



Typical estimated pre-tax net rental yield
2.4% - 3.9%

Average estimated pre-tax net rental yield
3.3%

Average estimated annual capital gain (20 years)
7.1%

New Zealand’s residential investment market in 60 seconds

Biggest trends

House prices calm after a massive boost



Markets have calmed after two years of big gains during the pandemic. Ability to secure financing has been impacted by the CCCFA and overall affordability has been impacted by higher interest rates. Buyers and their funders have become more selective about properties.

Law changes target investors



Over recent years the government has implemented a wide range of changes to impose more controls on the market. Key changes include tax regimes (removal of interest deductibility and bright lines for capital gains) and controls to improve the standard of rental housing (healthy homes). Professional management is becoming increasingly important, particularly as the government prepares to regulate property managers.

Investors in a holding pattern



Challenging conditions mean reduced acquisition activity by investors. The 2023 election will be of interest to investors as a change in government may lead to changes in policies that improve returns for investors.

Outlook for the next 12 months

Rents on the rise



The recent return to positive net migration, alongside disruption from extreme weather events, is likely to add more demand into the rental market particularly in the Auckland region where migrants tend to locate first. Rents are likely to rise over the next 12 months, consistent with historic trends.

Prices likely to stabilize



Independent forecasters are typically predicting house prices will stabilize in the latter half of 2023. Whilst rising interest rates were a key factor during 2022, growing sentiment that long-term rates are peaking will help to moderate this concern.

Market pivots to new builds



Housing developers have been pivoting towards multi-unit housing. Investors are likely to also start refocusing towards new build product given the more favourable tax treatment for new homes, lower maintenance profile and often higher rental yield for more intensive housing.

Estimated net rental yield over time: New Zealand



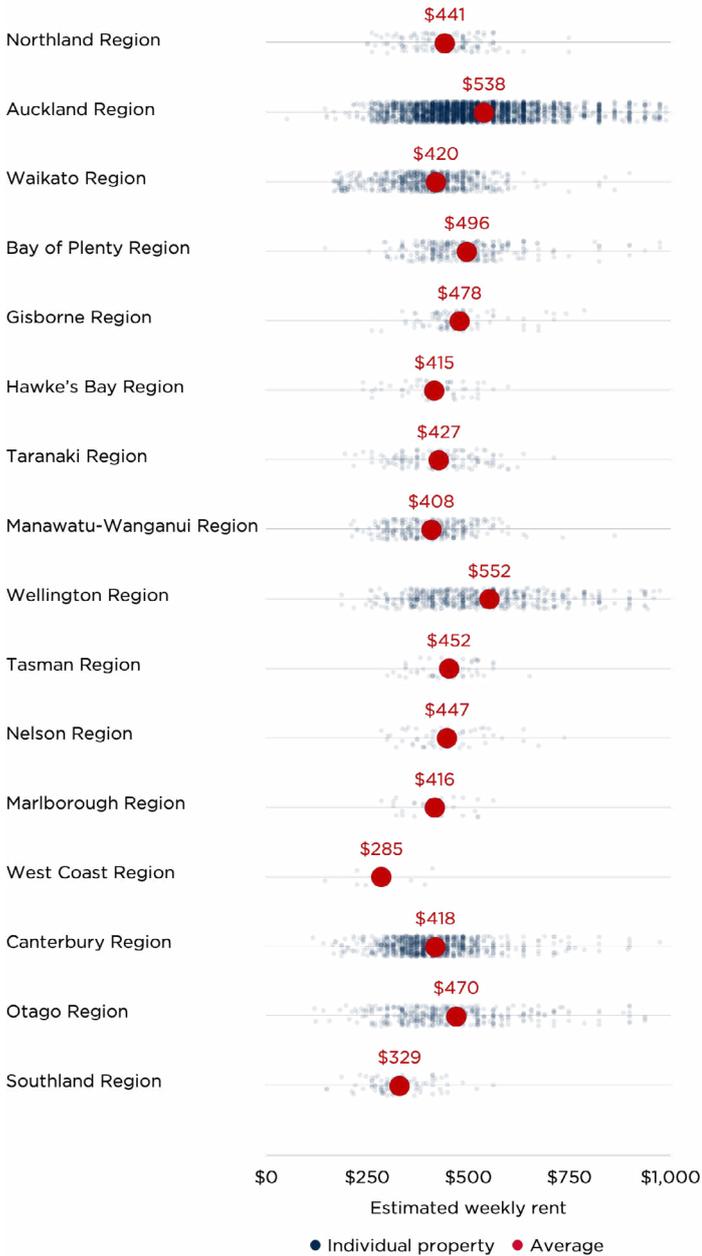
House price index over time: New Zealand



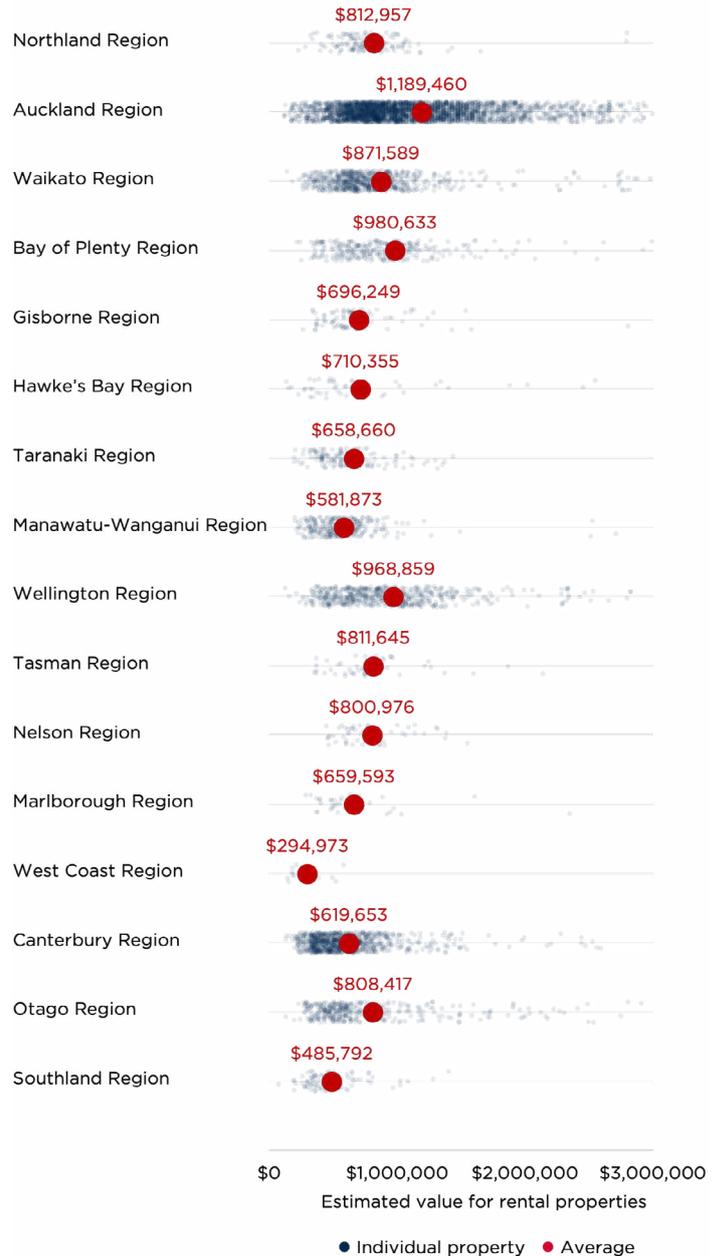
Data: Results estimated using bulk data sources. Properties with extreme rental yields may be due to errors in bulk data or unusual characteristics (e.g. leasehold, defects, etc). Net rental yields assume gross rents less 25% unrecoverable outgoings. All analysis is pre-tax and pre-finance. Analysis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

Pricing indicators

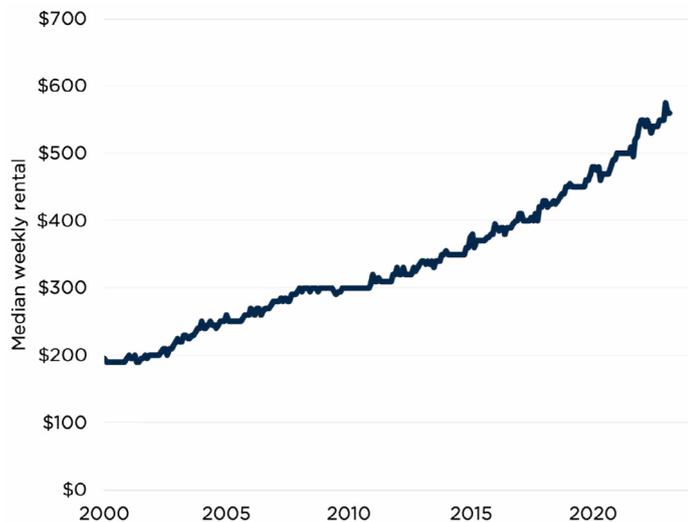
Weekly rents by region



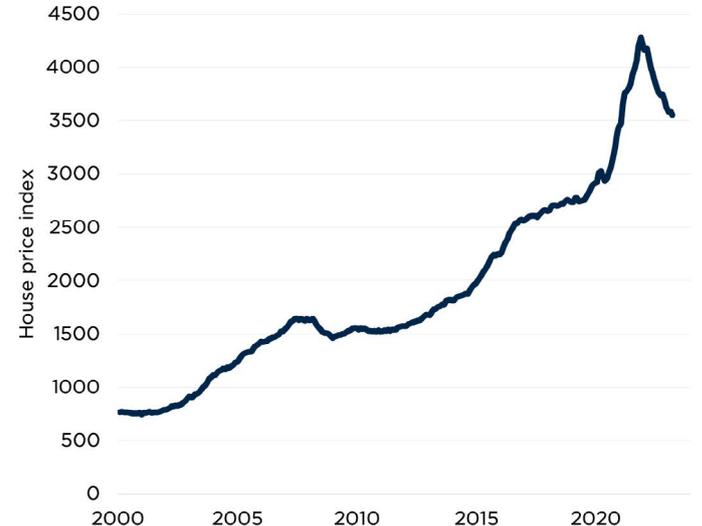
Estimated rental home values by region



Median rental over time: New Zealand



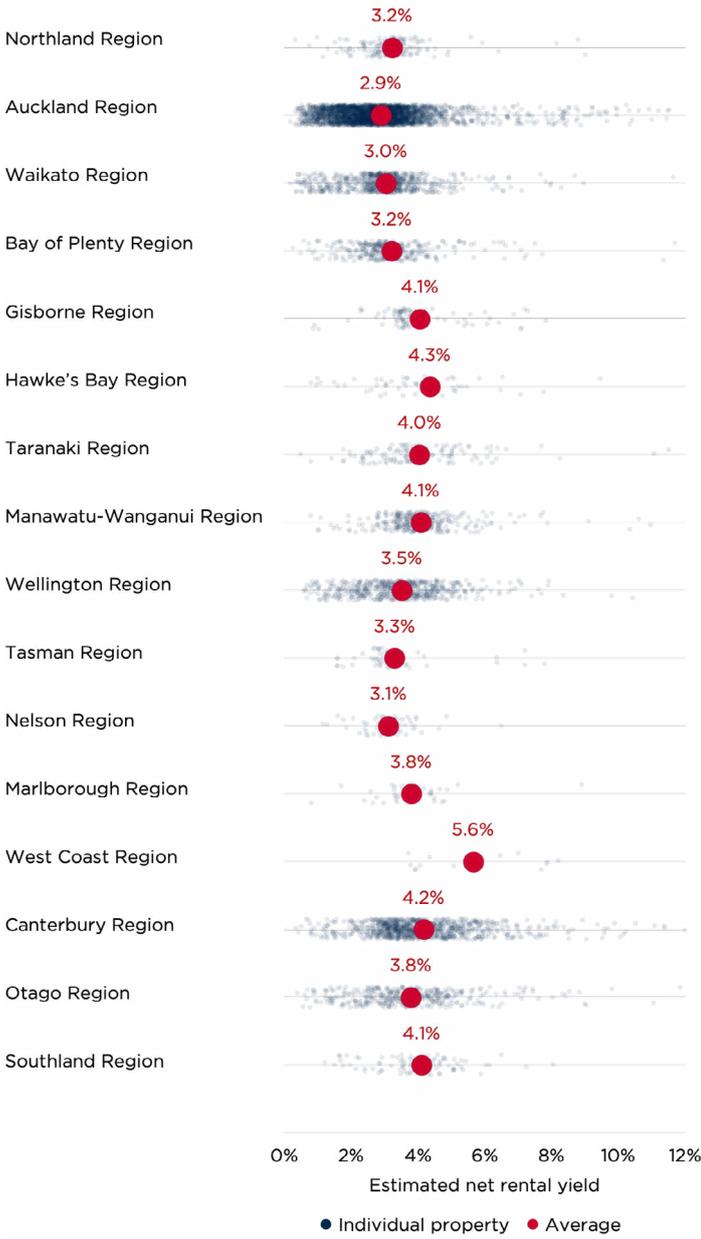
House price index over time: New Zealand



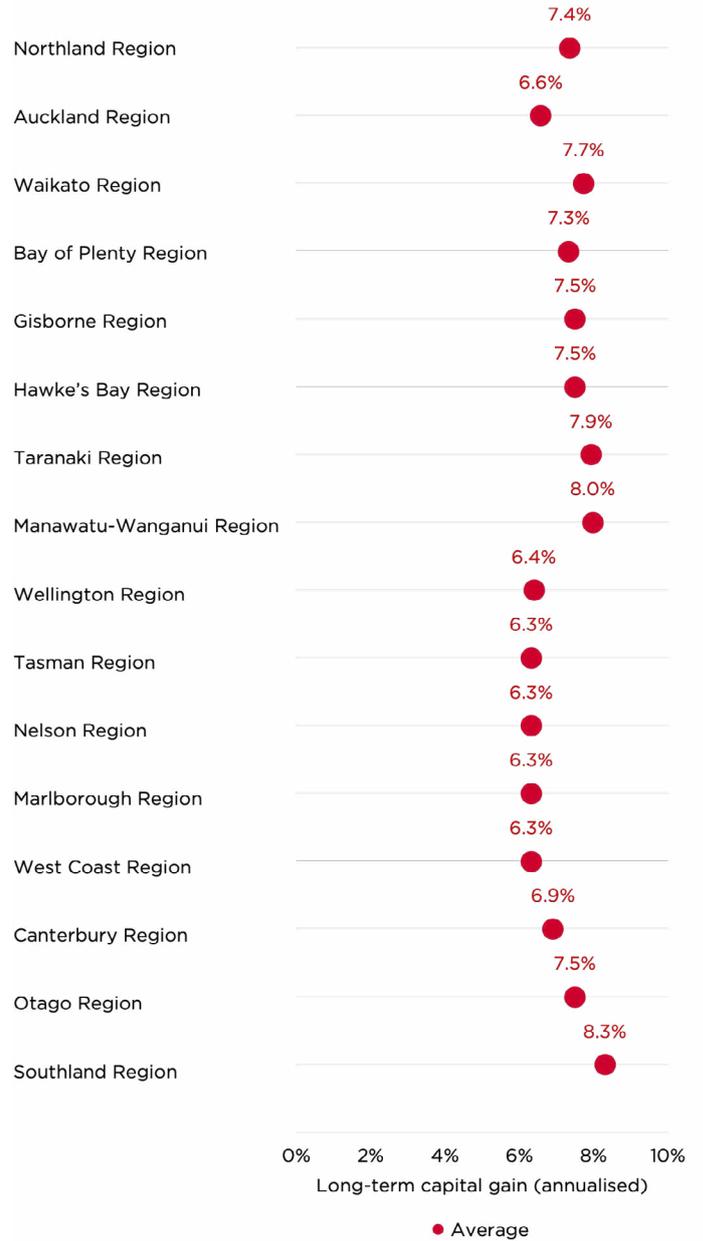
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Return indicators

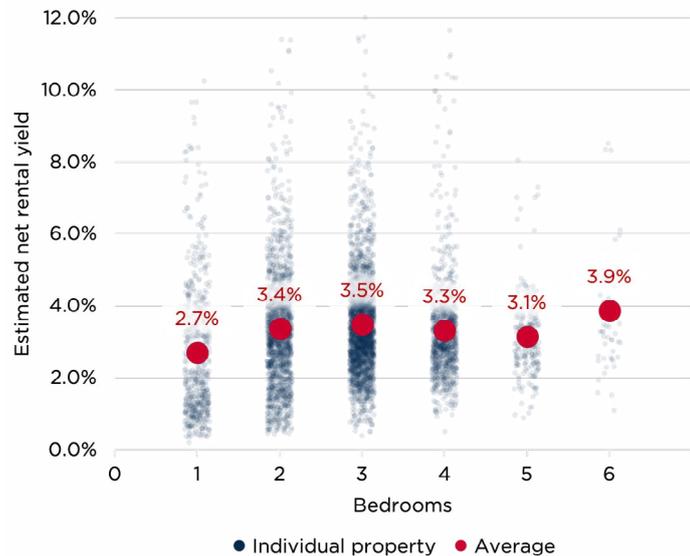
Estimated net rental yield by region



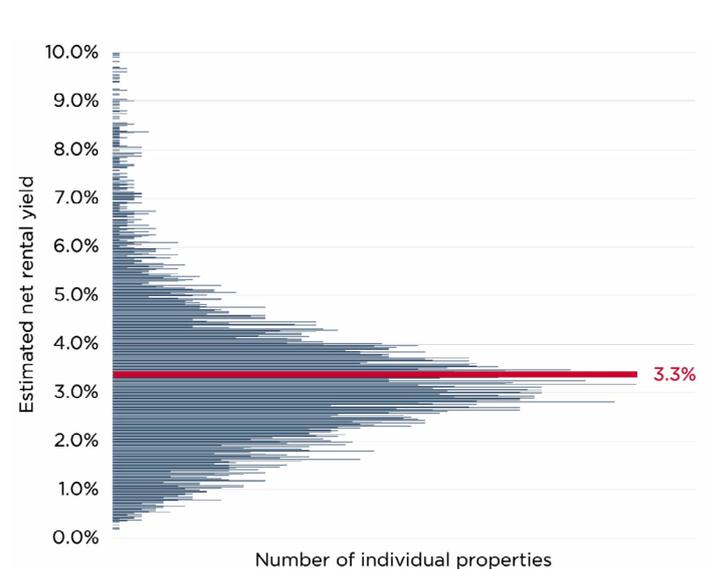
Annualised capital gains (20 years) by region



Estimated net rental yield by bedroom count: New Zealand



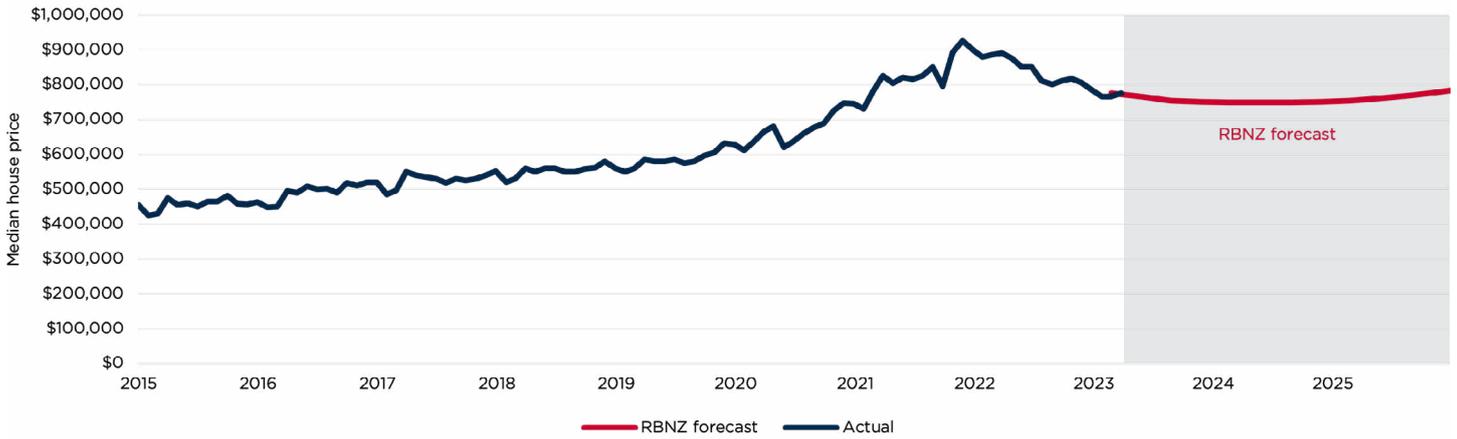
Distribution of net rental yields: New Zealand



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).

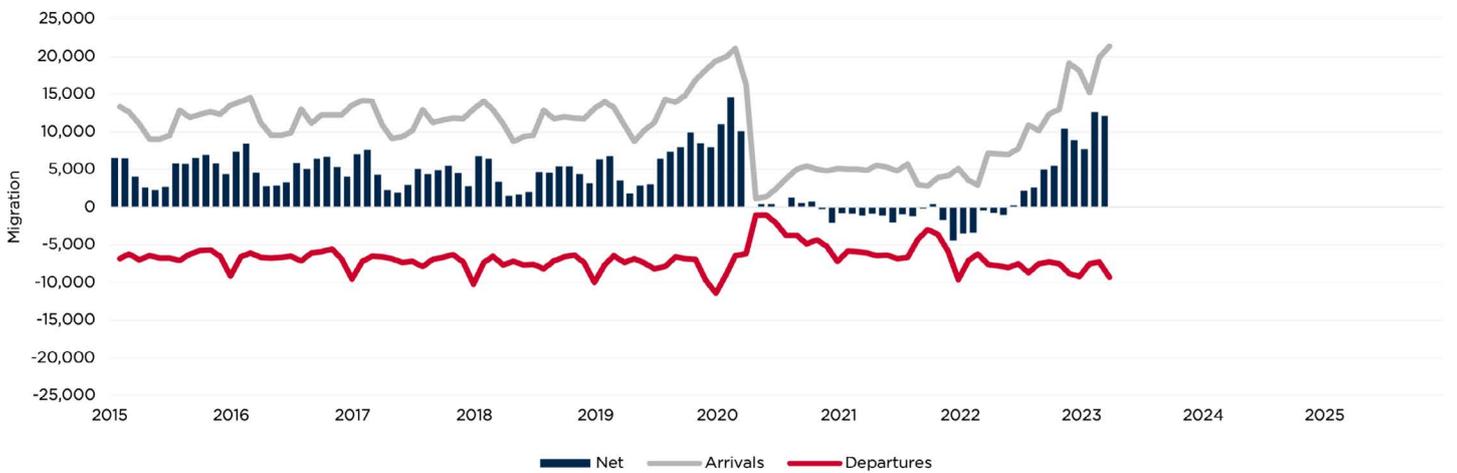
Other indicators

Independent forecast for house prices



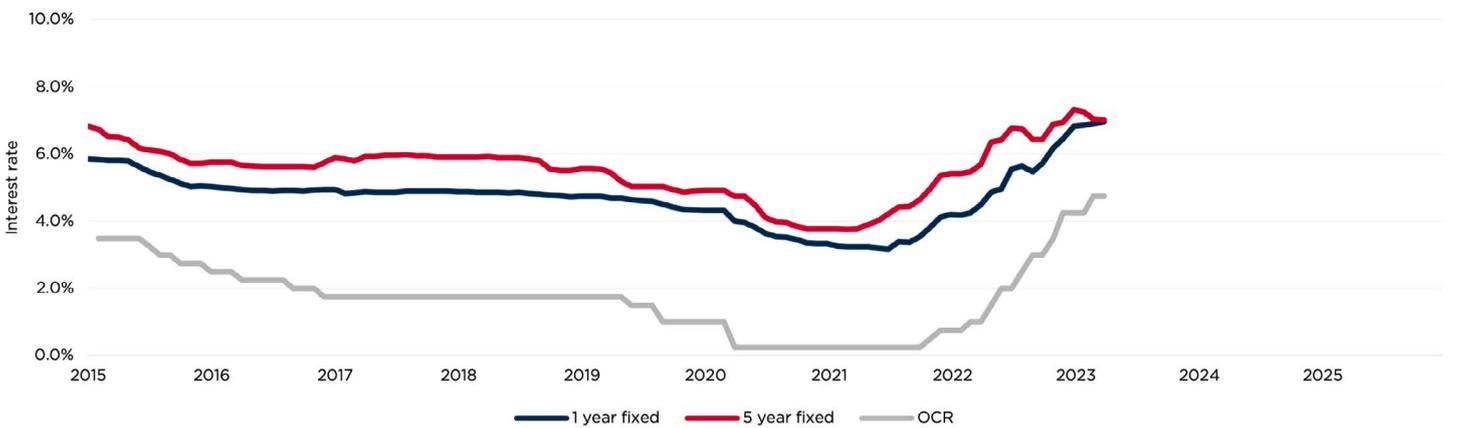
Source: REINZ, RBNZ, Bayleys

Migration flows (monthly)



Source: Stats NZ

Interest rates



Source: RBNZ

Data: RBNZ's house price forecast is provided as an index - this has been refitted to the median house price.

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