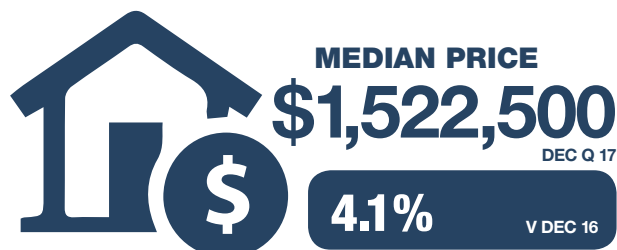


Ponsonby & Surrounds Residential Report

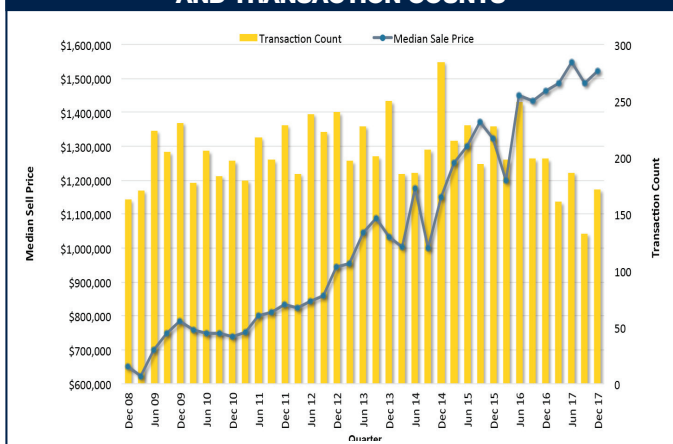


Its back to business in the Ponsonby and surrounding real estate market. Following an easing in activity in the lead up to September's election last year, transactional volumes are already picking up. We expect this momentum to continue in 2018.

The Ponsonby and surrounds residential market, including Freemans Bay, St Marys Bay, Herne Bay, Westmere, Pt Chevalier and Grey Lynn, remains well positioned in the Auckland market. Over the latter part of 2017, a softening in overall market conditions was evident. Ponsonby and Surrounds however has experienced a sharp rebound over the December quarter, with sales activity increasing by 29% compared with the September quarter. The local market has therefore performed strongly compared with that of the wider region, which experienced a 13% reduction in sales volumes over the same period.

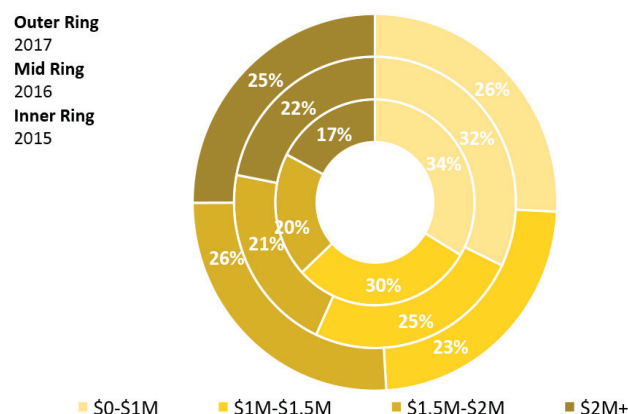
The slowdown in activity over the second half of 2017 was driven primarily by uncertainty caused by the election and subsequent change of government, as well as the lending restrictions imposed by the Reserve Bank of New Zealand and mortgage lenders. Sales activity was down for the calendar year in both the wider Auckland region and the Ponsonby and surrounds suburbs by -26.8% and -22.7% respectively. While sales activity has slowed, the local median finished the 2017 year at \$1,522,000, up 2.5% from the prior quarter and up 9% over the year. This reflects the ongoing appeal in the area with buyers continuing to see value in their purchases. We would expect to see sales activity lift further as political issues are clarified and buyers adjust to the new regulatory backdrop.

PONSONBY AREA RESIDENTIAL MEDIAN SELL PRICE AND TRANSACTION COUNTS



Source: REINZ

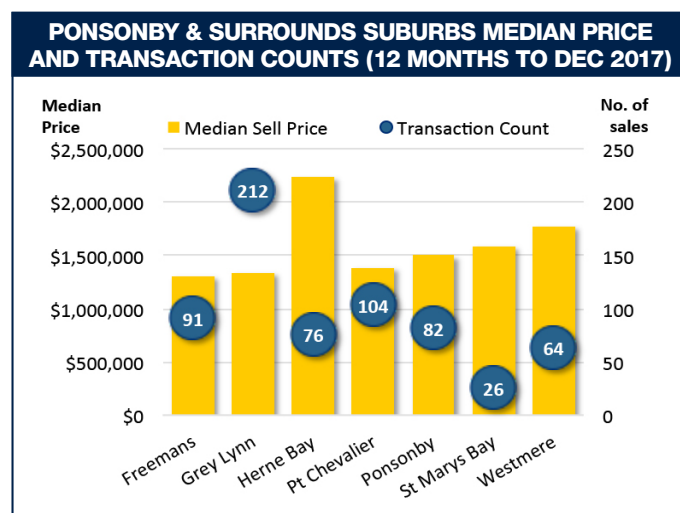
PONSONBY AND SURROUNDS PRICE BRACKET BREAKDOWN BY NUMBER (12 MONTHS TO DECEMBER)



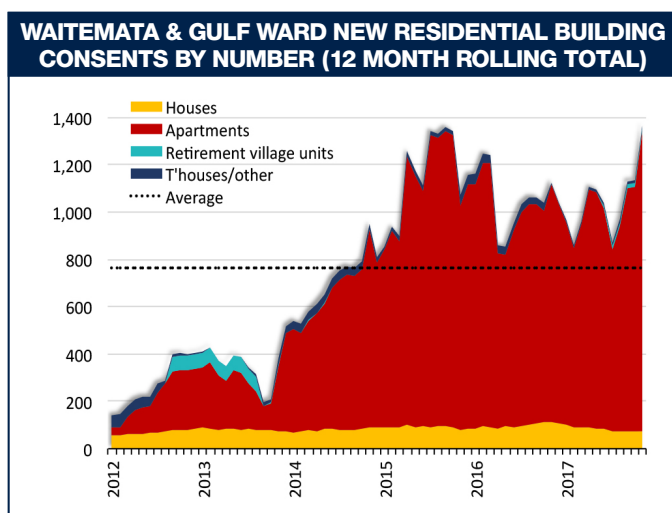
Source: REINZ

Proportionate shares of differing price brackets within the Ponsonby and surrounds market over the past 3 years, show the persistent demand and consequent lift in values. The 2017 year has seen the largest numbers of property transactions occur within the over \$1.5 million price bracket. This has seen a steady year-by-year increase since 2015. On the other hand, the number of transactions to take place under \$1.5 million has continued to fall.

Value and transaction distributions throughout the Ponsonby and surrounds, illustrates the most active and valuable suburbs within the inner west region. Herne Bay remains the highest value suburb with an average median price of \$2,240,000. Sales activity is most prominent within Grey Lynn which serves as a more affordable entry point for buyers. St Marys Bay holds the lowest transaction counts of 26 in this small and tightly held sub-section of the market.



Source: REINZ

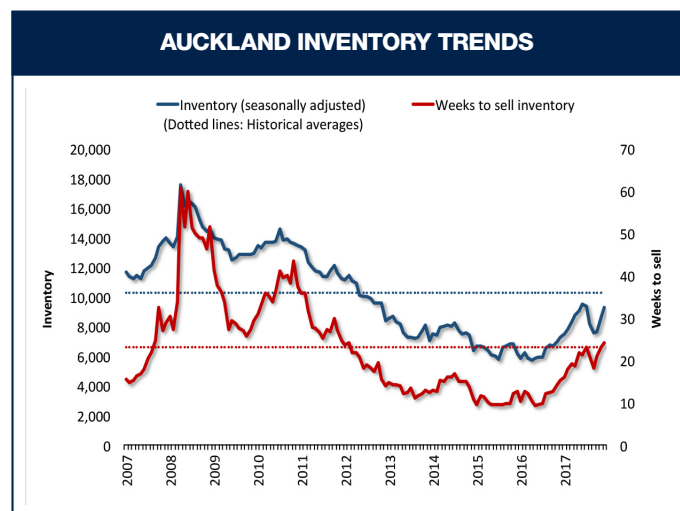


Source: StatisticsNZ

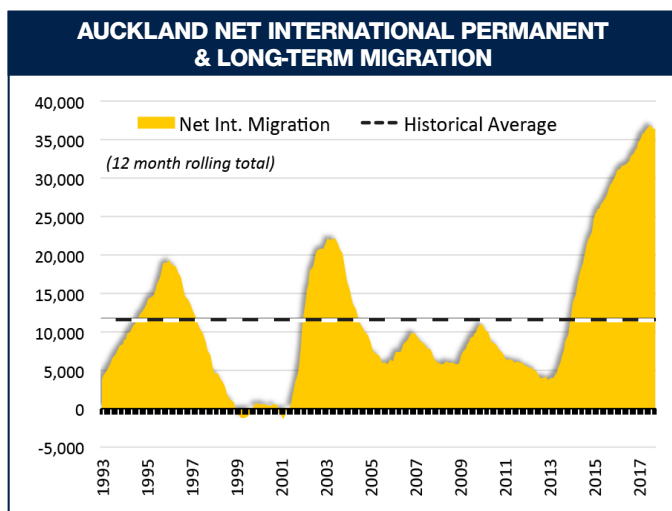
The Auckland City Council's Unitary Plan is working to encourage higher densities of residential stock. Not surprisingly, new development in the Ponsonby and surrounds area continues to be dominated by the apartment sector. The number of apartment consents within the Waitemata and Gulf ward, which encompasses the Ponsonby and surrounds area, reached 1,265 for the year to November 2017, the highest level on record and up 26% on the prior year.

The slowing in sales activity seen over the last year has resulted in a lift in residential inventory levels across the Auckland region. Inventory has seen an overall increase up 34% from the prior year. Weeks to sell inventory has reached 24, which is the highest level recorded since early 2012 and now sits just above the long term average.

The market outlook remains positive due to a mix of influences. Auckland reached record migration levels in mid-2017, when the net gain of migrants reached 36,750 causing rapid population expansion. Although net migration is easing, and the Government has indicated their plans to reduce inflows further, numbers are expected to stay at above long term averages for some time.



Source: realestate.co.nz



Source: StatisticsNZ

Interest rates remain at historically low levels and the Loan to Value ratio (LVR) restrictions imposed by the Reserve Bank have been relaxed slightly as of the 1st January 2018. Banks are now permitted to make 15% of new loans to purchasers who have less than a 20% deposit, up from 10% previously. Investors have also had their equity requirement reduced from 40% to 35% with 5% of lending allowed outside of that. This is expected to increase interest from first home buyers, upgraders and investors in particular.

One of the major policy initiatives being progressed by the new government is an effective ban on foreign buyers of existing residential property. However agency feedback suggests that it is likely to have a minimal impact on the Ponsonby and surrounds market due to the dominance of local buyers.

SALES HOT SPOTS – (2017 HY 2)



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