



NZ Residential Rental Market

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Rents Up In 2002

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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.

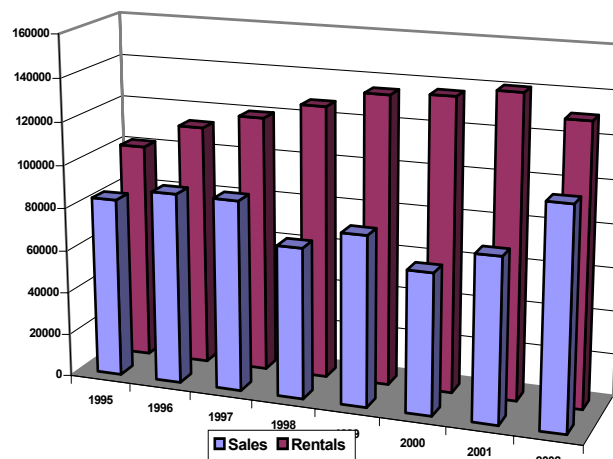
Rental Levels

The national level of median rent for private sector rental accommodation increased from \$200 per week to \$210 per week during the period January 2002 to December 2002. This represents a 5% increase. Increases were seen in almost all regions. The most significant increases impacting on the national median were in the Auckland region with North Shore (18%), Waitakere (10%), Auckland (10%) and Manukau (12%) cities all up. Also in the North Island New Plymouth (21%) showed a strong gain. In the South Island significant gains showed up in Nelson (21%), Christchurch (8%) and Invercargill (8%). Rents in Gisborne, Wanganui, Porirua and Upper Hutt remained flat over this period. These rental increases are attributed to a strong growth in demand brought about by mainly by a large increase in immigration, particularly in Auckland. A snapshot of rental levels in the main cities is shown in table below.

	Jan-02	July-02	Dec-02
Whangarei	170	165	180
North Shore	270	295	320
Waitakere	240	250	265
Auckland	280	295	310
Manukau	250	250	280
Papakura	237	230	240
Hamilton	190	195	200
Tauranga	200	190	210
Rotorua	165	165	170
Gisborne	150	145	150
Hastings	160	160	165
Napier	175	180	190
New Plymouth	140	150	170
Wanganui	125	130	125
Palmerston North	180	170	190
Kapiti	195	190	200
Porirua	210	180	210
Upper Hutt	180	160	180
Lower Hutt	200	200	207
Wellington	265	260	280
Nelson	185	195	210
Christchurch	185	190	200
Dunedin	165	145	170
Invercargill	125	130	135
All NZ	200	200	210

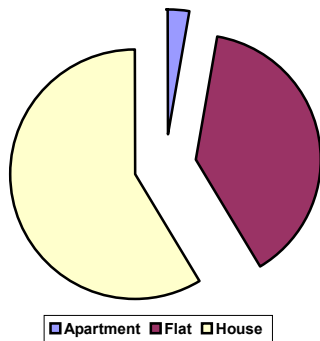
Annual Transactions

The chart below compares the annual level of private sector rental transactions with house sales volume over the period 1995-2002. There are some issues with the data concerning the omission of private house sales and some multiple tenancies for a single rental property. However, the overall trend is very interesting. It is noticeable that the volume of house sales was at a record high in 2002 but the volume of rental transactions dropped back to 1998/1999 levels. This may mean that first time home buyers were more active in the market during 2002 than they had been for some years and that the trend to more people renting has slowed down during a period where the economy has been growing strongly. Another reason for the surge in house sales is likely to be the strong growth in property prices in comparison to the stock market returns. A similar trend has also been reported by the Economist magazine in the USA, UK and Australia. Investors appear to be returning to residential property investment on a scale not seen since the early 1990's. No doubt the current low mortgage interest rate environment helps to leverage up the return to residential equity investment. The housing stock is expected to continue to grow in line with increases in population and the trend for fewer people per household unit.



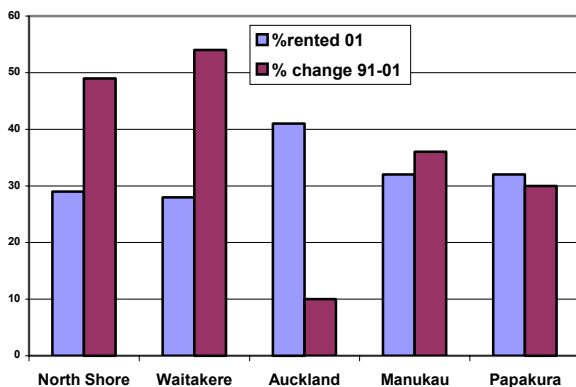
Composition of Rental Housing Stock

With all the publicity attached to the relatively recent phenomena of apartment living there is a tendency to forget that the rental housing stock is still dominated by single family homes and flats situated in suburban locations. A snapshot of the new tenancies for November 2002 is shown below. Houses comprised 58%, flats 39% and apartments just 3%. No doubt the apartment share of the rental market will continue to increase but it will be some years before it gets close to flats.

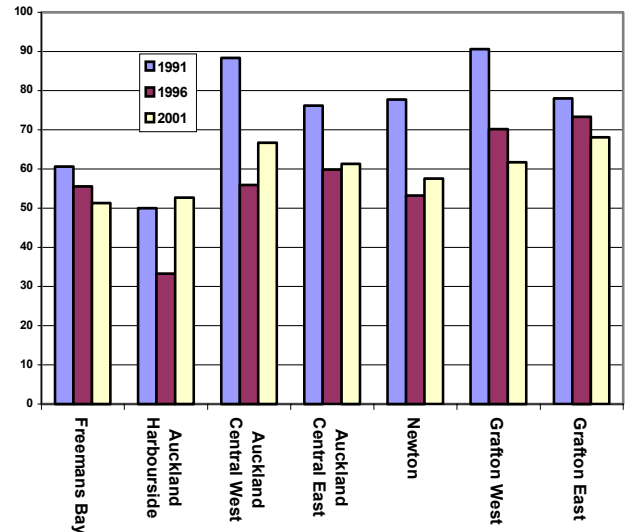


The Auckland Region

Traditionally home ownership has been difficult in the Auckland region due to the level of house prices in relationship to wages and salaries. The chart below uses data from census 2001 to show the percentage of rental properties in each of the cities and the percentage change from 1991-2001. The most consistent factor has been the switch occurring in the suburbs where second hand owner occupied housing is converted to rental



housing. Auckland City has the highest percentage of rental properties in the region but had the smallest increase over the period. Inner city Auckland shows some interesting trends due to new apartments reducing the percentage of rental properties. However, inner city rental percentages still remain high in comparison to the city average. The chart at the top right shows a selection of inner city area units (suburbs) and the percentage of rental properties in 1991, 1996 and 2001.



Marriage

Recent research by the author shows that the percentage of people married in an area is a strong predictor for the percentage of houses owned. Marriage is positively correlated to household income and to age. Marriage often means switching from renting to owning. There is nothing new in this except it is now happening when couples are older than previously.

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.

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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