

## Renters in Auckland \$12,500 p.a better off than homeowners

It is cheaper to rent a house than buy a house across New Zealand, but the disparity is most pronounced in Auckland according to Trade Me Property's comparison of asking rents and asking prices in October.

Head of Trade Me Property Nigel Jeffries said the latest Rental Index figures showed that paying off an 80 per cent interest-only mortgage\* rather than the median weekly rent could see you paying up to \$2,000 a year more outside Auckland, and significantly more in our largest city.

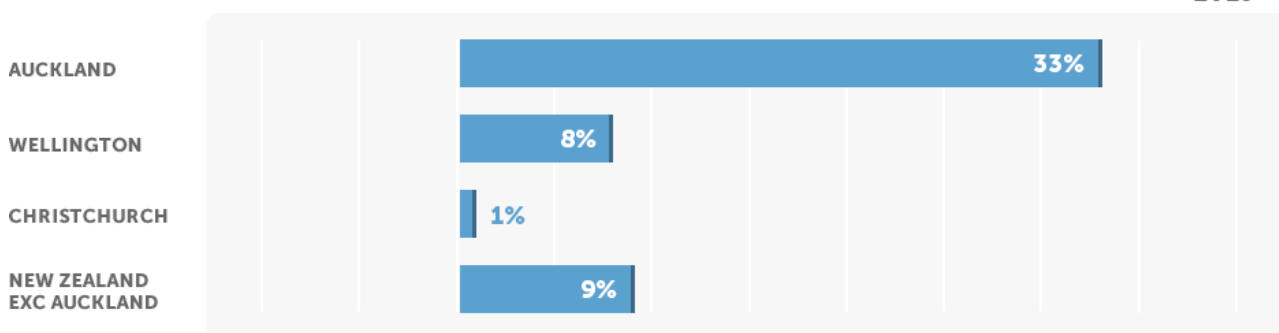
"In Auckland you could be stumping up more than \$12,000 per annum on your mortgage, so if you're making a cold-hearted decision based purely on mathematics it is food for thought. Of course, there's so much more to weigh up in reality, such as interest rate changes, potential capital gains and all the other personal circumstances and psychological aspects involved in any property purchase."

He said there was strong interest from Auckland buyers looking to invest elsewhere in the country, with some making the decision to rent in the Super City, but purchase a home in another region to rent out. Interest from Aucklanders has been particularly strong in the Bay of Plenty.

Potential Wellington home owners can expect to pay about 8 per cent more than renters, while in Christchurch the gap is just 1 per cent. In 2014, the data showed that Christchurch was an exception in that paying the interest on a mortgage was cheaper than renting. Mr Jeffries attributed that to the "tight supply" around the number of rental properties last year.

### CHEAPER TO RENT

2015



2014

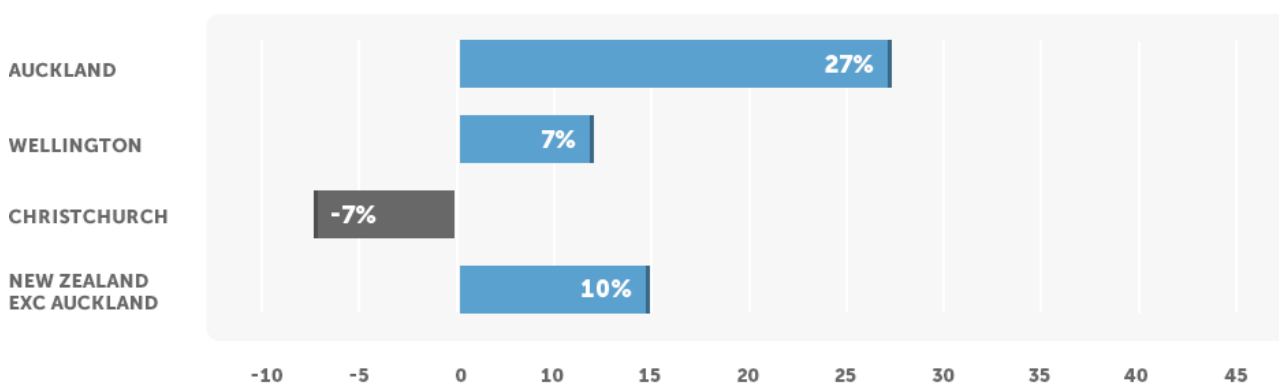


Table 1: Comparative cost of buying vs renting – annual interest charge based on variable mortgage rate for a median asking price vs annual median rent

	2015		2014	
	Annual rental	Annual interest cost	Annual rental	Annual interest cost
<b>Auckland</b>	\$25,441	\$38,057	\$23,790	\$32,700
<b>Wellington</b>	\$20,795	\$22,508	\$20,237	\$21,788
<b>Christchurch</b>	\$23,057	\$23,344	\$23,205	\$21,694
<b>New Zealand (exc Auckland)</b>	<b>\$18,902</b>	<b>\$20,989</b>	<b>\$18,027</b>	<b>\$19,830</b>

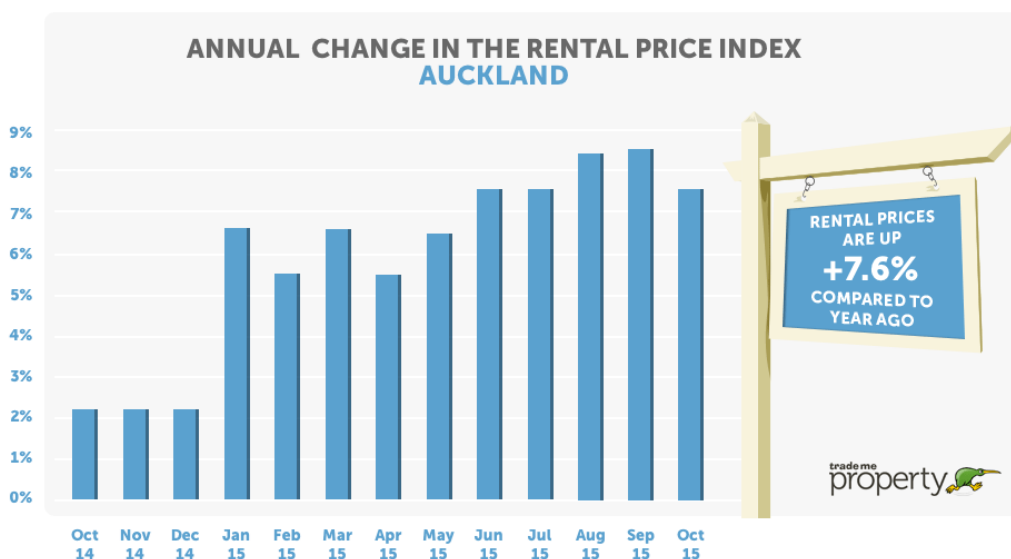
The premise of the calculation is the annual rental cost as compared to the 'sunk cost' of paying the interest only component of a 80% mortgage based on the current floating mortgage rate (Reserve Bank of New Zealand reported variable rate data).

### Auckland stays below \$500 a week

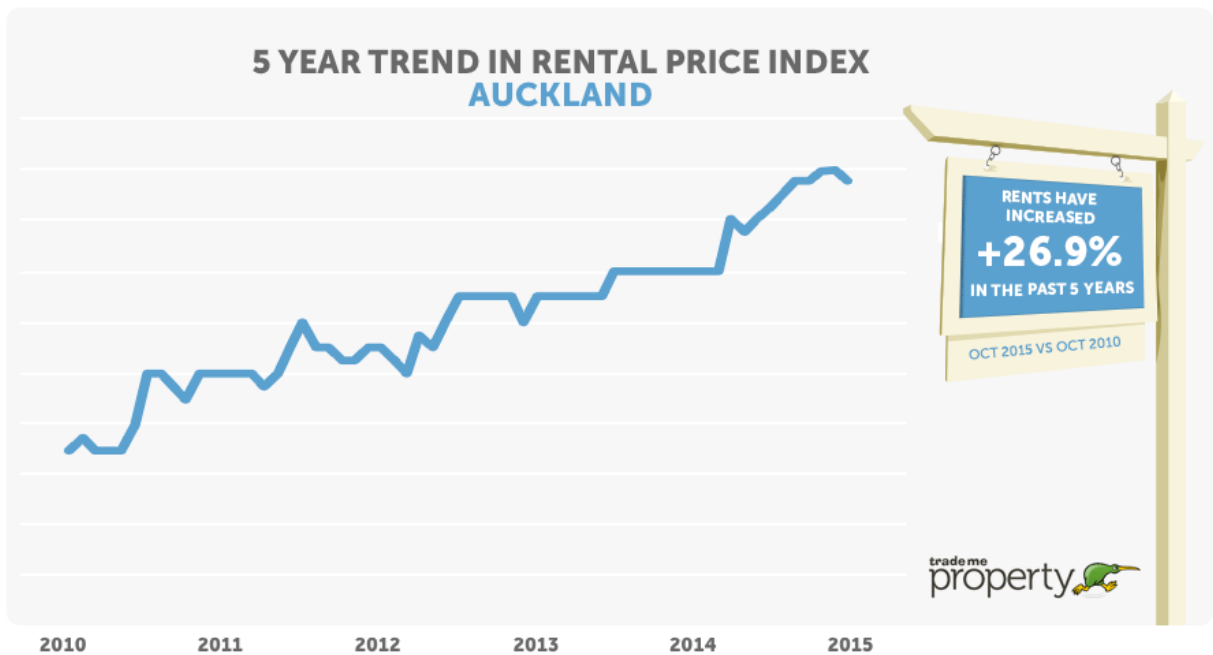
Mr Jeffries said the median rent in Auckland breaking through \$500 a week looked like a certainty, after it had risen to \$499 per week in August and September. However, it eased back slightly to \$495 per week in October.

“This is still a rise of almost 8 per cent over the past year, adding \$1,820 a year to the annual cost of renting an Auckland property and we expect there will be further growth to come,” he said. “I think we might see another significant jump early next year as many houses come on the market in the New Year and landlords reevaluate the market rent of their property.”

The median rent in Auckland tended to start each year with an early jump, then hover for a few months. For the majority of 2014, it was static at \$460 per week, before jumping to \$480 per week in January 2015. Since May it has fluctuated between \$490 per week and \$499 per week.

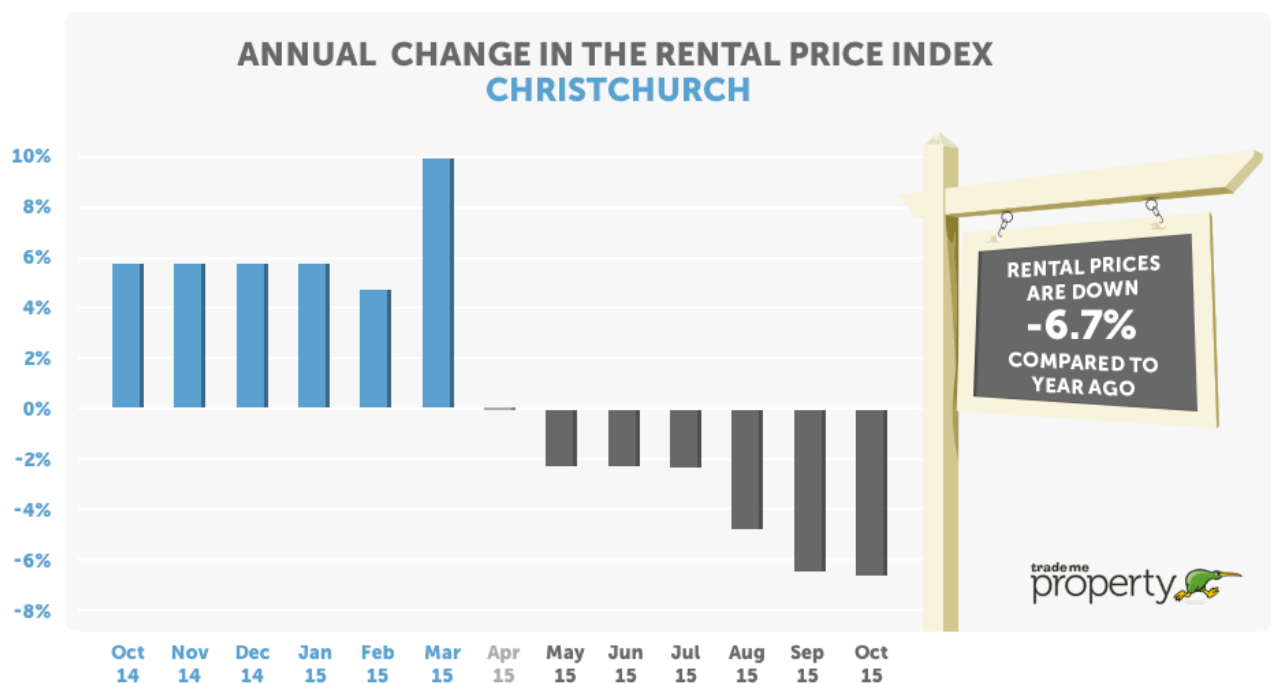


Over the past five years the median rent in Auckland has risen by \$105 per week (or \$5,460 a year), an increase of 27 per cent. Mr Jeffries said that despite this very healthy growth “it paled in comparison” to the 5-year trend around average asking prices in the city which rose by \$305,200 or almost 63 per cent over the same period.



### Christchurch market continues to weaken

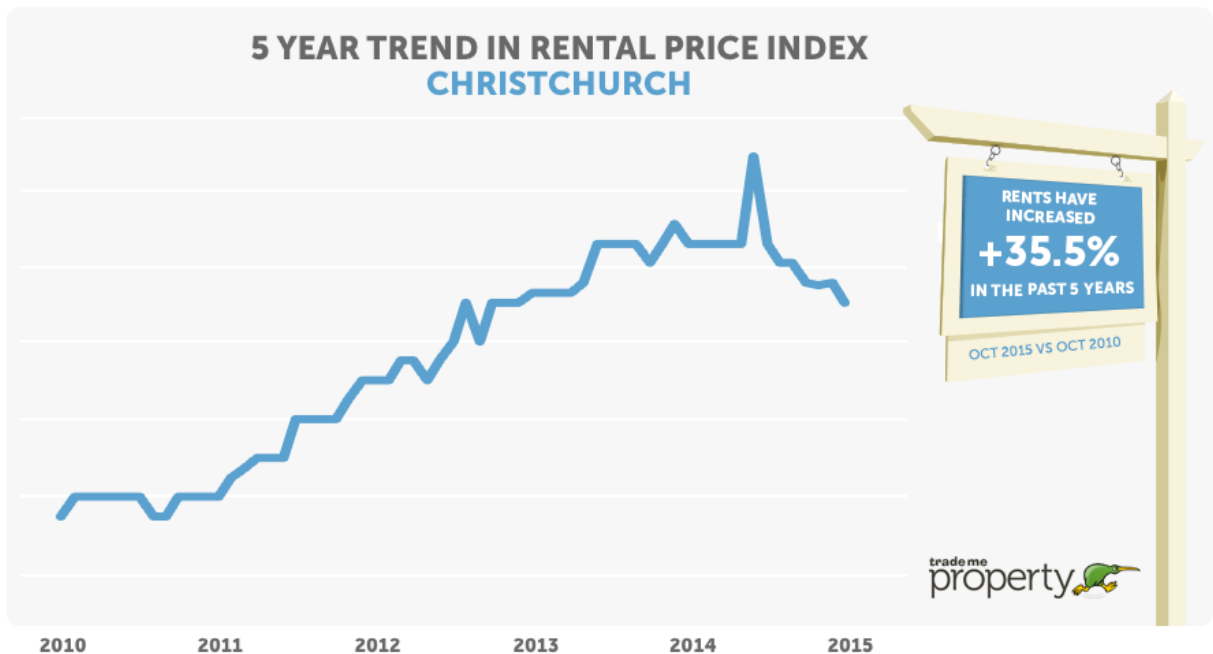
The median weekly rent for Christchurch property slipped again in October, down from its \$495 per week peak in March to \$420 per week (a 7 per cent decrease over the past 12 months). The last time it was at \$420 a week was back in September 2013.



Mr Jeffries said the trend in Christchurch’s median weekly rent is a “perfect illustration” of the rental market’s sensitivity to changes in supply and demand.

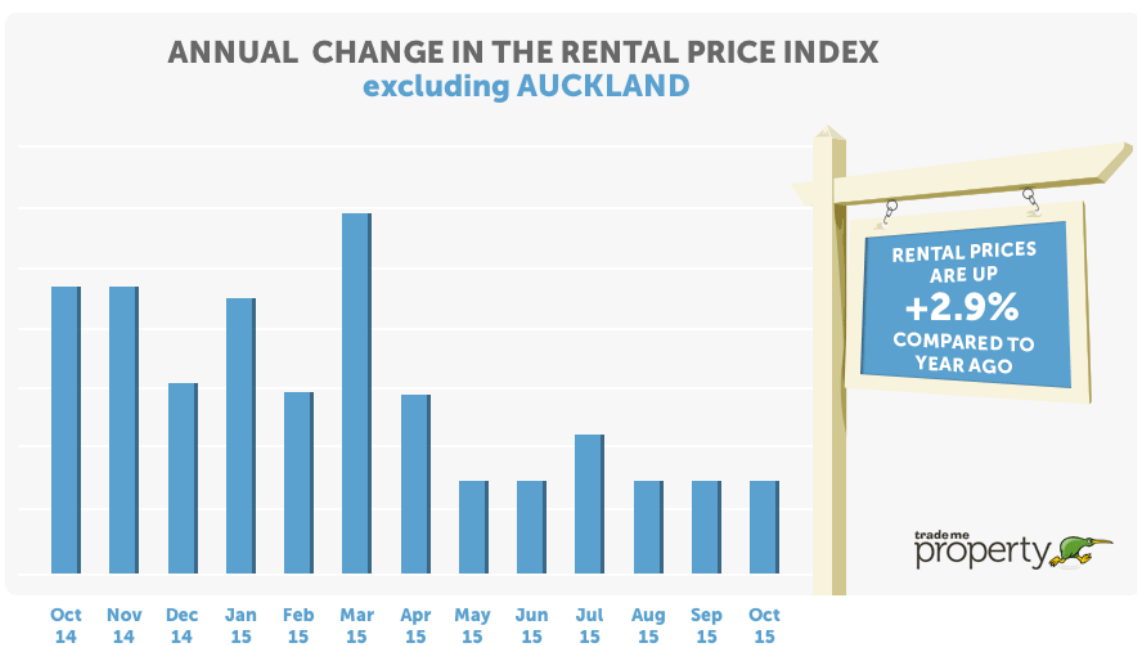
“Christchurch is a pretty intense example, but following the earthquake the city’s property market was squeezed with a lack of demand. Rents throughout the city have risen sharply since 2011 but it’s settling now as supply has lifted as the rebuild continues.”

At the lowest point of supply during 2012, less than 400 properties were listed for rent across the city, this has ticked up over the past three years to peak at 750 in March 2015, before leveling out at just over 600 a month. Mr Jeffries said this level was more reflective of the market before the earthquake.



#### Ups, downs and plateaus in the regions

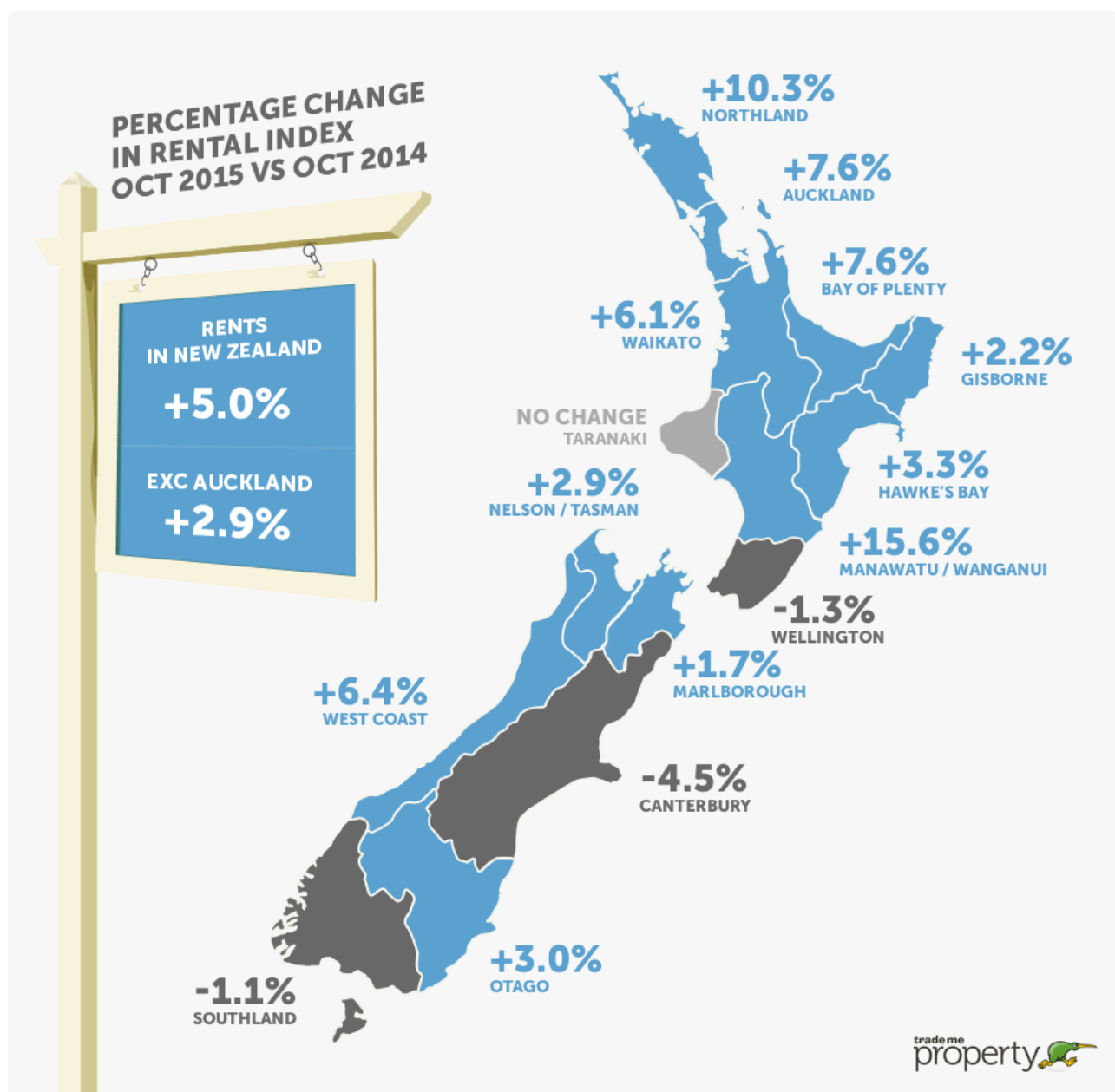
Excluding Auckland, median rents around the country remained static at \$360 per week, the sixth consecutive month at this level and a modest increase of 3 per cent year-on-year.



Median rents in Wellington, Canterbury and Southland were all down slightly with Canterbury's decline heavily influenced by Christchurch. Excluding Christchurch, the median weekly rent across Canterbury was \$390 per week in October, the same level as a year ago.

Across the North Island rents are rising for the most part, in some cases ahead of Auckland. Manawatu saw median rents up 16 per cent to \$260 per week, compared to \$225 per week a year ago. Mr Jeffries said this increase was down to the impact of lower rental stock with listings slipping from 450 to 350 in the past year.

The Bay of Plenty continued to surge, with 8 per cent year-on-year growth, adding \$1,300 to the annual rent for a typical property. Northland also saw median rent up 10 per cent to \$320 per week, a new record high for the region. From 2010 to 2014, the median rent in Northland barely moved, stuck between \$280 per week and \$300 per week.



### Size of house shows little variance in weekly rents

In recent months the median weekly rent for smaller properties has grown significantly, but in October there was very little variance by size for houses for rent. One outlier was large houses (5+ bedrooms) in the capital which shot up from \$650 per week in September to \$750 per week in October, a 25 per cent annual leap.

Across the Auckland market, the recent surge in rents for smaller houses slipped from \$420 per week down to \$400 per week, or just under 4 per cent.

Table 2: Median weekly rent by property size & region: Oct 2015 vs Oct 2014

	All Properties	Large houses 5+ bedroom	Medium houses 3-4 bedroom	Small houses 1-2 bedroom
<b>New Zealand</b>	<b>\$420</b> + 5.0%	<b>\$690</b> + 6.2%	<b>\$470</b> + 6.8%	<b>\$340</b> + 9.7%
<b>New Zealand excluding Auckland</b>	<b>\$360</b> + 2.9%	<b>\$600</b> + 9.1%	<b>\$400</b> + 5.3%	<b>\$290</b> + 3.6%
<b>Auckland</b>	\$495 + 7.6%	\$780 + 5.4%	\$550 + 5.8%	\$400 + 3.9%
<b>Wellington</b>	\$390 - 1.3%	\$750 + 25.0%	\$450 + 2.3%	\$310 - 3.1%
<b>Christchurch</b>	\$420 - 6.7%	\$610 - 18.1%	\$460 - 7.1%	\$350 - 0.7%

### More subdued urban rental market

The spiraling rent for Auckland apartments appears to be easing. The median rent stayed at \$450 per week, the same figure as September and down from the \$460 per week peak in August. This is still a year-on-year increase of more than 8 per cent, ahead of the overall rent increase in the City of Sails.

Table 3: Median weekly rent by property type & region: Oct 2015 vs Oct 2014

	All Urban Properties	Apartments	Townhouse	Units
<b>New Zealand</b>	<b>\$380</b> + 4.1%	<b>\$410</b> + 5.1%	<b>\$450</b> + 2.3%	<b>\$330</b> + 3.1%
<b>New Zealand excluding Auckland</b>	<b>\$330</b> + 3.1%	<b>\$360</b> No Change	<b>\$395</b> - 1.3%	<b>\$275</b> + 1.9%
<b>Auckland</b>	\$430 + 7.5%	\$450 + 8.4%	\$545 + 6.3%	\$395 + 3.9%
<b>Wellington</b>	\$360 No Change	\$395 - 1.3%	\$400 - 4.8%	\$300 + 3.4%
<b>Christchurch</b>	\$380 + 1.3%	\$377 + 0.5%	\$430 - 4.4%	\$330 + 3.1%

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### NOTES

- **About the Trade Me Property Rental Price Index:** This is the first report to provide a timely and comprehensive monthly insight into the rental market covering price trends by type and size of property across New Zealand. The index is produced from Trade Me Property data of properties that have been rented in the month by property managers and private landlords. On average over 11,000 properties are rented each month and the report provides a comprehensive insight into this part of the property market for tenants, landlords and investors. The index is calculated using *the median rent* in the month, this being an accurate statistical assessment of the current rent being charged by landlords and property managers.
- **More info:** For information about the differences between the Trade Me Property data and bond data collected by Tenancy Services, please read this post by Dr Lucy Telfar-Barnard from the University of Otago: <http://onetwothreehome.org.nz/2015/05/11/how-high-is-the-rent/>
- **Regional data:** If you are after information for a particular region, please email Logan Mudge via [mediaenquiries@trademe.co.nz](mailto:mediaenquiries@trademe.co.nz) and we will see what we can unearth for you. We can also provide the graphs and tables.
- **\*Rent vs Buy:** The rental part of this calculation compares the median annual rent for a property on Trade Me Property. The buy part of this calculation compares the repayments for an interest-only mortgage on the average asking price for a property on Trade Me Property. It is based on a 20% deposit at the applicable variable interest rate published by the Reserve Bank of New Zealand.

## CONTACT

**Nigel Jeffries is available for interviews. To tee up a time that suits, please email Logan Mudge via [mediaenquiries@trademe.co.nz](mailto:mediaenquiries@trademe.co.nz) or phone (04) 803 2706.**