



NZ Residential Rental Market

June 2003

Quarterly Survey Volume 6, Number 2

Rents Still Rising

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.

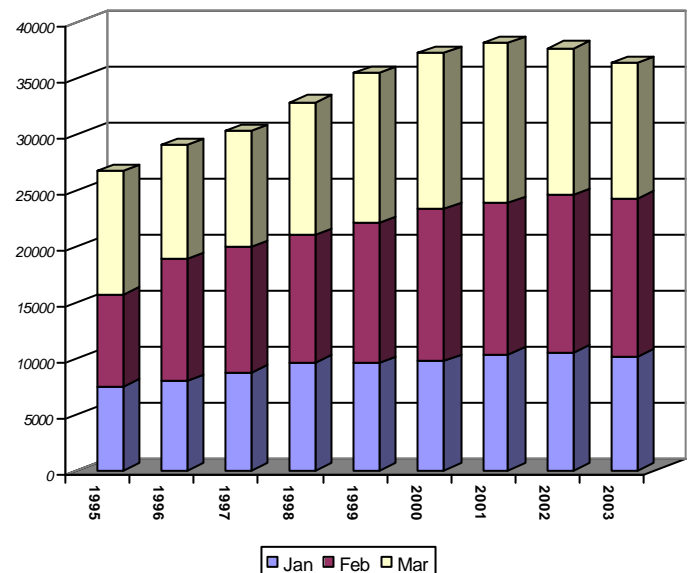
Rental Levels

The national level of median rent for private sector rental accommodation increased from \$200 per week to \$220 per week during the period March 2002 to March 2003. This represents a 10% increase which is quite close to the increase in house prices but well ahead of increases in inflation and wages over the same period. Rental increases were seen in almost all regions. The most significant percentage increases in rents were Invercargill (33%), Nelson (21%), New Plymouth (20%) followed by Waitakere and Auckland at (16%). For Invercargill the increases represent a catch up after a period of population losses. Nelson benefited from the drift north and New Plymouth from energy and film industry pressures. Rents in Wanganui (-3%) and Porirua (-2%) recorded slight decreases. A snapshot of median rental levels in the main cities is shown in table below.

	Mar-02	Dec-02	Mar-03
Whangarei	170	180	180
North Shore	285	320	300
Waitakere	240	265	280
Auckland	280	310	325
Manukau	257	280	275
Papakura	240	240	250
Hamilton	180	200	200
Tauranga	195	210	210
Rotorua	165	170	170
Gisborne	150	150	150
Hastings	170	165	177
Napier	185	190	190
New Plymouth	160	170	192
Wanganui	130	125	125
Palmerston North	180	190	190
Kapiti	200	200	200
Porirua	205	210	200
Upper Hutt	165	180	170
Lower Hutt	200	207	202
Wellington	270	280	300
Nelson	190	210	230
Christchurch	200	200	220
Dunedin	170	170	180
Invercargill	120	135	160
All NZ	200	210	220

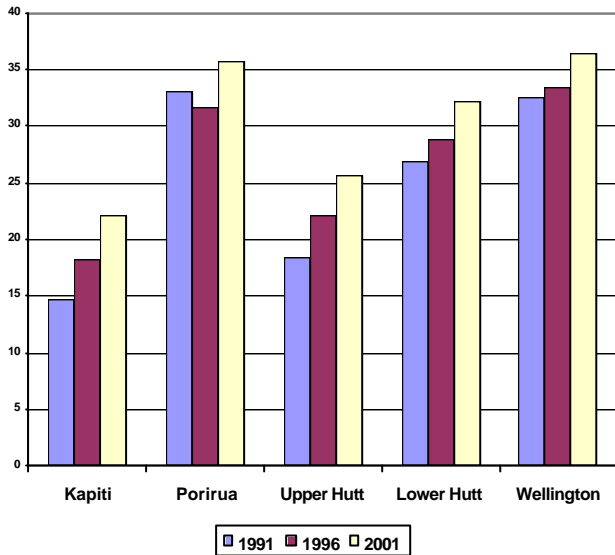
Rental Transactions

The last issue of this series commented on the reduction in the number of new tenancies recorded by Tenancy Bond Centre during 2002. This trend appears to have continued into the first three months of 2003. The chart below shows first quarter volumes from 1995 to 2003. There is lag time in the real estate market before supply catches up with demand and this normally leads to price increases. Demand pressure on the housing market tends to reduce the supply of rental housing because first home buyers are competing with investors for second hand housing in the lower price bracket. Reducing the supply of rental properties results in rental increases. This trend is likely to continue while interest rates remain low and the economy remains strong. However, history shows real estate is very much a cyclical commodity and rural downturns eventually effect the cities.

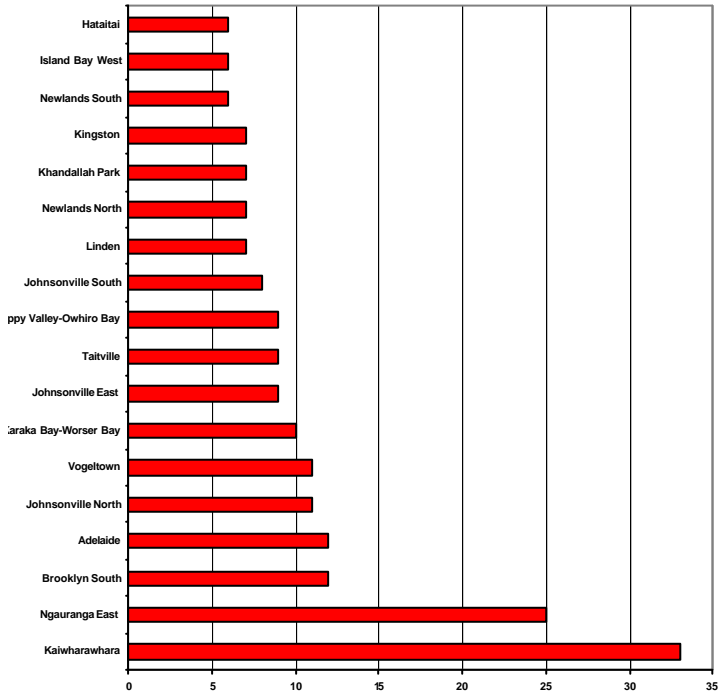


Wellington Region

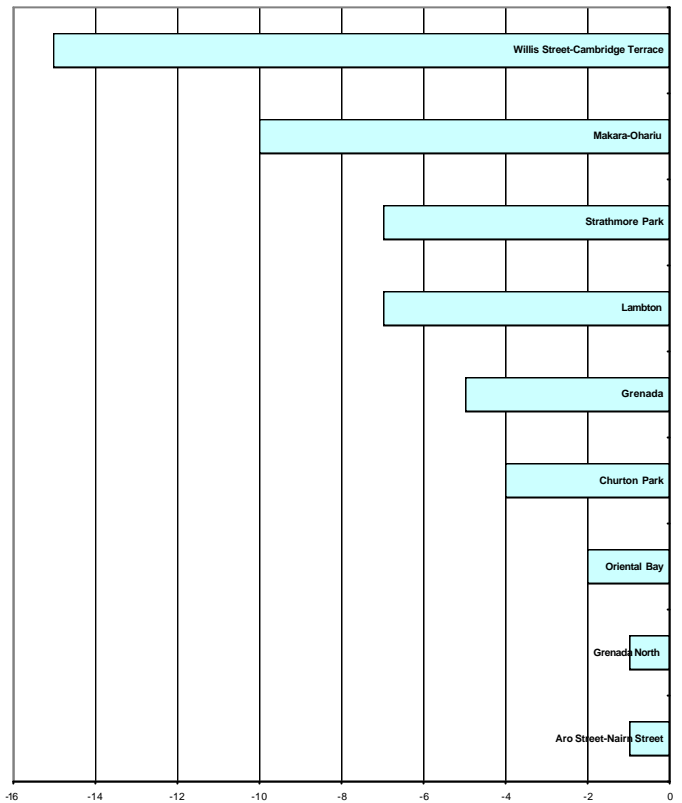
The first chart on the next page uses data from census 2001 to show the percentage of rental properties in each of the Wellington region cities and the percentage change from 1991-2001. The most consistent factor being the switch occurring in the suburbs where second hand owner occupied housing was converted to rental housing.



The next chart below shows a selection Wellington City area units (suburbs) where the percentage increase in the number of rental units 1991-2001 exceeds 5%.



The chart at the top right shows area units (suburbs) in Wellington City where the percentage of rental units has dropped off significantly over the 1991-2001 period. These changes appear to be a function of two main variables. Firstly inner city apartment development and secondly new greenfields housing in some of the outer suburbs. Reductions in inner city rental accommodation are of some concern to the student population and it is good to see recent initiatives where private sector developers are taking up the challenge of providing new purpose built rental housing aimed at the student market.



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>