

NZ Residential Rental Market

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The Demand Side

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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.

The Type of Rental Housing

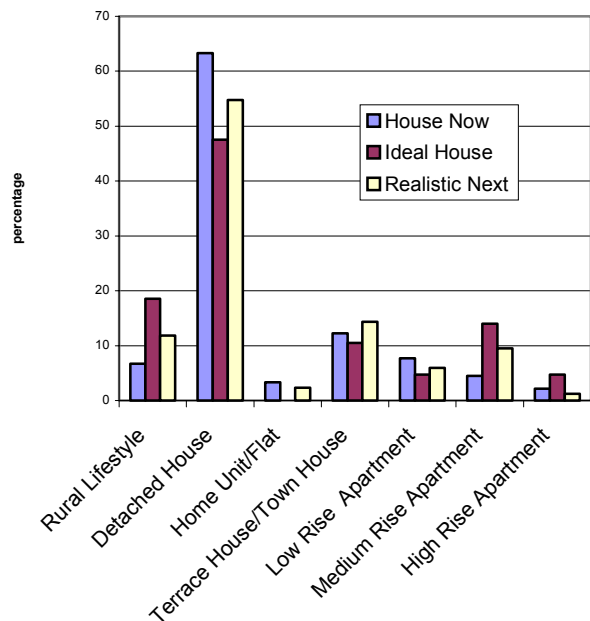
Rental information from the Ministry of Housing is split into the broad classifications of houses and flats. Houses are defined as stand-alone dwellings while flats are joined to one or more housing units. A snapshot of the split, for new rental tenancies in December 2001, between houses and flats is shown in the graph below.

The rental market is still dominated by houses in most of the above cities. However, the situation in Auckland and Wellington is different with flats accounting for 60% of the new tenancies.

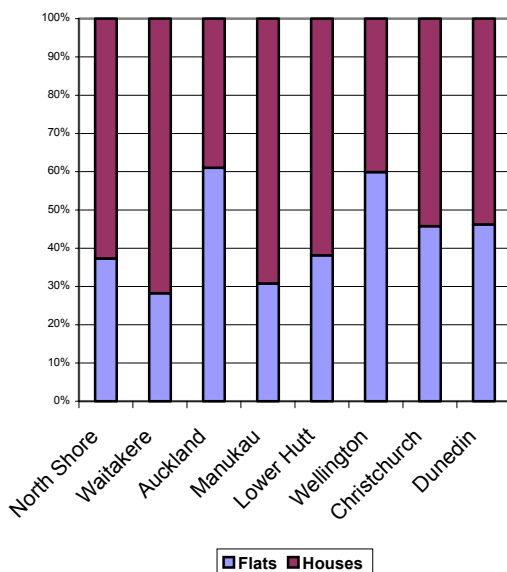
Housing Preferences

A recent internet survey conducted by the author (of some 135 property professionals in the Auckland region) showed that while detached housing still dominates housing preferences there is an increased move towards more intensive housing as the preferred option. The survey asked respondents three questions about housing preferences. Firstly to identify the type of house they presently live in, secondly their preference if finance was not a limiting factor and thirdly to state what type of house they are likely to move to next, given their present circumstances. The responses are summarised in the graph to the top right. The second graph on the right uses cross-tabulation to analyse the same questions by the respondents age. Clearly, demand changes

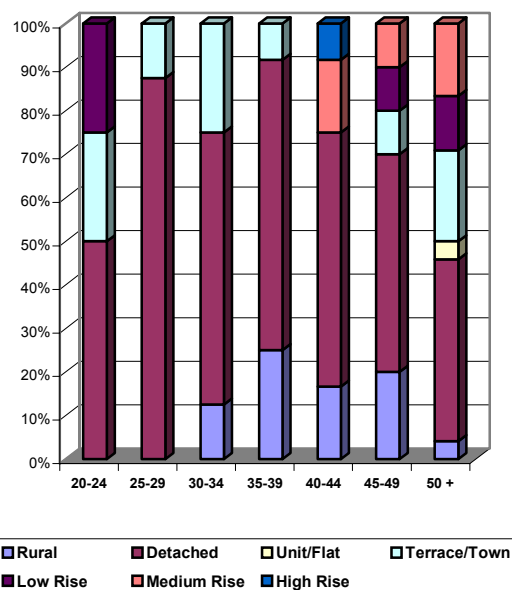
Housing Preferences



Type of Rental Property



Next House Preferences (by Respondents Age)



according to the age of the householders. Living in apartments and town houses is more attractive to the 50 plus age group than the 30-49 age group. The older group are more likely to have children living away from home and have less need for the outdoor space offered with detached housing. The preference for living in the country on a lifestyle block mostly shows up in the 30-49s age groups. High rise apartments (over 10 floors) were less popular than medium rise apartments (4-10 floors) and low rise apartments (up to 3 floors). Possibly medium rise apartments offer better facilities than low rise and are on a more human scale than high rise. Terrace Houses and Town Houses rated higher on the realistic next house choice than they did on the ideal house choice. This is most likely because of affordability considerations.

Although the results of this survey only apply to Auckland property professionals they do provide some insights into the trend away from low density living in Auckland. Auckland is presently only at only about one quarter of the density found in Sydney and Melbourne. The Auckland Regional Council preferred growth option for Auckland relies on increasing the housing density near the town centres and along the main transportation corridors. This will mean the provision of new rental housing in these growth nodes.

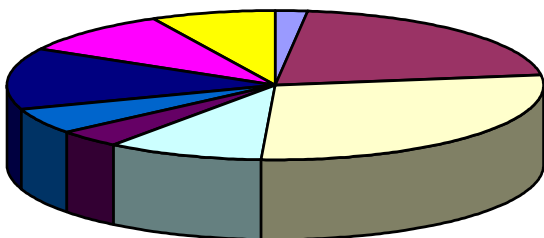
Respondents were also asked for their opinions regarding the maximum number of floors that should be permitted for suburban apartments. The responses are summarised in the pie chart below. There is a clear preference for 3-4 floors. Where conditions are mentioned this means each application should be treated on its merits.

Rental Levels

A snap shot of rental levels in the main centres and provincial cities is shown in the table on the top right. The national median rent has remained at \$200 per week since November 2001. Increasing levels of rent are not just confined to Auckland. Rents in Invercargill, New Plymouth, Hastings and Nelson all show increases.

	Apr-01	Jan-02	Apr-02
Whangarei	165	170	170
North Shore	275	270	290
Waitakere	240	240	250
Auckland	270	280	280
Manukau	250	250	250
Papakura	230	237	230
Hamilton	190	190	190
Tauranga	185	200	195
Rotorua	150	165	160
Gisborne	145	150	150
Hastings	160	160	180
Napier	180	175	180
New Plymouth	150	140	160
Wanganui	130	125	130
Palmerston North	180	180	180
Kapiti	200	195	200
Porirua	215	210	210
Upper Hutt	160	180	170
Lower Hutt	200	200	200
Wellington	260	265	260
Nelson	180	185	200
Christchurch	180	185	195
Dunedin	140	165	160
Invercargill	115	125	140
All NZ	195	200	200

Suburban Apartment Floor Limits



■ 2 ■ 3 ■ 4 ■ 5 ■ 6 ■ 7 ■ 8 ■ 9 ■ 10 ■ over 10 ■ conditions

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 Gordon Davies. 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. Claire-Phillips is the Secretary/Treasurer. She may be contacted on (06) 350-5799 Ext 2321 or 025 246-2347.

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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