

# The New Zealand Private Rental Sector

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# Home ownership

Figure 15

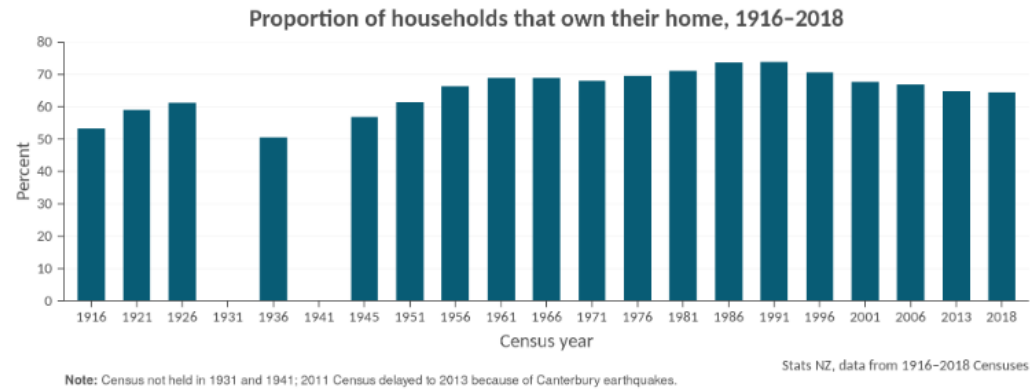
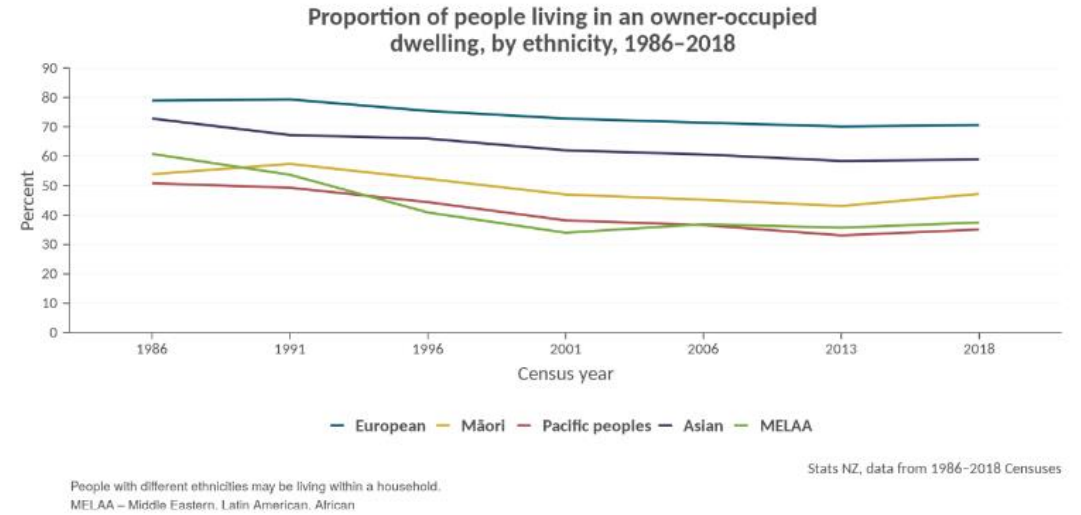


Figure 16

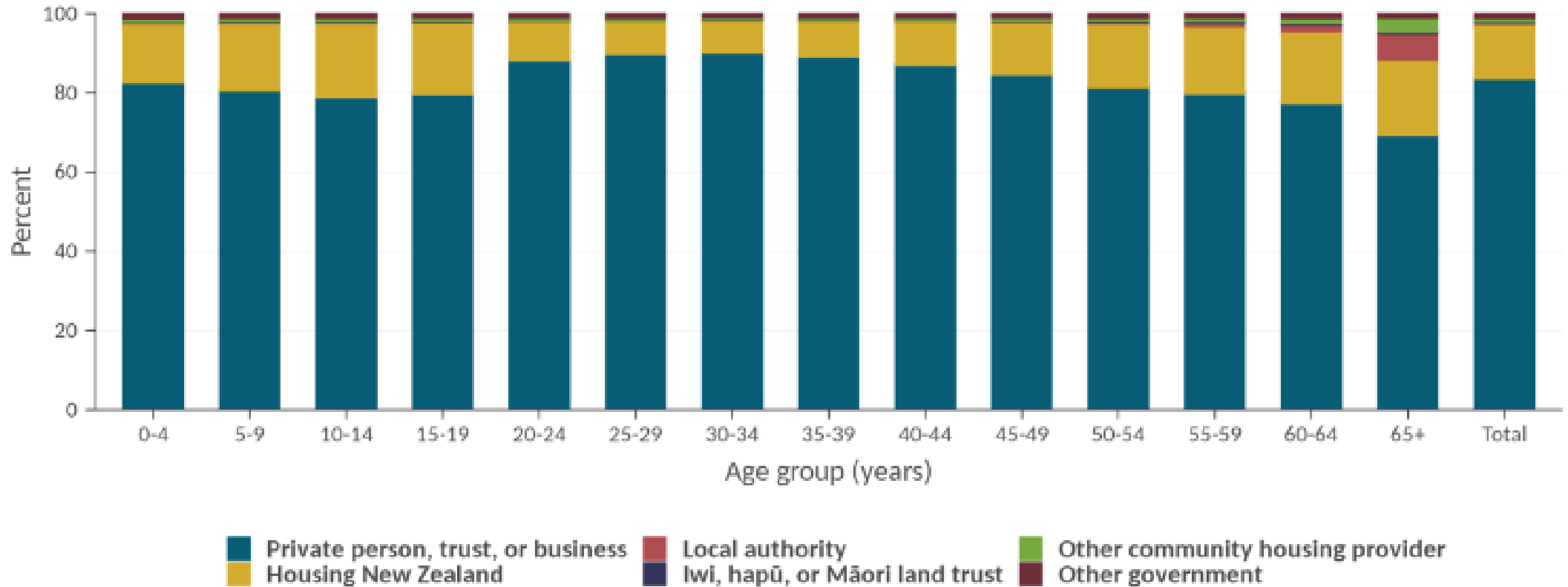


Figures from Housing in Aotearoa 2020 ( updated 2021)

HHS renting	
2019	1991
34%	23%

**Figure 25**

**Proportion of renters, by landlord type and age group, 2018**

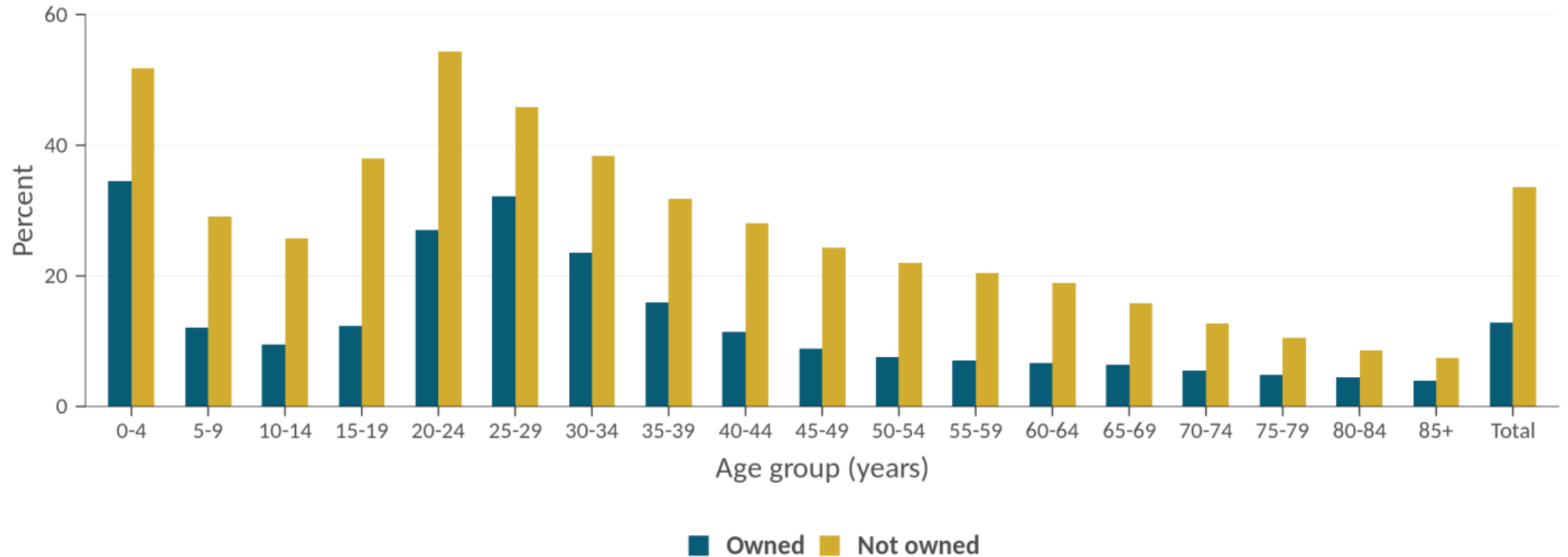


Stats NZ, data from 2018 Census



**Figure 27**

Proportion of people not living at same usual residence as a year ago,  
by tenure of household and age group, 2018



## Affordability

- Renting households generally spend a higher proportion of their income on housing costs than owner-occupiers
- In 2019 over 40% of renting households spent more than 30% of their income on housing costs - up from less than 20% percent of renters in 1988

## Housing quality

- Rental housing is smaller, > need of repair than owner occupied housing



# Residential Tenancy Act Amendments ( 2020/21)

<b>Termination of tenancies without reason - previous legal</b>	<b>No cause terminations of tenancies - now illegal</b>
Rent increase every 6 months	Rent increases every 12 months
Tenancies either fixed term or periodic	Fixed term tenancies become periodic on expiry
No provision for home making practices	Limited home making practices enabled

# Research Design

	2015/6 CATI survey	2015/6 In-depth telephone interviews	2021 MIXED – CATI/ Online survey	2021 In-depth telephone interviews
Tenants	1099	86	<b>812</b>	<b>40</b>
Landlords	406	38	<b>420</b>	<b>34</b>



# Landlord demographics

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- Mean age 60 years
- European 78%, 7% Indian, 2.5% Chinese, 2.5 % other Asian ethnic groups
- Labour market status - paid employment 44%, retired 29%, self employed 21%
- Household income > \$150,000 - 39%



# Landlord practice

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- Median years as a landlord - 15 years
- 52% owned one rental property, 26% owned two, 10% owned three rental properties, 12% > three
- Dominant rationale: as a form of retirement saving - secure and doable investment
  - wealth creation or as a business
  - family considerations

*“....it’s a more reliable place to put your money. It’s like biting the gold coin, isn’t it? You can see it and you know that it’s there, and maintenance and all those things aside, it isn’t going to go away.”*

# Landlords: where and what they buy

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- 'Close to where I live' most common locational choice, followed by close to amenities
- Second-hand dwellings favoured by two thirds of landlords
  - Advantages: Cheaper, easier to purchase, potential to add value with improvements
  - Disadvantages: maintenance & compliance costs
- Increasing interest in new builds since 2015/6
  - Advantages: less maintenance and meet HH Act requirements, better quality so higher rental yield, tax advantages
  - Disadvantages: none (most common response)

# Landlords: financing

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- Financing the deposit on a first rental property: accumulated savings (51 %); equity in their own home (34 %)
- Just under a third of landlords (32 %) had no mortgage on their rental property
- % without a mortgage increased with age (0% for landlords under 40 years to 54% over 65 years)
- Average yield on property investments: 51% did not know

# Tenancies

Selecting tenants, students – the least favoured tenants:

*“I wouldn’t have young people. I’ve had students and it doesn’t work cos they party and things.” (Joyce DUN 1)*

	2021	2015/6
Signed tenancy agreements	95%	92%
Lodged bonds	92%	81%

43% favoured long fixed- term tenancies

29% of landlords had evicted tenants

Raising rents – varied positions



# Landlords: managing properties (1)

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- 55% managed properties themselves, 38% engaged a property managers, 5% both, 2% employed staff
- Landlords managing properties themselves – some for financial reasons others enjoyed the contact with tenants
- ‘as and when needed’ approach to repairs, relied on tenants to let them know what was needed, inspections rare with trusted tenants – ‘keep an eye’ by driving by

*“In a way, it’s never been really necessary to do a formal inspection. And in a way, if you’re comfortable about tenants, that does seem really invasive somehow.” (Jenny WLG 1)*

# Landlords: managing properties (2)

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- Landlord's satisfaction with property managers was fairly high: competence (85%); value for money (78%)
  - Upsides: expect PM to keep abreast of legal requirements, select tenants, take stress and responsibility off landlord's shoulders
  - Downsides of PM: high staff turnover, variable quality
- Regular and frequent inspections more likely with PM
- Third of landlords had structured maintenance plans
  - more likely with PM.
- Mean annual expenditure estimate on repairs \$4,400 (all landlords)
- What would they do if they had \$10,000 to improve a rental property?
  - drop in insulation identified as needed - 21% to 9% in 2021

# Health & disability

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- Most landlords (94%) agreed there is a link between housing and health; compared to tenants (83% yes, 10% no, 7% dk)
- 1 in 10 landlords had made modifications for disabled tenants
  - mainly ramps and rails
- 11% of landlords said they had accommodated additional tenants in their properties in response to the housing shortage
- Minimal disruptions reported from COVID

# Response to legislative changes: Healthy Homes

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- Healthy Homes standards - resistance to acceptance over 6 years

*“New Zealand’s got a problem with [damp]. Our house is pretty good, I don’t mind the healthy homes stuff at all ... we lived in it, so I wasn’t going to live in a damp home either.” (Harry AKL 1)*

- Residual dissent around heating

*“We’re really conscious, when you’ve got low-income tenants, actually running a heat pump is not necessarily something that is going to work for them ... it’s too expensive.” (Annabelle CHC 4)*

- Resistance shifted to changes to improve tenant security and changes to tax policy on investment properties



# Landlord response to RTA amendments

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- Tenure security

*“We very much feel that the rights of landlords have really diminished ... tenants have more rights, and they can do painting and alterations and goodness knows what else in your home that is very off-putting and if it came to a choice of not being able to find the right tenant we would probably sell.” (Helen AKL 3)*

*“Landlords have had a very good run, had a lot of advantages ... so I think putting more pressure on landlords and making it more fair for tenants is a good idea.” (Meredith AKL 12)*

- Tax settings

*“This will not affect my decision to buy an investment property, but it will affect the type of property I will invest in..... In fact, the current policy will push many people to buy a new build.” (Weining AKL 2)*

# Landlords: future intentions

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- Fewer landlords intended purchasing additional properties  
(down to 15% from 26% in 2015/6)
- Most common barriers:
  - Uncertainty about current/proposed changes in government policy (37%)
  - Rising house prices (32%)
  - Access to finance (20%)
- An increase in the % of landlords intending selling rental property  
(up to 21% from 15% in 2015/6)
- Less than 4% of landlords were a member of a property investors association

# Tenant demographics

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- 59% Auckland, 15% Christchurch, 14 Wellington, 9% Dunedin
- Mean age 43 years
- European 66%, Māori 11%, Pacific 8%, Asian 20% and other 3%
  - Two thirds born in NZ
- Most in paid employment (72%)

## Dwelling/household type

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- Three-bedroomed separate houses most common dwelling type (34%), then two-bedroomed (29%) and 4-bedroomed dwellings(17%)

Housing type	No	Weekly rent mean	Weekly rent median
Separate house	410	\$564	\$548
Semi-detached or terraced house	123	\$545	\$500
Single flat/apartment	165	\$447	\$440

# Renting pathways

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- Moving out of parental home
- Moving out of home-ownership - 31%, with relationship breakdown the most common reason cited.
- Moving between rental properties
  - No significant difference in mean number of times tenants had moved in the last five years between 2015 and 2021 surveys

# Finding and securing a home

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- 45% of tenants used TradeMe and 11% some other online portal
- 25% family and friends
- Around 30% of tenants secured first rental property they applied for
  - less than the approximately 50% in 2015
- 29% of tenants felt had been unfairly turned down by a landlord
  - Major reasons cited were ethnicity (30%); being older (20%) ; having pets (17%) and children (14%)

# Length of tenancies/future plans

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- 25% in current rented dwelling less than 1 year; just over 50% less than two years
- Some long term tenancies - 13% of respondents more than 10 years in their current dwelling
- 47% planning to move within the next two years, 32% not and 21% did not know

Years at current address	n	percent
Less than 1 year	184	25%
1 - 2 years	212	28%
3 - 5 years	187	25%
6 - 10 years	70	9%
More than 10 years	95	13%

# Affordability and security of tenure

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- 46 % agreed or strongly agreed rent affordable; 38% did not
- Many tenants concerned a rent increase would mean having to move somewhere less expensive
- Most expensive rents in Wellington, followed by Auckland, Christchurch and Dunedin

	<b>N</b>	<b>Mean</b>	<b>Median</b>
Wellington	105	\$618	\$550
Auckland	438	\$552	\$528
Christchurch	113	\$382	\$380
Dunedin	61	\$475	\$400



# Tenancy experiences

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- 88% had signed a tenancy agreement and 87% had paid a bond
  - figures similar to those reported in 2015
- 64% paid rent directly to a landlord; 35% to a property manager
- Accounts of a good tenancy relationship common, especially among those dealing directly with a landlord
- A positive relationship could increase feelings of security and willingness to invest in making their rented dwelling feel like 'home'
- *“Even though I don't really own it ... in a sense, I feel that my landlady's never going to throw me out.”* – Gail (69, AKL)

# Maintenance

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- 76% of tenants had contacted their landlord or property management company concerning maintenance
- 60% of issues resolved within five days; 21% 6-15 days; 19% more than 16 days
- Satisfaction slightly higher for tenants who dealt directly with a landlord (75%) than a property manager (65%)
- Some did not report maintenance issues:
  - *“it’s a kind of a trade-off... in return for a cheaper rent. On that basis, I don't bother the landlord with minor things that go wrong”* – Peter (71, Dun)

# Seeking advice

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- 54% reported would go to the Tenancy Tribunal, CAB 25%, family and friends 24%, TPA 21%
- hesitancy about laying a complaint:

*“Yeah, it’s likely if I went to the Tenancy Tribunal, they’d make things difficult ... Like my rent going up large amounts, I’d start failing property inspections and so on.” - Larry (50, WLG)*

# Concluding comments

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- Data underline huge diversity in the private rental sector
- Small gains in housing conditions and security of occupancy
- While survey data indicate reasonably favourable tenant perceptions of their rental experiences overall, interview data highlight enormous variation in tenants' experiences
- High levels of anxiety about high rents, rent increases and potential tenancy terminations
- Enduring scenario of low rent/no complaint/poor dwelling condition tenancies with some tenant-landlord dyads
- Poor quality rental housing and lack of 'secure occupancy' reinforce status of renting as a 'second-rate' option and continued aspirations for home-ownership