

NZ Residential Rental Market

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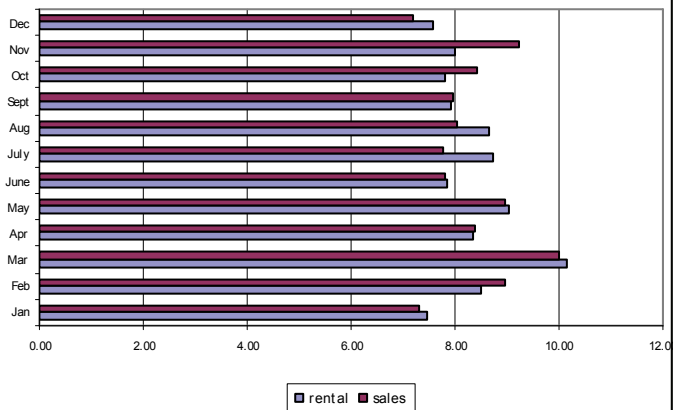
Rents and House Prices

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DATA SOURCE This index has been developed from private sector rental data 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.

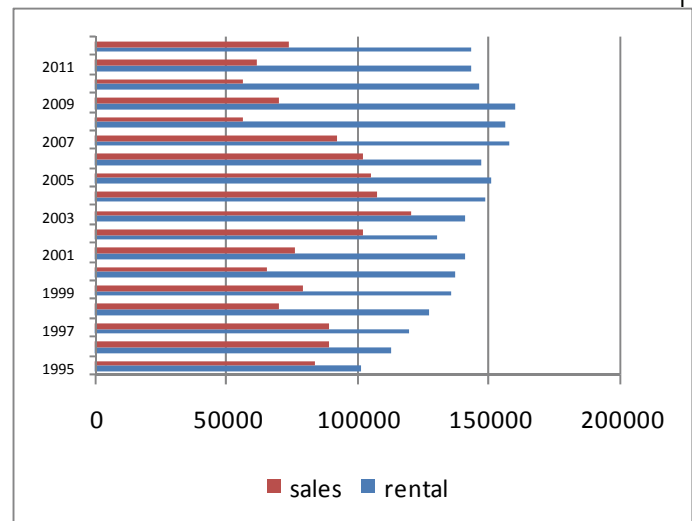
Seasonal Pattern

The first chart below shows the average monthly percentage of new rental tenancies (over the period 1995-2012) taken as a percentage of the annual total. The same methodology is used to compare new tenancies with house sales over the same period. The peak month for both tenancies and house prices is March, followed by May in the case of new tenancies and November in the case of house sales. The differences in seasonal patterns between the two markets is most likely due to different demographics. The rental population is generally younger and moves about more than home owners who tend to be older and more likely to have children.



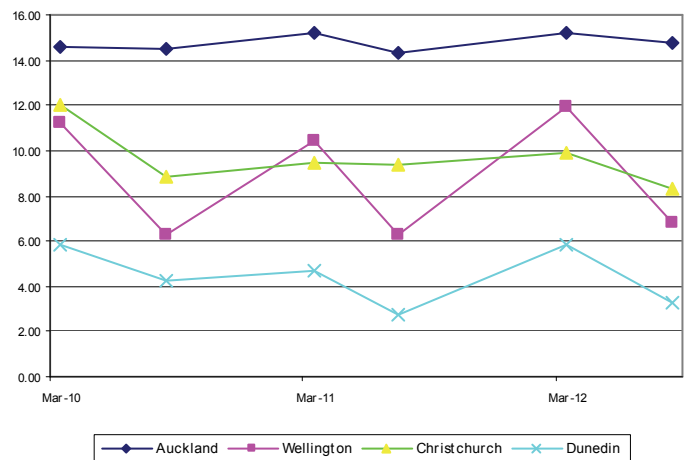
Annual Pattern over Time

The chart at the top of the next column shows the total annual volume of new tenancies 1995-2012 and compares this to the house sales over the same period. Clearly, the number of renters has increased while house sales have suffered due to the economic downturn and affordability issues. Certainly, the rental turnover rate does influence the number of new tenancies but over time this is relatively stable statistic. This chart appears to supply an early warning signal regarding a likely reduction in home ownership rates since the 2006 census. A proposition likely to be confirmed when figures from the 2013 census are published. The anticipated reduction in home ownership is most likely to be greatest in Auckland, particularly in what was the old Auckland Territorial Local Authority area.



Earthquakes

The chart below takes snapshots of the number of new rental tenancies in Auckland, Wellington, Christchurch and Dunedin as a percentage of the national total. These snapshots have been timed both before and after the Christchurch earthquakes. Somewhat surprisingly the



number of new tenancies in Christchurch was quite stable, perhaps a reflection of tenants having limited choice and renting earthquake damaged houses.

Insurance Issues

The Christchurch earthquakes were a very large natural disaster covered (at least partially) by some sort of insurance, either government or private sector. Of course both local insurance companies and overseas reinsurance companies do have to recover losses attributable to the Christchurch earthquakes. The net result is residential insurance premiums are almost certain to increase throughout New Zealand. In many cases significant increases in insurance costs will depress net rental yields. Furthermore insurance companies are likely to place more emphasis on locations relative to their seismic risk and the type of residential construction.

For example, owners of older poorly reinforced masonry constructed residential accommodation will face difficult economic decisions. The indications are increased insurance premiums combined with local authority seismic requirements will force some landlords to demolish these buildings and redevelop the land. Fortunately, most of New Zealand's residential rental housing stock comprises buildings with a light frame timber construction.

Rental Levels

The national level of median rents increased by 6.2% over the period February 2012 to February 2013. This is the largest rental increase recorded for some time and reflects increasing pressure on the rental housing stock resulting from a shortage of new rental accommodation and increasing demand from a growing population of renters. As expected Christchurch led the annual rent increases (10.9%), followed by North Shore (8.2%) and Tauranga (6.2%). On a quarterly basis the national median increased by 4.6% over the period November 2012 to February 2013. The table in the right hand column shows median rental data for the main urban territorial local authorities.

Median Rents	Feb-12	Nov-12	Feb-13
<i>W hangarei</i>	290	287	270
<i>N orth Shore</i>	425	450	460
<i>W aitakere</i>	360	390	380
<i>A uckland</i>	400	410	420
<i>M anukau</i>	390	390	405
<i>P apakura</i>	350	355	365
<i>H amilton</i>	310	310	320
<i>T auranqa</i>	320	330	340
<i>R otorua</i>	250	250	240
<i>G isborne</i>	262	250	250
<i>H astings</i>	290	260	280
<i>N apier</i>	295	295	295
<i>N ew Plymouth</i>	300	295	305
<i>W anganui</i>	200	182	200
<i>P almerston North</i>	260	275	260
<i>K apiti</i>	320	327	300
<i>P orirua</i>	350	320	345
<i>U pper Hutt</i>	280	300	260
<i>L ower Hutt</i>	330	300	320
<i>W ellington</i>	410	390	400
<i>N elson</i>	330	300	320
<i>C hristchurch</i>	320	340	355
<i>D unedin</i>	270	300	285
<i>I nvercargill</i>	210	220	220
<i>A ll NZ</i>	320	325	340

Massey University Property Foundation

The Foundation is established to sponsor research and education in property related matters in New Zealand. 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 available on the internet are:

- 1 The Home Affordability Report (Quarterly)
- 2 NZ Residential Rental Market Report (Quarterly)

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