

# Average Auckland residential returns ease to 3.6%

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Average rental returns on the median sales price in Auckland has slowly trended downward since June 2013 as property prices rose faster than rents.

Crockers estimates the average return for Auckland rental properties is 3.6%, down from 4.01% in October 2014.

The returns calculations do not incorporate increases in capital value.

In the latest Crockers Property Investment Index survey in association with IPSOS, nearly two-thirds of the owners and landlords interviewed feel rental prices are fairly priced, while nearly a third believe rents are below fair price.

Nearly half are not planning to increase rents within the next six months, while 42% anticipate an increase of 3% or more.

Increases in costs associated with the rental property – rates, insurance and maintenance – are all likely to contribute to a decision to increase rents. An increase in interest rates is also another factor.

Nearly half the investors and landlords interviewed (45%, down six points) are not planning to increase rents in the next six months.

Most of those planning to increase rents are anticipating an increase of 3% to 4%.

An increase in local rates is most likely to lead to an increase in rents (72% of respondents, up 8 points) but other costs like insurance and property maintenance also play a part. Compared to the previous survey in July14, significantly fewer respondents are saying an increase in interest rates would influence them to increase the rent on their investment property. Average rents across the eastern suburbs sit above the average for the greater Auckland region (Pukekohe to Rodney).

The average price for a two-bedroom dwelling in the eastern suburbs is on a par with the average for three-bedroom dwellings in the greater Auckland region.

“Since 2011 we see consistent increases in rents across regions, two-bedroom prices increasing 19% to 22% and three-bedroom prices increasing 14% to 19%,” researcher Kim Sinclair says. “This month the Auckland Rental Property Performance Index is up sharply, with a significant shift away from those who think their investment performance will get worse over the next 12 months to those who think it will remain the same.

“The Auckland Rental Property Investment Index is also up sharply this quarter, with a significant shift from those planning to reduce the size of their property investments over the next 12 months to those planning to make no changes to their property investments.

“These results suggest that the new property rules that came into effect in October have started to have an impact on the market, but perhaps not as expected – given that this shift in optimism signals an expectation that the market is not going to retreat.”

Auckland rents have returned to the August peak of \$446, while two-bedroom rents across New Zealand increased to their highest level.

Rents for three-bedroom properties in Auckland dropped to \$570 after peaking at \$580 in August. .