

Residential Property Management in Auckland

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Residential property management in Auckland

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Executive summary

Introduction

Home ownership is beyond the reach of increasing numbers of New Zealanders, and the traditional pathway from renting as a short-term option and a transitional form of tenure has become substantially disrupted. Renting will be a long-term, possibly permanent, proposition for a growing number of households in Auckland. Questions are emerging over the long-term social and economic impacts of this groundswell shift in tenure, and the adequacy of New Zealand's current rental system to ensure safe, secure and affordable housing options.

This paper considers one dimension of the rental market: the role and function of the property management sector. It is part of a broader research programme that Auckland Council's Research and Evaluation Unit (RIMU) is conducting to ensure that decisions over Auckland's future housing market are supported by robust analysis.

Background

This study explores the role and function of the residential property management sector in Auckland. New Zealand's housing system relies heavily on the provision of rental stock by private property owners, based both in New Zealand and overseas. Owners may not have the ability, or the inclination, to fulfil their responsibilities as a landlord under the Residential Tenancies Act 1986 (RTA), and many appoint a professional property manager to act as their agent. Yet, little is known about this sector and it is largely overlooked in the literature.

The study focused on commercial residential property management services. The sector is unregulated and property management services are fragmented. A range of services are offered under the property management banner. Property management has a strong relationship with the real estate industry, and most large real estate companies include a property management function. However, it is not restricted to the real estate industry. Residential property managers can also be part of one or two-person independent companies, or be employees or contractors working within dedicated property management companies.

Income is derived largely from the collection of fees attached to transactions, most notably the collection of rents and undertaking property inspections.

Research method

This was a qualitative study. A total of 15 property managers were interviewed face to face by a researcher from Auckland Council, using a semi-structured interview guide. Interviews took place between June and September 2016. The sample included nine males and six females. Most participants had been involved in the property management industry for over a decade. Participants' company offices were based in a variety of locations across the Auckland urban area.

Services offered by the property management sector

Residential property management covers a range of roles and functions, as listed below. Property management is a commercial business and fees are collected along most steps of the way. Functions include:

- Advertising and letting rental properties – sometimes this function is undertaken by a 'letting agent', noticeably in real estate companies.
- Tenant selection – there was a strong narrative within the interviews that the level of background checking on prospective tenants is what differentiates a professional property manager from private property owners who would not, or could not, be so rigorous.
- Setting up new tenancies – this study found no definitive pattern in initial start-up tenancy length or type of tenancy.
- Collecting rent and chasing rental arrears – all participants checked rent payments regularly (usually daily) and had systems in place that were immediately triggered if rent was late or missing.
- Adjusting the rent – property managers take an active role in reviewing rental prices of the properties for which they are responsible, at the initial stages of advertising a vacant property and during the tenancy. The usual practise was to review rents every six months (although this did not always translate into actual rental increases), and to incrementally increase rents over time.
- Undertaking inspections – upon signing a new tenancy, the property is usually subject to an initial inspection after four to six weeks. Properties are inspected regularly thereafter – every four months, but it can be up to every six months. Several participants commented that they undertake inspections every three months in order to fulfil requirements under landlord insurance provisions. There is always a charge for an inspection. Taking photos of the property is common practise, and photos are held on file as visual record of the property.
- Dispute resolution – disputes are resolved in a number of ways including inter-personal communication and negotiation, or by using official channels, such as the disputes process as outlined on the Tenancy Services website, and attending Tenancy Tribunal hearings.
- Attending to repairs and arranging property maintenance – there is a common practise of negotiating a set amount of approximately \$300 to \$500 that the property manager can spend without having to consult the owner, in cases of minor repair or emergency. As the study found however, getting owners to pay for repairs or maintenance that had more substantial costs was the most common challenge.
- Paying bills – property managers often take responsibility for ensuring that bills associated with ownership of the property are paid, such as rates, water, and insurance, particularly if the owner is not resident in New Zealand.

Perceptions of working with tenants

There was a strong narrative of 'good tenants' throughout the interviews. A 'good' tenant was tied to notions of paying the rent on time, maintaining the property, keeping it 'clean and tidy' and not asking for additional features to be added, or changes to be made to the dwelling. These tenants are sought after and retained, whereas other tenants are avoided or just moved on.

Some groups were mentioned by participants as being generally 'problematic', for a variety of reasons, particularly new migrants from non-European countries, and sole mothers.

In a few cases, participants expressed empathy for the situations of tenants in lower socio-economic circumstances who had limited choices, and some provided instances of exercising flexibility with the rules. However, tenants were ultimately (and unproblematically) viewed as free agents operating in a free market, exercising individual choice and having certain non-negotiable responsibilities.

The three most common challenges in dealing with tenants were rent arrears, lack of communication, and situations in which tenants request improvements or changes to the dwelling or property that were perceived by the property manager as being out of scope.

Property managers respond to these challenges in a variety of direct and indirect ways. Official mechanisms and systems for the retrieval of late or missing rental payments, retrieval of costs incurred for damage to properties, and dispute resolution, as set out in the RTA, are utilised by property managers, with varying levels of success. On a day to day basis, their responses to issues of poor or no communication, or requests for changes to the property which they feel are 'out of scope' vary. Instances were provided where such requests are just dismissed or ignored.

Perceptions of working with property owners

Participants' client bases were diverse. The extent to which the owners they represented were living in Auckland, in other parts of New Zealand, or overseas varied. Owners of properties were referred to as 'clients', whereas tenants were not ever referred to in this way.

It was widely felt that owners are more challenging to deal with than tenants, particularly as property managers are reliant on owners to pay for property maintenance and upkeep. 'Not paying for maintenance' or ignoring requests to discuss repairs or maintenance was one of the main and immediate responses when asked what the challenges were in dealing with property owners. Several property managers commented that this was a particularly prevalent challenge when working with 'Asian' owners. Meeting this challenge can involve a minefield of negotiation for property managers. They must balance their financial desire to retain their client's business, with their legal requirements to ensure that tenants are living in a safe and functional home.

Other challenges related to owners who get involved in aspects of the management of their property, particularly those who establish separate lines of communication with the tenant, and owners having 'unrealistic expectations' of what they should charge for rent.

Considerable effort is put into building and maintaining relationships with owners, as property managers are dependent on them for their ongoing business. Participants often spoke of the need to cajole, convince or demand certain decisions and responses from property owners. In the absence of formal mechanisms by which property managers can enforce owners to meet their legal requirements, and the lack of time or inclination to attempt to deal with them, it is not uncommon however for property managers to 'retire' or 'sack' their clients.

Views on Auckland's housing stock

Mould and damp was recognised as a frequent and common problem in the rental properties that participants managed. Participants generally echoed the advice from Tenancy Services, that it is the owner's responsibility to ensure that the property is mould free when it is initially let, and from then on it is the tenant's responsibility while it is tenanted. Several mentioned ongoing need for 'education' about the causes of mould and mildew and how to remove it, particularly among people who are new to living in New Zealand. The requirement to ventilate is commonplace on tenancy agreements. It was recognised by a few that in some cases it is beyond the ability of tenants to keep on top of the issue, where the mould is ingrained, however, none specified during their interview that they work with owners to undertake structural remedial action such as replacing walls and ceilings.

Feelings were mixed about the introduction of regular testing for methamphetamine (meth) contamination, as the standards were being finalised during the time of interviews. Some spoke of the 'risk' that they or their company would be liable in the event that a property was found to be contaminated. Their 'protection' against that was to insist on regular testing in between tenancies, and by urging their owners to have landlord insurance. Others were more ambivalent.

The legal requirements to have working smoke alarms in rental properties, and for minimum standards of insulation in rental properties by 2019 were seen as positive moves by all participants. Participants could clearly outline how it would make their job easier, and some discussed the links between dry and warm housing with improved experiences at the household and community level. Some had actively started to encourage their owners to address the new requirements for insulation as soon as possible.

Views on rental affordability

Somewhat paradoxically, although the residential property management model is predicated on growth and profit, and property managers actively encourage incremental rental increases, several commented during their interviews that rents were expensive, and were becoming 'unaffordable'. On occasion, participants expressed empathy for the situation of tenants in the current rental system, especially those on low incomes. However such moments of compassion were overwhelmed by a much stronger pragmatic narrative, of personal choice and belief in a free market.

Views on the property management sector

Most participants felt that demand for property management services in Auckland had increased in recent years. Two primary reasons for the increase in demand for property management services were provided: first, there has been an increase in investment in rental properties; and relatedly, there was a sense among participants that many private landlords do not have the time and/or the skills to effectively manage their investments, especially in light of increased requirements.

Several participants called for some form of regulation of the property management sector and expressed concerns about the increase in independent property managers operating in an unregulated and unsupervised environment. Problematic property managers were framed as the *'sole operators'*, the people *'running (their business) out of a car, out of a home office'*, and were often linked in their minds with an increase in property investment by overseas-based investors. Their concerns related to the lack of financial accountability and the ability for people to act as property managers without full awareness of the relevant legal and statutory requirements, which in their mind could have devastating impacts on the lived experience of tenants and owners.

Discussion

This study highlights the complex and dynamic environment within which property managers operate. Property managers act as appointed agents for those who are unable or unwilling to fulfil their legal responsibilities as a landlord, and the study found that many do so with high levels of professionalism, expertise and integrity. However, property managers are not statutorily required to be accredited or monitored. Anyone can market their services as a property manager, collect rent on behalf of property owners and charge fees for services, without any real financial accountability. This lack of regulation not only fails to prevent fraudulent and criminal activity, but means that there is no ability to establish basic standards of service, or to effectively measure sector performance. There is an ongoing imperative to bring in new business and some managers are overloaded with large portfolios. Inevitably, levels of service can slip, corners can be cut and things overlooked.

This study also highlights the substantial diversity of ownership of the private rental stock in Auckland from across the globe, and the ongoing need to assist newcomers to the rental system in New Zealand of their respective rights, responsibilities and legal requirements, as well as the performance of Auckland's housing stock.

The interviews reinforced a common theme throughout the literature of the relative powerlessness of tenants, and their limited ability to protect their interests in the current rental system. In Auckland's tight rental market, and enabled by provisions in the RTA, tenants are easily replaceable. While there were specific examples of leniency and compassion in individual circumstances, property managers had numerous mechanisms and tools available to select and retain 'good' tenants and to move on those who were problematic.

This study also adds to serious concerns expressed in the literature and public domain about the quality of rental housing stock in Auckland, now and into the future. Rental housing stock is typically in poorer condition than owner-occupied houses, and the inability or unwillingness among some owners to attend to repairs and maintenance, combined with the relative ambiguity of the provisions under the RTA, and the powerlessness of both property managers and tenants to enforce owners to address ongoing maintenance does not bode well for the future.

Conclusion

This study into property managers in Auckland disrupts the prevailing and sometimes simplistic narrative of there being two key players in the broader rental housing system – ‘tenants’ and ‘landlords’, where landlords are often imagined as private individuals owning and managing their own rental properties. Acting as agents for the property owner, residential property managers play a really important role in the rental system through their decisions, actions and practical, day to day interpretation of the RTA.

Property managers in Auckland are diverse, and they represent a diversity of property owners, from across Auckland as well as in other parts of New Zealand and those based overseas. As Auckland continues to grow, and as the nature of renting in the housing system evolves and changes, the role of this sector will also continue to evolve and change.

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1. Introduction

The private rental sector plays an increasingly important role in Auckland's housing system. Patterns of housing tenure are shifting in New Zealand, in large part due to increasing house prices and high purchasing costs relative to income. After rising for nearly a century, home-ownership rates in New Zealand began falling in 1991 and have continued to fall (Goodyear and Fabian, 2014). This is particularly acute in Auckland, as evidenced by the gradual decline in levels of owner-occupation at each Census – in 2013, 61.5 per cent of households owned the dwelling they lived in, compared with 72.7 per cent in 1991.

Greater proportions, and numbers, of Auckland households are renting. For example, at the 2013 Census, the percentage of households who rented their home (i.e. paid rent) was higher in Auckland than in any other region of New Zealand, at 35.4 per cent, up from 32.4 per cent in 2006. The number of Auckland households who rented their home increased by 18.5 per cent during this time, from 130,227 in 2006 to 154,347 households in 2013. The majority of these households (81.4% in 2013) were renting privately (Goodyear and Fabian, 2014:45-46).¹

Home ownership is beyond the reach of increasing numbers of New Zealanders, and the traditional pathway from renting as a short-term option and a transitional form of tenure to home ownership has become substantially disrupted. Increasing house prices (and an associated lack of affordability) have progressively elongated a traditional trajectory from renting to homeownership. At the same time, tax incentives, ready access to mortgage money, and distrust of other forms of investment have encouraged investment in the private rental housing sector – and made owning a rental property both 'doable' and an investment of choice. (Shore and Whāriki Research Centre, 2017:98). Renting will be a long-term, possibly permanent, proposition for a growing number of households.

When considering housing in the Auckland context, it is salient to note two contributing factors. First, Auckland's population is constantly increasing, driven by both natural increase and migration from other parts of New Zealand as well as overseas. The demand for housing is high. Secondly, the rental sector in Auckland must not only meet the needs of permanent residents, but there is also a substantial short-term rental market for students, temporary workers and visitors.

In line with these shifts in housing tenure, there has been increasing attention paid by housing researchers to issues related to renting over the last decade. Although provisions in Residential Tenancies Act 1986 (RTA)² allows for certain levels of flexibility and choice in the rental system, recent studies continue to align renting in New Zealand with a range of

¹ The denominator used to calculate these figures was total households for whom tenure was stated, excluding those who did not own their home but did not indicate whether they paid rent. Some of these households may own residential property that they do not live in (eg rental properties or holiday homes), in Auckland or elsewhere in New Zealand. Refer to Goodyear and Fabian, 2014 for more information on rental households in Auckland as at the 2013 Census.

² New Zealand regulations regarding tenancies are covered by the Residential Tenancies Act 1986 and its amendments, which set out the legal rights and responsibilities of tenants and landlords. Provisions include payment of bonds and rents, termination of tenancies and recovery of possessions, and Tenancy Tribunal processes to resolve disputes between tenants and landlords.

negative outcomes, all of which have social and economic impacts. These include insecurity of tenure, the relative vulnerability and powerlessness of tenants, high rents relative to income, and negative health outcomes due to poor rental housing quality (see for example, Chisholm, Howden-Chapman and Fougere, 2017; Bennett et al, 2016; Howden-Chapman, 2015; James and Saville-Smith, 2016; Statistics New Zealand, 2013; White et al., 2017).

New Zealand's housing system relies heavily on the provision of rental stock by private owners, based both in New Zealand and overseas. This does not mean however, that private property owners have the ability, or the inclination, to fulfil their responsibilities under the RTA, and many appoint external agents. Property owners may employ a professional property manager to act as their agent, and to carry out the roles and functions of a landlord, including tenant selection and property letting, inspections and attending to maintenance requirements. Yet, little is known about this sector and it is largely overlooked in the literature.

2. Background

Auckland Council has an active role in Auckland's housing system, through its various functions as facilitator, planning authority, service provider, regulator and advocate. Auckland faces a housing crisis and disparities in housing affordability and housing quality must be addressed (Auckland Council, 2012a; Auckland Council, 2012b see also Auckland Council, 2016), in order that Auckland remains a liveable and economically productive city. Understanding the current dynamics of the private rental market is crucial in order to effectively advocate for positive change and set relevant policy.

This section starts with an outline of the research context from which this study emerged. It then presents a contextual overview of the residential property management sector in Auckland, and finally, provides a short overview of the structure of this report.

2.1 Background to this study

This study explores the role and function of the residential property management sector in Auckland. It emerged from Auckland Council's engagement in a BRANZ-funded study titled *The New Zealand Rental Sector* led by Massey University's SHORE and Whāriki Research Centre (Shore and Whāriki Research Centre, 2017). The primary objectives of *The New Zealand Rental Sector* study were to more fully understand the experiences, situations, expectations and plans of those who rent property and who own rental property; to identify changes in the rental market since 2011; and to inform strategies to enhance the future performance of the private rental market. The study includes analysis of primary and secondary data in several urban areas in New Zealand including Auckland, Wellington, Christchurch and Dunedin.

Members of the council's Community and Social Policy Unit (CSP) and Research and Evaluation Unit (RIMU) worked alongside the SHORE and Whāriki research team in the design phase, to ensure that the results for Auckland would be relevant and the final Auckland sample size robust.

It was recognised during the project design phase that the residential property management sector plays an important role in the contemporary private rental system.³ In addition, it was felt that property managers would be able to provide useful observations into the rental experience and rental housing stock in Auckland. Given that there is a dearth of literature exploring residential property management in New Zealand, it was decided that RIMU would undertake a separate and complementary study into this area, with a focus on Auckland, to complement the broader study.

The broad objective of this study was to explore the role and function of the property management sector in Auckland, with particular regard to the role played by property managers in liaison and communication between property owners and tenants.

³ The *New Zealand Rental Sector* study collected quantitative and qualitative data from tenants and private property owners (landlords). The sample did not include property managers; however, a quarter of landlords in the study employed a property manager, and 39 per cent delegated tenant selection to a manager or agent.

2.2 Initial notes on the residential property management sector

This study focused on commercial residential property management services in New Zealand.⁴ The sector is unregulated (that is, there are no statutory requirements in New Zealand for individuals operating as property managers to be accredited, registered or monitored), which makes it difficult to measure. As an indication, the 2013 Census counted 2142 property managers in Auckland, but this appears to be a mix of people engaged in commercial property management as well as residential management.⁵ In addition, property management services are fragmented – a range of services are offered under the property management banner (as will be discussed further in Section 4), and these services are offered from across a variety of organisational settings. Property management has a strong relationship with the real estate industry, and most large real estate companies include a property management function. However, it is not restricted to the real estate industry – residential property managers operating in Auckland can also be one or two-person independent companies, or be employees or contractors working within dedicated property management companies.

The commercial property management sector in Auckland is predicated on a business model of profit and growth. Income is derived largely from the collection of fees attached to transactions, most notably the collection of rents and undertaking property inspections. Property managers are often hired by companies on a commission basis, and they receive a proportion of the total paid by the property owner, with the rest going to the company. These factors, as well as competition in the marketplace, and constant turnover in private ownership of rental properties, fuel an ongoing imperative to not only maintain the number of properties being managed at any one time, but also to bring in new business. Several of the larger property management companies have business development managers (BDMs) who actively market for business, both locally and overseas.

In this environment, contracts to manage rental properties are often traded as commodities. The buying and selling of entire portfolios across real estate or property management companies is common practise.

There is anecdotal evidence that the commercialised property management sector is growing in Auckland (see Section 9). This will reflect in large part growth in levels of private investment in rental housing, much of it for capital gain.

⁴ Informal, non-commercial property management arrangements also occur in Auckland, and elsewhere in New Zealand, for example where a family member collects rent and attends to ongoing maintenance of a property on behalf of another family member living overseas. Under the RTA, owners of rental properties in New Zealand who will be out of the country for more than 21 consecutive days must appoint an agent who can act on their behalf.

⁵ The New Zealand Census of Population and Dwellings asks those aged 15 and over and who worked for pay, profit or income in a family business or farm in the seven days prior to census to state their primary occupation, and to outline the tasks or duties that they spent the most time on. Statistics New Zealand then categorise those responses using the Australia New Zealand Standard Classification of Occupations (ANZSCO). At the 2013 Census the total count of usual residents aged 15 and over living in New Zealand who were classified as Property Managers (ANZSCO code 612112) was 5622, of which over a third (38%, or 2142) lived in Auckland. Of those 2142 Auckland residents who were categorised as Property Managers, the largest groups were employed in the Real Estate Services industry code (795), the non-Residential Property Operators industry code (255) and 201 were employed within the Residential Property Operators industry code.

2.2.1 Legislative frameworks

The RTA is the principal legislative framework within which the property management sector operates. Property managers are responsible for its practical interpretation and application. Those who participated in this study appeared to have a thorough understanding of the Act and a commitment to operating within its provisions. Concerns were expressed by a few participants about 'rogue operators' in the sector who did not understand their legal requirements, or who knowingly disregarded them, and there was also a common perception that, unlike private investors who had little or no knowledge of the RTA, a defining and crucially important feature of a professional property manager was their practical understanding of it.

Other pieces of legislation that impacts on the sector include the New Zealand Human Rights Act 1993,⁶ and the Health and Safety at Work Act 2015 (HSWA). This latter Act came into force in April 2016 and was top of mind for several participants in the study. Under the revised HSWA, there has been a shift in focus from the physical workplace to the conduct of work – what the business does and what it can control (Ministry of Business, Innovation and Employment, 2016).⁷ Several participants were concerned about the implications on how they operated, particularly in instances where the owner wished to carry out their own maintenance and repair work on the property.

There is no regulatory or supervisory body overseeing the residential property management sector, although there have been efforts to regulate the sector in the past.⁸ Apart from the statutory provisions under the RTA to lodge a bond with Tenancy Services within 23 working days, there are no statutory requirements regarding the holding of other people's finances. Participants in this study who had a real estate license and/or worked within a real estate firm explained that they were subject to the provisions of the Real Estate Agents Association (REAA), namely the Code of Professional Conduct and Client Care.⁹ However, those operating outside of the real estate industry are not subject to any industry requirements.

⁶ In New Zealand, when a tenant wants to rent a property; when someone is wanting to purchase a house, or when a person is seeking guest accommodation in a commercial property such as a motel or hotel, it is against the law for that person to be treated less favourably than someone else because of any of the 13 prohibited grounds of discrimination in the Human Rights Act 1993. These include sex, age, family status, sexual orientation and disability, among other grounds (Human Rights Commission, 2017).

⁷ Under the new law, landlords (i.e. those who own a rental property), property management businesses, or self-employed property managers (sole traders) are a PCBU (person conducting a business or undertaking). PCBUs have a primary responsibility to ensure the health and safety of those using the property for work purposes, and they now carry a responsibility in respect of the things they can influence and control. For example, they carry a responsibility to ensure that the people they engage to do any work on the rental property are competent and appropriately qualified to do that work. The business who is engaged to do the work is responsible for ensuring that the work they do does not cause harm to themselves or anyone else on the property (Worksafe NZ, 2017).

⁸ In 2008, Parliament's Justice and Electoral Select Committee recommended "immediate action should be taken to create an appropriate regulatory regime for property management activities". A majority of submissions to a subsequent Ministry of Justice review also supported some form of regulation. The New Zealand Property Investors Federation submitted there were "widespread problems occurring with the provision of property management services". It argued for mandatory qualifications for property managers to raise standards. But the government decided against any intervention. Announcing its decision in 2009, Associate Minister of Justice Nathan Guy said additional regulation wasn't justified as there were already sufficient safeguards to protect property owners. (*Consumer Magazine*, 2011).

⁹ There are limits to the Authority's power to act when complaints against property managers come to them. It can only make a finding of "unsatisfactory conduct" against a licensee for "real estate agency work", which

2.2.2 Sectoral support

In the absence of a formal accreditation system, several independent property management associations have emerged in New Zealand. The two main associations identified in this study both offer membership on a paid annual basis. In each case, membership entitles the holder to display the association logo in their marketing and publicity, and to be publicly listed in a member's directory on their website. These are:

- The Leading Property Managers Association New Zealand (LPMNZ)¹⁰ which provides support and business advice for its members. The website displays a code of practise that applies to residential letting and/or property management services provided by a 'licensed LPMNZ Member Firm and its staff'. This association is connected to the Leading Property Managers Association of Australia (LPMA). At the time of writing, 34 Auckland-based property management companies were listed in its members directory.
- The Independent Property Managers Association New Zealand (IPNZ)¹¹ is for 'non-REINZ affiliated Property Managers' (eg. these operating outside of the real estate industry). The association is 'concerned with improving the standard of rental property management in New Zealand', and its code of practise and code of ethics are displayed on the website. At the time of writing, 22 Auckland-based property management companies were listed in its members directory – mostly sole agents and small companies.

The property management sector shares information through a variety of mechanisms. While the real estate industry is a vital source of information and support, particularly for property managers employed within real estate companies, and / or who are licensed real estate agents, there are also several independent agents dedicated to informing the sector in New Zealand. For example, the Tenancy Practise Service (TPS)¹² is a privately owned and managed business that offers a range of products and services to support the property management sector. These include advice and opinion on legislative and judicial changes that could impact on property management practices; forms and packages that assist in the selection and sign up of tenants (e.g. application forms, credit check programmes, online programmes for assistance with changeover of utilities between tenancies); a debt collection service operating under the name TPS Credit Control; and links to a company offering landlord insurance.

The Tenancy Information NZ (TINZ)¹³ website is another important portal. Property managers or landlords must subscribe and pay annual fees to access and use the services. The website offers 'tenant checking in real time', using 'around 15 sources' of information, including credit checks, verifying drivers licenses and checking Companies Office records. The site offers a tenant rating service where property managers and landlords can upload

doesn't include property management. It may take action if a licensee is guilty of "misconduct". But the bar for misconduct is high and most complaints don't meet it. (*Consumer Magazine*, 2011)

¹⁰ <http://www.lpmnz.com>

¹¹ www.ipma.org.nz

¹² <http://tenancynews.co.nz>

¹³ <https://www.tinz.net.nz>

'performance references' on tenants, as well as evidence of instances where the tenant has been issued with a notice to remedy rent arrears or any other issues requiring a 14 day breach notice, or appeared at the Tenancy Tribunal¹⁴ (with the written permission of the tenant) (see also Hunt, 2017). TINZ also offer a recommended trades and services database service, the ability to advertise vacant properties on a dedicated website¹⁵, and discounts on services to test properties for methamphetamine contamination.

2.3 This report

This report provides an overview of findings from the interviews with residential property managers in Auckland. The next section (Section 3) briefly outlines the research method employed, and Section 4 presents the typical day to day functions that property managers carry out, as described in the interviews. Participants' attitudes towards tenants and property owners respectively, and common challenges in dealing with them, are discussed in Sections 5 and 6. The focus of Section 7 is on Auckland's rental housing stock, particularly with respect to the issue of mould and mildew, and how this is addressed. Although an exploration of housing affordability was not a primary objective in this study, several salient observations about rental prices and the ability of households to meet those costs are noted in Section 8. The report concludes with a discussion of the overarching themes that emerged in the study and identifies future research questions.

Throughout the report, direct quotes from interviews are used to highlight points and provide clear examples. Participants have been given pseudonyms in order to preserve anonymity. In some cases information on participants, such as whether they worked for themselves or in a large company, has been included for additional context.

¹⁴ The Tenancy Tribunal is part of the official disputes process for landlords and tenants in New Zealand. The Tribunal holds hearings to settle disputes and can formalise what is agreed at mediation, or can make a ruling on an issue that can't be resolved and issue an order that is legally binding on the parties involved in the dispute. All Tribunal orders are public and can be searched online on the Ministry of Justice website. <https://forms.justice.govt.nz/search/TT>

¹⁵ www.housestorent.co.nz

3. Research method

This section discusses aspects of the research process including sample recruitment and the research method. The research method was approved by Auckland Council's Human Participants Ethics committee in May 2016. Fieldwork was undertaken between June and September 2016.

3.1 Sample recruitment

In the absence of a comprehensive singular list of property management companies in Auckland, a list of 22 potential participants was drawn from publicly available lists of property management companies (such as available on the Independent Property Managers' Association website) as well as online searches for companies operating in different parts of Auckland (mostly using Google searches and scanning through the Trade Me¹⁶ website, New Zealand's key online portal for advertising properties for sale or rent). Care was taken to select a range of companies, with relation to their company size, whether they were part of the real estate industry, and the geographic location of their office across Auckland. Effort was also taken to ensure that at least one participant worked in the inner city managing apartments.

During this process, it became apparent that there is a particular focus within the professional property management sector on servicing the Chinese market (e.g. Chinese property owners), and specific online promotion by some companies to this market (e.g. the use of Chinese characters on websites, promotion of staff who were originally from China or who speak Mandarin). Therefore, efforts were made to include at least one property manager in the final sample who worked in businesses that promoted themselves in this way, in order to adequately represent the sector.

Potential respondents were invited to participate in the study. The first point of contact was a telephone call by the researcher to briefly outline the purpose of the study, answer any immediate queries, and to gain permission to send a participant information sheet (refer to Appendix A) by email. Initial agreement was followed up by an email or telephone call within a few days to establish whether the person wished to progress to an interview. Of the 22 people approached, 15 proceeded to interview stage.¹⁷

With the exception of very small property management companies in which there are only one or two property managers who run their own business, the manager of the company was approached in the first instance (in instances where a large firm has several franchises or branches in Auckland, the manager of the branch was approached). Whereas the initial purpose of doing this had been to seek permission from that person to interview a member of their team, in some cases the manager themselves wished to be interviewed.

¹⁶ www.trademe.co.nz.

¹⁷ One person refused at the initial call stage, three agreed to receiving further information being emailed through but declined thereafter, and a further three people agreed to be interviewed but were not able to be further contacted despite several attempts.

Once permission to interview had been gained, interview times and locations were arranged, and respondents were forwarded a consent form (Appendix B) to read prior to the interview.

3.2 Sample characteristics

A total of 15 property managers participated in this study – nine males and six females. Many of those interviewed had been involved in the property management industry for a long time, with five having been involved for 20 years, and one person for 35 years. Only three had been involved for less than five years.

Participants' offices were based in a variety of locations right across the Auckland urban area (two were based in the city centre). Other key employment characteristics are as follows:

- **Company size:** the sample ranged from property managers employed in two-person companies to large-scale franchises.
- **Company structure:** a mix of property management offices embedded in real estate companies (four participants in total) and those that dealt exclusively in property management. Two participants were employed in companies that also undertook property development.
- **Role in the company:** Some participants were office managers, some were company owners, and some were employees or contractors. Three participants were not actively managing properties as they were managing teams, but all three had been property managers, and on occasion were required to become involved in managements, usually to trouble-shoot.
- **Task-based versus portfolio management** – some worked in companies that were 'task-based', meaning they only looked after property management and did not actively recruit for, or select, tenants, while some were 'portfolio-based' – meaning they were responsible for all aspects of the property from advertising, tenanting it out to regular inspections and arranging maintenance.
- **Salary versus commission** – some of the participants were on a fixed salary, and some were paid a base salary, as well as commission on their sales (that is they received a proportion of the fees with the rest going to the company). This question was not fully explored with all participants.
- **Portfolio size** – participants were asked approximately how many properties they were managing at the time of interview. Responses varied, and were dependent on whether people were talking about their own personal portfolio, or whether they were office managers or company owners reporting on their whole business. Among those who were employees, and/or managed their own portfolio, the total estimates ranged from 65 to 200 per person, and among those who spoke on behalf of a whole branch or company, estimates ranged from 170 to 3220.
- **Housing types** – the property managers who participated in this study managed a range of property types from apartments in the inner city and elsewhere, to stand-alone houses in suburbs and properties in the rural fringes of Auckland.

3.3 Interviews

This was an entirely qualitative study. Data was collected through face to face interviews with participants. Interviews were semi-structured and took approximately one hour. The interviews were recorded and transcribed. The interview schedule (Appendix C) was piloted with two people (results are not included in this report) and was refined slightly as the interviewing got underway.

All interviews took place in participants' company premises during standard working hours, and were conducted in English. Due to an inability to ensure a suitable quiet and private space in their workplace, two participants agreed to be interviewed in Auckland Council offices. This allowed for free and frank discussion and high quality recording.

3.3.1 Confidentiality and anonymity

In order to uphold ethical requirements and to encourage honest and frank responses, several steps were taken to ensure that the information collected during sample recruitment and in the interviews was accessible only to the research team, and that participants or the companies that they own, or work for, could not be identified in any reporting.

All recordings and transcriptions of interviews are accessible only to the researchers, and are kept in secure storage on Auckland Council premises. Coding and analysis of the data was undertaken by the primary researcher (the author of this report) and was not delegated to any external agents.

4. Services offered by the property management sector

The property management sector offers a range of services, as one participant explained:

... different people want us to do different things for them. The fee on the rent, that would cover the bulk of what we do for everyone. But then if people want us to pay bills on their behalf and things like that, well that's extra cost. The inspections we do charge for, because we actually spend a lot of time doing them. (John)

This section outlines the practices of property managers in Auckland as described in the interviews. It covers the usual practices employed in advertising and letting of rental properties, initial sign up and agreement on length of tenure, inspections during tenancy as well as on exit, collecting rent and dealing with rent arrears, and dealing with disputes. Property management is a commercial business and fees are collected along most steps of the way, this is also discussed.

4.1 Advertising and letting properties

The function of advertising properties for rent, managing viewings and selecting tenants is not always undertaken by a property manager. In some cases, especially in larger property management companies or those that are part of a real estate company, this function is undertaken by a 'letting agent' – their role is generally limited to the advertising of vacant properties and tenant selection. Another situation in which the property manager will not have been involved in selecting tenants is where they have 'inherited' properties that are already tenanted, either from another property manager or when they obtain a new 'client' (property owner). Of the 15 participants in this study, over half were responsible for letting properties and selecting tenants.

Most of the companies represented in this study advertise vacant properties on their website, and all advertise on the Trade Me website. The advertisements tend to include photos of the dwellings interior and exterior, as well as a short description including the numbers of bedrooms and bathrooms, and other information such as rental price per week, price of the bond and letting fee and whether pets are allowed. Some companies upload short videos onto their website that 'walks' the viewer through the dwelling and shows the property from the street if possible, with commentary by the letting agent or property manager throughout.

Processes for managing interest in a property vary. All companies encourage interested parties to drive (or walk) past the property as a first step in order to get a sense of the location and property size, and to ascertain whether they would like to view inside the property and apply for tenancy. This helps to manage volume of interest. Some companies use the online 'Viewing tracker' booking form on Trade Me as part of their advertising on line, whereby interested parties can select a pre-arranged booking time and leave their name and number, while others require direct contact with the letting agent or property manager.

4.1.1 Tenant selection

Selection can start very early on in the process, even at viewing stage. In outlining the 'very complex and very detailed' process that his company employs, one participant outlined that selection 'often starts at the first phone call':

We start ranking the tenant from the first conversation. What were they like on the phone? Plus, minus. When they turn up at the property is their car clean, did they park in the driveway or did they park on the road, because the way we view it, it's not their property so if they park on the driveway it is not favourable. Do they take hats off, sun glasses off, do they take shoes off without being asked. ... when they are wandering about the house are their kids behaving or tearing off like loonies? (Bart)

One participant likened the process of tenant selection to 'almost being like a job interview' (John).

Interested parties must submit a tenancy application form, and a few companies require tenancy applications to be completed prior to arranging a viewing. Across the participating companies application forms were relatively standard and require information such as date of birth, employment, previous tenancies, references, whether they have pets and in some cases, the Work and Income New Zealand (WINZ) number of the main applicant. In at least one instance the company requires a form to be completed for every person who wished to live at the address; however, this does not appear to be standard practise.

All participants in the study promoted themselves and their companies as being able to undertake 'thorough' background checks on prospective tenants, including credit checks, debt collection agency checks, any history of orders in their name at the Tenancy Tribunal, and New Zealand Police record checks 'It's very very rigorous' (Margaret). There was a strong narrative that this level of background checking is what differentiates a professional property manager from private property owners who would not be so rigorous – 'who don't have the facility or the knowledge to go and check those things out' (Catherine).

Many of the participants who select tenants themselves also rely on their 'gut feeling', often related to their previous experience. For example:

Really how I pick someone at the end of the day is a gut call. It doesn't matter what they look like on paper, if I don't like you, I don't like you, so when I call an owner I say I [have got] this applicant, [on] paper looks good, etc but I don't like the guy. What do you want to do? Most of the owners will say yeah that's fine, don't pick him. (Troy)

I can get people come in here and it's just a feeling and I'll fill out the form and just decide, [no I am] not going to take them on. Just a bad feeling. Naughty kids running up and down the stairs, whatever. I suppose you get a bit of a gut feeling after nine years. (Jennifer)

I tell you from just meeting someone you know if you have a good feeling what sort of tenant they are going to be as well (Hugo)

When asked about the selection process a few were keen to point out that they must operate within the boundaries set out in law – ‘we are dictated largely by the Human Rights Act as to what we can and can’t discriminate against when it comes to tenant selection’ (Catherine).

Some commented that they experience property owners who specify that they do not wish their property let out to particular population groups or ethnicities. For example, Hugo stated ‘I have got Indian clients who say no Indians in my house, I have got Chinese clients who say strictly no Chinese’, and in a few cases he has ‘released’ his clients for that reason:

I have sacked a couple of clients because they told me ‘no certain groups’, you know, and I said okay, that’s noted, but I still have to show everybody through. And then that particular group comes through the property and they check out. They are a great family, they are working, they have references and I go back to this client and say there is nothing wrong with this family you really need to consider them, and they say no. That’s when our relationship really ends because I am just not going to, it is not worth it. (Hugo)

In practise, there are several filtering mechanisms that property managers and letting agents employ in the selection of tenants. These include:

- Being able to do checks on applicant’s credit background and checking whether the applicants have ever appeared at the Tenancy Tribunal. Several said that if someone had been to Tenancy Tribunal they will look at the circumstances of their appearance, such as whether they had been taken to Tribunal by a previous landlord / property manager or the other way around, and what the issue was. If the prospective tenant has a history of rent arrears or other matters their application would be less favourable.
- Some of the bigger companies stated that have a system of rating applications on a scale (the criteria were not divulged).
- Stipulating the number of bedrooms and policing the number of tenants that the application stipulates will live at the property.

4.1.2 Owner involvement in tenant selection

With a few exceptions, it appears that owners are not generally included in the process of tenant selection, and very few actually meet their tenants. All participants advise the owner of the property as to who the property has been tenanted to, and in some cases, seek final approval from them:

We make it compulsory that all of our landlords have to approve the tenants that we approve. (Selma).

But most of the time we select the tenants and we get the authority from the landlord to select the tenant. (Jennifer).

4.2 Setting up new tenancies

An important role of property managers is to negotiate the length of the tenancy with incumbent tenants. It is often the property managers who set the initial tenancy length, rather than the tenant. Under the RTA, there are two types of tenancy agreements in New Zealand: 'Fixed term', where the start and expiry date of the tenancy is established, during which neither party can give notice to terminate earlier than the agreed expiry date; or 'Periodic', where there is no fixed term, and the agreement can be ended at any time by the tenant by giving 21 days notice or ended at any time by the landlord by giving 90 days notice.¹⁸ This study found no definitive pattern in initial start-up tenancy length or type of tenancy, as these two quotes illustrate:

My personal preference is periodic tenancy.... because you never know how good the tenant is going to be until they have been there for a wee while. And if it is periodic you can give them 90 days' notice. Move them on. (Bart)

Normally, we sign them up for 6 or 12 months. (Graham)

In general though, initial agreements are signed between the property manager and tenants for no longer than a year.

Tenants have to pay a considerable lump sum amount when entering a new tenancy. This can include three or four weeks bond, one or two weeks rent in advance and often a letting fee. The letting fee can be sizeable, as it is generally one weeks rent as well as goods and services tax (therefore, as rental prices increase, so do letting fees).

As far as could be ascertained, the bonds are always lodged with Tenancy Services by those participating in the study.¹⁹

Some property management companies distribute 'welcome packs' to new tenants, but this appears to be rare. The welcome packs include items such as information on their requirements and rights as tenants, as well as when and how to get in touch with the property manager in case of emergency. In line with the increasing use of videos to show properties for rent, one of the companies who took part in this study directed new tenants to view a video on You Tube outlining the regulations in New Zealand regarding any future notice to vacate, terms of tenancy, and expectations of cleanliness once tenancy is secured.

Tenants are often required to meet with the property manager, or a representative at their office to go through the agreement thoroughly. This can involve going through it clause by clause to make sure they are aware of their contractual obligations.

¹⁸ If the fixed-term is for longer than 90 days, the tenancy automatically becomes a periodic tenancy when the fixed term expires (unless the landlord or the tenant gives notice to say they don't want the tenancy to continue or they agree on something else). For more details on provisions of fixed and periodic term tenancies please refer to the RTA or the Tenancy Services website. <https://www.tenancy.govt.nz/starting-a-tenancy/types-of-tenancies/periodic-or-fixed-term-tenancy>.

¹⁹ Under the RTA, landlords must lodge bonds with Tenancy Services within 23 working days of receiving it. This applies whether tenants send the bond in full or in instalments. They must also give the tenant a receipt.

There can be other reasons for bringing people into the office. For example, Margaret's company has dedicated letting agents who are trained to '*check whether the person who turns up to sign the document is the same person who was at the viewing*'.

4.3 Rent

A key role of a property manager is to collect and monitor the rent. Rent is usually charged on a weekly basis and is paid to the property management company directly.

The property management firm will charge a fee to the property owner on weekly rent. At the time of interviewing this fee was between 5 to 7.5 per cent – it can sometimes be negotiated to a lower price to entice new business, or retain current business. In some cases, property management companies charge a flat monthly fee, rather than a percentage of the rental rate.

4.3.1 Chasing rental arrears

Under the RTA Section 40 (1), tenants must pay the rent 'as and when it is due and payable under the tenancy agreement'. Overdue rent is described on the Tenancy Services website as a breach of the tenancy agreement, and of the Residential Tenancies Act 1986.²⁰ If rent is late or not paid, property managers can follow the official processes for recouping missed rent, as laid out on the Tenancy Services website.²¹

All participants checked rent payments regularly (usually daily) and had systems in place that were immediately triggered if rent was late or missing. In the case where a payment is missed, the tenant is contacted immediately and asked to pay, or to explain why they have missed a payment. Some property managers were able to be lenient while they worked out a system of rent repayment, while some prided themselves on 'zero tolerance' to rent arrears. Many had a standard process of sending out written notices, in case the matter needs to be escalated to the Tenancy Tribunal. The following lengthy extract sums up the process that most follow.

Q: Could you walk me through the process that you employ when someone's rent is late? What happens?

Once they are two days in arrears they get a text message, if that hasn't been addressed by the time they are five days in arrears they get a 14 day breach and if it hasn't been addressed by the time they are eight days in arrears we will make an application to Tenancy Tribunal.

Q: To what extent are you willing or able to go in and work with that person and find out what their personal circumstance is?

Frequently, (but) we will still go through that process. And if we end up basically, if the tenant enters into dialogue with me and we can say 'okay you're \$500 in arrears on your rent' and they say 'look I am really stuck but we can pay it at \$20

²⁰ <https://tenancy.govt.nz/rent-bond-and-bills/rent/overdue-rent/>

²¹ Under the RTA, a landlord can issue a 14 day notice to remedy rent arrears, and The Tenancy Tribunal can be asked to end a tenancy if the rent is more than 21 days in arrears. Section 56 of the RTA sets out the provisions for termination for non-payment of rent and other breaches.

a week' and I will say 'okay so you're going to pay an extra \$20 a week for the next however many weeks it is' and they go 'yes', I will then go to the Tribunal because by then we have already had an application lodged properly.

I will then go to the Tribunal and ask for a mediator order to that effect ... with a consequential clause in it. Basically saying that if they miss any payment by two days it is termination. Which puts it back on the tenant to do what they said they were going to do. (Bart)

A range of attitudes towards rent arrears were expressed in the interviews. A few voiced relatively hard line approaches:

If the rent's not paid, it's not paid ... if it is not paid and it is due today you are served notice by tomorrow. Rent is not a choice, it's a responsibility (Homer)

Others expressed a more pragmatic attitude, such as the following two participants who both managed properties in areas of predominantly low-income households, and regularly deal with tenants who are on a form of benefit from the government and/or receive the Accommodation Supplement²²:

It's about working with people. Obviously we have a policy around rent arrears, that's why we're here, our landlord wants the rent paid and we're working for the landlord. If the landlord provides you with a safe, clean, tidy house the tenant should be paying the rent. Fourteen day notices go out, whole Tribunal process if they don't. But you need to be able to work. Some things happen in life. They couldn't pay the rent. Something's come unstuck this week. People lose their jobs. [That is] more often is where you have issues. That is harder than a beneficiary missing an appointment, because they can usually go back and make another appointment and they can get the money. Working with people with jobs, if you've lost your job it's tough. So we try and work with the landlord. As long as a tenant will communicate we have to work with them to try and get back on track. But there's only so far you can go; the landlord's got a mortgage to pay. (Jennifer)

.... it just depends on how we feel about them, we may, if we don't trust them we'll just go straight through an application for a mediation, but if we feel that they will come right, we'll leave it and just see how that goes. If it doesn't, if they're still in arrears, then we will go into an application situation. (Paul)

²² The Accommodation Supplement was introduced in 1993. It is an income supplement for individuals or households with high housing costs relative to their incomes, including people in the private rental sector, as well as low-income owner-occupiers. The total value of Accommodation Supplement payments in New Zealand in 2013 was \$1.177 billion (New Zealand Treasury, 2014). It has been estimated recently that, nationally, 'perhaps as many as 25 per cent of private sector tenants receive an Accommodation Supplement to assist them to pay their rent' (Johnson, 2016). Although it is an income supplement and 'not strictly speaking a housing subsidy' (Johnson, 2016), concerns have been raised by commentators that it acts as a de facto subsidy to private landlords and actually can drive up house prices and rents (see for example the argument put forward by a guest contributor to the Greater Auckland blog in 2013). In May 2017, the Ministry of Social Development released a report under the Official Information Act that suggests that there is 'little evidence that a more generous accommodation subsidy on the central Auckland side of the boundary led to any growth in spending on rents' (Ministry of Social Development, 2017).

4.3.2 Adjusting the rent

Property managers take an active role in reviewing rental prices of the properties for which they are responsible, at the initial stages of advertising a vacant property and during the tenancy.

Among the study participants, the usual practise was to review rents every six months (this did not always translate into actual rental increases though), and for many there was a general practise of incremental increases in rents over time, rather than holding constant for years followed by large increases, as these examples indicate:

Yeah [keeping an eye on rental process is] all part of our process. But a lot of the time it's little, gradual increases every year rather than big chunks. It's better, easy for the tenant that way too. (Jennifer)

I always say to the landlords; it's very difficult to just hit somebody with a \$50 a week rent increase, even though that may be the case. That's why it's good when we tell you it's worth an extra \$10 a week, put it up, because it's so much harder to put it up \$50, because it doesn't work like that usually. (Paul)

I am re-letting a few properties now, tenants are vacating so you always try a little bit more, \$20 extra. (Hugo)

Rents are reviewed using a variety of mechanisms, but it essentially involves monitoring the current rental prices in the area for similar properties – ‘we try to use Trade Me as a guideline’ (Graham).

Participants offered a common narrative of watching what ‘the market’ was delivering, usually by monitoring current rental prices for similar properties in the area:

You've got to watch the market you know, daily, and weekly because it moves around. (Ned).

It's just demand and supply, it's like anything. (Paul)

The actual application of rental increase during a tenancy involves balancing several dynamics including gauging whether the rent can be extracted from the current tenants, whether or not a rental increase would mean current tenants might move out, and whether that was desirable, and whether the owner of the property was happy to increase the rent. These dynamics are touched on in the following excerpt:

... the entire team sits down and we have a list of the properties that are due for a review that month. We will discuss each of those properties, the first thing we look at is what is, what, factual information do we know of comparable properties that have rented recently. So that is giving us a history, say for example the property is at \$500 a week, we have rented a whole lot of comparable homes recently for \$530, we will go okay so it is probably a bit under. We will then look to see what is on the market now and say okay well that one is not as nice, this one is better and come up with a figure. We will then look at the tenant and we will go okay that tenant is a really good tenant

they have been there for a long time. So through analysis we might say look it really needs to go up \$40 a week but that is an awesome tenant, our recommendation to the owner will probably be a \$20 increase as a reward for the tenant being such a good tenant. And we will pitch it to the owner exactly that way.So it is about respecting the tenant and let's face it any owner that gets 52 weeks rent per year is going to be happy. (Bart)

Some property managers discussed a seasonal effect to setting rental prices. For example, one participant who managed a range of rental types including short-term stays and serviced apartments in the inner city, as well as longer-term rentals, noted that:

.... [in the] winter months the rents are more reasonable, because there isn't the competition, so you may put somebody in at anywhere up to \$100 cheaper than what they would be paying in the peak of summer. So we'll review that and let them know that when it gets to January/February the rent will be coming up to a market rent. (Homer)

In most cases owners are asked to have the final say on rental price, however, they tend to rely on the property manager to advise them on this.

While the overarching story is one of rental increases – ‘we never take it down’ (Graham) – there were a few examples of rental adjustments downwards on short-term basis, for example:

Down is rare. Very rare. Down can sometimes happen where a tenant will come to us and say hey look I have just been made redundant, taken another job but I have had to take quite a pay cut, would the owner consider dropping the rent? And we will go to the owner and sometimes the owners say yes, sometimes the owners say no. It typically depends on the performance of the tenant. We had one owner that said they would drop the rent by \$100 a week for six months. But then it went back up to where it was. (Bart)

4.4 Undertaking inspections

On signing a new tenancy, the property is usually subject to an initial inspection after about four to six weeks. Properties are inspected regularly thereafter – every four months, but it can be up to every six months. Several participants commented that inspections occur every three months in cases where landlords have landlord insurance in order to fulfil requirements under the insurance provisions.

Your insurance policy will stipulate how often we need to be in that property – so whether it's three-monthly or four-monthly. (Margaret)

There is always a charge for an inspection. Owners are asked to agree to this at sign-up. The study did not detail the fee structures but as an indication, Catherine stated their company charged \$50 plus GST per inspection. She also noted that ‘everything is open to negotiation’.

Regular property inspections serve a few purposes. They allow the company to check on the state of the property with regard to issues such as mildew, damage, wear and tear and

emerging maintenance issues, but also to check on the tenants, such as looking for signs of overcrowding and sub-letting. Many property managers take photos, some take videos, at every inspection and will store them for future reference in case of dispute or insurance claim. Full reports, including photos, are filed with property owners after each inspection and some stated that they will let the owner know at that stage of any work they consider the owner may need, or wish, to undertake in the future:

Our reports run through every room. We take photos. We send the pdf report with photos and words - "This fence needs fixing." Or it might be, "If you put a deck on here we could increase the rent by \$20," or whatever it might be. (Jennifer)

... they actually take the time to write an email, to the owner; 'carpet looks tired and lifting throughout, especially fraying near the ranch slider. Does not require immediate attention but will keep you updated, should the condition change' 'paint work of the properties wearing in high traffic areas, some long-term paint cracks in the ceiling'. (Lisa)

The provision of that amount of detail is not always the case however – *'We can give you a tick box type one if you really want it'. (John).*

The fragmented nature of property management in Auckland means that inspections are not always undertaken by the person who initially let the property, or the person who is collecting the rent. This was the case in companies that took a 'task-based' approach to property management (often larger companies). One self-employed participant offered a range of property management services including an 'inspection-only service – *'That's where landlords don't want to do routine inspections or don't want to do final or pre-inspections, they just pay us to do that inspection for them' (Selma).*

All participants reported that tenants are provided with prior notice of inspections as per the requirements under the RTA. This may be over a week in advance, as Hugo explained:

We issue notice I mean legal requirements are 48 hours, we do them a couple of weeks in advance or a week in advance. We email them, we have new software which is fantastic, so we just email the tenant saying this is the inspection date. Sometimes tenants will come back to us and say, it's a nuisance but we have got to respect that especially if they are good tenants, they will say "we have got family staying or we have got exams or whatever can you come in the afternoon" or "I'd like to be there I want to show you something can you come on this day". (Hugo).

Tenants are not required to be at the inspection. Several said that it 'didn't matter' to them if the tenant was there or not, and some were quite clear that they would prefer the tenant was not present. Catherine pointed out that as they are busy, engaging with tenants can *'take up too much of our time'* and Margaret suggested that tenants might find it a bit *'invasive' ... 'we are opening all their cupboards and looking around all their stuff'*. The logistics of arranging a time to be there when a tenant was home can be tricky, as this participant explained:

We do get tenants that say, "I don't want you to be there unless I'm there." But, I cannot accommodate that because I will have 40 inspections for this month. I will put them into one week based on suburbs. So I'll probably do north today and then west tomorrow. It will be impossible for me to pin down a time as well so we'll give them [an approximate time] and I'll use my master key to enter. (Graham)

Several described 'cleanliness' as something they actively looked out for during inspections, and will ask the tenant to rectify, either during the inspection or afterwards. For example,

It's not acceptable to have dirt and dirty ovens and stuff. We will breach them for not cleaning and go back and reinspect. We can't have rubbish lying around. It's neat and tidy. ... Sometimes there's a few little things and we might just say, "Great inspection but just next time maybe you need to do this, this and this." It depends on case by case, depending on the person and trying to build that relationship with the tenant and that expectation of what we want. (Jennifer)

In line with this, one participant who worked in a large real estate firm explained that she aimed to ensure the properties she managed were 'sale-ready'. She described it in this way:

I walk into the property and I'll be like, "Hi, how are you?" and look around, and I'll be like, "Whoa, gosh, this oven hasn't been cleaned for a while. You need to get this oven cleaned. It's a fire hazard. You've got fat in here. You've got toast crumbs in your warming drawer. The rubber seal around here is going to need replacement and I'm going to charge you for that rubber seal if you don't get in and clean this oven." I'll open up cupboards, and um, I will That's just what we do. "You need to wipe this. You've got a lot of dust building up on your windowsills and it needs to be wiped. Your shower is quite dirty." Things like that, that's just what we do.

Q: How do people take that?

50/50. Some people are very apologetic, or they've got an excuse, "I'm so sorry, my child's been sick," or, "I've been busy at work," or whatever. Other people just ignore you and you can see that they're miffed and they're like, "Mm, she's telling me how to live." So I would say it's 50/50. Half the people are quite responsive and the other half are a bit miffy. (Margaret)

One participant talked at some length about overcrowding in her portfolio, which was mostly based in southern parts of Auckland's urban area – 'one of the bigger challenges we have got is overcrowding ... extra families moving into houses' (Suanne) – and how she deals with this.

Tenancy agreements stipulate the number of people allowed to live permanently at a property, however she stated they can detect when properties are crowded, through inspections, for example 'the additional mattresses parked up the walls', or in some cases neighbours calling to complain about cars or noise. Often the lease holder will not be truthful about the numbers of people living at the property 'they can say no, I've just got a visitor. But I've seen this visitor here all the time, but they come and visit every day', and she will have difficulty in being able to prove it.

While she allows a certain amount of flexibility, for example if it is one or two spare people, or a temporary situation:

I mean you can turn a bit of a blind eye to it, you know a grandparent whose moved into a home, or an older relative that's moved into a home, that's not really big issue, provided the house is still being looked after. (Suanne)

... situations in which there are 'whole families' living in the property are not tolerated, and can lead to termination of the lease – *You don't have to give grounds by giving 90 days notice to vacate (Suanne).*

4.5 Dispute resolution

Dispute resolution is an ongoing requirement of property managers. Disputes can relate to concerns or objections raised by either party, relating to any aspect of the tenancy and/ or the property, e.g. rent arrears, property repairs or maintenance, or issues with neighbours.

Disputes are resolved in a number of ways including inter-personal communication and negotiation, or by using official channels, such as the disputes process as outlined on the Tenancy Services website²³, and attending Tenancy Tribunal hearings.

Dealing with disputes can take up quite a lot of time, and is not always emotionally safe or easy for either party, including property managers:

You've got to stay the course and most people panic, and they go why me and why is this happening, and what, it shouldn't happen, that's not fair and all that emotional side of it, and they're not comfortable going to the tribunal, they don't want to deal with the bailiff, and they don't want to deal with the tenant because they're scared of them, and rightly so, some tenants are, you know are bad news, can be out of jail or whatever. (Ned).

Ultimately, another method of resolving disputes is the non-renewal of tenancies. Several participants reported that they had moved 'bad' or difficult tenants on by not renewing contracts when they had acquired new portfolios from other companies, or by issuing them with 90 days notice, as this example below describes:

They were there for five years so they were reasonable but they were really dirty. Like, really dirty. The rent was always in arrears. ... they were with another company, and then I acquired the property. I said: "We have to get rid of this tenant" and the owner said: "They've got a family of three children. I can't move them on." So we continually did this for another year or so and I said: "No, I can't handle it because I'm not going to be wasting my time with a tenant that is not conforming to the rules." So we moved them on. I just served them 90 days. It took them more than 90 days to find another property. They ended up having to live with the brother. Because they weren't going to get another property. And it was sad but the thing is that he kind of begged and said: "Could we stay?" and I said: "No, I've got contractors coming in on this day. You've got to get out of there." (Harry)

²³ <https://www.tenancy.govt.nz/disputes/>

4.5.1 Going to the Tenancy Tribunal

The Tenancy Tribunal is an official forum for dispute resolution in New Zealand's rental system. All participants stated that they deal with the Tribunal to some extent, some on a more regular basis than others. Some stated they were there only once or twice a year, others much more regularly:

Because of the demographic we had (students), we got to go there hundreds and hundreds of times (Ned)

We've got a property manager here that goes to the Tribunal twice per week, at least. (Graham)

A few commented that they avoid attending the Tribunal for several reasons. They may not wish to take the time out to appear due to their busy schedules, and relatedly, there was a general feeling that the adjudicators are 'pro-tenant'.

Unfortunately for us, and we have had some recent cases of it, they will be quite tenant flexible but very inflexible for a landlord or a property manager (John)

As Troy described it, '*half the time I am made to play the evil villain*'. His comments also echoed a common perception that outcomes can depend on the particular adjudicator, and there is no consistency:

... every adjudicator is different. I can go to this adjudicator and then they will say X, I know they will say X because I have planned my case, I know I am right, I know I can get it and this adjudicator will say X, and that adjudicator will say Y and that adjudicator will give me nothing. And that is the main problem. (Troy)

4.6 Attending to repairs and arranging property maintenance

An important role of the property manager is to liaise with tenants, property owners and tradespeople to identify, agree on and arrange property maintenance and repairs. As will be discussed further in Section 6, this emerged as one of the most challenging aspects of the property managers' role, mainly as they tend to require owner permission and funding to undertake any works on the property. Although the property manager collects rent on behalf of the owner, attendance to maintenance tends to be on an 'as needs' basis and property managers apply to the owner for permission and funds to contract the work.

There are two primary mechanisms by which property managers identify issues that require attention: either the tenants alert them in writing or on the phone (particularly if it is of a nature that they deem to be urgent); or they are identified during regular property inspections. As outlined earlier, several participants indicated that they will let the owners know of issues that are emerging and that may need to be addressed in the future in their inspection reports.

There is a common practise of negotiating a set amount of approximately \$300 to \$500 that the property manager can spend without having to consult the owner, in cases of minor repair or emergency. For example:

Generally, we are the authorised agent for our owners so most of our owners give us a spend value - maybe \$200-300 or up to one week's rent, which we can just go ahead and spend without authority.

Q. What would that cover?

Immediate maintenance; things like your tap that's leaking, a toilet that won't flush, waste disposal if it's blocked, all of those day-to-day sort of things. Anything beyond that we always seek approval. (Margaret)

Longer-term and often more costly requirements such as exterior or interior painting, replacing carpets, replacing rotten boards on decks, or replacing ovens, is where the negotiation between all parties, especially between property manager and owner can really begin. Property managers require the permission of owners to carry out much of this sort of work, as the owner must pay for it, and it is a cost that is over and above the agreed property management fees. This is discussed in more detail in Section 6.

4.7 Paying the bills

Property managers often take responsibility for ensuring that bills associated with ownership of the property are paid, such as rates, water, and insurances, particularly if the owner is not resident in New Zealand:

We charge a percentage of the rents that come in to our company. So that is commission and GST charged on monies that are collected, and any bills that we pay on the owner's behalf and pretty much that's it. (Catherine)

The most common arrangement would be for us to collect rent. Ensure that the property is clean and tidy. Make sure that the tenants are looking after it, and just make sure that we pay their bills, their opex, their outgoings like rates, insurance and things like that. (Harry)²⁴

Again, this will come at a cost – the company might charge monthly administrative fees and handling fees for payment of rates and insurances.

Dependent on the nature of their company, some property managers are also actively involved in encouraging owners to invest in other properties or assisting with preparation of the property for sale.

²⁴ 'Opex' refers to operating expenses, that is, ongoing costs of running a product, business, or system.

5. Perceptions of working with tenants

This section starts with a discussion of participants' attitudes towards tenants, and then moves to outline three common challenges that property managers identified in their working relationships with tenants, and how they address those challenges.

5.1 Attitudes towards tenants

In line with the dualisms of 'good' and 'bad' tenants and landlords in contemporary discourses of the private rental sector (Bierre, Howden-Chapman and Signal, 2010) there was a strong narrative of 'good tenants' throughout the interviews. Interestingly, the term 'bad tenants' was hardly ever used. Instead the descriptor 'bad' was used to describe aspects of the application stage, for example credit rating, references, and renting history as well as in relation to some of the decisions tenants made.

A 'good' tenant is tied to notions of paying the rent on time, maintaining the property, keeping it 'clean and tidy', and not asking for additional features to be added, or changes to be made to the dwelling (see section 5.2.3). These tenants are sought after and retained, whereas other tenants are avoided or just moved on, as this example indicates.

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)

Some groups were singled out by participants as being slightly 'problematic', particularly new migrants from non-European countries, and sole mothers, for different reasons. With regard to new migrants, there was a theme around cleanliness:

I get this from a lot of migrants ... people from North India and places like that they're in a higher caste and they have cleaners. They don't know how to bloody clean. They don't know how anything works. (Paul)

If you're looking at Asian tenants, right? They don't even know how to clean....Because they're buying the wrong product. because overseas, their products are in different names. They don't know what they're buying. So just buy the cheapest or whatever, you know? And they don't know what they're looking at and so we teach them how to clean as well. (Harry)

Participants' concerns with accepting sole mothers as tenants was predominantly related to a perception that they are not always able to exercise control over others in their lives, which impacts negatively on their economic and living situation and affects their tenancy. For example:

....they've got problems with dealing with people in their lives. We get a lot of this from solo mums; they rent a property, and they've got a boyfriend who's just a pain in the arse guy, or whatever. He's in their life and they've got no

control of people who they live with, or who they associate with, and that's reflecting on, and these people are affecting the neighbours. They're noisy, they turn on the stereo, they bring dogs around and all this sort of thing, and they can't say no to these people. They are not authoritative at all. (Paul)

Single mothers unfortunately pop up quite a bit in particular communities, just because I think they ... start feeling vulnerable and lonely, they start getting in with the wrong crowd, then that crowd is turning up at their house and it turns out that they are actually gang affiliated and it just turns into...It is sad for them, because they are the ones whose name is on everything. (John)

Some expressed frustration at non-disclosure of others living in the property by sole parents, particularly among those who are receiving government benefit:

You know if somebody is lying to you when you ask them a direct question, you know if you're on a benefit, solo parents benefit then you'll know that the guy that's driving them is more than likely going to be living with them, I mean there's often signs. (Suanne)

While some expressed empathy for the situations of tenants in lower socio-economic circumstances who had limited choices and *'can be taken advantage of quite badly'* (Troy), and there were instances of exercising flexibility with the rules, tenants were ultimately (and unproblematically) viewed as free agents operating in a free market, exercising individual choice and having certain non-negotiable responsibilities. Some expressed quite strong views that tenants who had moved in to low-cost rentals knew what they were signing up for and had very little rights to then ask for improvements.

... they are paying quite high price but no one else will take them, and unfortunately that is their fault ... (Troy)

Some people are choosing to sleep in cars. (Suanne)

Language used in interviews often revealed an authoritarian and proprietary approach to their relationship with 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)

Finally it is indicative that only two participants referred to tenants as 'clients' during their interview, whereas almost all participants referred to owners as 'clients'. A couple of participants explicitly recognised the key role of tenants:

First off, tenant pays my bill, not the owner. (Homer)

Yes we are hired by the owners but without tenants well we are not getting any rent, so we are not making any money either. (John)

However, as Homer then quickly pointed out ‘our first responsibility is always to the owner’.

5.2 Challenges

Participants were asked to describe some of the ‘biggest challenges’ they faced in dealing with tenants, and how they dealt with those challenges. While several participants noted that challenges with tenants were not wide spread – ‘10% of the people cause you 90% of your grief’ (Catherine) – there were some common themes. The three most common responses were rent arrears, lack of communication, and a mismatch of expectations around the service they provided and/or the property. Other specific challenges mentioned by individuals included over-crowding and abuse directed towards them and their staff.

The three most common challenges are discussed below. These issues are of course not mutually exclusive, and can be inter-connected, as some of the quotes indicate.

5.2.1 Rent arrears

The issue of rental arrears was mentioned by almost all participants when asked to nominate challenges in dealing with tenants. As outlined in Section 4, property management companies check their rent roll every day, and employ systems that will pick up non-payment instantly. Actions are taken very quickly to address this.

While participants occasionally expressed sympathy towards tenants’ personal circumstances, there is very little tolerance in the system for flexibility. Some participants expressed stringent views that the payment of rent should be prioritised above other commitments. For example:

We’re watching them and believe me they’ll have every excuse in the book as to why they don’t, they can’t pay. (Ned)

There are no excuses for rent arrears. (Harry)

Well, I don’t try and be an arsehole to people. I try and give them a benefit of the doubt. I hear what they’re saying. They’re struggling or whatever, but there are some excuses that I just get sick of hearing. The Polynesian community, a lot of them will come up with an excuse, I had a funeral... I’m sorry but your rent’s more important than the funeral, what do you want, to live under a tree or to go to a funeral, you work it out, you want to stay living in the house, don’t you, you’ve got to get your priorities right. I’m not wearing those sorts of excuses from people. (Paul)

And I do find a lot of, and this isn’t meaning to be racist, just a generalisation, is I find a lot of Island tenants think that rent is optional. I find that they think they can pay it whenever they like and for however much they like to pay as well.

Q. Is this newer migrants or people who have lived here a while?

No, mainly newer migrants. (Selma)

A common tactic undertaken by property managers is the attempt to establish clarity from the outset about tenants' obligations to pay rent on time, usually by taking time to walk tenants through the initial tenancy agreement:

I spend an extra special good amount of time with people that have just come into the country, and go through those obligations very carefully. (Selma)

The manager of a large company explained that upon signing a new agreement with her company, tenants are required to come to her office, and go through the contract clause by clause with a member of her team:

My staff don't have to worry if it takes them an hour or a half an hour or ten minutes. That tenancy agreement is read on every single clause; they initial it, the next clause, they initial it. On the first sign up you do with us for the first agreement, every clause is read and you will sign it and if we get to one, where they say, "I don't agree." Fine, let's just leave it until you're feeling comfortable and we'll leave it from our side, until you feel comfortable ... So no tenant goes into something not knowing consequences. (Lisa)

Generally speaking, the most common response taken by participants to rental arrears was to trigger the system of chasing overdue rent, as outlined in Section 3. An inability to pay rent and accumulation of rental arrears will often lead to the case being taken to the Tenancy Tribunal and ultimately put into the hands of debt collectors.

I've got people paying off unpaid debts from 6 years ago. I never let them go. (Ned)

5.2.2 Lack of communication

The two main challenges of communication with tenants were not being able to contact a tenant to discuss rental arrears '*sometimes they just put their heads in the sand*' (Troy), and frustration when tenants did not inform them of maintenance issues. In between inspections, property managers rely on tenants to let them know if damage has occurred or when something needs fixing, and were able to provide some examples at their frustration when this does not occur:

I explain this to landlords when I take on the management; I prefer somebody that is slightly in arrears, in a way, and they're looking after the property, they're communicative, they may have problems with getting their money for certain reasons, there's reason why they missed payments or whatever, but I prefer to keep in working with those people. When there's a communication breakdown, in other words, if they're never telling me what's going on, it's always me that's having to pull them up on stuff, after a while I just cannot. It's just too much of my time, and it's just inefficient, and I have to make a decision; I'm sorry. If it's a fixed term contract we're not renewing that. (Paul)

Previous research has repeatedly found that power structures in the broader rental system mean that tenants often do not ask for repairs or improvements to the dwelling they are renting as they fear consequence of increased rent, or unfair treatment (see for example

Chisholm, Howden-Chapman and Fougere, 2017; Chisholm, 2015). Participants were aware of this:

These days I think a lot of it is, is cultural and communication issues with people. And often if people cannot communicate or they feel that they are likely to get in to trouble, they will avoid you, so there is just no communication, they just don't talk to you. (Catherine)

Yet as the comment below indicates, property managers can actively fuel that fear, often as a deterrent to tenants asking for changes.

And so you go well okay, we can do all that stuff for you, and then your rent will be instead of \$300.00 it is going to be \$400.00 – oh! Well, that is why you have rented this place at a cheap place because it is not as nice as places that are at a higher rent. (John)

5.2.3 Requests for improvements to the property

Related to the challenge of non-communication was a further challenge stated by several participants of situations in which tenants request improvements or changes to the dwelling or property that were perceived by the property manager as being out of scope. Their underlying belief was that if a tenant has viewed a property and signed an agreement, then they had very little, to no, right to subsequently ask for changes. Examples of this ranged from relatively simple requests:

Most of the challenges we have with tenants is around maintenance, and it's maintenance that they feel is urgent or required, and we as a landlord do not. That would be the biggest challenge for us. I'll give you an example as a tenant who's moved into a new property with an older style bathroom with two taps - a hot and a cold - is demanding that it is a basic requirement that he has a single flick mixer in his bathroom, and how dare we expect his children to use a hot and a cold tap? So those are the types of things. (Margaret)

To more requests for substantial items such as new carpet or paint:

Tenants wise, the majority of our tenants I find that they are good but you do get some tenants that only think of themselves. ... they're renting a house, the house doesn't belong to them but then they always make a lot of complaints. For example, the house is very cold and then we say well you saw the house it's just got curtains and the old wooden windows and then they'll say, "Well our friends' houses have aluminium window ...". And we say, "We can't replace that." (Graham)

One participant who worked for a large company with extensive portfolios noted that this was prevalent among some specific groups:

Tended to be Indian, Malaysian, some Pacific Islanders, Fijian Indian, but also Middle Eastern, they don't want to spend a lot of money on a property to rent, so they are looking at low rented properties. ... They will rent it and then as soon as they have moved in, start demanding that everything is improved.

You know, we want new curtains, we want new paint, we want new carpet, they are obsessed about having a mixer taps instead of separate taps, we want the taps changed ... and that can actually be a real hassle and take a heck of a lot of time. (John)

He went on to say that the situation described above was 'not quite so bad now because we try to pre-empt it.'

We have got a stock standard answer for anyone who does do that now before any of those people move in ... before you sign this agreement, you will be very clear the property is not getting any work done, it is what it is. It is a bit tired, everything is working, it is insulated whatever the case, it is not going to look pretty, it is not going to get new paint. (John)

5.3 Final comments

Property managers were able to identify several overarching challenges in working with tenants, and they respond to these challenges in a variety of direct and indirect ways. Official mechanisms and systems for the retrieval of late or missing rental payments, retrieval of costs incurred for damage to properties, and dispute resolution, as set out in the RTA, are utilised by property managers, with varying levels of success. On a day to day basis, their responses to issues of poor or no communication, or requests for changes to the property which they feel are 'out of scope' vary. Instances were provided where such requests are just dismissed or ignored.

In Auckland's current rental market, tenants are relatively easy to replace and some participants resorted to non-renewal of tenancy agreements as a tactic to remove tenants they had problems dealing with. Some participants called for more powers to deal with 'proven bad tenants' (John).

As the next section outlines, participants found property owners more challenging to deal with in several ways.

6. Perceptions of working with property owners

This section opens with a short discussion of participants' client bases at the time of interview. This is followed by an overview of participants' attitudes towards private property owners, and an outline of the most common challenges that they identified in their working relationships with owners, and how they address those challenges.

6.1 Client bases

As mentioned in the previous section, it was interesting to note that owners of properties were referred to as 'clients' throughout, whereas tenants were not referred to in this way.

Participant's client bases were incredibly diverse. The extent to which the owners they represented were living in Auckland, in other parts of New Zealand, or overseas varied. The proportion of local to overseas based owners depended on a number of factors including the geographic area in which the company focused their services (for example, the two participants whose portfolios were predominantly based in south Auckland tended to have higher proportions of Auckland-based managers), whether they were focused on particular investors (three had a business focus on Asian owners, many of whom were based overseas), and the extent to which their company actively recruited new business among overseas owners. One participant summed it up this way:

The tricky part of this job, and it is the same thing that I love about this job, is you are dealing with so many different clients, so many different cultures, backgrounds, values and different budgets. (Hugo)

It appears that the clients of most property managers we spoke to owned one or two properties, although this was not quantified in the study. There may be commercial incentives in this. As one person who owned a very small company noted, there are limited commercial gains in dealing with property owners with large portfolios. They have the bargaining power to demand subsidies and lower fees, and from her point of view, if they should withdraw their business, this can have a sudden and negative impact on her income:

When you bring on somebody who has got a load [of properties] they tend to screw you right down [on] the commission, and you also can lose a lot all of a sudden. It is very difficult to manage an owner with a large portfolio. (Suanne)

Another participant noted that people with large portfolios (e.g. 15, 20 properties) sometimes hired their own property managers.

People own and invest in rental property in Auckland for a range of reasons. The *Rental Sector in New Zealand* study found considerable diversity in the reasons given for investing in the residential rental property market – 'it was apparent that there were differences in the way individuals conceptualised and named their roles within the private rental sector' (Shore

and Whariki Research Centre, 2017:67).²⁵ Differences also emerged in the way that participants in this study categorised their clients:

We deal with more and more traders at the moment ... particularly last year in the height of the market a lot of people buying, dressing the property for selling. (Jennifer)

There are two ways to look at property, some owners are out for capital gain ... I don't term them as investors I term them as speculators because they are speculating on capital gain, they don't care what the house returns. And you have got investors, now the investors it is about the cash flow. (Bart)

A lot of people who are clients on our books, they have kind of fallen into owning an investment property. They haven't made... a decision where they have gone 'right, we are going to be a property investor', ... you know they have inherited an estate, they have moved out of somewhere because they have bought somewhere else, so they decide they will rent it out, various other things, their bank or their accountant has said you have got this extra cash that you are going to get taxed on, throw it into a property and we will do this with your tax and all that type of thing. That is about as much as they think about having an investment property. (John)

6.2 Attitudes towards owners

It was widely felt that owners are more challenging to deal with than tenants – ‘*My main struggle is with owners*’ (Graham). As representatives of the landlord, property managers have clear guidelines regarding their mutual responsibilities, and processes they can follow in cases of dispute. However, the nature of the relationship between owners and property managers, means that for many, this relationship is the hardest – particularly as property managers are reliant on owners to pay for property maintenance and upkeep:

... 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)

Bierre, Howden-Chapman and Signal (2010) trace the rise of the stereotype of the ‘ma and pa landlord’ in contemporary discourses of the private rental sector in New Zealand – a term used to refer to the non-professional lay landlord with one or two properties. They point to the association of this term with a lack of knowledge and lack of professionalism, referring to this as a generally ‘problematic identity’ (2010:27). Adherence to that stereotype was evident in this study, as was adherence to the ‘risky tenant’ stereotype.

²⁵ The authors report that four main ‘types’ of landlords emerged from the narratives: investors who saw rental property as primarily retirement income; those who considered it as part of a general investment/wealth creation strategy; those for whom acquiring and managing residential rental properties was a business and/or lifestyle choice; and those who had become ‘accidental landlords’ (Shore and Whariki Research Centre, 2017:67). A key difference between the BRANZ study with this one however is that the BRANZ study did not include owners who lived overseas. Property managers are representing the interests of overseas based owners, as well as those based in New Zealand.

Throughout the interviews there was a dominant theme of the 'danger' and 'pitfalls' of owners managing their own properties. Participants voiced a range of concerns including owners not knowing what to look for in background checks on tenants, and not having the ability to do 'full checks', not fully understanding their requirements under the RTA, not protecting themselves adequately with landlord insurance, and not understanding the possible impacts of recent revisions to New Zealand's workplace health and safety regulations.

They have got no idea of the rules and regulations. (Bart)

The difference between a managed property and unmanaged is significanta lot of mum and dad investors have no idea of tenancy law or how to go about managing their tenants or anything. (Margaret)

It is becoming more difficult for owners to manage their own properties. ... a business which is fraught with problems and issues, and I think as time goes on more and more people will be needing property managers to actually manage their portfolio of properties or even single properties. (Catherine)

There was also a narrative that 'ma and pa landlords' are not financially savvy enough to extract maximum financial gain within the current market. One participant felt that part of her role was to encourage owners to see themselves as investors and to act accordingly:

A big part for us, dealing with our landlords, is trying to increase their capital growth and help them with that wealth creation strategy, most of them they're doing it. Why else are you in investment property? Really, it's for wealth creation. Some landlords say they want to provide homes for tenants, but it's for wealth creation at the end of the day. If we can help them with that, and a big part of that is maintenance, we will build that into our quarterly inspections and recommend maintenance at that time. (Jennifer)

The property managers who participated in this study generally preferred that their owners devolved all responsibility to them to manage the relationship with the tenants and to manage the property, and to 'trust' them. Many were quite adamant that they did not want owners communicating or negotiating with tenants separately. The 'best types of clients' are those who are hands off, as these quotes illustrate:

There's three types of owners: one) that says what's the fee? I just want you and that's it. The other owner says 'what's the fee but I need you to be touchy feely with them'. And then you've got ... the third owner who says 'I want to look at the tenants, I want to visit the property every weekend or whatever'. And the best owner is the A owner who says just says what's the fee? I want you to manage it. I trust you and all that. And then you've got the other owners. (Harry)

The best type of landlord for me is someone who is out of sight, out of mind. They say do what you think best, we're paying you for you to do what you think is best. (Paul)

I don't want my owner to know who the tenant is I don't want my tenant to know who the owner is. (Troy)

The notion of 'trust' between owner and property manager was mentioned by half of the participants and is related to their ability to make decisions on behalf of the owner, and to provide guidance on their investment:

It is a relationship which is built on quite a bit of trust. So if you don't trust us, then don't employ us because if we can't work together it's not going to work (Catherine).

6.3 Challenges

Participants were asked to describe some of the 'biggest challenges' they faced in dealing with property owners, and how they dealt with those challenges. The most common response was an inability or unwillingness by owners to attend to property damage, or to ongoing property maintenance requirements. Other common challenges included what they felt was interference with tenants, and similar to their challenges with tenants, a sense that some had unrealistic expectations. These challenges are discussed separately below.

6.3.1 Inability or unwillingness to attend to maintenance

When asked what the main challenges were in dealing with property owners, 'not paying for maintenance' or ignoring requests to discuss repairs or maintenance was one of the main and immediate responses. It is not possible to know the extent to which this is a common occurrence but it was certainly top of mind for most property managers, as these comments illustrate:

The biggest, main problem is maintenance. Huge issues with maintenance. (Troy)

... owners who don't want to spend their money ... they are just there as a cash cow, they are happy to be slumlords... how many of those are there out there really? Not a huge amount but even if its 5 per cent which I would roughly guess it might be ... that's a lot of properties. (John)

A lot of landlords can't accept that there is always going to be regular maintenance (Margaret)

Spending money (laughs), not a lot of them like to spend money on their properties.... Someone that's on a tight budget, that's fine ...but. I've got owners that just flat out refuse to do any maintenance altogether. (Selma)

There was no singular definition of what maintenance refers to and there appeared to be differences among the group – 'what is maintenance, what is damage, everyone's got a different opinion' (Troy). Examples of instances in which participants had difficulties in getting owners' agreement ranged from interior and exterior painting, re-carpeting, replacing ovens, replacing broken toilet seats, fixing broken light fittings, addressing leaks in bathrooms and kitchens:

Usually, it's on the Tenancy Agreement that (the tenant has to) maintain most of it. It's their job to maintain and clean the leaves out of the gully traps and things like that. But, we look at general maintenance as in if it needs painting. If the property's deteriorating, hot water cylinders, if they're not working properly, electrical stuff....(Harry)

I'm not just talking about painting, I'm talking about fixing rotten floors. (Paul)

Even just general things like trying to get a gutter cleaned is like pulling teeth sometimes. (Selma)

Some caveated their statement by pointing out that owners did not always have funds available, and expressed some sympathy towards the financial situation of their owners. For example,

... no-one has \$2000 sitting around in their bank account to put in a heat pump or to replace a stove within a couple of days. (Selma)

Rents don't cover what the mortgage is and that's just the way it is... so as soon as a couple of rents are not paid, a hot water cylinder goes, and you are expected to spend a few \$1000 on insulation, well they are going ... (shakes head to indicate 'no')(Catherine)

These comments indicate two things: investment in rental properties in Auckland's buoyant housing market for capital gain, often at high levels of personal borrowing; and the absence of statutory requirements on owners to have sufficient funds with which to maintain rental stock to a high standard in New Zealand's broader housing system.

Some talked about owners who were just not interested in investing in their property, and were being wilfully neglectful, as this example shows:

I've got an owner who is quite wealthy ... does international business, part accountant as well, he knows his numbers, been doing it for a long time. And I told him you have got to paint this house mate, it is a wreck, ... there is no patch of paint outside that is free from peel.... the back deck [is rotting and] can't be used....

Q. Has he got tenants in it?

Yeah. They have just moved, I put them in, I made him repaint all the inside. He assured me that the outside would get painted as well and he has never done it. He had a painter, paint the whole house, he sanded the front. The front façade that was it. And I said when it is going to get painted, oh you know the guy is busy ... I fired the guy because these type of owners get you in to trouble.(Troy)

Several property managers commented that this was a particularly prevalent challenge when working with 'Asian' owners. Their comments tended to relate to owners who lived overseas, or who had not lived in New Zealand for long. Several reasons were offered for this, including a lack of understanding of Auckland's physical and built environment and the need for ongoing maintenance in order to avoid major repairs in the future, as well as a lack of

understanding of their requirements under the RTA, and significant differences in ideas about whose responsibility it is to maintain properties:

Some of the Asian investors that we have, they tend to not like to do repairs and maintenance, and a lot of the inexperienced property owners tend to be a bit that way. They think it's like a term deposit and you just get your interest, right and they go what do you mean we've got to clean the gutters out or, you know water blast the outside, regular maintenance right? Because you can just defer it on the house and not do it. (Ned)

A lot of Asian owners don't. They come from a background of thinking that other people need to pay for everything. And they don't understand that it is not the way it works. And they don't accept it. (Catherine)

Maintenance of a house is an alien thing, it is not something they have had to do day to day. (Bart)

One participant who worked in a large portfolio, in which he estimated that 80 per cent of his owners were Asian, discussed this at some length:

It's very one sided. Mainly the owner only thinks of themselves. Because in Asia when you rent a place, it's like commercial property here where the tenant's responsible for everything. So owner, although the majority of the owners are based here, they still have the perception like they're like in China where the tenant is responsible for everything. I've got a lot of owners that say, "When I give the property to you at its current state, five years down the track, I'll expect that you give it back to us in the same state." But, it doesn't work like this, because you will have wear and tear, you'll have an oven that breaks down after about three years, which is why manufacturing gives one to three years' warranty based on brand, and they don't understand that....the owner will always blame the tenant. (Graham)

6.3.2 Owners doing their own maintenance

Almost all participants had accredited tradesmen they could call on regularly, and did not encourage tenants to attend to maintenance or repairs themselves, especially of an electrical or plumbing nature.

While several participants expressed sentiments similar to Suanne, who noted that property owners are 'entitled to do some of their own maintenance', there was a general preference that owners do not undertake maintenance or upkeep themselves, as they felt this is often motivated by a desire to save money, and can often lead to work not done 'properly:

And that is the issue we are going through at the moment where there are a number of clients who want to do their own maintenance and it doesn't get done properly. (Hugo)

Comments such as these are linked to concerns of a lack of awareness or ability among owners to meet their requirements under the new Health and Safety at Work regulations.

... there are definitely a certain number of landlords that want to do their own maintenance or have their own people do it, and that's a big challenge for me and especially now with the new Health and Safety Act coming in is a landlord who wants to get up a ladder and do their own guttering clear. ... because under the new Health and Safety Act, that is my place of business, so every one of our properties are now our place of business, and so therefore we need to make sure that that property is covered by the Health and Safety Act. (Margaret)

6.3.3 Meeting this challenge

Meeting this challenge can involve a minefield of negotiation for property managers. They must balance their financial desire to retain their client's business, with their legal requirements to ensure that tenants are living in a safe and functional home. A few indicated that they were clear with new clients that they would need to attend to repairs and pay for maintenance. Some mentioned occasions where they had just gone ahead and attended to the issue and chased up the owner for reimbursement later, however this was not a common theme. Ultimately participants spoke of letting their clients go if they could not get them to maintain their properties to a healthy and safe standard, and they considered that the risks to tenants and/or their business were too high:

So I mean it gets to a point where when you have problematic owners who won't do any maintenance, we have to give them notice. We can't manage it from there on. It is too high risk for us. (Catherine)

We have had a lot of owners like that we have just let go. (Troy)

Another tactic that one or two participants touched on was to encourage their tenants to issue a 14 day breach to the owner, however this appears to be very rare. Under the RTA, a tenant can issue a 14 day breach letter to an owner to address maintenance, which must be responded to by the owner. One participant mentioned that she includes provisions for this in her contract with owners. It is highly unlikely however that many tenants would choose to follow this course of action as it can put them in an unfavourable power position and many fear recrimination such as eviction as well as rental increases, as in the example below:

We have this overseas investor/owner that we fired because he's never seen the house when he bought it. He trusted the sales agent who was a friend. We found him a very good tenant. The deck was rotten and the kid was jumping and then fell through it. We saw it. We told the owner. The owner asked us if the kid was jumping, they should be responsible. Then he didn't want to fix the deck. So we told the tenant you should issue us with 14 days' notice. So to remedy then we can sue the owner. The tenant didn't want to do that. (Graham)

6.3.4 Interference with tenants

Related to the notions discussed above that the 'best types of clients' are those who are 'hands off', another challenge identified by participants was dealing with owners who get involved in aspects of the management of their property, particularly those who establish

separate lines of communication with the tenant. There were of course, some exceptions, but for many this was seen as unhelpful and disruptive.

[the] second [challenge] is meddling owners who are not flexible. They just want their hands in everything. (Troy)

This can be a challenge as it presents a disruption to the contractual arrangement, and power relations, between property manager and tenant – Troy went on to say *'I am supposed to be gatekeeper and head sheriff'*. In addition, for those with already busy schedules it adds another layer of communication that is not always welcomed.

6.3.5 Unrealistic expectations regarding rent

The dynamics of agreeing on rental prices between owners and property managers is ongoing and can be complex. Several commented that property owners sometimes come to them with 'unrealistic expectations' of what they should charge for rent, particularly at the commencement of a new arrangement for them to manage their properties. Often the property managers would advise them to set rents at a lower rate than initially anticipated, or would let the market decide. For example:

We set [the rental price] because the property owner if they're remotely, if they are out of ... well, they don't know and they try and put a figure on that's far too high. (Harry)

If we meet a new owner we always get their feeling on what they want. A lot of the times it's nowhere near what we think. Sometimes it is. Too high generally, particularly in a high market. And the odd time it's been too low, we think we can get more than that. So that's been quite a pleasant surprise for a landlord. (Jennifer)

[They have their] head in the clouds and think their property is amazing and they hear all these things on the news about all these people living in cars and don't understand why my property is vacant... it's because the price is too high and families can't afford it. (Selma)

Participants who mentioned this as a challenge noted that if they could not convince their owners to adhere to the rental price they suggested, through explaining how they had come to their conclusion, they might go ahead and advertise the property at the price the owners anticipated. Their expectation was that they would not be able to attract tenants, after which the owner would allow them to reduce the price.

6.4 Releasing their obligations to owners

As has been mentioned a few times in this section, in the absence of formal mechanisms by which property managers can enforce owners to meet their legal requirements, and the lack of time or inclination to attempt to deal with them, it is not uncommon for property managers to 'retire' or 'sack' their clients.

We categorise all of our owners, properties and tenants and they can be an a b c or d, anything that gets 3 cs we ditch the business ... I will cull properties twice a year. (Bart)

I have sacked clients because they wouldn't do the very basics. (Hugo).

6.3 Final comments

Participants in this study expressed a range of challenges in dealing with owners. Their comments also reflect the fragmented and diverse nature of ownership in Auckland's housing stock by people based in New Zealand as well as overseas.

Considerable effort is put into building and maintaining relationships with owners, as property managers are dependent on them for their ongoing business. Participants often spoke of the need to cajole, convince or demand certain decisions and responses from property owners.

7. Views on Auckland's housing stock

As well as asking about communication and relationships with tenants and owners, the interviews included several questions related to aspects of the rental housing stock that they managed. In particular, participants were asked to discuss the issue of mould and mildew, and their opinions were canvassed on methamphetamine testing of rental housing. Time permitting, participants were asked whether they had any general comments on the state of rental housing in Auckland, with respect to elements such as value for money, insulation, heating, wear and tear, and adequate storage. The key themes from their responses are outlined in this section.

7.1 General comments about housing stock

As mentioned earlier, several national surveys and research studies have shown that rental housing in New Zealand is in worse condition than owner-occupied housing (Bennett et al. 2016). When asked if they had any general comments about the quality of rental housing stock in Auckland a common response among participants was that:

Rental stock is in general crappy stock. It really is. (Hugo)

Several remarked that rental stock in lower socio-economic areas was in especially poor quality, or was deteriorating:

When I did a bit of property trading out in south Auckland, so buying property, renovating it and selling it, definitely out there there's a lot of dampness, a lot of overcrowding, windows that just don't shut which is a security issue, all of that. But we're not exposed to that here. (Margaret)

The worst properties, although there is the odd one here and there, but on the whole in south Auckland and some parts of west Auckland, that is where you will have whole streets of crap rental places. (John)

The quality of stock is deteriorating which is certainly not improving the quality of people's lives particularly in that lower income bracket. (Catherine).

Although as Jennifer pointed out, poor quality dwellings were to be found anywhere:

Shocking. I've got one at the moment in Orakei. It's not south Auckland. (Jennifer)

One participant was specific in identifying that there was inevitably never enough storage in the properties he rented out, mostly in the western areas of Auckland.

A lot of houses just don't have enough storage. They just don't. Your three-bedroom house, say a 90 square metre house with a carport on a half site with a garden shed; well I'm sorry, that just does not have enough storage for the average person. You might have two young kids or two adults and one child; there's just not enough storage. (Paul)

There was also a perception that standards of 'care' are slipping. This was levelled at owners, for example.

There's certainly a percentage [of rental housing] that's dire, and that's completely down to absolutely no investment in maintaining these properties. Taking all the profit and not putting anything back into it and even as a business it is a stupid thing to do. (John)

I don't think that a lot of landlords are interested in maintaining their properties, or probably do what they would do if they lived in it themselves. So they look at it and go, "It's my rental property; oh, I'm not gonna do that for the tenant." But if they were to live in the property they would do it for themselves. (Margaret)

Yeah, I guess, the main thing for me would be that I find owners aren't caring about their property enough which is causing damages later on or making houses uninhabitable by not doing like, your wash on your roof and stuff. (Selma)

This criticism was also levelled by some at tenants:

I would comment that in the time I have been in the industry the standard of care by the occupants has declined. ... whether that is just the fact we have got more immigrants coming in. What we are seeing is the younger tenants aren't taking as good care as what they used to. So maybe the parents aren't educating them well enough. (Bart)

7.2 Mould

The presence of damp and mould in New Zealand's housing stock, and the corresponding negative health impacts, are well-recognised issues, including by government (Tenancy Services, 2017).²⁶ A recent comprehensive study into housing quality in New Zealand found that almost half (49%) of all houses surveyed showed some visible signs of mould, and that there was a slightly higher prevalence among the properties that were rented (56%) compared to owner-occupied (44%) (White, et al. 2016; see also Bucket, Jones and Marston. 2012; Chisholm, Howden-Chapman and Fougere, 2017).

Interviewees were asked about 'mould and mildew', namely whose responsibility it was to deal with these issues and what mechanisms they employed to combat it. During the interviews participants often referred to 'mould', and all had properties subject to this. It was accepted as a universal reality in Auckland, given the housing typologies and climate – 'Yea, that is probably the most common issue' (Ned).

²⁶ Damp and mould are inter-related. A dwelling that is damp is hard to heat, and mould grows better in damp air (Howden-Chapman, 2015). Mould thrives on moisture and grows where there is dampness in or on a surface, such as walls, ceilings, floors, curtains or furniture, for a prolonged period of time (Housing New Zealand, 2016). There is substantial evidence in the New Zealand literature on links between poor housing quality, particularly dampness and cold, with poor health outcomes. The presence of mould is known to contribute to poor health; particularly respiratory illness for occupants (see for example Keall et al, 2010; Howden-Chapman, et al. 2007; Howden-Chapman, 2015; Bennett et al., 2016).

With regard to the question of whose responsibility it is to maintain properties to be free from mould, the common response was that it is the owner's responsibility to ensure that the property is mould free when it is initially let, and from then on it is the tenant's responsibility while it is tenanted, as is summed up in this quote:

Q: In your point of view, whose responsibility is it to remove the mould or the mildew on the ceilings and the walls -

The tenants.

Q: Prior to a tenant moving in -

Oh prior, the landlord.

Q: And while the property is tenanted?

No, the tenants. (Paul)

In practise, the general approach is to let a property out with mould absent or removed and the tenant is then responsible for managing it throughout their tenancy, particularly through ventilating the property. This approach is in line with guidelines published on Tenancy Services website.²⁷ Participants were quite clear about this, and in some cases had strong views:

... it's a tenant issue, ok unless it's proved otherwise (Ned)

I see it as the tenants' responsibility because they are in it every day, they've got the option to open windows and ventilate properties and they are also the ones who can wipe it down before it gets to be an issue. (Selma)

We don't have mould and mildew in properties when tenants go in. So we have a reasonable, we have a start point, and we make sure there is no mould in the property, no mildew, and then we can assess and gauge whose responsible for a problem. (Suanne)

A number of approaches were described by property managers to support tenants in addressing mould.

Several mentioned ongoing need for 'education', particularly among those who are new to living in New Zealand. *Mould can be combated with a bit of education and it works almost every time'. (Hugo)*. This ranged from the provision of information packs for tenants on how to deal with mould on sign-up (one person noted that they have a video on You Tube that new tenants are encouraged to watch), to explanation at inspection time when mould is beginning to appear

The tenant is responsible to make sure that they ventilate adequately, we offer lots of advice to tenants on ventilation, we carry Exit Mould in our cars and we show them how to use it, and how simple it is to spray it on, we give them the alternative of diluting Janola in a bottle, once they use their first

²⁷ Tenancy Services advise on their website that 'All houses must be in a reasonable state of cleanliness before being rented out. This includes being free from mould and dampness. Tenants should try to keep their house in a condition that doesn't encourage mould and damp. This includes keeping the house well aired, and removing mould as soon as it appears' (Tenancy Services, 2017).

expensive bottle, 50/50 and using that to eradicate the problem because its unhealthy. (Suanne)

Several commented that they need to take time to explain the causes of mould and remedial action that can be taken particularly to people from other parts of New Zealand or other countries:

....And, in other words, they have to clean it. When we do an inspection, if the bathroom is mouldy, you know, that's their thing. They've lived there for six months, they should be looking after it.If you're looking at Asian tenants, right? They don't even know how to clean. Because they're buying the wrong product. So you have to advise them in their welcome pack. These are the products you should be using. Jif for that. Dit dah dit for this. And so that they know because overseas, their products are in different names. They don't know what they're buying. So just buy the cheapest or whatever, you know? And they don't know what they're looking at and so we teach them how to clean as well. (Harry)

I have had tenants where they just moved in they have got this mould on the ceiling, it never had mould in it before with the previous tenants and you think what's going on, you never open your windows so it was a one off, we cleaned the ceiling and we said if it happens again you're doing it in future, this is what you have to do so yeah it is just about communicating and educating people. (Hugo)

One participant stated that she specifically encourages tenants to purchase dehumidifiers:

Yeah I mean people who come from other countries, I am saying to them if you are going out and buying a washing machine and a fridge buy a dehumidifier, or two, while you are at it. Don't close your wardrobe door, leave your wardrobe door open and run your dehumidifier during the day to dry your bedding and your, make sure your wardrobe is nice and dry.

Q: Do they do it though?

No.

Ventilation was widely recognised as a safeguard against the build-up of condensation and development of mould. A few mentioned that a requirement to ventilate the property is built into their tenancy agreements:

When it comes to tenancies there is a ventilation clause in our tenancy agreement that the tenants agree to keep the property as ventilated as possible. obviously an owner needs to be able to provide safe facility for that so that might be a security stays on windows and that sort of thing. If that is not happening then we have to address that. (Catherine)

[Mould and mildew] hasn't been so much [of an issue] now that we've got a lot of our properties are insulated. That again is in the tenancy agreement. A tenant's obligated to ventilate the property to reduce mould and mildew. They are obligated to do that. (Jennifer)

It was recognised by a few that in some cases it is beyond the ability of tenants to keep on top of the issue, due to underlying water-tightness and/or ventilation issues where it is ingrained and 'you can never get it off' (Graham). Or as Selma pointed out in cases where there are high ceilings:

...it's very much a grey area as well. ... it does depend on the type of property. If you've got a property that's got huge ceilings, then I can't expect a tenant to get on a ladder and go up on the ceiling and clean it. (Selma)

One participant lamented the 'stuff-ups with our housing construction in New Zealand':

Another thing too is a lot of houses don't have black paper in their ceiling. They've got their tiles ... straight on in their roof cavity. So you go into the roof cavity and you just see the tiles on the roof. There's no black paper, and if they don't have black paper, all that condensation drips onto your insulation. Then it goes, then it's damp, and then it causes your bloody ceilings to go mouldy. That's what happens, and that's in lots of houses. They've been poorly built. (Paul)

A few mentioned that they are pro-active with owners about protective and responsive solutions. Two specifically mentioned shower domes and a few recommended the use of anti-mould paint in cases of persistent and ingrained mould:

....the biggest issue coming from the bathroom because of the hot showers. I am installing shower domes, shower domes are so expensive, they are a money making thing for a piece of plastic but it is about \$400 a dome, you don't even need an extractor fan in there ... we have installed so many. And landlords are approving them because they don't have to repaint the ceiling, they don't have to clean it, the tenant is happy and the house is dry, so shower dome is the solution to a lot of mould issues. (Hugo)

Bathroom - best solution is shower domes. Every bloody house should have a shower dome. Absolute essential in New Zealand, because it's cold, and when you have cold and hot, you get steam. You want that steam to be isolated just into the shower. It's great, because tenants can't falter with it. You can't remember to turn it on or off. It doesn't need to be cleaned, just like cleaning the shower. It's a one cost and that's it. (Paul)

None specified during their interview that they work with owners to undertake structural remedial action such as replacing walls and ceilings. This may be related to challenges outlined in the previous section with getting property owners to pay for maintenance.

7.2 Methamphetamine testing

During the time of fieldwork, Standards New Zealand had commenced work on developing a standard for testing and remediation of methamphetamine-contaminated properties, and at the time of writing, the process was still underway.²⁸ In the absence of national standards,

²⁸ Methamphetamine, or crystal methamphetamine hydrochloride (pharmaceutically referred to as methylamphetamine or desoxyephedrine), is a powerful and highly addictive synthetic drug. It is colloquially

the Ministry of Health 2010 guidelines state that any 10sq cm area with a concentration of 0.5 micrograms of methamphetamine ('meth') or above is 'not safe' and must undergo remediation.

In recent years several companies have been established that test properties for evidence of contamination and/or undertake remedial action. Some insurance products designed for the rental market now offer 'illegal substances protection' that require testing at the start and the end of any tenancy in order to fulfil requirements for full repayment of remediation costs. Industry support agencies such as Tenancy Practice Services offer links to companies offering testing services on the front page of their website, and several articles have appeared in mainstream media promoting the topic (eg., Redmond, 2016; Morton, 2016).

Participants were asked how often they recommend or coordinate testing for meth-contamination in the properties they manage, and what their stance, or the stance of their company, was on the issue. It was discussed with about 11 participants and there was divergence with regard to levels of interest and understanding in the matter, and in their practices.

There was a narrative of the 'risk' of personal liability in the event that meth-contamination was discovered, and 'protection' against that by regular testing in between tenancies, and by having landlord insurance. Of the three who stated that they recommend regular testing in between tenancies with their owners, two were clear that this was due to landlord insurance requirements, and was in order to safeguard assets and clients (and themselves) against possible liability, rather than from any health concerns for tenants.

*Our protocol now is to encourage an owner to do it between tenancies.
(Suanne)*

We're now recommending to a lot of our landlords that are coming and purchasing properties for P test before they buy and we're recommending P testing between tenancies ... ultimately to protect the landlords' investment. If we're P testing (at the) end of the tenancy and it hasn't been P tested prior to them going in well who's to say they did it. So it's a proof thing from an insurance perspective. If the insurance was to go after the tenant, you need to be able to prove it. (Jennifer)

Tests are arranged by the property manager but the costs are covered by owners.

One participant indicated that not only was she aware of the requirements for testing at the start and end of tenancies under landlord insurance policies and the reversal of onus from landlord onto her as a property manager, but she was also concerned that under the revised health and safety regulations her (small) company may be liable if she was to send in a

referred to as 'P'. This drug can be manufactured relatively easily using mobile and makeshift laboratories, including private residential dwellings. The Ministry of Health advise that acute or chronic exposure effects can come about through contact with the product or waste (Ministry of Health, 2010). A committee responsible for developing NZS 8510 *Testing and decontamination of methamphetamine-contaminated properties* was formed in June 2016, and released a draft standard for consultation in early 2017. As a result of the number and nature of public comments on the draft standard, and the time needed for the committee to consider them and determine if any changes are needed to the standard, the planned publication date for the final standard has shifted from the end of April 2017 to the end of June 2017. For further information refer to Standards New Zealand website.

contractor to do inspections and they became ill and decided to 'sue her', or if the tenants 'sued her' for renting out a property that was contaminated. She figured this meant that they would have to test more frequently in the future '*...so I'm finding that we are going to be starting to test them more.*' (Selma)

Others were more ambivalent, such as John, who works in a large organisation with properties right across the region. He expressed mixed feelings about the issue. While on the one hand he noted that his company recommends it '*occasionally*', for landlord insurance requirements, personally he felt that there was '*a bit of hysteria*' around the topic, and he didn't wish to '*freak out*' property owners due to '*lobby group pressuring*', until such time as there were established standards. His company currently train staff in what to look out for when undertaking property inspections, and on the '*odd occasion*' they do find that drugs are being grown or manufactured, they will deal with the situation. These sentiments were echoed by a few others.

7.3 New requirements under the RTA

The Residential Tenancies Amendment Act 2016 introduced new obligations for landlords and tenants, including provisions to make working smoke alarms in all rental properties compulsory, and requiring minimum standards of insulation in rental properties by 2019 (for a full list of changes refer to Tenancy Services, 2016). Although participants were not canvassed directly on their experiences and opinions on these two changes they did come up in conversation. There was universal awareness of the changes, and all maintained they had been working with owners to meet their requirements.

7.3.1 Smoke alarms

From 1 July 2016 all rental properties are required by law to be fitted out with a working smoke alarm, and replacement alarms installed after that date are required to have long life batteries and a photoelectric sensor. Tenants are responsible for replacing worn-out batteries and informing their landlord of any defects (Tenancy Services, 2016).

These requirements were perceived by all those who mentioned them as non-negotiable. A few commented that some of their owners had initially not wished to pay for services, or not understood their requirements:

And they [owners] all think they are above the law. Like just a recent example of putting smoke alarms in. They are all busy going why do I have to? ... can't we just contract out of it, can't we get the tenant, I said no it is the law of the land you can't contract out of it. ... This time around there hasn't been any choice about it, I have just told them it is happening. (Bart)

The property managers did not see that it was their responsibility to install or check on smoke alarms, and several appear to be encouraging owners to take up the services of external companies who install and check smoke alarms annually, for a fee:

... there is a company they install smoke alarms and they service them every 12 months and replace them or service them after the end of each lease. And

that is what we have been recommending to landlords because we are not responsible for installing them and there is a certificate of compliance. And so it costs \$100 a year... for that service and a lot of them are complaining and I said "well that's fine we told you about it you can cancel the contract and still have the smoke alarms but remember that you are responsible now". (Bart)

We've outsourced our smoke alarm testing. A lot of companies just don't see the need for it but we outsourced it. The majority of our landlords have gone with smoke alarm testing solutions. (Jennifer)

7.3.2 Insulation

Changes to the RTA by the New Zealand government require minimum standards of insulation in rental properties by 2019, and insulation statements on any tenancy agreement made since 1 July 2016 (Tenancy Services, 2016). Again, all property managers were very aware of this and some had actively started to promote these changes among their owners and to encourage them to address insulation as soon as possible. For example,

We've been rolling all this out. We've known about this for a long time so we've already been rolling this out with our properties and getting quotes and getting owners to get it done. (Margaret)

There was a strong sense among participants that as it was a legal requirement, it was not negotiable and they would work with owners to address this.

There was also general support for the new requirements – ‘*We think it's a huge upside, this new legislation*’ (Jennifer). Participants could clearly outline how it would make their job easier, and some discussed the links between dry and warm housing with improved experiences at the household and community level. For example:

It's a really good thing that investment properties are going to have to be insulated. It's making the tenants happier and healthier and what we're seeing some of them were freezing cold last year, made a huge difference. And it affects the psyche of the tenants so ultimately if the tenant's going to pay the rent, well it's easy for us isn't it? It makes our life easier; we don't have to grump on the phone, grumpy people yelling out in the office, "You haven't paid your rent, what's going on?" "Oh, my child's home sick." So it's just generally better all round. (Bart)

The insulation; most of our owners, we've already said to them; "Listen, if it's insulated, you'll get a better tenant and a longer-term tenant and you'll have a tenant that can keep working better because they're not sick and haven't got sick kids, and your properties more cared for because it doesn't get mould and mildew damage." (Lisa)

One person who had been managing a large portfolio for many years outlined the pro-active stance that her company had taken for ‘*donkeys years*’ to work with owners to get them to insulate their properties, even offering to cover the costs of insulation through a loan arrangement or arranging instalments if owners could not afford to pay up front.

A couple expressed concerns that increased requirements of owners to invest in their rental properties and meet minimum requirements could mean that owners would react by selling up and exiting the private rental sector

I think you are going down the right track, but my concerns are that if they push this too far it will just eliminate the stock that is out there, people will go this is too hard. ... I can't afford it, I am selling it, I am out of it. (Catherine)

I think going forward that is going to be a big thing, because old houses are going to go up in price in 2017, 2019 when the insulation comes in to play. Because it's \$5000. To do a house is \$4000 for a three bedroom, \$5000 for a four bedroom. So straight away the owner goes where am I going to get the money from? You know? (Troy)

8. Views on rental affordability

Somewhat paradoxically, although the residential property management model is predicated on growth and profit, and property managers actively encourage incremental rental increases, several commented during their interviews that rents were expensive, and were becoming 'unaffordable'²⁹:

Q: ... South Auckland's a high rental area.

...Yeah, and always will be. The rents are getting higher and higher and higher and higher, and I was just talking to a landlord yesterday, it's becoming unaffordable. (Jennifer)

... expensive, very expensive ... \$450 a week a year ago, and now it is \$600 a week so how has that grown so far, we have done nothing to the property. ... I don't agree with it but that's the market driving it so if somebody wants to pay this money I mean who am I to say... (Hugo)

Rents are too expensive. They are definitely too expensive both for landlords and for tenants. I shouldn't say that. Housing is too expensive. I mean we need to encourage people to buy properties so that others can live in them and those landlords need to be able to have enough cash flow to be able to maintain those properties. (Catherine)

Participants who managed properties in low-income areas were witnessing first-hand the impacts of rapidly increasing rental costs in these areas on households with very limited options. Selma touched on the speed at which rent prices were rising in Auckland and the inability of government support agencies to keep pace:

Pure WINZ tenants so people that are on like solo parent benefit or sickness benefit or anything like that, we're actually finding that WINZ is declining them for move in costs because the property is too expensive. But, the expensive side of things is actually the average in Auckland. So WINZ themselves, haven't caught up to the fact that Auckland property prices have increased. ... they're saying to people you need to find a cheaper property, but they can't find a cheaper property because there is nothing left. (Selma)

On occasion, participants expressed empathy for the situation of tenants in the current rental system, especially those on low incomes. For example,

...how depressing that would be to not actually be able to have your home and to look after your kids and to have a reasonable environment to do that in, and to be able to afford it. (Catherine)

²⁹ At the time of interviewing (June 2016 figures) the monthly average rental price for all housing types in Auckland was \$511.53. Average rental prices ranged from \$351.31 for a one bedroom dwelling to \$812.31 for a dwelling with 5 or more bedrooms, and also ranged across the 21 local board areas. At the time of writing (April 2017) the monthly average rental price for Auckland had increased to \$531.20, and had increased across all housing types and all 21 local boards (MBIE, 2017).

Accommodation supplement, Working for Families, a lot of people use that to bridge the gap. They don't get very much. Some of them get \$32 a week. So if you need \$32 a week that is quite tight. (Troy)

However such moments of compassion were overwhelmed by a much stronger pragmatic narrative (as discussed in Section 5), that they have a business to manage and that ultimately the rental system operates on a free and open market. Tenants are free to make choices and they live with the consequences of their choices:

I have been to places where cold, damp, mouldy, you know and how much do you pay for it? They are paying quite high price but not one else will take them. And unfortunately that is their fault. No one will take them because it is their own fault. You know, bad credit history, bad decisions before. Didn't pay the rent etc. Whatever it is you know. (Troy)

9. Views on the property management sector

Participants were asked whether they felt there was more demand for property management services than five years ago, which often led to discussions about the unregulated nature of the sector. The key themes from those discussions are summarised below.

9.1 Growth in the property management sector

Most participants felt that demand for property management services in Auckland had increased in recent years – ‘*absolutely*’ (Catherine). Bart noted that in the previous financial year his company’s business had increased ‘*by 24 per cent*’ and that they were extending their premises: *we are taking over next door and we are moving rentals in there and taking on two more staff*. Jennifer had been working from her office for almost 20 years. She had definitely noticed an increase in the sector:

I think there’s more demand. Since we’ve set up we were one of the only independent property management companies around in south Auckland eight years ago and there’s heaps of them now. (Jennifer)

We are competing with hundreds of other property management companies that have set up since 2010. (John)

Two primary reasons for the increase in demand for property management services were provided: first, there has been an increase in investment in rental properties in recent years:

Because there is a mentality that if you’ve got equity in your house, buy another property. (Graham)

Who doesn’t talk about blooming investment property, I mean it’s an obsession. (John)

Relatedly, there was a sense among participants that many private landlords do not have the time and/or the skills to effectively manage their investments, especially in light of increased requirements. Their comments were often couched within a narrative of the increasing dangers and risks of being a landlord and providing rental housing, and the concomitant role of the professional property manager as someone who can help them to protect their investment:

I think we’re getting more and more enquiry, and we’re targeting enquiry obviously through our website and things. I think the litigation and all the changes is only going to get more and more enquiry because landlords are now thinking, oh my god, we’ve got to protect ourselves and we need someone to help us to do that. So from our business perspective, our model, it’s only going to be good for us. (Jennifer)

...because of all of the law changes, because of the reasons why we have had to make law changes; it just means that the new landlords of the world are going to fall in to some horrible situations. It scares me, I have often

*wondered in the last few months whether or not to continue doing this.
(Catherine)*

The more litigious and the more regulations that you have, the less private landlords will want to manage their own properties, because it becomes too complicated, and this is what's slowly happening. This is why the industry's, property management is getting more and more, because it's getting more complicated now. (Paul)

Margaret linked the increase in demand in her business with an increase in offshore owners who needed to appoint an agent:

*More demand because we have more offshore owners. Definitely in our area anyway there are a lot of owners who are overseas or out of Auckland.
(Margaret)*

Agreement was not universal however. Selma responded that *'it's a kind of a yes and a no'*. She noted that while there was demand from owners *'who don't have time or don't know what they're doing'*, many owners did not wish to pay for property management services, or could not afford it in the current climate of high house prices – *'owners ... can't afford it if they're buying a property now'*. This was echoed by Paul, who felt that the (increasingly) high value of real estate and relatively low rental yield meant that *'people are thinking twice about using a property manager'*, particularly younger or new investors.

9.2 Need for regulation

As outlined in the introduction to this report, the residential property management sector in New Zealand is unregulated. There is no supervisory body, and no statutory requirements regarding the holding of other people's finances, although there have been calls in the last decade to change this.³⁰

Several participants called for some form of regulation and expressed concerns about the increase in independent property managers operating in an unregulated and unsupervised environment – *'the sooner they bring in controls and guides the better.'* (Bart).

Problematic property managers were framed as the *'sole operators'*, the people *'running (their business) out of a car, out of a home office'* (John). The following examples indicate a perceived link in their minds with an increase in property investment by overseas-based investors:

Indians and Chinese are mainly the new landlords. A lot of them are bringing their own property managers ... they're paying them zilch, little amounts. ... They haven't got the English to get a job here, but they've given them a job to manage their rental properties. (Paul)

If you look on Trade Me, nowadays you see a lot of small property management companies, like one-man band. They can be based down south

³⁰ Refer to Footnote 6.

and can be run by just one Chinese person behind the desk. And they don't understand the legalities of things and that's what scares me. It's an insult to the industry as well. (Graham)

Several concerns were voiced relating to a lack of regulation in the sector. Firstly, within the current unregulated environment property managers can charge fees and take others money without any financial accountability:

I have a real issue with that. (Margaret)

I know of a number of small property management companies that have run away. They have closed their doors, and the owners haven't got the money. (Bart)

Another concern raised was that people can act as property managers without full awareness of the relevant legal and statutory requirements, which in their mind, has potentially devastating impacts on the lived experience of tenants and owners:

The other day I was in an open home, tenants came to me and they said we're living in an un-consented garage, yes it's got a toilet, but it's got no consenting, it's got no insulation, we're cold. They said the property manager was something like [name of company removed]. I said; who are they? It's some sort of ...they don't know anything about our laws or anything about the Residential Tenancies Act. (Paul)

We have heard horror stories from clients that have come to us in the end (such as) they didn't do something right, they didn't turn up to do the inspections that they were charging for, they were sending us stuff but they had never actually been, we talked to the tenants and they said oh we haven't seen them for 18 months or whatever you know, massive rot, massive leak, whatever it has cost a hell of a lot of money which should have been picked up ages ago. (John)

From a business point of view, there was a concern that this gives property management a bad name, and that some form of regulation would provide the industry with more 'kudos', as one participant put it

... people would see more value, because they would see that on the whole, property managers are doing the right thing and doing it well. (John)

10. Discussion and conclusion

The primary purpose of this small-scale study was to explore the role and function of the residential property management sector in Auckland, in the absence of any current literature on the topic. Residential property management is a burgeoning service industry and it plays an important role in the private rental system. Property managers engage in the practical, day to day application of the RTA, and in the lived experiences of tenants and property owners, yet very little is known about the cumulative impact of this sector.

This study highlights the complex and dynamic environment within which property managers operate. Property managers act as agents for those who are unable or unwilling to fulfil their legal responsibilities as landlord, and the study evidences that many do so with high levels of professionalism, expertise and integrity. However, they operate a largely unrelated sector, and one that is characterised by competition in the marketplace and constant turnover in private ownership of rental properties. There is an ongoing imperative to bring in new business – particularly if individuals are commission-based or self-employed. In the absence of any industry standards about best practise and appropriate levels of service, this can mean that some managers are overloaded with large portfolios (for example, 200 properties) and inevitably, levels of service can slip, corners can be cut and things overlooked.

Property managers are not statutorily required to be accredited or monitored. Anyone can market their services as a property manager, collect rent on behalf of property owners and charge fees for services, without any real financial accountability. This lack of regulation not only fails to prevent fraudulent and criminal activity, but means that there is no ability to establish basic standards of service, or to effectively measure sector performance. This was noted by several participants in the study, who would like to see some form of regulation. Although there are 'tenant checking' initiatives within the sector, such as the service being offered by TINZ on their website, there are no avenues for prospective clients of property managers, whether property owners or tenants, to undertake background checks on their credibility and performance.

A property manager's role means that they are required to communicate and negotiate with a range of people on a daily basis, which can be challenging when dealing with a broad diversity of personalities, circumstances, expectations and demands, as well as across language and cultural differences. If property owners are based overseas, they may also be working across multiple time zones. Although participants in this study often aligned the effectiveness of their role with the ability to be impersonal and objective, it would also appear to be an intensely person-oriented job, and their commercial success relies in no small part on an ability to effectively connect with others.

The residential property management sector is reliant on private ownership of residential property in New Zealand, and actively works to support and encourage it. Residential property managers are not only reliant on their ability to entice and encourage private owners to authorise them to manage their properties and the tenancy (for ongoing revenue), but many companies and individuals working in the sector are also actively involved in guiding and encouraging their clients to ongoing investment in the market.

Residential property management also plays an important role in the performance of the rental market, particularly with regard to the setting of rental prices. The industry practice of regular six-monthly rental reviews and incremental adjustments reveal an active encouragement of rental price increase, couched in a narrative of market forces.

Comments made in the interviews illustrate that the role of a property manager often extends well beyond commercial arrangements to advertise vacant properties, collect rent, undertake inspections and arrange for property maintenance and repair etc. Many spoke about having to 'educate' and inform owners and tenants on various aspects of the rental system in New Zealand, particularly those new to New Zealand or owners living overseas – often these groups were broadly categorised as 'Asian'. These comments serve to not only highlight the substantial diversity of ownership of the private rental stock in Auckland from across the globe, but also the ongoing need to assist newcomers to the rental system in New Zealand of their respective rights, responsibilities and legal requirements, as well as the performance of Auckland's housing stock.

The interviews reinforced a common theme throughout the literature of the relative powerlessness of tenants, and their limited ability to protect their interests in the current rental system (as outlined in Chisholm, 2015). As agents for the property owner, property managers have stronger institutional power than tenants. They operate in a system that privileges home ownership and subsequently diminishes tenant rights (Shore and Whāriki Research Centre, 2017:14). Furthermore, in Auckland's tight rental market, and enabled by provisions in the RTA, tenants are easily replaceable. While there were specific examples of leniency and compassion in individual circumstances, property managers had numerous mechanisms and tools available to select and retain 'good' tenants and to move on those who were problematic. None positioned themselves as putting tenants first, and none used the descriptor 'luck' when discussing their experience with tenants, unlike dominant discourses among tenants experiences of renting in New Zealand (see for example, Shore and Whāriki Research Centre, 2017).

A key finding in this study was extent to which property managers expressed frustration at the amount of property owners who are financially unable, or just unwilling, to pay for repairs and ongoing maintenance of their rental properties. This failure to adequately maintain dwellings is not specific to owners of rental properties, as highlighted in the latest BRANZ House Condition survey, which found that a fifth of New Zealand's housing stock is poorly maintained. However, it is more prevalent among owners of rental properties. The BRANZ study concluded that the rental stock in New Zealand is typically in poorer condition than owner-occupied houses 'both inside and out', and rental properties were around twice as likely to be rated by the assessor as being 'poorly maintained' compared to owner-occupied houses (White, et al, 2017:27).

There are several drivers for this. As Eaquib and Eaquib (2015) note, 'many landlords in New Zealand are in the business solely for the capital gains, and the maintenance of properties is therefore beyond their expectations and interest' (p.109). The RTA is deficient in its ability to specify the obligation of the landlord to provide housing of an adequate quality or condition. Housing quality standards remains unclear and scattered over several Acts (Bierre, Bennett and Howden-Chapman, 2014:3). With the exception of the recent introduction of legal

requirements on landlords to provide smoke alarms and certain levels of insulation, property managers operate within an ambiguous legislative framework (Section 45 of the RTA requires landlords to provide premises that are in a 'reasonable state of cleanliness' and a 'reasonable state of repair'), and have no real powers to enforce owners to invest in their properties, other than exerting powers of persuasion.

This therefore adds to serious concerns expressed in the literature and public domain about the quality of rental housing stock in Auckland, now and into the future (see for example, Bennett et al. 2016; White et al. 2017). The inability or unwillingness among some owners to attend to repairs and maintenance, combined with relative powerlessness and fear to ask for changes among tenants, does not bode well for the future. As has been pointed out, in the absence of an effective capital gains tax, home owners and property investors wealth simply increases without them having to do anything more than own a property and watch its value grow (Howden-Chapman, 2015:59).

The results from this study can be built on through further analysis and research. In the first instance, a forthcoming Auckland Council report on renting in Auckland will combine results from this study with Auckland-focused results from the *New Zealand Rental Sector*, to provide a comprehensive insight into Auckland's contemporary rental sector. As with all exploratory studies, the findings suggest several avenues for future research. For example, further research into the experiences of residential property management services by tenants and property owners would add valuable dimension to this investigation. Another avenue of research could be to explore the practices, attitudes and understandings of people operating as property managers outside of the institutionalised, commercial sector. This could include persons acting as agents for family, friends and acquaintances.

10.1 Conclusion

This study into property managers in Auckland disrupts the prevailing and sometimes simplistic narrative of there being two key players in the broader rental housing system – 'tenants' and 'landlords', where landlords are often imagined as private individuals owning and managing their own rental properties. Acting as agents for the property owner, residential property managers play a really important role in the rental system through their decisions, actions and practical, day to day interpretation of the RTA.

Property managers in Auckland are diverse, and they represent a diversity of property owners, from across Auckland as well as in other parts of New Zealand and those based overseas. As Auckland continues to grow, and as the nature of renting in the housing system evolves and changes, the role of this sector will also continue to evolve and change.

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Appendix A: Research Information Sheet

Project name: Study of Property Managers in Auckland

Research team: Alison Reid, Senior Researcher, Research and Evaluation Unit (RIMU)
Dr Jennifer Joynt, Researcher, Research and Evaluation Unit (RIMU).

What is the aim of this research?

Understanding the dynamics of the housing system in Auckland is a key aspect of Auckland Council's ability to work efficiently with stakeholders and partners to deliver the Mayor's vision of Auckland as 'the world's most liveable city'. The rental sector is an important part of this housing system.

It is recognised by Auckland Council that an increasing number of landlords and investors with properties in Auckland are turning to property management companies to assist them with various aspects of renting out and maintaining their properties. Property managers act as an intermediary between owners and tenants, and play a really important role in the broader housing system. In addition, the nature of their role means that property managers have a good overview of the general rental housing stock in Auckland.

The broad objective of this study is to explore the role and function of the residential property management sector in Auckland, with particular regard to the relationships and interactions between property managers and owners, as well as with tenants. We are also keen to gather general observations on aspects of the rental housing stock in Auckland.

Who is being interviewed?

The project team wish to interview individuals who work as residential property managers in Auckland.

We are keen to talk to a range of people. This will include people employed in large companies as well as smaller ones, people who own their own companies or work for others, and people working across a diversity of housing portfolios and communities across Auckland. The total number of interviews is expected to be about 15.

What will participants be asked to do?

Participants will be interviewed by Alison Reid or Jennifer Joynt, both researchers from the Research and Evaluation Unit (RIMU) at Auckland Council. We would require 45 minutes to an hour of their time, either face-to-face or on the phone. They will be encouraged to provide honest feedback and reflections based on their experience and observations. Participation is entirely voluntary and they can choose not to answer any particular question(s).

With their consent, the interview will be recorded and some notes may be taken. The interviews will be transcribed and the transcriber will be asked to sign a confidentiality agreement. If the participant does not wish to be recorded, the interviewer will take notes. The interview notes, electronic interview transcripts and digital recordings will be securely stored and password protected. They will not be shared with anyone beyond the two researchers, Alison Reid and Jennifer Joynt.

We will be offering a \$50 supermarket voucher at the end of the interview in appreciation of their time.

Will my employee or my company be identified in the final report?

No. In all reporting, no personally identifying information will be included. Participants' names, and the name of the company they own or work for, will not be used in any of the resulting publications, and will only be known to the Auckland Council research team members, Alison Reid and Jennifer Joynt.

Auckland Council takes confidentiality of the information provided to us in our research projects very seriously. The method we will use to safeguard respondent confidentiality has approval from Auckland Council's Human Participants Ethics Committee. All recordings of interviews will be confidential to the researchers, and participants will be assigned a pseudonym that will allow their true identity and all transcripts to be de-identified. Interviews and transcripts will be kept in secure storage, only accessible by the researchers.

If the researchers are obliged by law to share the information with others, they will not keep any information that connects real names to the pseudonyms.

What uses will be made of the data?

The answers we receive in the interviews will be analysed alongside the responses from other interviewees in order to identify themes, and will be written up into an Auckland Council technical report. This will be a publically available report, and we will present the findings to the governing body of Auckland Council, as well as Council's internal Housing Steering Group (comprising the top tier managers and directors of the strategy, operations, regulatory services, community and social policy, and development functions). Again, we would like to stress that no individuals or companies will be identifiable in any reporting.

The results from this study will also be incorporated into a joint report to be co-produced with SHORE Research/Whāriki at Massey University, which will focus on the Auckland-specific findings from the broader *Renting in New Zealand* project, currently underway. Please note that the SHORE researchers will not have access to any interview notes or transcriptions and every effort will be made to protect the confidentiality of information we receive. That report has been commissioned by BRANZ.

In addition, the results from this study will be disseminated to a range of relevant stakeholders within Auckland Council as well as other organisations and agencies in New Zealand who are interested in understanding the current residential tenancy system in Auckland. This may include policy-makers, decision-makers and advocacy groups as well as researchers. Findings may be shared at conferences and/or published in an academic journal.

All participants in the study will receive a copy of the final report.

Input from your team would be really valuable to us

Involvement by a property manager from your team in this study would be hugely valuable and much appreciated. I am happy to answer any queries you may have about the project or their involvement in it, at any stage of the process.

If you have any questions, please feel free to contact the Principal Researcher, Alison Reid

Phone: 021 941 661

Email: Alison.reid@aucklandcouncil.govt.nz

Appendix B: Consent Form

Consent Form

Project name: Study of Property Managers in Auckland

Research team: Alison Reid, Senior Researcher, Research and Evaluation Unit (RIMU)
Dr Jennifer Joynt, Researcher, Research and Evaluation Unit (RIMU).

I have read the Participant Information Sheet for this project, and understand the purpose and content of the research. All my questions have been answered to my satisfaction. I understand that I am free to request further information at any stage. I understand that:-

1. The interview will focus on my observations and experiences as a property manager.
2. My participation in the interview is entirely voluntary.
3. My responses will remain confidential:
 - a. My recorded responses will only be accessed by the project team.
 - b. My interview will be transcribed by a transcriber who has signed a confidentiality agreement.
 - c. My name, and the name of the company I own or work for, will not be used in any of the resulting publications.
 - d. The recording of my interview will be confidential to the researchers, and will not be shared with anyone beyond Alison Reid and Jennifer Joynt. If the researchers are obliged by law to share the information with others they will not keep any information that connects my real name to my pseudonym.
4. I may decline to answer any particular question(s).
5. I will be sent a copy of the transcript of my interview, for my information, within approximately two weeks of interviewing. If I said something in the interview that I would like clarified or removed from the transcript, I will contact the researchers to let them know, within a week of receiving the transcript.
6. Personal identifying information such as audio files, notes and transcribed interviews will be password protected and securely stored on Auckland Council premises. Audio recordings will be held for one year, after which they will be destroyed. Interview notes and transcriptions will be held for five years, after which they will be destroyed.
7. The results of the project will be used in several ways:
 - a. My answers will be analysed alongside the responses from other interviewees in order to produce an Auckland Council technical report that outlines the purpose, method and findings of the study of property managers.
 - b. The results will be incorporated into a report to be co-produced with SHORE Research at Massey University, which will focus on the Auckland-specific findings from the broader *Renting in New Zealand* project. The SHORE researchers will not have access to any interview notes or transcriptions and no identifying information will be included.
 - c. In addition, findings may be shared at conferences and/or published in an academic journal.

- I agree to take part in this project: (yes / no)
- I agree to have this interview recorded: (yes / no)

Name _____

Signature _____

Date _____

Appendix C: Interview Schedule

Interview Schedule

Project name: Study of Property Managers in Auckland

Research team: Alison Reid, Senior Researcher, Research and Evaluation Unit (RIMU)
Dr Jennifer Joynt, Researcher, Research and Evaluation Unit (RIMU).

Context and background

Tell me a bit about your company? What services does it offer?

Do you / your company tend to focus on any particular part of the Auckland housing market?

And how long have you been doing this role of property management? How did you get into it?

Approximately how many properties would you manage in a typical month?

What if any, are the most common arrangements that property owners make for your company to manage their properties? (Explore the extent of services they offer and deliver).

How are the property management fees structured?

To what extent are your property owners Auckland-based, or are they out of Auckland including overseas?

Is your company part of any wider industry body? If so, which one/s? Why is that?

Tenant selection and retention

To what extent are you responsible for selecting tenants on behalf of property owners? How often does that occur?

If so, can you tell me about the typical selection process you would go through? (where do you advertise, what are you looking for, do you ask for references, do you follow up on references, do you meet them etc)

To what extent do you find the property owner wants to have the final say and select their own tenants?

In your experience how often would your property owners meet their tenants?

Rental adjustments

Can you tell me how rental prices are set on the properties you manage? Who sets the rent price - your company or the property owner?

How often do you recommend rental readjustments occur and why?

Do you have any general comments about rental prices in Auckland?

Communication and dispute resolution

In your experience what are some of the biggest challenges you face in dealing with tenants? Are you able to provide any examples?

This research has been reviewed and approved by the Auckland Council Human Participants Ethics Committee, Application: 2016-003. If you have any concerns about the conduct of this research please contact the Chair of the committee at hpec@aucklandcouncil.govt.nz.

How do you mitigate or address these challenges? What works well?

What is the process for resolving any disputes that may arise with tenants? What do disputes tend to be about? Can you provide me with any examples?

How about property owners? What are some of the biggest challenges you face in communicating with property owners?

How do you mitigate or address these challenges? What works well? What is the process for resolving any disputes that may arise? What do disputes tend to be about? Can you provide me with any examples?

How often do you communicate with property owners? (and how? eg email? Phone calls? Does that vary or is there a policy)

General housing quality and maintenance

Do you undertake regular scheduled maintenance of the properties you manage? If so, how often? How is that timing set / does it vary from property to property? Do you personally go in and check or does someone else?

To what extent are you able to resolve maintenance issues without having to ask the property owner?

To what extent do property owners have the final say, and who pays?

Do you find that property owners tend to go for cheaper options?

How often do you recommend or coordinate testing for methamphetamine in properties?

Mould or mildew on the ceilings and walls – this is all too frequent in Auckland with its humid weather, high rainfall, and housing typology. Whose responsibility it is to remove that prior to a tenant moving in, and while the property is tenanted?

There is now legislation requiring insulation and smoke alarms. If there was a WOF for rental properties, what do you think should be included?

Do you have any general comments on the state of rental housing in Auckland, with respect to things like value for money, insulation, heating, wear and tear, adequate storage. In your experience is it getting better or worse?

General renting in Auckland

Would you say that there is more or less demand now for property management services than there was say 5 years ago?

Why do you think that is?

Final comments

Do you have any final comments for me about anything we have discussed today? Is there anything else that you would like to add?

Wrap up and end

Find out more: phone 09 301 0101, email rimu@aucklandcouncil.govt.nz or visit aucklandcouncil.govt.nz and knowledgeauckland.org.nz