

NZ Residential Rental Market

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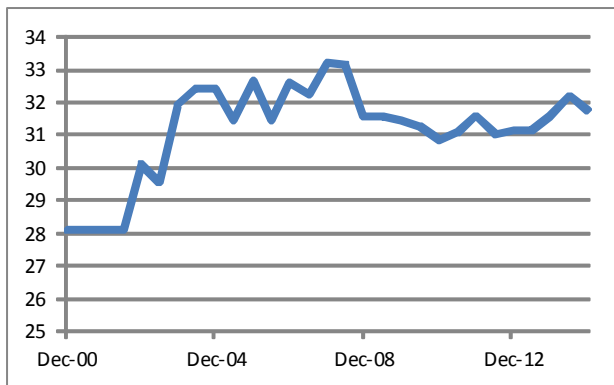
Rental Affordability

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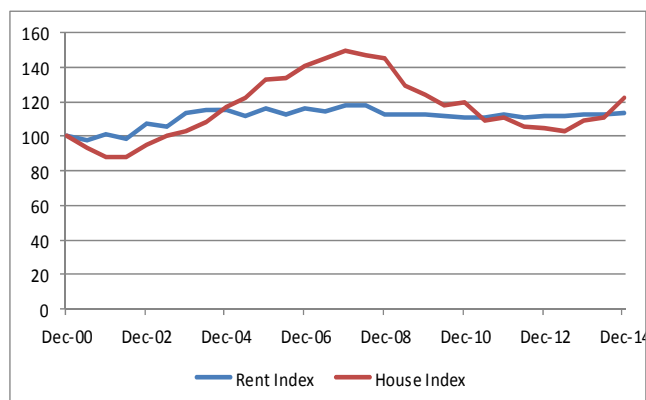
DATA SOURCE This publication has been developed from private sector rental data supplied by the Ministry of Business Innovation and Employment (Bond Centre). Information on wage rates, demographics and the structure of the rental housing stock is drawn from Statistics NZ data. House price information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

National Rental Affordability

In this analysis rental affordability is defined as the relationship between income and rent. For example if annual rent was \$17,000 and annual income \$55,000 then servicing rental payments would take 30.9% of annual income. The chart below uses the median national private sector rent and the average national wage rates over time (December 2000-December 2014) to show the percentage of income needed to pay the rent. Over this period rents increased by on average eleven percent more than wages.

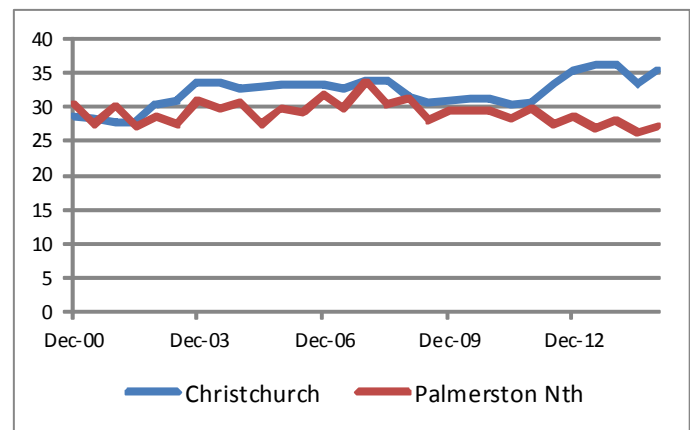


The next chart below compares national rental affordability with home ownership affordability. In this case ownership affordability is defined as the median house price multiplied by the average mortgage interest rate and the product is divided into the average weekly wage. Both indices are benchmarked to a common basis (100) in December 2000. Affordability worsens as the numbers on the vertical scale increase. Clearly home affordability is more volatile than rental affordability due to changes in house prices and interest rates. On the other hand rental increases tend to be more closely aligned with wage increases which in turn are related to changes in consumer prices.



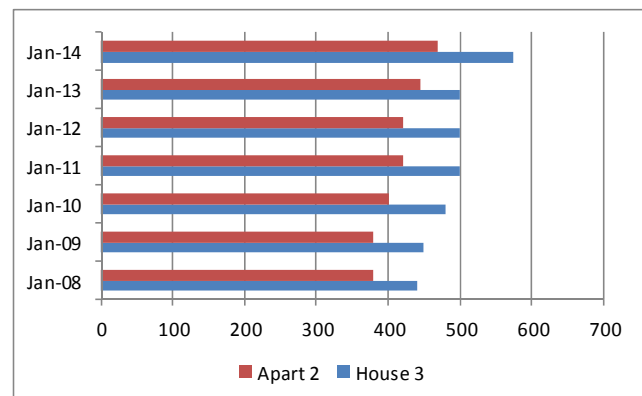
Rental Affordability-Christchurch & Palmerston North

The chart below assesses rental affordability between two cities by comparing the percentage of income required to pay the rent. At the start of the series (December 2000) the median rent in both cities was \$180 per week. By December 2014 Palmerston North median rent was \$275 per week in contrast to Christchurch where the median weekly rent was \$380. The Christchurch earthquakes definitely created a shortage of rental accommodation not offset by increases in the average weekly wage. Wage increases across both cities during this period were very similar. In the case of Palmerston North increases in rents have been influenced by slow population growth and the relative affordability of owner occupier housing.



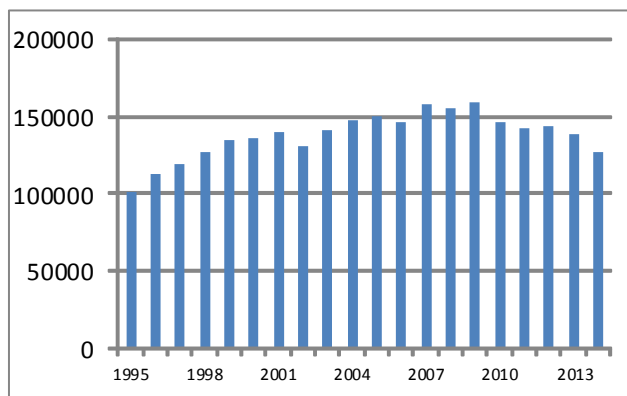
Auckland Houses and Apartments

A comparison between the growth in rents (2008-2014) between three bedroom houses and two bedroom apartments within the old Auckland city boundary is set out in the chart below. Over this period the growth in house rents (30%) exceeded the growth in apartment rents (23%).

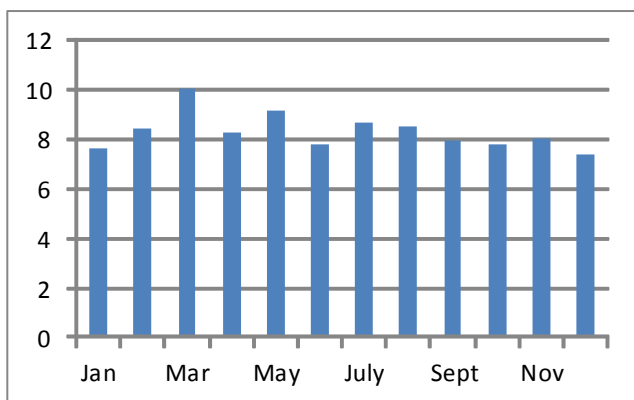


Rental Volumes

The first chart below shows the total annual number of new tenancies from 1995-2014. New tenancies peaked in 2009 but have been falling since then. At first glance this result seems surprising given an increasing number of renters in the population, given the fall off in the home ownership rate. It seems likely that since 2009 renters have been staying longer in their rental accommodation. This is most likely due to both a shortage of rental accommodation in some localities and the average age of the rental population rising. Young single people are more footloose than families.



The next chart below shows average number of monthly new tenancies as a percentage of total annual new tenancies over the period 1995-2014. The pattern of new tenancies shows some similarity to the housing market with low points in January and December and a high point in March. Unlike the housing market the spring months are typically only average for new tenancy formation.



Rental Levels

The table at the top of the right hand column shows rental changes over the last year and the last quarter, for the main urban centres, excluding Queenstown. The national level of median rent for August 2015 was \$360 per week, which is the same as it was in May 2015. Over the last twelve months the national median rent increased 5.8%.

The main pressure on the rental market continues to be in the Auckland region. Auckland's North Shore has the highest level of median rents possibly because the housing type is still dominated by stand alone homes and not units and apartments.

Renters looking for affordable rents may wish to consider local authorities where the median rents are less than \$200 per week. Waitomo, South Waikato, and Kawerau are all at (\$195) per week. They are followed by Tararua (\$180) and Ruapehu (\$167).

| Median Rents | Aug-14 | May-15 | Aug-15 |
|------------------|--------|--------|--------|
| Whangarei | 285 | 300 | 305 |
| North Shore | 460 | 500 | 520 |
| Waitakere | 410 | 440 | 450 |
| Auckland | 435 | 470 | 460 |
| Manukau | 430 | 450 | 460 |
| Papakura | 415 | 430 | 430 |
| Hamilton | 300 | 330 | 320 |
| Tauranga | 340 | 365 | 375 |
| Rotorua | 255 | 270 | 260 |
| Gisborne | 260 | 285 | 270 |
| Hastings | 285 | 280 | 300 |
| Napier | 300 | 310 | 307 |
| New Plymouth | 330 | 330 | 330 |
| Wanganui | 200 | 220 | 220 |
| Palmerston North | 280 | 260 | 280 |
| Kapiti | 315 | 350 | 325 |
| Porirua | 350 | 360 | 370 |
| Upper Hutt | 287 | 290 | 350 |
| Lower Hutt | 290 | 335 | 310 |
| Wellington | 400 | 399 | 400 |
| Nelson | 320 | 330 | 320 |
| Christchurch | 395 | 395 | 385 |
| Dunedin | 260 | 270 | 280 |
| Invercargill | 220 | 230 | 220 |
| All NZ | 340 | 360 | 360 |

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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