



# NZ Residential Rental Market

March 2004

Quarterly Survey Volume 7, Number 1

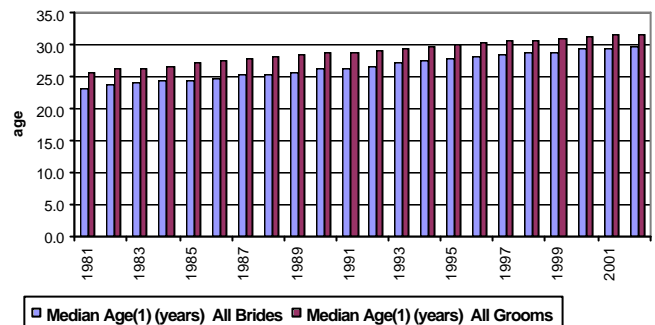
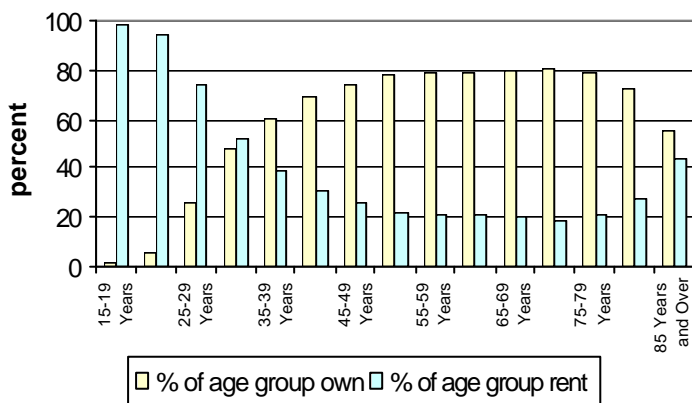
## Renting & Family Life Cycles

Prepared by  
Bob Hargreaves\*

**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.

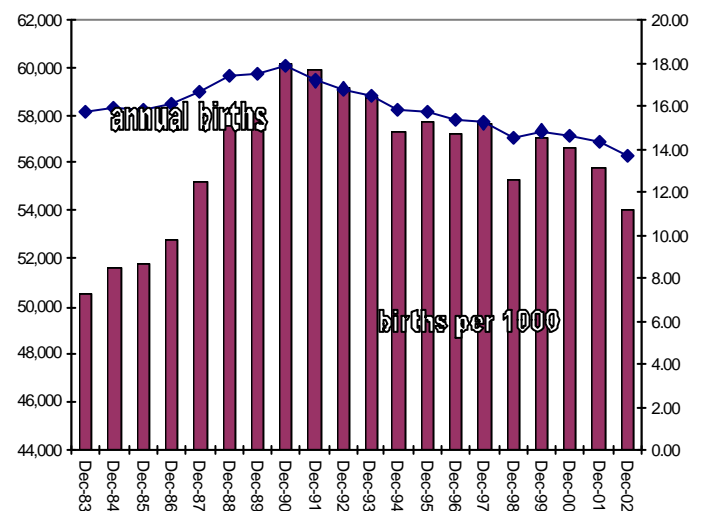
### Age Matters

Data from census 2001 shows up to age 30 rental tenure dominates with 93% of people in the 20-24 age group renting, followed by 73% in the 25-29 age group. The cross over to ownership dominating occurs after age 35 where renting falls to 39%. Renting does not begin to rise again until age 70 when there are more people in various forms of assisted living arrangements. The chart below shows a snapshot of tenure by age group taken from census 2001.



### Children

The declining birth rate, over the period 1983-2002, per 1000 of population is shown in the chart below together with total annual number of births. The total number of births is represented on the left hand scale and the birth rate on the right hand scale. Although the total population is increasing a declining fertility rate means the future mix of population will be characterised by a bulge in the older age group. In the short term this factor will help to stabilise the home ownership rate. However, some of the older generation achieved ownership by government subsidies. In the medium term the next older generation will comprise unsubsidised families with lower rates of ownership.

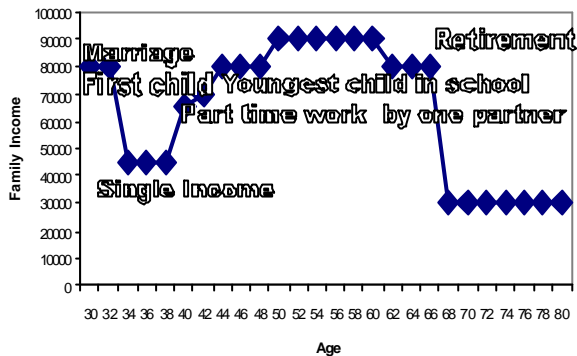


### Marriage

Research by the author using Auckland data has shown that formal marriage is highly correlated with the percent of homes owned in a suburb. Thus renters are less likely to be married. Over the 20 year period 1981-2001 the marriage rate per 1000 declined from 29 to 14. Also the median age for formal marriage increased as shown in the chart at the top of the right hand column. This gradual change in family life cycle patterns is one of the reasons for the declining rate of home ownership in New Zealand. Formal marriage represents an important milestone when couples are more likely to buy a house, settle down and start a family. Couples are now delaying marriage until around age 30.

## Household Incomes

The chart below shows the theoretical fluctuations in a typical household's income over time. Both couples work for a period after marriage with one partner out of the work force with the arrival of the first child. Household income does not recover to pre children levels until the youngest child is in school. By the time both partners are in mid 40's they are likely to both be working full time and earning at, or near, career high incomes. Household income will then remain at this level until one partner retires or starts to work part time.



## Debt Servicing

People wishing to move out of the rental market first need to save a deposit on a house. The last issue of this publication dealt with some of the problems a household on the median income has in this regard. Then there is the question of debt servicing a mortgage. The chart above illustrates the difficulties that a family with young children might face. Mortgage payments that can be serviced with two incomes may be out of reach with only one income. Couples are faced with the conflict over spending quality time with their children and staying in the rental market, or electing to both work and achieve home ownership at an earlier stage. Under current government policy settings families that elect to stay in the rental market may not achieve ownership until the parents are in their 40's. There is also the worry about a growing gap between increases in house prices and increases in wages and salaries resulting in further debt servicing problems.

## Current Rental Levels

Over the last quarter the national level of median rent for private sector rental accommodation increased by \$10 per week to reach a new high of \$240 per week. A snap shot of rents in the main cities over the period January 2003 to January 2004 is shown in the table at the top right. Recent media publicity about an oversupply of rental apartment accommodation in Auckland is not yet reflected in the overall median rent, which is dominated by single family homes. However, it does seem likely that rents in some areas will fall as vacancies rise, new buildings are completed and net migration is reduced.

	Jan 03	Oct-03	Jan 04
Whangarei	160	180	185
North Shore	320	340	340
Waitakere	270	285	300
Auckland	320	325	325
Manukau	270	282	300
Papakura	250	260	260
Hamilton	200	220	230
Tauranga	215	220	230
Rotorua	170	175	175
Gisborne	160	165	165
Hastings	175	190	190
Napier	170	210	220
New Plymouth	190	180	200
Wanganui	140	140	140
Palmerston North	185	200	195
Kapiti	200	200	200
Porirua	205	210	220
Upper Hutt	170	200	180
Lower Hutt	200	220	220
Wellington	277	290	290
Nelson	220	230	230
Christchurch	210	230	235
Dunedin	180	200	205
Invercargill	150	160	160
All NZ	220	230	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 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. 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)

Inquiries concerning this publication and other research papers prepared by MUREAU may be addressed to:

MUREAU  
 Department of Finance, Banking and Property  
 Massey University, Private Bag 11.222  
 Palmerston North  
 Telephone: +64 6 350-5799 ext: 2321  
 Facsimile: +64 4 350-5651

<http://property-group.massey.ac.nz/mureau/mureau.htm>