

NZ Residential Rental Market

June 2017

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Suburban Rents

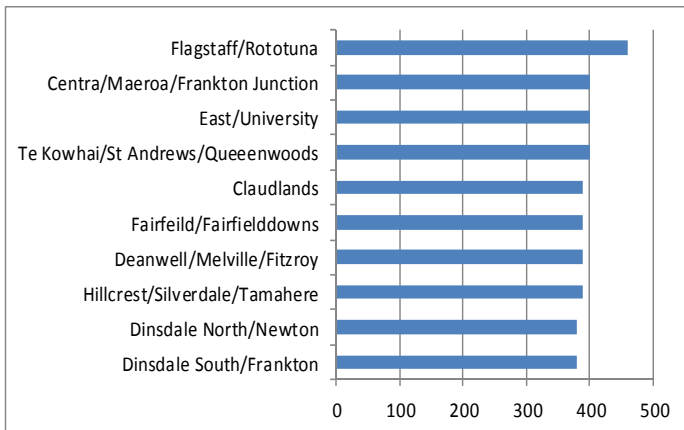
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DATA SOURCE This publication has been developed from private sector rental data supplied by the Ministry of Business Innovation and Employment (Bond Centre). Information on wage rates, demographics and the structure of the rental housing stock is drawn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

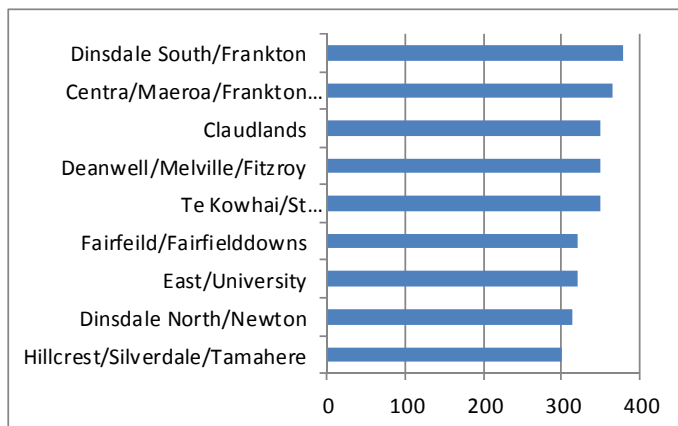
This publication analyses the geometric average weekly rent for three bedroom houses and two bedroom flats, by suburbs, for Hamilton and Lower Hutt. The rental period was January 2017 to May 2017.

Hamilton

The chart below ranks the Hamilton suburbs by rent and according to the way suburbs are aggregated in the Ministry of Business Innovation and Employment (MBIE) data. Generally rents for three bedroom houses across Hamilton show only a \$20 per week variation around \$390 per week. The exception is the Flagstaff/Rototuna area where rent averages \$460 per week.

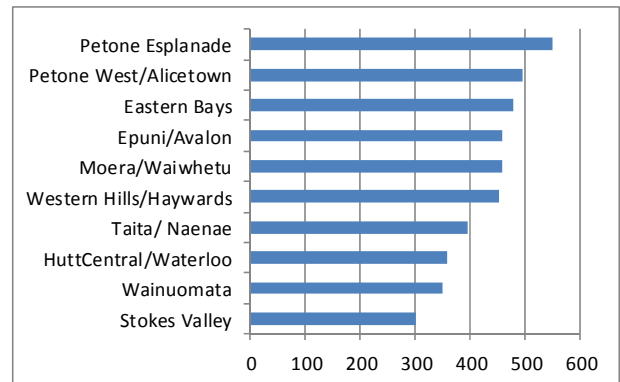


The next chart maps rents for two bedroom Hamilton flats by suburbs. The preference for central suburbs is reflected in the \$80 per week variation between the highest and lowest rents. The lack of rental data for two bedroom flats means the exclusion of Flagstaff/Rototuna from the second Hamilton chart.

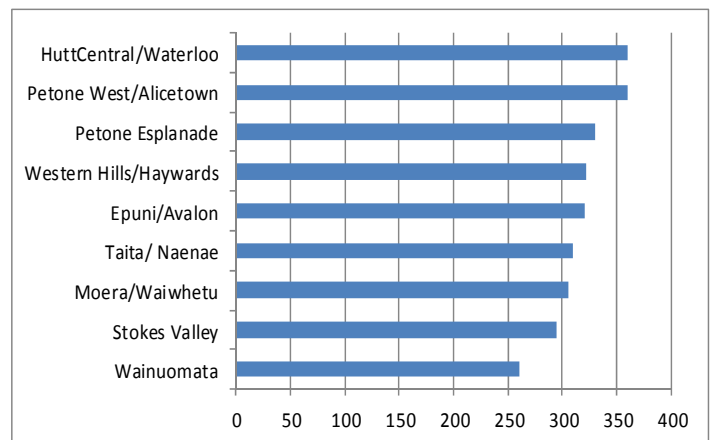


Lower Hutt

Rents for three bedroom houses in Lower Hutt are shown in the first chart below. The rental market is characterised by a \$250 per week range in rents from Stokes Valley at the low end to Petone Esplanade at high end. Apart from variations in housing quality this large rental variation is likely to be driven by location features. The Petone area has good rail and road links to Wellington where many of the residents work. Also the Jackson Street area in Petone has acquired a reputation as an entertainment and shopping district.

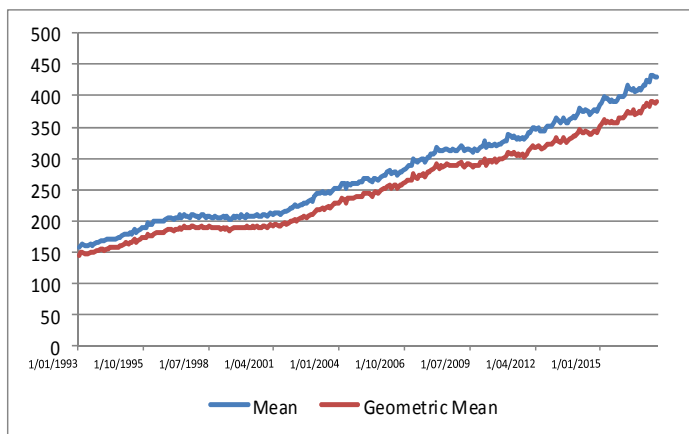


Rents for two bedroom flats in Lower Hutt are shown in the chart below and demonstrate similar locational characteristics to the rental market for three bedroom houses. Distance to the nearest train station and the commuting time to Wellington are clearly important considerations.



Mean versus Geometric Mean Rents

Alternative ways of measuring changes over time in rents include asking prices, the median (middle rental number), mean (average), or geometric mean. The geometric mean calculation down weights the effect that high end rents may have on upward biasing the results. The chart below shows national rental data from January 1993 to May 2017, using both the mean and geometric mean rents. The geometric mean consistently tracks below the mean giving weight to the assertion of upward bias in mean rental data.



Rental Levels

The table in the right hand column shows the geometric mean weekly rents for the main New Zealand cities from May 2016 to May 2017. During this period the national geometric mean rent increased to \$392 per week, an annual rate of increase of 3.7%.

Queenstown has been added to the list of cities included in the table and now tops both North Shore and Auckland with the highest rental levels in New Zealand. Queenstown rents showed a year on year increase of 7.63%.

Significant annual rental increases were also recorded in Lower Hutt (15.7%), Hastings (10.8%) and Dunedin (9.1%). To some extent these increases are “catch up” increases that were led by earlier increases in Auckland.

Strong net migration figures are thought likely to keep rentals under pressure, particularly in cities with above average population increases.

Rental Affordability

A new innovative app. for assessing rental affordability in Auckland is available at affordability.org.nz. The authors Raichev and Wyn combine data from census 2013 with mapping information to show which suburbs renters can afford to live in, given income levels, the number of bedrooms needed and commuting costs.

This development is encouraging since it goes well beyond the simplistic rent to income ratio that is often quoted in the media. Over time more sophisticated rental affordability models are likely to also include ratings for local schools and a variety of other amenities such as recreational facilities.

Geometric Mean Rents	May-16	Feb-17	May-17
Whangarei	319	344	344
North Shore	498	543	516
Waitakere	452	468	475
Auckland	501	511	519
Manukau	472	482	472
Papakura	448	444	481
Hamilton	337	347	352
Tauranga	410	423	427
Rotorua	283	307	301
Gisborne	283	267	272
Hastings	303	303	336
Napier	330	371	360
New Plymouth	328	318	324
Wanganui	214	219	236
Palmerston North	279	289	296
Kapiti	370	332	370
Porirua	374	415	407
Upper Hutt	296	334	324
Lower Hutt	318	347	368
Wellington	423	460	437
Nelson	341	323	336
Christchurch	361	364	338
Dunedin	272	314	297
Queenstown	485	494	522
Invercargill	229	221	238
All NZ	378	392	392

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.

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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