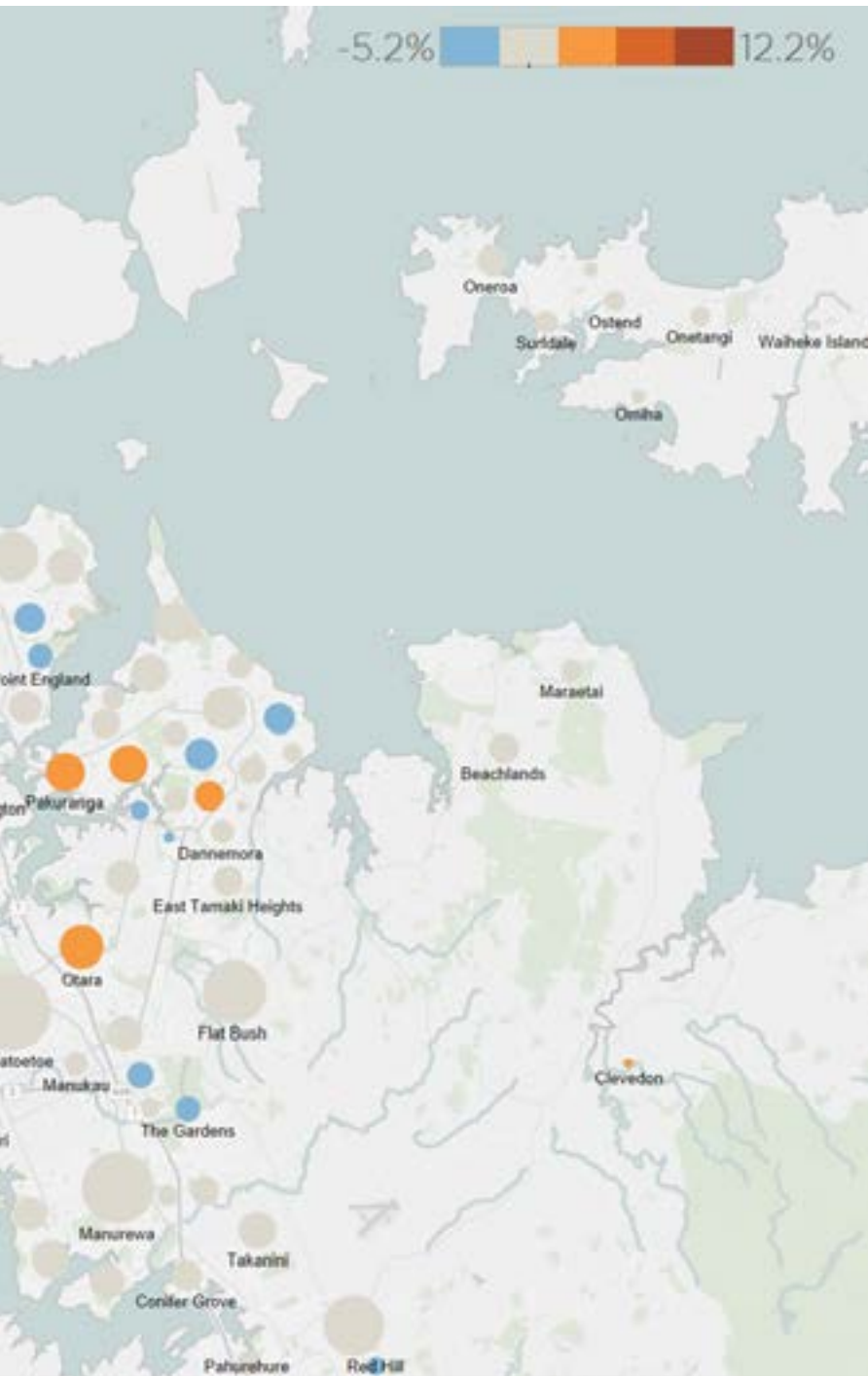
Three Month Value Change

Most of the suburbs across Auckland have seen little value change in the past three months as witnessed by a very pale looking map.

There are more suburbs with a negative three month value change than a positive one.



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



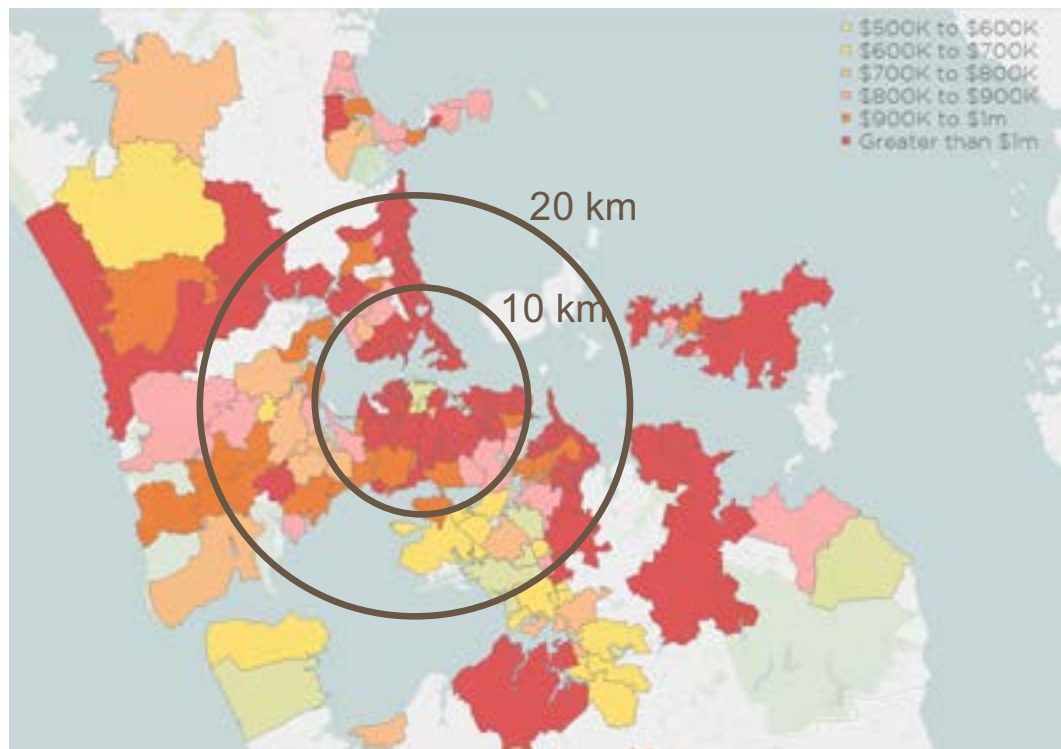
Current Auckland Suburb Values

Median Value of Housing Stock

The picture of current median value by suburb across Auckland remains an unaffordable one. There are exactly 100 suburbs where the average value of the housing stock is over one million dollars.

This is a slight drop from the previous month as the slowing market affected a couple of suburbs hovering around the \$1m mark.

Dropping the average value of suburbs is more likely to come from building more affordable houses rather than the value of the current stock dropping dramatically.

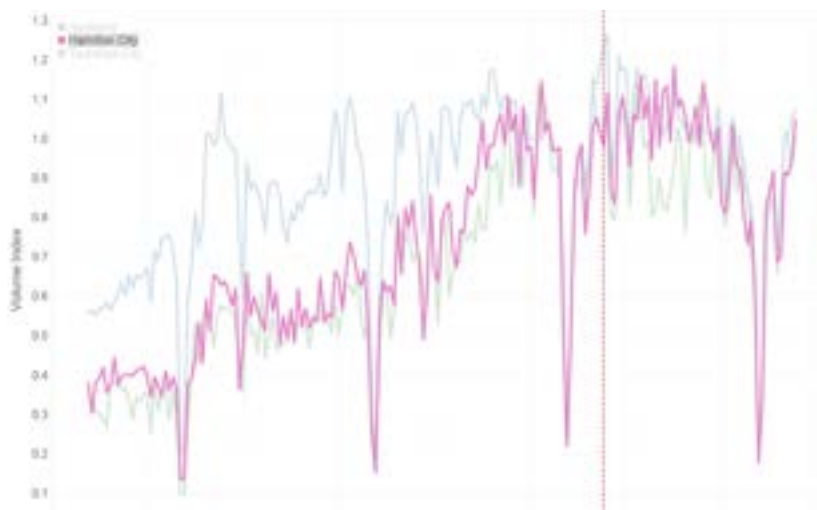


*Based on CoreLogic Median E-valuer

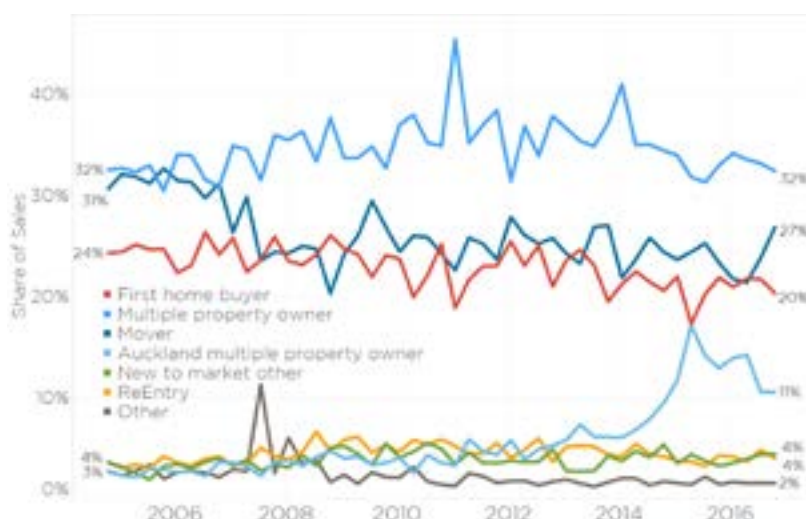


Hamilton Market Activity

Buyer Demand - Hamilton



Buyer Classification - Hamilton



Buyer demand has picked up in the last few weeks in Hamilton but otherwise has been quite weak so far in 2017. Demand dropped significantly immediately following the RBNZ announcement of lending restrictions last July.

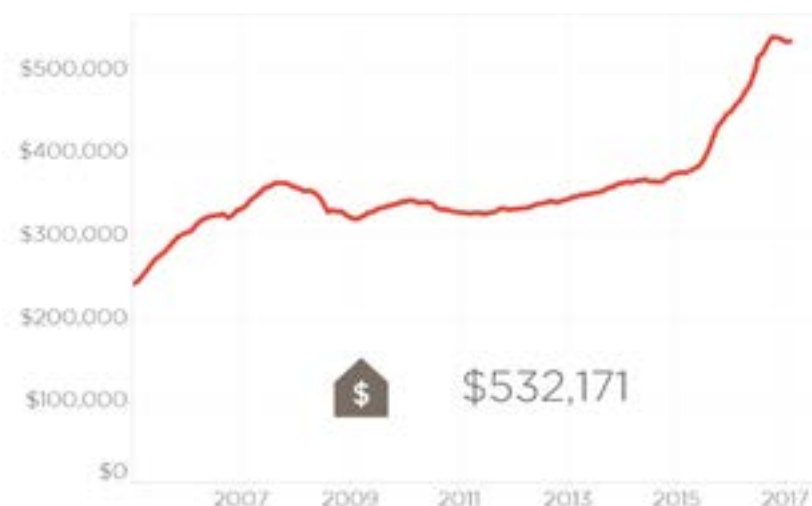
We expect the latest round of LVR restrictions will continue to dampen buyer demand in the short term, meaning we're unlikely to see the same strength through autumn we saw last year.

People moving house have upped their activity so far this year. This has been at the expense of local investors and first home buyers whose share of sales has dipped in Q1 2017.

Auckland-based investors have significantly reduced their activity in Hamilton after peaking in Q3 2015 and holding throughout most of 2016. Their presence is still relatively strong though - plateauing at 11% of sales, almost twice as much as the average prior to 2014.

Hamilton Values

Average Value of Housing Stock - Hamilton



Annual and Quarterly Value Change - Hamilton



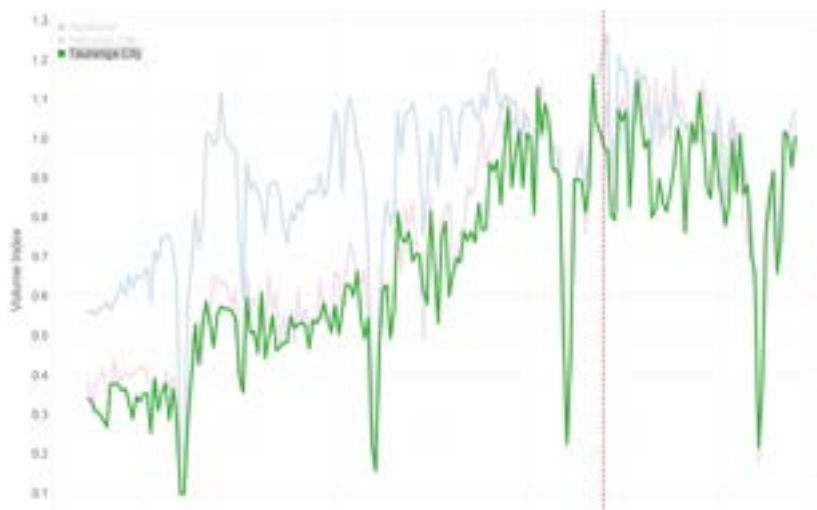
After dropping for two months, values were flat from January to February. The South East has seen the most significant drop over the last three months while the North East is maintaining its average value of around \$680k.

This is comparable to Auckland's recent value trend, likely reflecting the reduction in investor demand caused by LVR restrictions and strongly rising prices reducing affordability.

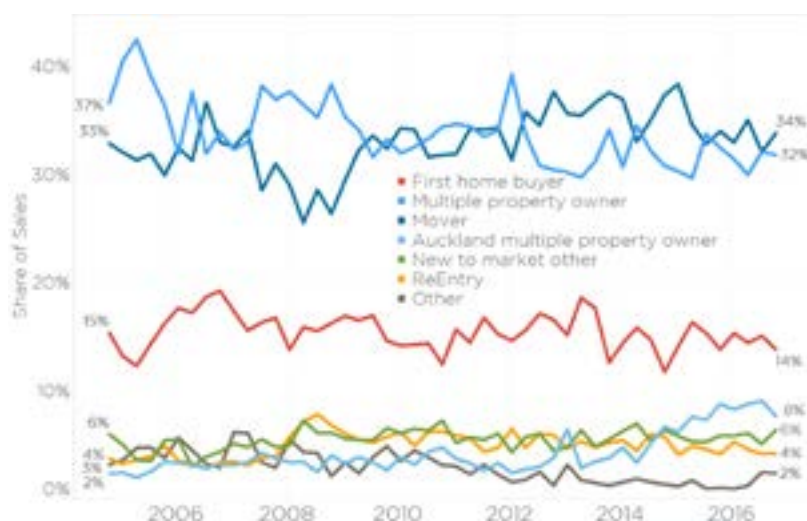
	February 2017			
	Current Value	3 months	12 months	Since Peak
Hamilton Central & North West	\$494,010	-0.8%	16%	38%
Hamilton North East	\$681,204	-0.5%	19%	52%
Hamilton South East	\$481,707	-1.5%	15%	38%
Hamilton South West	\$464,668	-0.8%	15%	36%

Tauranga Market Activity

Buyer Demand - Tauranga



Buyer Classification - Tauranga



Buyer demand over the past few weeks in Tauranga is slightly below the same time a year ago and at similar levels to pre-Christmas.

Similar to Hamilton, Tauranga has enjoyed a sustained period of strong buyer demand, and with it increasing prices, which is unlikely to be maintained through Autumn.

However, things could pick back up by spring, with the key fundamentals of high migration, low interest rates and low listings driving the market.

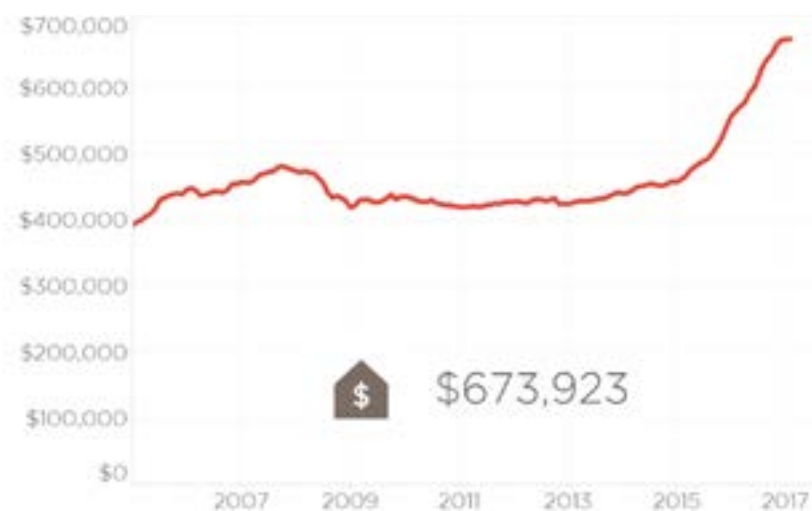
So far this year the only major group to improve their share of sales in Tauranga are those moving house. Auckland investors now appear to be reducing their activity in the city after gradually increasing their presence over the last two years. It's likely this reflects those investors who have less than a 40% deposit being taken out of the market.

Tauranga Values

For the second month in a row, the house price index showed almost no change in value in February, a significant change from the rapid growth over the previous year.

Quarterly growth of 1.3% is the slowest rate of growth since early 2015. Other measures of value we are tracking show that the index is likely to remain flat in coming months.

Average Value of Housing Stock - Tauranga

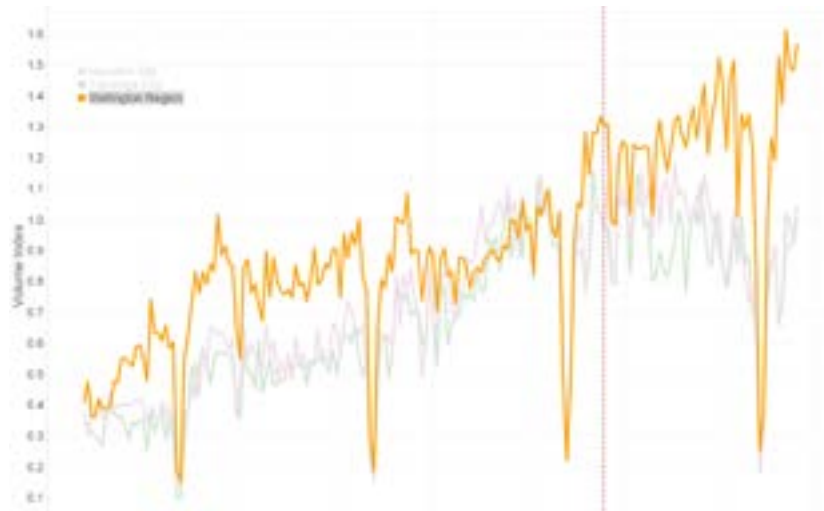


Annual and Quarterly Value Change - Tauranga

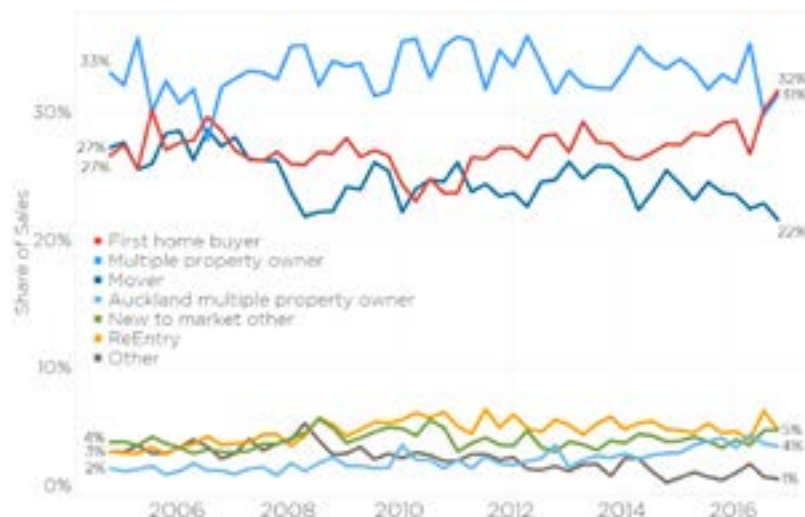


Wellington Market Activity

Buyer Demand - Wellington



Buyer Classification - Wellington



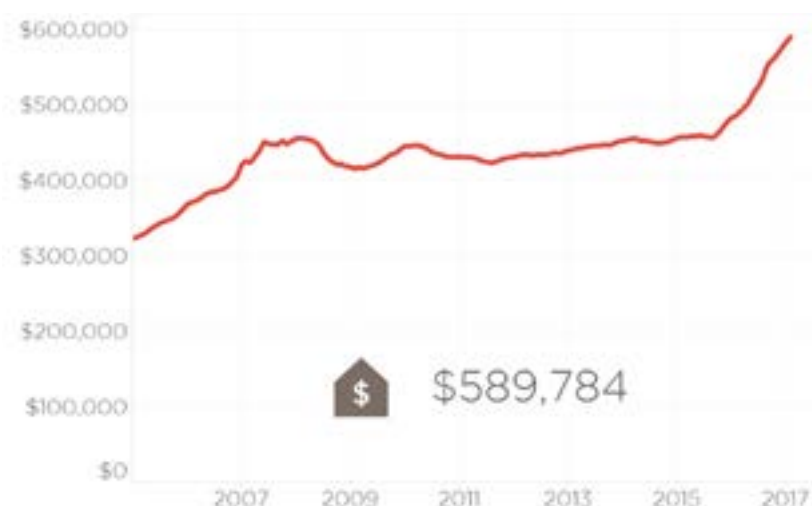
Market activity remains very strong in Wellington, with the last month experiencing record levels of buyer demand. From here we typically see an autumn cool down which could occur, however it may be short-lived as anecdotal evidence suggests a pretty full pipeline of buyers remaining active.

The surge in first home buyer activity noted in last month's report has remained with the addition of February's data. This is comfortably at record high levels.

Mover activity has also continued to trend down while Auckland based investor activity has plateaued at 4%. In Q1 2017, local investors have somewhat bounced back from a significant drop in share in Q4 2016, but remain below recent averages.

Wellington Values

Average Value of Housing Stock - Wellington



Annual and Quarterly Value Change - Wellington



Value growth in Wellington remains consistent at around 4% and the annual growth rate hit a new record of 21% in February.

The most significant growth has been in Upper Hutt with both Lower Hutt and Porirua not far behind. Wellington City hasn't quite kept up the pace, with its average value (over \$700k) pushing first home buyers further out of town.

The Wellington City Council has recognised a shortage in property in the City and are introducing policies such as rate rebates for first home buyers who build new properties, as they hope to avoid the well-publicised supply shortages experienced in Auckland.

	Current Value	February 2017		
		3 months	12 months	Since Peak
Porirua	\$498,652	5.3%	24%	31%
Upper Hutt	\$437,832	6.3%	26%	25%
Lower Hutt	\$488,797	5.8%	25%	25%
Wellington City	\$709,806	3.8%	21%	33%

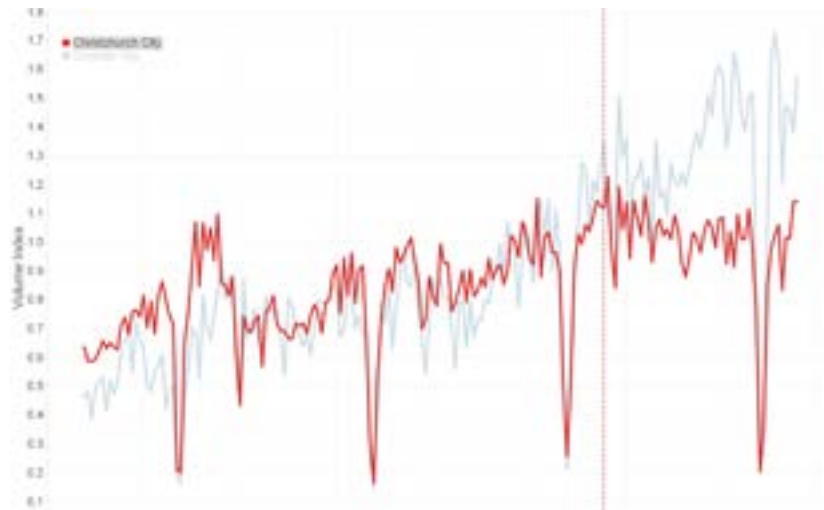
Christchurch Market Activity

Buyer Demand - Christchurch

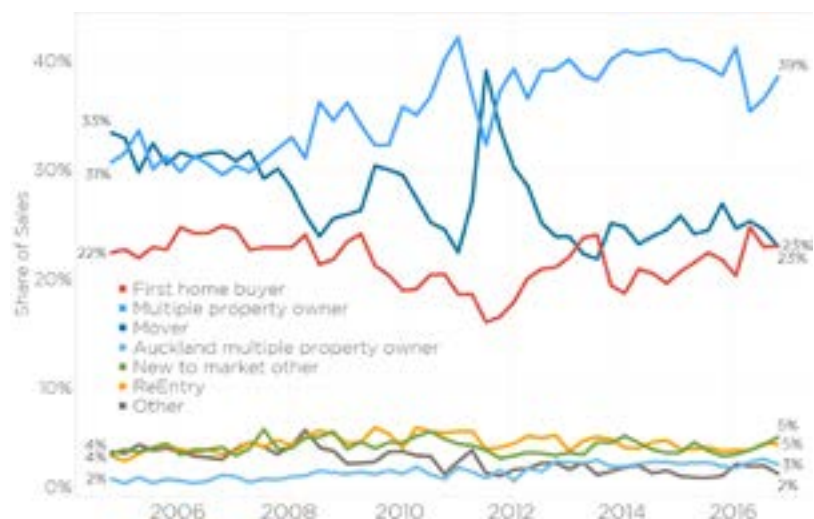
The latest two weeks saw a noticeable lift in market activity in Christchurch, which is pretty typical for this time of the year.

After being very active in January, first home buyers weren't as ever-present in February, with their Q1 share remaining consistent with the end of 2016 at 23% of sales.

Investors remain the largest group in Christchurch and after having a quiet Q3 2016, seem to be easing their way back into the market.

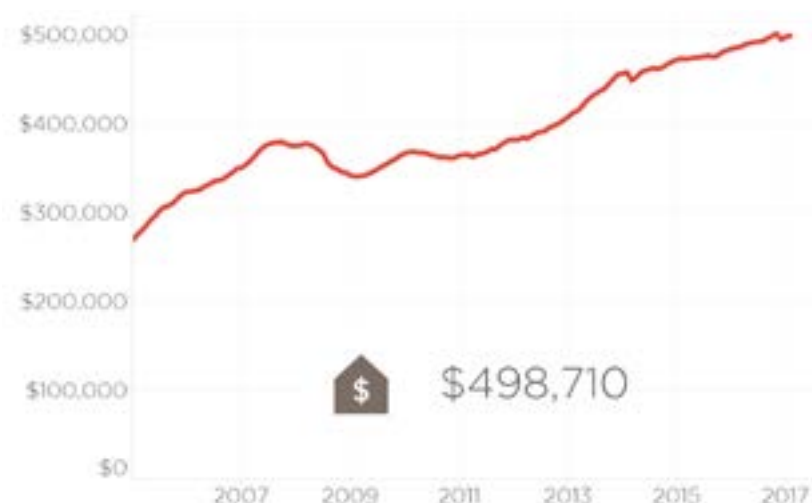


Buyer Classification - Christchurch



Christchurch Values

Average Value of Housing Stock - Christchurch



After a dip in values in December the house price index for Christchurch hasn't quite caught up those losses, leaving values slightly down over the last three months.

The southwest is the only area to buck the trend - marginally up, while both the Banks Peninsula and Christchurch east saw the greatest decrease at -1.8%.

Annual growth remains below 5% across the city. It's too early to see any impact from the recent fires in the Port Hills.

Annual and Quarterly Value Change - Christchurch



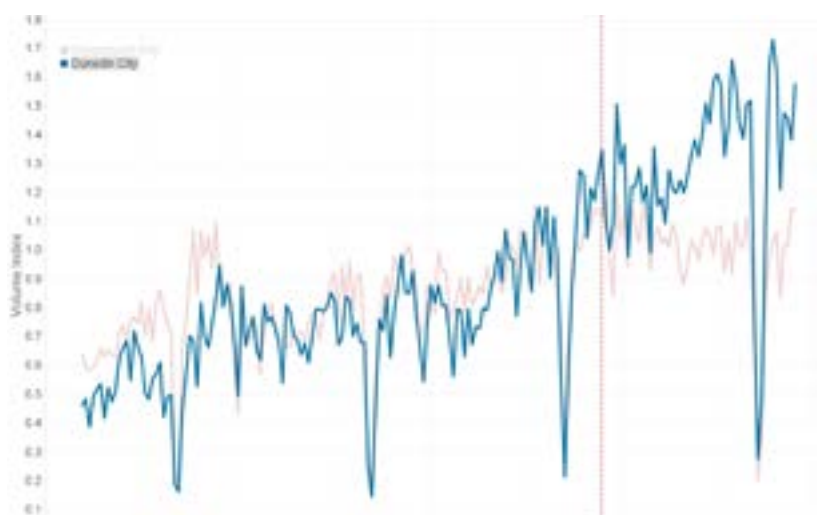
		February 2017		
	Current Value	3 months	12 months	Since Peak
Banks Peninsula	\$508,096	-1.8%	2%	6%
Christchurch Hills	\$672,029	-0.8%	3%	22%
Christchurch Central & North	\$589,186	-0.5%	4%	33%
Christchurch East	\$371,793	-1.8%	1%	20%
Christchurch Southwest	\$479,064	0.9%	4%	41%

Dunedin Market Activity

Buyer Demand - Dunedin

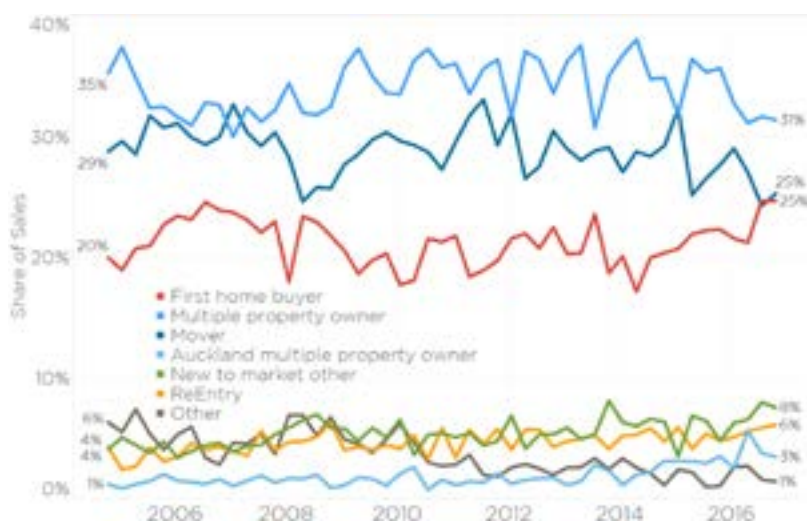
Dunedin experienced an exceptional spring and summer period for buyer demand which translated to rising prices.

Prior to last week it seemed demand was being dialled back, likely in response to the announcement to close the Cadbury factory. The latest week saw a lift which we'll keep an eye on to see if it's a one-off or the start of a stronger trend.



First home buyers enjoyed a better time in February than January, dragging the share of sales for the quarter up to 25% (from 23%). This now extends the record level experienced in Q4 2016.

Buyer Classification - Dunedin



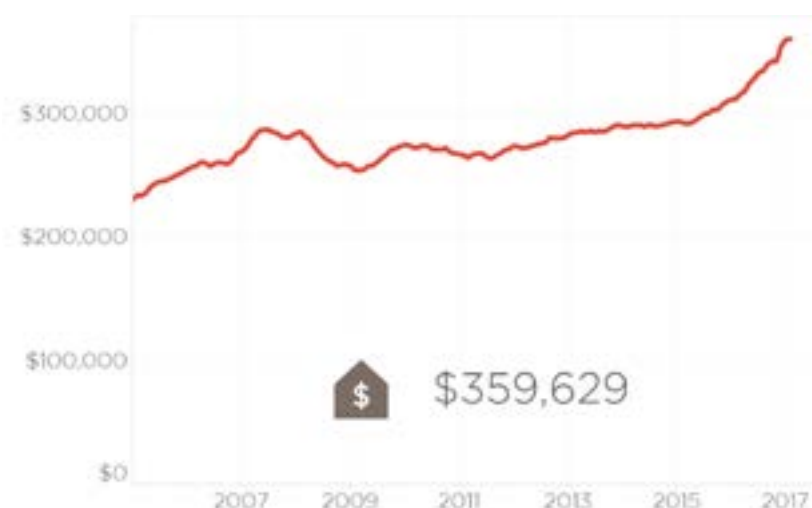
Investor activity has remained nearly as low as anything we have seen over the past ten years in a sign that lending limits to investors have put at least some off. Auckland investors have also reduced their activity in the Dunedin market. After accounting for nearly 6% of sales in Q3 2016 their share so far in Q1 2017 is only 3%.

Dunedin Values

After previously showing no clear signs of slowing, values from January to February were flat.

Our other measures of value indicate this slowdown may remain for another month or two at least, however with market demand remaining relatively strong we wouldn't expect it to persist for too long.

Average Value of Housing Stock - Dunedin



Annual and Quarterly Value Change - Dunedin



		February 2017		
	Current Value	3 months	12 months	Since Peak
Dunedin Central & North	\$372,954	5.3%	15%	24%
Dunedin South	\$340,838	4.8%	15%	19%
Peninsula & Coastal	\$326,875	6.9%	16%	21%
Taieri	\$376,406	5.3%	17%	28%



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