NEW ZEALAND RESIDENTIAL INVESTMENT MARKET UPDATE

New Zealand's residential investment market in 60 seconds

Wider residential market starting to recover
Independent forecasters are typically predicting house prices will rise over the next two years. Sales volumes have returned to pre-Covid levels, signaling renewed confidence, although prices remain flat. In the near term, growth is being constrained by the high number of listings on the market and a softer economic backdrop.

Interest rates the one to watch
Lower interest rates are boosting confidence in the market. It is unclear whether interest rates will stabilise in the short-term or if they will continue to reduce due to softer economic data. Either way, they are substantially lower than 12 months ago and are likely to be the most important driver of the market in the immediate future.

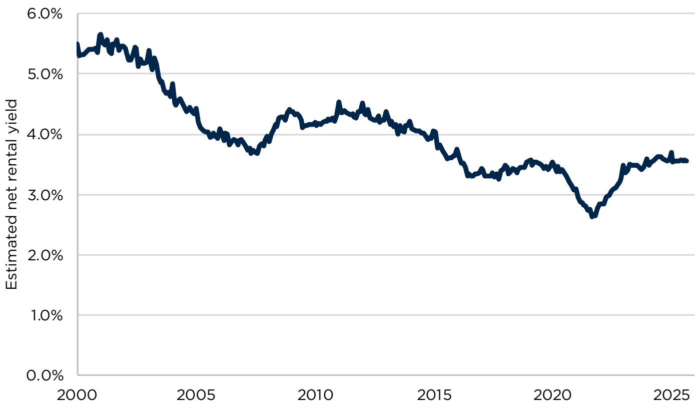
Balanced market with emerging challenges
Bayleys' latest agent sentiment survey points to balanced market conditions, with most agents seeing the market improving or holding steady. The main challenges to achieving successful sales are elevated levels of supply of sale reducing buyer urgency and vendor price expectations being above realistic market levels.

Rental market holding steady
Softer migration gains and economic conditions have led to lower demand for rentals and lack of growth for rental rates. While enquiry levels are lower and most areas have higher levels of listings, well-presented homes in central areas continue to rent quickly, keeping the overall market stable despite softer conditions.

Presentation and responsiveness key for success
Investors looking to rent properties faster and at better rates need to prioritise presentation and marketing. Quick responses to tenant enquiries are essential in a competitive environment where tenants will often prioritise the listing that responds fastest.

New tenancy standards reshape the rental frameworks
Landlords need to be conscious of emerging changes to regulations. Examples are new tenancy rules around facilitating tenant requests for pets and updated regulations around the thresholds for methamphetamine contamination. Failure to comply can expose landlords to penalties.

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
2.8% - 4.1%

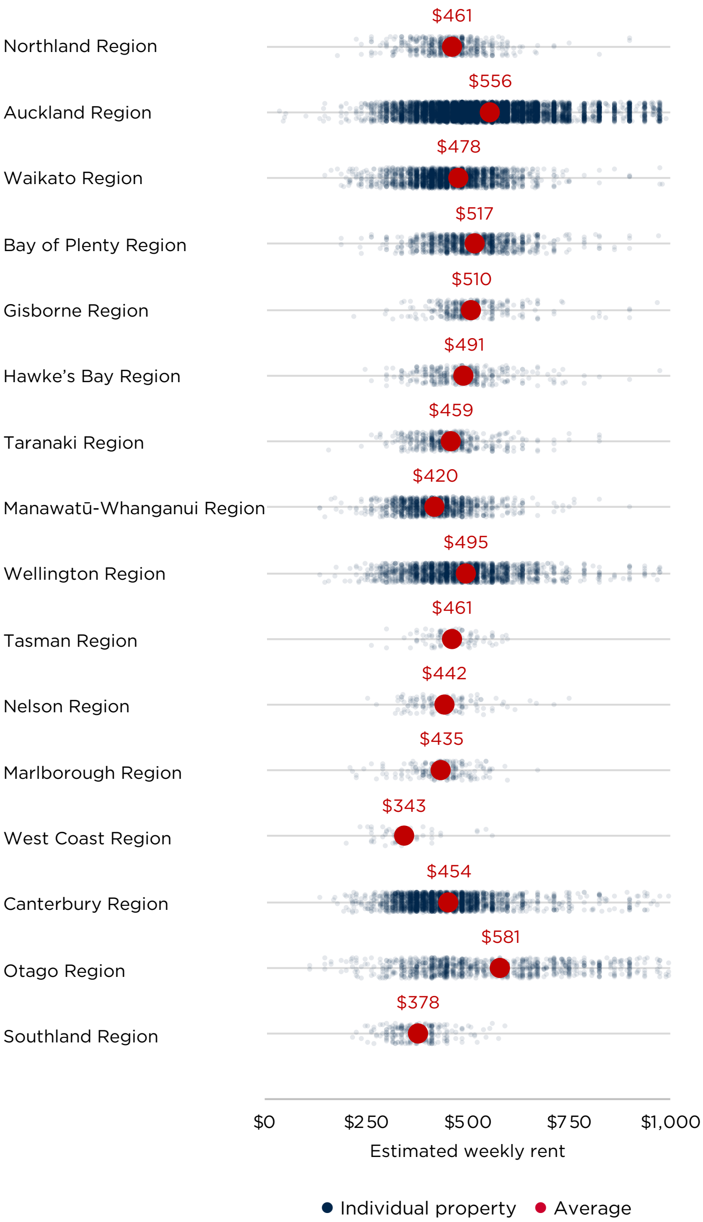
Average estimated pre-tax net rental yield
3.6%

Average estimated annual capital gain (20 years)
4.8%

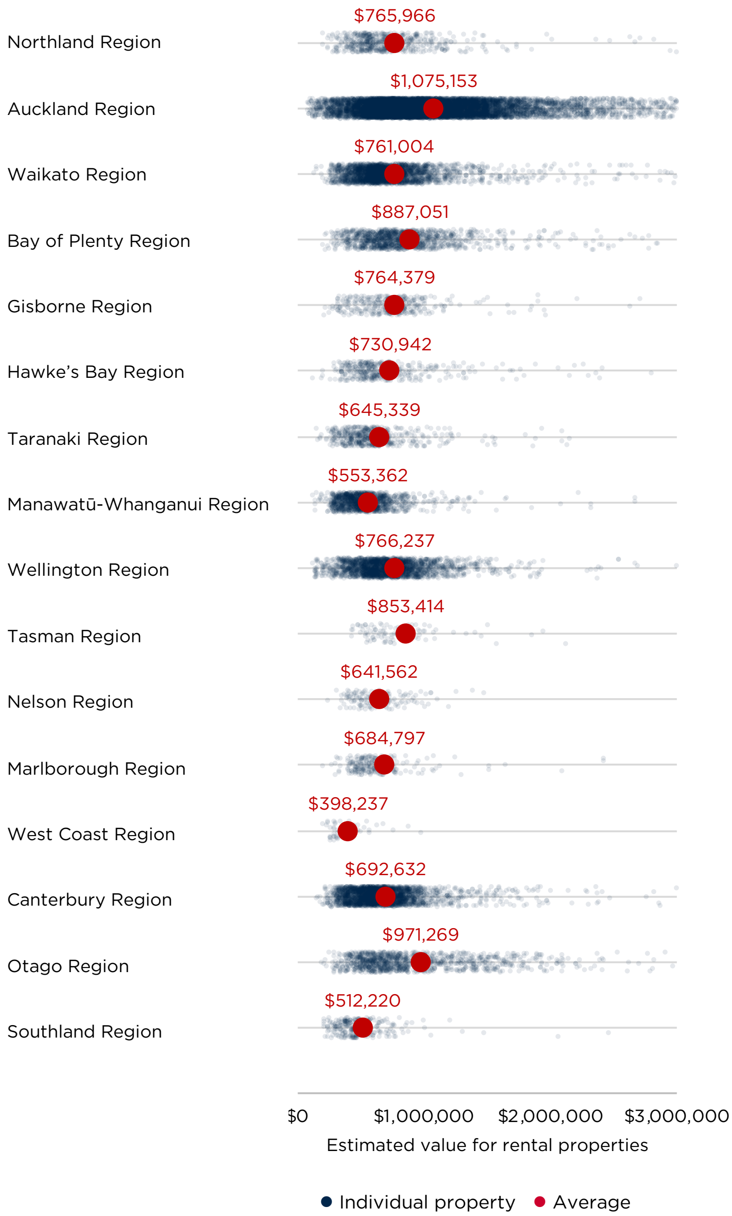
1 April 2025 – 30 September 2025

Pricing indicators

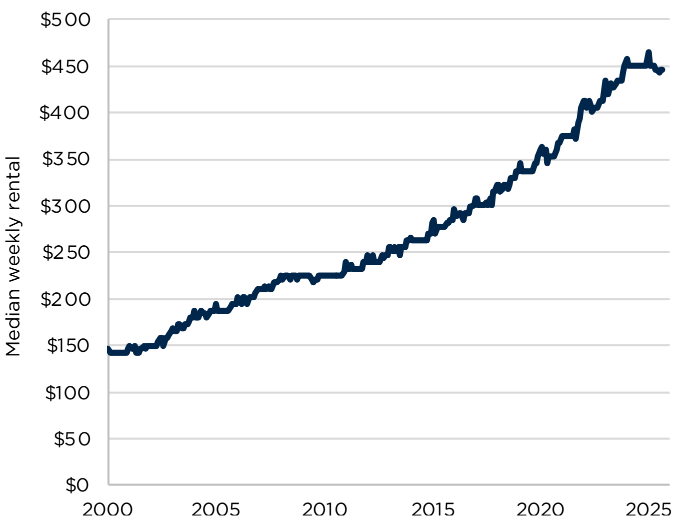
Weekly net rents by region



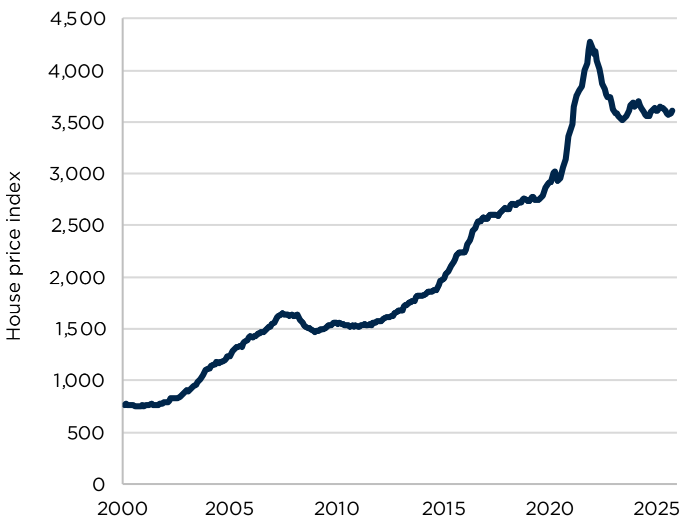
Estimated rental home values by region



Median net rental over time: NZ



House price index over time: NZ



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Net rental yields assume gross rents less 25% unrecoverable outgoings. All analysis is pre-tax and pre-finance.
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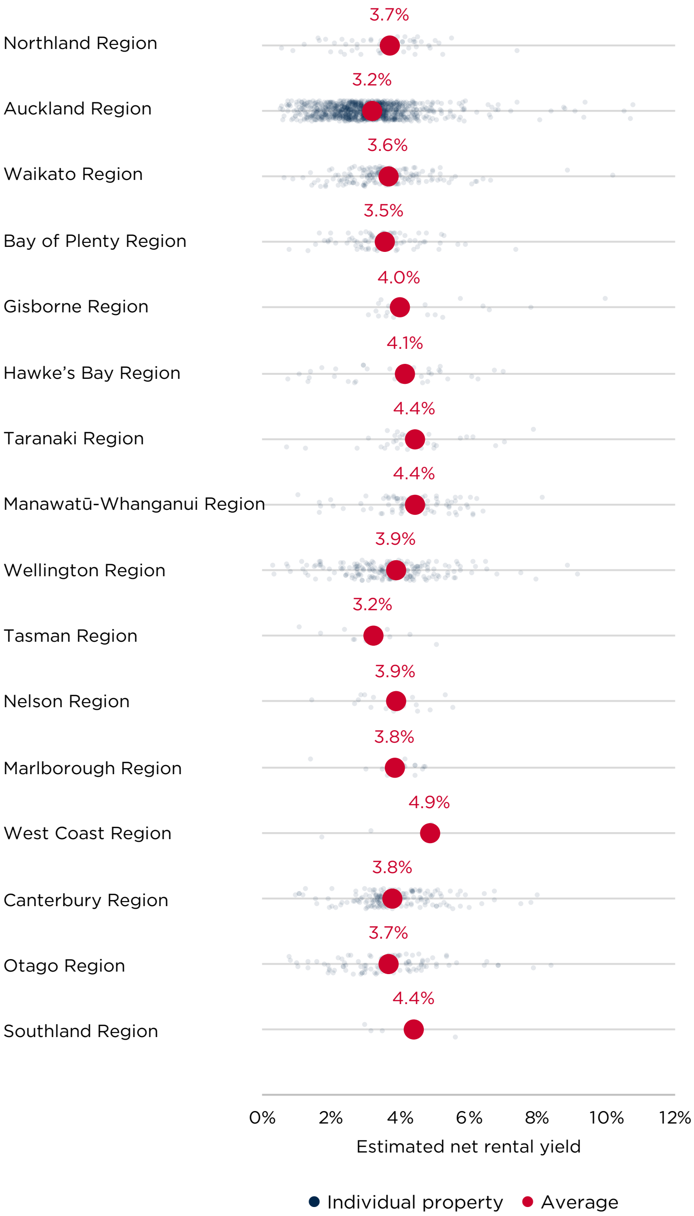
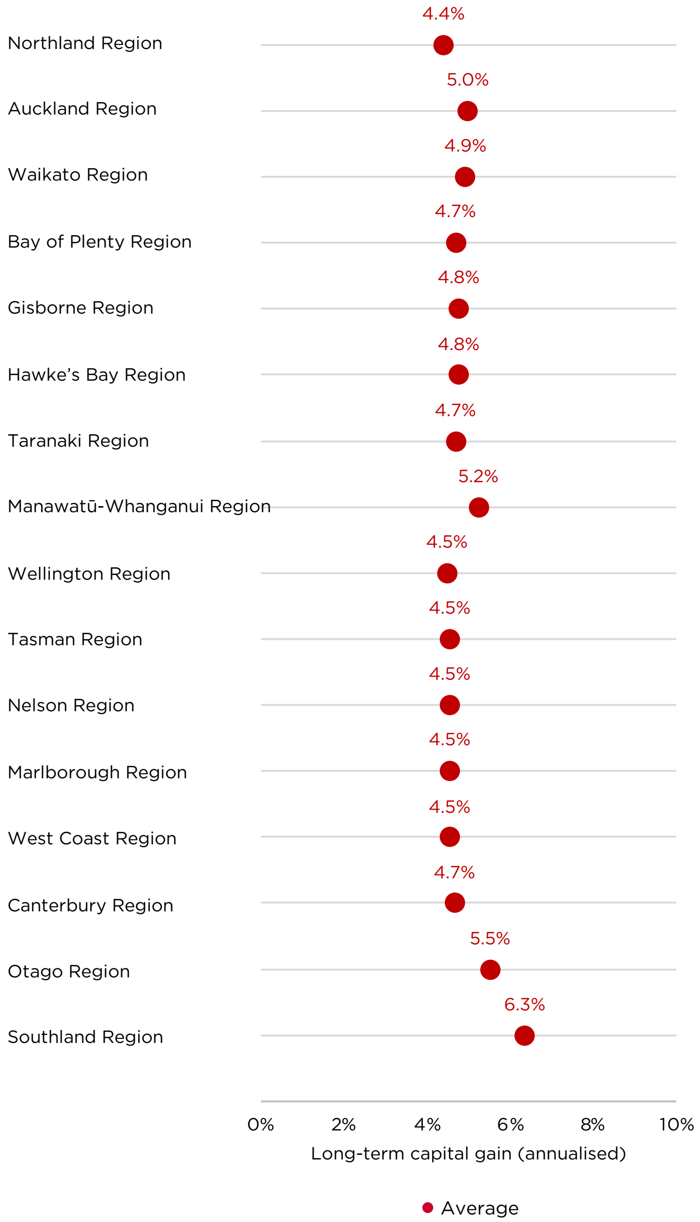
Some of the graphs have been revised from prior editions of the report so that all metrics are displayed on a net rent basis.

Return indicators

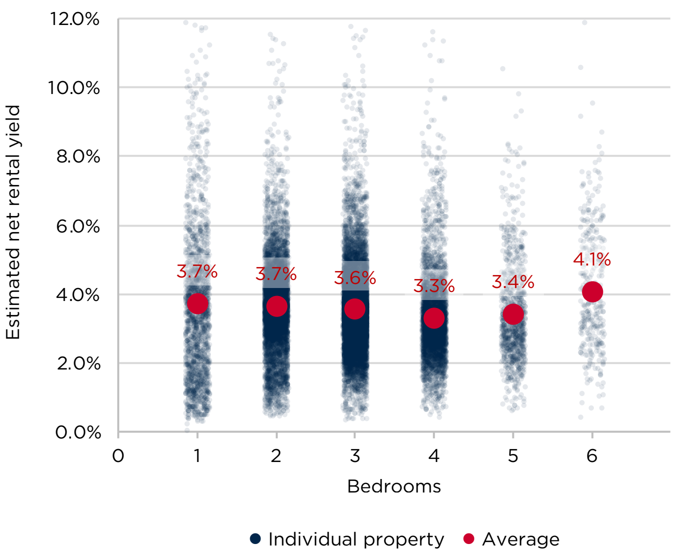
Estimated net rental yield by region



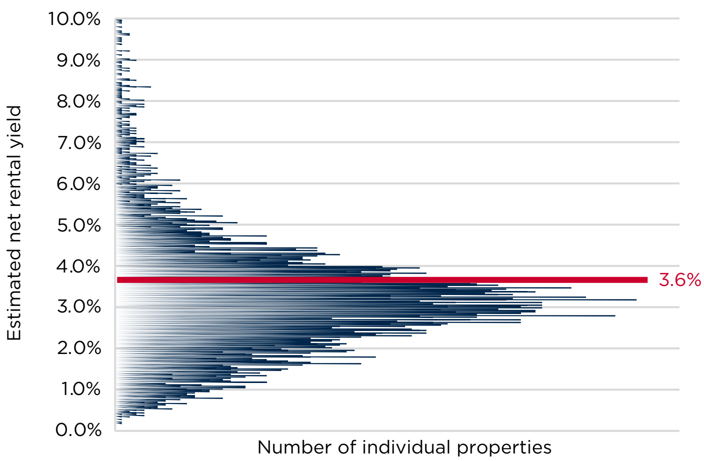
Annualised capital gains (20 years) by region



Estimated net rental yield by bedroom count: NZ



Distribution of net rental yields: NZ



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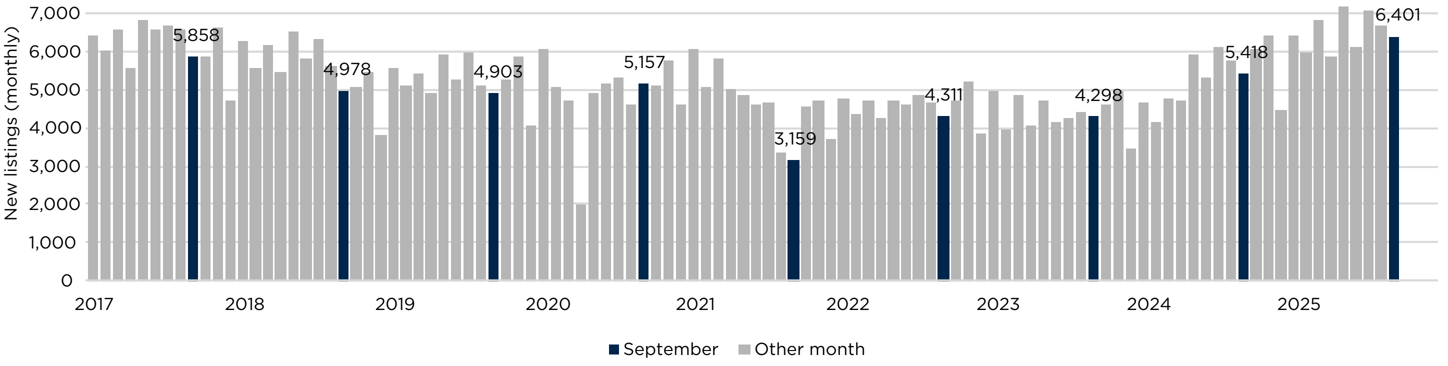
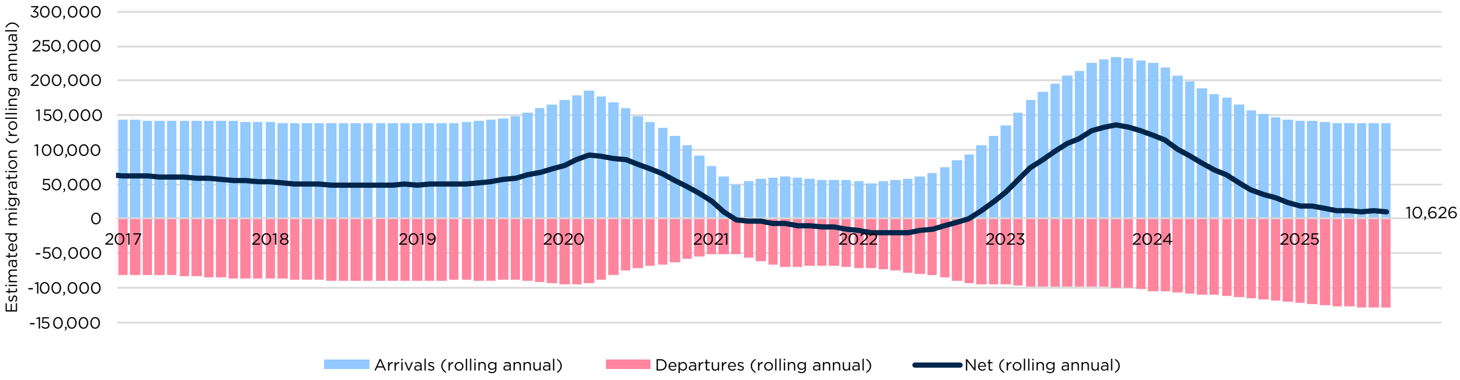
Lead indicators

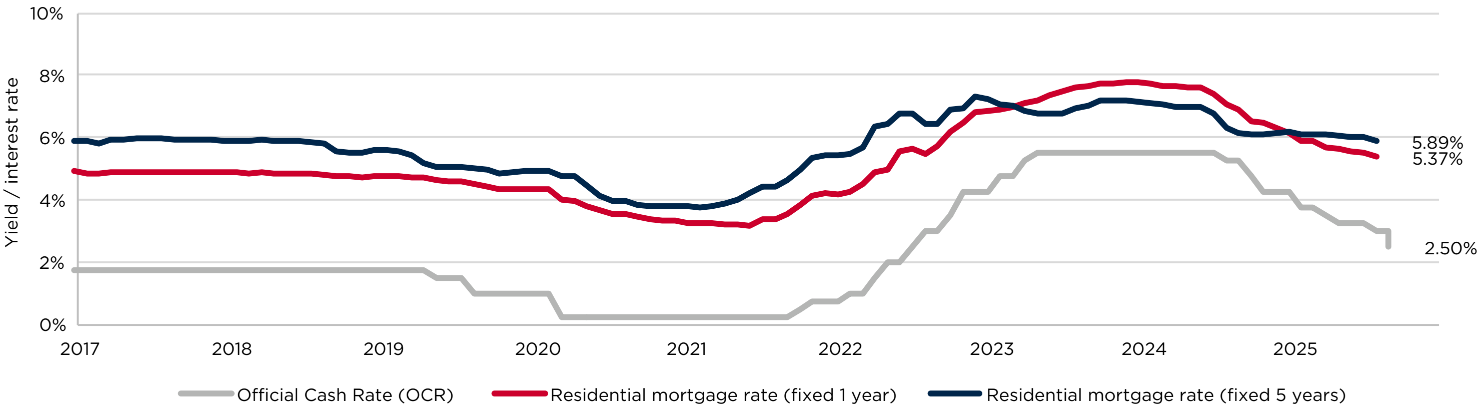
Number of new rental listings



Migration flows



Interest rates



Data: MBIE, RBNZ, Stats NZ.

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