



Typical estimated pre-tax net rental yield

2.6% - 3.9%

Average estimated pre-tax net rental yield

3.4%

Average estimated annual capital gain (20 years)

6.0%

New Zealand's residential investment market in 60 seconds

Biggest trends



Wider residential market starting to recover

Independent forecasters are typically predicting house prices will rise over 2024. Strong migration and constrained housing supply are likely to continue to drive long-term price growth.



Law changes support investors

Policies put in place by the new government, such as restoring mortgage interest deductibility for rentals and wider termination rights for landlords, will increase demand from investors in the medium term.



Interest rates the one to watch

Commentators typically believe that interest rates have peaked and will reduce over time. Inflation has been trending downwards, but some commentators remain concerned that high core inflation could mean interest rates have to stay higher for longer. Interest rates remain a key pressure point for buyers so the future pathway for rates will likely be the main influence on house prices in the short-term.

Outlook for the next 12 months



Surging migration boosting rents

Surging migration is adding pressures to the housing market. This is mainly impacting the rental market given migrants tend to rent first and will typically be subject to the foreign buyer ban. Rising rents will continue to place pressure on first home buyers to purchase and will encourage more activity by investors.



Investors still in a holding pattern

Whilst government policies have generally increased demand from investors, actual acquisition activity remains relatively subdued due to the high interest rate environment. First home buyers and movers remain the dominant buyer groups in most markets.



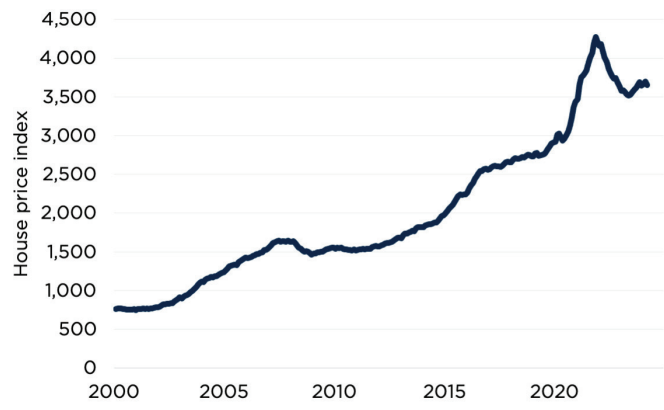
Impact of new lending rules is unclear

The RBNZ is in the process of implementing Debt To Income ratios on residential lending. These policies are unlikely to significantly impact the market in the short-term because buyers will already be constrained by high interest rates.

Estimated net rental yield over time: NZ



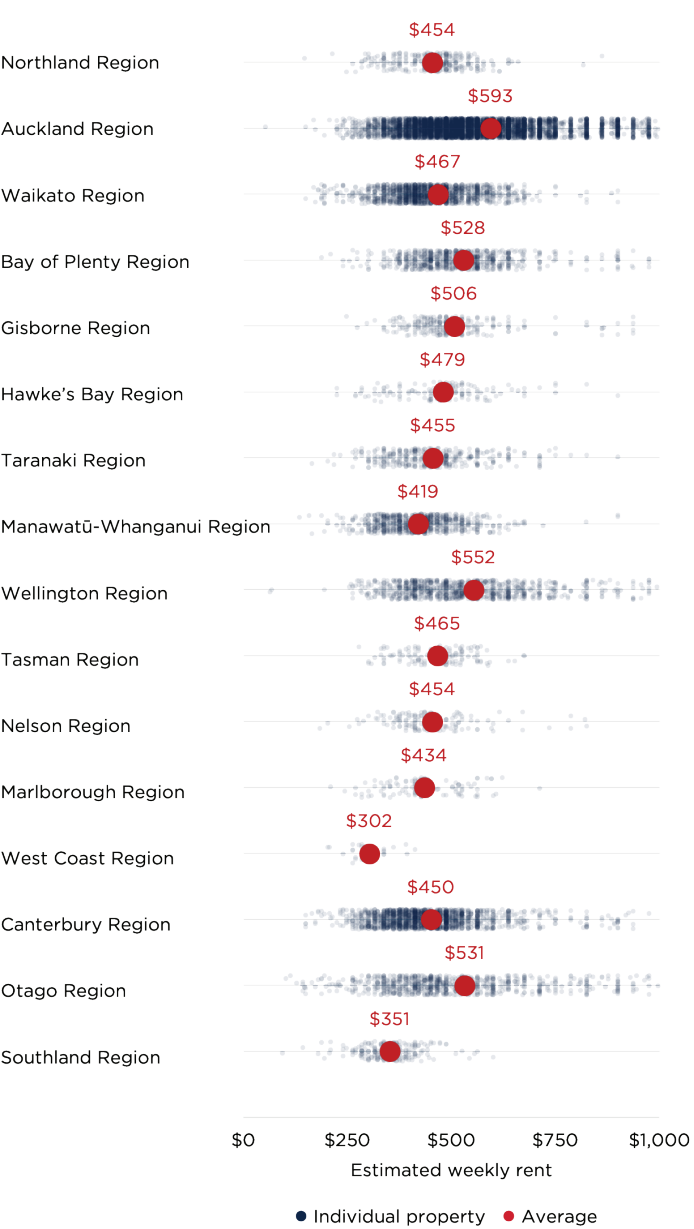
House price index over time: NZ



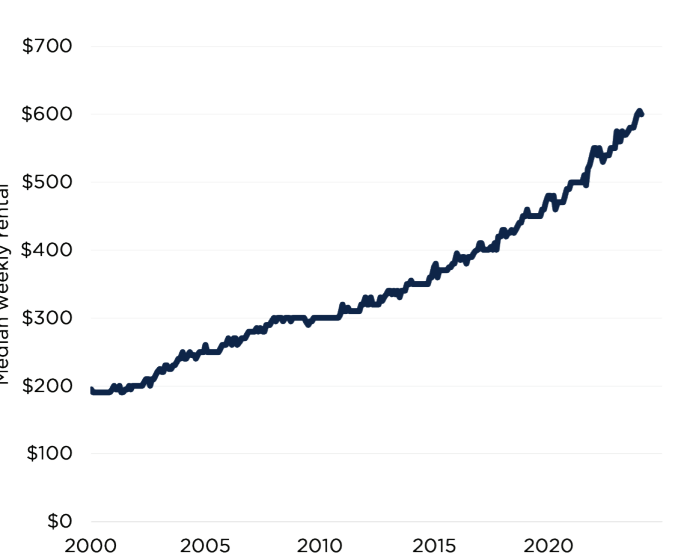
Data: Results estimated using bulk data sources. Properties with extreme rental yields may be due to errors in bulk data or unusual characteristics (e.g. leasehold, defects, etc). Net rental yields assume gross rents less 25% unrecoverable outgoings. All analysis is pre-tax and pre-finance. Analysis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

Pricing indicators

Weekly rents by region

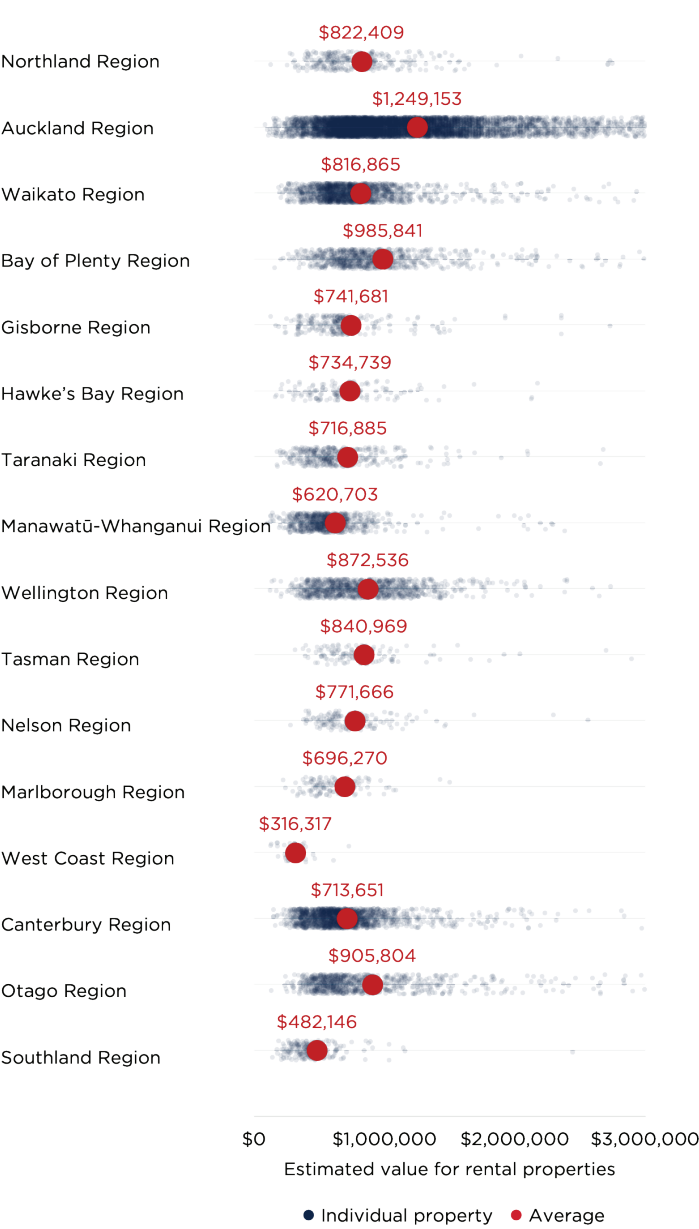


Median rental over time: NZ

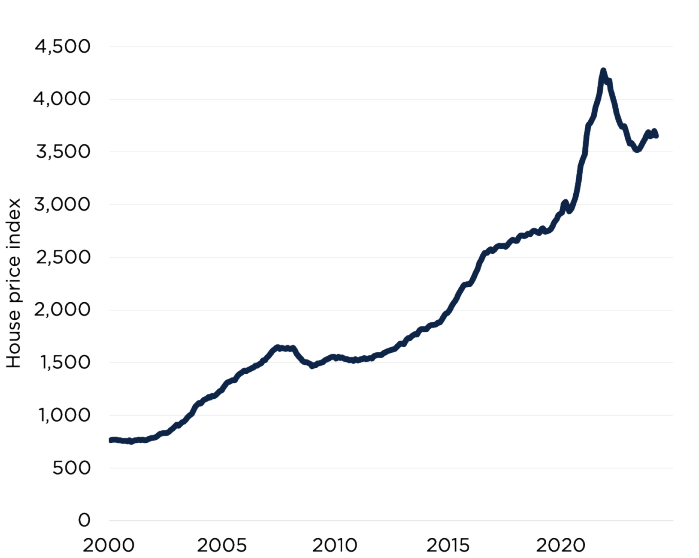


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Estimated rental home values by region

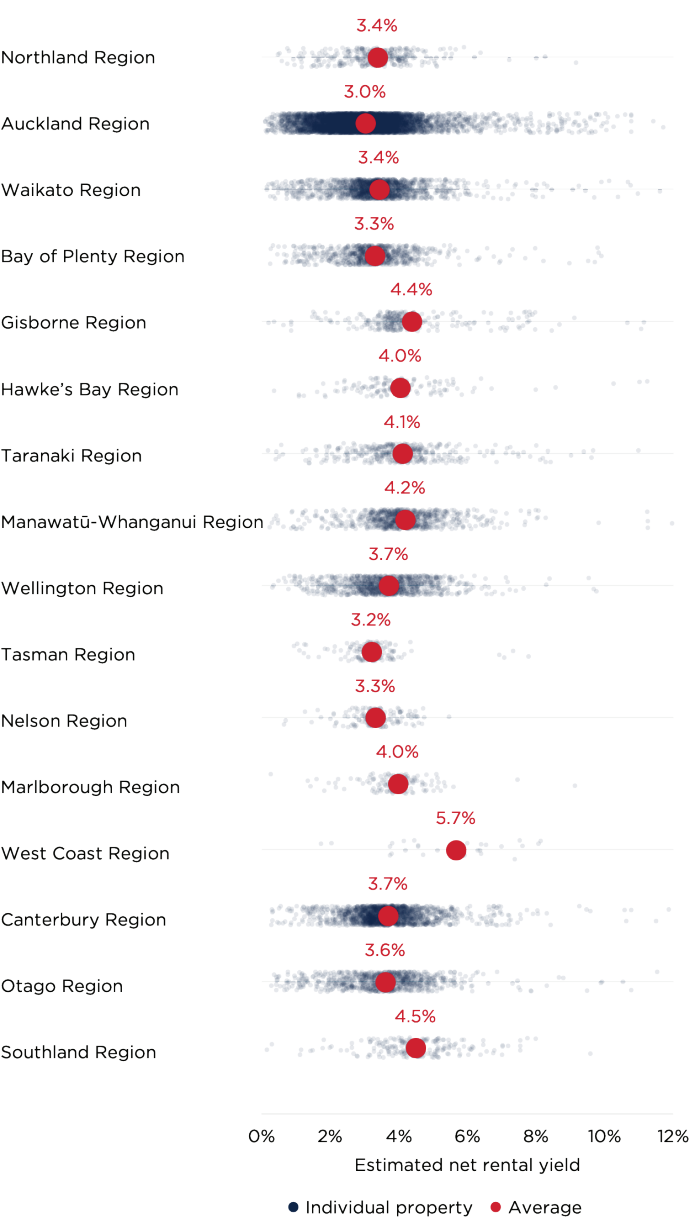


House price index over time: NZ

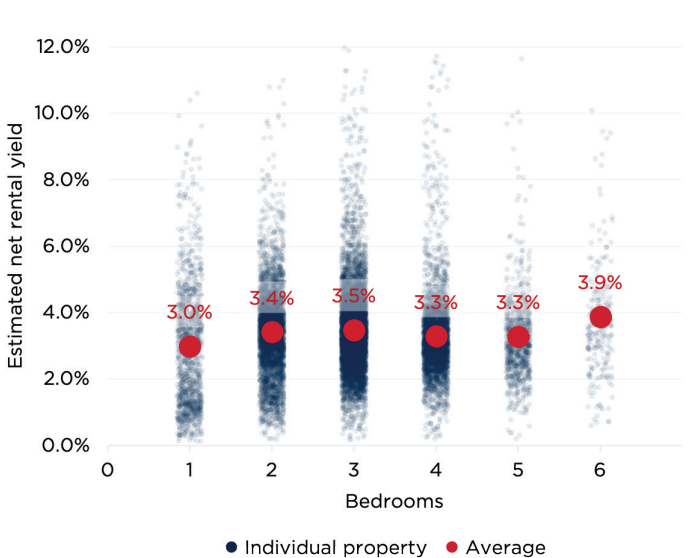


Return indicators

Estimated net rental yield by region

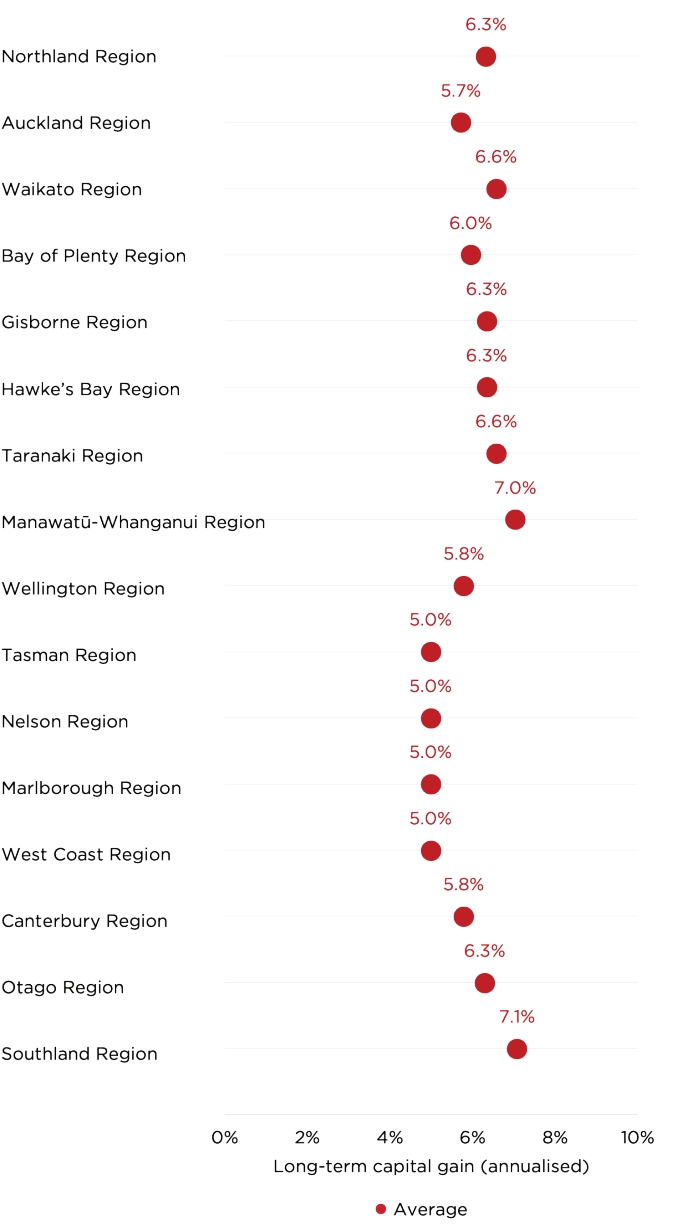


Estimated net rental yield by bedroom count: NZ

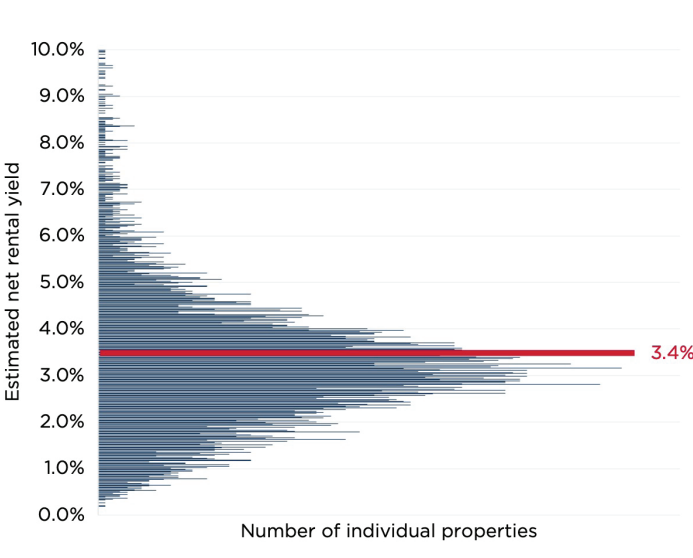


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Annualised capital gains (20 years) by region

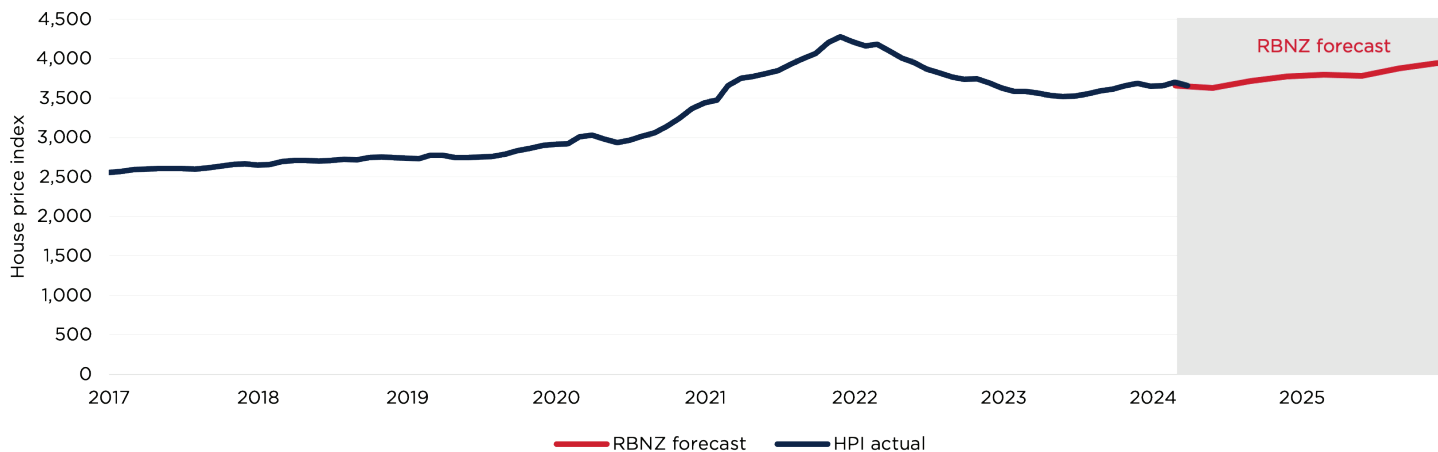


Distribution of net rental yields: NZ

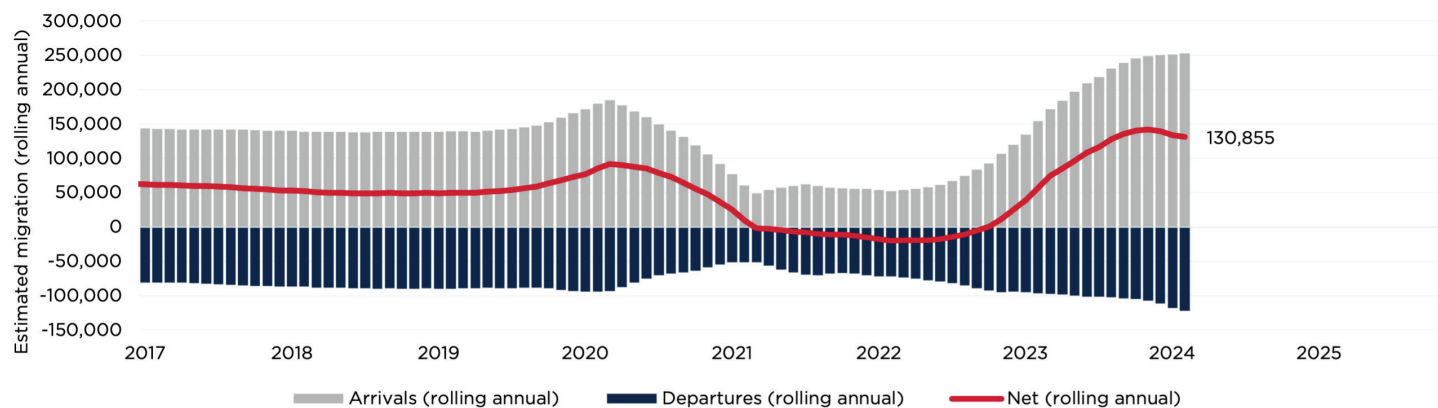


Lead indicators

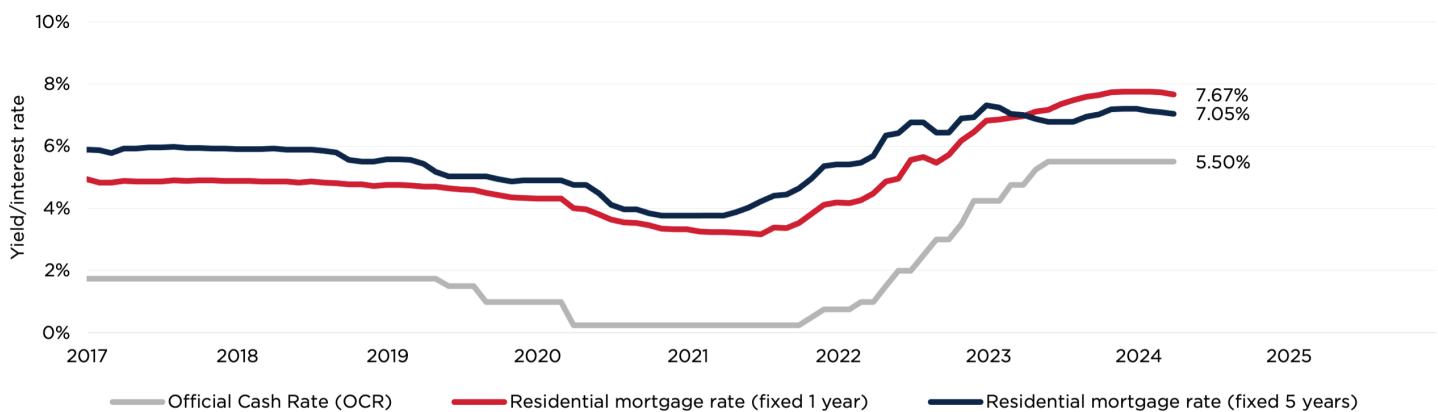
Independent forecast for house prices



Migration



Interest rates



Data: RBNZ, Stats NZ

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