

The Regional Rental Report

September 2023



The Property Knowledge

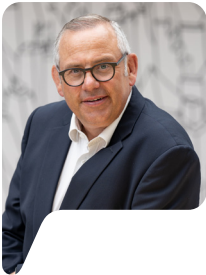
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The Regional Rental Report

Issue Six: September 2023

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The Authors



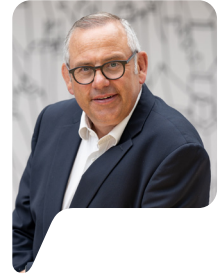
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David Faulkner is one of the most recognised personalities in the Property Management industry throughout New Zealand. He is a property industry thought leader and the General Manager of Property Management for Property Brokers. Previously David was founder and Director of training and consultancy company Real iQ.



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NZ vs The World

International Comparison of Rents

Well, comrade, the evidence here shows that countries behind the former Iron Curtain in Eastern Europe have the highest rates of home ownership. Does this mean that communism is the recipe for the current housing crisis in New Zealand? Probably not! However, I can buy a three-bedroom house in Bucharest for about \$230,000!

What Figure 2 shows is that highly successful and rich countries within the OECD have a high proportion of the population that do rent. Countries such as Sweden, Switzerland, Norway and Denmark to name a few, are all affluent countries and a higher ratio of tenants than New Zealand.

New Zealand tops the charts on a couple of graphs, though this may not be something to gloat about. Figure 4 shows that in 2018, New Zealand top the charts with over 60% of tenants paying more than 40% of the income on rent. Considering that rents have risen by record amounts in the last five years, one can only assume that this would not

have decreased. The same can be said for Kiwi's paying more than 40% of their income servicing mortgages as demonstrated in Figure 5. Again this graph referred to 2018 and with many Kiwis coming off low interest rates, one again can only assume that this figure will not decrease.

Figure 1 highlights the impact on global rents when world events such as the GFC in 2008 and the pandemic in 2020 occur and the significant bounce back once people realise the world is not going to end.

It is also interesting to look at Finland which is apparently the happiest place in the world to live. Finland has the fewest number of people paying more than 40% of their income on their mortgage yet it is the highest subsidized rent in the OECD and comes fourth, behind the UK, Chile and New Zealand regarding the percentage of tenants paying more than 40% of their income on rents.

David Faulkner, Property Management General Manager

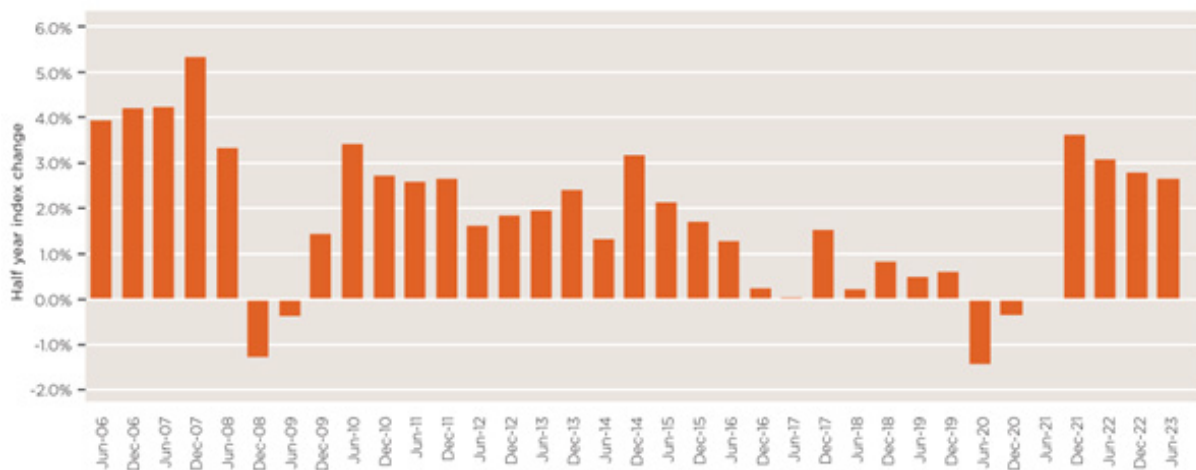




Global/World Rents

Changes over the last 2 decades

Figure 1: Global Rents - Savills World Cities Index Half year change in prime residential rents 2006 to 2023



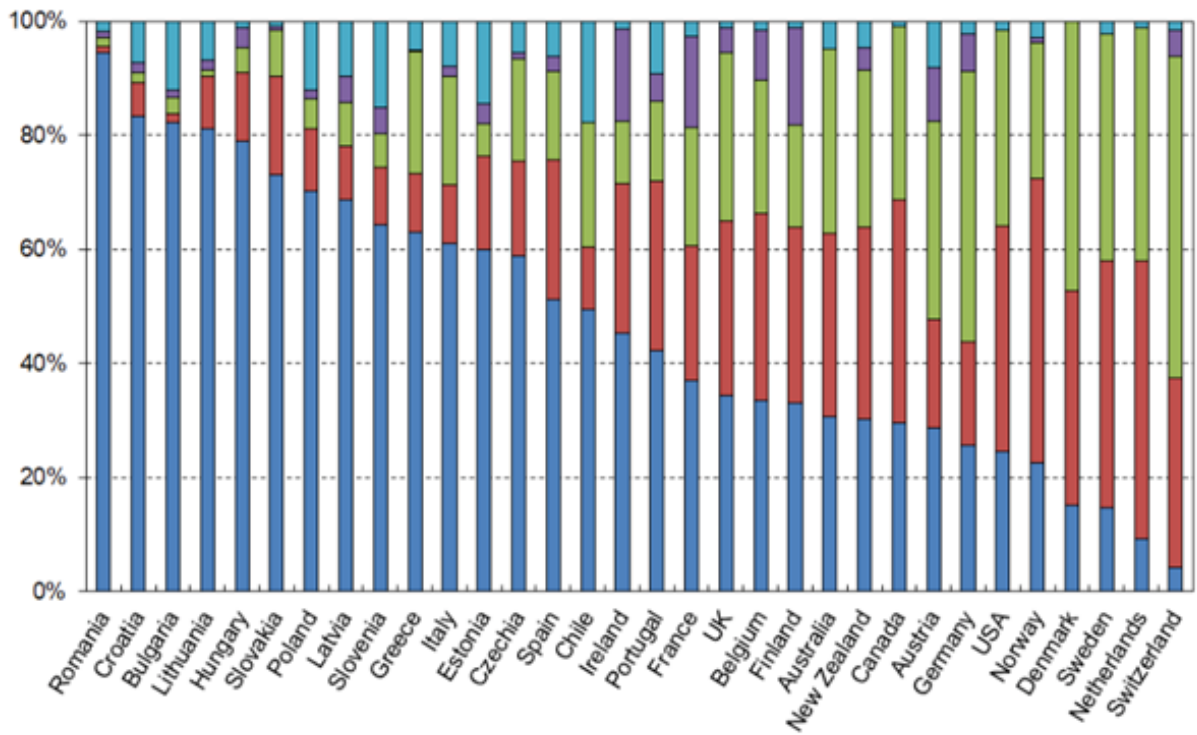
Source: Savills (2023). https://www.savills.com/research_articles/255800/349563-0

Some observations

- Visible GFC (2007-8) and Covid-19 Pandemic (2020-02) effects globally
- Strong bounce back and tapered decline in rents each time

NZ National Rents/Housing Costs Compared to Other Countries

Figure 2: Distribution of housing tenure across OECD countries (ranked by outright ownership), c. 2018

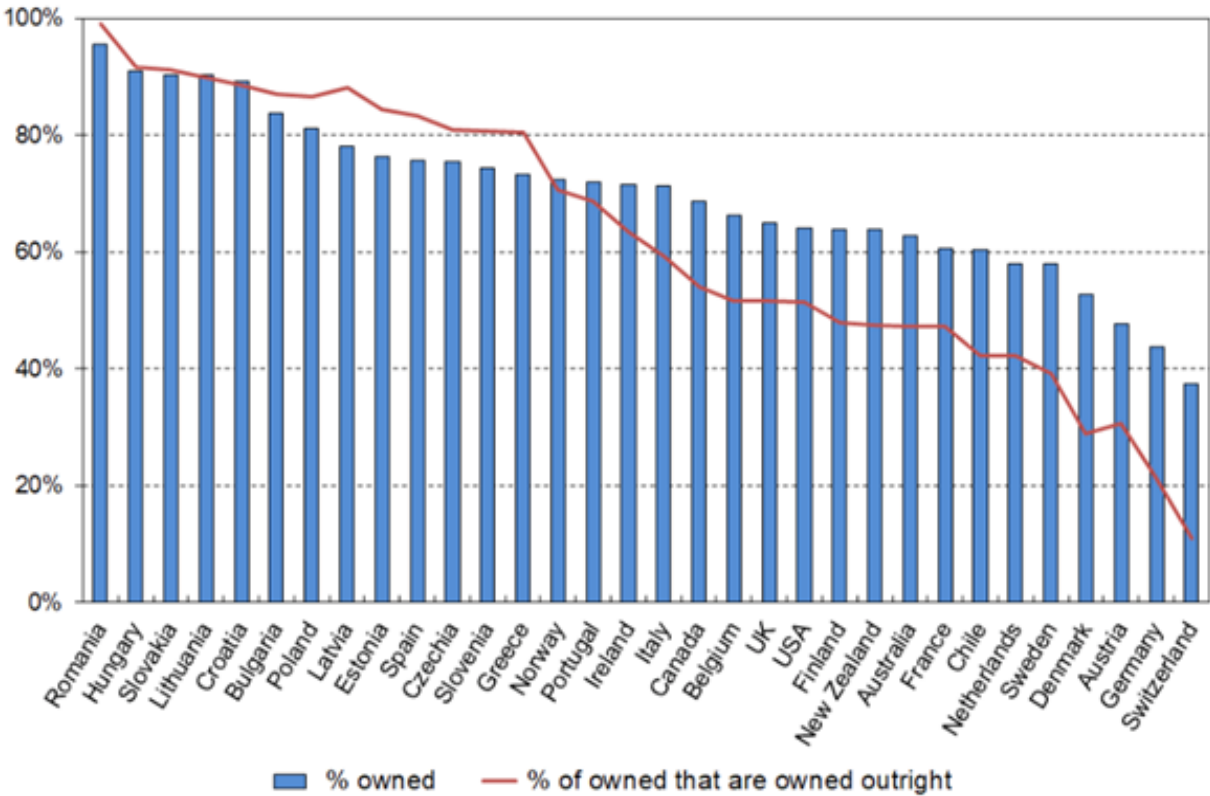


Source: MSD (2021). Housing affordability for renters and owners: International comparisons. <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/monitoring/household-income-report/2021/international-comparisons-of-housing-affordability.docx>

Some observations

- Eastern European high private ownership of post-communist stock
- Scandinavian high private rental stock
- Finland (one of the 'happiest' countries) has highest subsidized rent
- New Zealand equal thirds in private rent, mortgage own, and own outright

Figure 3: Distribution of home ownership across OECD countries



Source: MSD (2021). Housing affordability for renters and owners: International comparisons. <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/monitoring/household-income-report/2021/international-comparisons-of-housing-affordability.docx>

Some observations

- New Zealand similar profile to Australia, France, UK and USA in terms of ownership and
- New Zealand 50% has mortgage paid off (owned outright)

Country Case Studies

Figure 6: New Zealand Rents - Median Weekly Rent in New Zealand

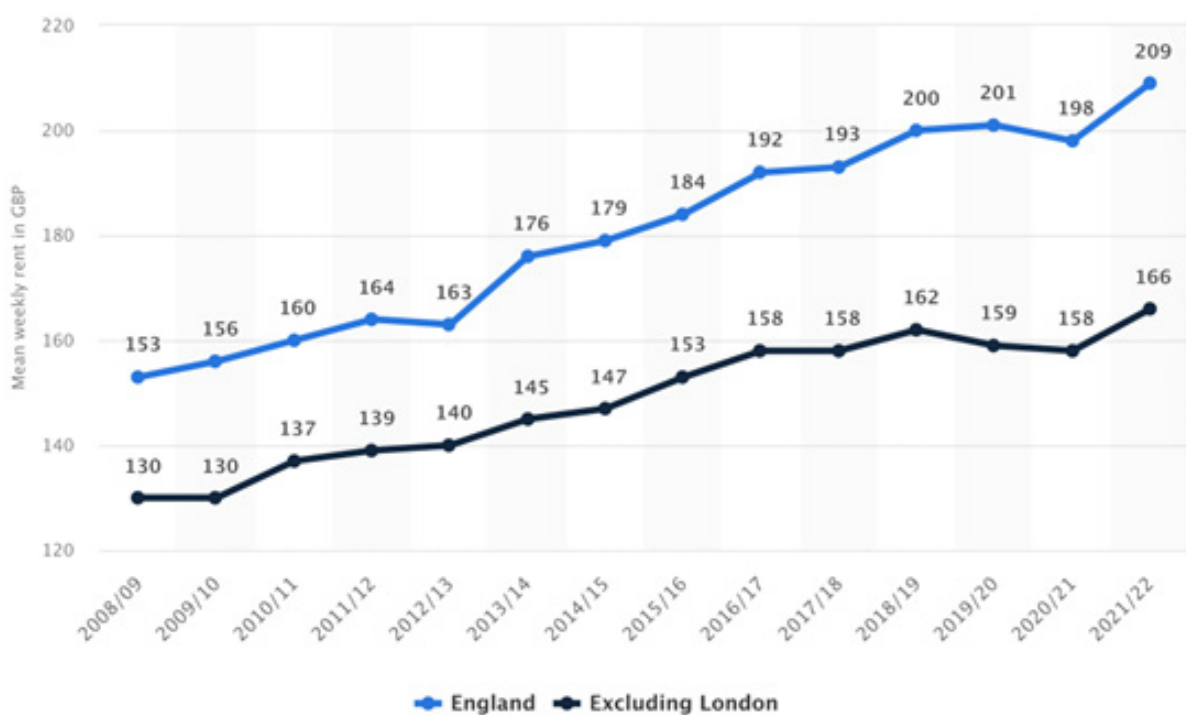


Source: Figure NZ (2023), adapted from Tenancy Services. <https://figure.nz/chart/azFwYTVvUcrcxT3m-Cn6TyuSQBZ8Kacee>

Some observations

- A decade increase of \$350 to \$550 per week median rents in a uniform rise

Figure 7: United Kingdom (UK) England Rents - Average weekly rent of private renters in England from 2008 to 2022

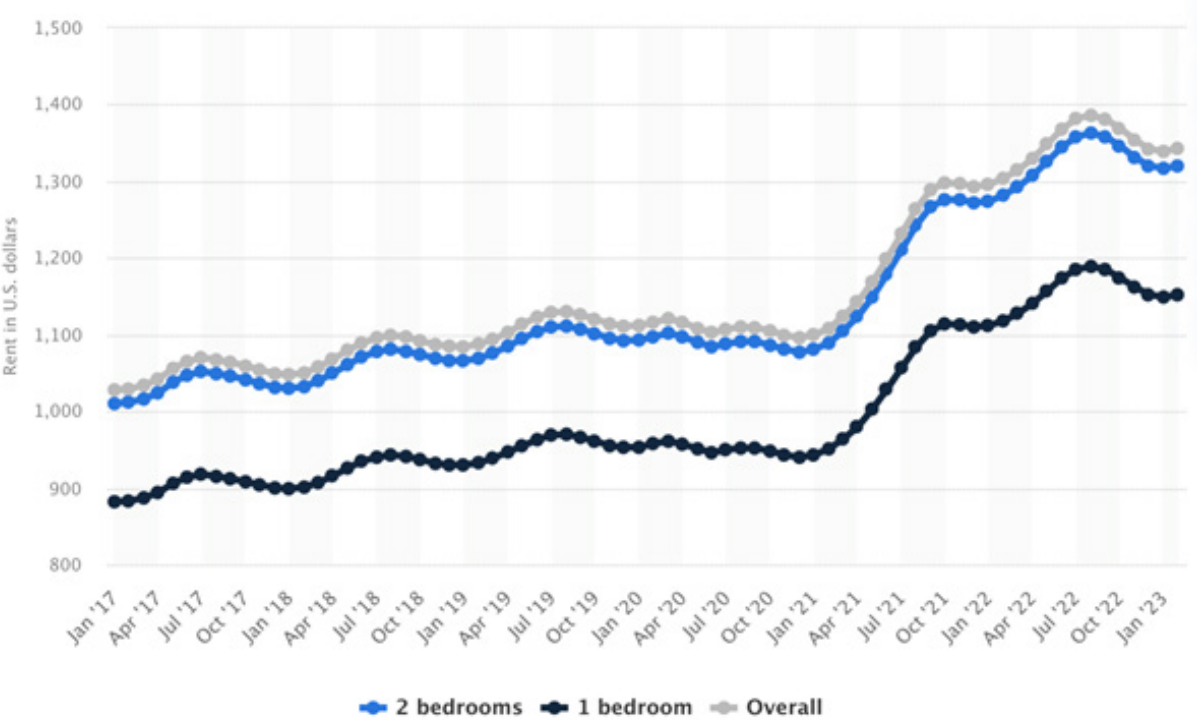


Source: Statista (2023). <https://www.statista.com/statistics/291787/average-mean-weekly-rent-of-private-renters-in-england-uk-y-on-y/>

Some observations

- Over the same decade, rental increases in England. Approximately 163GBP to 209 GBP. 46GBP = 100 NZD per week median rent increase
- Comparatively higher rental increases in New Zealand compared to England (100NZD in England; 200NZD in New Zealand)
- Lots of Macro-Economic considerations here: Exchange Rates, Inflation, interest rates; plus different trajectories, structures, cycles, events, history, population etc

Figure 8: United States (US) Rents - Average monthly apartment rent in the United States from January 2017 to February 2023, by apartment size (in U.S. dollars)

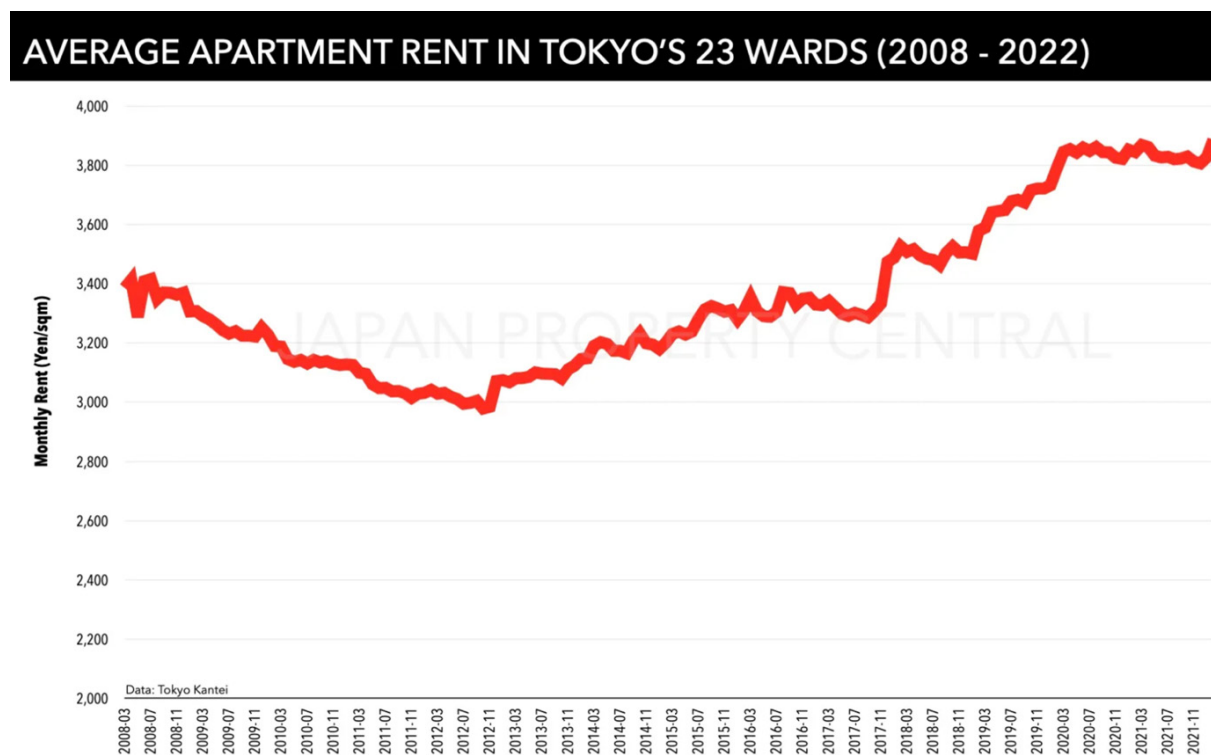


Source: Statista (2023). <https://www.statista.com/statistics/1063502/average-monthly-apartment-rent-usa/>

Some observations

- United States sees significant average monthly rent rise post Covid-19
- Overall (Grey Line) average monthly rent increase of \$300 in 3 years
- No dramatic rental market correction completed

Figure 9: Japan Rents - Average Apartment Rent in Tokyo's 23 Wards 2008-2022



Source: Japan Property Central (2023). <https://japanpropertycentral.com/2022/03/tokyo-apartment-rents-hit-new-high-in-february/>

Some observations

- A different plateau of rents since Covid-19 pandemic; for the core Tokyo metropolitan area
- The last decade timeframe sees gradual increase from \$3000 monthly rent (per square metre) to \$3800 monthly rent (per square metre)
- Similar uniform and gradual rise as seen in New Zealand and United Kingdom. But without the plateau experienced in the Tokyo graph



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