



NZ Residential Rental Market

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New Survey Results

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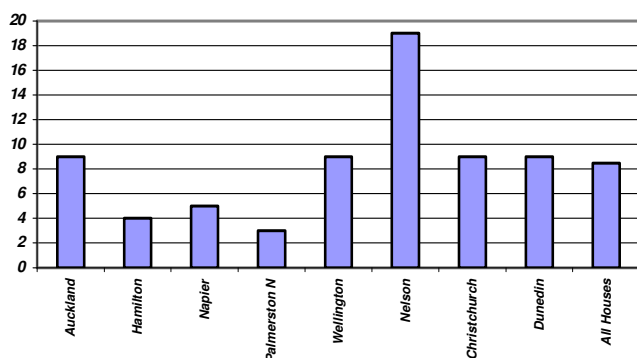
DATA SOURCE This index has been developed from private sector rental data supplied by the Ministry of Housing (Bond Centre). Information on wage rates, demographics and the structure of the rental housing stock is drawn from Statistics NZ data. House price information has been extracted from Real Estate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

A survey was recently undertaken by the author to determine a number of factors about residential investment properties. At the end of May 2004 3000 questionnaires were sent out to a random sample of landlords. By the beginning of July there were 889 replies from individual property owners representing some 1550 rental properties.

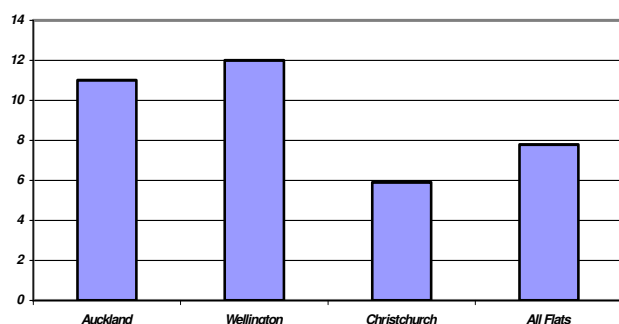
Vacancy

The first chart below shows the average days vacant over the previous year that owners reported for their rental houses. The second chart is for single investment flats. The low vacancy rates in most areas are thought to reflect a strong economy, high rates of employment and high house prices keeping people in the rental market. The average vacancy rate for apartments was 9 days.

Average Days Vacant- Houses



Average Days Vacant- Flats



Period Owned

One of the surprising results from the survey was that most of the respondents to the survey had only owned their investment properties for a short period of time. The first table below sets out the average and median periods of ownership by years for all houses and all single investment flats. The table also splits the data into 10 percentile groups.

| | All Houses | Single Flats |
|----------------|------------|--------------|
| Mean (years) | 3.37 | 3.56 |
| Median (years) | 1.58 | 1.63 |
| Percentiles | | |
| 10 | 0.42 | 0.39 |
| 20 | 0.67 | 0.58 |
| 30 | 0.92 | 0.92 |
| 40 | 1.17 | 1.25 |
| 50 | 1.58 | 1.63 |
| 60 | 2.08 | 2.42 |
| 70 | 4.00 | 4.42 |
| 80 | 5.75 | 6.37 |
| 90 | 8.92 | 9.75 |

The next table below sets out the ownership duration for residential rental houses in the four largest cities.

| | Auckland | Wellington | Christchurch | Hamilton |
|----------------|----------|------------|--------------|----------|
| Mean (years) | 4.14 | 5.0 | 3.04 | 2.89 |
| Median (years) | 1.67 | 3.6 | 1.17 | 2.33 |
| Percentiles | | | | |
| 10 | 0.42 | 0.6 | 0.50 | 0.45 |
| 20 | 0.67 | 1.0 | 0.58 | 1.22 |
| 30 | 0.92 | 1.8 | 0.78 | 1.52 |
| 40 | 1.25 | 2.3 | 1.08 | 1.75 |
| 50 | 1.67 | 3.6 | 1.17 | 2.33 |
| 60 | 2.83 | 4.7 | 1.53 | 2.50 |
| 70 | 5.00 | 6.1 | 3.33 | 3.90 |
| 80 | 7.33 | 8.6 | 4.98 | 4.85 |
| 90 | 10.33 | 14.5 | 8.78 | 5.47 |

The data for single rental flat ownership duration in Wellington and Christchurch is shown below.

| | Wellington | Christchurch |
|----------------|------------|--------------|
| Mean (years) | 5.35 | 3.18 |
| Median (years) | 3.20 | 1.17 |
| Percentiles | | |
| 25 | 1.08 | 0.44 |
| 50 | 3.20 | 1.17 |
| 75 | 8.64 | 5.42 |

For multiple flats the period of average period of ownership was 2.86 years and the median period 1.2 years.

The data for rental apartment ownership shows similar results. Nationwide the average time an investor has owned a rental apartment is 3.31 years and the median time 2.08 years. The first table below compares the Auckland and Wellington apartment results.

| | Auckland | Wellington |
|----------------|----------|------------|
| Mean (years) | 3.58 | 3.87 |
| Median (years) | 2.33 | 1.54 |
| Percentiles | | |
| 25 | 0.75 | 0.88 |
| 50 | 2.33 | 1.54 |
| 75 | 5.25 | 8.48 |

The perceived strong returns from rental property over the last few years appear to have encouraged investors to enter this market. The actual returns being achieved from residential investment properties will be covered in future issues of this publication.

Apartment Rents

There has been a suggestion that the supply of rental apartments may be starting to exceed the demand for this type of accommodation, particularly in Auckland. This is due to the large number of new apartments recently completed, projects nearing completion and a drop in net migration. The first table below shows median Auckland apartment rents over the period July 2003- July 2004, categorised by the number of bedrooms. The "all" category includes bedsitters and all bedroom sizes. There does appear to be a drop off in rents, particularly for one bedroom apartments in Auckland.

| Auckland City-Weekly Rents \$ | | | |
|-------------------------------|--------|--------|--------|
| | Jul-03 | Jan-04 | Jul-04 |
| 1 bed | 330 | 320 | 300 |
| 2 bed | 420 | 385 | 420 |
| 3 bed | 450 | 490 | 489 |
| all | 362 | 350 | 340 |

Wellington City apartment rents from July 2003- July 2004 are shown below. Apartment rents in Wellington moved up over the last year at a slightly faster rate than rents in general in the city.

| Wellington City-Weekly Rents \$ | | | |
|---------------------------------|--------|--------|--------|
| | Jul-03 | Jan-04 | Jul-04 |
| 1 bed | 290 | 290 | 310 |
| 2 bed | 350 | 362 | 380 |
| 3 bed | 440 | 387 | 415 |
| all | 350 | 335 | 367 |

Current Rental Levels by TLA

Over the last quarter the national level of median rent for private sector rental accommodation reached a new record high in May of \$250 per week and stayed at this level in June. However, the national median rent declined in July to \$240 per week.

A snap shot of rents in the main TLAs over the period July 2003 to July 2004 is shown in the table at the top right. Over this period rents increased in most areas. The most significant rental increase was in Napier (up 18%) while Wanganui and Invercargill remained static.

| | July 03 | Jan 04 | July 04 |
|------------------|---------|--------|---------|
| Whangarei | 185 | 185 | 190 |
| North Shore | 320 | 340 | 350 |
| Waitakere | 280 | 300 | 295 |
| Auckland | 320 | 325 | 320 |
| Manukau | 280 | 300 | 285 |
| Papakura | 250 | 260 | 260 |
| Hamilton | 210 | 230 | 240 |
| Tauranga | 220 | 230 | 245 |
| Rotorua | 175 | 175 | 180 |
| Gisborne | 160 | 165 | 170 |
| Hastings | 175 | 190 | 200 |
| Napier | 190 | 220 | 225 |
| New Plymouth | 180 | 200 | 200 |
| Wanganui | 140 | 140 | 140 |
| Palmerston North | 180 | 195 | 190 |
| Kapiti | 200 | 200 | 210 |
| Porirua | 210 | 220 | 220 |
| Upper Hutt | 167 | 180 | 180 |
| Lower Hutt | 210 | 220 | 220 |
| Wellington | 285 | 290 | 290 |
| Nelson | 220 | 230 | 235 |
| Christchurch | 220 | 235 | 240 |
| Dunedin | 180 | 205 | 210 |
| Invercargill | 160 | 160 | 160 |
| All NZ | 220 | 240 | 240 |

Massey University Property Foundation

The foundation is established to sponsor research and education in property related matters in New Zealand. The Chairman of Trustees is Mr Bill Cleghorn. 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. The Secretary of the Foundation is Natalie McLelland, Phone (06) 3505799 ext. 2321.

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, free on request are:

- 1 The AMP Banking Home Affordability Report (Quarterly)
- 2 Rural Real Estate Market Outlook (Quarterly)
- 3 Auckland Commercial Market Outlook (Quarterly)
- 4 Christchurch Commercial Market Outlook (Quarterly)
- 5 Wellington Commercial Market Outlook (Quarterly)
- 6 Auckland Residential Market Outlook (Quarterly)
- 7 Christchurch Residential Market Outlook (Quarterly)
- 8 Wellington Residential Market Outlook (Quarterly)

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