

AUCKLAND PROPERTY INVESTOR – EMBARGOED UNTIL NOVEMBER 28
28 November 2014

Auckland dominates capital gains in the Westpac Property Investor Report

Auckland dominates the national residential property investor market for capital gain claiming the top 59 suburbs in the country according to the new Westpac Property Investor Report.

The Westpac Property Investor Report identifies the best suburbs for capital gain and gross yield from March to September this year in seven main centres across the country - Auckland, Christchurch, Hamilton, Wellington, Dunedin, Tauranga, and Palmerston North. It looks at both three bedroom houses and two bedroom apartments (where applicable). Summaries of the results for Auckland are set out below.

South and East Auckland dominate the top tier for capital gain in three bedroom houses with Mangere Bridge (17.5%), Glen Innes (17.5%) and Panmure (14.8%) all featuring. At the top end of the table, returns are between 14.5-17.5% while at the bottom end suburbs among the top 60 are delivering between 11.9-12.5%.

As a comparison, reasonable capital gain can be made in Christchurch, with the top two suburbs being Hornby (11.5%) and Hei Hei (10.8%). The other centres though offer slim pickings, the highest for each centre being Hamilton (5.3%), Wellington (4.3%), Dunedin (3.9%) Tauranga (3.6%) and Palmerston North (2.5%). Auckland's dominance also extends to capital gain in two bedroom apartments with the top suburb, Mt Wellington, delivering 17.4%, well ahead of any other centre.

However, it is a different story in gross yields for rental property, with Auckland not featuring at all in the top 10 suburbs nationally.

In Auckland, Wellsford is the best area for gross yield in houses with 7.1% and Central Auckland remains tops for the apartment market with 6.5% in gross yield.

Across the rest of the country, three bedroom houses produced the top gross yields for rental property of between 7.3%-8.4% with half of the top 10 suburbs coming from Dunedin. Porirua and Christchurch also featured. By contrast the top 10 suburbs for gross yields in apartments ranged from 6.8-7.6% in Wellington, Christchurch and Dunedin.

Otara was the only suburb to feature in the Auckland top 10 for both gross yield and capital gains with capital gain results of 15.9% and gross yield of 5.9%.

Westpac's General Manager Retail Bank Ian Blair says the report helps investors to identify market investment trends.

"When deciding to invest in property, it is important to decide the best outcome for you – is it to sell the property and realise a capital gain or is it to earn income through a good yield return. This will ultimately drive where and how you decide to invest."

He says Auckland's residential market continues to show strong capital growth with average capital gains sitting at 12.2% for a three bedroom house across the region. "A closer look at the numbers shows the growth is being driven by Auckland's southern and south eastern suburbs with areas such

as Mangere Bridge, Otara, Mangere, Panmure and Glen Innes becoming some of the highest ranking suburbs in the country.”

As a general rule, cashflow works better on a high gross yield property because of regular rental income. Investors looking for capital gain often accept lower cashflow in the expectation of an increase in the value of the property mostly based on location and desirability.

Accurately accounting for insurance, rates, maintenance and periods of vacancy are all important considerations in the decision making process.

Estimated valuations in the report are based on specific property details such as size, number of bedrooms, bathrooms and recent sales. The estimated valuation for the average rental property also focuses in on rental stock in each of the suburbs.

Top 10 Auckland suburbs for three bedroom houses by gross yield

Suburb	Property Type	Median Weekly Rent	Estimated Valuation	Gross Yield	Capital Gains	Yield + Gains
Wellsford	House (3 Beds)	\$400	\$293,000	7.1%	9.1%	16.2%
Otara	House (3 Beds)	\$395	\$348,000	5.9%	15.9%	21.8%
Weymouth	House (3 Beds)	\$400	\$364,000	5.7%	10.4%	16.1%
Papakura	House (3 Beds)	\$395	\$372,000	5.5%	10.4%	16.0%
Manurewa	House (3 Beds)	\$418	\$403,000	5.4%	12.7%	18.1%
Waiheke Island	House (3 Beds)	\$480	\$482,000	5.2%	4.9%	10.1%
Wattle Downs	House (3 Beds)	\$430	\$435,000	5.1%	9.5%	14.6%
Mangere East	House (3 Beds)	\$420	\$427,000	5.1%	13.6%	18.7%
Waiuku	House (3 Beds)	\$360	\$384,000	4.9%	7.7%	12.6%
Ranui	House (3 Beds)	\$400	\$429,000	4.9%	12.6%	17.4%

Top 10 Auckland suburbs for three bedroom houses by capital gains

Suburb	Property Type	Median Weekly Rent	Estimated Valuation	Gross Yield	Capital Gains	Yield + Gains
Mangere Bridge	House (3 Beds)	\$450	\$620,000	3.8%	17.5%	21.3%
Glen Innes	House (3 Beds)	\$490	\$679,000	3.8%	17.5%	21.3%
Mangere	House (3 Beds)	\$400	\$432,000	4.8%	16.8%	21.7%
Otara	House (3 Beds)	\$395	\$348,000	5.9%	15.9%	21.8%
New Lynn	House (3 Beds)	\$450	\$590,000	4.0%	15.2%	19.2%
Panmure	House (3 Beds)	\$475	\$637,000	3.9%	14.8%	18.7%
New Windsor	House (3 Beds)	\$475	\$685,000	3.6%	14.8%	18.4%
Hillsborough	House (3 Beds)	\$500	\$760,000	3.4%	14.6%	18.1%
Bucklands Beach	House (3 Beds)	\$545	\$812,000	3.5%	14.6%	18.1%
Te Atatu South	House (3 Beds)	\$450	\$591,000	4.0%	14.5%	18.5%

Top 10 Auckland suburbs for two bedroom apartments by gross yield

Suburb	Property Type	Median Weekly Rent	Estimated Valuation	Gross Yield	Capital Gains	Yield + Gains
Auckland Central	Apt/Flat (2 Beds)	\$432	\$345,000	6.5%	7.3%	13.8%
Otahuhu	Apt/Flat (2 Beds)	\$312	\$254,000	6.4%	14.5%	20.9%
Manurewa	Apt/Flat (2 Beds)	\$359	\$294,000	6.3%	10.7%	17.0%
Manukau	Apt/Flat (2 Beds)	\$377	\$321,000	6.1%	10.5%	16.6%
Eden Terrace	Apt/Flat (2 Beds)	\$461	\$401,000	6.0%	8.7%	14.7%
Mangere East	Apt/Flat (2 Beds)	\$320	\$279,000	6.0%	13.5%	19.5%
Takanini	Apt/Flat (2 Beds)	\$320	\$280,000	5.9%	11.6%	17.5%
Grafton	Apt/Flat (2 Beds)	\$478	\$424,000	5.9%	9.6%	15.5%
Mangere	Apt/Flat (2 Beds)	\$315	\$285,000	5.8%	11.5%	17.2%
Papakura	Apt/Flat (2 Beds)	\$320	\$293,000	5.7%	9.8%	15.5%

Top 10 Auckland suburbs for two bedroom apartments by capital gain

Suburb	Property Type	Median Weekly Rent	Estimated Valuation	Gross Yield	Capital Gains	Yield + Gains
Mount Wellington	Apt/Flat (2 Beds)	\$377	\$412,000	4.8%	17.4%	22.1%
Panmure	Apt/Flat (2 Beds)	\$382	\$432,000	4.6%	17.2%	21.8%
Waterview	Apt/Flat (2 Beds)	\$350	\$501,000	3.6%	16.5%	20.2%
Point England	Apt/Flat (2 Beds)	\$385	\$383,000	5.2%	16.2%	21.4%
Meadowbank	Apt/Flat (2 Beds)	\$397	\$520,000	4.0%	15.8%	19.7%
Royal Oak	Apt/Flat (2 Beds)	\$440	\$558,000	4.1%	15.4%	19.5%
One Tree Hill	Apt/Flat (2 Beds)	\$440	\$540,000	4.2%	15.2%	19.4%
Hillcrest	Apt/Flat (2 Beds)	\$383	\$495,000	4.0%	14.8%	18.8%
Pakuranga	Apt/Flat (2 Beds)	\$370	\$468,000	4.1%	14.7%	18.9%
Otahuhu	Apt/Flat (2 Beds)	\$312	\$254,000	6.4%	14.5%	20.9%

**To show the contrasting results across the country, the top two suburbs for each category from each of Auckland, Christchurch and Wellington are shown, as well as the top suburb from each of the other centres.

**Top 10 NZ suburbs for three bedroom houses by capital gain

Rank	Suburb (Region)	Median Weekly Rent	Estimated Valuation	Gross Yield	Capital Gains	Yield + Gains
1	Mangere Bridge (Auckland)	\$450	\$ 620,000	3.8%	17.5%	21.3%
2	Glen Innes (Auckland)	\$490	\$ 679,000	3.8%	17.5%	21.3%
3	Hornby (Christchurch)	\$430	\$ 386,000	5.8%	11.5%	17.3%
4	Hei Hei (Christchurch)	\$430	\$ 389,000	5.7%	10.8%	16.6%
5	Hillcrest (Hamilton)	\$350	\$ 355,000	5.1%	5.3%	10.4%
6	Berhampore (Wellington)	\$500	\$ 506,000	5.1%	4.3%	9.4%
7	Roseneath (Wellington)	\$600	\$ 627,000	5.0%	4.1%	9.1%
8	Musselburgh (Dunedin)	\$340	\$ 266,000	6.6%	3.9%	10.5%
9	Mount Maunganui (Tauranga)	\$375	\$ 455,000	4.3%	3.6%	7.9%

10	Ashhurst (Palmerston North)	\$280	\$ 230,000	6.3%	2.5%	8.8%
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****Top 10 NZ suburbs for three bedroom houses by gross yield**

Rank	Suburb (Region)	Median Weekly Rent	Estimated Valuation	Gross Yield	Capital Gains	Yield + Gains
1	Glenleith (Dunedin)	\$320	\$ 199,000	8.4%	-1.0%	7.4%
2	Waitangirua (Wellington)	\$320	\$ 199,000	8.3%	-2.1%	6.2%
3	Aranui (Christchurch)	\$395	\$ 257,000	8.0%	6.3%	14.3%
4	Elsdon (Wellington)	\$370	\$ 244,000	7.9%	0.1%	8.0%
5	Phillipstown (Christchurch)	\$400	\$ 283,000	7.3%	7.9%	15.2%
6	Wellsford (Auckland)	\$400	\$ 293,000	7.1%	9.1%	16.2%
7	Hairini (Tauranga)	\$350	\$ 264,000	6.9%	2.2%	9.1%
8	Westbrook (Palmerston North)	\$277	\$ 214,000	6.7%	-1.2%	5.5%
9	Deanwell (Hamilton)	\$337	\$ 289,000	6.1%	4.7%	10.7%
10	Otara (Auckland)	\$395	\$ 348,000	5.9%	15.9%	21.8%

ENDS

How factors were calculated

Median Weekly Rent: based on data released by the Ministry of Business, Innovation and Employment ("MBIE") on tenancy bonds lodged with MBIE from October 2013 to September 2014.

Estimated Valuation: is the average estimated market valuation for all rental stock in that suburb as at 30 September 2014. Calculated using Data Insight's "Automated Valuation Model", which uses Real Estate Institute of New Zealand (REINZ) sourced data sales over a 12 month period (October 2013 to September 2014), property attributes and mathematical models to estimate the likely market valuation of rental properties in the relevant suburb based on recent comparable sales in that suburb and considering characteristics including age of building, land area, floor area and number of bedrooms and bathrooms.

Gross Yield: calculated by multiplying the Median Weekly rent of a suburb by 52 (weeks in a year), divided by the relevant suburb's Estimated Valuation.

Capital Gain: measures the change in Estimated Valuation between September 2011 and September 2014 for all rental stock in a suburb, divisible by the September 2011 valuation and annualised to calculate a percentage, which is then averaged across all properties in that suburb.

How does Estimated Value compare to Capital Value? Estimated Value is different from the Capital Value (CV) used by councils to set rates for properties. The Estimated Value is based on the details of specific individual properties, such as size, number of bedrooms and bathrooms, and similar properties recently sold, while the CV is a calculation of the land value with improvements determined for rateable assessment and as at a set date in time. Capital gains have been calculated based only on rental properties so all results are specific to the rental market.

Results have been considered and separated by property type and number of bedrooms, with the most common bedroom size for each suburb shown in the table above. Where data volumes were insufficient for a reliable separate output, the bedroom sizes were aggregated together.

Data Availability: Suburbs are reported on only where sufficient rental and property data is available for the reported period. To report on a suburb there needs to be sufficient data in all of the following areas to enable calculations to be made: stock (rental properties) in the suburb; sales activity (to enable the capital gains calculations to be made); and bond lodgements (to enable yield calculations).

The material in the Westpac Property Investor Report (the “Report”) is provided for general information purposes only and should not be relied upon. All opinions, statements and analyses expressed in the Report are based on information current at the time of writing from sources that Westpac believes to be authentic and reliable. Westpac issues no invitation to anyone to rely on this material and intends by this statement to exclude liability for any such opinion, statement and analyses. We recommend you seek independent legal, financial and/or tax advice.

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