

RENTS ON THE RISE: So where's the best place for property investment?

by Adam Smith



It's a well accepted assumption that rental properties in metropolitan areas are going to command more rent than their more provincial counterparts. But recent figures show a serious push in median rents in Auckland, Wellington and Christchurch – something that will well please any investment property owners in those areas.

According to Trade Me's rental price index, rental properties continue to reap growing returns, with a 6.4% rise in the median weekly cost of renting a home in New Zealand. According to these figures, rents are rising even faster than property asking prices!

Rents are increasing fastest in the big smoke, where jobs and industry are providing a growth market for rental properties. Median rents in Wellington have risen 9.5%, Auckland 2%, and Christchurch a very considerable 22% in a year. [In a recent NBR article](#), Head of Trade Me Property, Nigel Jefferies, says this trend is likely to continue.

We think a few things need to be taken into consideration though...

Let's take Christchurch as an example – median rental up 22% in a year. We believe this 22% claim needs to be treated with a little caution.

Iron Bridge Managing Director Brent Smith says, "In some parts of Christchurch it has risen by 22% or more, but this isn't consistent across the market. There's even been a drop back in some areas of the city as supply of rental properties increases."

This too is the case with the fully-furnished short-term rental properties that popped up in Christchurch [commanding enormous rents](#) over the rebuild. The need for these kinds of properties has definitely dropped away, leaving owners reconsidering the way they're rented and putting them back on the market as standard rental properties.

While Christchurch may command the highest median rents nationwide – for example, five+ bedroom houses have a median rent of \$805 per week– it's a finite market that will stabilise once the demand and supply are more reasonably matched with the ongoing rebuild.

"If property investors aren't careful with this, a glut in rental properties could catch them out in the not too distant future," says Brent.

Rather than jump on the hottest property investment wave, our philosophy is, play the long game. **Building a sound property portfolio over time pays off.**

"There are always market fluctuations and looking at the long game keeps these ebbs and flows in perspective," he says.

Brent maintains that one of the key components in successful investment is to select a location that will provide a good pool of renters. "It determines your success in the long run. More renters gives you more choice of tenant, and more days in rent as demand is there to fill the property."

So the location of your property really is key. While the cost of your investment property purchase may be lower in smaller centres, the pool of renters is also lower, making you more vulnerable to changes in the market.

Location has a massive influence on the success of your investment property, says Brent. “Another key question I tell my property investment clients to ask before they buy is: ‘where do my tenants go in the morning?’”

What’s their commute like? Where are they travelling to? What amenities do they want to get to first thing? All these factors play into the attractiveness of your property and the kind of tenant and rent you’ll receive.

While the house purchase prices in these main centres may be jaw-dropping in some cases, the return on investment is there over time. Rents are higher and the tenant pool is wider, which means a better quality tenant and higher occupancy rate. And, of course, capital gains on properties are much more likely to increase in larger cities fuelled by steady economies and job growth.

We’ve helped many people into property investment over the years and certainly know these main centres well. If you’re looking to invest for the first time or expand your portfolio, [please ask us a question or two](#) – we’ve got a lot of insight and experience that could help you make your investment decision easier.