



# NZ Residential Rental Market

## June 2006

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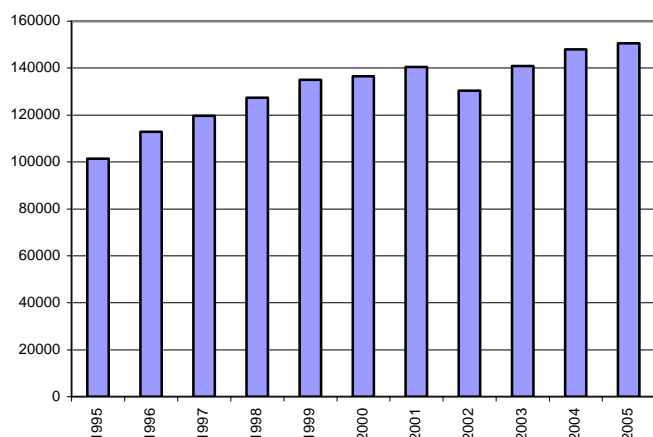
### Increasing Rental Population

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**DATA SOURCE** The private sector rental data is supplied by the Department of Building and 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.

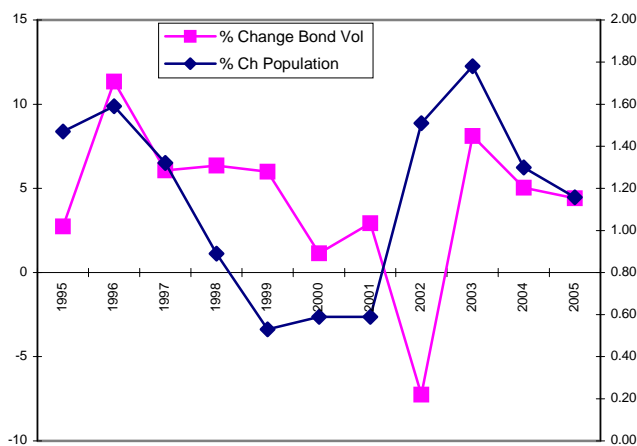
#### Tenancy Data

The number of tenancy bonds recorded by the Department of Building and Housing gives some indication of increasing numbers of private sector renters. Readers need to be aware that there are some problems with the bond data as the churn rate of rental properties may vary from year to year and some properties (such as student flats) now have multiple bonds. The chart below shows the total number of new bonds recorded over the period 1995-2005.



Clearly, as the population grows there is likely to be an increase in the number of private sector rental tenancies. The reduction in the number of bonds in 2002 may be related to the start of the property boom and tenants switching into home ownership as the volume of house sales went up by about a third in 2002.

The next chart at the top of the right hand column shows the annual percentage change in the annual number of bonds on the left hand axis and the annual percentage increase in population on the right hand axis. There is a strong correlation between these variables. As expected population growth leads growth in rental tenancies since landlords find it hard to anticipate demand, particularly the volatile net migration statistic.



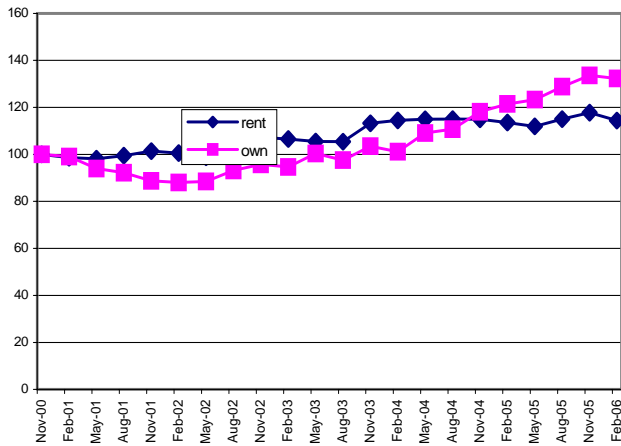
From a policy perspective an important question concerns the rate of growth in private sector rental tenancies compared to the rate of growth in the population as a whole since this has implications for home ownership. The five yearly census provides the most reliable data on the percentage of households renting and those owning. The results from the 2006 census are due out towards the end of the year and the most likely scenario is they are likely to show an ongoing decline in the rate of home ownership.

In the absence of hard data from the census there is a clear trend emerging in the bond centre data showing rental tenancies increasing at a faster rate than the rate of growth in the population. Over the period 1995 –2005 rental tenancies increased at an average rate of 4.26% per annum compared to an average population growth of 1.16% over the same period. Of course the equation is complicated by the fact the average occupancy rate per household unit is decreasing over time and there has been an increase in the number of state housing rental units over the 1995-2005 period.

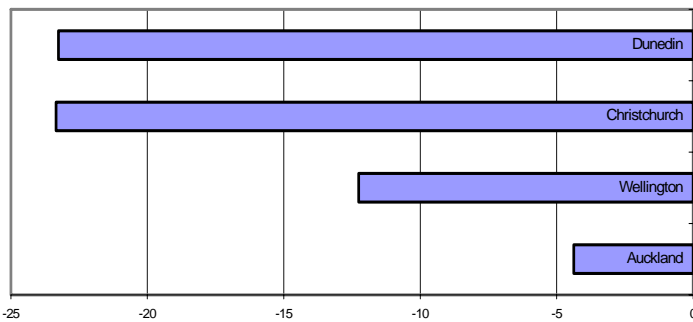
#### Rental Affordability

Now that the annual rate of increase in house prices is starting to level out it is interesting to compare the relative changes in affordability of renting with owning. The first chart on page two compares rental and owning affordability at a national level from November 2000 to February 2006.

Rental affordability is based on the median national rent divided into average wages. Ownership affordability uses data from the Massey home mortgage affordability survey and is based on the median house price, mortgage interest rates and the average wage. Both sets of data have been indexed to a common base of 100 in November 2000. Clearly the relatively low mortgage interest rates from 2001– 2003 favoured owning. Since mid 2004 renting has become relatively more affordable since during the most recent property boom increases in house prices have exceeded increases in rents and mortgage interest rates have been rising.



Percentage changes in rental affordability for the main cities are shown in the chart below and cover the period from November 2000 to February 2006. Over this time wages in the North Island main cities stayed more in line with rents than in the South Island.



### Current Rental Levels by TLA

Over the last quarter the national level of median rent for private sector rental accommodation remained unchanged at \$260 per week, up 4 percent on the same period in 2005. A snap shot of rents in the main Territorial Local Authorities over the period January 2005 to January 2006 is shown in the table at the top right. Over this period rents in the larger North Island cities remained relatively static but Dunedin and Christchurch showed significant gains. Small rental increases were recorded in a number of the North Island provincial cities.

### Median Rents

	April 05	Jan 06	April 06
Whangarei	210	212	232
North Shore	340	340	350
Waitakere	295	300	300
Auckland	325	320	330
Manukau	295	310	310
Papakura	275	280	290
Hamilton	250	250	250
Tauranga	250	270	270
Rotorua	190	190	197
Gisborne	175	190	200
Hastings	210	220	220
Napier	220	240	250
New Plymouth	220	220	230
Wanganui	160	165	170
Palmerston North	200	210	210
Kapiti	220	230	230
Porirua	240	230	240
Upper Hutt	200	190	200
Lower Hutt	230	240	250
Wellington	300	300	320
Nelson	240	250	245
Christchurch	250	260	260
Dunedin	220	240	215
Invercargill	160	160	160
All NZ	250	260	260

### 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 Alison Smith, Phone (09) 486-5224.

### 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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