

# The Regional Rental Report

March 2024



The Property Knowledge

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# The Regional Rental Report

## Issue Eight: March 2024

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# Migration and Rents in New Zealand:

## The Property Professor's View - by Professor Graham Squires

Migration is a hot topic for property given that interest rates and inflation appear to be steadying. The drivers of the housing market demand can therefore to some degree be due to population changes. For New Zealand inward migration, rather than natural birth-death, are the critical population change variables under study for property.

At the end of 2023, we saw very unique records for inward net migration in New Zealand, and here we find some very stark statistics (+132,294 net migration over the course of 2023), and a question over what this new-migrant change means for property and related service demands.

The 'brain-drain' of skilled and semi-skilled migrants to Australia from New Zealand continues, but it is the in-migration of new-migrants from 'rest of the world' countries such as India, The Philippines, and China that will need property to rent. Particularly as rental property is often a reception need, prior to being able to purchase a property as owner-occupied.

The impact domestically to the regions is also interesting, as the non-NZ citizens and NZ citizens move between regions for better financial and quality of life options. All regions are experiencing an increase in net-migration, with Auckland seeing a return in 2023 of over 35,000 people following a prior (immediate post-covid) 2021 year negative swing of approximately -21,000 people.

What does this population change mean for rental stock and rental prices? For rental stock nationally, the official active bond number is now over 410,000 rentals, that are part of

the 2,000,000 households needing somewhere to reside. Over a third (150,000) of the rentals are in Auckland and serve approximately 40% of the Auckland region. What is interesting from a financial/investment point of view is that most regional weekly rents are 'relatively' similar given the wide variance of employment/income opportunities and wide variance of house prices. For instance, rents range from \$400 to \$650 per week, equating to paying annual rents of \$20,800 to \$33,800 per year whether in Westland or Auckland regions.

Migration pressure on stock will now come into play, with all regions having significant positive migrant rental take-up between 3% (Otago) to 9% (Wellington), holding constant that all new migrants rent in 2023. Rental price pressures are also driven in all regions, with most pressure in Auckland (0.02), Canterbury (0.05) and Otago (0.06). Using Auckland region as a case in point, the 2023 increase of 36,700 new net migrants are chasing the rents of \$640 per week, despite this rental price being the highest median in the country.

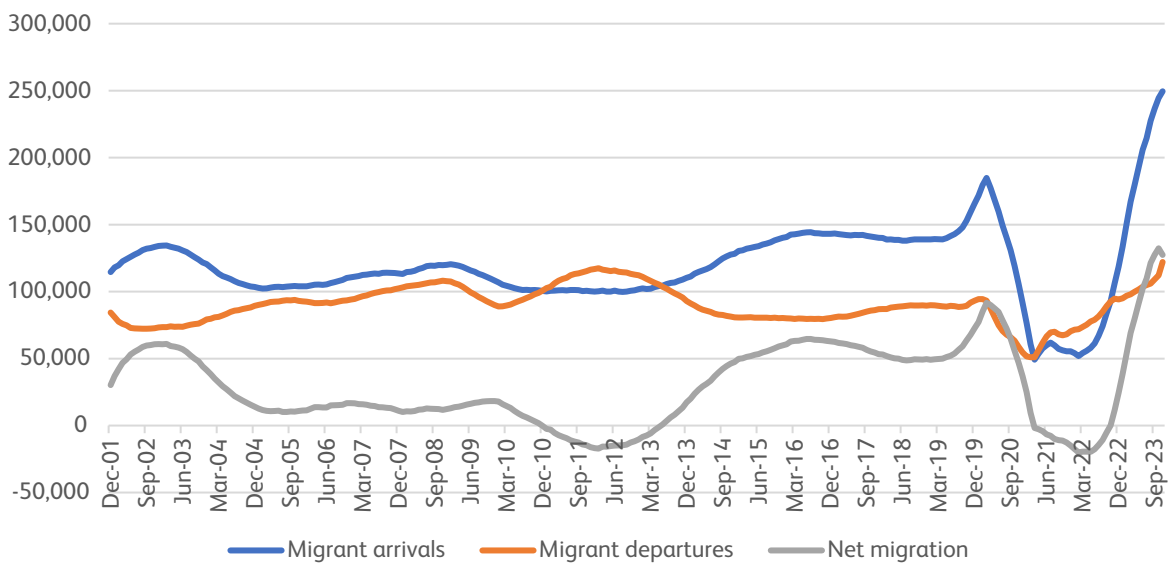
Overall, the spike in net migration will have some fall-out on the housing for sale market (e.g. propping up a stalling market for instance) but will also have a pressure on rental stock, given the greater propensity for new international migrants to rent. More speculatively, there may be some net effects of those (44,500) NZ citizens leaving for Australia (and rest of the world) renting out their houses whilst seeking higher incomes overseas – possibly returning in later life-course.

**Graham Squires**, Director, The Property Knowledge



# Migration Trends: Annual Changes

Figure 1: Annual Estimated migration by direction, rolling year ended, Month-by-Month December 2001–November 2023



Source: Author, Adapted from Statistics New Zealand (Stats NZ, 2024)

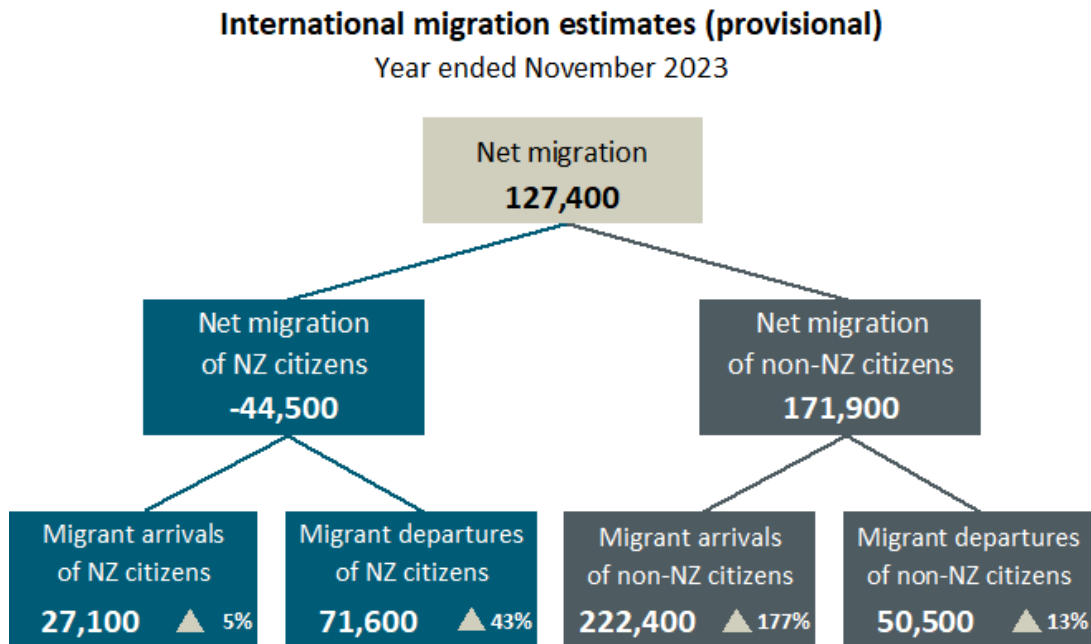
## Some observations

- Apart from a brief interruption during Covid-19, migration arrivals have been exceeding migration departures since 2013
- National New Zealand Net migration at the end of 2023 sitting at +132,294 people over the course of a year



# Migration Trends: Current (November 2023) NZ Citizenship and non-NZ Citizenship

Figure 2: Annual migration by citizenship



Notes: Estimates are provisional as of 19 January 2024.

Percentage changes are indicative of the November 2023 year compared with the November 2022 year.

Source: Stats NZ (2024a)

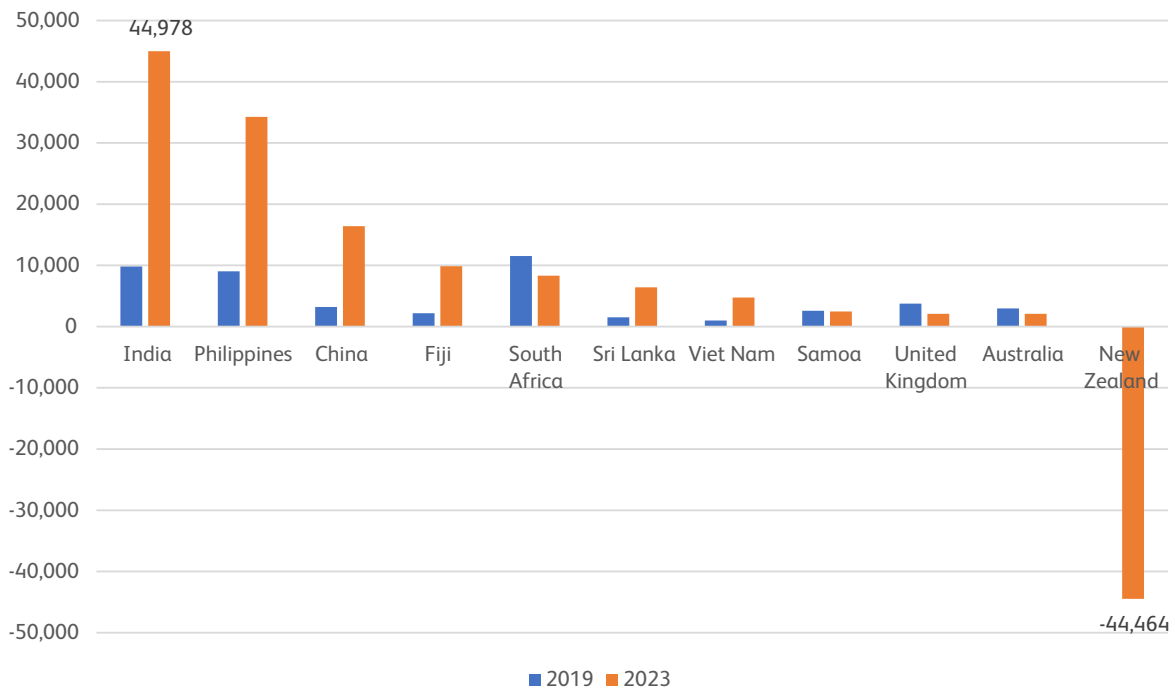
## Some observations

- The provisional net migration gain of 127,400 in the November 2023 year was made up of a net gain of 171,900 non-New Zealand citizens, which more than offset a net migration loss of 44,500 New Zealand citizens (SNZ, 2024).
- New non-NA Citizen as 'Rest of the World' tend to be pushing the large positive net migration figure, despite net migration departure of NZ citizens (to Australia and Elsewhere)



# Migration Trends: Citizenship

Figure 3: Annual Estimated net migration, by selected citizenship, year ended November 2019 and 2023



Source: Author, Adapted from SNZ (2024a)

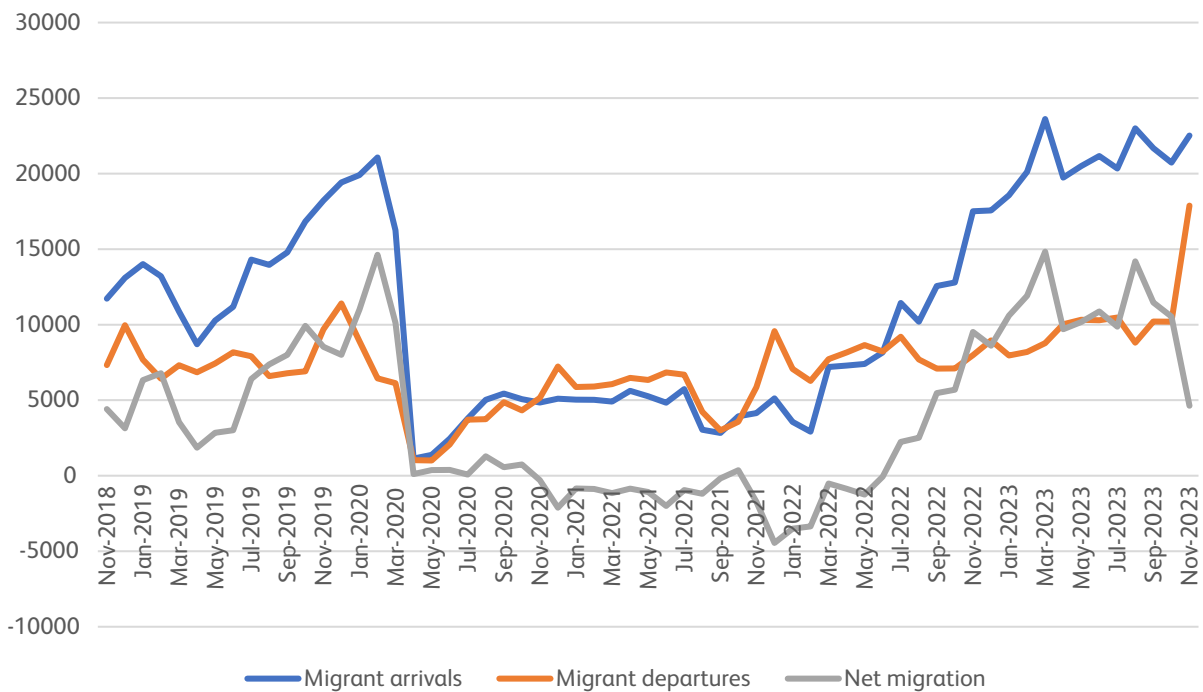
## Some observations

- The net migration loss of 44,500 New Zealand citizens in the November 2023 year is provisionally a new annual record – narrowly exceeding the previous record of 44,400 in the February 2012 year (SNZ, 2024)
- The average annual net migration loss of New Zealand citizens was 26,600 in the November years 2002–2013, and 4,600 in the November years 2014–2019 (SNZ, 2024)
- 2023 saw a clear trend of migration departures of New Zealand citizens of 44,464 people
- Citizens of India are the largest nationality of inward migration to New Zealand at 44,978
- Historical inward migration trends see more ‘non-western’ countries of South Africa, Australia and United Kingdom declining between 2019 and 2023



# Migration Trends: Monthly

Figure 4: Estimated migration, by direction, monthly, November 2018–November 2023



Source: Author, Adapted from SNZ (2024a)

## Some observations

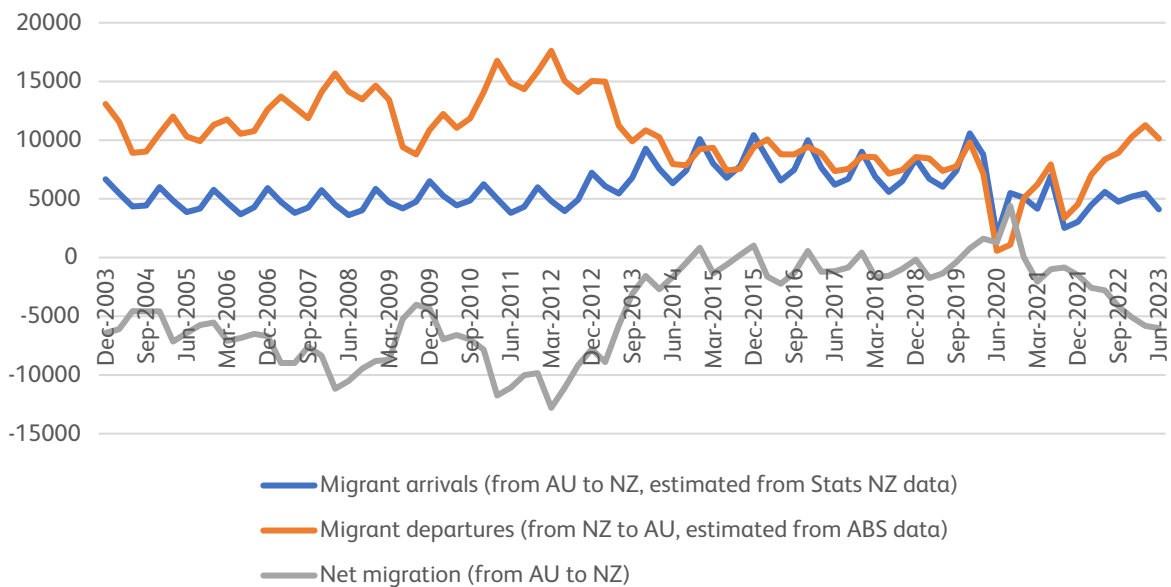
- Provisional estimates of migrant departures and migrant arrivals in the November 2023 month are high relative to preceding months
- Steep incline of monthly Net migration over 2 years since 2021. Moving from -5000 per month in November 2021, to +5000 in November 2023





# Migration Trends: Migration NZ with Australia

Figure 5: Estimated migration between New Zealand and Australia, and the rest of the world, quarterly, December 2003–June 2023



Source: Author, Adapted from SNZ (2024a)

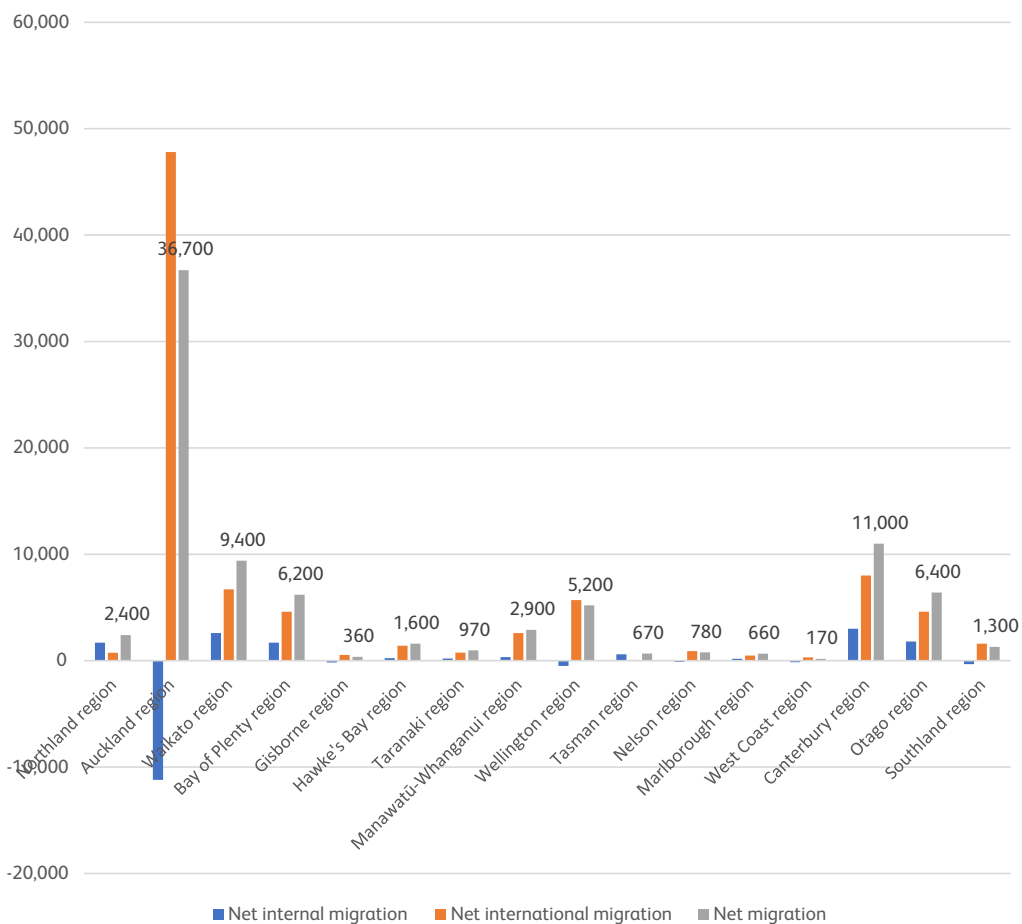
## Some observations

- There was a provisional net migration loss of 21,100 people to Australia in the year ended June 2023. This was made up of 19,500 migrant arrivals from Australia to New Zealand, and 40,600 migrant departures from New Zealand to Australia (SNZ, 2024a)
- Traditionally, there has been a net migration loss from New Zealand to Australia. This averaged nearly 30,000 during 2004–2013 December years, and about 3,000 a year during 2014–2019 (SNZ, 2024a)
- In the June 2023 year, 53 percent of New Zealand citizen migrant departures were to Australia (SNZ, 2024a)
- Net migration from Australia to New Zealand in Final 2nd Quarter (June 2023) was over -5,000. i.e. Migration to Australia from New Zealand of 5,00 in Q2 2023



# Regional Migration Trends: Internal, International, and Net Movements

Figure 6: Estimated migration between New Zealand and Australia, and the rest of the world, quarterly, December 2003–June 2023



Source: Author, Adapted from SNZ (2024b)

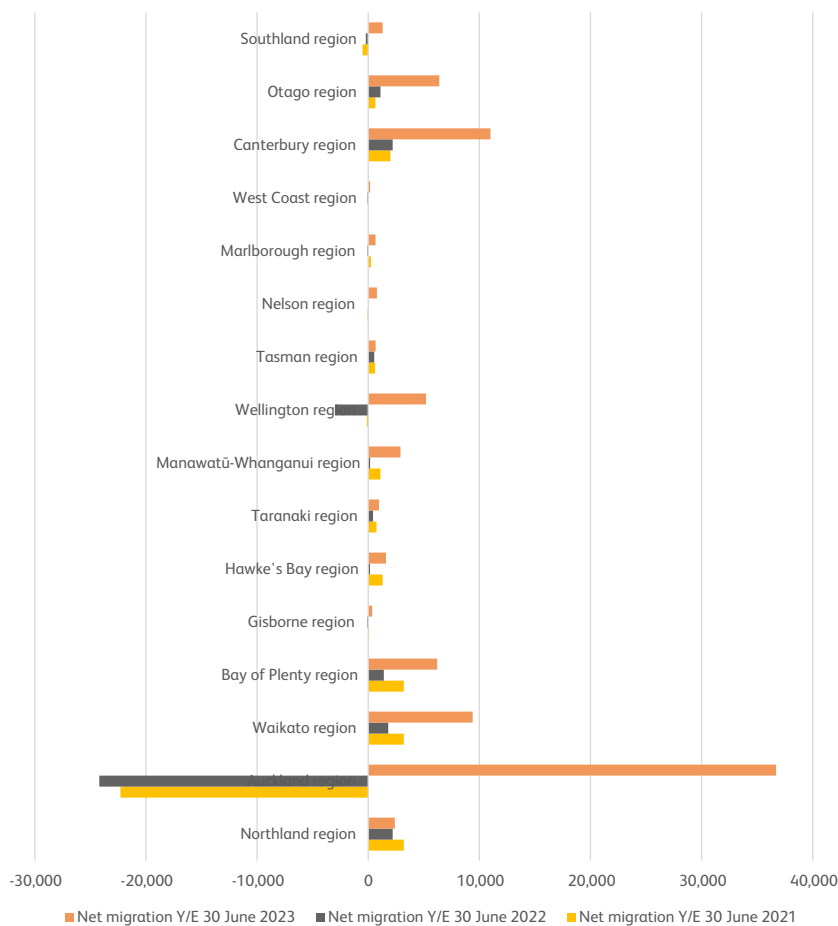
## Some observations

- Year ending 2023, Auckland region has highest international migration (47,800), but also highest internal loss of migration (11,200). i.e. international reception area
- Canterbury seeing the next largest gains of net migration (11,000), with both international and internal regional growth



# Regional Migration Trends: Internal, International, and Net Movements Last 3 Years

Figure 7: Internal Migration by Regions Annual by Year Ending 2021, 2022, 2023



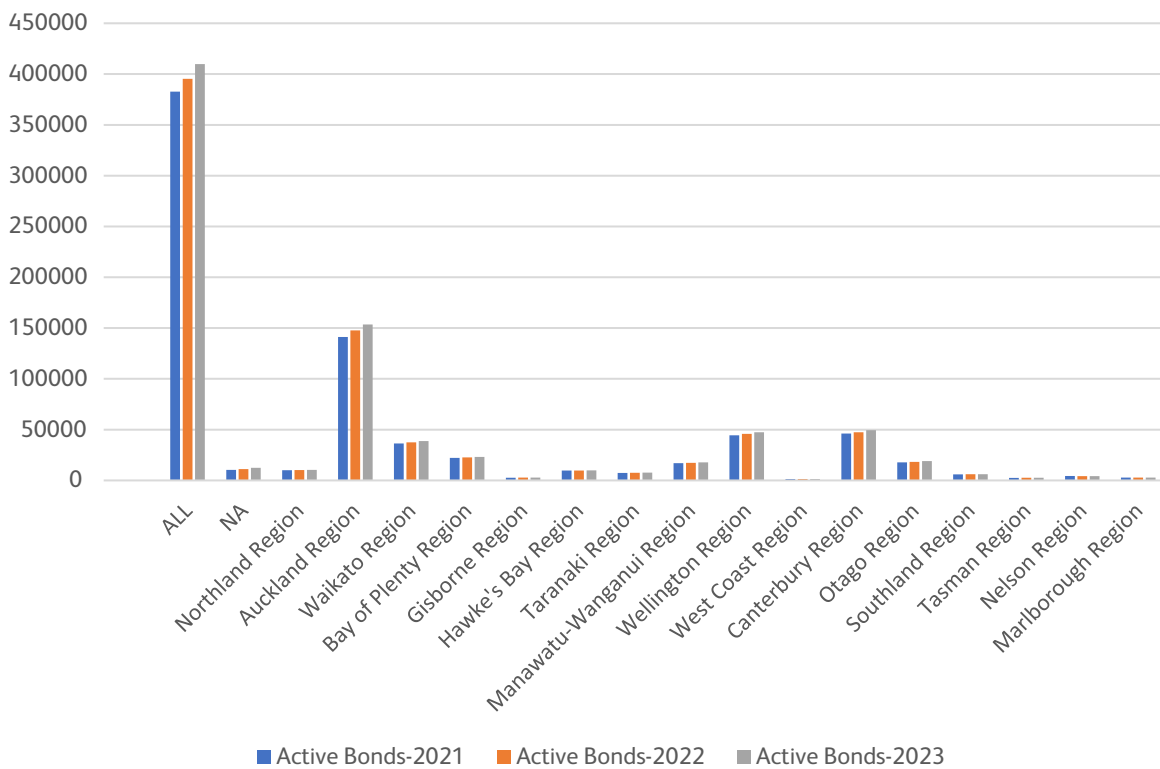
Source: Author, Adapted from SNZ (2024b)

## Some observations

- Auckland region seeing significant swing from 2021 losses (-22,300) to 2023 gains (36,700) driven by international inward migration
- Wellington the only other region that has experience some internal migration losses in 2022, of -3,000 people

# Rental Trends: Rental Regional Bonds / Rental Stock Changes 2021, 2022, 2023

Figure 8: Rental Regional Bonds / Rental Stock Changes at December 2021, 2022, 2023



Source: Author, Adapted from Tenancy Services (MBIE, 2024a)

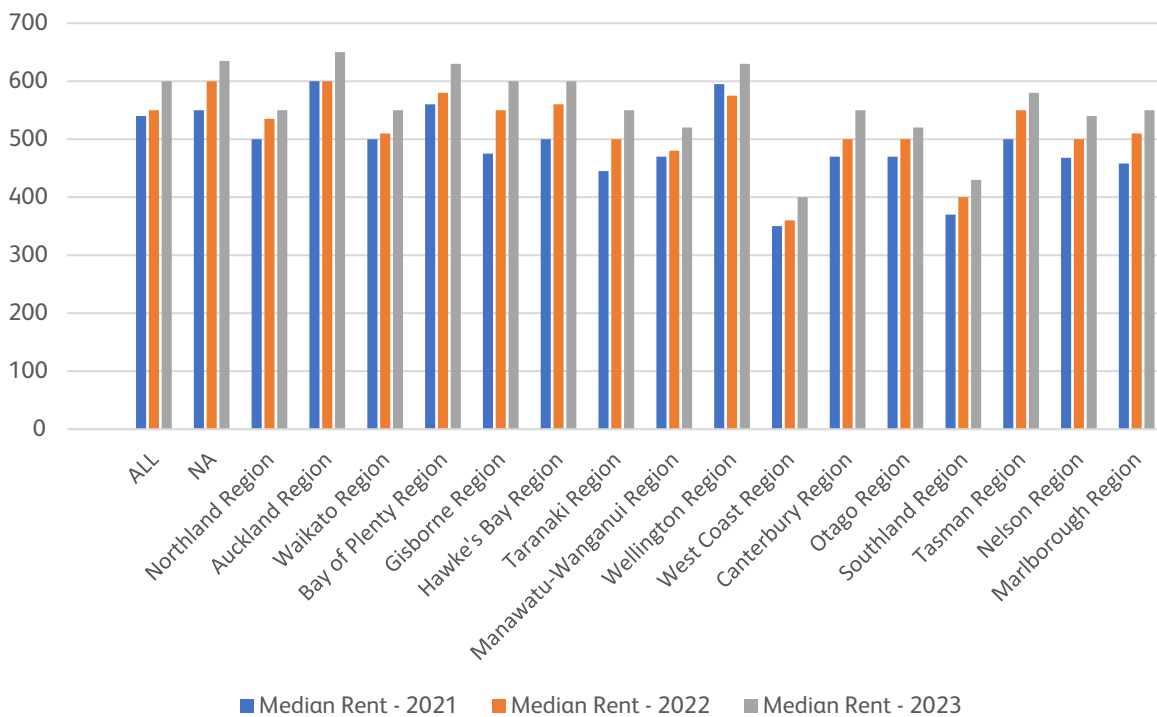
## Some observations

- All regions on upward trend of 'official' active rentals, with close to 410,000 active bonds in 2023 (tracking at approximately 10,000 per year increase)
- Approximately 150,000 for Auckland in 2023; with Canterbury and Wellington regions tracking at approximately 50,000 active rentals in 2023



# Rental Trends: Rental Price Changes at December 2021, 2022, 2023

Figure 9: Weekly Rental Price Changes at December 2021, 2022, 2023



Source: Author, Adapted from Tenancy Services (MBIE, 2024a)

## Some observations

- Weekly New Zealand Rental Prices now at \$600 per week. Significantly Up from prior years 2022 (\$550) and 2021 (\$540)
- Despite significant House Price variation in the Regions (i.e. Auckland House Prices); rents are similar in many core regions of Canterbury (2023 = \$550), Wellington (2023 = \$630), Auckland (2023 = \$650)



# Migration and Rental Stock Relationships: Regional Changes 2022, 2023

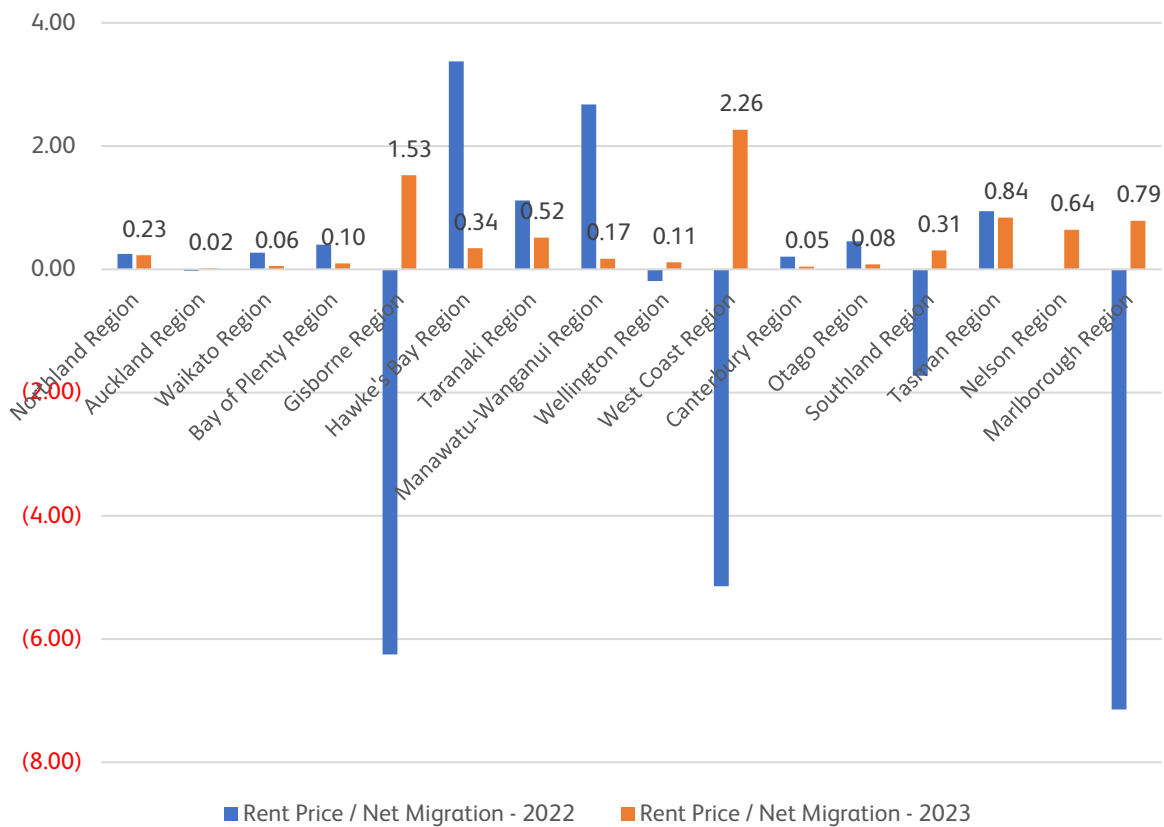
Figure 10: Migration and Rental Stock Regional Relationship Changes at 30 June 2022, 2023

Location	Active Bonds 2022	Active Bonds 2023	Net Migration 2022	Net Migration 2023	Stock / Net Migration 2022	Stock / Net Migration 2023
Northland Region	10,122	10,377	2,200	2,400	4.60	4.32
Auckland Region	143,169	152,235	-24,200	36,700	(5.92)	4.15
Waikato Region	36,825	38,409	1,800	9,400	20.46	4.09
Bay of Plenty Region	22,383	23,109	1,400	6,200	15.99	3.73
Gisborne Region	2,700	2,778	-80	360	(33.75)	7.72
Hawke's Bay Region	9,675	9,864	160	1,600	60.47	6.17
Taranaki Region	7,443	7,665	430	970	17.31	7.90
Manawatu-Wanganui Region	17,082	17,691	170	2,900	100.48	6.10
Wellington Region	44,691	46,986	-3,000	5,200	(14.90)	9.04
West Coast Region	1,341	1,383	-70	170	(19.16)	8.14
Canterbury Region	46,620	48,906	2,200	11,000	21.19	4.45
Otago Region	19,941	20,466	1,100	6,400	18.13	3.20
Southland Region	6,075	6,180	-220	1,300	(27.61)	4.75
Tasman Region	2,571	2,682	540	670	4.76	4.00
Nelson Region	4,338	4,320	0	780	0.00	5.54
Marlborough Region	2,805	2,841	-70	660	(40.07)	4.30

Source: Author, Adapted from Statistics NZ (SNZ, 2024b) and Tenancy Services (MBIE, 2024a).

# Rental Trends: Rental Price Changes at December 2021, 2022, 2023

Figure 11: Migration and Rental Stock Regional Relationship Changes at 30 June 2022, 2023



Source: Author, Adapted from Statistics NZ (SNZ, 2024b) and Tenancy Services (MBIE, 2024a).

## Some observations

- 2022 sees significant extreme regional difference in active stock to net migration ; this settles in 2023 to all regions having significant positive migrant rental take-up between 3% to 9% (if all new migrants rent)
- If new net migrants were renting in 2023; in Wellington 9% of the stock will be sought by new net migrants (highest % for the regions)
- If new net migrants were renting in 2023; in Otago 3% of the stock will be sought by new net migrants (lowest % for the regions)



# Migration and Rental Stock Relationships: Regional Changes 2022, 2023

Figure 12: Migration and Rental Prices Regional Relationship Changes at 30 June 2022, 2023

Location	Median Rent 2022	Median Rent 2023	Net Migration 2022	Net Migration 2023	Rent Price / Net Migration 2022	Rent Price / Net Migration 2023
Northland Region	550	550	2200	2400	0.25	0.23
Auckland Region	595	640	-24200	36700	(0.02)	0.02
Waikato Region	485	520	1800	9400	0.27	0.06
Bay of Plenty Region	560	600	1400	6200	0.40	0.10
Gisborne Region	500	550	-80	360	(6.25)	1.53
Hawke's Bay Region	540	550	160	1600	3.38	0.34
Taranaki Region	480	500	430	970	1.12	0.52
Manawatu-Wanganui Region	455	500	170	2900	2.68	0.17
Wellington Region	570	595	-3000	5200	(0.19)	0.11
West Coast Region	360	385	-70	170	(5.14)	2.26
Canterbury Region	450	500	2200	11000	0.20	0.05
Otago Region	500	520	1100	6400	0.45	0.08
Southland Region	380	400	-220	1300	(1.73)	0.31
Tasman Region	510	563	540	670	0.94	0.84
Nelson Region	490	500	0	780	0.00	0.64
Marlborough Region	500	520	-70	660	(7.14)	0.79

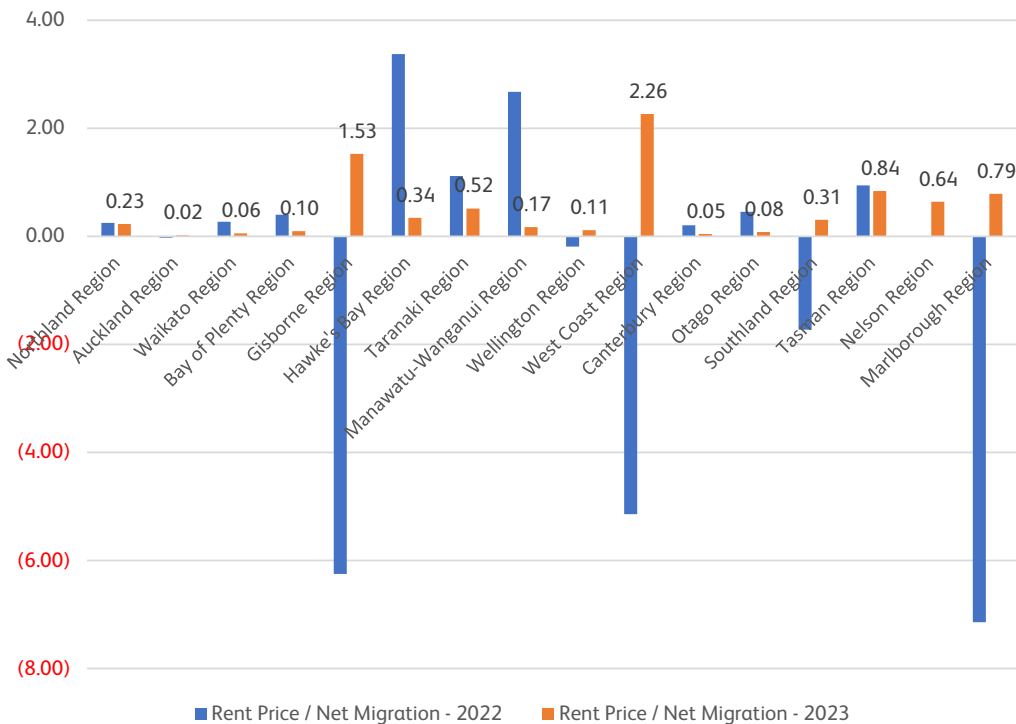
Source: Author, Adapted from Statistics NZ (SNZ, 2024b) and Tenancy Services (MBIE, 2024a).





# Migration and Rental Prices Regional Relationship Changes at 30 June 2022, 2023

Figure 13: Migration and Rental Prices Regional Relationship Changes at 30 June 2022, 2023



Source: Author, Adapted from Statistics NZ (SNZ, 2024b) and Tenancy Services (MBIE, 2024a).

## Some observations

- 2022 sees significant extreme regional difference in rental prices and net migration; this settles in 2023 to all regions having significant positive pressures on rents from migration
- If new net migrants were renting in 2023; in the West Coast the ratio of net migrant increase of 170 new net migrants are chasing the cheapest rents of \$385 per week (highest ratio for the regions – meaning the least pressure on rents)
- If new net migrants were renting in 2023; in the Auckland region the 0.02 ratio of net migrant increase of 36,700 new net migrants are chasing the highest rents of \$640 per week (lowest ratio for the regions – meaning the most pressure on rents)
- Further regions with most pressure on rents after Auckland are Canterbury (0.05) and Otago (0.06)



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