

LIVING IN THE SUNSHINE

With its beaches, attractive residential areas and growing population, Tauranga is a great place to invest, says **Monique Balvert-O'Connor**.

TAURANGA WAS FINALLY included on the TV One and TV3 weather webcam last year, officially recognised as one of the largest cities in New Zealand.

And, if it is economic rather than weather patterns being predicted, then the forecast for this city in the sunny Bay of Plenty is far from gloomy.

So say those monitoring the economic trends and development of this city that is home to Australasia's most efficient port, a variety of emerging enterprises, thousands of small-to-medium businesses, and

thriving industries connected to the dairy and pulp and paper industries.

It is home base to big name businesses such as Zespri, Comvita, Pingar, TrustPower and FIL.

It's a city that opened its doors this year to a new secondary school, while earthworks have started at the site of another, bringing the number of secondary schools within the Tauranga City Council boundaries up to eight. And all indications are that a university campus is only a few years away.

"THIS IS A POPULAR, VIBRANT, GROWING CITY WHERE CAPITAL GAIN CAN BE MADE." - HELEN BARNARD

Strong connections with the University of Waikato already ensure that eight degrees can be started and completed in Tauranga, and the Bay of Plenty Polytechnic also has a strong presence in this city.

An average of 32 people a week move into Tauranga, where the lifestyle is a major drawcard. Mount Maunganui – one of New Zealand’s most popular beaches – is within the city boundaries.

Tauranga is a growing city with clout.

Andrew Coker, who heads the city’s economic development agency Priority One, says Tauranga has a shifting landscape.

“Our economy over the next 10 years will shift from one driven by population growth, to one with real depth in terms of high value, productive businesses.

“Tauranga offers very competitive propositions for businesses.”

Exciting things are happening. This month the Government’s ultra-fast broadband project kicks off in Tauranga and the city continues to welcome an influx in companies relocating to be close to the Port of Tauranga and a pool of skilled and semi-skilled workers.

Relocating companies are as varied as Morgan Furniture, VNC Cocktails, BidVest, and IT businesses. Australian manufacturers too are making inquiries.

A major project on the drawing board is the tertiary and research campus that is being set up through a partnership between the University of Waikato, the Bay of Plenty Polytechnic and Te Whare Wananga o Awanuiarangi. Research, training and education linked to the business community’s needs will be a focus.

“A fundamental focus for Priority One is to ensure our city is appealing to the younger demographic so we can retain and attract young, talented, skilled and creative people. Then we will have no trouble attracting those businesses that will need them. We are seeing that shift happening already,” Coker says.

A challenge in the past has been the lack of substantial, internationally competitive, export-focused businesses, but that too is changing, Coker says.

All up, it’s not surprising then that, according to the most recent National Bank regional trends report, Tauranga – and its region the Bay of Plenty – scored well on the economic activity scale. Eight of the country’s 14 regions registered a rise in economic activity and of those the Bay of Plenty ranked third highest, sitting



Tauranga is known for good food and wine. The Sebel Hotel is one of the newer developments in the city.

immediately above Auckland. Overall, while the nationwide measure of economic activity slipped 0.1%, the Bay of Plenty recorded an increase of 0.7%.

The trends report states the Bay’s labour market perked up in the March quarter with the number of employed rising 3.2% to 6.6% – that’s more than twice the nationwide rate of increase. Little wonder then that Infometrics economist Gareth Kiernan describes Tauranga as “a viable place to live in terms of employment opportunities”.

These are not one-off positive readings. Late last year the bank’s trend report showed the Bay recorded the strongest rate of annual economic growth, lifting 3.5% from a year earlier.

In short and in the words of Kiernan, Tauranga city is doing “okay”.

Why it is faring well relative to the national average is, he says, due to factors such as the city’s exposure to the primary sector (dairy and forestry, for example) and the high commodity currently prevailing, a successful port, and population growth that helps the economy tick along.

Tauranga City Council’s population is estimated at 114,300. In 1975 it stood at 43,414 and grew to 103,635 by 2006. Its growth between 1996 and 2006 has been recorded at 33%. It has slowed down, but the city’s population growth is still above the national average, Kiernan says. The majority of people moving to the district are from the Waikato and Auckland.

Tauranga is also shaking off its “God’s

waiting room” mantle. Through the mid to late 1990s and early 2000s, Tauranga’s strong population growth featured a disproportionate amount of elderly people opting to live in Tauranga. Today there’s a broader mix of population.

A report released by a consortium of economists found migrants to Tauranga between 2001 and 2006 were predominantly aged between 20 to 45 – a total of 53% of migrants from Auckland to Tauranga, for example, were in this age bracket compared to 22.5% being over 60 years of age. Tauranga is retaining its power to attract young people.

“In our interviews it was emphasised that Tauranga is seen as a lifestyle location, which is possibly a factor behind this trend both for mid-career moves and for retirement. So too may be the lure of relatively affordable housing compared to Auckland,” the report stated.

Figures released recently by the Real Estate Institute of New Zealand show the median sale price for Tauranga properties in March sat between \$340,000 and \$360,000. Across the harbour bridge in Mount Maunganui – and further down the coast in Papamoa – the median was \$432,500. These sales trends were in line with March 2009 and 2010. More than 100 properties sold in Tauranga in March, and 78 in Mount Maunganui and Papamoa.

Kiernan says Tauranga is falling around average in terms of price and sales trends.

“There are signs of stabilisation, but not rapid pick-up at this stage, which is not too

PHOTOS: TOURISM BAY OF PLENTY

different to the nationwide picture.”

He found property prices compared to income “a bit on the high side”.

“They have come up a long way over the last 10 to 15 years, partly due to the strength of demand and population growth.”

He says the investment in roading infrastructure is likely to start opening up areas around town that weren’t necessarily as attractive to homebuyers before. That does influence property values and is something for investors to bear in mind, Kiernan says.

Tauranga realtors say the current steady and stable situation means those entering or climbing the property ladder can feel more confident about acquiring a good deal on a quality new home or investment property.

Shayne Donovan-Grammer of QV Valuations says with Tauranga’s sizeable and fast-growing population comes a pool of buyers and a chance to sell, and it’s a desirable city for those looking to build a portfolio of rental properties.

Property manager Helen Barnard says Tauranga tenants are generally looking for well-presented three-bedroom properties within the \$280 and \$350 weekly price bracket. Anything above \$450 is considered executive in Tauranga and caters to a very niche market, she says.

Tauranga’s high demand areas tend to be anything close to the CBD, such as the Avenues, as well as other prestigious areas such as Bethlehem, Pyes Pa and Otumoetai. While Matua too is considered a residential area of choice, few rental properties are available there, Barnard explains.

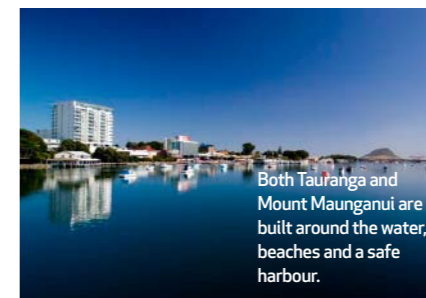
Areas tending to have a less favourable reputation include Merivale and parts of Gate Pa and Greerton – although the latter has the bonus of being within the Tauranga Boys’ and Girls’ College zones.

Many of the suburbs – even the more desirable ones – have “unattractive pockets”.

While properties in Mount Maunganui are in huge demand over summer, Barnard says, tenants are aware that many landlords expect them to vacate over summer when high yields can be made. This obviously impacts on desirability.

Barnard, who moved to Tauranga from Auckland, has been in property management for 15 years.

“Tauranga is a good place to invest. You can get lots of properties at a cost significantly less than what you would pay in Auckland, for example, and there is a



Both Tauranga and Mount Maunganui are built around the water, beaches and a safe harbour.



Barbecues are part of the easy summer lifestyle.



The growing tourism industry is bringing new businesses to the area. Cruise ships berth 250m from Mount Maunganui’s main street.

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– MAX MASON

healthy pool of tenants here.

“With good management, a well-looked-after property should be rented year-round. The rental yield is less than in Auckland, but Tauranga is a good place for long-term investment. This is a popular, vibrant, growing city where capital gain can be made,” Barnard says.

In May the most expensive house listed for sale was a humble beachfront property on a 4866 square metre site with a \$7.9 million price tag. In contrast, a one-bedroom apartment on Waihi Road in Tauranga listed at \$170,000.

Donovan-Grammer says several sales are coming in under \$200,000, which was practically unheard of during the property boom a few years back.

Tauranga Chamber of Commerce CEO Max Mason has lived and worked in five

countries and rates Tauranga as “without question the family-friendliest city there is”.

“I know several executives who have been offered very attractive jobs internationally, which they have turned down because their growing families are really happy here.”

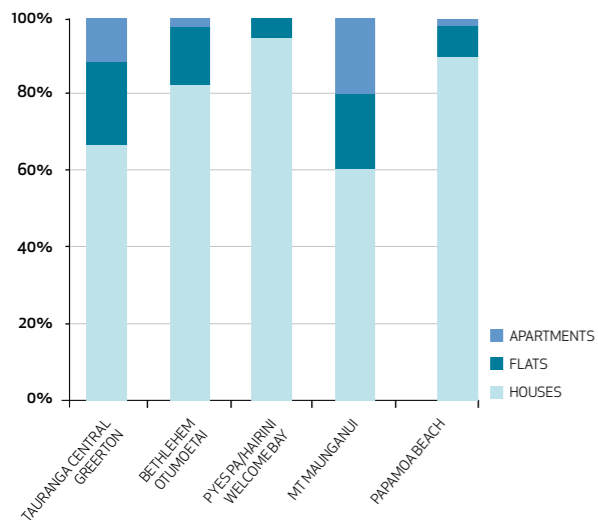
Helen Barnard shares his sentiments. Tauranga is a city big enough to cater for a steady stream of new businesses plus offer great schooling, shops, restaurants and coffee, yet small enough to ensure parking and accessibility is not a problem. Proximity to Auckland, Taupo, Rotorua and Hamilton is a plus.

“We have the beach on one side and the bush on the other. I would happily be a Tauranga ambassador – it is just one of the most beautiful places in New Zealand to live.” ■

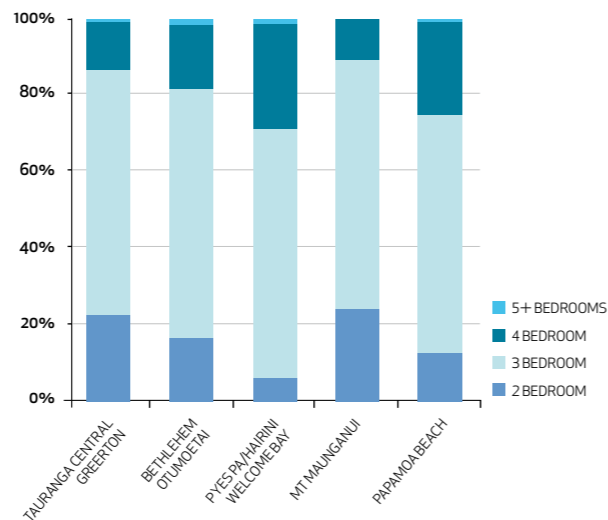


QV
JONNO INGERSON,
 RESEARCH DIRECTOR QV.CO.NZ

RENTED PROPERTY TYPE BY AREA



NUMBER OF BEDROOMS OF RENTED HOUSES



THE FIVE AREAS used for this Tauranga regional review are Tauranga Central/Greerton, Bethlehem/Otumoetai, Pyes Pa/Hairini/Welcome Bay, Mt Maunganui, and Papamo Beach. The rental data for each area is then matched to housing information from our database to determine house prices and therefore yield. The yield is calculated as the annualised rent divided by the sale price (as a percentage). This data, and more, is available through subscription to QV's Property Investor website QVInsider.co.nz

MARKET COMPOSITION

The rental market in Pyes Pa/Hairini/Welcome Bay and Papamo Beach is predominantly houses, with just a small proportion of flats and apartments making up the rest of the market. Bethlehem/Otumoetai has 83% houses, 15% flats, and 2% apartments. Both Tauranga Central/Greerton and Mt Maunganui have quite a different mix. Of all the five areas, these two

have the lowest proportion of houses, and a correspondingly higher proportion of flats and apartments. Apartments form 20% of the rental market in Mt Maunganui, and 11% in Tauranga Central/Greerton.

Three-bedroom houses make up between 62% and 66% of the rented houses in all five areas. Two-bedroom houses make up a small proportion of the rental market in Pyes Pa/Hairini/Welcome Bay, a little more in Bethlehem/Otumoetai and Papamo Beach, and about a quarter of the rented houses in Tauranga Central and Mt Maunganui. The areas of Pyes Pa/Hairini/Welcome Bay and Papamo Beach have around a quarter of the rented houses as four or five+ bed roomed.

RENT AND YIELD

By matching rental data to sales data we can look at rent, price and yields for three-bedroom houses and flats in each area.

Rents for three-bedroom houses have risen by a few percent in all areas except

Tauranga Central. In the other four areas the rent increases of three to four percent are well above the national median of 1.6% for three-bedroom houses.

Apart from in Pyes Pa/Hairini/Welcome Bay the rent for flats increased by between 4.0% and 4.5%, which is around the national median of 4.2%. In Pyes Pa there were only 21 bonds lodged in the period so the stats for that area should be treated with some caution.

The gross yield of 6.2% for three-bedroom houses in Pyes Pa/Hairini/Welcome Bay is well above the nationwide 5.4%. The yield is slightly above the national average in Tauranga Central/Greerton, and below in the other three areas.

For flats the gross yield in Tauranga Central/Greerton and Bethlehem/Otumoetai matches the national average of 4.8%. The yield for flats is much lower in Mt Maunganui and Papamo Beach, putting both areas well within the bottom 20% of areas across New Zealand. ■

AREA	Three-bedroom Houses					All Flats				
	BONDS	RENT	RENT GROWTH	MEDIAN SALES PRICE	GROSS YIELD	BONDS	RENT	RENT GROWTH	MEDIAN SALES PRICE	GROSS YIELD
Pyes Pa/Hairini/Welcome Bay	201	320	3.2%	\$270,000	6.2%	21	210	-5.4%	\$262,500	4.2%
Tauranga Central/Greerton	266	300	0.0%	\$269,000	5.8%	121	240	4.3%	\$261,000	4.8%
Bethlehem/Otumoetai	266	330	3.1%	\$330,000	5.2%	81	245	4.3%	\$265,000	4.8%
Mt Maunganui	220	340	3.0%	\$348,500	5.1%	91	260	4.0%	\$351,000	3.9%
Papamo Beach	184	340	4.0%	\$365,000	4.8%	31	230	4.5%	\$315,000	3.8%
New Zealand	27503	320	1.6%	\$310,000	5.4%	16967	250	4.2%	\$271,375	4.8%



CLIFF AND JULI TOLLEY'S
 INVESTOR GUIDE TO TAURANGA

PROPERTY MANAGERS, QUINOVIC TAURANGA
 AND MT MAUNGANUI, BAY OF PLENTY

TE PUNA
 With more of a rural outlook, Te Puna has some very nice houses with large lots and gorgeous views, surrounded by orchards. Only 15 minutes from town.

MOUNT - INCLUDES OMANU
 The Mount has a consistently strong demand for rentals with a greater demand in the summer season. There is a broad mix of housing, townhouses and apartments and the Mount also offers upper-end apartments and homes on Marine Parade. The Mount is very popular with professionals and families at the upper- and middle-end income brackets.

GATE PA, GREERTON
 This is an older community with some classic brick and wooden homes. There are some pockets of lower-income homes, so caution is required when selecting neighbourhoods. But, you will find some really good buys with high returns.

BAY OF PLENTY

BURETA/OTUMOETA/MATUA
 One of the sought-after areas - easy access into and out of town; close to schools and all other amenities. Consists mainly of older two- to four-bedroom homes of good quality. You will find apartments and executive-style living through to multi-million dollar houses.

TAURANGA CENTRAL - INCLUDES AVENUES
 The central business district and Avenues are always in high demand because of the proximity to amenities like shopping, medical facilities, schools, and entertainment. One of the oldest areas in town, you'll find a mix of people who like to walk to work, professionals, and students look for houses here. This area draws good rents and has high appeal.

PYES PA, TAURIKO
 Lots of new housing tracts and the new bypass road that provides easier and quicker access in and out of Tauranga city. Excellent school zone. Attracts families looking for modern housing and planned communities; as a result draws higher rents. A go-ahead area with new supermarkets planned, doctors' offices, and mountain biking/running paths. Good playgrounds and fields.

BELLEVEUE/BROOKFIELD/JUDEA
 An up-and-coming rental area. Research neighbourhoods before buying - there are pockets of really nice houses but other areas that might be a challenge. Houses rent quickly if they have good insulation and heating.

MAUNGATAPU, OHAUTI, WELCOME BAY
 A mix of new to older houses with some of the best views that money can buy, but be careful with some of the lower-lying areas. Mainly four-bedroom houses with one to two bathrooms. People move into the area just to have their kids go to the Selwyn Ridge school zone.

BETHLEHEM
 This area has a great semi-rural feel with good location for access to Tauranga. Predominantly newish 90s housing. Always sought after.

BAYFAIR
 Bayfair has excellent services, a good public transport system and only a short walk or drive to the beach. This area is popular with middle- to lower-income families.

PAPAMO
 There is consistently strong demand for rentals in this area with families. Rentals are mainly new brick-and-tile, three- and four-bedroom homes. It is drawing a good long-term tenants paying market rates.

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