

# The PROPERTY REPORT

## A Desperate Shortage In Rental Accommodation... It's What We're Facing

After writing about tax changes and the potential ramifications on the rental property market last month never have I had so much feedback. It is undoubtedly clear that I am not the only one who recognises that when it comes to rental properties we're in short supply and the government's proposed tax changes certainly aren't going to help the situation.

There's no doubt that we're seeing a growing percentage of the population choosing to rent rather than own. And, with the government considering tax changes, the number of investors making a valuable contribution to the rental market is decreasing.

Not only are rental prices increasing, Housing New Zealand is already handling four times more rental enquires than they're capable of supporting and has been approaching property management companies to help. These property management companies are getting seasonal demand beyond what they can supply and they're struggling to help their own clients, let alone any more. This means the government needs to start building more houses or they need to incentivise the private sector to provide homes for tenants - certainly not target them with an unfair tax system.

So what exactly is so unfair? Probably the biggest misconception is that rental property

owners do not pay tax but are instead net takers of tax money. This mistaken belief brewed in 2008, one of only two years in the past 28 when the rental property market operated at a loss (and given that interest rates were at their highest this is understandable). Another misconception is that rental property receives greater tax advantages than other investments. This has been disputed by the New Zealand Property Investors Federation, the New Zealand Society of Chartered Accountants and even Inland Revenue, and it simply isn't true. It is undeniable that property and its chattels depreciate and this is an expense. This is considered an expense in other industries and therefore the same tax laws should apply to property as they do for all other investments.

To me, and many others, it is blatantly obvious that whatever shifts the government makes in regards to tax and residential property, there is a need to support growth in this sector. Rental property is in hot demand from tenants and will continue to be for many years to come - so the government must do whatever it can to ensure that in the future the purchase of rental property remains the seriously smart investment that it is today.

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## Hutt Valley Rental Statistics

### Rental Returns for February 2010

|                     | BEDROOMS | MEDIAN RENT | RENT RANGE LOWEST - HIGHEST | % CHANGE FROM FEB 09 | NO. LET |
|---------------------|----------|-------------|-----------------------------|----------------------|---------|
| Northern Lower Hutt | 1        | n/a         | n/a                         | n/a                  | 0       |
|                     | 2        | \$277       | \$265 - \$295               | 5%                   | 12      |
|                     | 3        | \$335       | \$295 - \$356               | 6%                   | 25      |
|                     | 4        | n/a         | n/a                         | n/a                  | 0       |
| Southern Lower Hutt | 1        | \$190       | \$180 - \$210               | 3%                   | 12      |
|                     | 2        | \$290       | \$270 - \$320               | 1%                   | 30      |
|                     | 3        | \$375       | \$335 - \$445               | 1%                   | 20      |
|                     | 4        | \$470       | \$422 - \$533               | 2%                   | 7       |
| Wainuiomata         | 1        | n/a         | n/a                         | n/a                  | 0       |
|                     | 2        | n/a         | n/a                         | n/a                  | 0       |
|                     | 3        | \$300       | \$280 - \$302               | 3%                   | 13      |
|                     | 4        | n/a         | n/a                         | n/a                  | 0       |
| Upper Hutt          | 1        | n/a         | n/a                         | n/a                  | 0       |
|                     | 2        | \$230       | \$210 - \$250               | 7%                   | 13      |
|                     | 3        | \$320       | \$290 - \$350               | 3%                   | 18      |
|                     | 4        | n/a         | n/a                         | n/a                  | 0       |

**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.

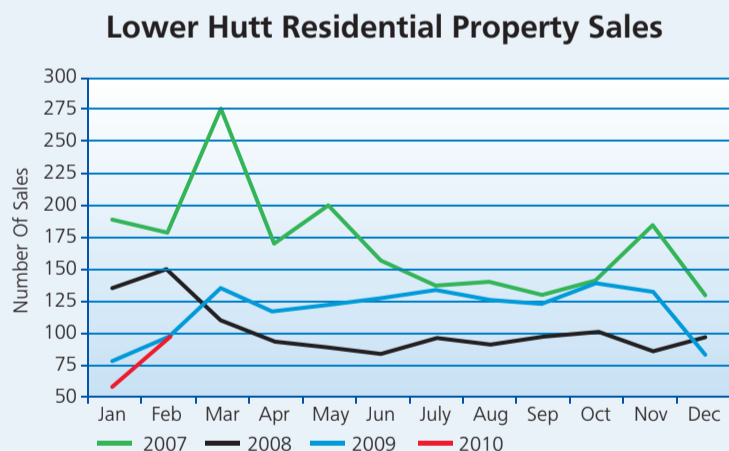
**Source - Rental Statistics:** Tenancy Services Bond Centre. These statistics are derived from information gathered from bonds lodged at the Department of Building and Housing.

## Lower Hutt Sales Statistics

### December 2009 - February 2010

| SUBURBS           | MEDIAN SALE PRICE | NUMBER OF SALES | VS LAST YEAR | MEDIAN DAYS TO SELL | VS LAST YEAR | MEDIAN SALE PRICE % CHANGE |         |
|-------------------|-------------------|-----------------|--------------|---------------------|--------------|----------------------------|---------|
|                   |                   |                 |              |                     |              | 1 YEAR                     | 3 YEARS |
| Alicetown         | \$459,000         | 8               | ↑            | 30                  | ↓            | 8%                         | 31%     |
| Avalon            | \$377,500         | 10              | ↓            | 31                  | ↓            | 23%                        | 9%      |
| Belmont           | \$398,500         | 6               | ↓            | 24                  | ↓            | -13%                       | -14%    |
| Boulcott*         | -                 | -               | -            | -                   | -            | -                          | -       |
| Central Hutt      | \$420,000         | 11              | ↓            | 60                  | ↓            | -10%                       | -12%    |
| Eastbourne & Bays | \$615,000         | 21              | ↑            | 30                  | ↓            | -9%                        | 2%      |
| Fairfield*        | -                 | -               | -            | -                   | -            | -                          | -       |
| Harbourview*      | -                 | -               | -            | -                   | -            | -                          | -       |
| Kelson            | \$356,250         | 6               | ↓            | 42                  | ↓            | -1%                        | 7%      |
| Korokoro*         | -                 | -               | -            | -                   | -            | -                          | -       |
| Manor Park*       | -                 | -               | -            | -                   | -            | -                          | -       |
| Maungaraki        | \$401,000         | 12              | ↑            | 30                  | ↑            | 4%                         | 4%      |
| Moera             | \$309,500         | 6               | →            | 45                  | ↑            | 23%                        | *       |
| Naenae            | \$275,000         | 16              | ↓            | 34                  | ↓            | 17%                        | 7%      |
| Normandale*       | -                 | -               | -            | -                   | -            | -                          | -       |
| Park Ave          | \$392,150         | 6               | ↑            | 46                  | ↓            | *                          | -3%     |
| Petone            | \$430,000         | 27              | ↑            | 29                  | ↓            | 19%                        | -1%     |
| Stokes Valley     | \$293,000         | 25              | ↑            | 42                  | ↓            | 12%                        | 7%      |
| Taita             | \$259,950         | 10              | ↑            | 54                  | ↓            | 16%                        | 10%     |
| Tirohanga*        | -                 | -               | -            | -                   | -            | -                          | -       |
| Wainuiomata       | \$235,000         | 40              | ↓            | 28                  | ↓            | 5%                         | -1%     |
| Waiwhetu          | \$371,000         | 12              | ↑            | 44                  | ↓            | 4%                         | 3%      |
| Waterloo          | \$405,000         | 12              | ↓            | 37                  | ↓            | -16%                       | -2%     |
| Woburn*           | -                 | -               | -            | -                   | -            | -                          | -       |

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



## Regional Round Up

### December 2009 - February 2010

| OUR REGION         | MEDIAN SALE PRICE | NUMBER OF SALES | VS LAST YEAR | MEDIAN DAYS TO SELL | VS LAST YEAR | MEDIAN SALE PRICE % CHANGE |         |
|--------------------|-------------------|-----------------|--------------|---------------------|--------------|----------------------------|---------|
|                    |                   |                 |              |                     |              | 1 YEAR                     | 3 YEARS |
| Lower Hutt         | \$348,500         | 242             | ↓            | 32                  | ↓            | 0%                         | 6%      |
| Upper Hutt         | \$304,500         | 120             | ↓            | 35                  | ↓            | 1%                         | -4%     |
| Porirua            | \$405,000         | 133             | ↑            | 49                  | ↓            | 12%                        | 16%     |
| Wellington         | \$480,000         | 665             | ↑            | 25                  | ↓            | 7%                         | 5%      |
| <b>MAIN CITIES</b> |                   |                 |              |                     |              |                            |         |
| Auckland           | \$499,000         | 515             | ↓            | 38                  | ↓            | 7%                         | 10%     |
| Hamilton           | \$327,000         | 477             | ↓            | 42                  | ↓            | 5%                         | 3%      |
| Christchurch       | \$333,000         | 1,335           | ↓            | 31                  | ↓            | 9%                         | 6%      |
| Dunedin            | \$243,500         | 492             | ↓            | 36                  | ↓            | 4%                         | -1%     |

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**Professionals**

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