

# NZ Residential Rental Market

## December 2016

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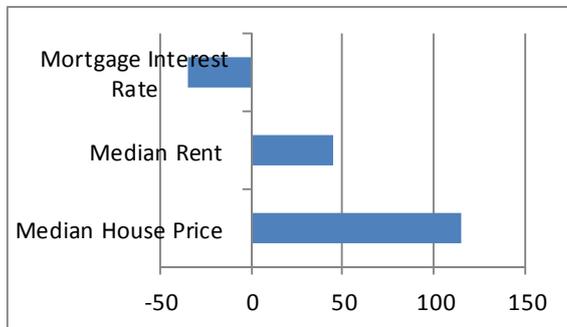
### Rents Ahead of Living Costs

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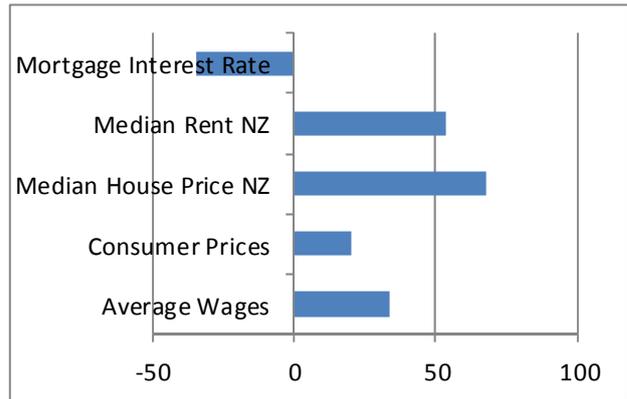
**DATA SOURCE** This publication has been developed from private sector rental data supplied by the Ministry of Business Innovation and Employment (Bond Centre). Information on wage rates, demographics and the structure of the rental housing stock is drawn from Statistics NZ data. House price information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

Traditional economic thinking says houses prices are likely to increase as a function of increased rents. Assuming the value of a house is the capitalised value of the net income (rents less expenses) then the income approach to value appears logical. However recent experience shows the relationship between rents and house prices has become somewhat tenuous. In New Zealand the large increases in house prices in some cities appear to be driven mainly by demand pressures from increased migration, low mortgage interest rates, speculation, tax advantages, planning restrictions and the inability of the building industry to adjust housing supply.

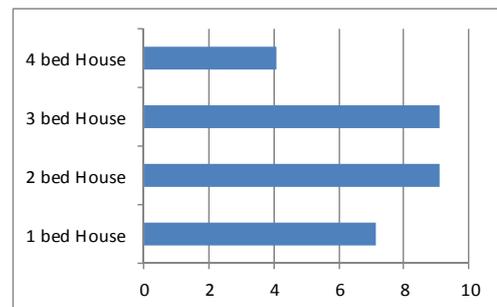
The chart below shows the percentage changes in mortgage interest rates, median rents and median house prices, all for Auckland for the eleven year period 2006-2016. Clearly rents did not kept up with house price over this period.



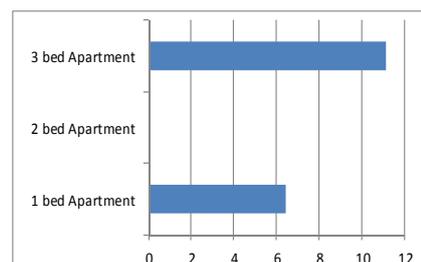
The national picture for percentage changes in rents and house prices over the period 2006-2016 is quite different to the Auckland picture, due to lower levels of house price increases in regional New Zealand. This is illustrated in the first chart in the right hand column which also includes percentage changes in average wages and consumer prices. From a rental affordability perspective renters are having to devote a greater percentage of their income to paying the rent. Part of the rental affordability gap is narrowed with the Accommodation Supplement (now over \$2 billion annually) which is available to some lower income renters.



The chart below takes national rental data (October 2015 to October 2016) and compares percentage rental increases for 1-4 bedroom houses. Three bedroom houses dominate the national rental market and are clearly still in strong demand. Having more bedrooms does offer the opportunity to reduce the rent per person when the household comprises renters who prefer their own room and extended families where several generations live in the same house.

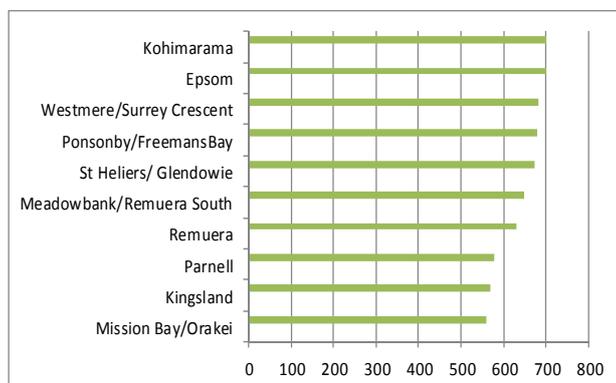


The next chart maps annual percentage changes to apartment rents. The nil increase for two bedroom apartments may relate to the lower per person cost for three bedrooms and some overbuilding of two bedroom apartments.

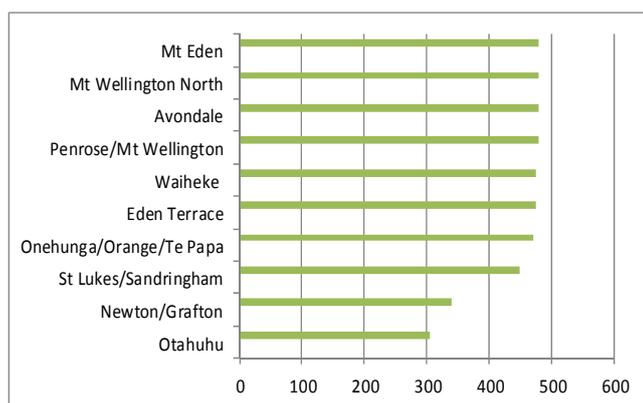


## Auckland House Rents

The chart below shows the median weekly rent (June 2016-December 2016) for the ten most expensive rental areas for three bedroom houses, using the old Auckland city boundaries. Rents are generally highest in the eastern suburbs close to the harbour and inner city western suburbs.



The second chart uses the same housing selection criteria for Auckland and maps the ten least expensive rental areas. Distance from the central business district and the quality of housing are two factors that impact negatively on rents.



## Rental Levels

The table in the right hand column shows the median rents for the main New Zealand cities over the last quarter and over the last year. During this period the national median rent increased by 11.1% to \$400 per week. This is the largest annual increase recorded over the last decade and is not primarily directly driven by Auckland rents. The largest percentage rental increases are all south of the Bombay Hills and include Tauranga, Rotorua, Wanganui, Palmerston North and Lower Hutt.

| Median Rents     | Oct-15 | Jul-16 | Oct-16 |
|------------------|--------|--------|--------|
| Whangarei        | 315    | 330    | 337    |
| North Shore      | 530    | 520    | 550    |
| Waitakere        | 450    | 460    | 470    |
| Auckland         | 470    | 490    | 500    |
| Manukau          | 460    | 480    | 510    |
| Papakura         | 450    | 475    | 450    |
| Hamilton         | 330    | 350    | 360    |
| Tauranga         | 370    | 420    | 430    |
| Rotorua          | 277    | 297    | 315    |
| Gisborne         | 300    | 272    | 300    |
| Hastings         | 290    | 325    | 330    |
| Napier           | 320    | 330    | 345    |
| New Plymouth     | 345    | 330    | 330    |
| Wanganui         | 195    | 230    | 230    |
| Palmerston North | 290    | 290    | 330    |
| Kapiti           | 340    | 362    | 350    |
| Porirua          | 370    | 410    | 399    |
| Upper Hutt       | 280    | 310    | 295    |
| Lower Hutt       | 320    | 340    | 380    |
| Wellington       | 390    | 420    | 440    |
| Nelson           | 330    | 350    | 325    |
| Christchurch     | 380    | 360    | 380    |
| Dunedin          | 320    | 260    | 322    |
| Invercargill     | 230    | 250    | 240    |
| All NZ           | 360    | 380    | 400    |

## 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 Emeritus 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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