

# Insights & Data 🔊



Typical estimated pre-tax net rental yield

2.4% - 4.0%

Average estimated pre-tax net rental yield

3.4%

### Average estimated annual capital gain (20 years)

6.5%

### New Zealand's residential investment market in 60 seconds

**Biggest trends** 



### Prices starting to recover after big correction

Independent forecasters are typically predicting house prices will rise over 2024. Whilst rising interest rates were a key factor during 2022, growing sentiment that long-term rates are peaking will help to moderate this concern.

### Financing and rising interest rates cause headwinds

Ability to secure financing and overall affordability has been impacted by higher interest rates. Investors and their funders have become more selective about properties. Smaller investors are often using other income sources to top-up negative cashflows.



### Investors have been in a holding pattern

Challenging conditions have led to reduced acquisition activity by investors, particularly given the progressive removal of interest deductibility by the previous government. The recent change of government is likely to substantially change this situation.

# \$

Outlook for the next 12 months

## Investors the big winners in the change of government

The new coalition government resulting from the 2023 Election has confirmed they will restore mortgage interest deductibility for rental properties between 2023 and 2026. This will boost the income returns for investors and likely lead to more investors buying properties.

### Changes to the RTA will open up more options



The new coalition government is also proposing several changes to the Residential Tenancies Act (RTA) including rights for landlords to terminate tenancies without any reason, changes to terminational notice periods, and pet bonds. This will give landlords more options for how they manage their properties.

### **Rents on the rise**

House price index over time: NZ

Surging migration is boosting demand from tenants in the rental market. This is leading to strong increases in rents across the country, particularly in the Auckland region where migrants tend to locate first. Rents are likely to continue rising over the next 12 months, consistent with historic trends.

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### Estimated net rental yield 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).

2020

### **Pricing indicators**

### Weekly rents by region

	\$448
Northland Region	
	\$555
Auckland Region	
	\$431
Waikato Region	
Davi of Dianty Davian	\$497
Bay of Plenty Region	\$475
Gisborne Region	\$475
Gisborne Region	\$459
Hawke's Bay Region	
Hawke's Day Region	\$432
Taranaki Region	
-	\$417
Manawatu-Wanganui Region	
	\$513
Wellington Region	
	\$439
Tasman Region	
	\$434
Nelson Region	
	\$437
Marlborough Region	
	\$285
West Coast Region	
	\$433
Canterbury Region	
	\$488
Otago Region	・ 「「「「」」」、「」」、「「」」、「「」」、「「」」、「」、「」、「」、「」、「
Coutbland Dogion	\$330
Southland Region	

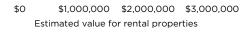
\$750 \$0 \$250 \$500 \$1,000 Estimated weekly rent • Individual property • Average

Northland Region	\$814,455
Northand Region	2. 460 9.94460 and - 2.40 2.00 - 0 0 0 0 0 0 0
Auckland Region	\$1,340,187
Ū	\$1,012,463
Waikato Region	
	\$1.016.865
Bay of Plenty Region	
	\$1,176,341
Gisborne Region	
	\$809,711
Hawke's Bay Region	
	\$711,989
Taranaki Region	
	\$619,764
Manawatu-Wanganui Reg	ion
	\$995,187
Wellington Region	
	\$832,405
Tasman Region	
	\$750,138
Nelson Region	
	\$639,685
Marlborough Region	
	\$356,833
West Coast Region	
Cartada Davia	\$701,582
Canterbury Region	
Otone Desien	\$924,830
Otago Region	0.55 - cm 2 - cm − cm
Southland Region	\$515,646
Southiand Region	

House price index over time: NZ

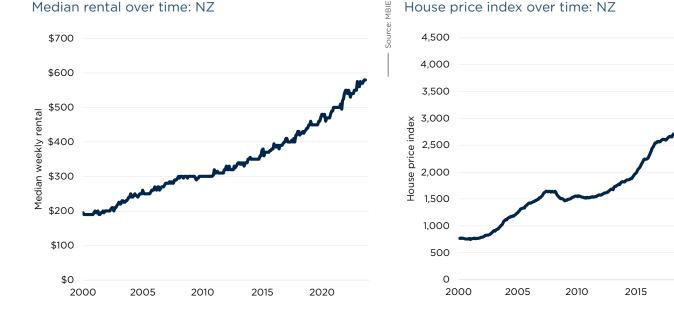
Estimated rental home values by region

Source: Bayleys



Individual property
Average

2020



Median rental 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). Source: REINZ

### **Return indicators**

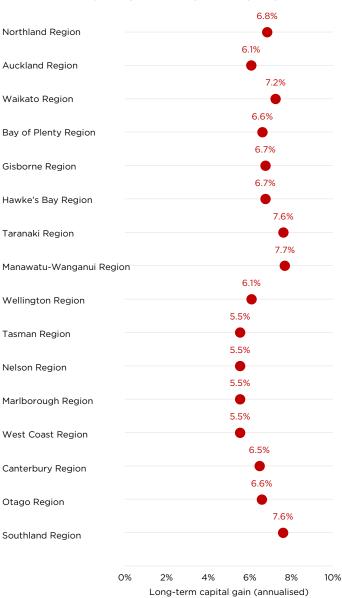
### Estimated net rental yield by region

3.5%		
Northland Region		
	3.0%	
Auckland Region		
	3.1%	
Waikato Region		
	3.2%	
Bay of Plenty Region		
	4.0%	
Gisborne Region		
	4.0%	
Hawke's Bay Region		
	4.1%	
Taranaki Region		
	4.0%	
Manawatu-Wanganui Regi	on	
	3.7%	
Wellington Region		
	3.0%	
Tasman Region		
	3.3%	
Nelson Region		
	4.0%	
Marlborough Region		
	5.2%	
West Coast Region	$ \begin{array}{cccccccccccccccccccccccccccccccccccc$	
	4.1%	
Canterbury Region		
	3.6%	
Otago Region		
	4.2%	
Southland Region		
	0% 2% 4% 6% 8% 10% 12%	

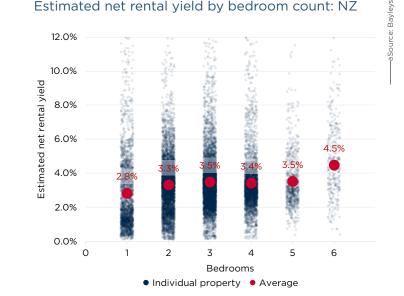
### Annualised capital gains (20 years) by region

Bayleys

Source:



Average

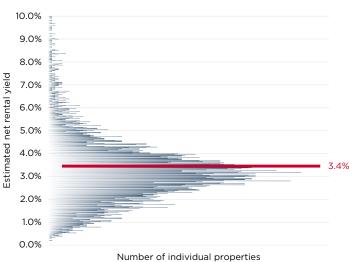


Estimated net rental yield by bedroom count: NZ

Estimated net rental yield

• Individual property • Average

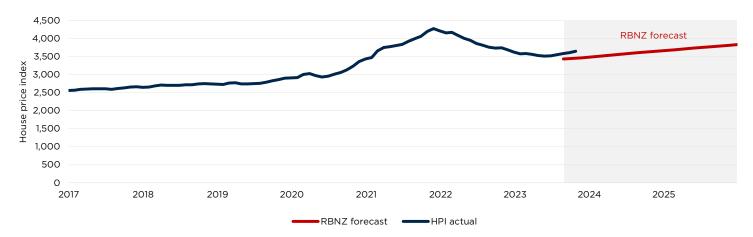
### Distribution of net rental yields: NZ



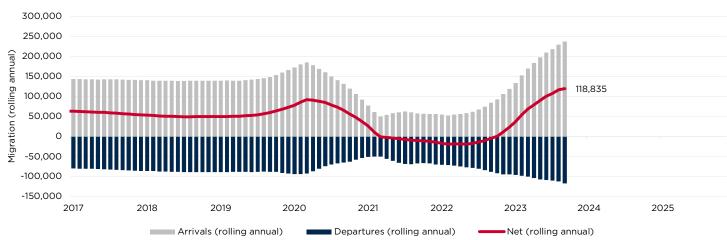
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### Lead indicators

### Independent forecast for house prices



### Migration flows



### Interest rates



Data: RBNZ, Stats NZ

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