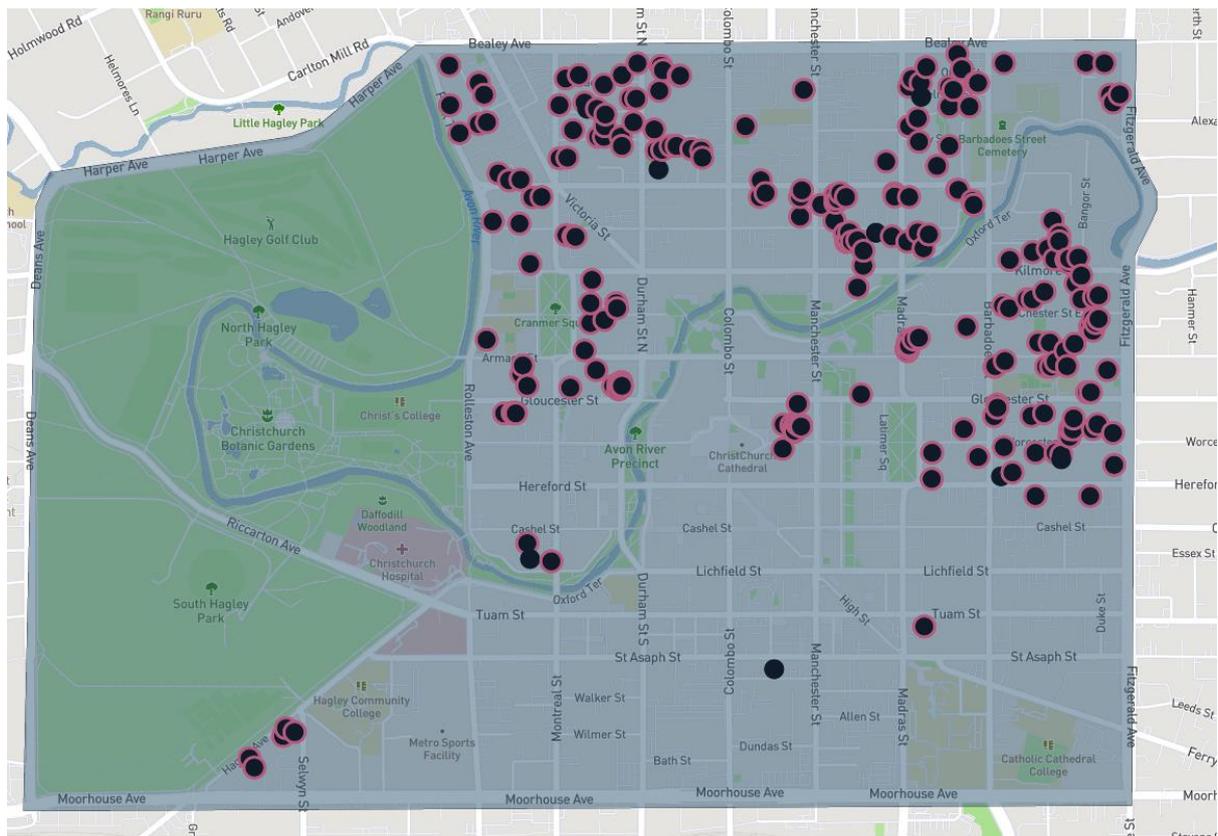


REINZ is delighted to present this research report into the real estate market within the Central City (the area contained within the four avenues) and how it relates to the wider Christchurch market. This report is based on the questions put to us within Section 3 of the Brief to Work and those questions will form the different sections within this report. We have used a combination of REINZ data and anecdotal information from leading real estate agencies operating in the Central Christchurch (Harcourts Gold, Harcourts Grenadier and Ray White Morris & Co Real Estate Group) to complete this report.

### Are there geographically distinct markets within the central city?

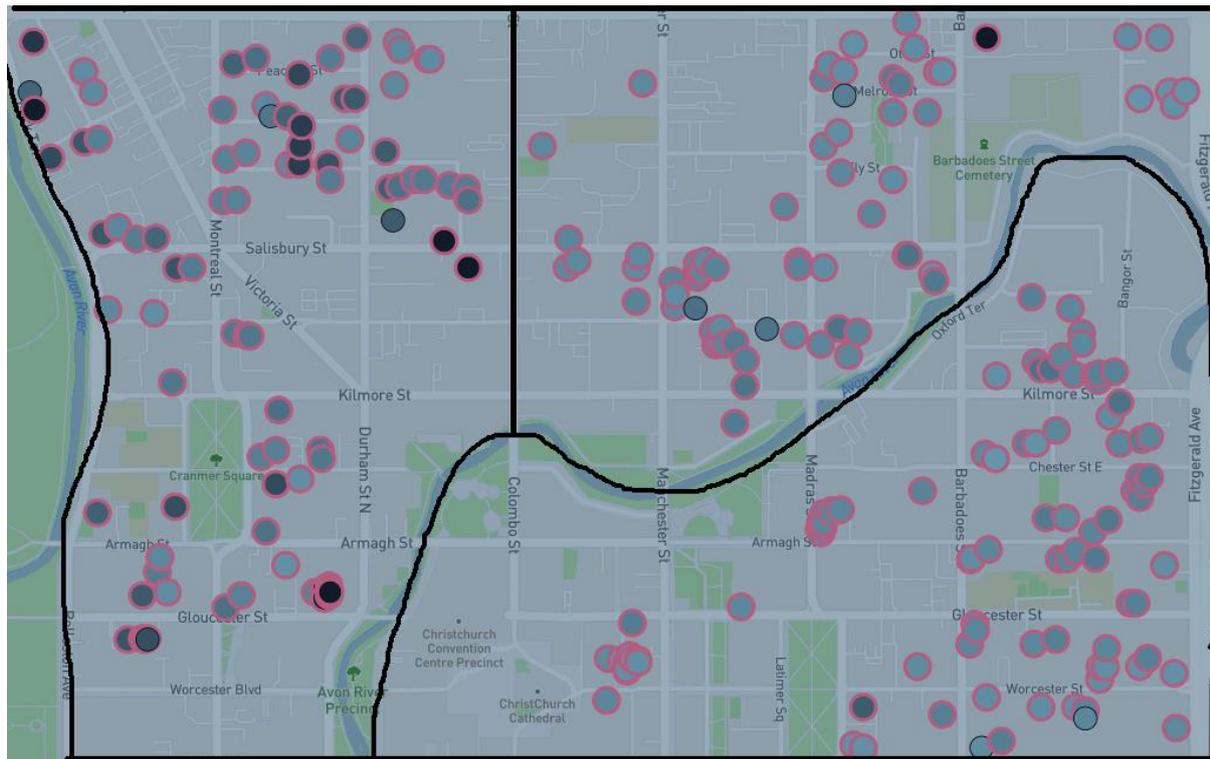
REINZ is able to plot the sales that have taken place in the past two years in the Central City on a map and that image is provided as Figure 1 below. The first thing to notice is that there are hardly any sales south of Hereford Street. This reflects the large Commercial and Industrial component of that part of the central city.

**Figure 1**



Turning our attention to the location of most of the sales, north of Hereford St and East of Hagley Park we see that the Avon River creates a natural geographic division. North of the river there also seems to be something of an east/west divide at Colombo Street. Using these divisions gives three areas that can be investigated. Figure 2 shows these divisions clearly on the Central City map that is zoomed in to exclude Hagley Park and south of Hereford St.

Figure 2



For the purposes of this report we will refer to these areas as North West (NW) City Central which borders Hagley Park, North East (NE) City Central which sits north of the Avon River and East of Colombo St, and Mid East (ME) City Central which sits South of the Avon River and North of Hereford Street.

The other interesting aspect of Figure 2 is that the dots, which represent individual sales, are shaded by price with darker dots being more expensive properties. Already from this overview, we can see that the properties in NW City Central seem to generally be more expensive than the other two sub-sections of the Central City. We will see this bear out in the statistical data below.

## What is selling and what are the trends for the pace of selling different typologies?

### Definitions

A few definitions are in order as we set out to answer this question. REINZ defines Days to Sell as the difference between the List Date (when the property was listed for sale on the market) and the Agreement Date (when a conditional offer is first accepted). As an aside, we also record the Unconditional Date which is when the offer becomes unconditional. This is also known as the Sale Date and it can be the same day as the Agreement Date if an unconditional offer is the first accepted offer.

With regards to typologies, REINZ has various categories of property which we note when a property is sold. Even though there are seven potential residential dwelling categories, only three make up most of the sales in the past year in Central Christchurch; Apartments, Townhouses and Residences (free standing houses). Units are the other common type of dwelling in New Zealand but formed virtually no part in the sales landscape of Central Christchurch in the past 12 months.

In this report we are using either a Rolling Annual Count or a Rolling Annual Median. This means that for each month, we are looking at the data for the 12 months ending that month. For example, July 2019 looks at data for August 2018 – July 2019 and October 2019 looks at data for November 2018 – October 2019. This is a necessary approach due to the sample size limitations that looking at such a specific area creates.

## What is selling?

Chart 1

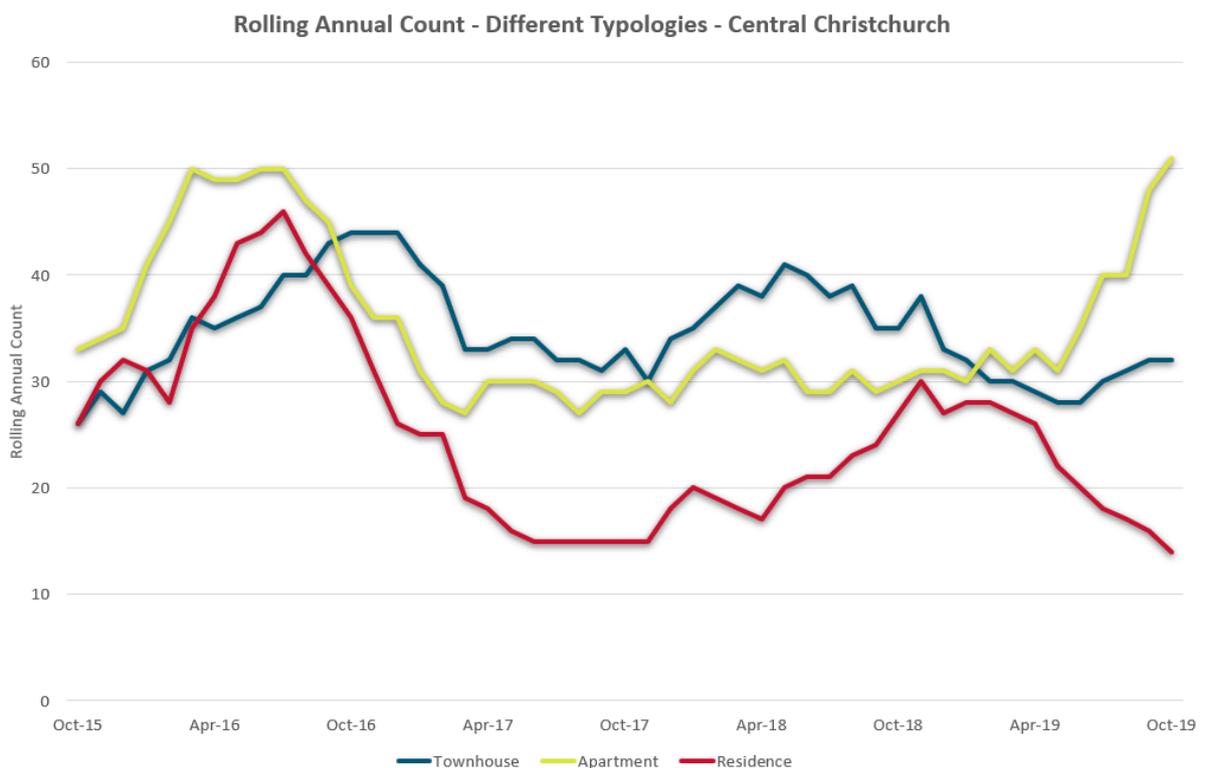


Chart 1 shows the trend over the past several years of the sale count of the different typologies in the Central Christchurch area overall. The first thing we can observe is that Residences have tended to be less prevalent in the market than either Apartments or Townhouses. For a sale to occur there needs to be stock on the market and someone wanting to buy it. Either or both could be leading to this feature of the market, a feature that is different to the general NZ market (where Residences are the most common typology sold) but not unusual when comparing to other city centres. For the past few years, Townhouses have been the most common typology sold have their sales trend over the past several years has been relatively consistent. On the other hand, Apartment sales have shot up in the past year, seemingly at the expense of Residences whose sales number have been falling away.

Chart 2

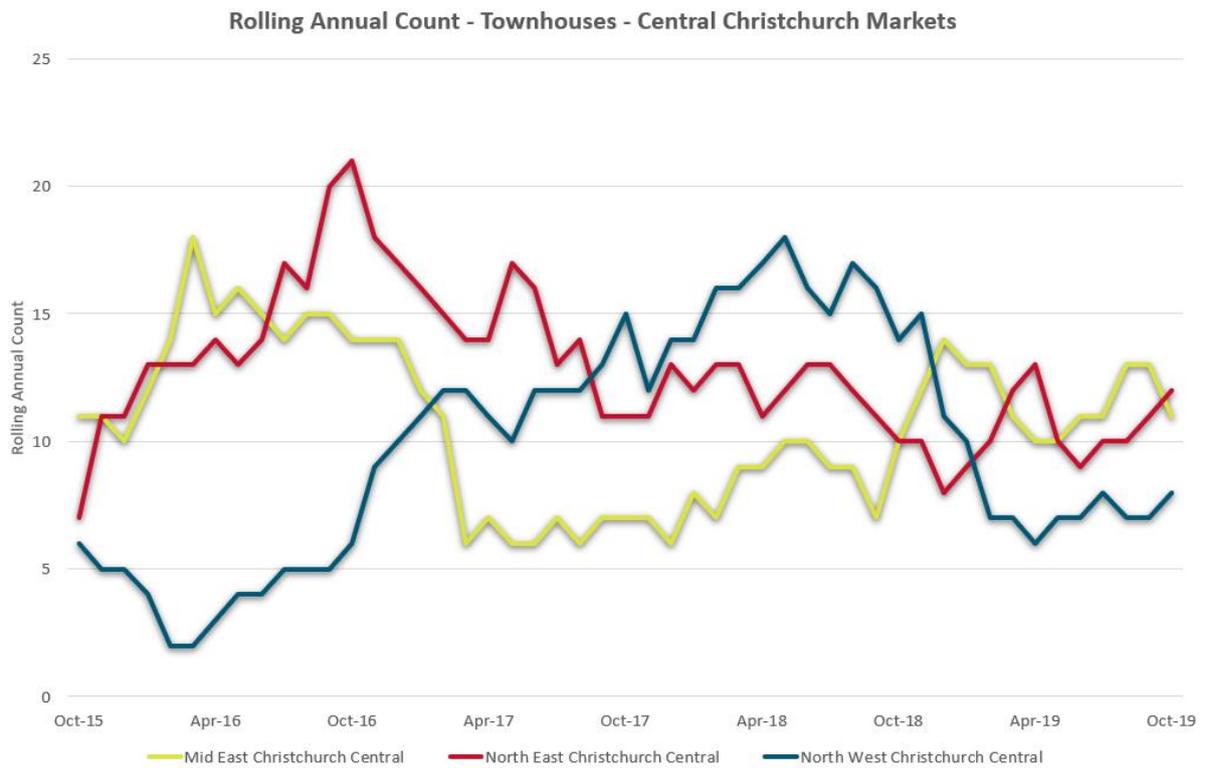


Chart 2 looks at Townhouse sales in the three sub-markets that were identified earlier. The first thing we can notice is that the North West market and the two other markets seem to move in opposite directions to each other. In 2015/2016 Townhouse sales were more prevalent in the East, then from 2016 – 2018 the sales activity of Townhouses surged in the North West as it fell away in the Eastern markets. At the end of 2018 and into this year the Townhouse market has fallen away again sharply and then stabilised whereas the Eastern markets have had something of a recovery.

Chart 3

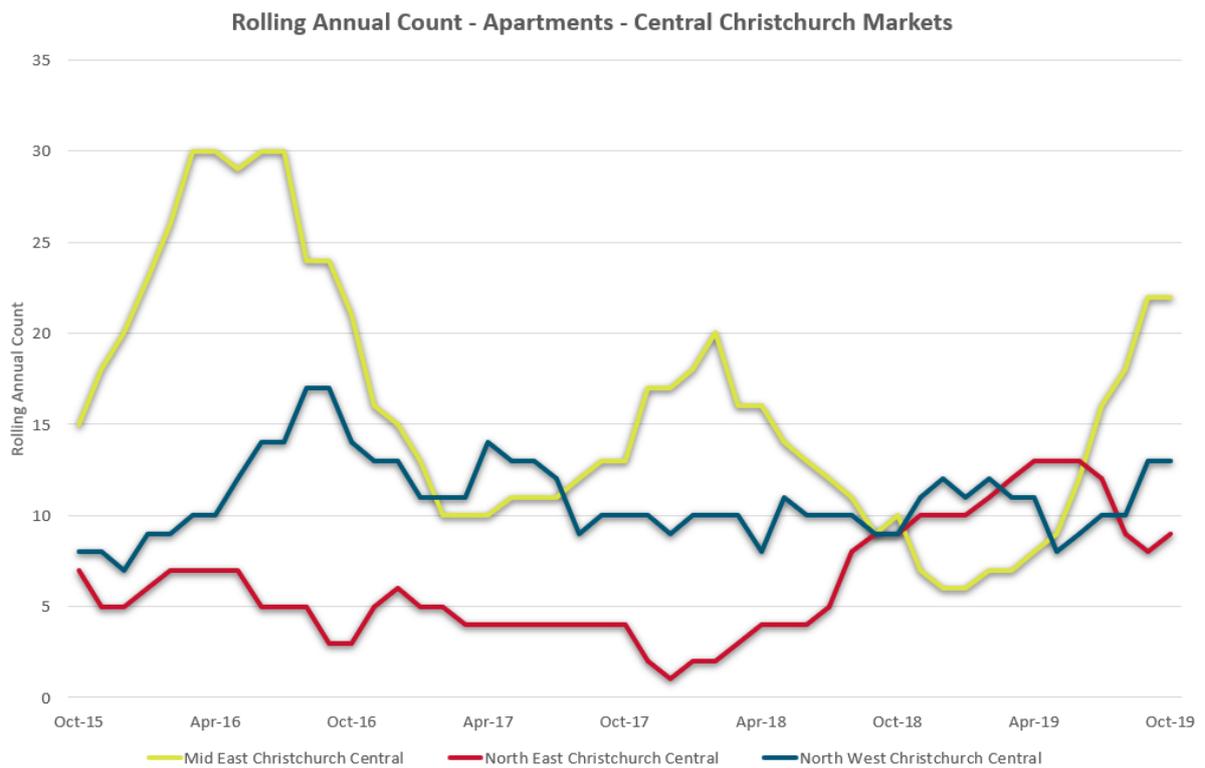


Chart 3 looks at Apartment sales in the three sub-markets that were identified earlier. Apartments in the Mid-East market have had the most volatile sales history over the past several years. Forming a series of peaks and troughs, the Mid-East apartment sales tend to peak every two years and then fall away again. For the most part the Mid-East has been the most prevalent market for apartment sales with a clear exception around 2018. The surge in apartment sales that we saw in Chart 1 is shown to have been generated from increased activity in the Mid-East market. Apartment sales in the North East market were not that common up until 2017/2018 when they steadily picked up until falling away again slightly in recent times. Apartment sales in the North West have been relatively consistent across the past several years, sitting around an annual sales rate of 10-15 sales.

**Chart 4**

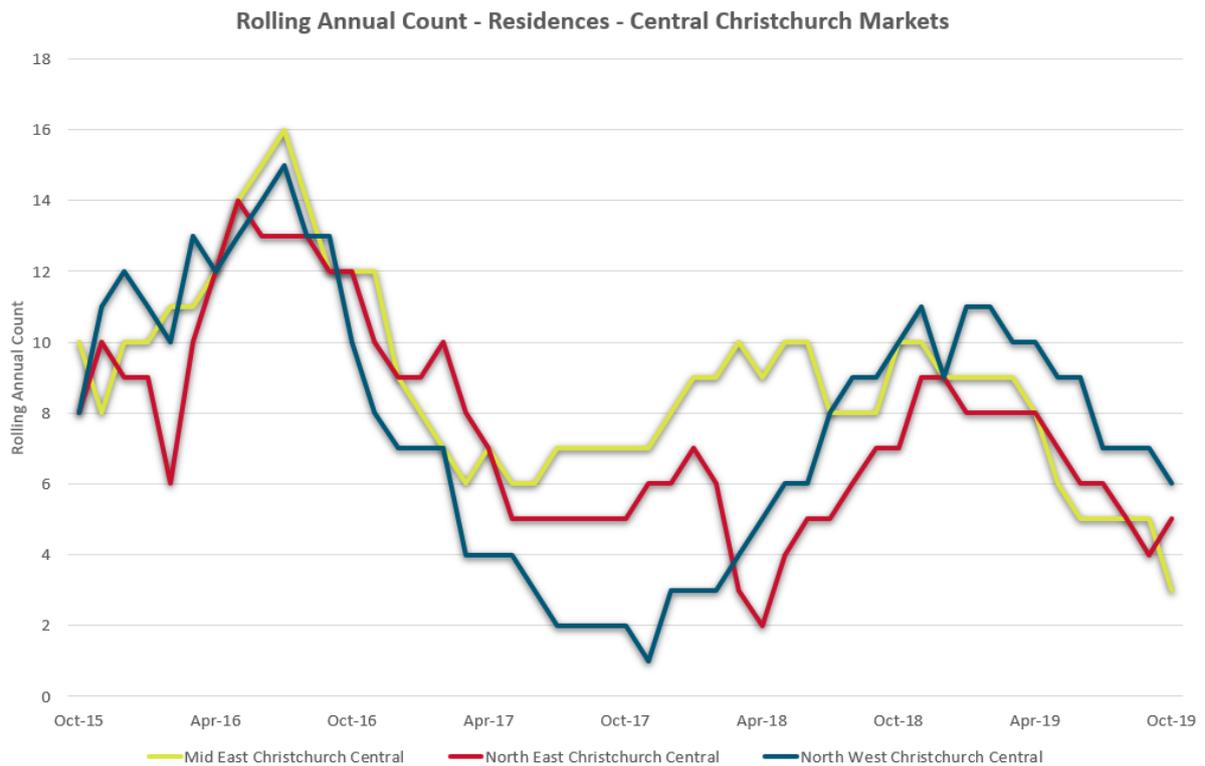
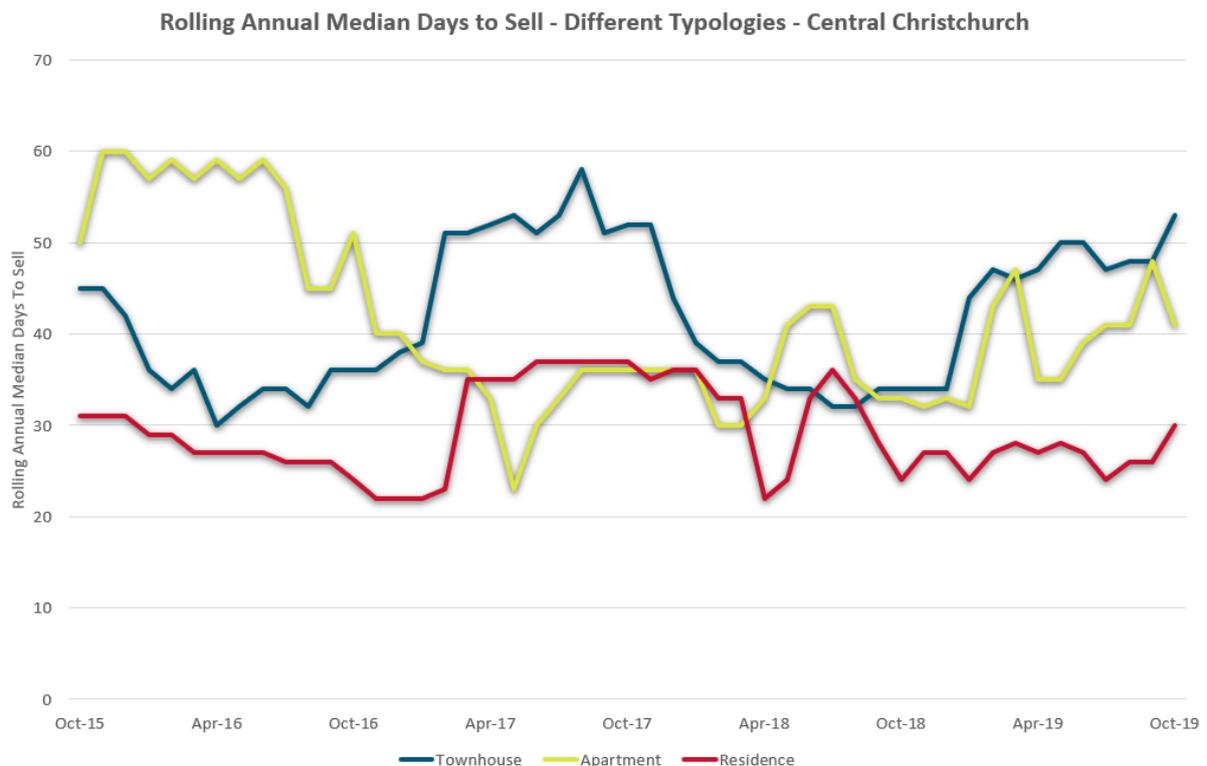


Chart 4 looks at Residence sales in the three sub-markets that were identified earlier. Unlike the Townhouse market, Chart 4 shows us that the three markets within Central Christchurch move almost in unison when it comes to the sales of stand-alone houses. Once again, we have an ebb and flow pattern over the last several years and once again there appears to be about two years between each of the peaks and between each of the troughs. The sales activity seems least volatile of the three markets whereas the North West market is the most volatile. The falling away of residence sales activity in all three markets over the past year is noted in this chart.

### How fast are properties selling?

Because calculating Days to Sell requires two date fields to be present and List Date is not always known or provided, the sample size for Days to Sell is less than the total sample. This means that the above approach of looking at typology by submarket is not appropriate as the results are quite volatile and, more some months, a rolling annual median could not be calculated (5 sales records are required as a minimum for a median to be generated). We can look at the overall Central Christchurch market however, and Chart 5 does that below.

Chart 5



Aside from brief exceptions, Residences have taken the least amount of time to sell over the last several years which indicates that the falling sales we have seen earlier may be more supply driven than demand driven. A median Days to Sell of less than 30 days indicates a very willing buying market and the Residence market in Christchurch Central has spent more time with a median Days to Sell below 30 days than above 30 days over the past several years. The time to sell a Townhouse has peaked and troughed over the past several years which the time taken to sell a Townhouse increasing over the past 1-2 years to be currently placed over 50 days. Apartments took a lot less time to sell around 2017 when compared to the years prior, but have since seen the rolling annual median days to sell increase again to sit in the mid to low 40's.

As mentioned, there is a relative paucity of median days to sell data when looking at both typology and the sub-markets, but it appears that the increasing days to sell in Townhouses may be being driven by the North-East market and the increasing days to sell in Apartments may be being driven by the Mid-East market.

### What are different types of homes selling for?

Breaking down the Central City into both submarkets and typologies led to sample sizes that were very small and leading to volatile and potentially misleading median price data so once again we will have to take a higher-level view of the pricing in the market.

Firstly, we can look at the median price data (Table 1) and percentage movement of those median prices (Table 2) in Christchurch Central and its submarkets.

**Table 1 – Median Prices for all Typologies – Year Ending October**

Area	Oct-15	Oct-16	Oct-17	Oct-18	Oct-19
Central Christchurch (four avenues)	364,000	435,000	450,000	450,000	445,000
Mid-East Christchurch Central	372,000	430,000	384,000	420,000	415,000
North East Christchurch Central	290,000	400,000	415,000	391,000	407,000
North West Christchurch Central	515,000	579,000	546,000	733,000	696,000

**Table 2 – Percentage Movement of Median Prices for all Typologies – Year Ending October**

Area	Oct-15	Oct-16	Oct-17	Oct-18	Oct-19
Central Christchurch (four avenues)		19.5%	3.4%	0.0%	-1.1%
Mid-East Christchurch Central		15.6%	-10.7%	9.4%	-1.2%
North East Christchurch Central		37.9%	3.8%	-5.8%	4.1%
North West Christchurch Central		12.4%	-5.7%	34.2%	-5.0%

There are several noteworthy points from the data in Tables 1 and 2. Firstly, we see that the submarket differentiation between East and West is justified in terms of prices with the median prices in the North West being consistently higher than those in the Eastern submarkets. We can also see that the year to October 2016 saw a big change in median price in Central Christchurch which was reflected in all submarkets, but particularly the North East submarket with an increase in median price of 37.9%.

The following years have seen subdued movement in median price in Central Christchurch overall, but the North West submarket had a big jump in median price for the year ending October 2018 (compared to the year ending October 2017). Whilst the median price came back slightly over the past year, it is still 27.5% higher than two years prior.

The last thing to note from Tables 1 and 2 is that whilst the overall price increase over the past four years has been impressive in the North West submarket (+35.1%), it has been even more so in the North East with an overall increase in median price of 40.3%. This compares to a much more subdued increase in the Mid-East submarket (+11.6%) which indicates that the demarcation between North East and Mid-East Christchurch Central has also been justified in terms of price behaviour.

**Table 3 – Median Prices by Typology – Year Ending October**

Typology	Oct-15	Oct-16	Oct-17	Oct-18	Oct-19
Apartment	338,000	430,000	382,000	378,000	438,000
Residence	363,000	440,000	438,000	472,000	705,000
Townhouse	418,000	450,000	510,000	530,000	553,000

**Table 4 – Percentage Movement of Median Prices by Typology – Year Ending October**

Typology	Oct-15	Oct-16	Oct-17	Oct-18	Oct-19
Apartment		27.2%	-11.2%	-1.0%	15.9%
Residence		21.2%	-0.5%	7.8%	49.4%
Townhouse		7.7%	13.3%	3.9%	4.3%

Tables 3 and 4 looks at the median price of the different typologies in Christchurch Central and the performance of those median prices. The first thing to note was that the median price of Townhouses was higher than both Apartments and Residences until this past year. In NZ in general we would expect to see a stand-alone house (Residence) have higher prices than Townhouses which tend to have less land and either shared walls or very little distance between the house and their neighbour. The past year has seen an explosion in the median price of Residences, leading to a 94% change in price over the four-year period, compared to more modest 32% and 30% increases in Townhouses and Apartments respectively.

### How does the Central City market compare to the market in suburbs that are directly adjacent to the Central City?

In order to answer this question and generate sample sizes big enough to be useful for insight, we have taken the 11 surrounding suburbs and grouped them into 6 areas that are geographically adjacent and most homogenous in terms of median price over the past 12 months. The groups are as follows:

- North-West Inner: Fendalton and Merivale
- St Albans
- North-East Inner: Edgware and Richmond
- East Inner: Linwood and Phillipstown
- South Inner: Addington, Sydenham and Waltham
- Riccarton

The following table shows how the different typologies are represented in these areas as well as Central Christchurch:

**Table 5 – Percentage of Sales by Typology**

Location	Apartment	Residence	Townhouse	Unit	Other
Central Christchurch	45%	12%	28%	12%	2%
East Inner	3%	63%	13%	20%	2%
North-West Inner	4%	63%	23%	9%	1%
North-East Inner	1%	50%	21%	27%	1%
Riccarton	4%	44%	32%	17%	4%
South Inner	1%	53%	26%	17%	1%
St Albans	1%	55%	32%	10%	2%

What is immediately apparent is that Apartments are far more common (almost half of all sales in the past year) in Central Christchurch than in the surrounding suburbs where they are hardly seen at

all. Conversely, these areas adjacent to the Central City have a much higher proportion of Residences than the Central City. Interestingly, the proportion of Townhouses sold is very similar across most of the areas except the East Inner area. Units (residences with shared walls, not part of an apartment block, often smaller in nature) play a more prominent part in the adjoining areas than they do in the central city (with the exception of North-West and St Albans), particularly in the East Inner and North-East Inner areas of the city.

**Table 6 – Summary Statistics for Year Ending October**

Location	Med. SP -YE Oct 2019	Med. SP -YE Oct 2018	% Diff - Med. Price	No of Sales	Median Days to Sell
Central Christchurch	445,000	450,000	-1.1	113	45
East Inner	304,000	320,000	-5	240	37
North-West Inner	860,000	949,000	-9.4	226	37
North-East Inner	354,000	360,000	-1.7	196	36
Riccarton	460,000	510,000	-9.8	139	40
South Inner	365,000	360,000	1.4	269	39
St Albans	572,500	540,000	6	316	32

There are several things to note from Table 6. Firstly, most areas have seen their median price decrease since the prior year, with the exceptions being in the South and St Albans. The North-West and Riccarton have been hit particularly hard, both seeing decreases over 9%. Similar to the North-West Central Christchurch submarket, the North-West Inner is more expensive than the other areas by quite some margin, showing the premium people will pay to live near to Hagley Park and in-zone for desirable schools. At the other end of the market, the East Inner area has been the most affordable over the past couple of years along with the adjoining suburbs in the North-East and the South.

Sales activity has been higher in each of these areas than in the overall Central Christchurch area. St Albans by itself had the highest number of sales with a somewhat distant second being the Southern Inner area. It is also interesting to note that the median days to sell for Central Christchurch is higher than the median days to sell in each of the other areas. St Albans, with the strongest increase in price year on year, the most sales and the least days to sell is the most popular market in this inner part of Christchurch.

The remaining questions require a qualitative approach rather than the quantitative approach used in this report thus far. We were able to get answers to these questions from three leading real estate agencies that operate in the Christchurch area. We have sourced these comments from Harcourts Gold, Harcourts Grenadier and Ray White Morris & Co Real Estate Group and have summarised their answers in the rest of this report.

### **How does the Central City housing ‘offer’ compare to what is offered in the surrounding suburbs?**

Central city living provides a lifestyle of convenience for prospective purchasers. Affordability and school zones rank below community, cultural amenity, safety and security for purchasers seriously considering moving into the central city. The city is attractive to those who want to live and work in

the same area. The biggest setback for purchasers would be the limited car parking and garaging options available to these properties. Christchurch buyers do tend to have unrealistic expectations of central city living (garaging/car parking is just one example) as many are assimilated to suburban living. Regulatory requirements pertaining to central city development do add to the cost of housing in the central city - including fire safety, OSH, insulation and noise mitigation.

Singles and Couples are more likely to be attracted to the central city living lifestyle with 1-2-bedroom townhouses and apartments being a popular choice for first home buyers and investors. Anything built post-earthquake is achieving a better result than property built pre earthquake.

### **To what extent are like alternatives available outside, but close to, the Central City impacting upon the ability to sell homes in the Central City market?**

The Christchurch CBD is small in comparison to other major cities, most people who work in town certainly don't have a strong desire to live in the CBD; you can commute there from most parts of Christchurch within 30 minutes. There is a growing pool of buyers attracted to living within the four Avenue's, but this is lifestyle choice more than anything.

Within a kilometre of the CBD, a buyer can purchase a similar property for 20% less - often with much better parking/garaging options and zoning for sought-after schools. Christchurch has developed in such a way that there are very strong satellite hubs for a relatively small city - and planning has allowed for higher density living around these hubs - for example, Riccarton, St Albans, Merivale and Sydenham.

### **Is the availability of homes in the greater Christchurch market having a significant impact on demand for Central City homes?**

Buyers in Christchurch do enjoy plenty of choice and given that the city is relatively easy to navigate by car, they tend to consider a broad range of locations. Demand for central city residential property appears to be strongest in the \$450,000 - \$500,000 range, largely driven by first-home buyers and investors. The \$1m+ market in the central city is tight because buyers can enjoy a similar lifestyle in that price range in nearby Merivale and Fendalton.

It has been suggested that if the HomeStart grant was extended to \$650,000 in the central city, this would help drive demand as well as incentivise developers to construct higher quality, more architectural residential developments. Currently, developers are building for the market - hence the proliferation of non-architectural, smaller and lower-spec housing options to target first-home buyers and investors.

From the perspective of choice, it could be argued that there is a significant impact on sales in the CBD. People might like to live in the CBD but if they find a home that better suits their needs/taste they will compromise and live out of the CBD. This line of thinking works if you assume that any given buyer would have no preference as to whether they lived in the city or in the suburbs. It could be argued that different types of buyers prefer different types of living arrangements. For instance, families are preferring to purchase home out of the CBD but young professionals, investors and some retirees seem to be looking more at inner city options.

## Are there any clear short, medium or long-term trends?

Within the last 12 months there certainly has been a growth in the buyer pool looking to return to live in the city or invest in the city. They are still shopping around and won't overpay, even for CBD stock. They are comparing post-quake to pre-quake builds mainly and paying attention to items such as car parking more than they might have in the past. Air BNB is a growing interest. As the Convention Centre and other major facilities, such as a stadium and a multi-purpose sports complex, start to open this will further drive the demand for city property.

The rise of electric vehicles - cars, scooters and e-bikes - will likely encourage central city living by improving access to nearby amenities. The Christchurch City Council website says that Christchurch is expecting to see a 40% increase in bicycle use in the central city over the next 5 years. This could have a positive impact on central city living in the medium term.

Once the available land has been re-developed and the housing stock is at capacity then this should drive a strong CBD market in future. However, we could be ten years away from this (or more).

## In closing

This concludes the requested report into Central Christchurch real estate market. The questions put to us within Section 3 of the Brief to Work have been addressed directly with answers being based on either quantitative or qualitative research. We hope this information proves useful when it comes time for the Council to make decisions in this area.

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