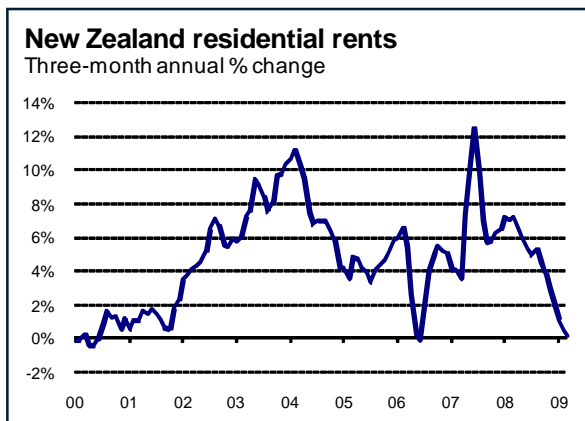




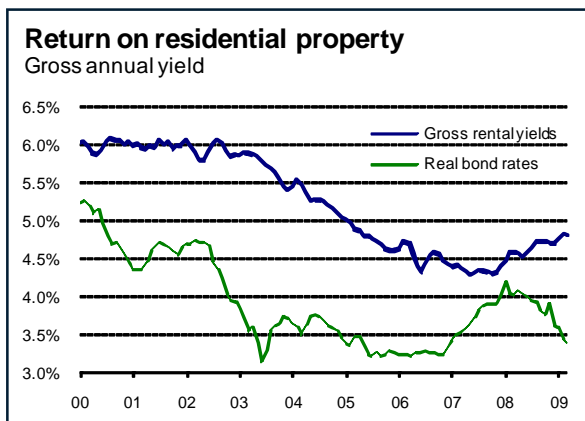
	Mar-09	Dec-08	Sep-08	Jun-08
<b>Average rent</b> <sup>(1)</sup>	304	301	304	302
<b>Rental inflation</b> <sup>(2)</sup>	0.1%	1.8%	4.5%	5.2%
<b>Number of bonds</b> <sup>(2)</sup>	14.3%	5.0%	-11.0%	15.9%
<b>Gross rental yields</b>	4.79%	4.70%	4.74%	4.58%

(1) Weighted by number of bedrooms (2) Last three months on same three months previous year  
 Data source: Infometrics calculations from Real Estate Institute of NZ/Department of Building and Housing data



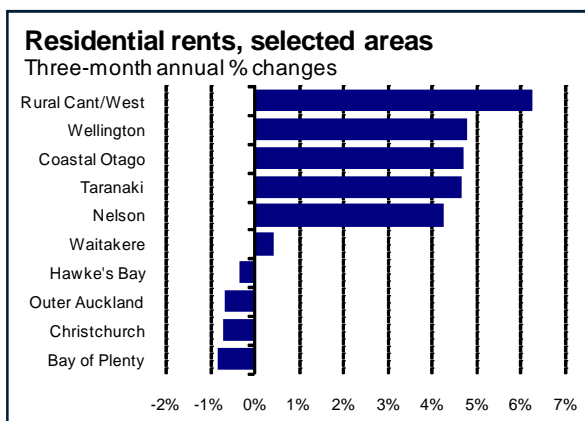
### Setting rents to attract tenants

Rental inflation slowed to almost zero over the March quarter, and has not been lower since mid-2006. The supply of rental accommodation remains relatively plentiful, and landlords appear to be adopting a pragmatic approach to setting rents, placing emphasis on attracting and retaining tenants at the expense of a few extra dollars per week.



Four areas recorded small falls in rents in the most recent data – the falls in Bay of Plenty, Christchurch, and Hawke’s Bay are the first for these areas since 2000 or 2001. Tenants appear to be taking advantage of the greater choice of property, with the number of bonds processed by the Department of Building and Housing up 14% over the March quarter compared to a year earlier.

Despite rents being flat, rental yields edged up over the quarter to their highest level since 2005 as a result of falling house prices. Real bond rates continued their downward trend of the last year, meaning that the premium on residential property investment is now above its post-1997 average for the first time in 3½ years.



Continued weakness throughout the economy is likely to maintain downward pressure on rents throughout 2009. However, recent suggestions that the broader housing market may be stabilising could put a floor under rents – particularly when improving net migration and the lack of new residential building activity are taken into account.