

NZ Residential Rental Market

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The Dwellings We Live In

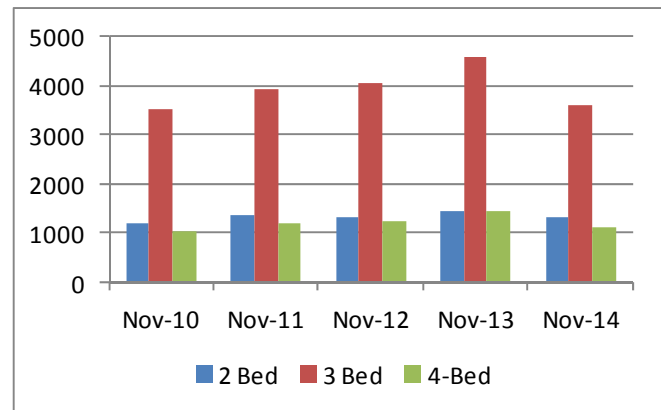
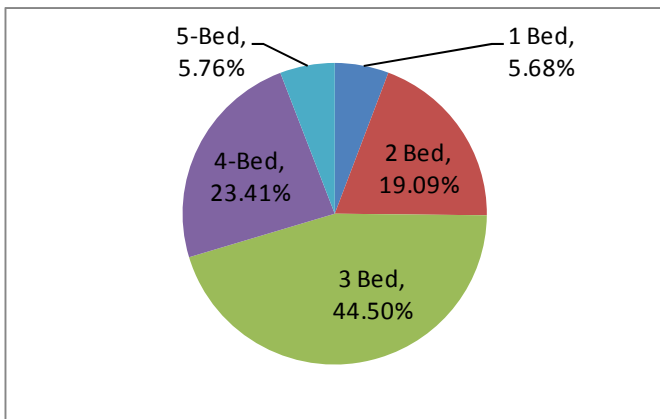
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DATA SOURCE This index has been developed from private sector rental data supplied by the Department of Building and Housing (Bond Centre). Information on wage rates, demographics and the structure of the rental housing stock is drawn from Statistics NZ data. House price information has been extracted from Real Estate Institute and Quotable Value NZ statistics.

Census data from 2013 revealed that 98% of the dwellings in New Zealand have one to five bedrooms. The pie chart below shows three bedroom dwellings (44.5%) were the largest group, followed by four bedroom (23.4%) and then two bedroom (19.0). Over time the three bedroom layout has shown to be very flexible, catering families with children and providing an office or guest room when needed.

Rental Houses

The main types of rental dwellings are classified as houses, flats and apartments. The first chart below shows monthly snapshots of the number of new tenancies for houses each November from 2010 to 2014. Clearly the rental market for houses is dominated by three bedroom houses comprising around 60% of this market.

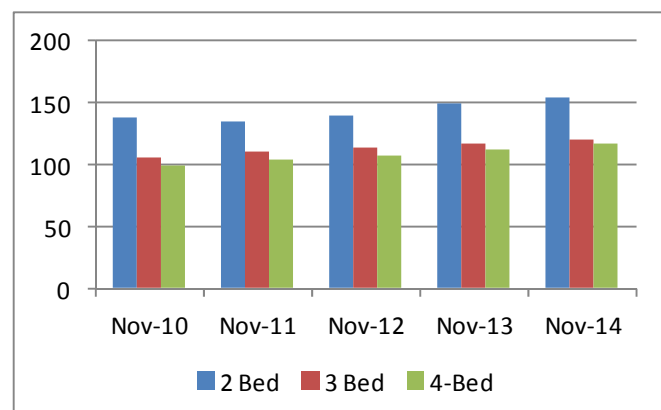


The census also distinguishes between stand alone dwellings and dwellings joined together, such as town houses, flats and apartments. In the rural local authority districts the percentage of stand alone dwellings is very high (90%-98%). In urban areas the percentage decreases, as in Wellington City (62.7%), Auckland City (74.1%), Christchurch City (76%) and Dunedin City (82%). Within the Local Boards in Auckland City there is a wide range in the stand alone dwelling percentages. Rodney leads with 93% and Waitemata, which is within the central city and contains large numbers of apartments, has only 29.0%.

The rental population is generally both younger, not married and likely to move more frequently than the population of owner occupiers. Individual renters typically prefer their own bedroom space within a house and often assess rental affordability in terms of the cost per bedroom. The chart below compares the weekly rent per bedroom for two, three, and four bedroom houses, using national figures for the months of November 2010 to 2014. Unsurprisingly the weekly rent per bedroom for four bedroom houses was the lowest. However the median weekly rent for four bedroom housing increased by 17% over the period compared with 12% for two and three bedroom houses.

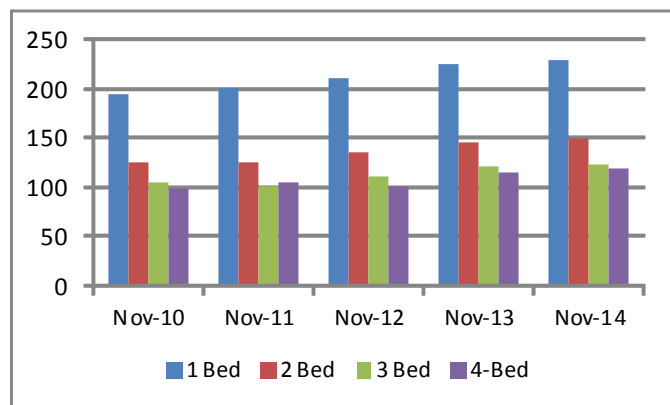
The cost of land has a big influence on the type of type of dwellings constructed. Where land costs are high developers are incentivised to maintain their profit margins by minimising the amount of land per dwelling. Intensification can be achieved by both single and multi level dwellings sharing common dividing walls.

The 2013 census statistics clearly show most New Zealanders live in detached houses located in the suburbs. Despite the increasing cost of land the balance of stand alone versus attached dwellings is unlikely to change very fast. This is because of the size of the existing stock (of long lasting dwellings) in relationship to the relatively small number of new dwellings added each year. For example, in the period between 2006 and 2013 the average number of new dwellings was around 12,900. The annual additions of new dwellings averaged less than one percent of the total dwelling stock.



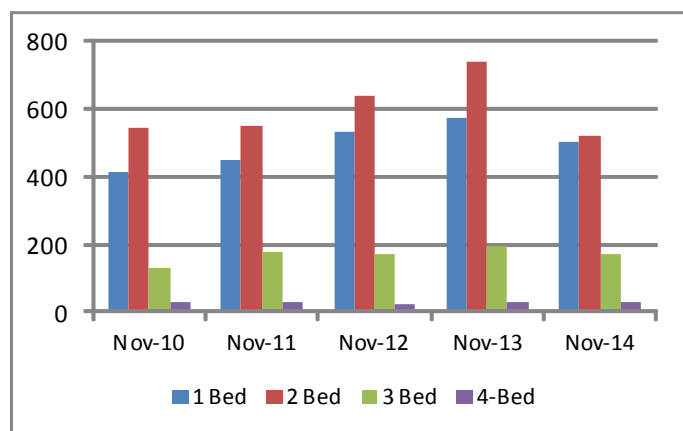
Rental Flats

The first chart below uses national data to show monthly snapshots of the weekly rent per bedroom for one, two, three and four bedroom flats, (November 2010 to November 2014). Tenants renting one bedroom flats pay a per bedroom “premium” compared to tenants renting flats with more bedrooms. This premium will be related to more affluent tenants who prefer to live alone. The existing stock of flats is dominated by those with two bedrooms. Over the period November 2010 to November 2014 the number of new tenancies for two bedroom flats was more than double those for one bedroom flats.



Rental Apartments

The chart below displays the monthly volume of new tenancies for apartments for November, 2010-2014. This chart illustrates how the structure of the national rental apartment market is dominated by one and two bedroom dwellings.



Rental Levels

The national level of median rent for February 2015 was \$365 per week. This is a new national high and represents a \$15 (4.2%) increase during last year (February 2014-February 2015). The table in the right hand column details median rents by the main local authority areas.

The increases in rents are clearly lagging well behind increases in house prices, particularly in Auckland and Christchurch. However rental increases do remain ahead of increases in wages and salaries.

	Feb-14	Nov-14	Feb-15
Whangarei	290	300	290
North Shore	490	475	500
Waitakere	405	412	437
Auckland	430	440	450
Manukau	415	440	450
Papakura	390	400	390
Hamilton	322	320	340
Tauranga	345	350	362
Rotorua	250	260	265
Gisborne	270	250	267
Hastings	280	275	290
Napier	302	300	290
New Plymouth	305	300	310
Wanganui	200	197	200
Palmerston North	265	290	280
Kapiti	350	320	360
Porirua	340	350	370
Upper Hutt	300	270	290
Lower Hutt	340	310	300
Wellington	435	395	430
Nelson	330	305	330
Christchurch	400	390	420
Dunedin	295	310	300
Invercargill	215	217	220
All NZ	350	350	365

Massey University Property Foundation

The Foundation is established to sponsor research and education in property related matters in New Zealand. Funding is obtained through sponsorship from corporations and firms within the property industry. The Foundation has established a Real Estate Analysis Unit to operate out of both Massey University’s Palmerston North and Albany campuses.

Massey University Real Estate Analysis Unit

The primary objective of the Massey University Real Estate Analysis Unit (MUREAU) is to provide reliable property information to the property industry, the land related professions and the public.

The Director of MUREAU is Professor RV (Bob) Hargreaves. MUREAU also offers a consulting service for individual clients. MUREAU publications available on the internet are:

- 1 The Home Affordability Report (Quarterly)
- 2 NZ Residential Rental Market Report (Quarterly)

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