

NZ Residential Rental Market

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Seasonality and the Real Estate Market

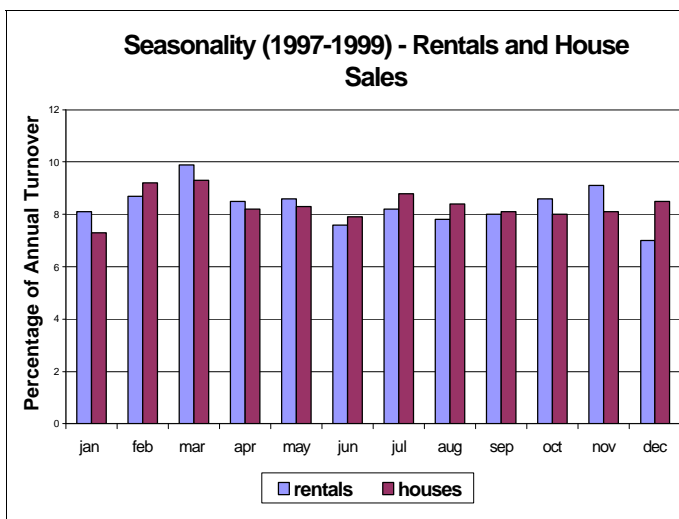
DATA SOURCE This index has been developed from private sector rental data supplied by the Ministry of Housing (Bond Centre). Information on wage rates, demographics and the structure of the rental housing stock is drawn from Statistics NZ data. House price information has been extracted from Real Estate Institute and Quotable Value NZ statistics.

Monthly Transactions

There is a definite seasonal pattern to the ownership and rental real estate markets in New Zealand. Figure 1 shows the average monthly volume of transactions for the period 1997-1999 expressed as a percentage of the total annual transactions. Rental volumes for private sector tenancies are compared with house sales data from the Real Estate Institute's statistics.

The rental market follows the same general trends as the ownership market. January is normally a quiet month with many New Zealanders on holiday. Usually February/March is the busiest period of the year for both markets with people moving to start new jobs and students returning to their studies. In the second quarter, April/May are typically average months but volumes fall off in both markets in June. During the third quarter, house sale volumes tend to exceed the comparable figures for rentals. This situation is reversed in the fourth quarter with rental volumes for October and November being well above average. Conversely, December is usually an above average month for the ownership market because people are rushing to complete deals before the Christmas/New Year shut down.

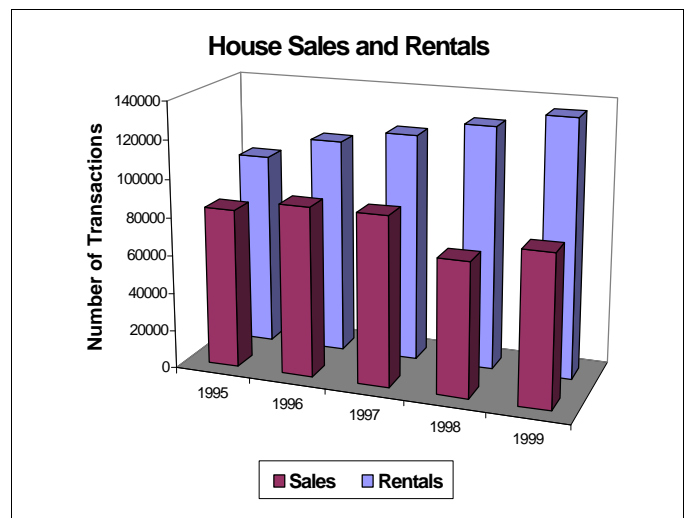
Figure 1



Annual Transactions

Figure 2 compares the annual volumes of private sector rentals with house sales over the period 1995-1999. Clearly, over this period rental market volumes continued to grow strongly while the ownership market was much more subject to overall economic conditions and affordability considerations. From 1995-1999 the total population of New Zealand continued to increase. The transfer of some state houses to the private sector during the period does lead to a slight overstatement of the rental volume position since a transfer does not involve adding additional housing.

Figure 2



Rental Levels

The national median rent has remained unchanged at \$190 per week for the last two years. Table 1 shows snapshots of the median rental levels in 24 cities for the months of April, July and October 2000. There appears to be a slight decline in rental levels in the Auckland region and a slight increase in rental levels in the Wellington region with most other areas remaining static.

Table 1

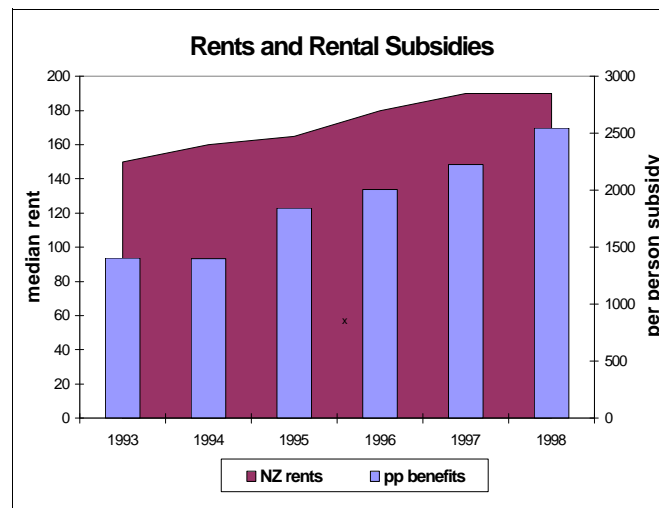
Median Rents			
	April 2000	July 2000	October 2000
Whangarei	160	165	165
North Shore	265	260	260
Waitakere	240	240	235
Auckland	260	260	250
Manukau	250	245	237
Papakura	230	220	230
Hamilton	180	180	185
Tauranga	190	190	190
Rotorua	165	165	160
Gisborne	150	150	150
Hastings	160	157	160
Napier	170	175	180
New Plymouth	150	145	150
Wanganui	125	120	125
Palmerston North	180	170	170
Kapiti	190	195	195
Porirua	200	190	200
Upper Hutt	160	182	190
Lower Hutt	200	200	200
Wellington	230	250	260
Nelson	180	175	175
Christchurch	180	180	180
Dunedin	150	150	160
Invercargill	110	110	110
All NZ	190	190	190

Location definitely does matter when it comes to setting residential rents. It is no coincidence that the highest median rents are associated with large concentrations of population that are continuing to grow. Conversely, the lowest rental levels are found in rural districts with low concentrations of population. In the North Island these include Stratford District (\$105), Ruapehu District (\$100) and Taranua District (\$100). In the South Island the lowest rent areas include the Buller District (\$100), McKenzie District (\$90), Waitaki District (\$107), Clutha District (\$95) and Gore District (\$100).

Rental Subsidies

In addition to the government subsidies for income rents on State Houses there are also significant private sector rental subsidies available from the Accommodation Supplement. Figure 3 shows the growth in the average per person benefit from the Accommodation Supplement graphed against the national median rental over the period 1993-1998. Clearly, increases in private sector rents were due in part to an improvement in private sector rental affordability relating to the Accommodation Supplement.

Figure 3



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. Donna Dowse is the Secretary/Treasurer. She may be contacted on 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 available to download 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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