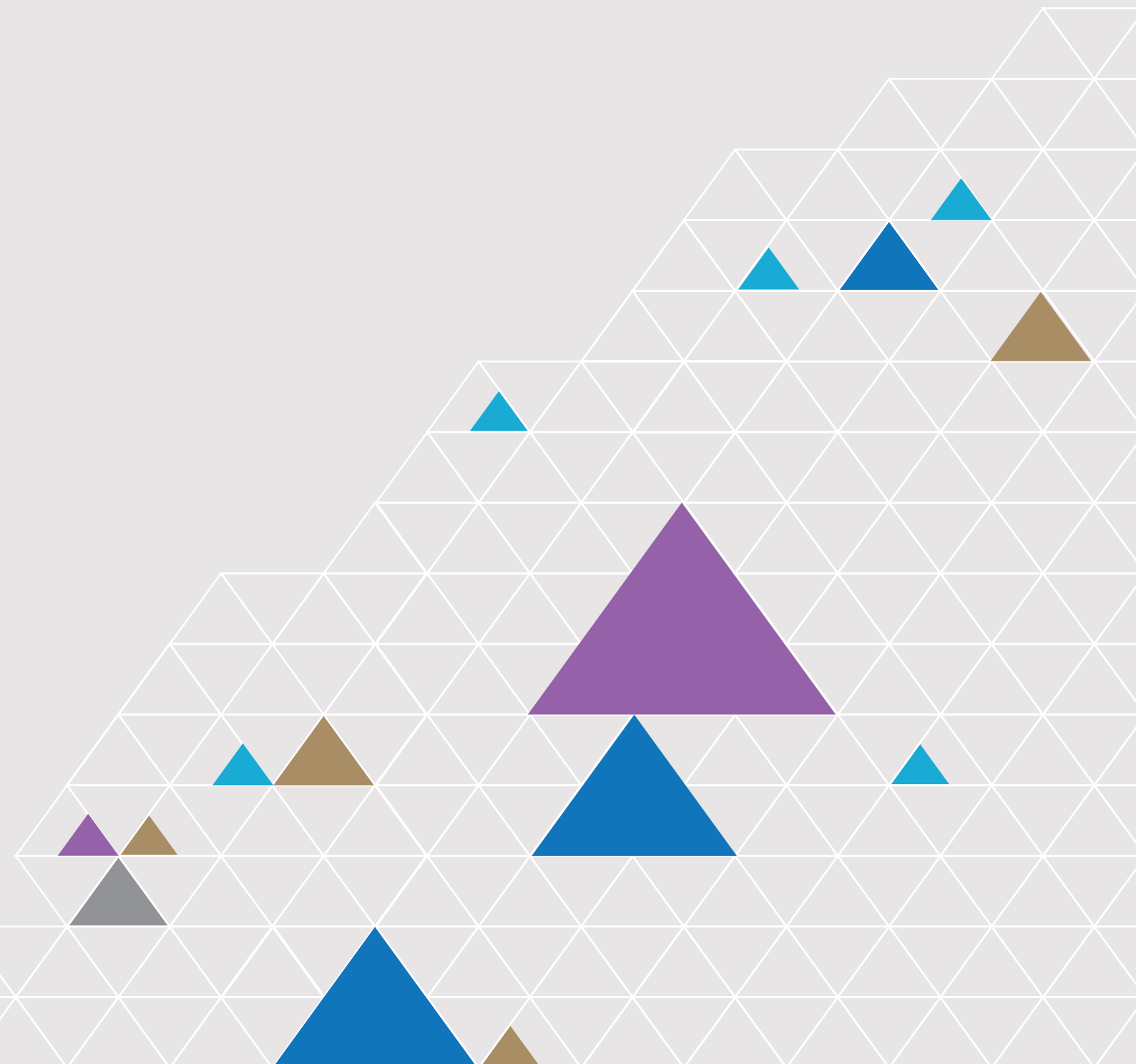


THE  
RESIDENTIAL INVESTMENT PROPERTY  
RENTAL YIELD INDICATOR

QUARTERLY REPORT

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Property Editor



# Rental Yield Indicator March 2016

Slim rental returns leave landlords chasing capital gains to make money in Auckland. Waikato going down the same track.

relative to its purchase price and a low yield means the opposite.

Around the entire country, 17 areas showed increases in their indicative yields in the six months to March compared to the six months to December, 27 showed declines and 12 were unchanged.

Of the 10 locations tracked in Auckland, three (Beachhaven/Birkdale and Torbay on the North Shore and Massey/Royal Heights in Waitakere) showed increases

Rental yields on residential investment properties have flattened in Auckland but dropped significantly in the Waikato, according to interest.co.nz's Rental Yield Indicator.

The Indicator tracks the theoretical gross rental yields that would be achieved on investment properties if they were purchased at the lower quartile selling price for three bedroom homes and then rented out at the median rent for that type of property, in 56 locations around the country where there is a high level of rental activity.

The gross rental yield is the annual rent a property is capable of producing expressed as a percentage of its purchase price.

This is used as an indicator of a property's income producing ability, before factoring in costs such as rates, insurance, vacancy, maintenance and mortgage payments.

A high yield means a property is providing a high rental income

the six months to March last year.

The highest yield in the Auckland area was in Pukekohe/Tuakau at 4.9% in the six months to March, compared to 5.0% in the six months to December and 5.5% in the six months to March last year.

Yields in Auckland have been falling steadily since interest.co.nz started publishing the Rental Yield indicator in June 2014 (see table), because house prices have been rising faster than the rents they could attract.

However the rise in the lower quartile selling price slowed in most of the areas in Auckland monitored by the Indicator in the six months to March, while rents also stabilised or showed slight increases.

The main exception was Highland Park, where the lower quartile selling price jumped from \$717,500 in the six months December to \$831,500 in the six months to March, while the median rent for three bedroom homes in the area increased from \$500 a week to \$520 a week over the same period.

The combined effect of those changes pushed the indicative yield for Highland Park down from 3.6% to 3.3%.

However while yields may have stabilised overall in Auckland, they remain at very low levels that are likely to leave investors with little

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in their yields in the six months to March compared to the six months to December, two (Highland Park in Manukau and Pukekohe) showed declines, and four (Glen Eden and Henderson in Waitakere, Avondale in Central Auckland and Papakura/Karaka in south Auckland) were unchanged.

The lowest yield, both in Auckland and nationally, was in Highland Park where it was a miniscule 3.3% in the six months to March, compared to 3.6% in the six months to December and 3.8% in





in the way of free cash flow once their expenses are deducted, supporting anecdotal evidence that most investors buying in Auckland in the current market are chasing capital gain rather than rental income.

There are also reports that some investors have been paying such high prices and borrowing so much of it, that the properties produce negative cash flows, meaning the investor has to dip into their income from other sources to supplement the rental income and pay all of a property's outgoings.

There were also significant falls in the rental yields in the Waikato, where they ranged from 4.7% to 5.7% in the six months to March, compared 4.9% to 6.2% in the six months to December.

That was caused by lower quartile house prices rising at a faster rate than rents, which tended to remain flat or rise modestly over the same

period in the areas monitored, pushing down the returns investors are likely to achieve on Waikato properties.

There was also a big decline in the indicative yield in Queenstown/Frankton/Arrowtown, where it fell from 5.2% in the six months to December to 4.6% in the six months to March, due to the lower quartile selling price increasing from \$545,000 to \$680,000, while the median rent increased from \$550 a week to \$595 over the same period.

In other main centres, yields were a mixed bag in both Wellington and Christchurch, rising in some suburbs and declining in others.

The areas with the highest indicative yields in the six months to March were Flaxmere in Hastings (10.9%), Whanganui (9.6%), Waitara/Inglewood in Taranaki (8.8%), and Holdens Bay/Owhata/Ngapuna in Rotorua and Invercargill, with both at 8.7%.

THERE ARE ALSO REPORTS THAT SOME INVESTORS HAVE BEEN PAYING SUCH HIGH PRICES AND BORROWING SO MUCH OF IT THAT THE PROPERTIES PRODUCE NEGATIVE CASH FLOWS

\*The following table shows the indicative yields in all 56 areas tracked by the yield indicator.

# Residential Investment Property

## Rental Yield Indicator

Indicative gross rental yields for three bedroom houses in 56 selected areas with high rental activity during the previous six months. Based on REINZ lower quartile selling prices and median rents in each area.

Town/region	Gross Rental Yield %							
	Mar 16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14
<b>Whangarei - Kamo/ Tikipunga/ Kensington</b>	6.0	5.6	7.1	6.5	6.9	7.6	6.4	5.9
<b>Rodney - Orewa/ Whangaparaoa</b>	4.1	4.1	4.3	4.5	4.5	4.6	4.8	4.2
<b>North Shore:</b>								
Beachhaven/ Birkdale	3.9	3.8	3.9	4.0	4.3	4.3	4.6	4.9
Torbay	3.8	3.6	3.8	4.0	4.5	4.6	4.5	4.5
<b>Waitakere:</b>								
Glen Eden	4.0	4.0	4.1	4.3	4.6	4.9	5.1	5.0
Massey/Royal Heights	4.1	4.0	4.1	4.4	4.6	4.9	5.1	5.0
Henderson	4.1	4.1	4.1	4.4	4.7	4.9	5.0	5.3
<b>Central Auckland:</b>								
Avondale	3.7	3.7	3.9	4.1	4.2	4.4	4.5	n.a
<b>Manukau:</b>								
Highland Park	3.3	3.6	3.6	3.8	3.8	4.1	4.3	4.6
Papakura/Drury/ Karaka	4.8	4.8	4.9	5.5	5.6	5.9	6.0	6.0
Franklin - Pukekohe/ Tuakau	4.9	5.0	5.0	5.3	5.5	5.6	5.6	5.8
<b>Hamilton:</b>								
Deanwell/Melville/ Fitzroy	5.30	5.50	6.20	6.80	6.90	6.90	6.90	6.90
Fairfield/Fairview Downs	5.40	5.70	6.0	6.80	6.70	6.20	7.0	6.90
Te Kowhai/ St Andrews/ Queenswood	4.70	4.90	5.30	5.40	5.40	5.60	5.80	5.50
<b>Cambridge/ Leamington</b>	5.2	5.3	5.2	5.5	5.5	5.6	5.9	5.9
<b>Te Awamutu</b>	5.7	6.2	6.3	6.5	6.2	6.3	6.4	6.0



Town/region	Gross Rental Yield %							
	Mar 16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14
<b>Tauranga:</b>								
Tauranga Central/ Greerton	5.2	5.2	5.6	6.0	6.1	5.9	5.9	n.a.
Bethlehem/ Otumoetai	4.6	4.8	4.8	4.5	4.8	5.3	5.4	5.2
Mt Maunganui	4.8	4.6	4.7	5.4	5.7	5.6	5.2	5.2
Pyes Pa/Welcome Bay	5.4	5.5	5.3	5.9	5.7	5.7	5.8	5.7
Kaimai/Te Puke	5.8	5.9	6.2	6.4	6.2	6.2	5.7	5.6
<b>Whakatane</b>	<b>6.4</b>	<b>7.1</b>	<b>7.3</b>	<b>6.7</b>	<b>6.3</b>	<b>6.7</b>	<b>6.9</b>	<b>n.a.</b>
<b>Rotorua:</b>								
Holdens Bay/ Owhata/Ngapuna	8.7	8.3	8.7	n.a.	n.a.	n.a.	n.a.	n.a.
Kuirau/Hillcrest/ Glenholm	5.9	6.3	6.6	n.a.	n.a.	n.a.	n.a.	n.a.
Ngongataha/ Pleasant Heights/ Koutu	7.7	8.0	8.2	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Hastings - Flaxmere</b>	<b>10.9</b>	<b>11.5</b>	<b>11.0</b>	<b>12.1</b>	<b>12.2</b>	<b>11.7</b>	<b>11.8</b>	<b>12.0</b>
<b>Napier - Taradale</b>	<b>5.4</b>	<b>5.6</b>	<b>5.5</b>	<b>5.3</b>	<b>6.2</b>	<b>6.3</b>	<b>6.1</b>	<b>6.1</b>
<b>Taranaki:</b>								
New Plymouth Central/Moturoa	5.8	5.4	5.5	n.a.	n.a.	n.a.	n.a.	n.a.
Waitara/Inglewood	8.8	8.9	8.0	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Whanganui</b>	<b>9.6</b>	<b>10.0</b>	<b>14.9</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>
<b>Palmerston North:</b>								
Kelvin Grove/Roslyn	7.4	7.2	7.2	n.a.	n.a.	n.a.	n.a.	n.a.
Palmerston North Central	5.6	5.5	6.2	n.a.	n.a.	n.a.	n.a.	n.a.
Takaro/Cloverlea/ Milson	7.2	7.1	7.3	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Kapiti Coast:</b>								
Paraparaumu/ Raumati	5.9	6.0	6.1	6.2	6.1	6.1	5.9	n.a.
Waikanae/Otaki	5.9	6.5	6.8	6.6	6.7	5.5	5.4	6.1
<b>Upper Hutt:</b>								
Heretaunga/ Silverstream	5.8	5.8	6.1	n.a.	n.a.	n.a.	n.a.	n.a.
Totara Park/ Maoribank/Te Marua	6.3	6.2	6.8	n.a.	n.a.	n.a.	n.a.	n.a.



Town/region	Gross Rental Yield %							
	Mar 16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14
<b>Lower Hutt:</b>								
Epuni/Avalon	5.8	5.2	5.1	n.a.	n.a.	n.a.	n.a.	n.a.
Taita/Naenae	6.8	6.9	7.1	n.a.	n.a.	n.a.	n.a.	n.a.
Wainuiomata	7.7	7.7	7.7	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Wellington:</b>								
Johnsonville/ Newlands	5.5	5.4	5.6	5.8	5.6	5.5	6.2	5.9
Vogelstown/ Berhampore/ Newtown	5.4	5.2	5.5	5.1	5.5	5.2	5.6	5.8
<b>Tasman:</b>								
Motueka	5.2	5.4	5.3	5.3	5.5	5.6	5.5	5.2
Richmond/ Wakefield/ Brightwater	5.3	5.3	5.5	5.6	5.6	5.8	5.9	6.0
<b>Nelson - Stoke/ Nayland/Tahunanui</b>	5.5	5.7	5.8	5.9	5.7	5.7	6.0	6.0
<b>Blenheim</b>	7.0	7.0	6.4	6.5	6.5	6.6	6.5	6.1
<b>Christchurch:</b>								
Hornby/Islington/ Hei Hei	6.0	6.0	6.2	6.2	6.3	6.5	6.3	6.4
Riccarton	5.7	5	4.9	5.9	5.2	4.9	5.1	5.7
Woolston/Opawa	6.3	6.4	6.6	6.8	7.3	7.2	8.0	7.9
<b>Ashburton</b>	6.2	7.0	6.9	7.0	6.8	6.7	7.2	6.8
<b>Timaru</b>	6.5	6.4	6.2	6.6	6.8	6.7	6.3	n.a.
<b>Queenstown/ Frankton/ Arrowtown</b>	4.6	5.2	5.0	4.8	4.9	4.7	5.3	5.4
<b>Dunedin:</b>								
Kenmure/ Mornington	7.9	7.1	6.6	n.a.	n.a.	n.a.	n.a.	n.a.
Mosgiel	6.4	6.4	6.1	n.a.	n.a.	n.a.	n.a.	n.a.
South Dunedin/St Kilda	7.2	8.0	8.2	n.a.	n.a.	n.a.	n.a.	n.a.
Invercargill	8.7	9.1	9.0	6.7	9.0	9.2	9.5	n.a.

\* Yield is a property's annual rent expressed as a percentage of its purchase price. The yield figures in this table are gross, and are calculated from the REINZ's lower quartile selling price for each area during the previous 6 months, and the median rent for three bedroom houses calculated from new tenancy bonds received by the Ministry of Business Innovation and Employment for the same areas/period.

The Rental Yield Indicator is produced by interest.co.nz with assistance from the REINZ. For further information about this report please email Greg Ninness at [greg.ninness@interest.co.nz](mailto:greg.ninness@interest.co.nz).

