

The PROPERTY REPORT

Rental boom on its way?

Landlords can probably look forward to several years of rent growth from around 2010 if not sooner as the market takes an unprecedented turn.

In September 2008 there were record numbers of homes for sale. Prices were sliding with some doomsayers predicting that 2009 would be the mother of all property slumps.

Seven months on and the tables have unexpectedly turned. Purchasers and successful real estate agencies are experiencing competition between buyers, a shortage of listings and the average number of days to sell are falling sharply. With a falling supply of homes coming to the market, a rising confidence in buyers and a faster selling time we are shifting from a buyers market to a balanced market and the occasional bumper result for a seller here and there.

When prices dropped in 2008 and some homes were taking several months to sell many owners who were leaving town chose to rent their home out rather than sell below their bottom price. This supply of extra rental properties could have placed a downward pressure on rents if it hadn't been for an even larger number of landlords selling their rental properties as they scrambled for cash or lost their nerve. The result of fewer rental properties available for tenants saw an increase in residential rents.

If the property recovery this time is anything like previous recoveries, those who became landlords through market circumstances rather than by design will start selling them over the next few months. If the volume of these sales is greater than the number of properties introduced to the market by landlords we will experience a tight supply of rental accommodation. Add to this predictable situation a positive inflow of migrants and ex-pats and we will have a serious shortage of rental accommodation.

If you are a landlord, or plan to be, you will be rubbing your hands, what with mortgage interest rates falling even further, some great buys in the last year and a strong demand from tenants, what more could you hope for?



What about the poor old tenant? As it happens rents have, historically speaking, been very, very low as a proportion of the average wage.

Some tenants have used this as an opportunity to save and together with lower house prices they have escaped from the rental market. In many cases they are not paying much more on a mortgage with the new rates than they were in rent, sometimes even less. It is unfortunate for our young people that not more of them have bought in the downturn. This is good for the investor.

The median rent is about 23% of the average wage. Back in the mid 1990's it was more like 28% to 29%. Rent increases are driven by demand and affordability.

If tenants were prepared to pay a higher percentage of their income in rent 15 years ago than they are paying today then they will do so again. This combined with a shortage of rental homes will not only lead to an increase in rents but also property prices.

John Ross
Professionals, Hutt City Limited



Hutt Valley Rental Statistics

Rental Returns for March 2009

	BEDROOMS	MEDIAN RENT	RENT RANGE LOWEST - HIGHEST	% CHANGE FROM MAR 08	NO. LET
Northern Lower Hutt	1	\$170	\$155 - \$177	29%	7
	2	\$260	\$250 - \$290	2%	24
	3	\$335	\$300 - \$355	8%	44
	4	n/a	n/a	n/a	0
Southern Lower Hutt	1	\$180	\$146 - \$207	-3%	23
	2	\$295	\$260 - \$320	7%	55
	3	\$395	\$350 - \$430	4%	42
	4	\$480	\$420 - \$600	0%	23
Wainuiomata	1	n/a	n/a	n/a	0
	2	\$240	\$232 - \$275	11%	7
	3	\$287	\$275 - \$300	3%	18
	4	n/a	n/a	n/a	0
Upper Hutt	1	\$185	\$140 - \$257	-3%	5
	2	\$220	\$197 - \$250	0%	45
	3	\$300	\$280 - \$350	-1%	42
	4	\$427	\$375 - \$475	7%	12

Median - the middle value when all of the data is placed in order of value.

Source - Sales Statistics: REINZ website and Professionals Hutt City Ltd MREINZ records. These statistics are for residential dwellings and do not include sections.

Source - Rental Statistics: Tenancy Services Bond Centre. These statistics are derived from information gathered from bonds lodged at the Department of Building and Housing.

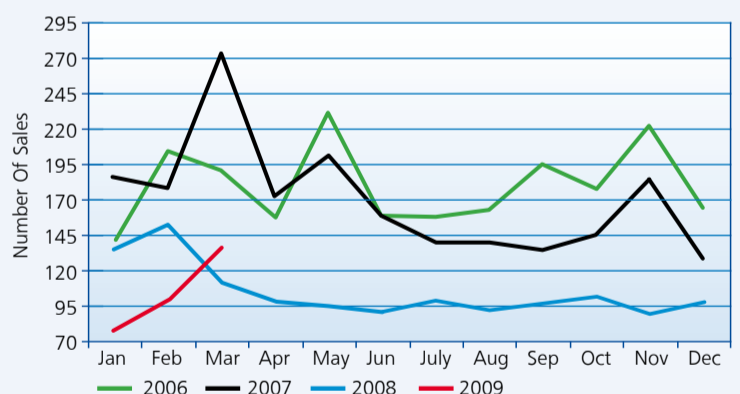
Lower Hutt Sales Statistics

January 2009 - March 2009

SUBURBS	MEDIAN SALE PRICE	NUMBER OF SALES	VS LAST YEAR	MEDIAN DAYS TO SELL	VS LAST YEAR	MEDIAN SALE % CHANGE 1 YEAR	3 YEARS
Alicetown	\$367,500	7	↓	73	↑	-22%	7%
Avalon	\$327,000	17	↑	69	↑	-20%	13%
Belmont	\$395,000	10	↑	116	↑	-21%	16%
Boulcott*	-	-	-	-	-	-	-
Central Hutt	\$460,000	24	↑	49	↓	-3%	1%
Eastbourne & Bays	\$728,000	12	↓	78	↓	16%	39%
Fairfield	\$385,000	7	↑	98	↑	-9%	30%
Harbourview*	-	-	-	-	-	-	-
Kelson	\$399,375	12	↓	50	↑	22%	34%
Korokoro	\$352,500	5	↓	35	↑	-19%	-15%
Manor Park*	-	-	-	-	-	-	-
Maungaraki	\$397,000	11	↓	26	↓	-3%	13%
Moera*	-	-	-	-	-	-	-
Naenae	\$247,500	18	↓	38	↑	-10%	6%
Normandale	\$400,000	13	↑	39	↓	4%	18%
Park Ave*	-	-	-	-	-	-	-
Petone	\$370,000	19	↓	43	↓	-17%	0%
Stokes Valley	\$255,250	28	↓	72	↑	-13%	13%
Taita	\$220,000	5	↓	63	↑	-18%	6%
Tirohanga	\$656,000	6	↓	105	↑	41%	72%
Wainuiomata	\$225,000	61	↓	59	↑	-8%	15%
Waiwhetu	\$358,000	12	↓	44	↓	15%	25%
Waterloo	\$423,500	22	↑	78	↑	9%	24%
Woburn	\$735,500	10	↓	97	↑	44%	57%

*For accuracy purposes, suburbs with less than 5 sales in the period have been excluded from this analysis.

Lower Hutt Residential Property Sales



Regional Round Up

January 2009 - March 2009

OUR REGION	MEDIAN SALE PRICE	NUMBER OF SALES	VS LAST YEAR	MEDIAN DAYS TO SELL	VS LAST YEAR	MEDIAN SALE % CHANGE 1 YEAR	3 YEARS
Lower Hutt	\$340,000	312	↓	59	↑	3%	25%
Upper Hutt	\$305,500	164	↓	65	↑	-7%	13%
Porirua	\$363,000	135	↓	58	↑	-1%	14%
Wellington	\$440,250	768	→	42	↑	-4%	10%
MAIN CITIES							
Auckland	\$465,000	1,617	↑	42	↑	2%	16%
Hamilton	\$315,500	554	↑	50	↓	-7%	8%
Christchurch	\$300,000	1,649	↓	42	↓	-8%	5%
Dunedin	\$235,000	609	↑	48	↑	-6%	2%

