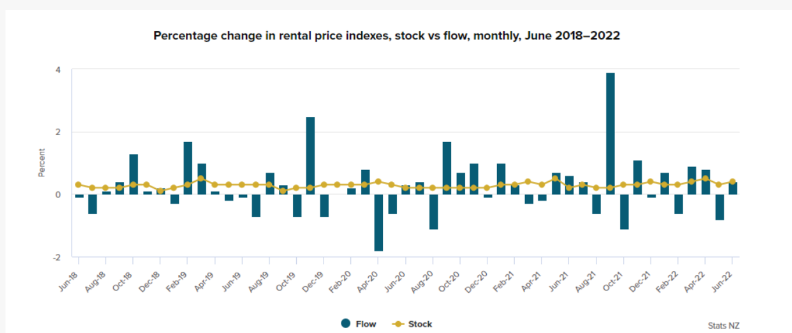
Winter thawing the New Zealand rental market

The Reserve Bank has raised the OCR to 2.5 per cent, in an attempt to slow down inflation. House prices continue to go down. How does this affect rental market?

House prices in New Zealand



Percentage change in rental price indexes in New Zealand (Stats NZ)

WELLINGTON, NEW ZEALAND, July 18, 2022 /EINPresswire.com/ -- The Reserve Bank continues to tighten monetary conditions and rental prices are down – while building consents and sales have slowed, so what is happening with the New Zealand property market?

The team at Shopless have noticed an increase in the number of rentals being listed, and while there isn't yet a decrease in the number of houses coming onto market, anecdotal data would suggest that houses that would have been sold as potential first homes are instead being turned into rental accommodation.

The latest data from Real Estate Institute of New Zealand (REINZ), released today, shows house prices are up 4.2% (since same time last year), yet REINZ states "dampened demand sees sales activity down and days to sell are up". While analysts like CoreLogic's Nick Goodall show falling house prices in New Zealand, many first-home buyers are feeling priced out of the market – particularly with increased lending restrictions.

“Borrowing costs dipped to historical lows, and house prices increased in many countries”, said Reserve Bank of New Zealand Chief Economist Paul Conway at the National Property Conference 2022 in June, and that the New Zealand “tax system has historically favoured housing as an investment asset.”

More rentals on the market

Meanwhile, Stats NZ data released in July shows that New Zealand continues to have fewer migrants entering or returning than people leaving our shores, with annual net migration of ~10,700, which may be a contributing factor to the housing situation. With many of those leaving New Zealand heading to Australia, some will be choosing to gain income in a more secure rental market.

While the start of the year saw rents decreasing slightly around the country, June reversed this trend with Stats NZ data released today showing a slight increase from previous months.

The hidden costs for “Mum & Dad” investors

Last year Stuff undertook investigative research into [who owns the rentals in New Zealand]() and found that 20% of privately owned rental properties were held by professional landlords – people who owned multiple rental properties.

That leaves many rental properties in the hands of “mum and dad” investors. This includes people that are renting their second home, often brought specifically as an investment, or people who are renting out their main home as they head overseas in search of better income.

If the housing market slows those that don’t have time to wait to make a sale will logically turn to rental investments. However, IRD and Tenancy NZ both warn potential landlords to make sure they know the rules and risks.

Rental properties in New Zealand must meet basic living standards, and landlords must ensure that they include a budget for repairs and maintenance – if the oven stops working it must be replaced quickly, not when there is a sale.

Many people turn to property managers, particularly when they are overseas, but this does not provide guaranteed security, and there is no governing body ensuring that property managers meet basic standards – such as lodging bonds with Tenancy NZ.

Potential landlords also need to be aware of their tax obligations – as your rental income is untaxed.

At the end of the day, investors need to do their homework about what is going to be the best option for them. Following the markets is not easy with factors such as a global pandemic continuing to cause havoc in the economy.

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