



Autumn 2017

MARKETBEAT

BAYLEYS

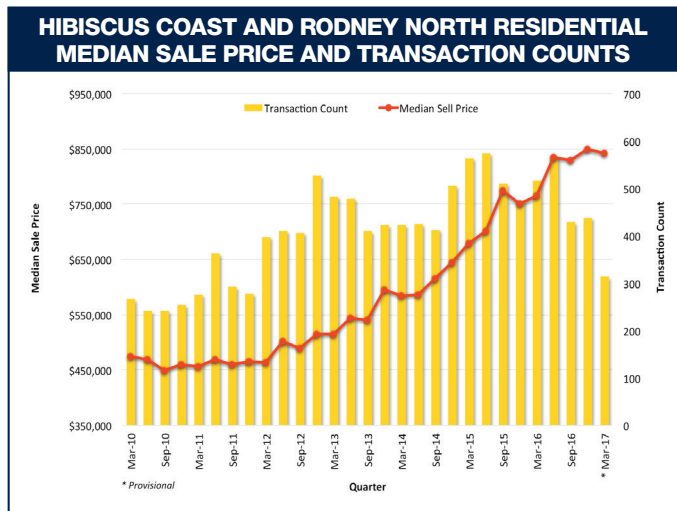
RESEARCH NEWSLETTER

Hibiscus Coast & Rodney North Residential

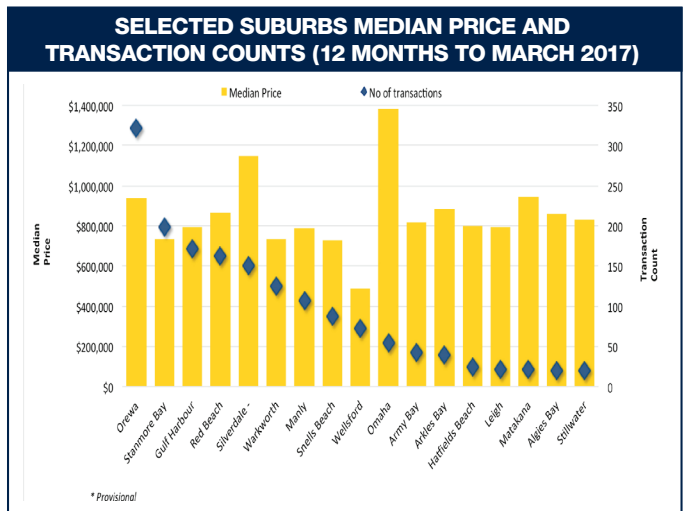
Situated to the north-east of Auckland, the Hibiscus Coast and Rodney North residential market runs north from Stillwater and the Whangaparaoa peninsula through the coastal communities of Orewa, Waiwera Mahurangi, Snells Beach and Omaha to Leigh. It also encompasses the larger service centres of Warkworth and Wellsford along with Matakana.

The combination of productive farm land and expansive coastlines has heavily influenced the local economy which is driven by the traditionally strong agricultural sector, and, more recently, bolstered by a rapidly expanding tourism industry. Many of the features which make the area popular amongst tourists, long sandy beaches, steep coastal cliffs, regional parks, golf courses and thermal hot pools have, for an extended period, also attracted holiday home purchasers and retirees.

The popularity of the area is reinforced by its proximity to Auckland, to which it is well connected via State Highway 1. The motorway link has improved in recent years with the completion of the Orewa-Puhoi extension, which has seen significant improvements in journey times. Further road infrastructure improvements slated for the region will further enhance accessibility over the next few years. The Puhoi-Warkworth project which will extend the four-lane motorway 18.5km from the Johnstone's Hill tunnels to the north of Warkworth is expected to be opened to traffic in late 2021. Moreover, the Warkworth-Wellsford project is in an investigation phase with lodgement of consents currently planned for late-2017.



Source: REINZ



Source: REINZ

Given the strong and improving links between the Hibiscus Coast-Rodney North area and Auckland, it is hardly surprising that trends within their respective housing markets have been similar over recent years. The rapid surge in housing prices experienced over the recent years in the wider Auckland market, was equally evident in the Hibiscus Coast and Rodney North residential market. The area recorded a median house price of \$842,500 over the March quarter of 2017, according to Real Estate Institute of New Zealand (REINZ) statistics, equating to a 10.1% or \$77,500 increase compared to the same quarter a year earlier. While the first quarter of 2017 witnessed a slight easing in median prices in both the local market and the wider Auckland region, values remain supported by strong market fundamentals, predominantly, a rapidly expanding population, a low interest rate environment and, most significantly, a regional housing shortage which continues to grow.

While values remain at elevated levels, sales activity across the Auckland region witnessed a slowdown particularly after the latest round of lending restrictions imposed upon investors by the Reserve Bank of New Zealand. Another factor contributing to the softening in sales activity is the start of a slight upward trend in mortgage rates, making the cost of borrowing relatively higher.

AUCKLAND RESIDENTIAL	MARCH 2017	HISTORIC 10 YEAR AVERAGE
New Listings (actual)	4,700	3,728
Sales (sa) *	1,885	2,137
Inventory (sa)	8,278	10,354
Weeks to Sell Inventory	19.0	23.4

*Sales data February

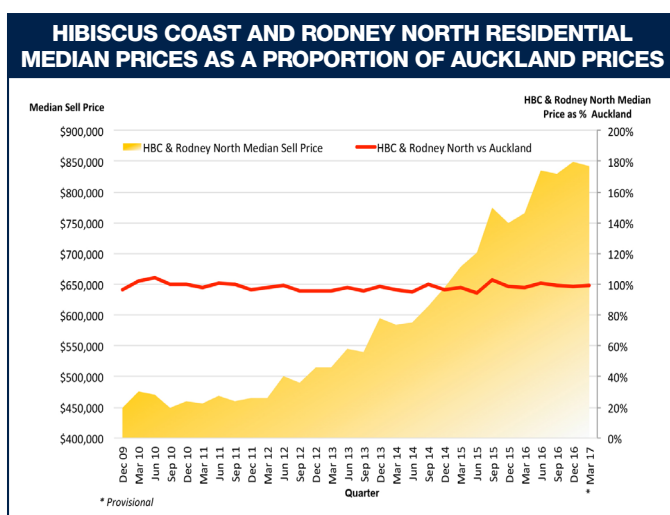
Source: Realestate.co.nz

The softening of the market is reflected in an increase in the total inventory available to the market. While the total inventory and weeks to sell figures remain at below their nine year averages, both have increased over recent months. Both the Inventory and weeks to sell figures figure reached cyclical lows in mid 2016 at 5,711 and 9.3 respectively.

REINZ statistics released for March 2017, however, indicate a significant surge in both values and sales activity. While the market is seeing these as tentative indications that the impact of additional lending restrictions and higher mortgage rates are moderating, this will not be confirmed until further data is analysed over coming months.

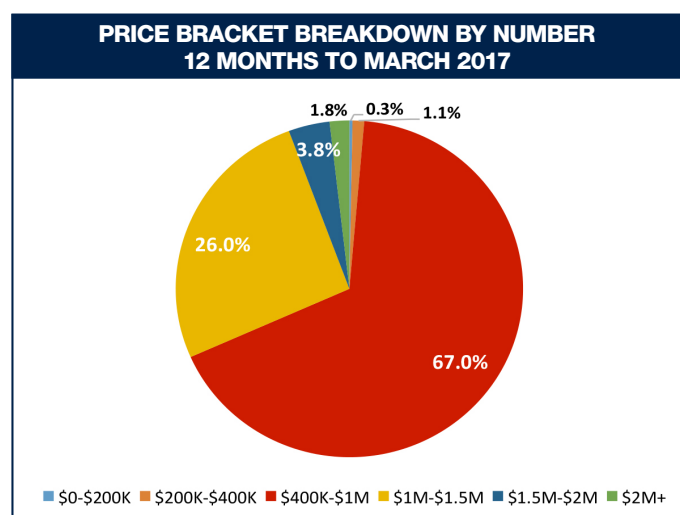
As mentioned above, market fundamentals in Auckland remain strong. The Hibiscus Coast and Rodney North residential market values continue to reflect the region's housing shortage. An analysis of long-term price movements in the local market relative to that of the wider Auckland region shows that proportional prices have remained stable despite the sharp increases experienced over recent years as illustrated in the adjacent graph.

The continuation of tight market conditions in the Hibiscus Coast and Rodney North residential market is also demonstrated by the fact that the average days on market figure recorded in the March 2017 quarter was just 45 days, only slightly up from 43 days recorded in the same quarter a year prior.

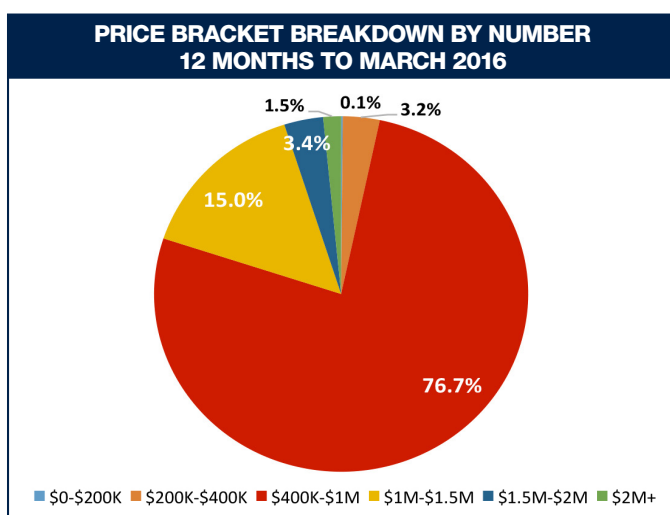


Source: REINZ

The impact of value appreciation is well illustrated by the shift in the number of sales recorded within various value brackets when comparing sales completed in the year ending March 2017 with those of a year earlier. The surge in prices resulted in a noticeable decrease in the share of lower priced properties in overall sales. The relative share of properties priced \$1M and below, which accounted for 80.1% of sales over the twelve months to March 2016, fell to 68.4% over the twelve months to March 2017. The



Source: REINZ

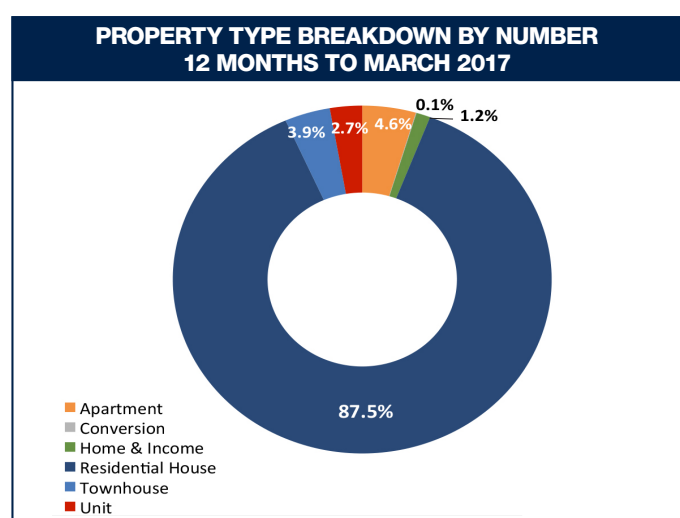


Source: REINZ

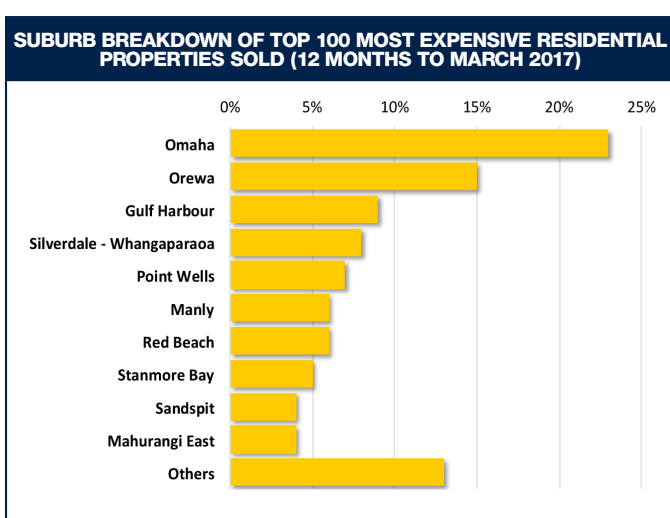
value bracket with the proportionally highest increase in its share in sales was the \$1M-\$1.5M range which was up from 15% to 26%. Consequently, residential properties priced over \$1M now make up almost one third of all sales in the Hibiscus Coast and Rodney North market.

Unlike the wider Auckland region where multi-unit dwelling sales have become a more significant part of the market, Hibiscus Coast and Rodney North market transactions continue to be dominated by the sale of stand alone houses. Apartments, townhouses and units made up only 11.2% of residential sales over the last twelve months. More than half of the multi-unit properties sold over this period were located in Orewa, with the dominant multi-unit property type being apartments. However, even in Orewa stand alone houses constituted two third of all sales.

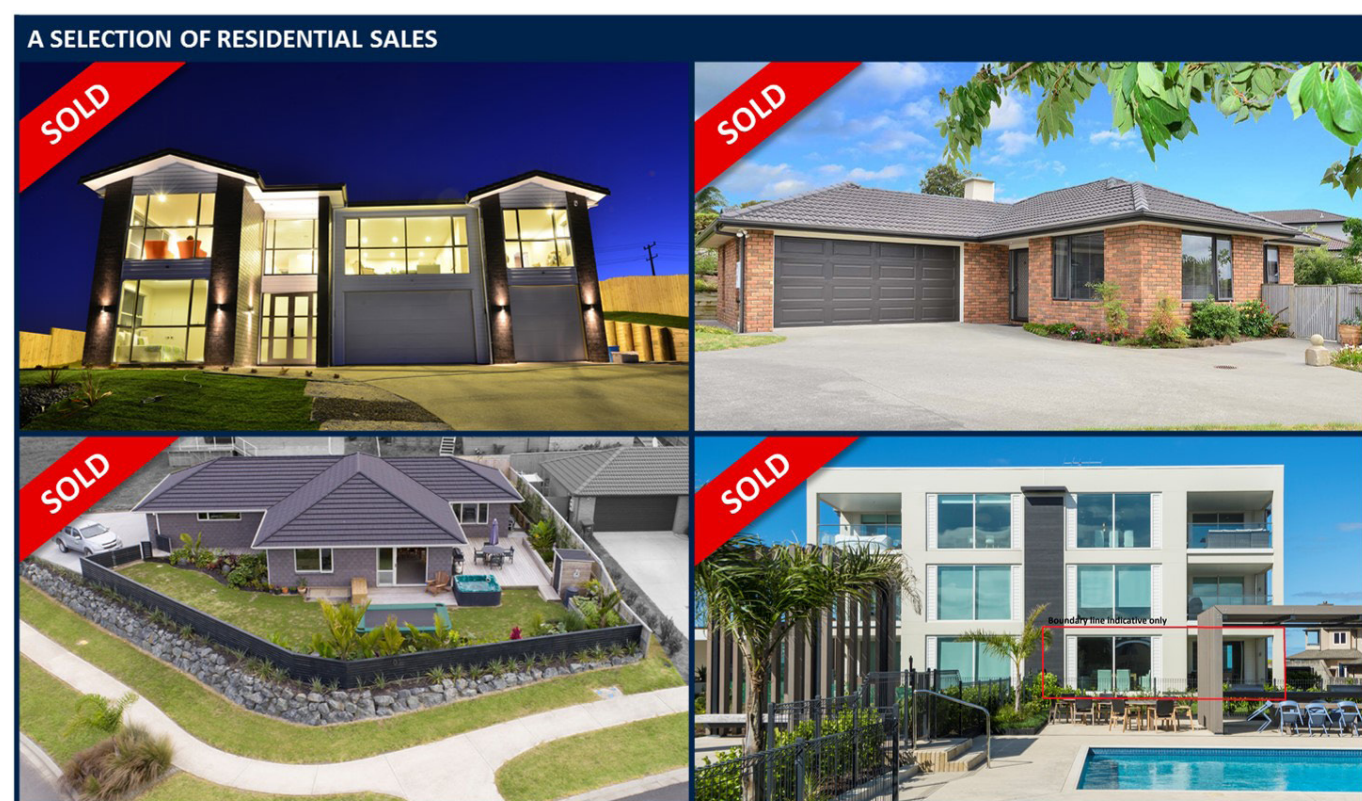
The upper-end of the Hibiscus Coast and Rodney North market is largely dominated by Omaha. Despite the fact that sales in Omaha have comprised just 3.2% of all sales in the Hibiscus Coast and Rodney North market recorded over the last 12 months, it accounts for 23% of the most expensive 100 residential properties sold over this period. Omaha also saw the area's highest value sale over the last 12 months at \$4.95 million. 85.5% of residential properties sold in Omaha over this period were priced over \$1 million compared with an average of 31.6% across the entire Hibiscus Coast and Rodney North residential market.



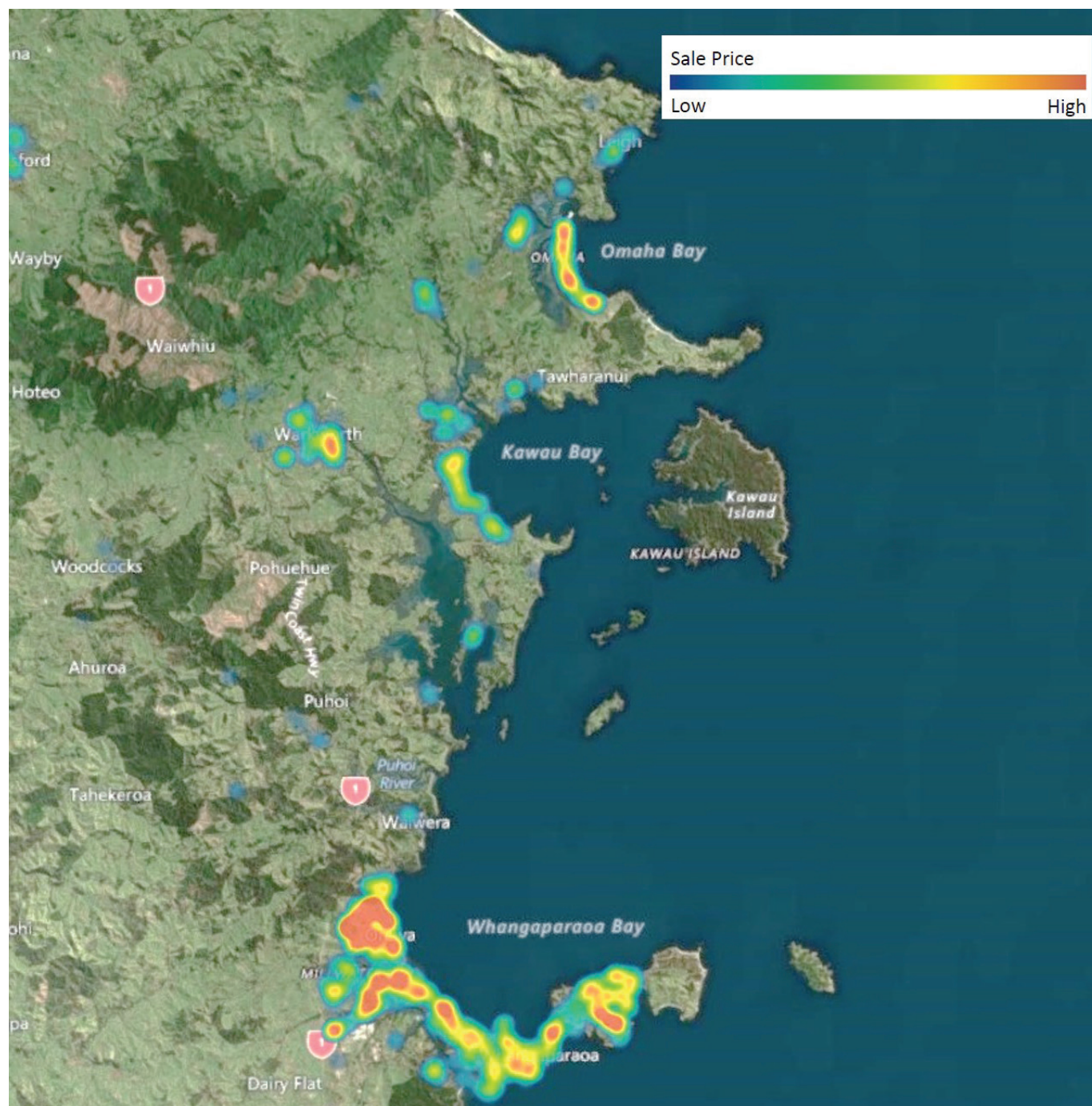
Source: REINZ



Source: REINZ



SALES HOT SPOTS – Hibiscus Coast and Rodney North Residential Sale Prices (12 months to March 2017)



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