



New Zealand's residential investment market in 60 seconds

Market sitting in neutral but with headwinds

Sales activity and prices have been tracking sideways in most regions. The conflict in the Middle East and resulting oil shock has introduced some hesitation into the market in the short-term. The medium-term impact will remain uncertain until the outcome of the conflict is understood.



Interest rates remain the key watchpoint

Interest rates continue to be a key lever impacting the wider residential market. Interest rates have reduced from their peaks, but have recently risen in response to inflationary pressures from the conflict in the Middle East. They still remain constrained compared to their prior peak and the market has so far absorbed the increases without significant issues.



Developers preparing for the next cycle

Activity from developers has improved compared with a year ago. Early signs of a recovery are being observed, with a rise in building consents over the past 12 months. There are a significant number of townhouses in the pipeline, which are suitable as low-maintenance rentals.



Rental market gaining momentum

The rental market is improving, with enquiry levels increasing and properties renting more quickly. Total rental stock has decreased slightly, helping to ease earlier oversupply. At the same time, rising migration is supporting demand, contributing to a more active and balanced market overall.



Regions start to diverge

Rental market performance varies across regions. The Auckland market appears to be recovering ahead of other areas, likely due to overseas migration typically feeding into the region first.

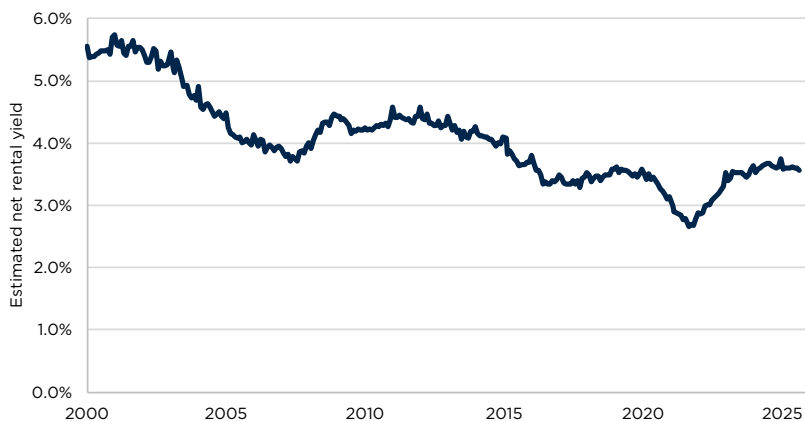


Investors taking a more measured approach

Investor expectations are adjusting to current market conditions, with greater attention on tenant quality, cash flow, and compliance requirements. Despite these shifts, residential property continues to be a preferred investment, supported by its consistent demand, long-term performance, and enduring appeal of an investment you can see and touch.



Estimated net rental yield over time: NZ



Data: Bayleys. Results estimated using bulk data sources. Properties with extreme rental yields may be due to errors in bulk data or unusual characteristics (e.g. leasehold, defects, etc). Net rental yields assume gross rents less 25% unrecoverable outgoings. All analysis is pre-tax and pre-finance. Analysis excludes properties valued more than \$5M (often multi-unit properties under single ownership).

Typical estimated pre-tax net rental yield

2.7% - 4.1%

Average estimated pre-tax net rental yield

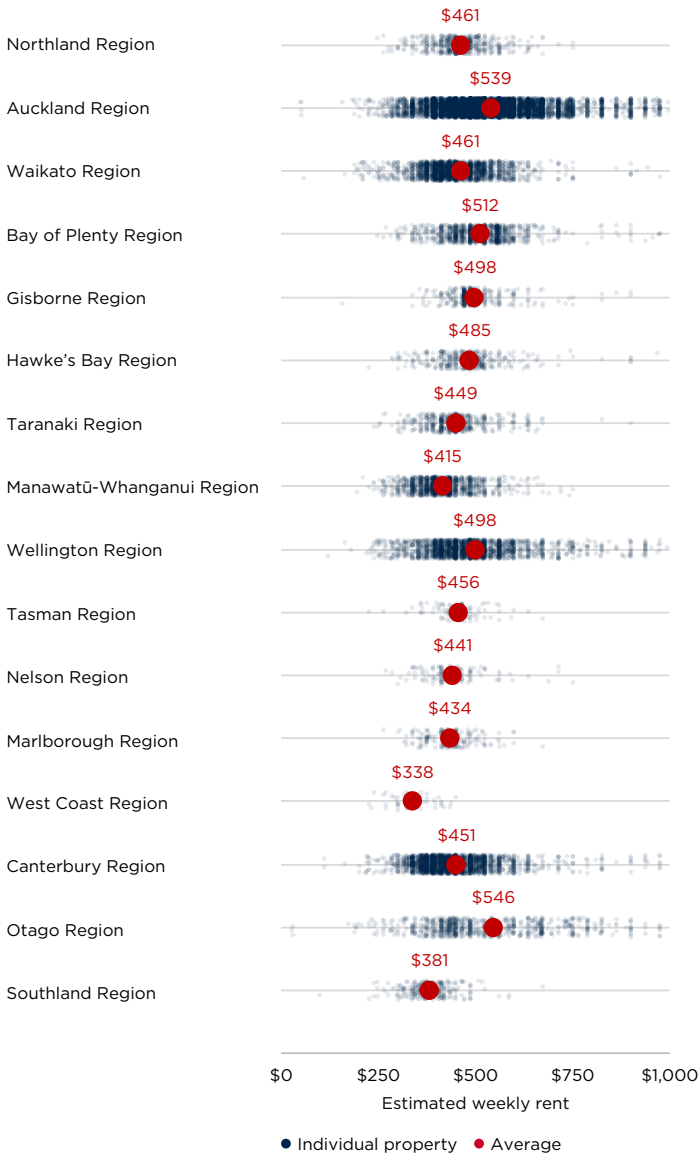
3.5%

Average estimated annual capital gain (20 years)

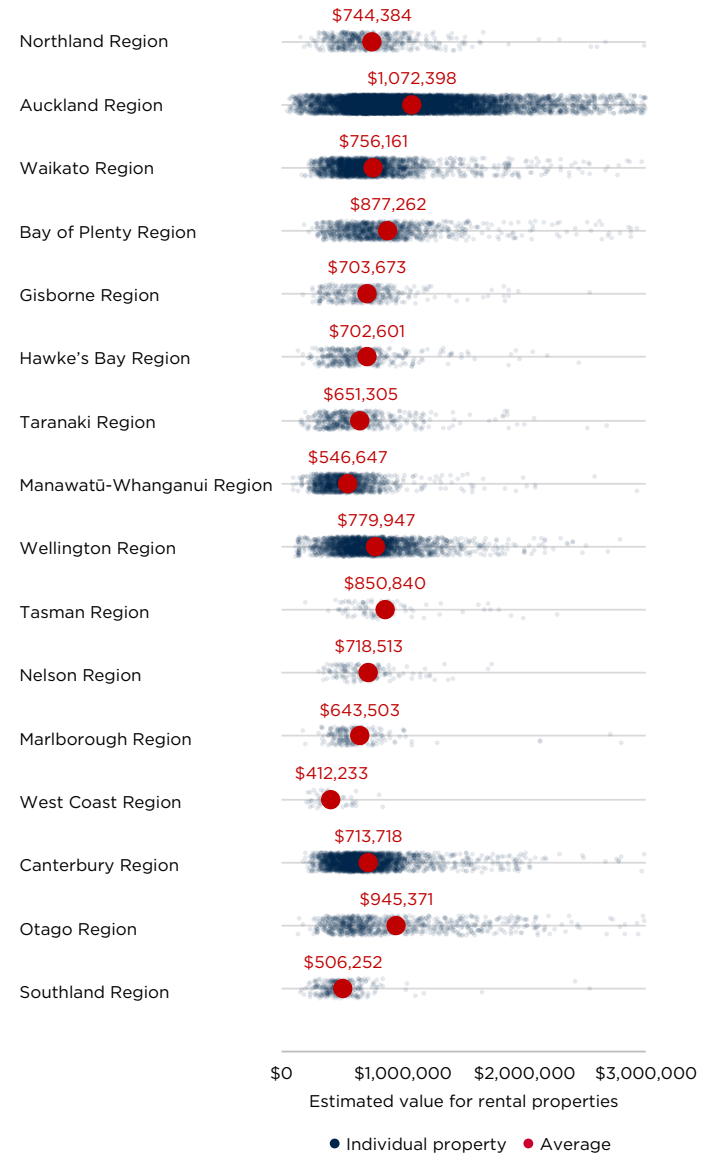
4.7%

Pricing indicators

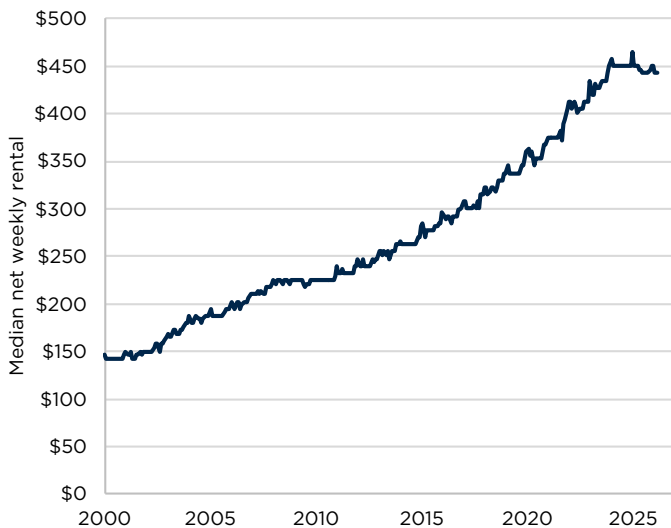
Weekly net rents by region



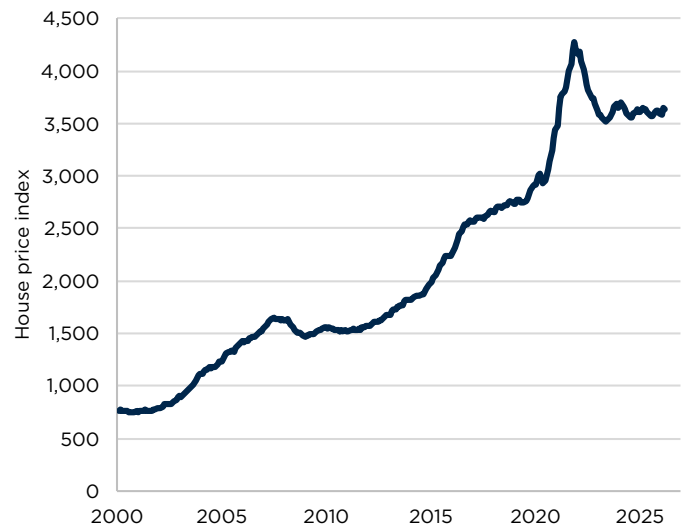
Estimated rental home values by region



Median net rental over time: NZ



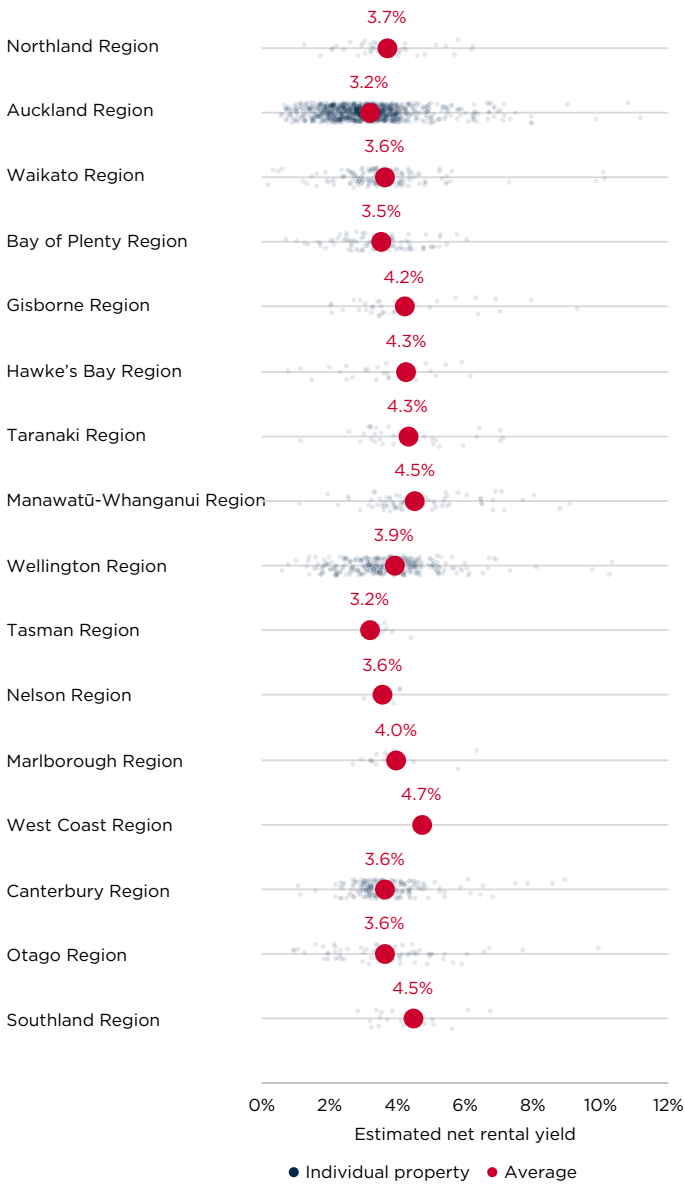
House price index over time: NZ



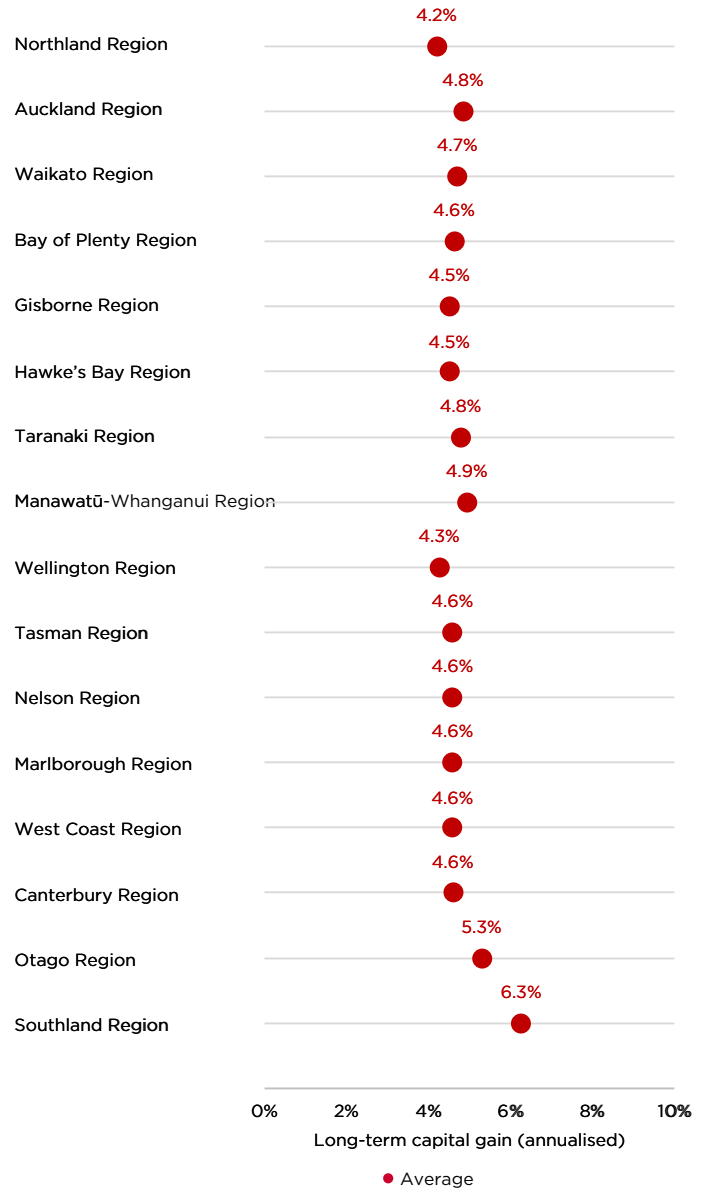
Data: Results estimated using bulk data sources. Properties with extreme rental yields may be due to errors in bulk data or unusual characteristics (e.g. leasehold, defects, etc). Net rental yields assume gross rents less 25% unrecoverable outgoings. All analysis is pre-tax and pre-finance. Analysis excludes properties valued more than \$5M (often multi-unit properties under single ownership).

Return indicators

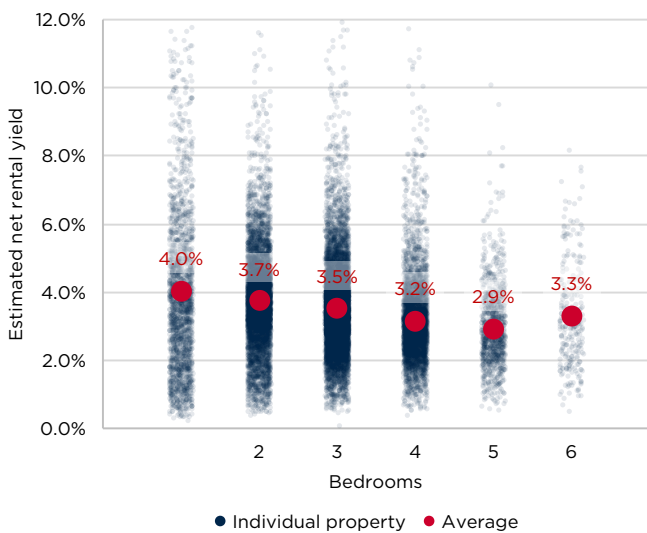
Estimated net rental yield by region



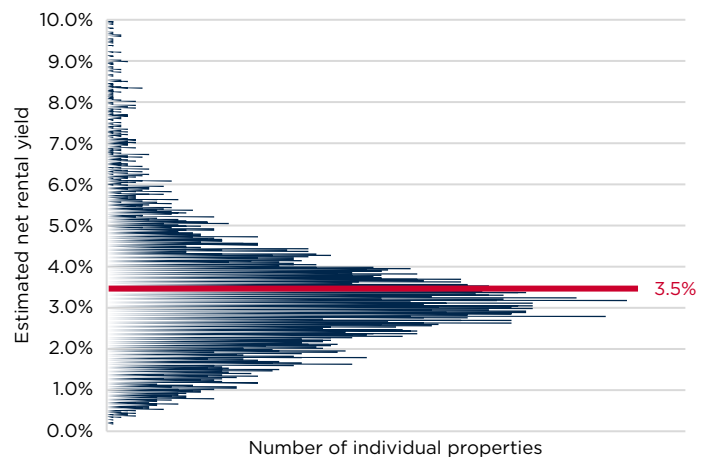
Annualised capital gains (20 years) by region



Estimated net rental yield by bedroom count: NZ



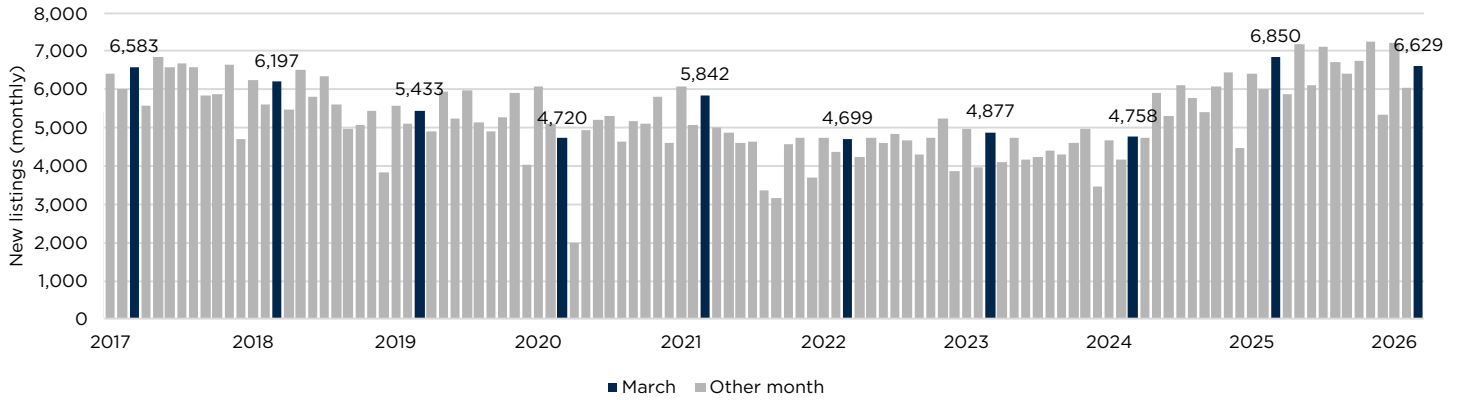
Distribution of net rental yields: NZ



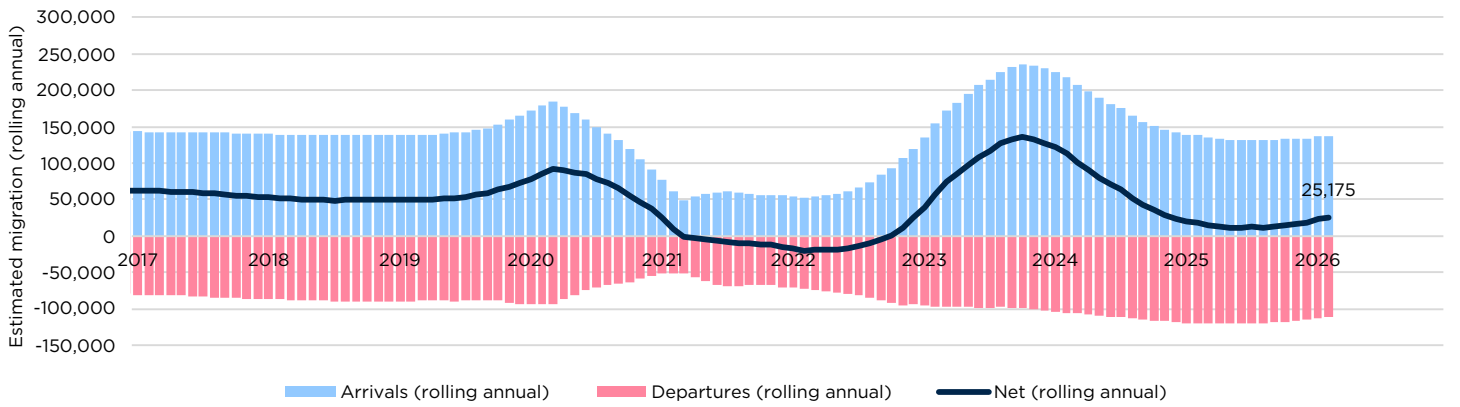
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Lead indicators

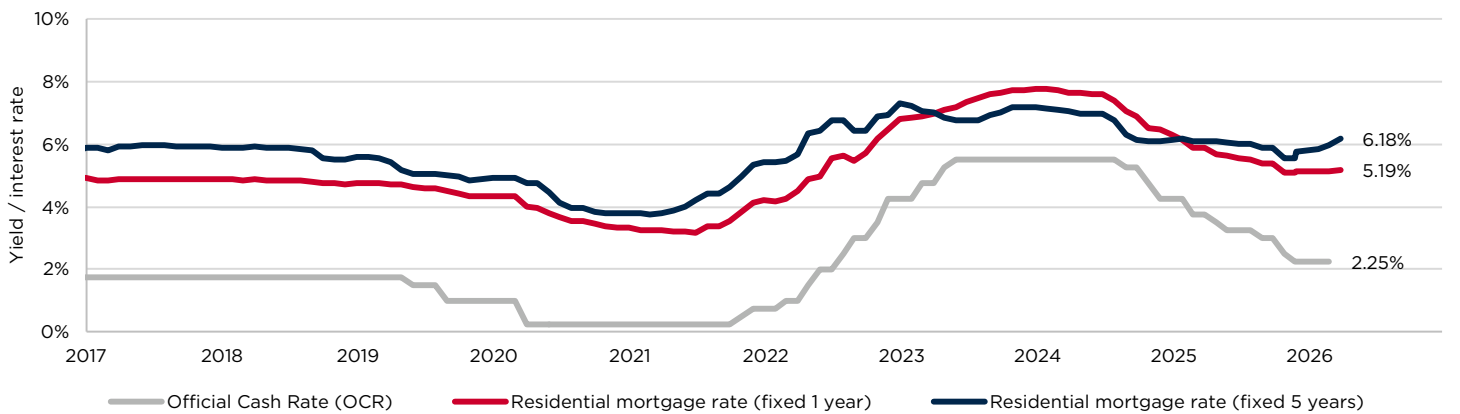
Number of new rental listings



Migration flows



Interest rates



Data: MBIE, Realestate.co.nz, REINZ, RBNZ, StatsNZ

Will Alexander
National Director
Residential Property Management
will.alexander@bayleys.co.nz

Johnny Sinclair
National Director
Residential
johnny.sinclair@bayleys.co.nz

Chris Farhi MRICS
Head of Insights
Data & Consulting
chris.farhi@bayleys.co.nz

Eos Li CFA
Senior Analyst
Insights, Data & Consulting
eos.li@bayleys.co.nz

Samantha Lee
Analyst - Insights, Data and
Consulting
samantha.lee@bayleys.co.nz

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