

# REINZ CAPITAL GAINS AND RENTAL YIELD REPORT

H1 2022



# WEST COAST HIGHEST PERFORMING REGION FOR RESIDENTIAL INVESTORS IN FIRST HALF OF 2022

**The West Coast region takes the top spot as highest performing region for residential investors, with the highest rental yield and second highest capital gains across New Zealand.**

The rental yield in West Coast was 5.3% for the six months ending June 2022, although an annual decrease of 0.1%, this was the highest yield recorded of the 16 regions. Capital gains were up 19.4% over the same period. The region also had the greatest annual increase in rental price, up 16.7% from H1 2021. The median price for residential property increased from \$289,000 in H1 2021 to \$345,000 in H1 2022. Combined, these factors result in a positive change in rental yield.

Taranaki ranked second, in terms of providing strong returns for investors. The region had the third highest capital gains — up 17.3% as the median property price climbed from \$537,000 in H1 2021 to \$630,000 in H1 2022. Taranaki ranked fifth in terms of rental yield at 3.8%, a moderate decline of 0.3% compared to the same period in 2021.

Southland was the third highest performer, with second highest rental yield at 4.4% and the seventh highest capital gains — up 12.2% from \$401,000 to \$450,000.

At the other end of the scale, Auckland was the poorest performing region for residential investors. The region had the third lowest capital gains — up 6.4% from \$1,100,000 to \$1,170,000 — and the lowest annual yield of all regions at 2.7%.

Wellington follows closely as the second poorest performer with the lowest capital gains — up 5.1% from \$875,000 to \$920,000 — and an annual yield of 3.4%.

Jo Rae, Head of Property Management at REINZ, says: “Taranaki showed strong returns for investors, ranking second on our table; however, there is variance across areas in that region. While the South Taranaki District has a yield of 5.0%, the Stratford District and the New Plymouth District returned yields of 3.9% and 3.7% respectively — lowering the overall yield in the area. At the same time, the Stratford District had the highest capital gains at 27.7%, while the South Taranaki District and the New Plymouth District had capital gains of 17.1% and 14.4% respectively.

“The Wellington region tells a similar story, particularly in terms of capital gains. For example, while the South Wairarapa District had capital gains at 26.7% and the Masterton District sat at 12.5%, areas such as Wellington City — at -1.3% — pulled the overall capital gains in the region down.”

“Looking at the regions and the variance across their areas, it is vital to undertake proper due diligence before purchasing an investment property.

“Anecdotally, we know investors have stepped back from the market since changes to tax legislations were introduced in March 2021, which has been compounded by the reintroduction of LVRs, tighter lending criteria, and continued interest rate increases — with the likelihood of more over the coming months. While there has been no mass exodus, there remains a notable absence in the current buyer pool.

“As the market continues its current trajectory, with the median property price moving at a more moderate pace and with more stock available, we may see investors return to the market enticed by moderating prices and the opportunity to diversify their portfolio,” she adds.

All data provided is for the six months ending June 2022 or the six months ending June 2021, so where an annual movement is referenced, this means the percentage change from the six months ending June 2022 compared to the six months ending June 2021. Capital gains is calculated by looking at the percentage movement in the median price for the six-month period referenced. Yield is calculated by looking at the annualised median rent as a percentage of median price.

## Regional breakdown of capital gains

The regions with the greatest increase in capital gains for the six months ending June 2021 compared to the six months ending June 2022 were:

1. Canterbury with a 22.1% increase from \$565,000 to \$690,000
2. West Coast with a 19.4% increase from \$289,000 to \$345,000
3. Taranaki with a 17.3% increase from \$537,000 to \$630,000
4. Northland with a 16.5% increase from \$665,000 to \$775,000
5. Waikato with a 16.5% increase from \$720,000 to \$839,000.

Marlborough had the second lowest annual capital gains increase at 6.3% in the six months to June 2022, compared to 32.3% in H1 2021. The region saw house prices increase from \$655,000 as at June 2021 to \$696,000 as at June 2022. At the same time, the region had a rental yield of 3.6% in H1 2022.

In Auckland, capital gains were 6.4% as at June 2022 – compared to 21.5% at the same time last year. Auckland had the lowest annual rental growth, increasing 3.4% over the 12 months to June 2022.

“The market came off its peak in November 2021, and through the first six months of 2022 we saw market sentiment quickly shift. Many buyers stepped back – particularly first home buyers and investors – as tightened lending criteria, interest rate increases and fears regarding inflation and the cost-of-living impacted demand.

“At the same time, there was an increase of stock on the market. Properties were spending longer on the market, in part due to the sales process lengthening, and more choice reducing buyer urgency in the market. While house prices continued to increase, the pace of growth slowed.

“This inevitably impacts capital gains. However, property is a long-term investment. While the pace of capital gains growth has slowed, this will correct in the longer term,” she continues.

## Regional breakdown of rental yields

The regions returning the greatest yields to investors for the six months ending June 2022 compared to the six months ending June 2021 were:

1. West Coast with a yield of 5.3%, down from 5.4%
2. Southland with a yield of 4.4%, down from 4.5%
3. Gisborne with a yield of 3.9%, up from 3.7%
4. Manawatu/Whanganui with a yield of 3.9%, up from 3.7%
5. Taranaki with a yield of 3.8%, down from 4.1%

“While rental prices increased in H1 compared to the same period last year, median price growth continued to outpace growth in rent prices to moderate rental yield.

“West Coast had the greatest rental yield in the first half of 2022, with a rental yield of 5.3% compared to 5.4% in H1 2021.

“West Coast tends to buck the trend when compared to other regions across New Zealand. Fundamentals – such as forecast population growth and property supply over time – in the market there keep property prices below the New Zealand median. However, like other regions there was a marked increase in the West Coast median price compared to H1 2021, which contributes to the annual decrease in rental yield. The median residential property price in the region was \$345,000 in the six months to June 2022. The region hit a record median in May 2022 (\$395,000).

“Anecdotally, a number of large-scale mining projects in the region are expected to bring employment opportunities to the area – which will likely provide a welcome population boost and may drive demand in the rental and real estate markets,” Rae concludes.

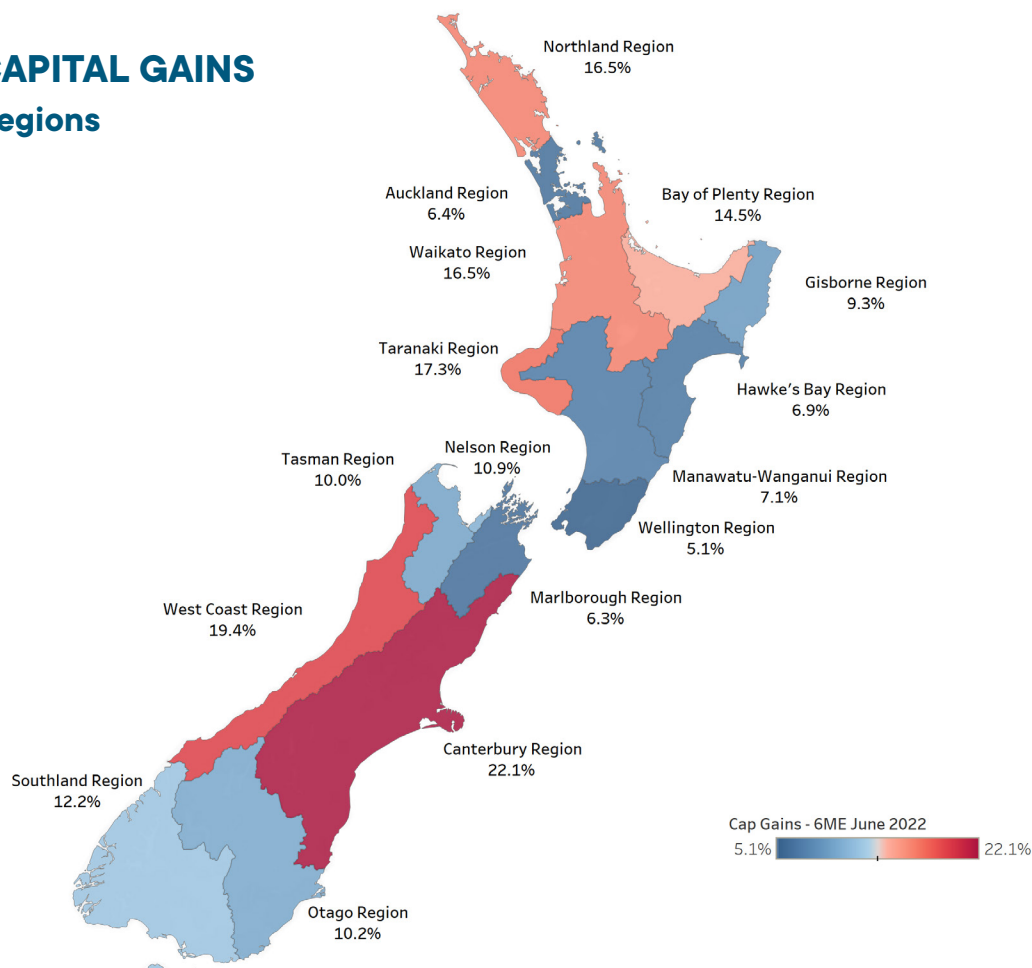
## OVERALL RANKINGS

Region	CG Rank	Yield Rank	Overall Rank
West Coast	2	1	1
Taranaki	3	5	2
Southland	7	2	3
Canterbury	1	9	4
Northland	4	10	5
Gisborne	11	4	6
Manawatu - Whanganui	12	3	6
Otago	9	8	8
Bay of Plenty	6	13	9
Hawke's Bay	13	6	9
Waikato	5	14	9
Nelson	8	12	12
Marlborough	15	7	13
Tasman	10	15	14
Wellington	16	11	15
Auckland	14	16	16

# CAPITAL GAINS - REGIONS

Location	Median Sales Price 6ME June 2020	Median Sales Price 6ME June 2021	Median Sales Price 6ME June 2022	Capital Gains June 2021	Capital Gains June 2022
Auckland Region	\$905,000	\$1,100,000	\$1,170,000	21.5%	6.4%
Bay of Plenty Region	\$659,000	\$812,000	\$930,000	23.2%	14.5%
Canterbury Region	\$470,000	\$565,000	\$690,000	20.2%	22.1%
Gisborne Region	\$430,000	\$617,500	\$675,000	43.6%	9.3%
Hawke's Bay Region	\$545,521	\$711,000	\$760,000	30.3%	6.9%
Manawatu-Whanganui Region	\$421,500	\$560,000	\$600,000	32.9%	7.1%
Marlborough Region	\$495,000	\$655,000	\$696,000	32.3%	6.3%
Nelson Region	\$597,500	\$705,000	\$782,000	18.0%	10.9%
Northland Region	\$535,500	\$665,000	\$775,000	24.2%	16.5%
Otago Region	\$540,000	\$662,250	\$730,000	22.6%	10.2%
Southland Region	\$346,275	\$401,000	\$450,000	15.8%	12.2%
Taranaki Region	\$420,000	\$537,000	\$630,000	27.9%	17.3%
Tasman Region	\$668,500	\$800,000	\$880,000	19.7%	10.0%
Waikato Region	\$590,000	\$720,000	\$839,000	22.0%	16.5%
Wellington Region	\$685,300	\$875,000	\$920,000	27.7%	5.1%
West Coast Region	\$225,000	\$289,000	\$345,000	28.4%	19.4%

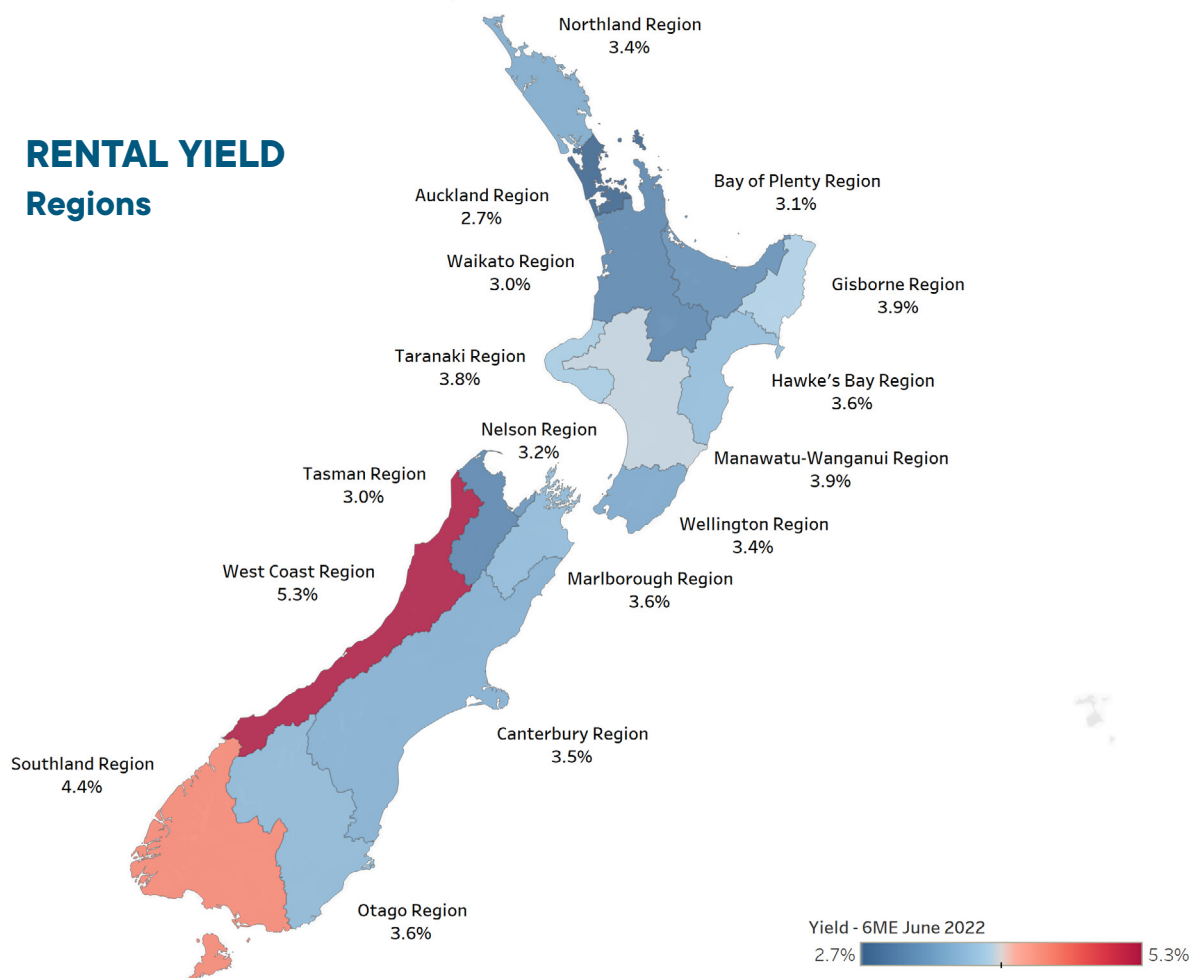
## CAPITAL GAINS Regions



# RENTAL YIELD - REGIONS

Location	Median Rental Price 6ME June 2021	Median Rental Price 6ME June 2022	Median Sales Price 6ME June 2021	Median Sales Price 6ME June 2022	Yield June 2021	Yield June 2022
Auckland Region	\$580	\$600	\$1,100,000	\$1,170,000	2.7%	2.7%
Bay of Plenty Region	\$520	\$560	\$812,000	\$930,000	3.3%	3.1%
Canterbury Region	\$425	\$460	\$565,000	\$690,000	3.9%	3.5%
Gisborne Region	\$440	\$500	\$617,500	\$675,000	3.7%	3.9%
Hawke's Bay Region	\$480	\$530	\$711,000	\$760,000	3.5%	3.6%
Manawatu-Whanganui Region	\$400	\$450	\$560,000	\$600,000	3.7%	3.9%
Marlborough Region	\$450	\$480	\$655,000	\$696,000	3.6%	3.6%
Nelson Region	\$460	\$480	\$705,000	\$782,000	3.4%	3.2%
Northland Region	\$460	\$510	\$665,000	\$775,000	3.6%	3.4%
Otago Region	\$450	\$500	\$662,250	\$730,000	3.5%	3.6%
Southland Region	\$350	\$382	\$401,000	\$450,000	4.5%	4.4%
Taranaki Region	\$420	\$460	\$537,000	\$630,000	4.1%	3.8%
Tasman Region	\$480	\$510	\$800,000	\$880,000	3.1%	3.0%
Waikato Region	\$455	\$490	\$720,000	\$839,000	3.3%	3.0%
Wellington Region	\$555	\$600	\$875,000	\$920,000	3.3%	3.4%
West Coast Region	\$300	\$350	\$289,000	\$345,000	5.4%	5.3%

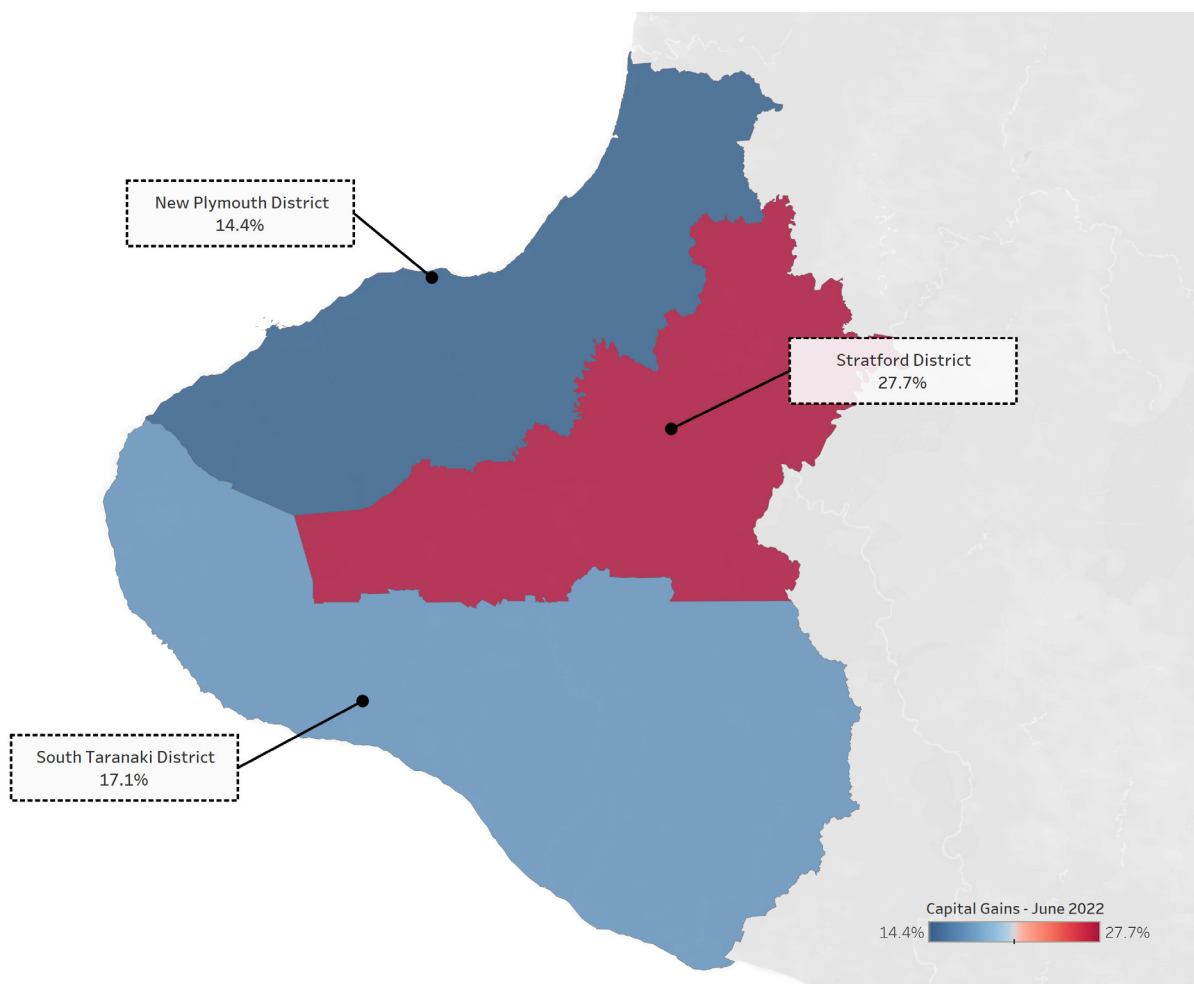
## RENTAL YIELD Regions



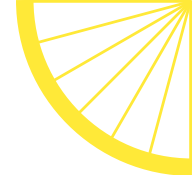
# CAPITAL GAINS — TARANAKI

Location	Median Sales Price 6ME June 2020	Median Sales Price 6ME June 2021	Median Sales Price 6ME June 2022	Capital Gains June 2021	Capital Gains June 2022
New Plymouth District	\$485,000	\$605,000	\$692,000	24.7%	14.4%
South Taranaki District	\$295,000	\$385,000	\$451,000	30.5%	17.1%
Stratford District	\$337,500	\$436,500	\$557,500	29.3%	27.7%

## CAPITAL GAINS Taranaki

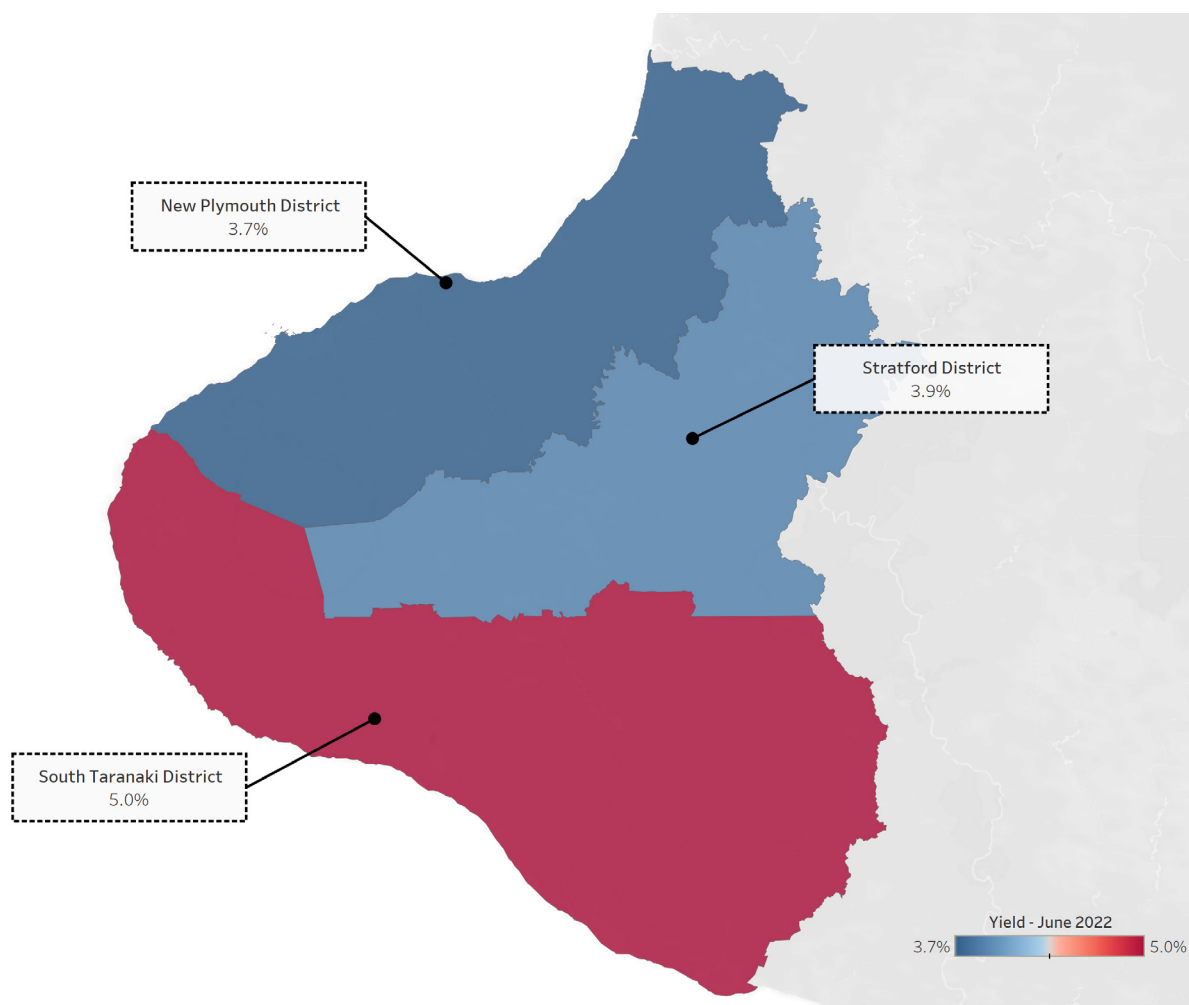


# RENTAL YIELD — TARANAKI



Location	Median Rental Price 6ME June 2021	Median Rental Price 6ME June 2022	Median Sales Price 6ME June 2021	Median Sales Price 6ME June 2022	Yield June 2021	Yield June 2022
New Plymouth District	\$440	\$490	\$605,000	\$692,000	3.8%	3.7%
South Taranaki District	\$380	\$430	\$385,000	\$451,000	5.1%	5.0%
Stratford District	\$390	\$415	\$436,500	\$557,500	4.6%	3.9%

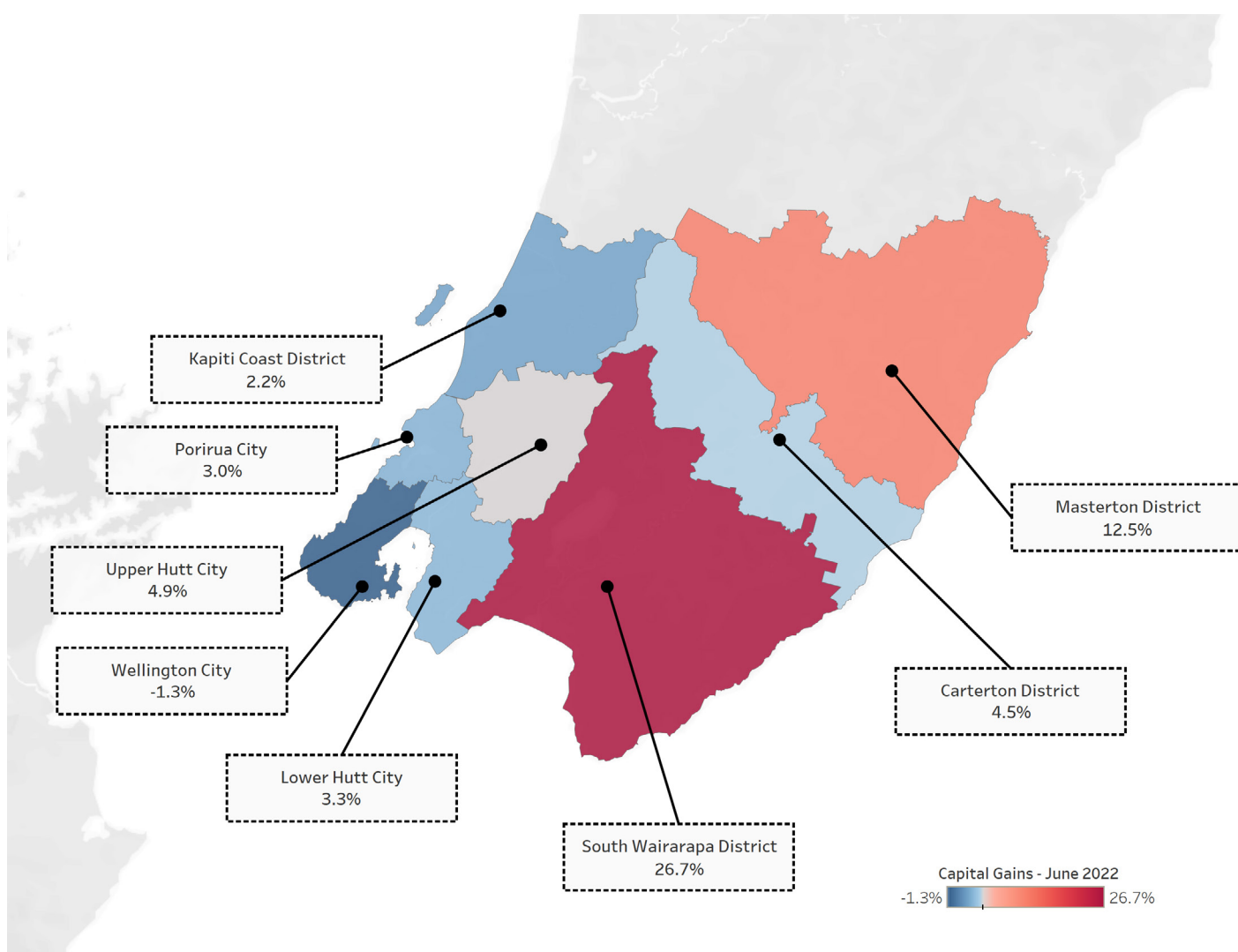
## RENTAL YIELD Taranaki



# CAPITAL GAINS – WELLINGTON

Location	Median Sales Price 6ME June 2020	Median Sales Price 6ME June 2021	Median Sales Price 6ME June 2022	Capital Gains June 2021	Capital Gains June 2022
Carterton District	\$525,000	\$670,000	\$700,000	27.6%	4.5%
Kapiti Coast District	\$640,000	\$878,000	\$897,600	37.2%	2.2%
Lower Hutt City	\$645,000	\$844,000	\$871,750	30.9%	3.3%
Masterton District	\$450,000	\$600,000	\$675,000	33.3%	12.5%
Porirua City	\$740,000	\$922,400	\$950,000	24.6%	3.0%
South Wairarapa District	\$618,000	\$740,000	\$937,500	19.7%	26.7%
Upper Hutt City	\$635,000	\$815,000	\$855,000	28.3%	4.9%
Wellington City	\$810,125	\$1,023,000	\$1,010,000	26.3%	-1.3%

## CAPITAL GAINS Wellington

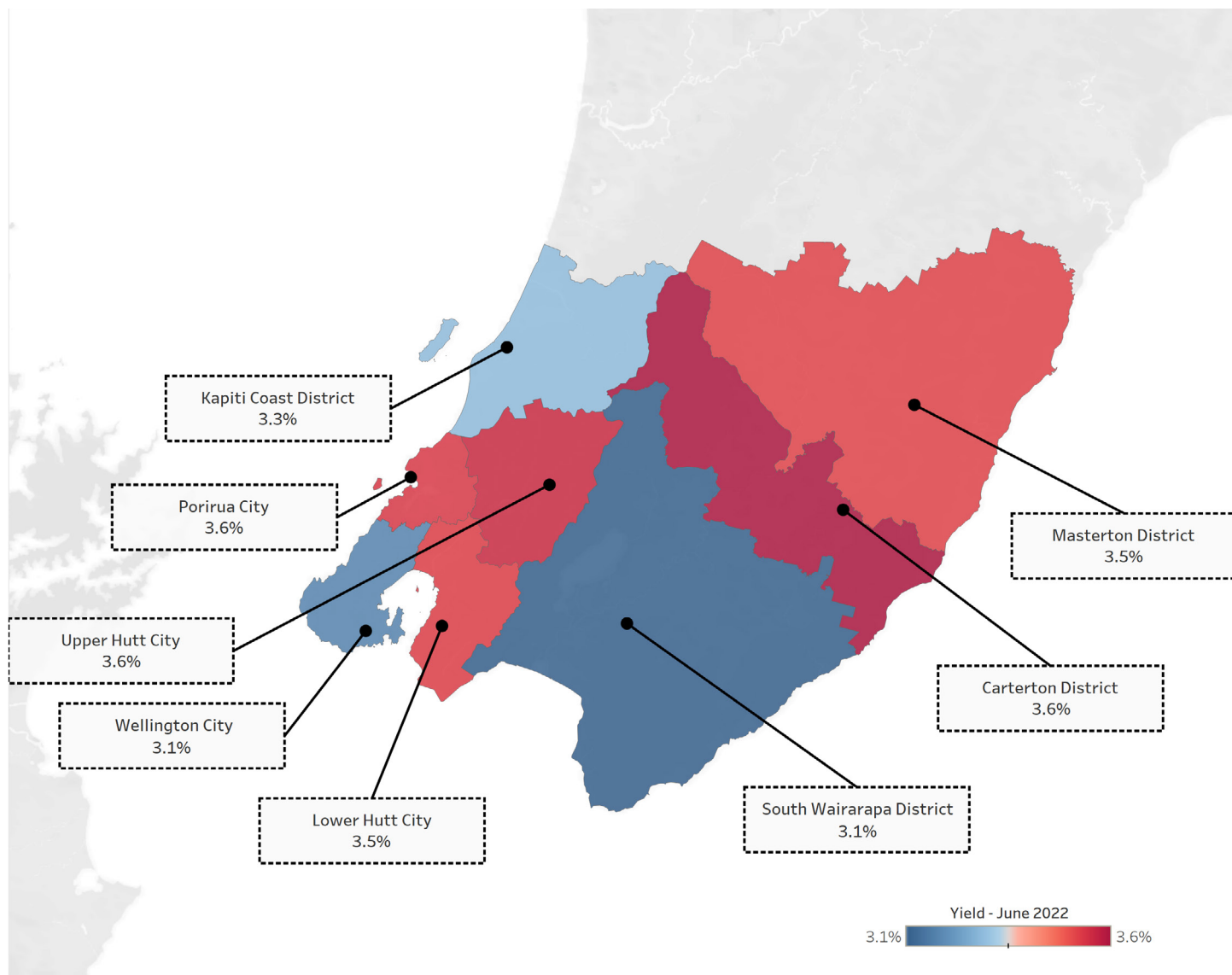




# RENTAL YIELD — WELLINGTON

Location	Median Rental Price 6ME June 2021	Median Rental Price 6ME June 2022	Median Sales Price 6ME June 2021	Median Sales Price 6ME June 2022	Yield June 2021	Yield June 2022
Carterton District	\$448	\$490	\$670,000	\$700,000	3.5%	3.6%
Kapiti Coast District	\$500	\$565	\$878,000	\$897,600	3.0%	3.3%
Lower Hutt City	\$550	\$595	\$844,000	\$871,750	3.4%	3.5%
Masterton District	\$400	\$460	\$600,000	\$675,000	3.5%	3.5%
Porirua City	\$590	\$650	\$922,400	\$950,000	3.3%	3.6%
South Wairarapa District	\$480	\$550	\$740,000	\$937,500	3.4%	3.1%
Upper Hutt City	\$545	\$590	\$815,000	\$855,000	3.5%	3.6%
Wellington City	\$595	\$610	\$1,023,000	\$1,010,000	3.0%	3.1%

## RENTAL YIELD Wellington



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