

NZ Residential Rental Market

June 2014

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Rental Affordability

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DATA SOURCE This series has been developed from private sector rental data supplied by the Ministry of Business, Innovation and Employment. 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.

Rental affordability can be defined as the relationship between household income and the level of rent payable. Generally households should not expect to devote more than 25% of income to rental payments. Census 2013 provided a detailed series of snapshots of this affordability relationship. The chart below shows average national rental affordability together with average affordability by the main urban centres for the 2001, 2006 and 2013 census periods. Tauranga, Nelson, Kapiti, Napier and Whangarei cities were all at or above the 25% threshold in 2013. Conversely the most affordable urban areas included Porirua, Upper Hutt, Invercargill and Lower Hutt cities. Rental affordability has worsened over time both nationally and in most cities.

On average cities with the highest level of rents (Auckland, Wellington and Christchurch) are not the least affordable overall because higher levels of household incomes more than offsets rents. However, it must be remembered that the rental affordability picture varies considerably within suburbs and neighbourhoods in these cities. Furthermore the household income statistics include the population of home owners who typically have higher incomes than renters.

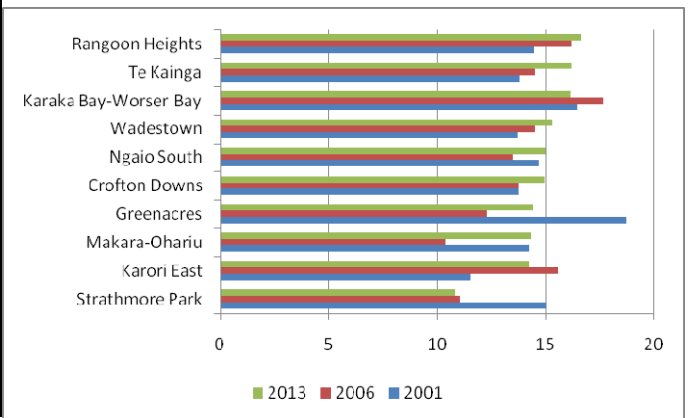
Wellington City

The area unit statistics allow the identification of rental affordability within a city. The first chart below shows the ten least affordable area units within Wellington City. These area units are mostly located near the central city and have quite high rates of renters. Area units typically comprise 3000-5000 households. Area unit maps can be accessed at the Statistics NZ website address shown in blue.

<http://www.stats.govt.nz/StatsMaps/Home/Maps/2013-census-quickstats-about-a-place-map.aspx>

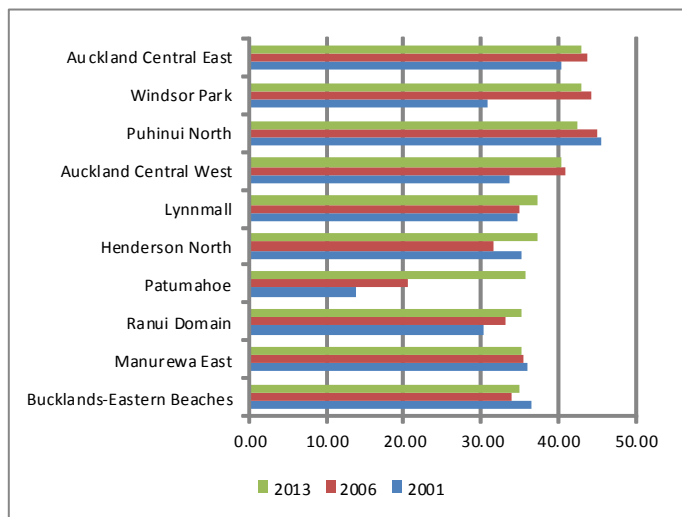


The second chart shows the ten most rental affordable area units in Wellington City. These area units are dominated by relatively low percentages of renters and high levels of owner occupied single family homes.

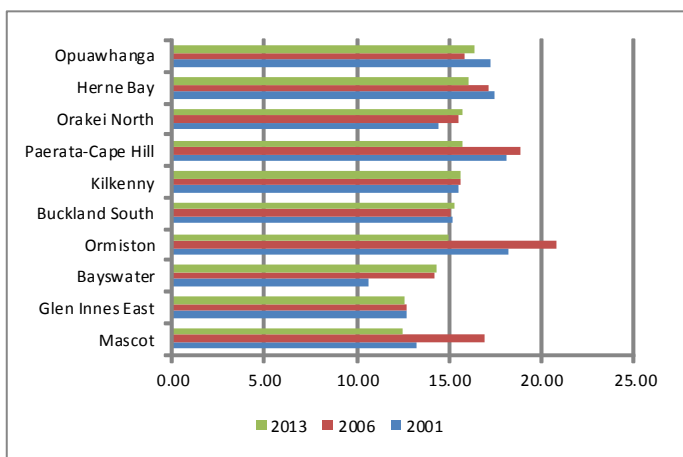


Auckland City

The chart below shows the ten least rental affordable area units in Auckland City. It is noticeable that all ten area units required more than 30% of income to pay the rent and four required over 40%. It can be concluded Auckland has pockets of serious rental affordability issues, particularly in South Auckland. The central city rental unaffordability is partly a function of the high student population who rely on student loans and parental support to pay the rent.



The second chart maps the ten most affordable area units in Auckland City. Similarly to Wellington these area units have a higher percentage than average of higher income owner occupied housing.



Rental Levels

A snapshot of rents itemised by the main urban areas is shown in the table in the right hand column. The national level of rent in May was \$350 per week. On an annual basis rents moved up by \$20 per week (6.0%) in the May 2013 to May 2014 period. The national level of annual rental increases were driven mainly by demand pressure in Auckland and Christchurch. More modest rental increases were evident in a number of the provincial cities, particularly those where the 2013 census data showed slow growth in both population and incomes.

Median Rents	May-13	Feb-14	May-14
Whangarei	290	290	290
North Shore	460	490	490
Waitakere	390	405	410
Auckland	420	430	440
Manukau	400	415	420
Papakura	367	390	380
Hamilton	310	322	310
Tauranga	340	345	340
Rotorua	250	250	250
Gisborne	247	270	262
Hastings	290	280	295
Napier	300	302	300
New Plymouth	310	305	320
Wanganui	190	200	200
Palmerston North	265	265	280
Kapiti	320	350	350
Porirua	325	340	357
Upper Hutt	280	300	285
Lower Hutt	320	340	310
Wellington	390	435	400
Nelson	325	350	320
Christchurch	369	400	390
Dunedin	260	295	280
Invercargill	220	215	222
All NZ	330	350	350

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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