



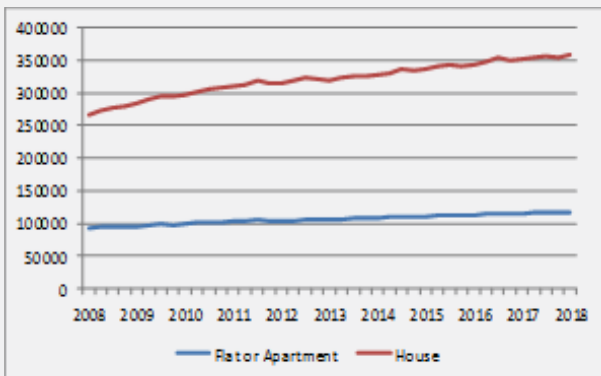
# RESIDENTIAL MARKET REPORT

QUARTERLY SURVEY JUNE 2018, VOL 21, NO.2

## RENTAL MARKET TIGHTENS AND RENTERS STAY PUT

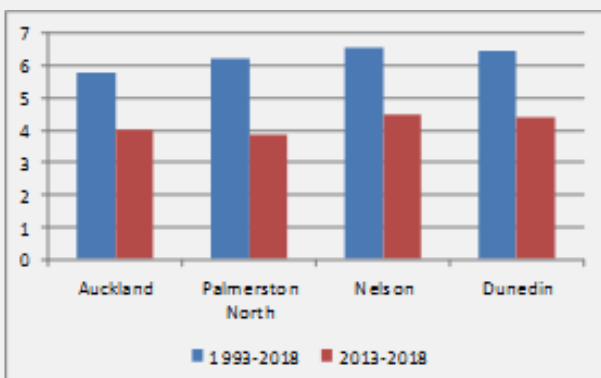
### THE NATIONAL PICTURE

The first chart below illustrates the increase, since 2008, of the annual number of bonds still active with the Bond Centre. The increase is likely due to the reduction in home ownership, combined with an increasing population, meaning more people are renting. The chart shows houses rented with flats and apartments aggregated. Rental houses located in the suburbs continue to dominate the rental dwelling stock. This is most likely because converting second housing from owner occupied to rentals has provided a more attractive return when compared with returns from flats and apartments. Houses have the largest land component, land normally doesn't depreciate and can offer redevelopment options.



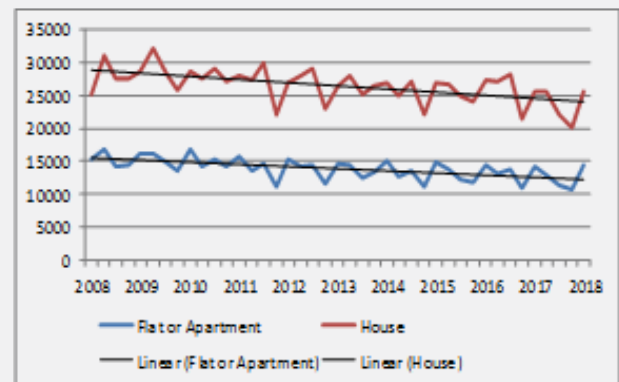
### FIVE AND TEN YEAR TRENDS

The chart below shows new bonds lodged as a percentage of existing current bonds since 2008 and 2013. The data for two North Island and two South Island cities confirm the tenancy turnover rate for rental properties is trending down. The downward trend is fairly consistent in small and larger cities and has accelerated over the last five years.



### TIGHTER MARKET

One of the first signs of a tighter rental market is a decreased vacancy rate, then possible rent increases, followed by a decrease in the number of new bonds lodged with the Bond Centre. The chart below maps quarterly national data (since 2008) showing decreases in new bonds lodged for houses, flats and apartments. The result means renters are generally staying longer in their current rental dwellings. Linear trend lines have been added to emphasise the direction of the trends.



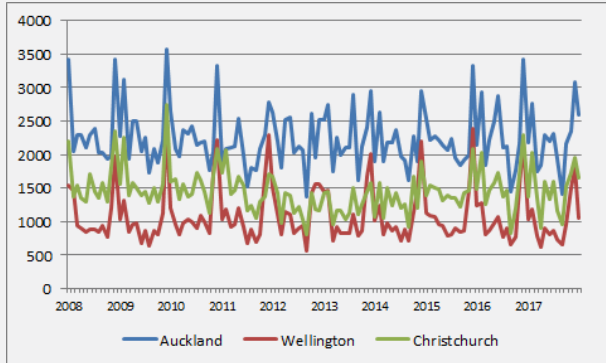
*Reasons for tenants staying longer in existing tenancies will include difficulties in finding alternative accommodation, the cost of moving and more tenants with children who are settled into particular schools. The tight rental situation does make it harder for renters to move to new job opportunities, particularly in Auckland and Queenstown where rents are relatively high.*





## REGIONAL TRENDS

The monthly number of new bonds lodged for the Auckland, Wellington and Canterbury regions are shown in the chart below. The seasonal nature of new tenancies is illustrated by spikes in the data during the autumn months. No doubt this is due in part to university students moving flats. Low points in the monthly data occur during the winter period and over the Christmas New Year holiday period.



## RENTAL PRESSURES

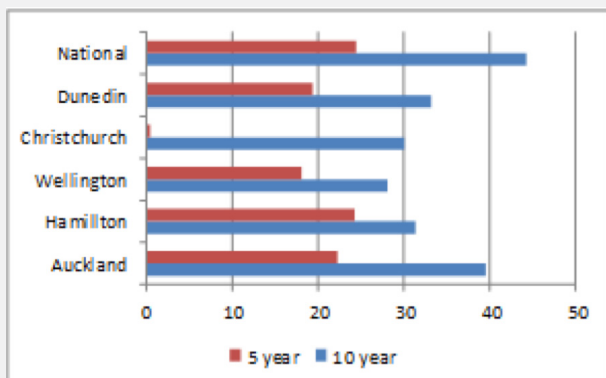
The top-performing local authority areas in terms of the percentage rental increase over the last five years came from outside the main cities. Over this period the average national rent increased by 25.5% compared with the Mackenzie district rents, where the average rent was up by 93.5%. The growth in tourism in the Mackenzie district has resulted in a significant increase in demand for accommodation in Twizel, Tekapo and Mt Cook.

Tourism is also the main driver for rental increases in Queenstown (62.3%) and, to a lesser extent, in Central Otago (41.9%). In the North Island, the Western Bay of Plenty District, which adjoins Tauranga, showed a five-year rent increase of 51.5%.

The poorest performing local authority area over the last five years was Buller District, with rents down 15.4%. A movement of population out of the district due to a downturn in mining activities would have contributed to this result. Rents were also down in Waimakariri District (-7.2%).

The bar chart below shows five and ten-year percentage changes in rent, through to May 2018, nationally and for the main urban centres.

Significant recent population increases in the top half of the North Island have contributed to the Auckland and Hamilton rental increases. Of course, from an investment perspective, increases in rents are only one part of the total returns equation. More important currently are the prospects relating to future changes in property values which, in turn, have strong links to demographic projections.



## RENTAL LEVELS

The table below shows the geometric mean weekly rents for the main New Zealand cities from May 2017 to May 2018. During this period, the national geometric mean rent increased to \$411 per week – a new high – representing an annual rate of increase of 4.03%. Overall rents continue to track above the rate of inflation in the economy.

The three Local Authority areas showing the largest percentage annual rental increases were Upper Hutt (13.3%), Queenstown (12.7%) and Gisborne (also 12.7%).

GEOMETRIC MEAN RENTS	MAY 2017	FEB 2017	MAY 2018
Whangarei	343	344	370
North Shore	517	546	536
Waitakere	477	469	494
Auckland	521	513	521
Manukau	472	482	506
Papakura	480	439	487
Hamilton	358	352	364
Tauranga	428	423	444
Rotorua	302	306	334
Gisborne	274	267	309
Hastings	337	303	359
Napier	362	370	390
New Plymouth	324	318	340
Whanganui	238	215	254
Palmerston North	297	289	304
Kapiti	372	332	392
Porirua	407	415	398
Upper Hutt	330	335	373
Lower Hutt	368	347	370
Wellington	438	460	456
Nelson	336	324	349
Christchurch	343	368	354
Dunedin	301	314	301
Queenstown	524	499	591
Invercargill	238	221	248
All NZ	394	393	411



## 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.

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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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