



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.



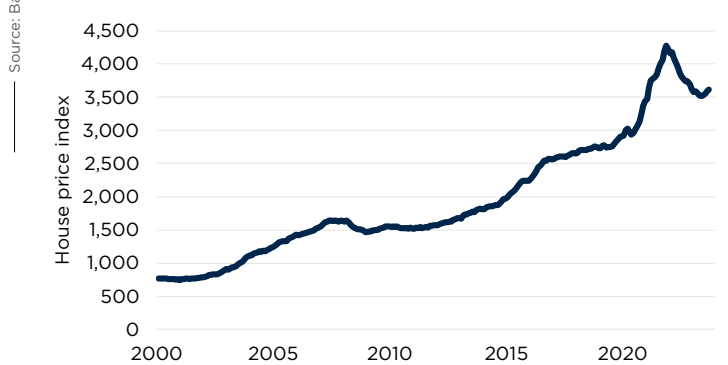
Rents on the rise

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.

Estimated net rental yield over time: NZ



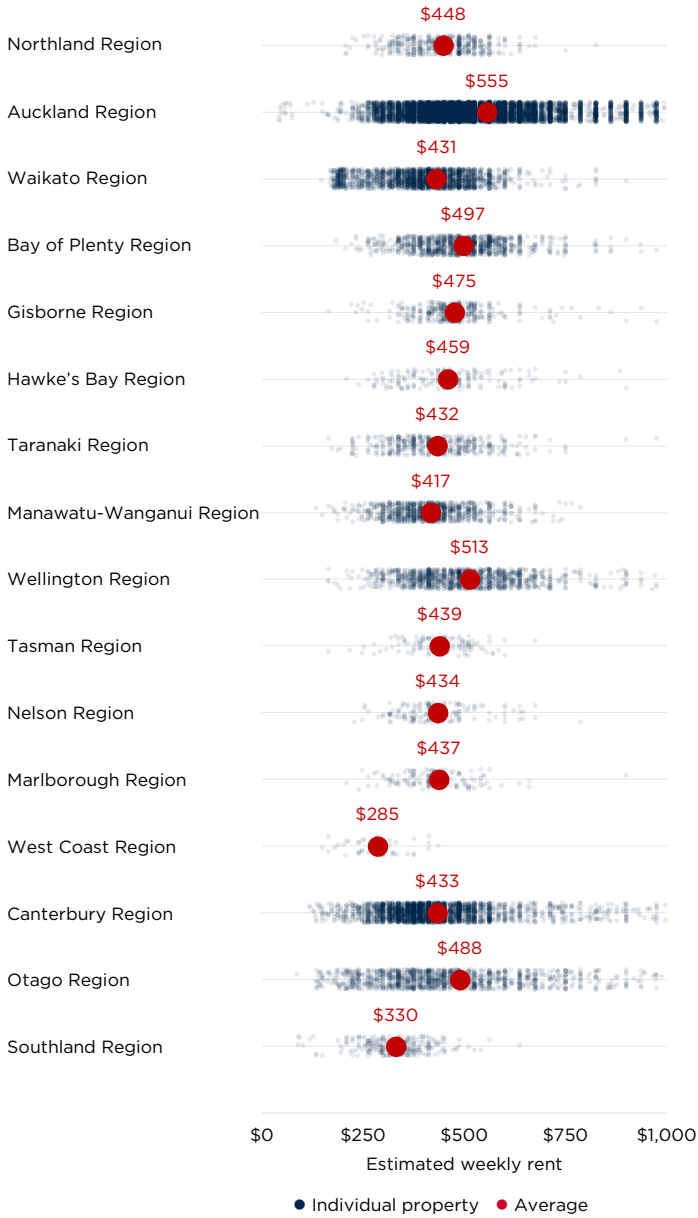
House price index over time: NZ



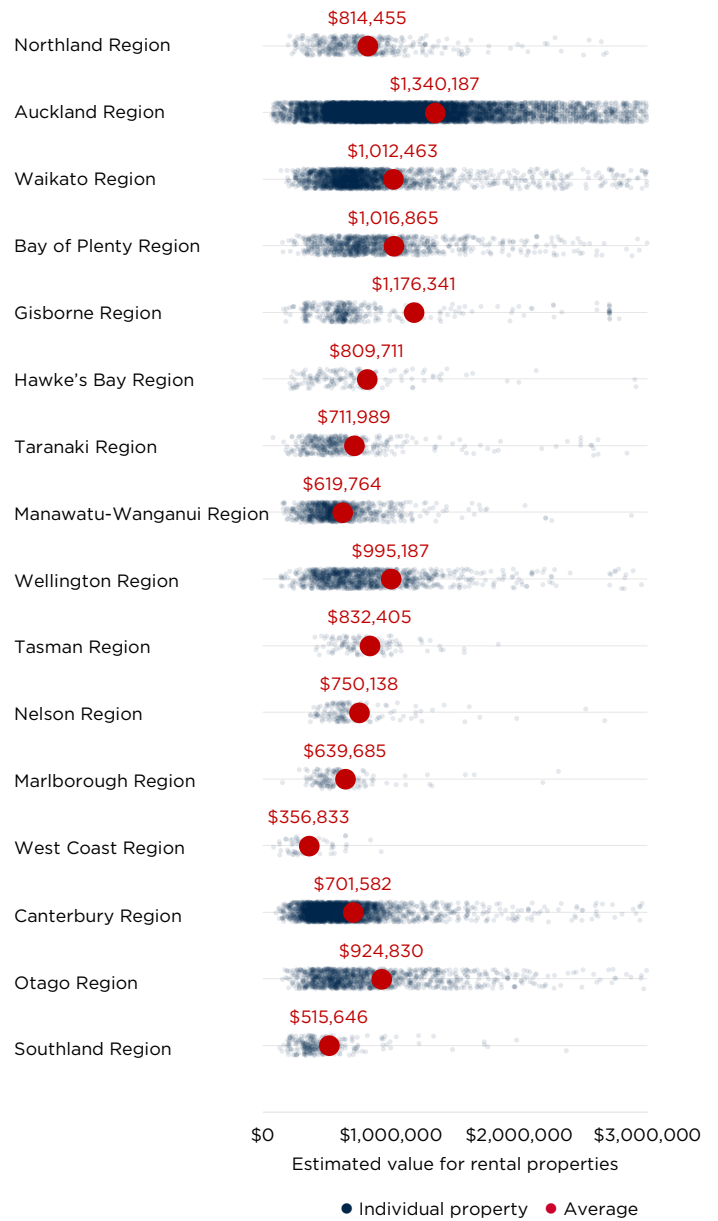
Data: Results estimated using bulk data sources. Properties with extreme rental yields may be due to errors in bulk data or unusual characteristics (e.g. leasehold, defects, etc). Net rental yields assume gross rents less 25% unrecoverable outgoings. All analysis is pre-tax and pre-finance. Analysis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

Pricing indicators

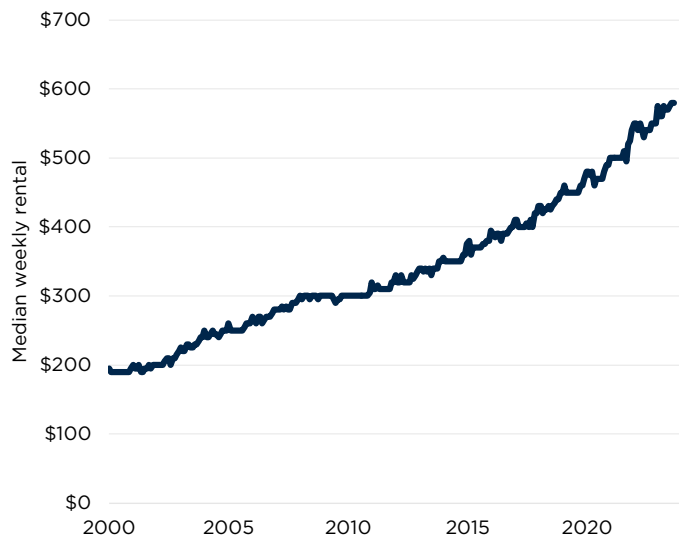
Weekly rents by region



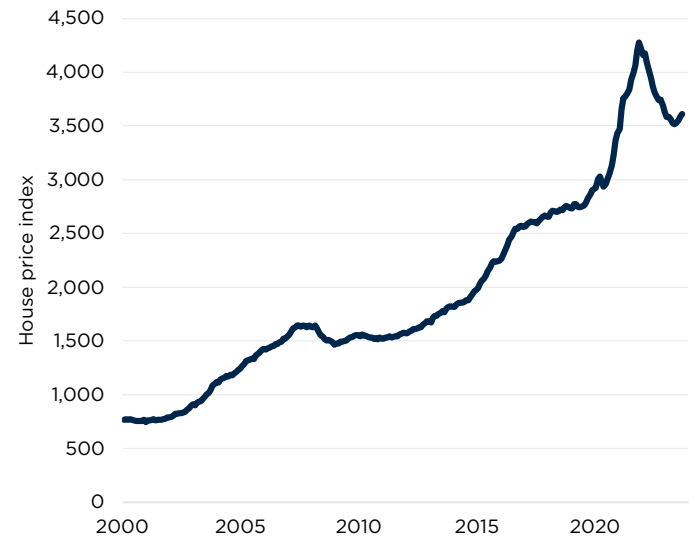
Estimated rental home values by region



Median rental over time: NZ



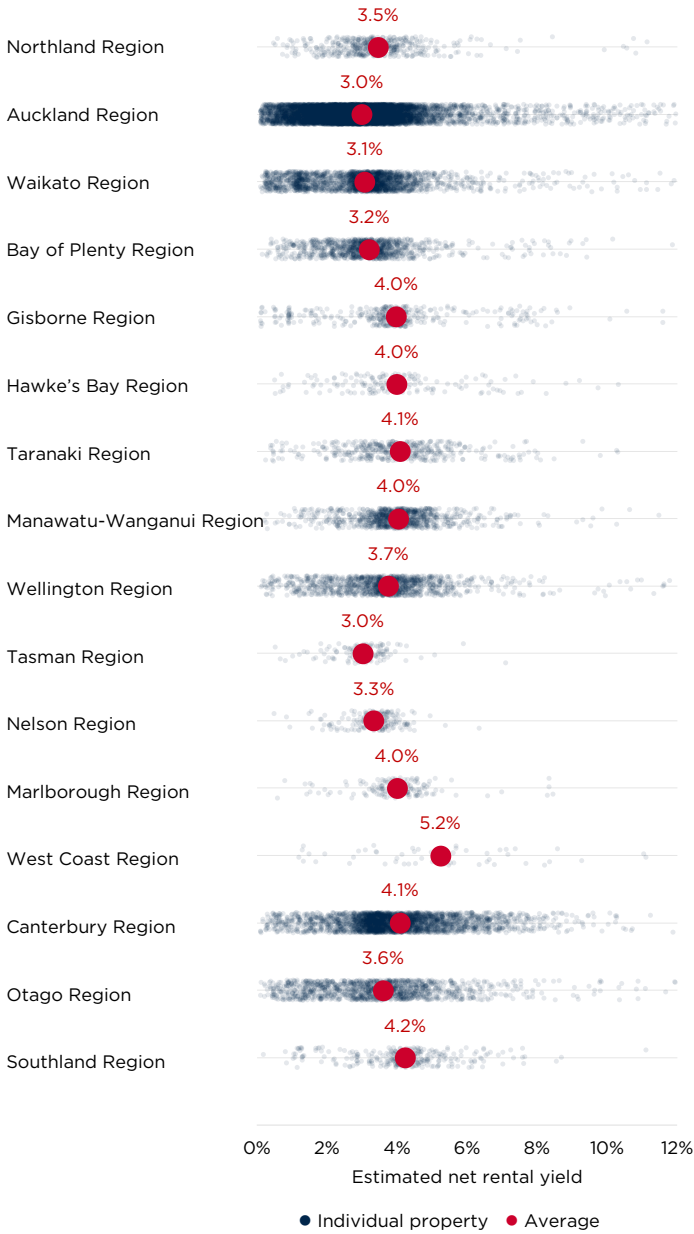
House price index over time: NZ



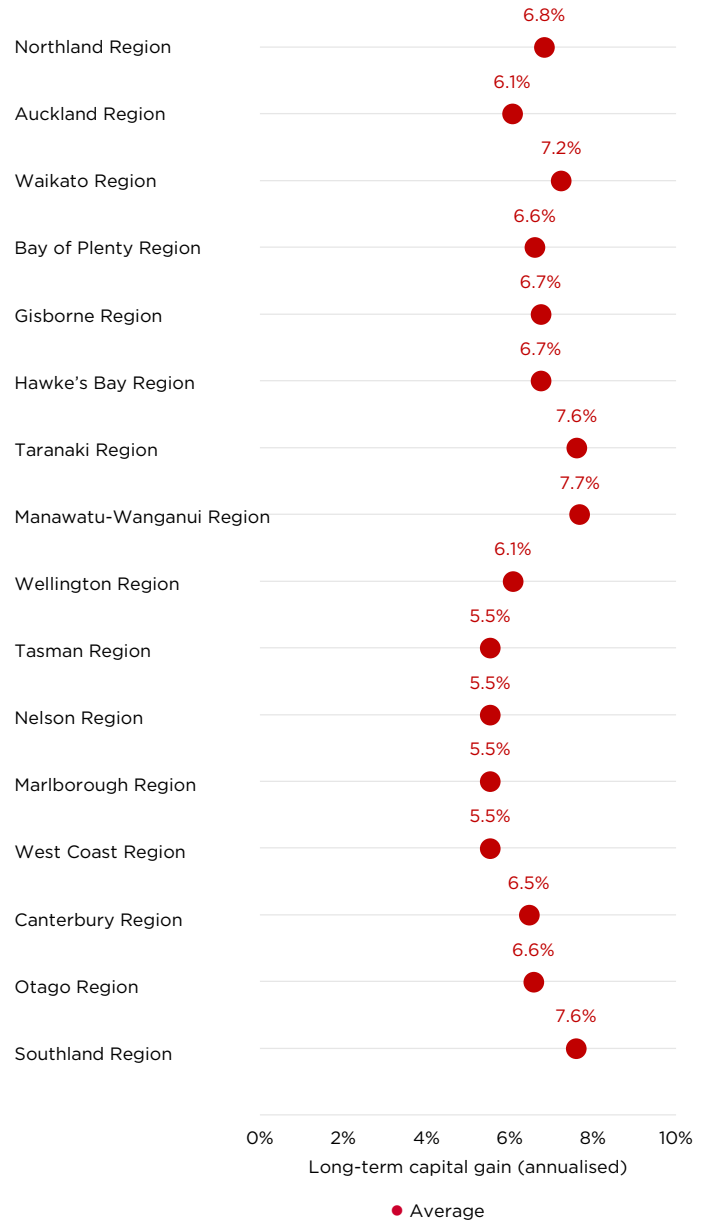
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Return indicators

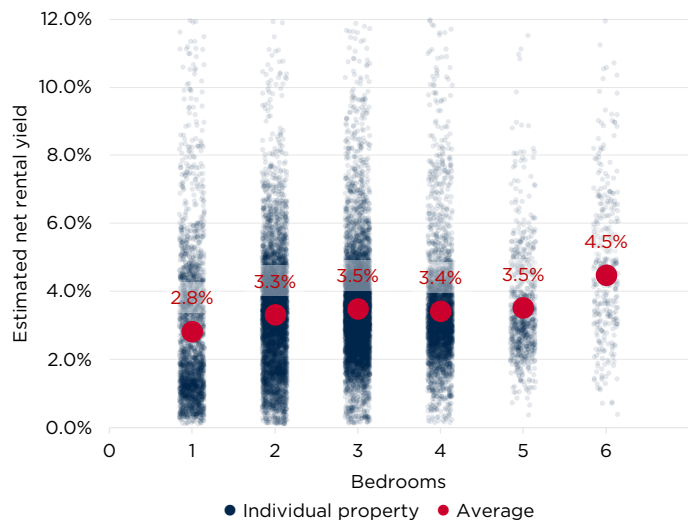
Estimated net rental yield by region



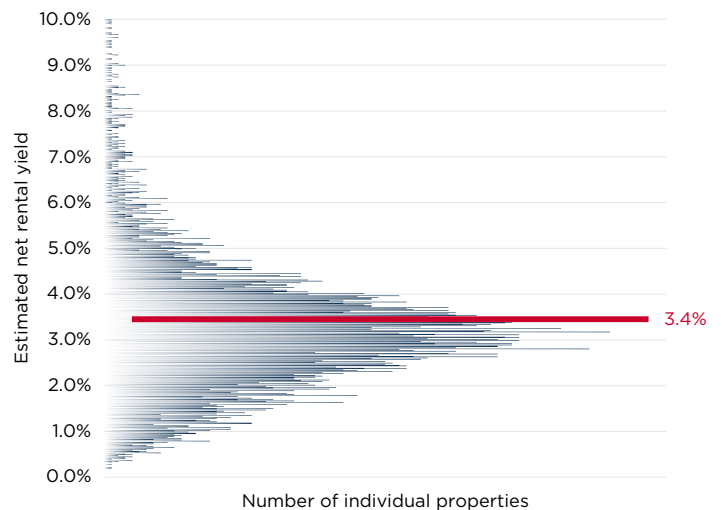
Annualised capital gains (20 years) by region



Estimated net rental yield by bedroom count: NZ



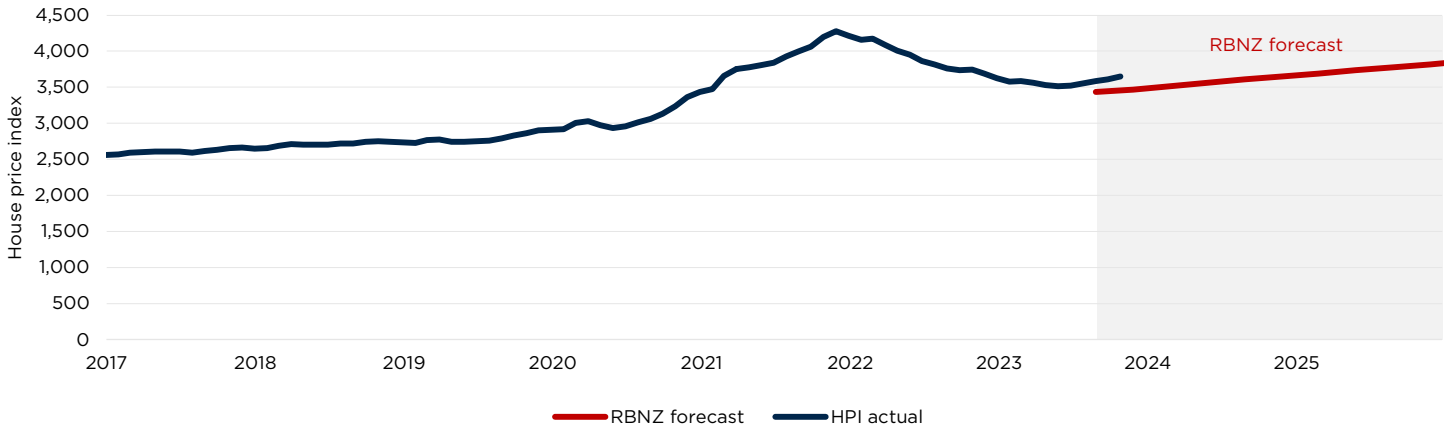
Distribution of net rental yields: NZ



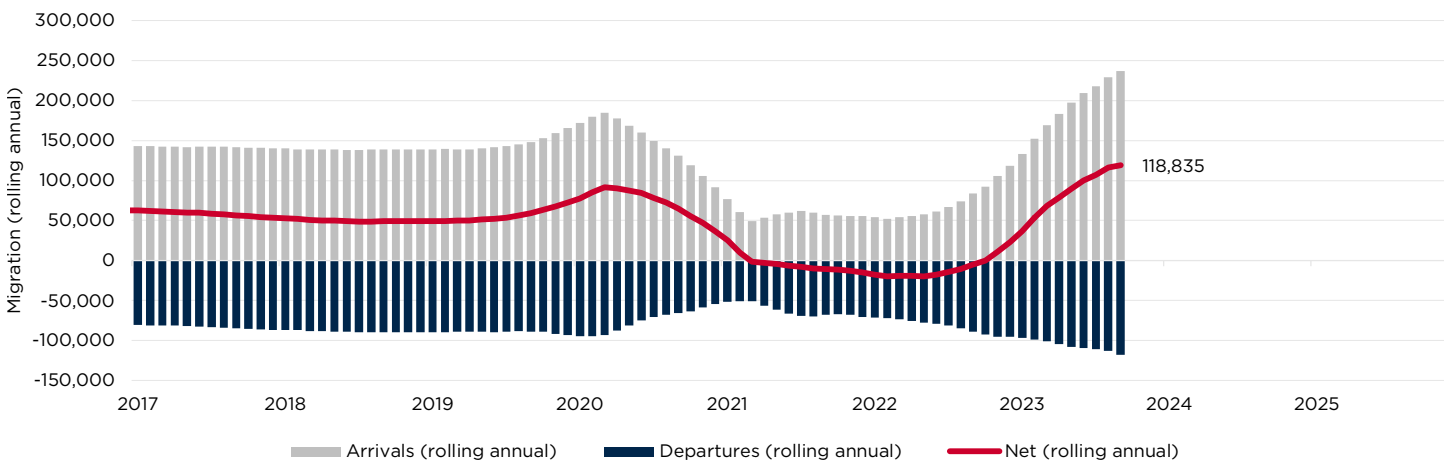
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Lead indicators

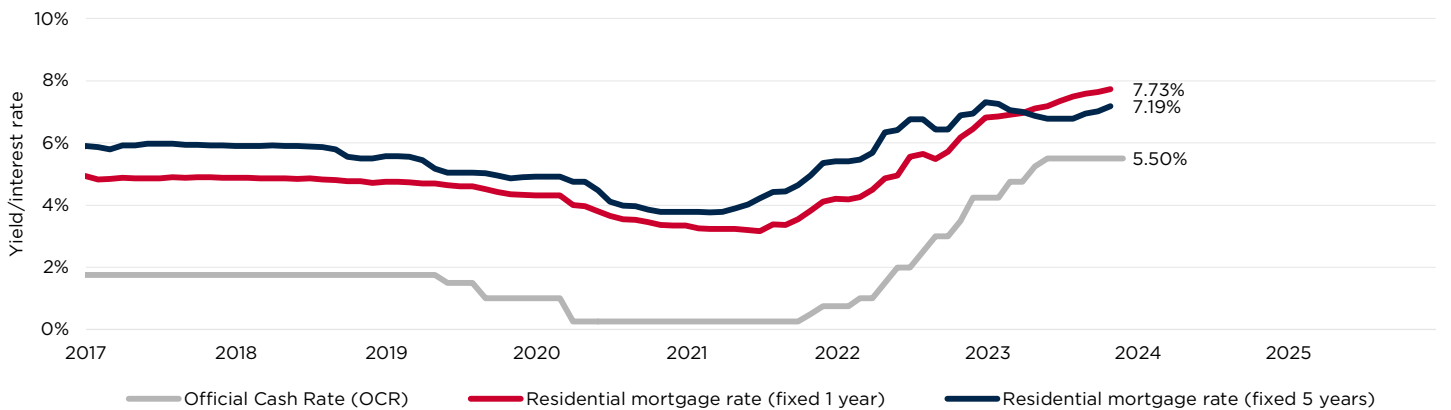
Independent forecast for house prices



Migration flows



Interest rates



Data: RBNZ, Stats NZ

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