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NATIONAL RESIDENTIAL MANAGER
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As the year draws to a close, Bayleys looks at what's in store next year for residential property owners in Auckland and Northland.

2017: A QUICK REVIEW

Residential property performance in Auckland and Northland over 2017 was eventful, with a lacklustre start in January only rebounding in February and March as holiday-makers returned from their sun-soaked hiatus later than usual.

Pushing on to April, May and June, sales activity tapered back due to credit constraints and election-speak beginning to circulate. Despite this air of uncertainty as we headed toward the mid-year mark, sale values maintained an upward trajectory with consistent value gains year-on-year.

In the third quarter, stringent lending policy and loan-to-value restrictions curbed activity from the investment sector, exacerbated by pre-election anxiety in July, August and September's sale results. While activity was down, we saw a number of owner-occupiers taking advantage of market conditions.

Equipped with a new socially-conscious coalition Government with the drip-feed of policy announcements, October and November have seen mixed sale results, with some behaviour clouded by uncertainty and a lack of stock on market to purchase. Despite this lower activity, our auction rooms show the re-emergence of first home buyers and owner-occupiers ready to enact on their next opportunity if conditions are right.

A better buyer and seller understanding of market conditions for December is looking to create a positive summer selling season with more listings and more buyers entering the market. While activity is still likely to be below last year, keeping prices at or near current levels, the stability sets the stage for a more positive beginning to 2018.

AS ANOTHER YEAR COMES TO a close, Auckland and Northland's residential housing sector has entered into a consolidation phase after its massive growth spurt. So, what opportunities does this unlock for property owners in the year 2018?

A BETTER BUYER AND SELLER UNDERSTANDING OF MARKET CONDITIONS FOR DECEMBER IS LOOKING TO CREATE A POSITIVE SUMMER SELLING SEASON WITH MORE LISTINGS AND MORE BUYERS ENTERING THE MARKET.

NORTHLAND

Characterised by rolling farmlands, orchards and uninhibited beachside communities, property performance in the north has been fuelled by the dairy, produce and tourism sectors – as well as those looking for a bolthole to escape. Residential activity was more

moderate than the previous year, but was still buoyant in both the first and second quarters of 2017. The region bucked the pre-election trend experienced in Auckland with exceptional outcomes for willing sellers and buyers. While volumes are down by 21% between October 2017 and October 2016 quarters, the median sales price is up 4%, or \$16,30 for the region. This suggests a more discerning market, with quality property brought to market still receiving plenty of buyer appetite.

We forecast the government's focus on regional New Zealand and the substantial investment in local infrastructure will drive long-term value gains, drawing owner occupiers, first home buyers and holiday makers from wide and far in 2018.

RODNEY DISTRICT

Emulating activity trends of the Hibiscus Coast and North Shore, the Rodney North market experienced a slowdown in activity throughout the year. However, demand for property in Rodney North has more recently picked up, and looking ahead to spring, with a new government now in place, the market seems poised to have a busy run up to Christmas.

First-home buyers and permanent residents will benefit from a shorter daily

commute to Auckland's CBD and while restrictions on property investment are poised to encourage a flurry of activity in quarter one 2018, we do not expect a dampened investor presence, or ban on foreign investment to affect property sales adversely throughout the year. Bayleys in the North's latest research shows only 4 percent of all transactions by Bayleys in the North between April 2008 and September 2017 were made by 'international' purchasers.

HIBISCUS COAST

Nestled within a diverse location of well-established and burgeoning areas of new subdivisions in Auckland's north, the market experienced a cooling in house sale volumes throughout the year, but rebounded very quickly following the new government announcement. Activity levels have risen immediately and vendors and buyers are finally getting on with agreeing deals that a month ago didn't seem possible.

What is interesting is the plateau in pricing as sales activity remains low, albeit we note a rising number of listings is likely to emerge in the new year. The median sale price rose by 4% overall for the September quarter to \$887,500, but considering



QUICKLY FOLLOWING THE NEW GOVERNMENT ANNOUNCEMENT, THE ACTIVITY LEVELS HAVE RISEN IMMEDIATELY AND VENDORS AND BUYERS ARE FINALLY GETTING ON WITH AGREEING DEALS THAT A MONTH AGO DIDN'T SEEM POSSIBLE.

the large number of new builds in the \$1,000,000-plus range in the area, this is a subdued result likely reflecting the stock brought to market at the time. Greater focus on the area to support Auckland's burgeoning northern population will likely provide stronger sales activity in December and the new year.

AUCKLAND NORTH SHORE

A wide array of property types appealing to many different buyer segments has been a benefit for residential property activity on the North Shore. This environment has enabled sales activity to fluctuate with buyer behaviour who have had differing levels of influence from credit and lending constraints over 2017.

We expect the even spread of property type will underpin value retention for the coming year for the North Shore. Areas or property typology targeted by investors experiencing uncharacteristically

sluggish activity at the moment will likely experience a rebound in activity as first-home buyers and owner occupiers fill the void. Larger homes in coastal areas such as the eastern bays, Takapuna, Devonport and Northcote Point will continue to hold value as and when they come to market, despite smaller percentage gains than reported in previous years due to the high base value.

WEST AUCKLAND

Home to New Zealand's largest residential growth area, Auckland's western suburbs have thrived this year with substantial subdivisions across Riverhead, Hobsonville, Westgate and Massey proving a popular vehicle for first home buyers and owner occupiers.

Looking ahead, improved accessibility via the Government's light rail network will create greater connectivity to the CBD with more local job opportunities created through dining, retail and commercial precincts. We expect that this prolific growth will continue throughout 2018 as property purchasers are incentivised to buy off-plan and new developments. Despite this, we do not expect values of existing property in central-western suburbs like New Lynn, Avondale and Mt Albert to be left behind. Larger, standalone homes in these areas have reported high value gains in recent years which will continue, holding appeal for families seeking proximity to schooling, amenities and the CBD.

CENTRAL AUCKLAND

It has been a game of two halves for Auckland's apartment sector. Property

investment has been hampered by purchasers unable to source sufficient levels of funding. However, seasoned owners and investors are still actively looking to snap-up quality property where available. Boutique apartment developments located in suburbs like Kingsland and Orakei, that are aimed at owner-occupiers, remain the more popular apartment typology. This is due to a growing number of Aucklanders transitioning from larger homes to low maintenance apartments as well as those looking to enter a specific suburb at a more affordable entry price than a standalone property.

Residential housing in city-fringe suburbs like Parnell, St Mary's Bay, Pt Chevalier and Ponsonby have held their value through the year's fluctuations with purchasing appetite for quality properties remaining high. Purchasing in these locations has nearly always been above market trend due to the location, a phenomenon experienced globally with a city fringe location in proximity to a growing CBD. The popularity of buying in these areas will be the catalyst to price growth next year, albeit we will likely see a more sustainable rate of growth due to higher base prices.

Properties in the eastern suburbs of Auckland central such as those located in Mission Bay, Remuera, St Heliers and Glendowie, have performed in a similar pattern to those closer to the CBD, and the continuation of the upward trend in value growth is expected. The eastern suburbs area is one of the most affluent areas of the country, with properties located

within the area commanding some of the highest prices in New Zealand. This is reinforced by the fact that the fastest growing price bracket over the last three years has been the \$2 million-plus band.

EAST AUCKLAND

Spurred on by a booming local economy which is driven by strong commercial growth around Mt Wellington, housing in Auckland's east is in hot demand, with terraced housing developments providing more accommodation for a wider demographic of buyers. Lifestyle property sales around Beachlands, Clevedon and Whitford have experienced an unusually tough winter with changing market conditions - something we expect to change in the new year when buyers become more comfortable with new market conditions. Heading into the new year, standalone houses located within proximity to the airport will always hold value while investment-grade stock selling sub-\$600,000 may experience fluctuations in demand due to the introduction of new Government policy on affordable homes. We'll be keeping an eye on the implications of KiwiBuild for Auckland's east - where there is a plethora of land suitable for large scale residential development.

SOUTH AUCKLAND

Enjoying a significant rise in property values in recent years, South Auckland has reasserted itself as a rich source of buyer opportunity that is likely to continue over the new year. The golden triangle between Auckland, Hamilton and Tauranga where almost half of New Zealand's GDP emanates has already focussed buyer attention in the south, but it will be driven further by the Government's plan to abolish urban boundaries and ramp up housing construction in areas like Paerata, Pukekohe and Karaka. Significant investment in local infrastructure, coupled with improved amenities and the construction of transport hubs will see the south be the subject of many headlines in the new year for the range of properties on offer for all buyer types.

TOP PREDICTIONS FOR 2018

• First home buyers rule

First home buyers will be eager to capitalise on the Government's emphasis toward affordable housing and we expect current and new residents will take their chance to purchase a home or investment of their own in developing areas. It will be interesting to see the negotiation of these first-home initiatives as implementation by definition may prove challenging.

• Suburban divide

As improvements to infrastructure and significant housing developments take shape, savvy purchasers will increasingly look to buy in areas with a view for development. With this in mind, we expect to see sustained growth across areas that will be receiving more than their fair share of new infrastructure investment as well as those in proximity to good schooling, amenities, green spaces and employment hubs.

• Apartments peak

A record number of apartment projects are expected to be completed in 2018, but we suspect large-scale buildings will taper off in favour of smaller, boutique blocks as banks become more discerning in funding larger, high-end projects following the Government's mandate to prioritise affordable housing developments, most likely of higher density. However, signalling that KiwiBuild could also step into multi-unit purchasing, this may entice some well-established players into a different field of apartment market development than in recent times.

• Interest rates rise, slowly

Many economists have predicted that the Reserve Bank of New Zealand (RBNZ) will lift the Official Cash Rate (OCR) toward the end of 2018. Regardless of this, inflation remains low and we suspect that rates will rise incrementally so as not to rock the economic boat.

• Lifespan of home ownership

Along with the proposed extension to the bright-line test, home-owners will look for long-term value gain in 2018 and we expect that purchasers will likely increase their tenure from one to three years, on to five and seven years. This change in investment horizons will likely result in greater stability in price growth over the medium term.

• Lending restrictions loosened

Sooner rather than later, we expect to see the RBNZ's Loan-to-Value Ratio (LVR) restrictions loosened systematically to combat any softening in the market created by the bright-line test, rental reforms and restrictions on foreign investment. This will further encourage first home buyers and perhaps even more seasoned property investors back into the market. Owner-occupiers will remain active as a result of their changing life's circumstances that often dictate their purchasing behaviour.

PROPERTIES FOR SALE

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The property featured on the cover at 28 Manor Park, Sunnyhills can be found on page 41.

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