

REINZ CAPITAL GAINS AND RENTAL YIELD REPORT

Q2 2020

SOUTHLAND HIGHEST PERFORMING REGION FOR RESIDENTIAL INVESTORS

The Southland region has remained the strongest performing region overall for residential property investors with the second highest capital gains in the country and second highest yield.

Capital gains in Southland increased by 19.3% for the three months ending June when compared to the same time last year with median prices going from \$285,000 to \$340,000. Additionally, yields increased 4.9% year-on-year making it the standout region for residential property investors in New Zealand.

The Gisborne region has been in the top three regions for five of the last six quarters and this quarter was second equal placing in terms of providing strong returns for investors. Gisborne had the fourth highest capital gains in the country (up 16.2% from \$370,000 to \$430,000) and the third highest yield for New Zealand at 4.6%.

Also, second equal in terms of ranking of strong returns for investors was the West Coast region, with the sixth highest capital gains in the country (up 12.8% from \$195,000 to \$220,000) and the highest yield for New Zealand at 6.7%.

At the other end of the scale, the Capital Gains and Rental Yields Report found that Auckland had the third to lowest capital gains across the country (up 7.6% year-on-year) and the lowest annual yield of all regions (3.2%), making it the worst performing region for residential property investors.

Bindi Norwell, Chief Executive at REINZ says: "For Southland to continue to provide such positive gains for investors on both a capital gains and yield perspective means that the region is really ticking all the boxes from

a strategic investment perspective. No doubt, the area will continue to remain on investors' radar going forward, particularly now that the 40% deposit requirement has been removed with the temporary withdrawal of LVRs and now that some of the major banks are offering investors the same lending terms as owner-occupiers."

Regional breakdown of Capital Gains

The regions with the biggest increase in capital gains for the 3 months ending June 2020 compared to the 3 months ending June 2019 were:

1. Hawke's Bay with a 19.7% increase from \$470,000 to \$562,500
2. Southland with a 19.3% increase from \$285,000 to \$340,000
3. Manawatu/Wanganui with a 17.3% increase from \$358,000 to \$420,000
4. Gisborne with a 16.2% increase from \$370,000 to \$430,000
5. Otago with a 14.1% increase from \$463,000 to \$528,500.

At the other end of the scale, Auckland and Canterbury again fell towards the bottom of the capital gains ranking in 14th and 16th place respectively, but saw the Bay of Plenty join this group in place of Nelson showing how these markets have been more stable over the March through June period.

"Despite COVID-19 bringing a significant portion of real estate activity to a halt in April, all regions across the country saw a solid uplift in capital gains for investors as a result of strong median prices increases. Again, the report showed all but three regions (Auckland, Bay of Plenty and Canterbury) with double-digit increases from a capital gains perspective showing how strong the market was despite the global pandemic making its presence felt in Aotearoa," points out Norwell.

All data provided is for the three months ending June 2020 or the three months ending June 2019, so where an annual movement is referenced, this means the percentage change from the three months ending June 2020 compared to the three months ending June 2019.

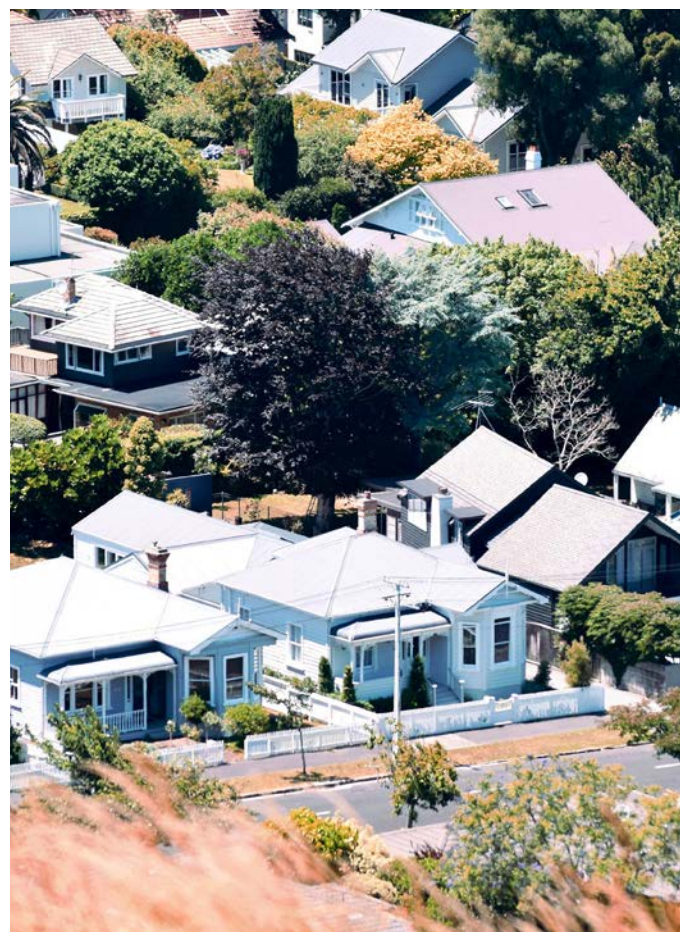
Capital gains is calculated by looking at the percentage movement in the median price for the three-month period referenced.

Yield is calculated by looking at the annualised median rent as a percentage of median price.



OVERALL RANKINGS

Region	CG Rank	Yield Rank	Overall Rank
Southland	2	2	1
Gisborne	4	3	2=
West Coast	6	1	2=
Manawatu-Wanganui	3	6	4
Taranaki	7	4	5
Hawke's Bay	1	11	6
Otago	5	8	7
Northland	8	9	8=
Marlborough	10	7	8=
Nelson	9	10	10
Canterbury	16	5	11
Wellington	12	12	12
Waikato	11	14	13
Tasman	13	15	14=
Bay of Plenty	15	13	14=
Auckland	14	16	16



“There have been a number of factors that have been driving the lift in capital gains over the past few months in these regions including the temporary removal of LVRs, the uplift in demand and the low interest rate environment making it one of the most affordable times in the last 20 years for investors to borrow money,” continues Norwell.

Yields

The regions returning the biggest to yields to investors for the 3 months ending June 2020 were:

1. West Coast with a yield of 6.7%, down from 7.5% last year
2. Southland with a yield of 4.9%, down from 5.5% last year
3. Gisborne with a yield of 4.6%, down from 4.9% last year
4. Taranaki with a yield of 4.6%, down from 4.9% last year
5. Canterbury with a yield of 4.5%, the same as last year.

“With the introduction of a six month rental freeze in March as a result of COVID-19, it’s not surprising that yields fell for most parts of the country from a percentage perspective. However, none of the falls were particularly dramatic suggesting that initial fears that yields would be significantly impacted by rising unemployment as a result of COVID-19 have been unfounded,” says Norwell.

“The only region in New Zealand that saw a slight increase in yields was Tasman, which saw a slight increase from 3.4% in June last year compared to 3.5% for the 3 months ending June this year. This is most likely because it’s the region that has seen the largest increase in rental prices over the last 12 months,” concludes Norwell.

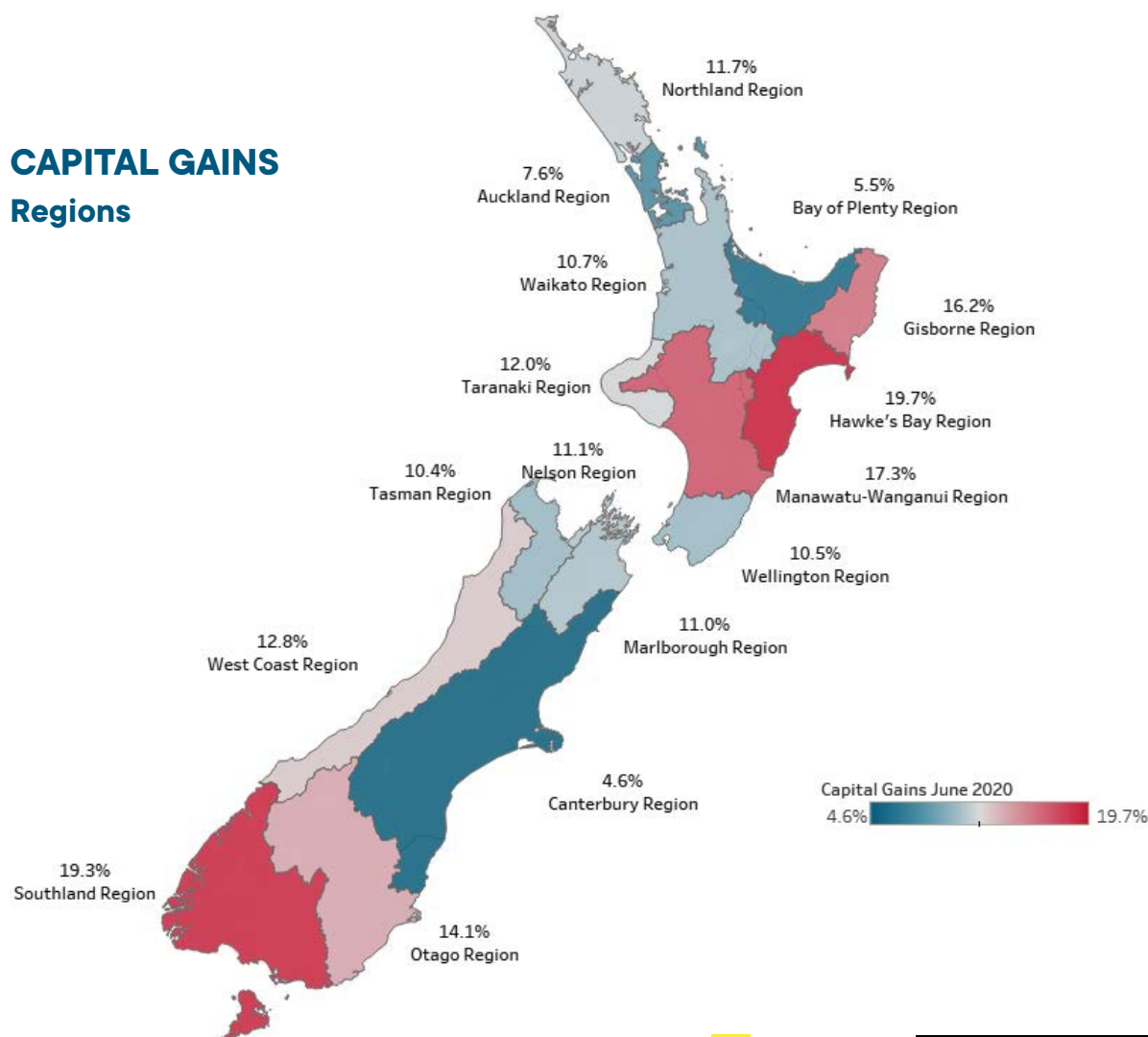


Bindi Norwell
Chief Executive
REINZ

CAPITAL GAINS - REGIONS

Location	Median Sales Price 3ME June 2018	Median Sales Price 3ME June 2019	Median Sales Price 3ME June 2020	Capital Gains June 2019	Capital Gains June 2020
Auckland Region	850,000	850,000	915,000	0.0%	7.6%
Bay of Plenty Region	580,000	597,000	630,000	2.9%	5.5%
Canterbury Region	440,000	445,500	466,000	1.3%	4.6%
Gisborne Region	320,000	370,000	430,000	15.6%	16.2%
Hawke's Bay Region	430,000	470,000	562,500	9.3%	19.7%
Manawatu-Wanganui Region	305,000	358,000	420,000	17.4%	17.3%
Marlborough Region	425,000	424,500	471,000	-0.1%	11.0%
Nelson Region	518,000	540,000	600,000	4.2%	11.1%
Northland Region	460,000	470,000	525,000	2.2%	11.7%
Otago Region	440,000	463,000	528,500	5.2%	14.1%
Southland Region	249,000	285,000	340,000	14.5%	19.3%
Taranaki Region	355,000	375,000	420,000	5.6%	12.0%
Tasman Region	570,000	605,000	668,000	6.1%	10.4%
Waikato Region	515,000	542,000	600,000	5.2%	10.7%
Wellington Region	580,000	620,000	685,000	6.9%	10.5%
West Coast Region	200,000	195,000	220,000	-2.5%	12.8%

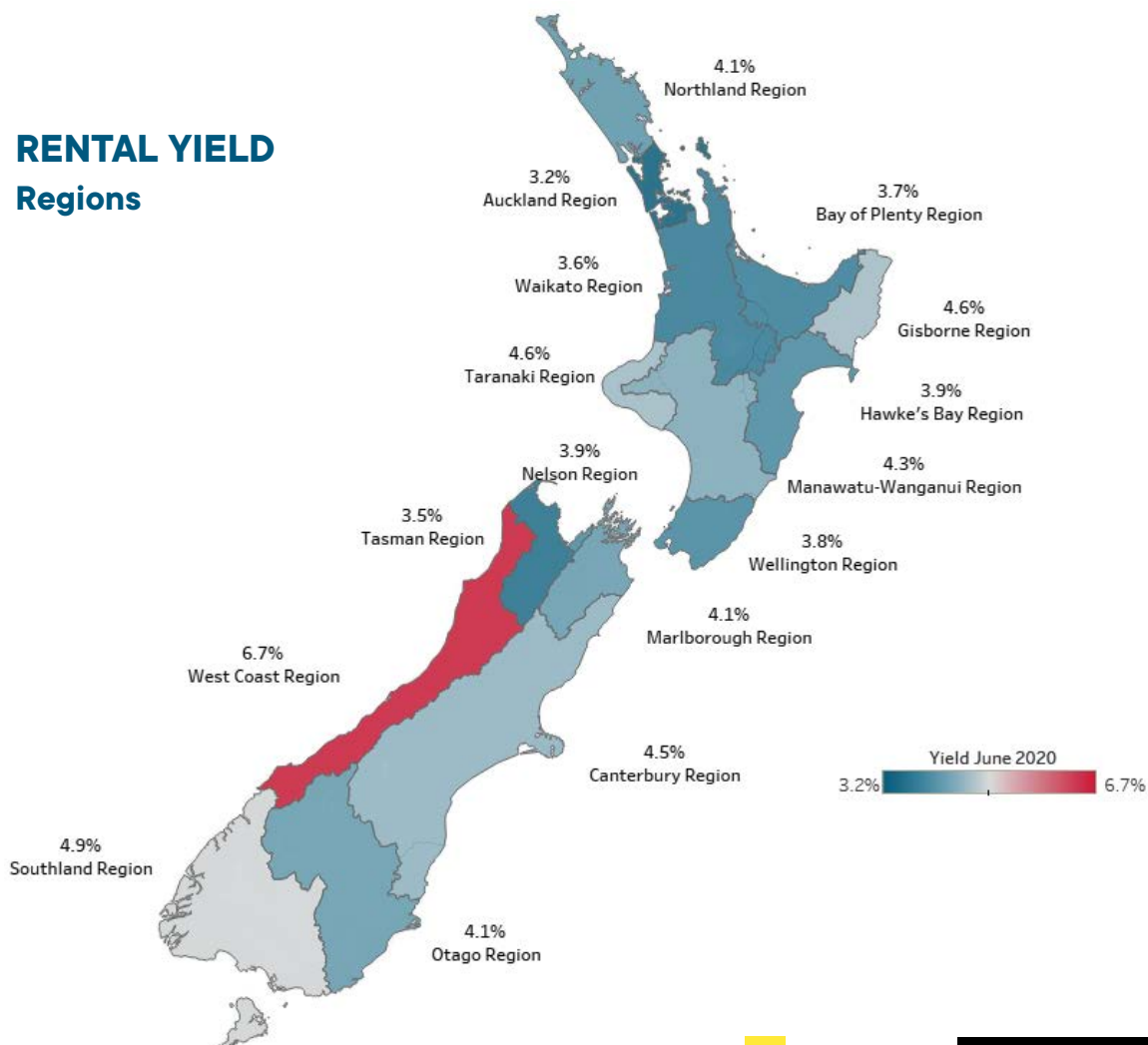
CAPITAL GAINS Regions



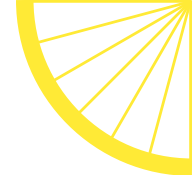
RENTAL YIELD - REGIONS

Location	Median Rental Price 3ME June 2019	Median Rental Price 3ME June 2020	Median Sales Price 3ME June 2019	Median Sales Price 3ME June 2020	Yield June 2019	Yield June 2020
Auckland Region	550	560	850,000	915,000	3.4%	3.2%
Bay of Plenty Region	430	450	597,000	630,000	3.7%	3.7%
Canterbury Region	385	400	445,500	466,000	4.5%	4.5%
Gisborne Region	350	380	370,000	430,000	4.9%	4.6%
Hawke's Bay Region	390	420	470,000	562,500	4.3%	3.9%
Manawatu-Wanganui Region	330	350	358,000	420,000	4.8%	4.3%
Marlborough Region	350	375	424,500	471,000	4.3%	4.1%
Nelson Region	425	450	540,000	600,000	4.1%	3.9%
Northland Region	390	410	470,000	525,000	4.3%	4.1%
Otago Region	395	420	463,000	528,500	4.4%	4.1%
Southland Region	300	320	285,000	340,000	5.5%	4.9%
Taranaki Region	350	370	375,000	420,000	4.9%	4.6%
Tasman Region	400	445	605,000	668,000	3.4%	3.5%
Waikato Region	400	420	542,000	600,000	3.8%	3.6%
Wellington Region	480	505	620,000	685,000	4.0%	3.8%
West Coast Region	280	283	195,000	220,000	7.5%	6.7%

RENTAL YIELD Regions

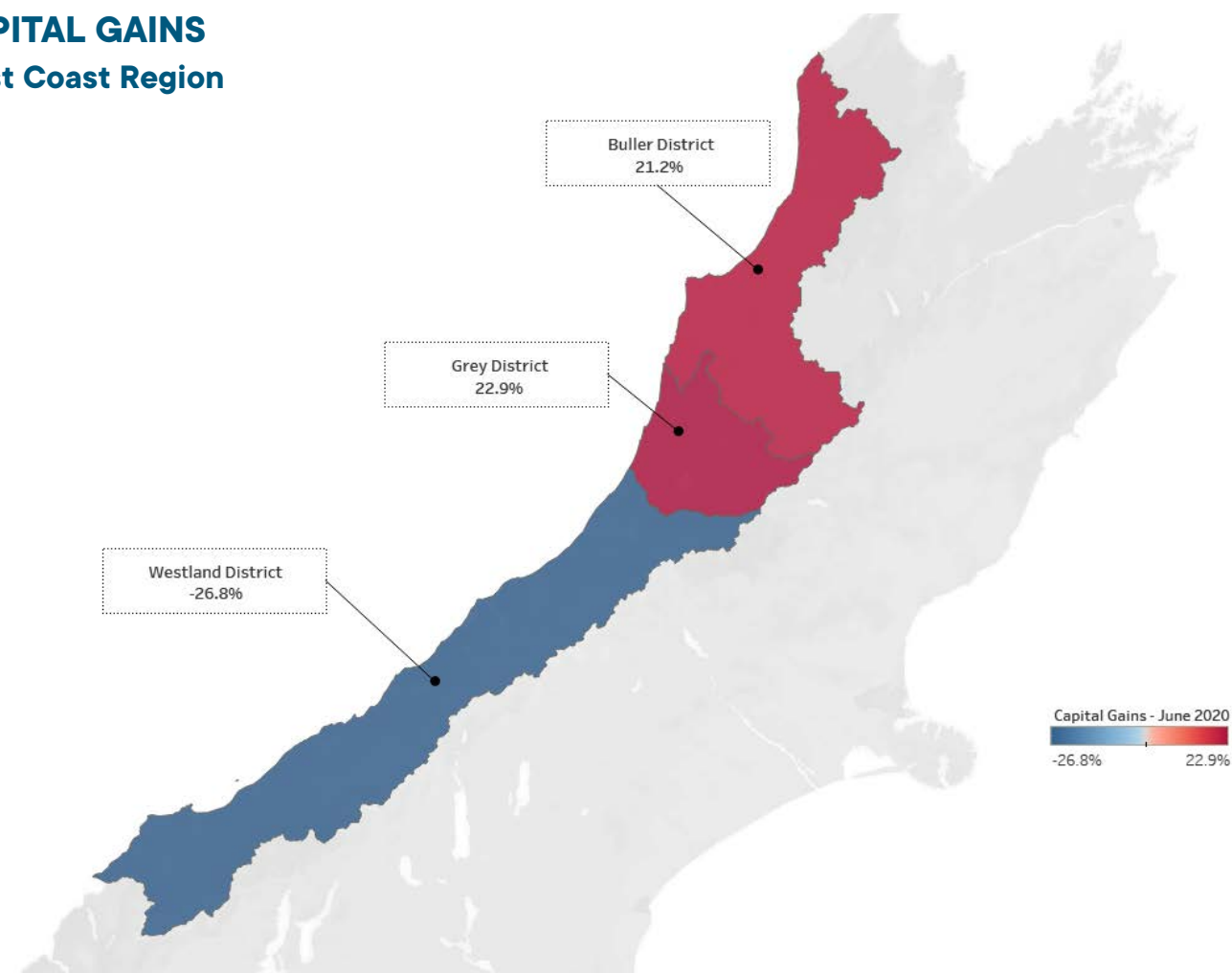


CAPITAL GAINS - WEST COAST

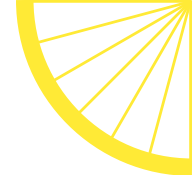


Location	Median Sales Price 3ME June 2018	Median Sales Price 3ME June 2019	Median Sales Price 3ME June 2020	Capital Gains June 2019	Capital Gains June 2020
Buller District	177,000	165,000	200,000	-6.8%	21.2%
Grey District	204,000	179,000	220,000	-12.3%	22.9%
Westland District	225,000	310,000	227,000	37.8%	-26.8%

CAPITAL GAINS West Coast Region

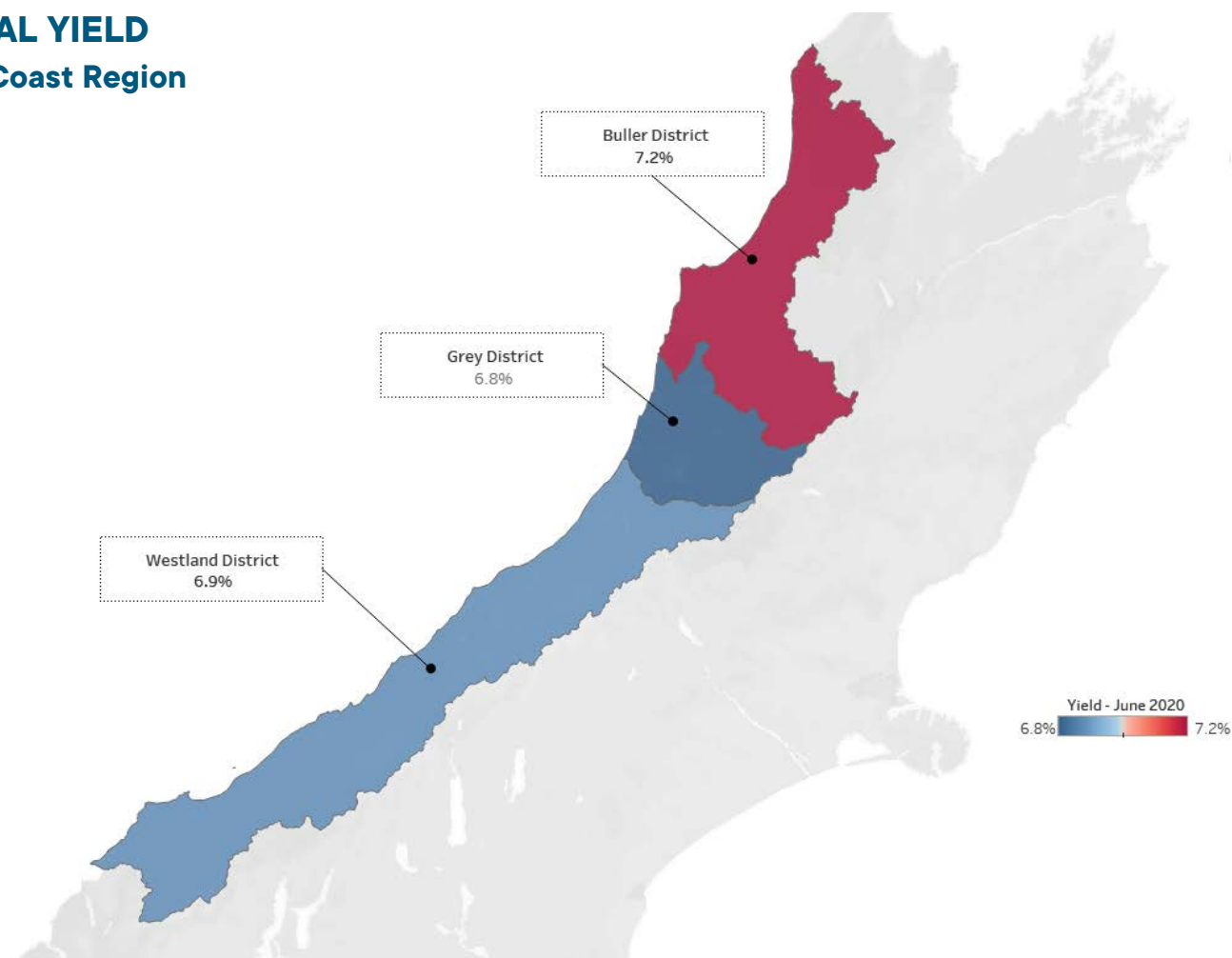


RENTAL YIELD - WEST COAST



Location	Median Rental Price 3ME June 2019	Median Rental Price 3ME June 2020	Median Sales Price 3ME June 2019	Median Sales Price 3ME June 2020	Yield June 2019	Yield June 2020
Buller District	263	275	165,000	200,000	8.3%	7.2%
Grey District	280	288	179,000	220,000	8.1%	6.8%
Westland District	300	300	310,000	227,000	5.0%	6.9%

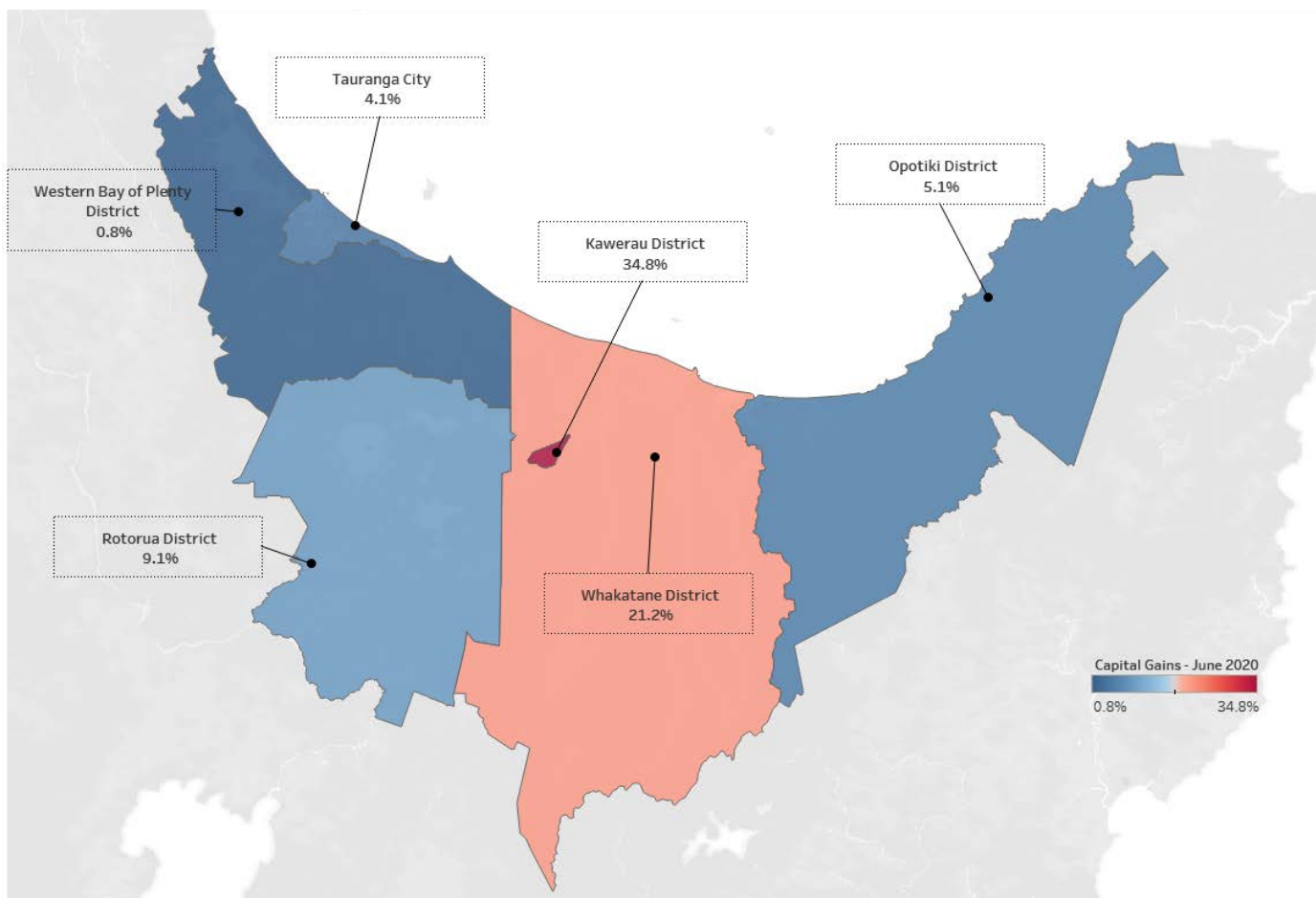
RENTAL YIELD West Coast Region



CAPITAL GAINS - BAY OF PLENTY

Location	Median Sales Price 3ME June 2018	Median Sales Price 3ME June 2019	Median Sales Price 3ME June 2020	Capital Gains June 2019	Capital Gains June 2020
Kawerau District	225,000	230,000	310,000	2.2%	34.8%
Opotiki District	313,000	295,000	310,000	-5.8%	5.1%
Rotorua District	416,000	440,000	480,000	5.8%	9.1%
Tauranga City	656,500	665,000	692,500	1.3%	4.1%
Western Bay of Plenty District	610,000	640,000	645,000	4.9%	0.8%
Whakatane District	440,000	453,000	549,000	3.0%	21.2%

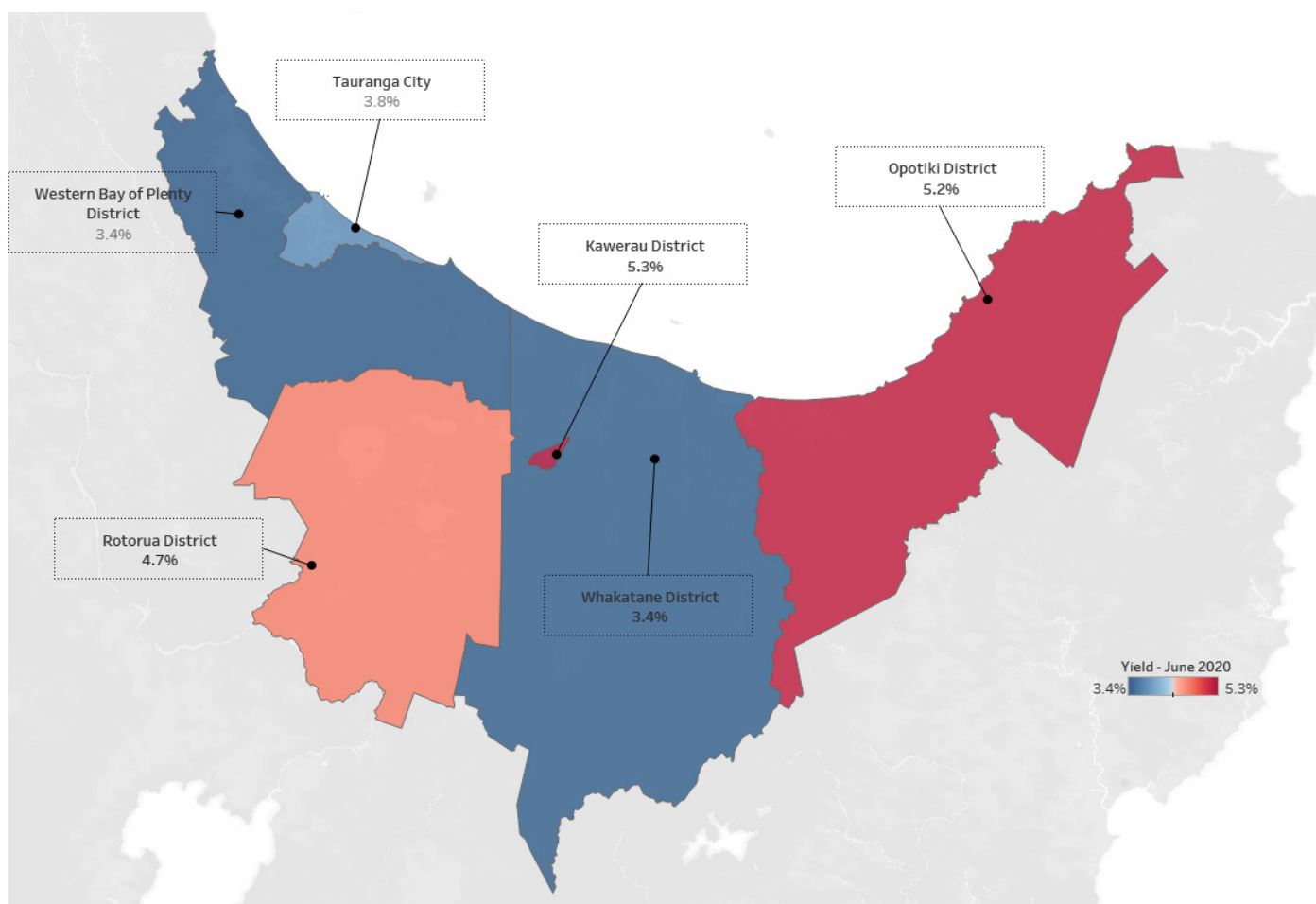
CAPITAL GAINS Bay of Plenty Region



RENTAL YIELD - BAY OF PLENTY

Location	Median Rental Price 3ME June 2019	Median Rental Price 3ME June 2020	Median Sales Price 3ME June 2019	Median Sales Price 3ME June 2020	Yield June 2019	Yield June 2020
Kawerau District	280	315	230,000	310,000	6.3%	5.3%
Opotiki District	285	308	295,000	310,000	5.0%	5.2%
Rotorua District	390	430	440,000	480,000	4.6%	4.7%
Tauranga City	488	500	665,000	692,500	3.8%	3.8%
Western Bay of Plenty District	400	420	640,000	645,000	3.3%	3.4%
Whakatane District	360	360	453,000	549,000	4.1%	3.4%

RENTAL YIELD Bay of Plenty Region



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