



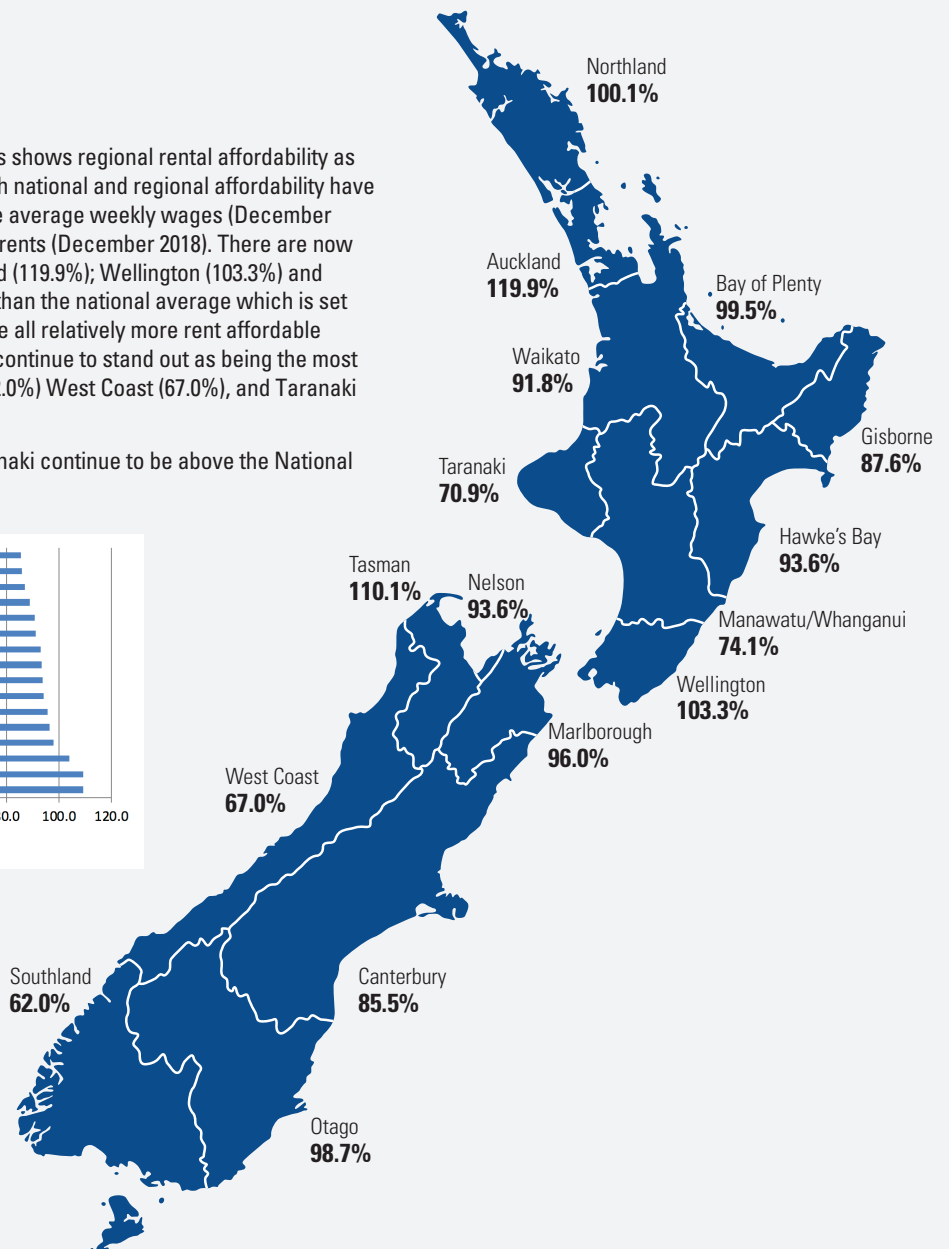
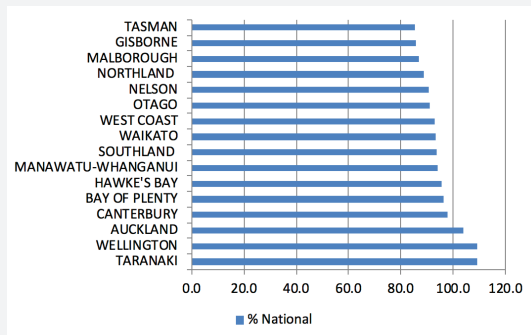
RESIDENTIAL MARKET REPORT

RENTAL REPORT MARCH 2019

REGIONAL RENTAL MARKET AFFORDABILITY

The map of New Zealand's sixteen regions shows regional rental affordability as a percentage of national affordability. Both national and regional affordability have been calculated by dividing the respective average weekly wages (December 2018) into the respective geometric mean rents (December 2018). There are now four regions, Northland (100.1%); Auckland (119.9%); Wellington (103.3%) and Tasman (110.1%) are less rent affordable than the national average which is set as 100%. The remaining twelve regions are all relatively more rent affordable than the national average. Three regions continue to stand out as being the most rent affordable. These were Southland (62.0%) West Coast (67.0%), and Taranaki (70.9%) of the national average of 100%.

Wages in Auckland, Wellington, and Taranaki continue to be above the National level, as shown below.





QUARTERLY CHANGES IN RENTAL AFFORDABILITY SEPTEMBER TO DECEMBER 2018

Quarterly Change in Indices (Sept - Dec 2018)

	IMPROVEMENT	DETERIORATION
Northland		8.14%
Auckland		0.20%
Waikato	-1.99%	
Bay of Plenty		1.49%
Gisborne	-0.40%	
Hawke's Bay	-0.46%	
Taranaki		2.79%
Manawatu-Whanganui		1.08%
Wellington		10.32%
West Coast		14.22%
Canterbury	-1.00%	
Otago	-4.62%	
Southland	-2.51%	
Tasman		8.78%
Nelson	-0.01%	
Marlborough	-3.27%	
National		0.19%

Overall, it can be seen that the quarterly trend is for a modest deterioration at a national level of 0.19%. However, this modest change is a result of the averaging effect of changes on both sides of the affordability ledger, and a weighting effect. The most significant decreases in affordability were seen in West Coast (14.22%) and Wellington (10.32%), while the majority of improvements were more modest, led by Otago (4.62%).

RENTALS FOR THE MAIN CITIES

The rents over the quarter and year December 2017 to December 2018, for the main urban areas, are set out in the table below. Over the past quarter, rental changes varied across the country with the majority seeing increases, led by Marlborough (15.3% increase) and Tasman (13.4% increase), with a net result of a 2.2% increase for the quarter. Reductions in rentals in this quarter were only seen in Manawatu-Wanganui and Otago. Nationally rents increased by 3.9% over the year. The largest annual rent increases were in the provinces (Nelson, Northland, and West Coast). Auckland showed a modest increase of 1.9% for the year, and the only annual drop was seen in Otago (3.1%).

	Dec 2017	Sep 2018	Dec 2018	Qtrly Change	Annual Change
Northland	\$332	\$352	\$377	7.1%	13.6%
Auckland	\$519	\$515	\$529	2.7%	1.9%
Waikato	\$347	\$361	\$364	0.8%	4.9%
Bay of Plenty	\$381	\$402	\$407	1.2%	6.8%
Gisborne	\$289	\$296	\$319	7.8%	10.4%
Hawke's Bay	\$346	\$368	\$380	3.3%	9.8%
Taranaki	\$290	\$317	\$328	3.5%	13.1%
Manawatu-Whanganui	\$277	\$298	\$296	-0.7%	6.9%
Wellington	\$431	\$430	\$478	11.2%	10.9%
West Coast	\$233	\$237	\$264	11.4%	13.3%
Canterbury	\$348	\$334	\$355	6.3%	2.0%

Otago	\$393	\$399	\$381	-4.5%	-3.1%
Southland	\$239	\$238	\$247	3.8%	3.3%
Tasman	\$364	\$352	\$399	13.4%	9.6%
Nelson	\$316	\$320	\$369	15.3%	16.8%
Marlborough	\$338	\$340	\$345	1.5%	2.1%
National	\$408	\$415	\$424	2.2%	3.9%

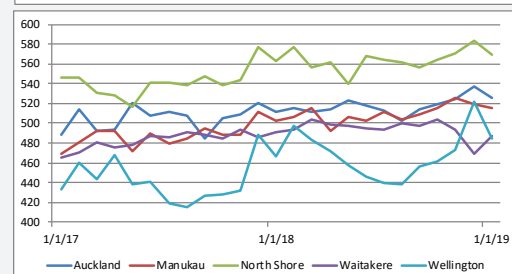
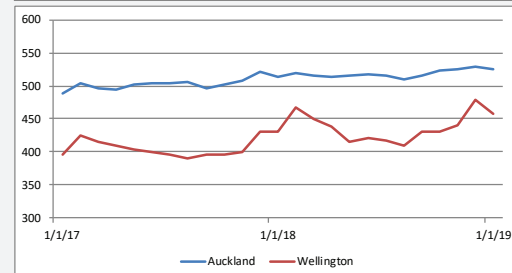
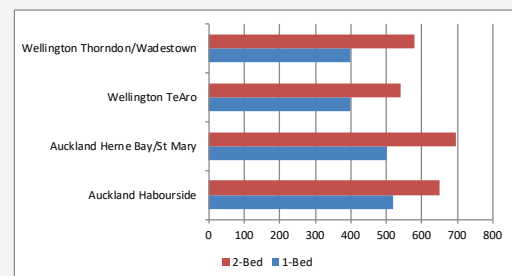
AUCKLAND CONTINUES TO LEAD WELLINGTON RENTS

A Press release by Trademe Property on 14 February 2019) claimed that "Wellington rents \$45 more per week than Auckland", but is this really the case? Readers should consider that Trademe Property rental figures are based on asking prices, not contracted rents, and that Trademe rental transactions a sample of the market, as not all landlords advertise through this website, or do not need to advertise. A larger sample of actual rental transaction is provided by the rental bond data provided by the Ministry of Business Innovation and Employment (MBIE). The first chart below shows the geometric mean rents for the Auckland and Wellington regions from January 2017 to January 2019.

The second chart uses Wellington city rents and compares them with the rents from the four old cities that comprise most of the new Auckland city. Again, a two year time frame is used. Wellington rents certainly did move up sharply in the last part of 2018 but are still below North Shore, Manukau and Auckland and on par with Waitakere.

The third chart compares weekly rents for one and two bedroom Auckland and Wellington apartments in neighbourhoods where there is a high level of transactions. Typically, these apartments are close to the central business district. Although Wellington rentals in this segment have increased in the past year, Auckland apartments are more expensive to rent than comparable apartments in Wellington.

Demographic pressures can explain why that Auckland city rents continue to lead those in Wellington city. According to Statistics New Zealand, in 2018 Auckland city had a population of 1.695 million compared with Wellington at 216,300. Auckland city population continues to grow at a faster rate than Wellington city, both in absolute and percentage terms.





DATA SOURCES

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 New Zealand (REINZ) and Quotable Value (QV) NZ statistics.

TERMINOLOGY

Geometric mean rents are used in this publication as a better measure of rental trends than median and average rents because rents at the top end of the market are down weighted. For example, take three numbers 2,3, and 6.

The average is 3.66, the median is 3 and the geometric mean is 3.3. To calculate the geometric mean multiply the three numbers together and then calculate the cubed root.

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 also established a Real Estate Analysis Unit.

The Foundation works closely with the Property Studies Group at Massey University.

Visit Real Estate Analysis Unit (REAU) at:
http://www.massey.ac.nz/massey/learning/colleges/college-business/school-of-economics-and-finance/research/reau/reau_home.cfm

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SCHOOL OF ECONOMICS AND FINANCE MASSEY UNIVERSITY

Massey University has three campuses, located in Palmerston North, Wellington and Auckland, in New Zealand. The University has an enrolment of 33,000 students with approximately 13,000 business students. There are five schools within the Massey Business School.

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