Property gains shrink as inflation and ownership costs bite

EMBARGOED UNTIL 04:00AM, Thursday, 13 August 2026.

Response to Cotality Pain & Gain Report, Q2 2026

The NZ Property Investors' Federation says new data showing the lowest rate of profitable property resales since 2012 demonstrates how nominal property gains can be eroded by inflation and ownership costs.

Cotality's Pain & Gain report shows 86.9% of residential properties sold in the June quarter achieved a gross profit, while 13.1% made a loss. On average, profitable resales required an ownership period of 10.4 years.

"The headline numbers only tell part of the story," said NZPIF spokesperson Matt Ball. "They do not account for inflation, maintenance and upgrade costs, mortgage interest, rates, insurance, legal fees, agent commissions, and the many other costs involved in owning a property."

"Once those factors are included, the number of properties delivering a genuine real return is likely to be much lower."

Inflation tells a different story

According to Stats NZ's inflation calculator, CPI rose around 39% over the last 10 years, meaning many gains recorded as gross profits may reflect inflation rather than a real increase in wealth.

For example, a house bought for $500,000 in 2016 would need to sell for around $695,000 in 2026 just to keep pace with inflation. Before ownership costs are even considered, that is standing still in real terms, not creating new wealth.

Taxing inflation is not a capital gains tax

This report raises important questions about Labour's proposed capital gains tax, particularly whether a tax that does not adjust for inflation would fairly distinguish between nominal gains and genuine real gains.

"A capital gains tax that ignores inflation risks taxing paper gains as if they were real income," said Mr Ball.

"A person who bought a rental property for $500,000 10 years ago and sold it for $695,000 today would have made no real profit, but could still be taxed on a nominal gain of $195,000. At a 28% tax rate, that's a tax bill of about $54,600, leaving them worse off in real terms."

"That raises a fundamental fairness question: should people pay capital gains tax when there has been no real capital gain?"

Mr Ball said the policy appears to have been designed for a property market that no longer exists.

"The days of automatic capital gains are gone. A capital gains tax that fails to account for inflation risks penalising ordinary Kiwis who provide rental accommodation and are trying to save for retirement."

Focus on fixing the housing market

Mr Ball said the figures should be a wake-up call for policymakers across the political spectrum.

"For years politicians have argued about how to tax housing, often by targeting providers of rental housing. These figures suggest the bigger priority should be fixing the housing market itself."

"Boom-and-bust housing cycles do not help homeowners, renters, or long-term investors. New Zealand needs stable, long-term housing policy focused on delivering good-quality homes for homeowners and renters alike."

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