

# RIMU Insights

A series of speaker events on Auckland issues brought to you by the Research and Evaluation Unit (RIMU).

Co-hosted by  
**BRANZ**

## Realities of Renting

Launch of *The New Zealand Rental Sector* report

4 August 2017

#realitiesofrenting



# The New Zealand Rental Sector

Karen Witten & Penelope Carroll

Massey University SHORE and Whariki Research Centre

Lucy Telfar Barnard

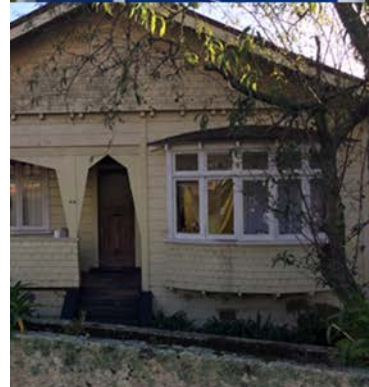
University of Otago, Wellington

4<sup>th</sup> August 2017



## Context: New Zealand's private rental market

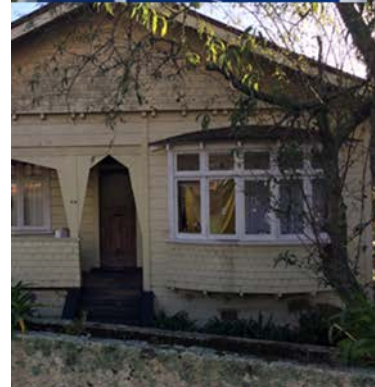
- Home ownership rates are declining: the traditional housing pathway has been disrupted
  - renting is no longer a transitional tenure but is relied upon by a higher proportion of households for longer periods
- almost half of Auckland's children 0-4 years now live in rental accommodation
- the average length of tenancy is about a year
- in the year prior to the 2013 Census children in rental homes had moved between dwellings at twice the rate of those in owner occupied homes
- over 80% of Auckland tenants rent privately



## Context: New Zealand's private rental market

- increasing numbers of older people are entering retirement living in rental accommodation
- much of our rental housing stock is of poor quality
- NZ has relatively weak tenant protection regulations compared to many other jurisdictions
- financialisation of housing and speculation for capital gain is a phenomenon here as elsewhere

*“..there is a conflict between housing as lived, social space, and housing as an instrument for profitmaking – a conflict between housing as home and as real estate.” Madden & Marcuse (2016)*



# Research Design

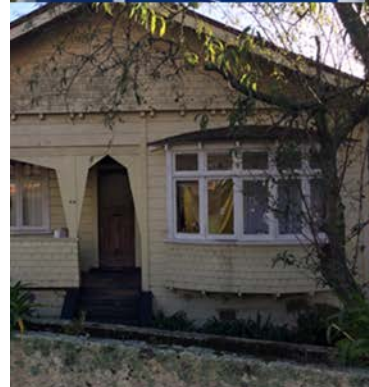
	Phase 1	Phase 2	Phase 3
	Analysis of Census Data	CATI surveys	In-depth interviews
		1100 Tenants 400 Landlords	86 Tenants 38 Landlords
Dates	2001 -2013	2015	2016

# Who New Zealand's private rental market

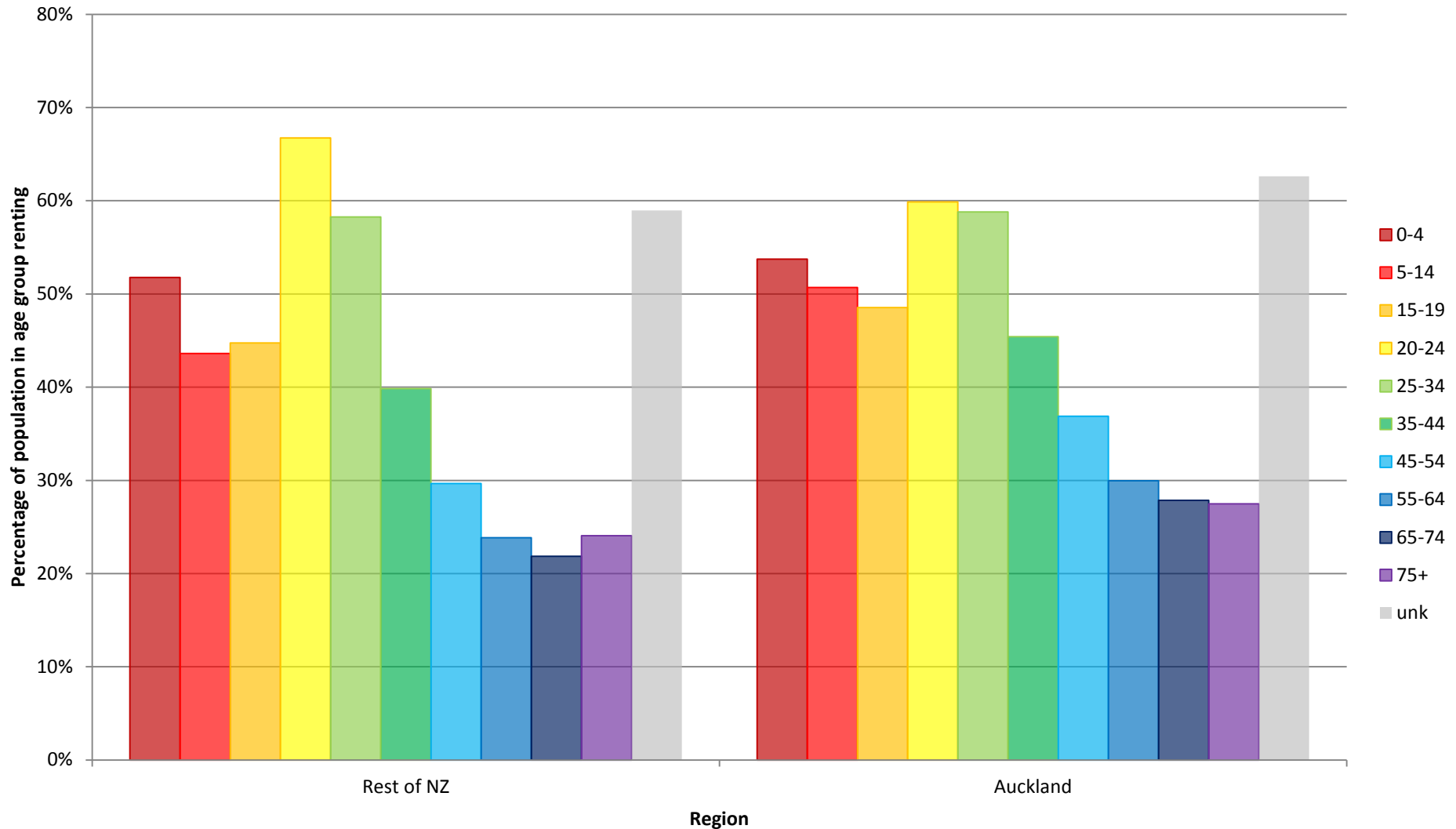
- Home ownership rates are declining:

	1991	2013	change
<b>New Zealand</b>	73.8%	64.8%	-9.0%
<b>Auckland</b>	72.7%	61.5%	-11.2%

- 2013 census population: where tenure is known,
  - 46% of Aucklanders live in rentals
  - 42% Wellington, 40% Christchurch, 39% Dunedin
  - 40% rest of New Zealanders
- For over-20 year olds, proportion renting rose from 40% in 2001 to 46% in 2013
- No difference in tenure by gender except for 75+ age group, where women were more likely to rent than men



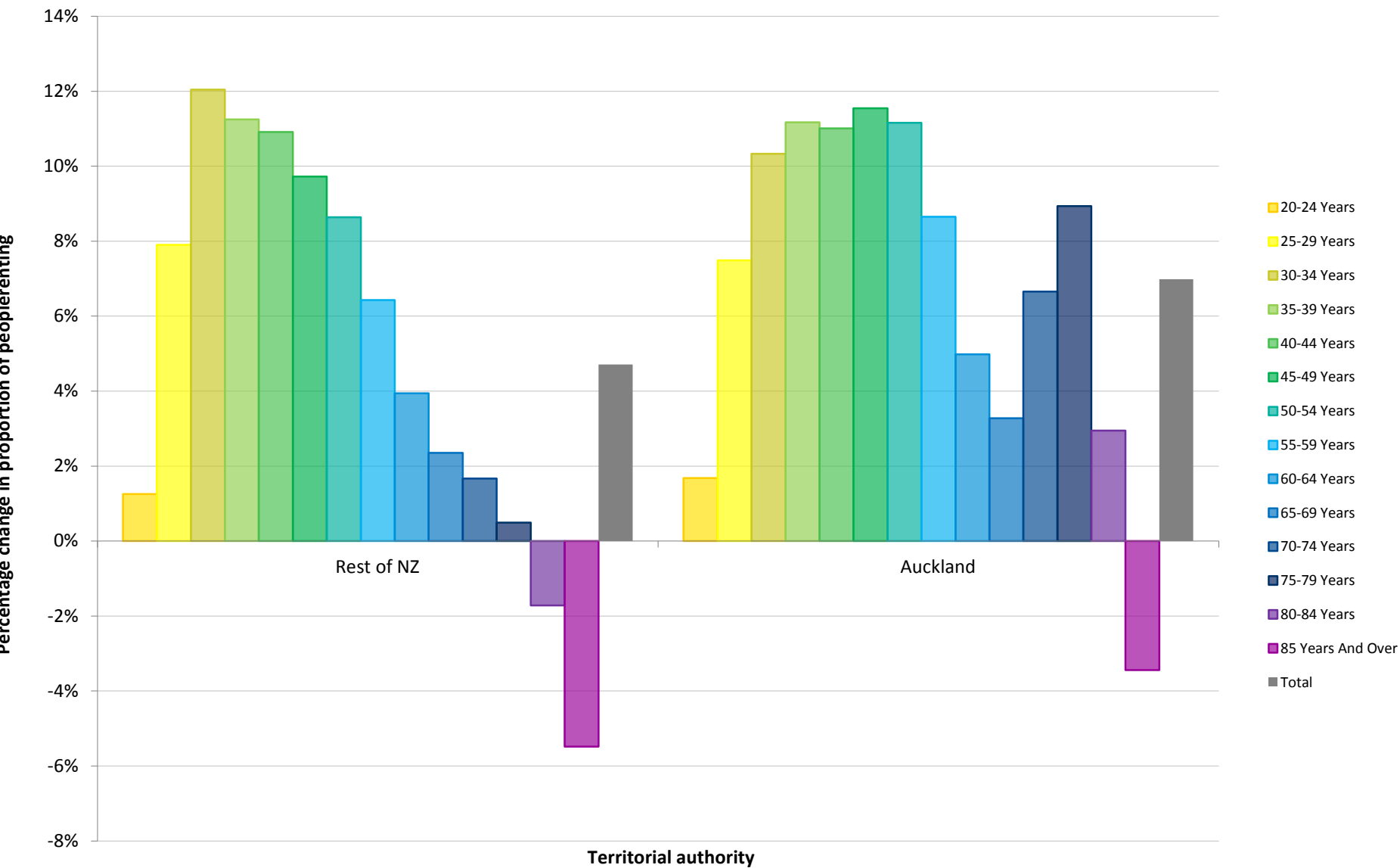
# How likely are we to rent as we age?



- Aucklanders continue to rent for longer in life than people in other parts of New Zealand



# How has this changed? (2001 – 2013, 20+ years)

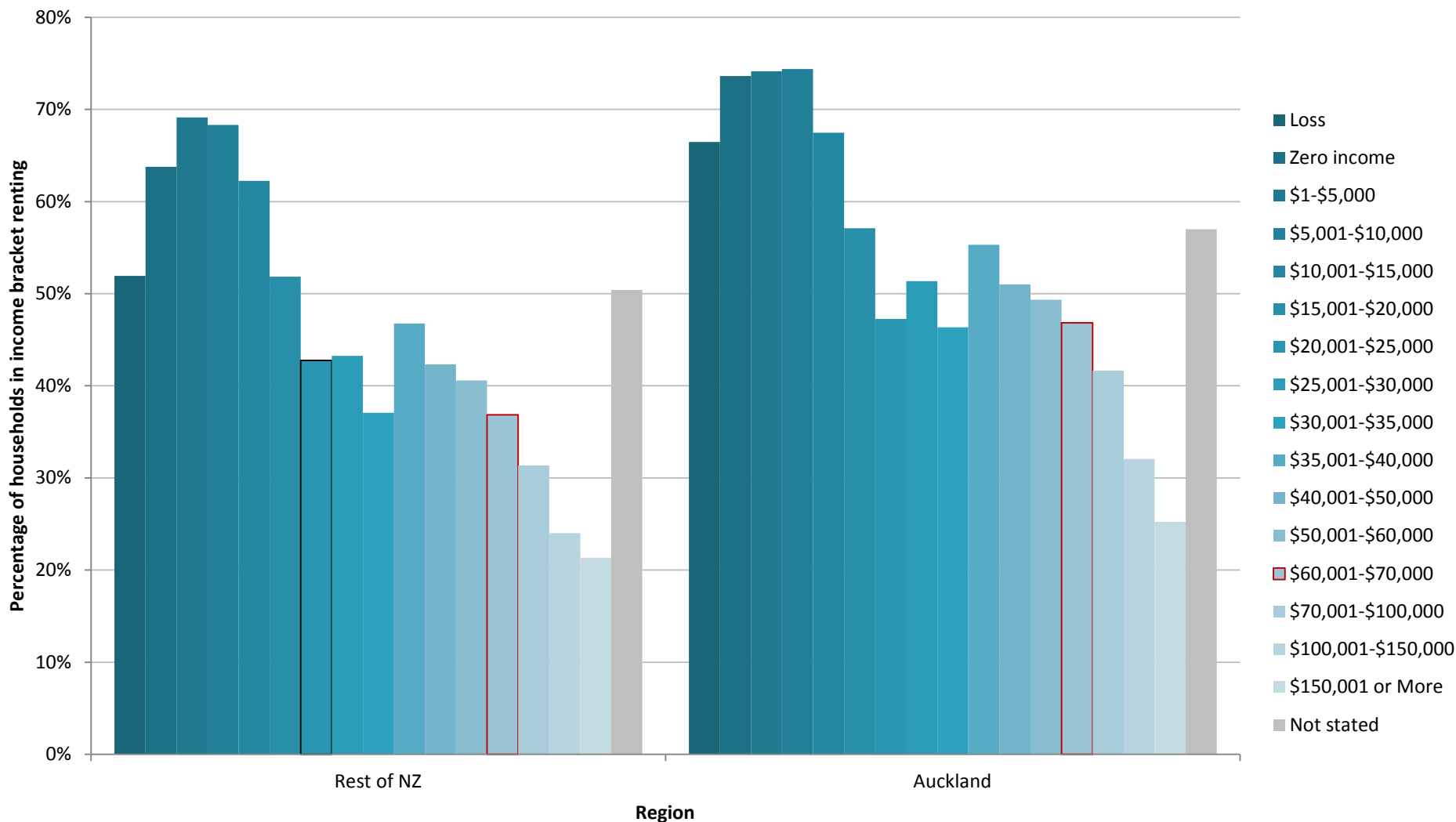


for older age groups.

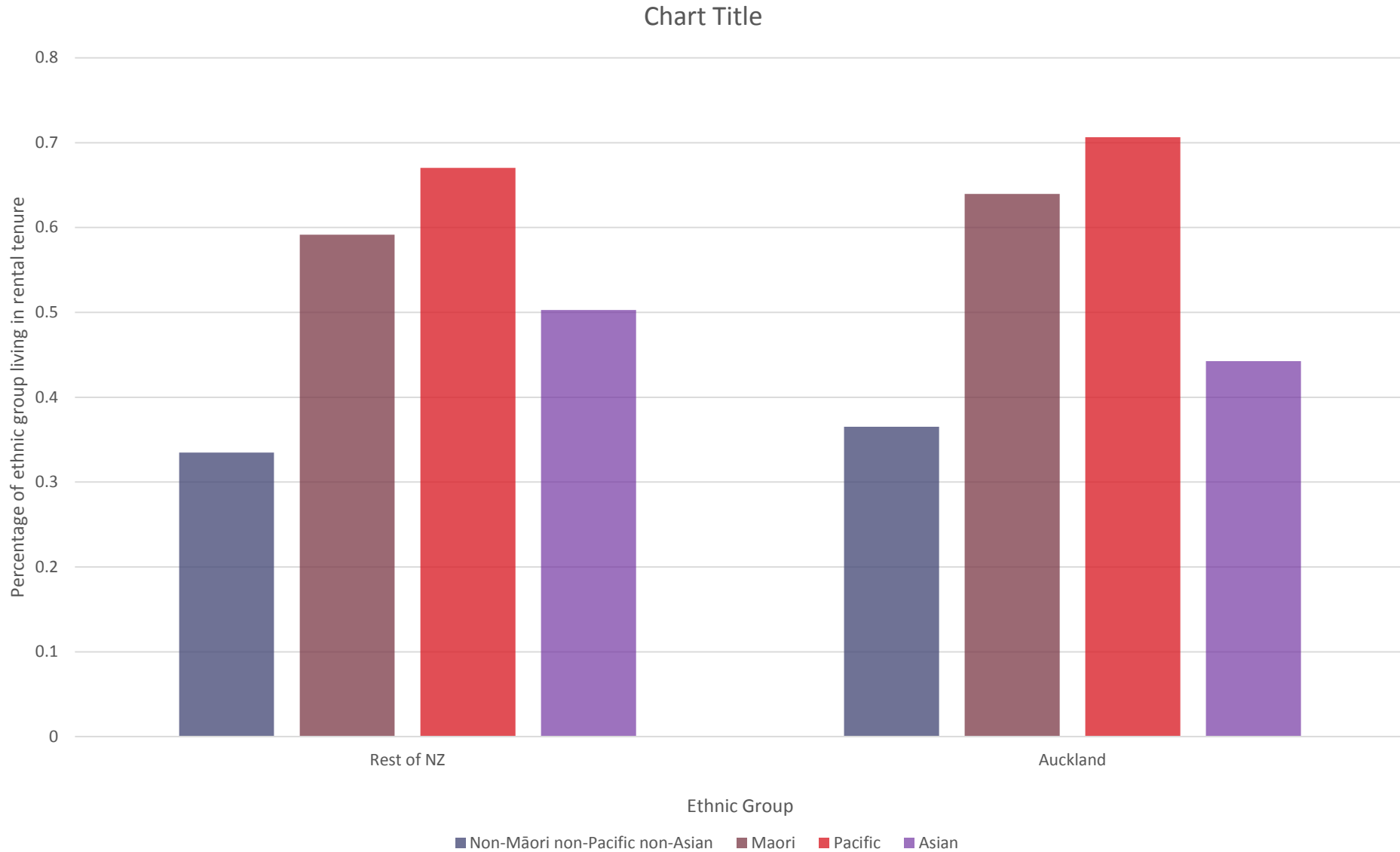


# Renting and household income 2013

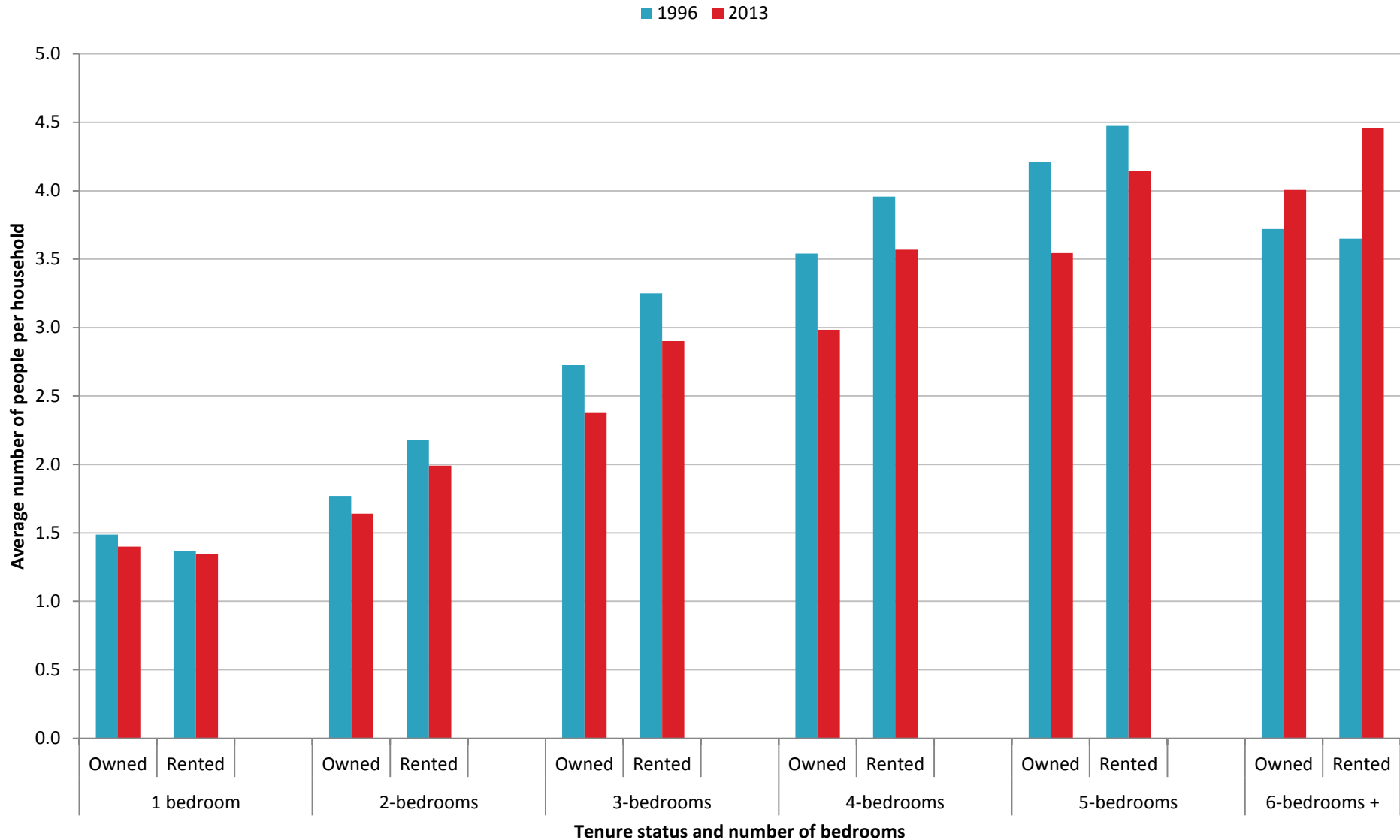
Proportion of households renting by household income



# Renting and ethnicity 2013



# Tenure and occupancy



# Research Design

	Phase 1	Phase 2	Phase 3
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The CATI survey replicated an Auckland 2011 Tenant and Landlord survey

\* RIMU Auckland Council

# Landlords: investment rationale

- Rental property was 'doable' and more secure than other forms of investment

*You can touch them [houses], you can see them...nobody can just whoosh them away out of your bank account*

- 62% owned one and 20% two rental properties
- 98% of properties were rented
- First rental property purchased : as a form of retirement savings (32% of respondents), for capital gain (28%) for rental income (21%)
- Last rental property purchased : as a form of investment (80%), retirement savings, capital gain and rental income
- Median length of time as a landlord was 12 years
- Second-hand properties preferred. Why? - cheaper (38%); a greater choice (11%); had better resale value (9%).



# Types of landlords

- **retirement income**

*It's the best retirement plan in New Zealand...you get a capital gain plus a return on your investment*

- **general investment/wealth creation**

*I use property investment as a way to preserve and to increase my personal wealth...*

- **business/lifestyle choice**

*I was a marine engineer so I used to go away for 6 weeks at a time and home for 6 weeks and I was always a bit of a handy man ...[rental property] just have something to do when I was at home...*

- **'accidental landlords'**



# Landlords: financing

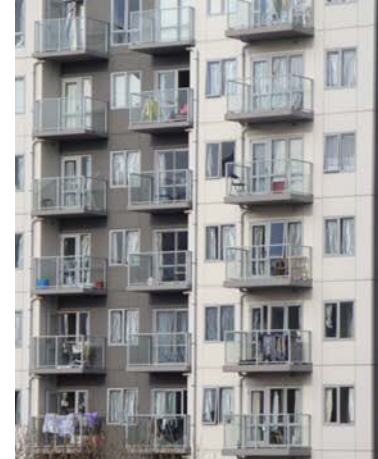
- Financing the deposit on the **first** rental property: accumulated savings (53%), equity in their own home (29%)
- When all properties considered 39% of landlords had used equity from a property they already owned to purchase further property – 1/4 encouraged by their bank
- 73% of rental properties were mortgaged, with 31% of landlords paying interest only and the rest a combination of principal and interest
- 18% had had to refinance in the previous 2 years





## Landlords: financing (2)

- Median reported value of Auckland portfolios was \$700,000 (nationally \$560,000)
- Average level of debt amongst Auckland landlords was \$365,000, with median of \$200,000 as 1/3 had no debt.
- 64% did not know the yield on their property investment/s
- Of those planning to sell a rental property – none had an alternative forms of investment in mind
- 4% of Auckland landlords were a member of a property investor organisation



# Landlords: managing properties

- 67% of Auckland landlords managed properties themselves  
27% used a property manager
- Tenant selection was often delegated to a manager/agent (39%)
- 94% of landlords reported having signed tenancy agreements and 81 % having collected and lodged bonds
- 89% of landlords were aware of the then proposed minimum standards for smoke alarms and insulation and 88% agreed with these minimum standards



# Landlords: maintenance

Two key discourses:

- **Self interest – wellbeing of the asset**

*..they go up in value if you keep them maintained, and if you keep them maintained you've got something that you can liquidate if you need to*

- **'Do unto others' – wellbeing of the tenant**

*As I've got older I've taken a longer view... I would bring it up to a level where I'd be happy to live in it myself*

Maintenance schedules rare – repairs and maintenance done on an 'as and when needed' basis



# Landlords: future intentions

## Future intentions

- 25% had plans to buy more rental property
- For those not planning further investment difficulties financing was the most common reason (45%)
- Succession planning?





# Tenants: housing pathways

- Housing pathways are diverse – 1/3 of tenants had previously been home owners

## Tenant groups

- **Always rented - 10-45 years**

*Next month will be 11 years [renting]...I'm on my seventh house...*

- **Renting by choice**

*...we had owner occupied until 6-7 years ago, but decided to rent something with a better view that was more user-friendly than anything we owned...*

- **Major change in life circumstances**

*How to put it, we lost the family home.... unfortunately my husband lost his job, and he was...almost retirement age and he couldn't get another job, and we couldn't service the mortgage.*

- **Temporary/short term**





# Tenants: findings homes

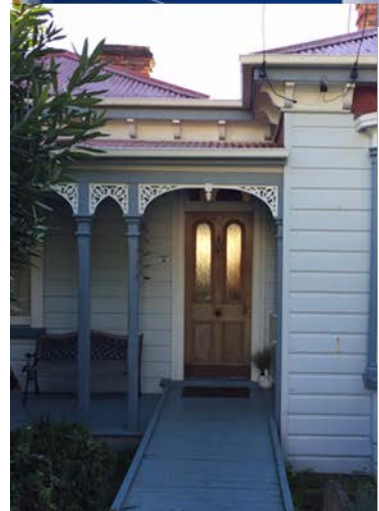
- Trade me
- Over 50% secured the first rental they applied for, further 34% after 2 – 5 applications, 6% applied for > 10 before securing a rental
- Almost ¼ thought they had been unfairly turned down - of those having children (26%), pets (17%), ethnicity (13%), age (8%)
- Most common reasons given for selecting a rental - affordability, quality of property, location and 'it was all I get at the time'



# Tenants: tenancies

## Tenancy agreements:

- 6 month to 1 year fixed term that converts to periodic most common
- 91% of the sample had signed a tenancy agreement and 90% had paid a bond; 63% of those who had paid a bond knew that it had been lodged with the MBIE
- A good relationship with the landlord was highly valued and a majority of tenants preferred dealing directly with a landlord rather than a property manager.





# Tenants: moving house

- 82% said accommodation was adequate. If not, reasons – too small (45%), unhealthy/damp (27%), needs improvements or repairs (26%)
- There was high rate of turnover: 42% of the sample had moved in the previous two years (46% nationally).
- Landlord sold the house was most common reason for moving in Auckland (36%) – up from 13% in 2011
- 44% of tenants were planning to move in the next two years. Main reason – to find cheaper accommodation (34%)
- Only 2% reported being evicted



# Tenants: repairs and maintenance:

- 83% of tenants reported fitted smoke alarms; 39% reported ceiling and underfloor insulation, 25% did not know.
- Plumbing or electrical work most common repair requests; took two to three days to fix after being brought to the attention of the landlord/manager. Tenants viewed this as a reasonable timeframe.
- 70% of Auckland tenants were satisfied or very satisfied with the level of maintenance provided.
- Tenant priorities for capital improvements - insulation, heating and kitchens.
- Rent hikes were a common concern and for some fear of a rent increase or eviction deterred requesting needed repairs.

Most tenants, if asked, said they knew the Residential Tenancy Act existed, but they had little or no explicit knowledge or experience of it.



# Discussion

- Diversity
  - of tenants and landlords
  - pathways in & out of renting and investing,
  - tenancy experiences and property management practices
- Home ownership remains the NZ dream and the only route to housing security
- Rentals are 'adequate' but second rate, insecure and hard to make home
- Rental property is a landlord's asset first and foremost and not a tenant's home
- 'Lucky' - to have a good rental experience
- Stoical – low expectations of housing quality (except for insulation)
- RTA – knowledge vs feeling empowered to act

**Secure occupancy** - how can a landlord's 'asset' also become a tenants' 'home' ?

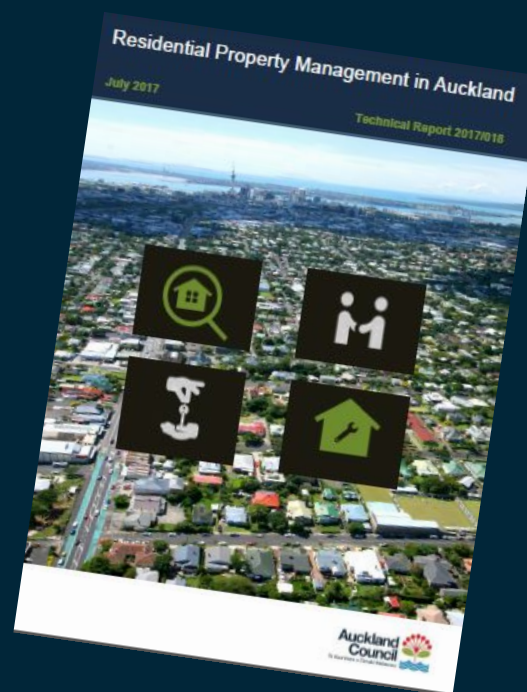


# Residential Property Management in Auckland

Auckland Council report TR2017/018

Alison Reid  
Senior Researcher  
Research and Evaluation Unit (RIMU)

RIMU Insights, 4 August 2017



# The Wild West

The sector is underpinned by a growth imperative

Also unregulated and is subject to minimal levels of financial accountability.



KEEP  
CALM  
AND  
HIRE A  
PROPERTY  
MANAGER



# Love you. Mean it!

Owners are perceived as significantly more challenging to deal with than tenants.

Especially getting them to pay for repairs and maintenance.



*“I get to speak at a number of our meetings and I have spoken at REINZ conferences and things like that, people say oh what is the hardest thing you do in the job and they go dealing with tenants, no there is a law for dealing with the tenants that is simple. If they don’t pay the rent there is a certain procedure, if they trash the house there is a certain procedure, simple there is no law for the owners. And they all think they are above the law.” (Bart)*





*‘A lot of landlords cannot accept that there is always going to be regular maintenance.’ (Margaret)*




Common practise of negotiating a set amount of approx \$300 - \$500 that the pm can spend without having to consult the owner in cases of minor repair or emergency, longer term and more costly items such as interior and exterior painting, addressing ingrained mildew, replacing carpets, replacing rotten boards on decks, or replacing white ware such as ovens often requires negotiation.

# Revolving doors

Tenants are ultimately viewed as an expendable resource and as free agents operating in a free market.

‘Good tenants’ sought after and retained.





*“Yeah, so what we do, when we do a fixed term tenancy, we write to the owner three weeks before the tenancy’s up and say: “Look, the tenancy is up. Do you want us to keep going with these people? If they’re not good tenants we’ll move them on. If they are good tenants, then we’ll renew their lease, if they want it.” (Harry)*

# Authoritarian and proprietary approach to tenants

*“You have to be firm” (Lisa)*

*“.... you are renting through me, these are our rules” (Harry)*

*“We lay down the rules pretty firmly at the beginning ... it’s a bit like we’re dealing with children” (Jennifer)*





# Sum up

My research found examples of individuals striving to undertake a thorough and professional job, however the unregulated and dispersed nature of the sector means that it is not only prone to rogue operators and shonky practices, but there is no ability for the industry itself and for central government to effectively measure sector performance and to establish basic levels of service and systems of accountability.



Thanks for listening

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Thank you for your interest.

New Zealand Rental Sector:  
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Residential Property Management in Auckland:  
[www.knowledgeauckland.org.nz](http://www.knowledgeauckland.org.nz)



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