The Regional Rental Report

December 2023

The Property Knowledge
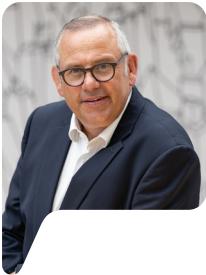
Property Brokers

The Regional Rental Report

Issue Seven: December 2023

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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Graham Squires is Professor of Property Studies. He is the Author of 6 books and Editor of the Property Management Journal. Graham is a Fulbright Scholar and Director of the property research company The Property Knowledge.

01

Revolutionizing Rental Valuations:
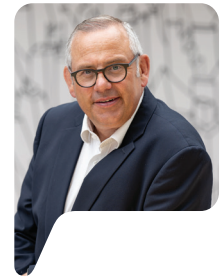
Property Brokers and Valocity Global's Innovative Partnership

Property Brokers introduced the country's first automated rental valuation model in a groundbreaking move. This innovative collaboration aims to streamline and modernise the rental valuation process, providing a more accurate and efficient solution for property owners and tenants alike.

The foundation of this groundbreaking initiative lies in utilising data obtained from Tenancy Services bond data and Property Management Trust Account software. By tapping into these comprehensive data sources, Property Brokers can create a dynamic and robust automated rental valuation model that considers various factors influencing rental property prices. As such, we have brought you the first in what will hopefully be an annual review of the rental yields across the regions in which we operate.

The Tenancy Services bond data offers information on rental property transactions and agreements. This valuable dataset allows the automated model to analyse historical rental trends, assess market demand, and factor in location-specific variables. As a result, Property Brokers receive more accurate and up-to-date rental valuations that reflect the dynamic nature of the real estate market.

Property Management Trust Account software plays a pivotal role in this partnership by providing access to real-time financial data related to property management. This software enables the automated model to consider financial metrics and occupancy rates, contributing to a more comprehensive and nuanced valuation process.

Property Brokers' partnership brings a cutting-edge solution that addresses the longstanding challenges of manual rental valuations. Automating this process accelerates the valuation timeline and minimises the risk of human error, ensuring a more reliable and consistent outcome.

The benefits of this collaboration extend beyond efficiency gains. Property owners can make more informed decisions about rental pricing, optimising their returns and enhancing overall portfolio management. Likewise, tenants benefit from a fairer and more transparent valuation process, fostering a healthier rental market environment.

This partnership signifies a step forward in the prop-tech landscape, showcasing how integrating advanced technologies and comprehensive data sets can revolutionise traditional real estate practices. By harnessing the power of data and technology, we have introduced a pioneering automated rental valuation model that not only reshapes industry norms but also sets a new standard for accuracy and efficiency in rental valuations.

David Faulkner, Property Management General Manager
Property Brokers

02

Exploring Data, Descriptive Statistics, and Property Counts Across Regions
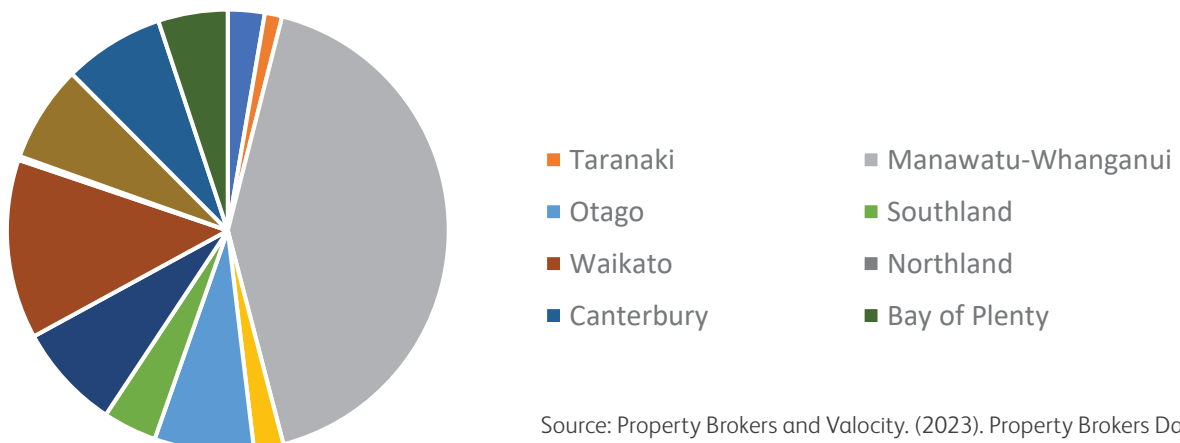
Data

- Data is supplied by the Property Brokers' database dashboard, which incorporates calculations via Automated Valuation Models (AVM)

- The data takes a selection of 4,264 properties out of 7,537 properties under management by Property Brokers.

- 2/3 properties have been selected, given that Property Brokers' partner does not pick up every address when matching rental address to house valuation address.

- Property Brokers' partner uses an estimate on the rental address that it can match. Therefore, the selection in this analysis is those properties that can be address-matched.

Descriptive Statistics

- Number of Properties = 4264

- Average - Median House Price = $598,377

- Average - Median Rent = $506 per week

- Average Yield (Rent to House Price) = 4.82%

-

Property Counts by Region

Figure 1: Number of Properties Under Management in the Sample by Region

■ Taranaki   ■ Manawatu-Whanganui
■ Otago   ■ Southland
■ Waikato   ■ Northland
■ Canterbury   ■ Bay of Plenty

Source: Property Brokers and Valocity. (2023). Property Brokers Dashboard

03

Median House Prices by Region
AVM-Automated Valuation Model

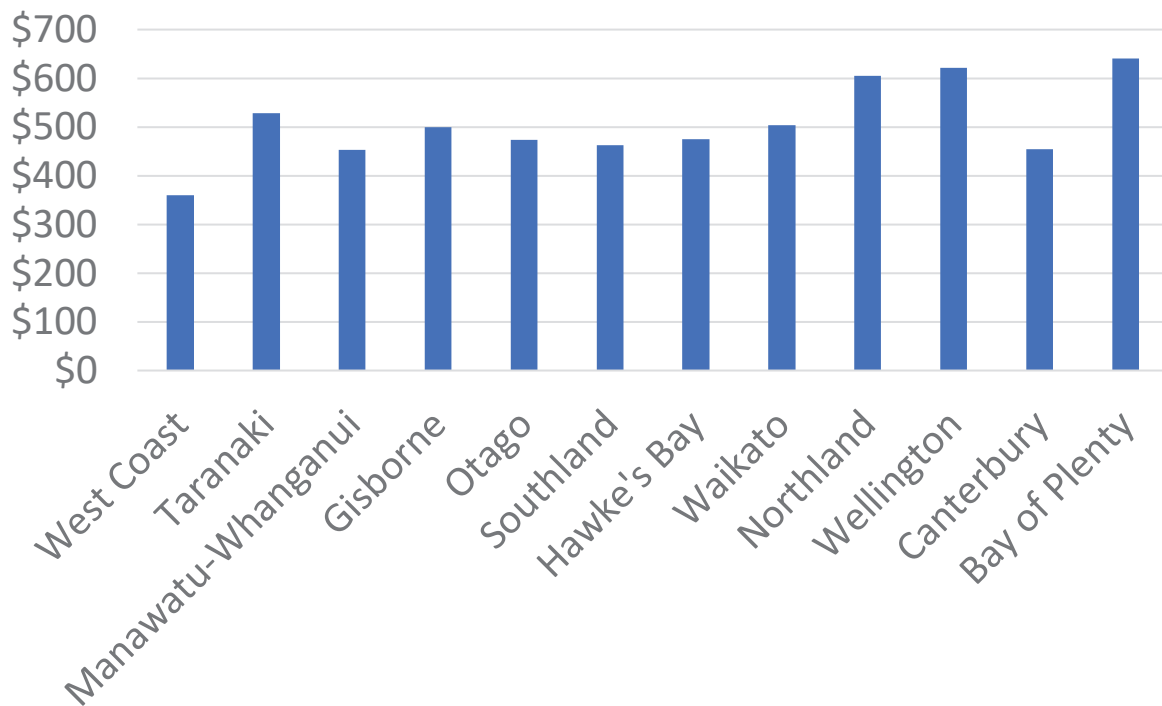**Figure 2: Median House Prices by Region (AVM-Automated Valuation Model)**
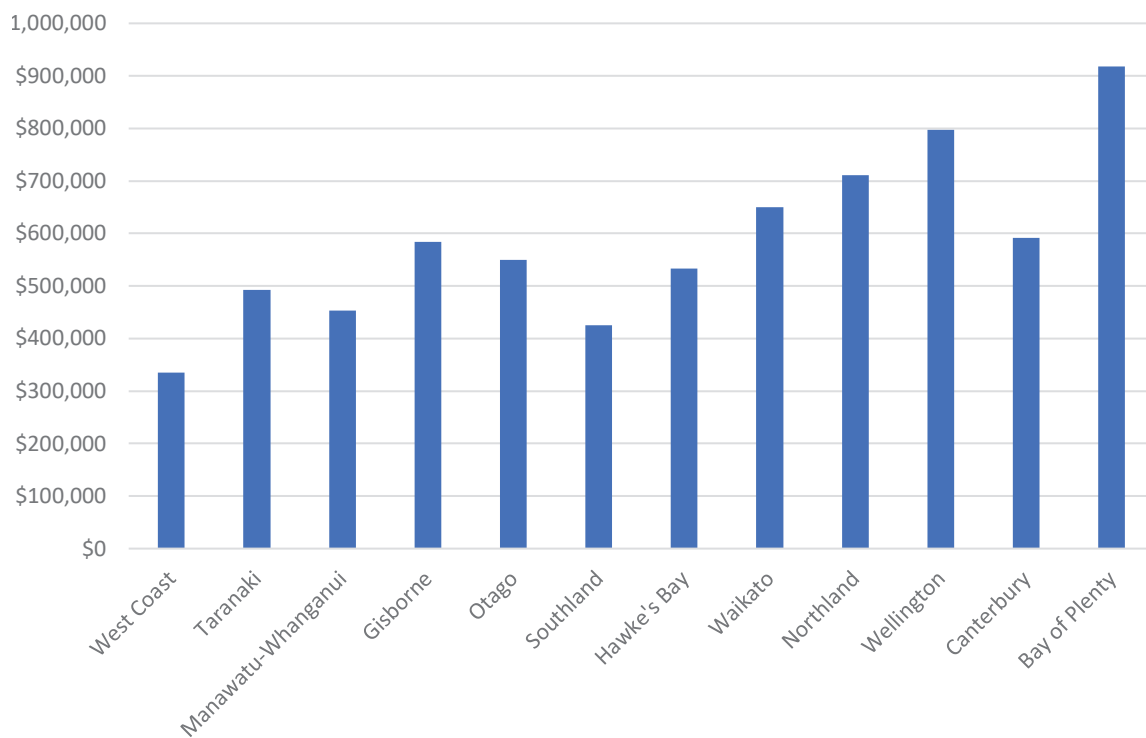
Source: Property Brokers and Valocity. (2023). Property Brokers Dashboard

Some observations

• Bay of Plenty (Tauranga) has the highest Regional House Price at just over $900,000

• West Coast has the lowest regional House Price at approximately $300,000

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Median Rents by Region

Figure 3: Median Rents by Region

Source: Property Brokers and Valocity. (2023). Property Brokers Dashboard
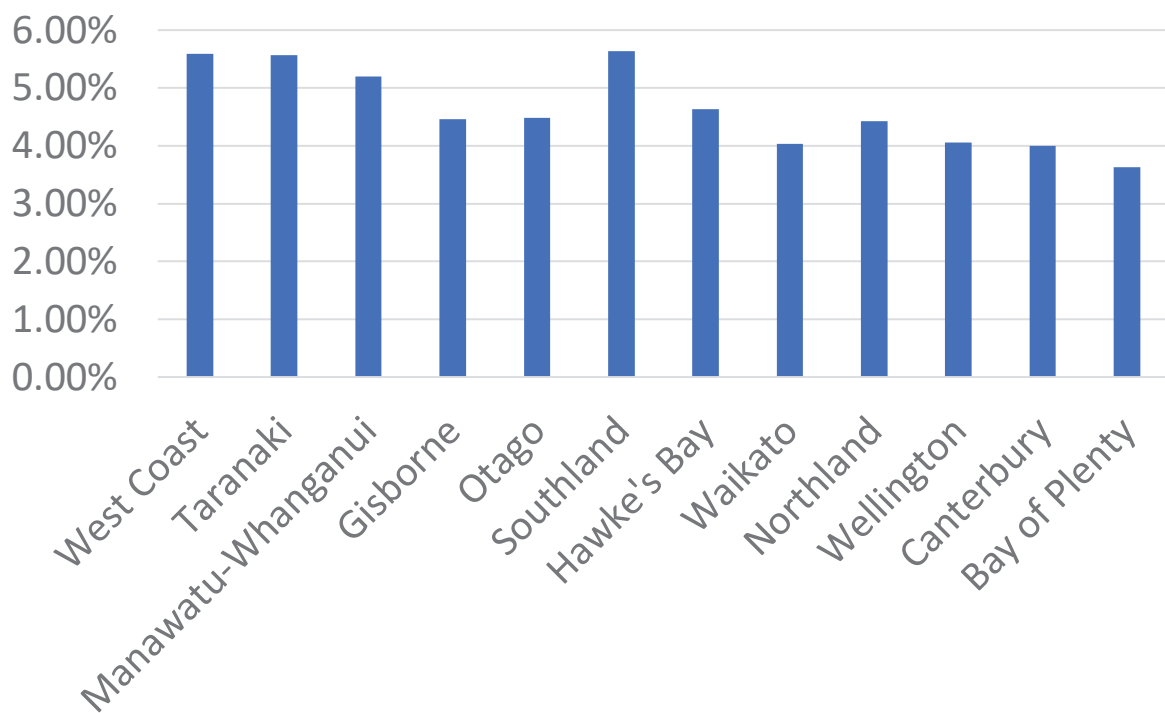
Some observations

- Bay of Plenty similarly has the highest rent per week at just over $600 per week

- Wellington and Northland similarly at just over $600 per week

- West Coast at approximately $350 per week rent

05

Average Yields by Region

House Prices to Rents

Figure 4: Average Yields by Region (House Prices to Rents)

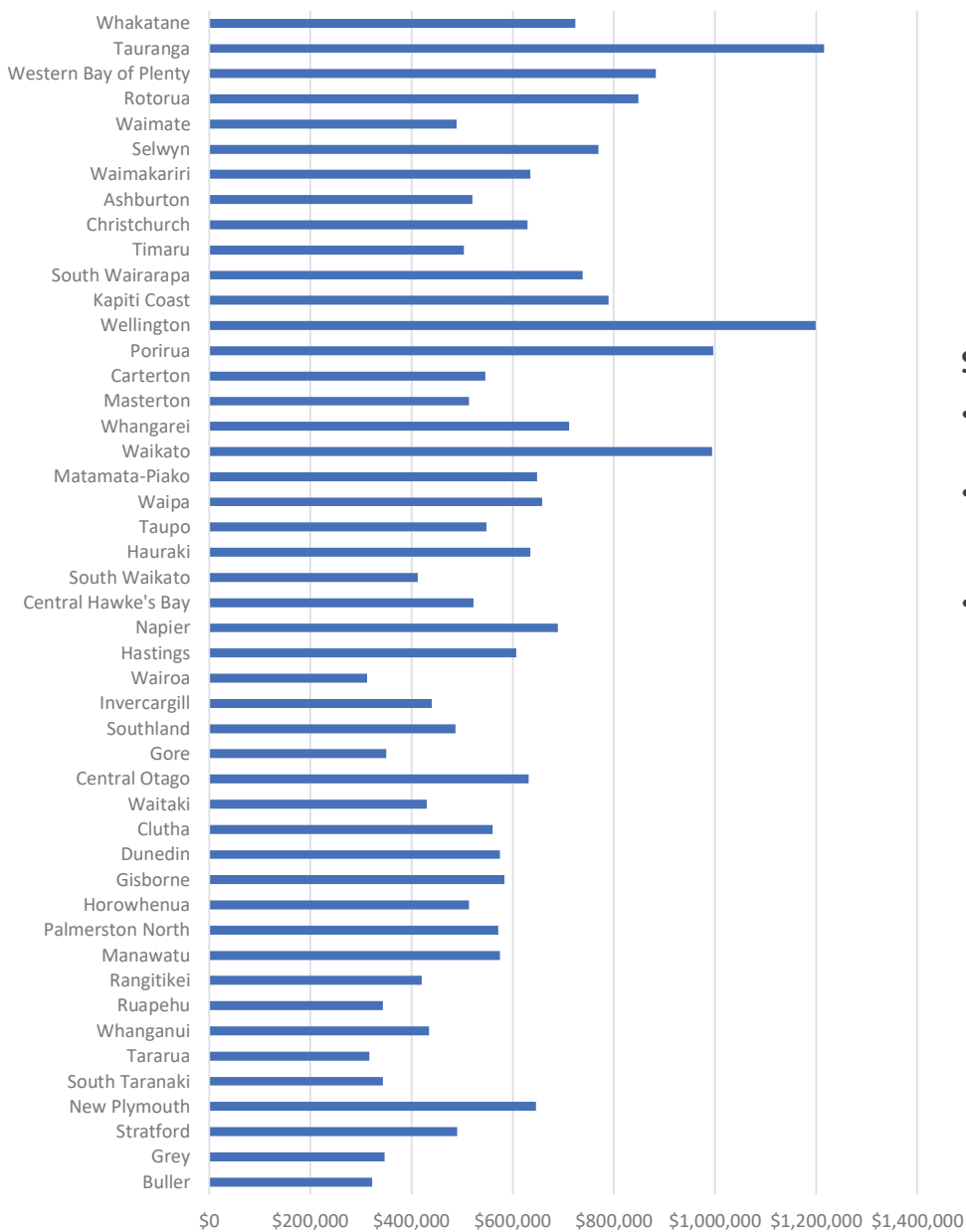Source: Property Brokers and Valocity. (2023). Property Brokers Dashboard

Some observations

- Bay of Plenty is conversely the lowest yield region at approximately 3.5%
- Higher yields at approximately 5.5% are West Coast, Southland and Taranaki – low house price regions

Median House Prices by District

AVM-Automated Valuation Model

Figure 5: Median House Prices by District (AVM-Automated Valuation Model)

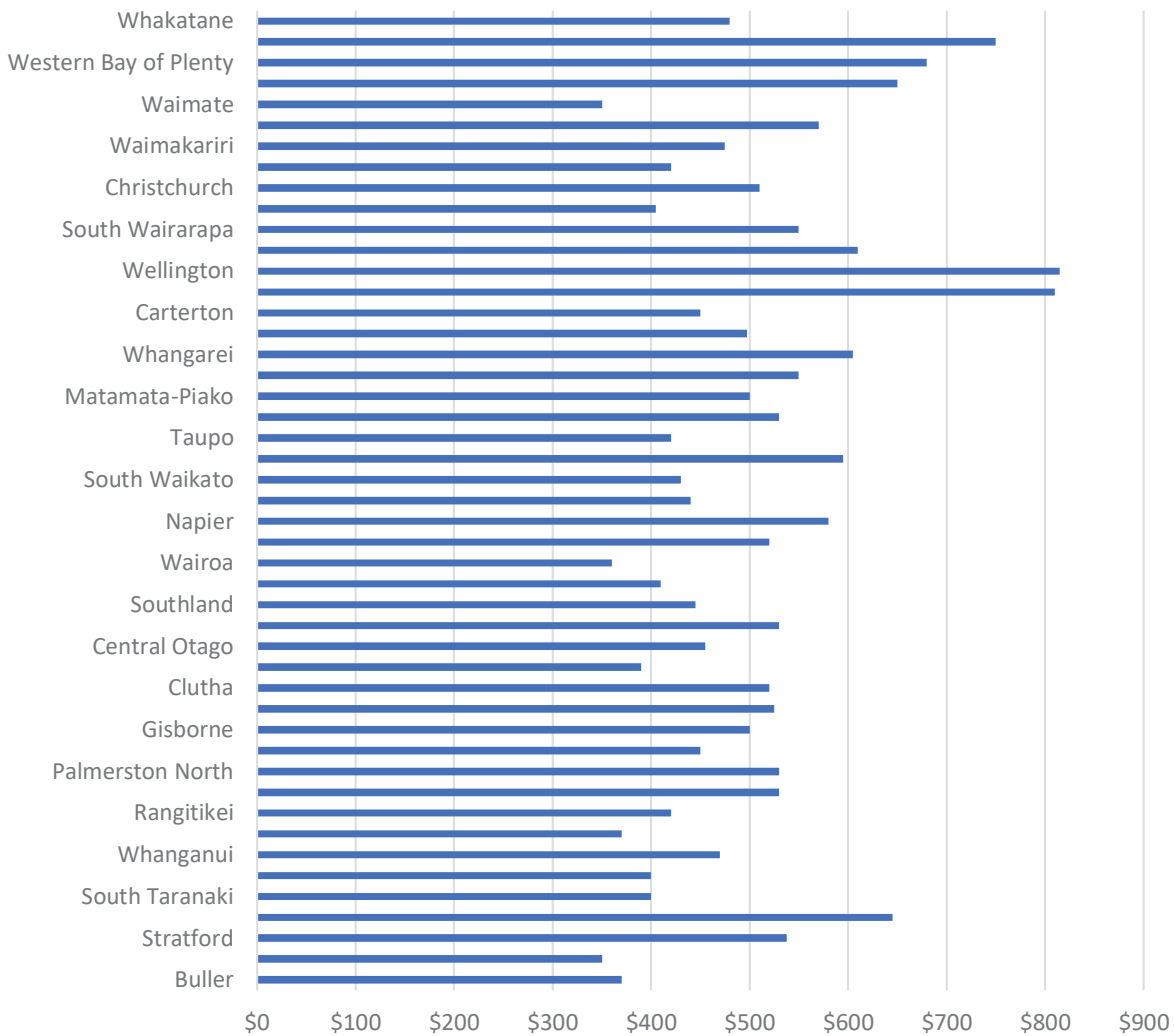### Some observations

- Tauranga District as the highest district in house price at $1.2M

- Wellington District closely behind in house price at just under $1.2M

- Wairoa District has the lowest median house price at just under $312,000

Source: Property Brokers and Valocity. (2023). Property Brokers Dashboard

07

Median Rents by District

**Figure 6: Median Rents by District**

Some observations

- Wellington and Carterton Districts have the highest rents at approximately $810 per week
- Waimate Districts has the lowest rents at $350 per week

Source: Property Brokers and Valocity. (2023). Property Brokers Dashboard

Average Yields by District
House Prices to Rents

Figure 7: Average Yields by District (House Prices to Rents)
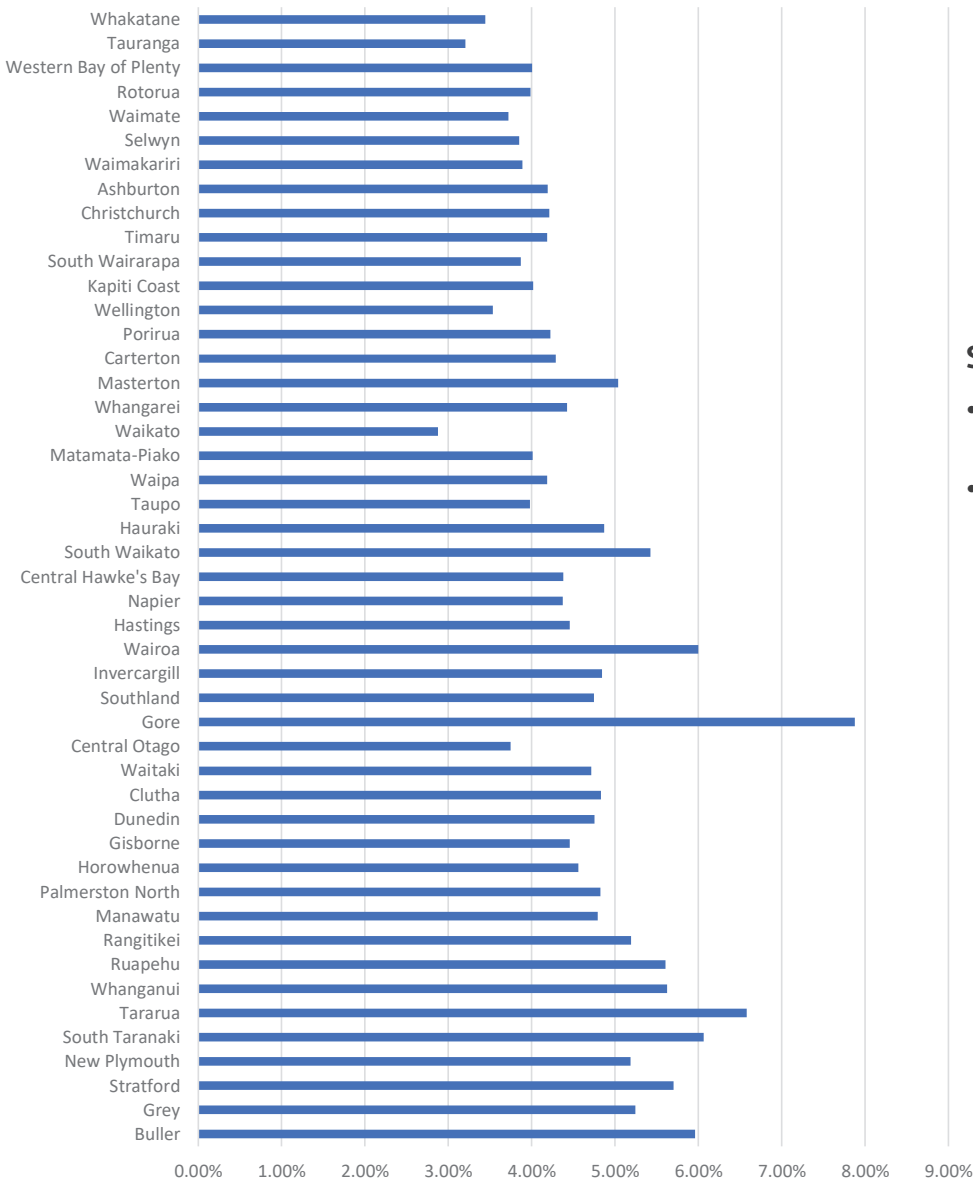
Some observations

- Gore District has the Highest Income Yield at nearly 8%

- Waikato District has the Lowest Income Yield at just less than 3%

Source: Property Brokers and Valocity. (2023). Property Brokers Dashboard

Summary

The sample under study takes an interesting match of over 4000 properties managed by Property Brokers – a third of which are in the Manawatu-Wanganui region. The matching of rental rates and valuation (Valocity AVM) for the same property has enabled us to give an accurate income yield analysis. Benchmarking shows that yields are approximately 5% for New Zealand, with an average median house price valuation of roughly $600,000 and rental income of about $500 per week. Regionally, the income yields are highest in Southland, West Coast, and Taranaki at approximately 5.5%. Primarily driven by the lower house valuation metrics, although Taranaki rents are regionally higher relative to house valuations> Explanations for higher Taranaki rents and subsequent income yields are often given due to high-income economic activities such as those in the energy sector. The lowest regional yields are in the Bay of Plenty region at approximately 3.5%, primarily driven by high prices in Tauranga, given its coastal appeal for 2nd homes near the Auckland market.

For major city regions such as Wellington and Christchurch, we see similar income yields below the national sample average at approximately 4%. A 4% income yield is similarly recorded for a three-bedroom house in the Auckland region (Interest, 2023). For international comparison in Australia, we see the Sydney metropolitan region (New South Wales) at approximately 3%. The highest annual rental income yield is positioned in Darwin (Northern Territory) at about 6%. (Statista, 2023). Interestingly, what we see almost across the board for New Zealand and Australia is an increase in rental yields over the last year.

Professor Graham Squires
Director, The Property Knowledge

Sources:

Interest. (2023). https://www.interest.co.nz/property/122586/falling-house-prices-and-rising-rents-have-pushed-yields-investors-theyre-still

Statista. (2023). https://www.statista.com/statistics/1297624/australia-house-rental-yield-by-capital-city/

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