

The New Zealand Rental Sector

Karen Witten & Penelope Carroll
Massey University SHORE and Whariki Research Centre

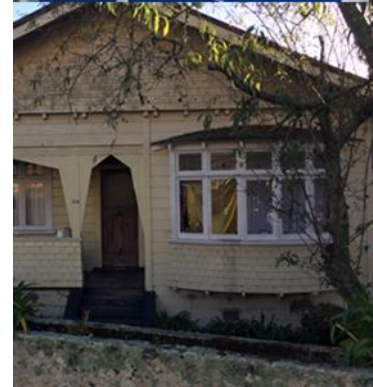
Lucy Telfar Barnard
University of Otago, Wellington

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Context: New Zealand's private rental market

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



Context: New Zealand's private rental market

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

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



AHURi: The changing institutions of private rental housing: an international review (2018)

Chris Martin, Kath Hulse, Hal Pawson

- 9 of 10 countries private rental housing is the second largest tenure after owner occupation (Germany the exception)
- 7 of 10 private rental tenure share is growing at the expense of owner occupation
- Across the 10 countries owners of PRS are mostly individuals with small numbers of properties (Sweden the exception – housing companies are common)
- All 10 have rental assistance payments that are made to tenants (and indirectly to landlords)

Australia
Belgium
Canada
NZ
Spain
Sweden
Germany
Ireland
UK
USA

Research Design

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

New Zealand's private rental market

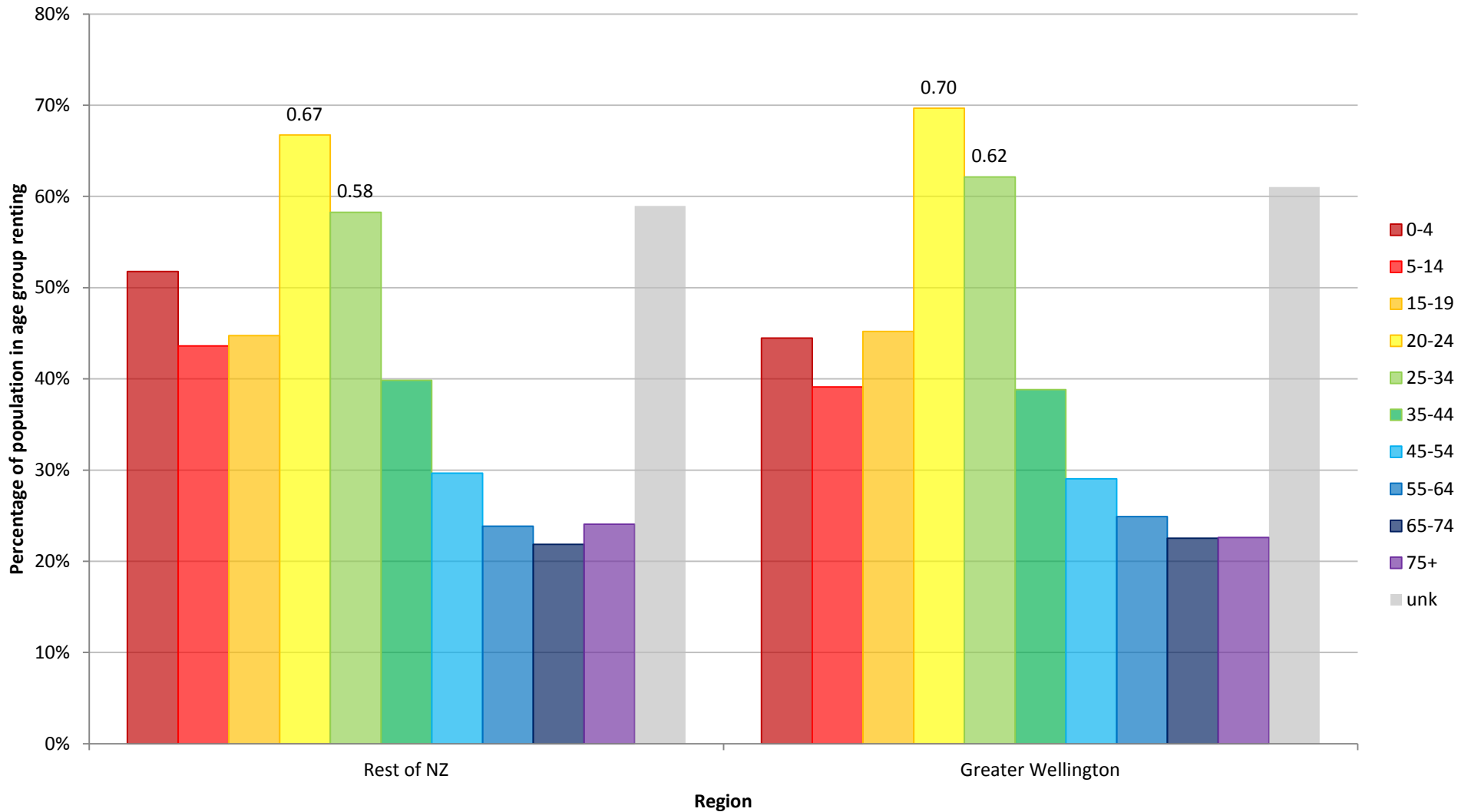
- Home ownership rates are declining:

	1991	2013	change
New Zealand	73.8%	64.8%	-9.0%
Auckland	72.7%	61.5%	-11.2%

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

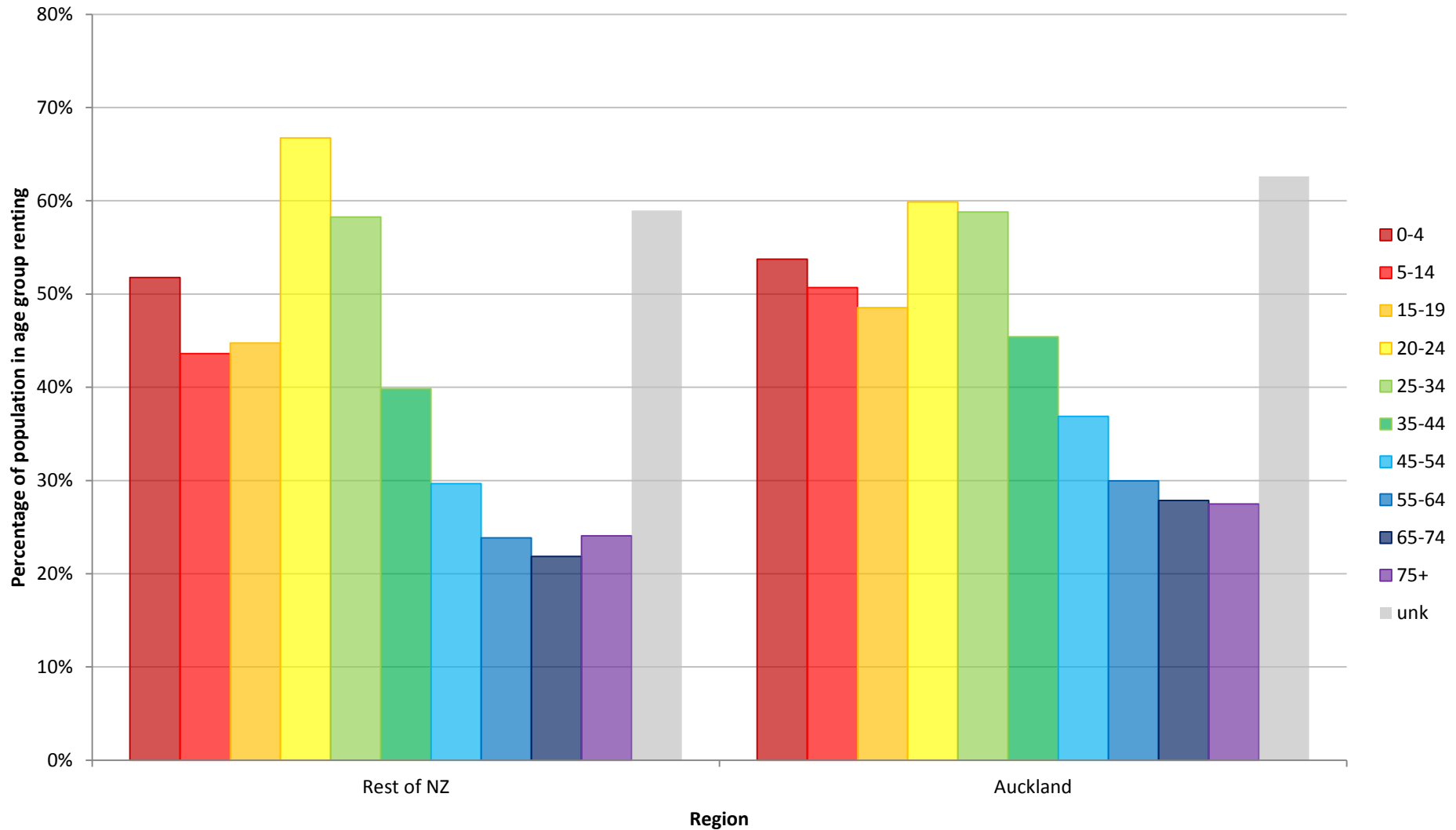


How likely are we to rent as we age?



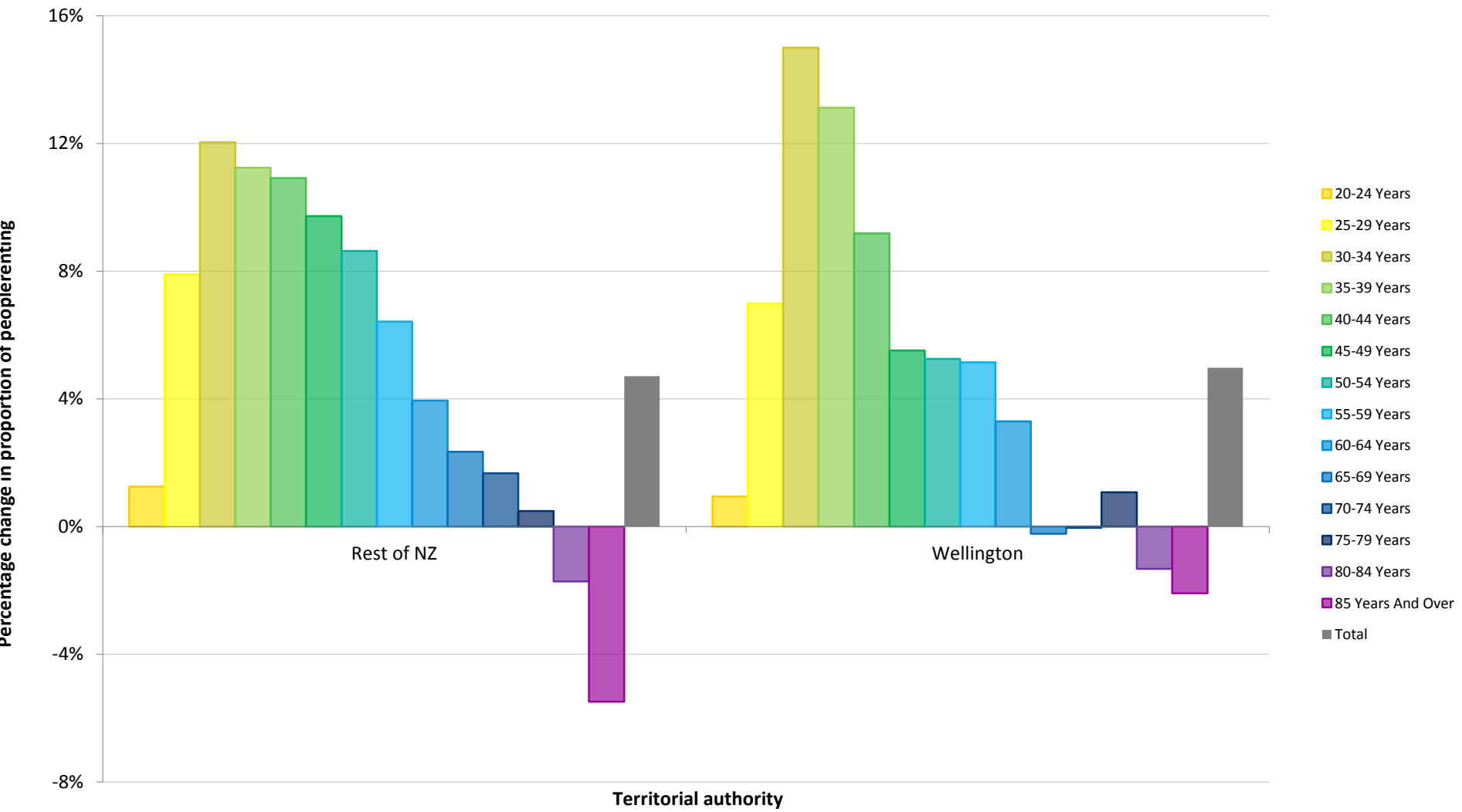
- In Wellington young adults are more likely to rent than in the rest of NZ

How likely are we to rent as we age?



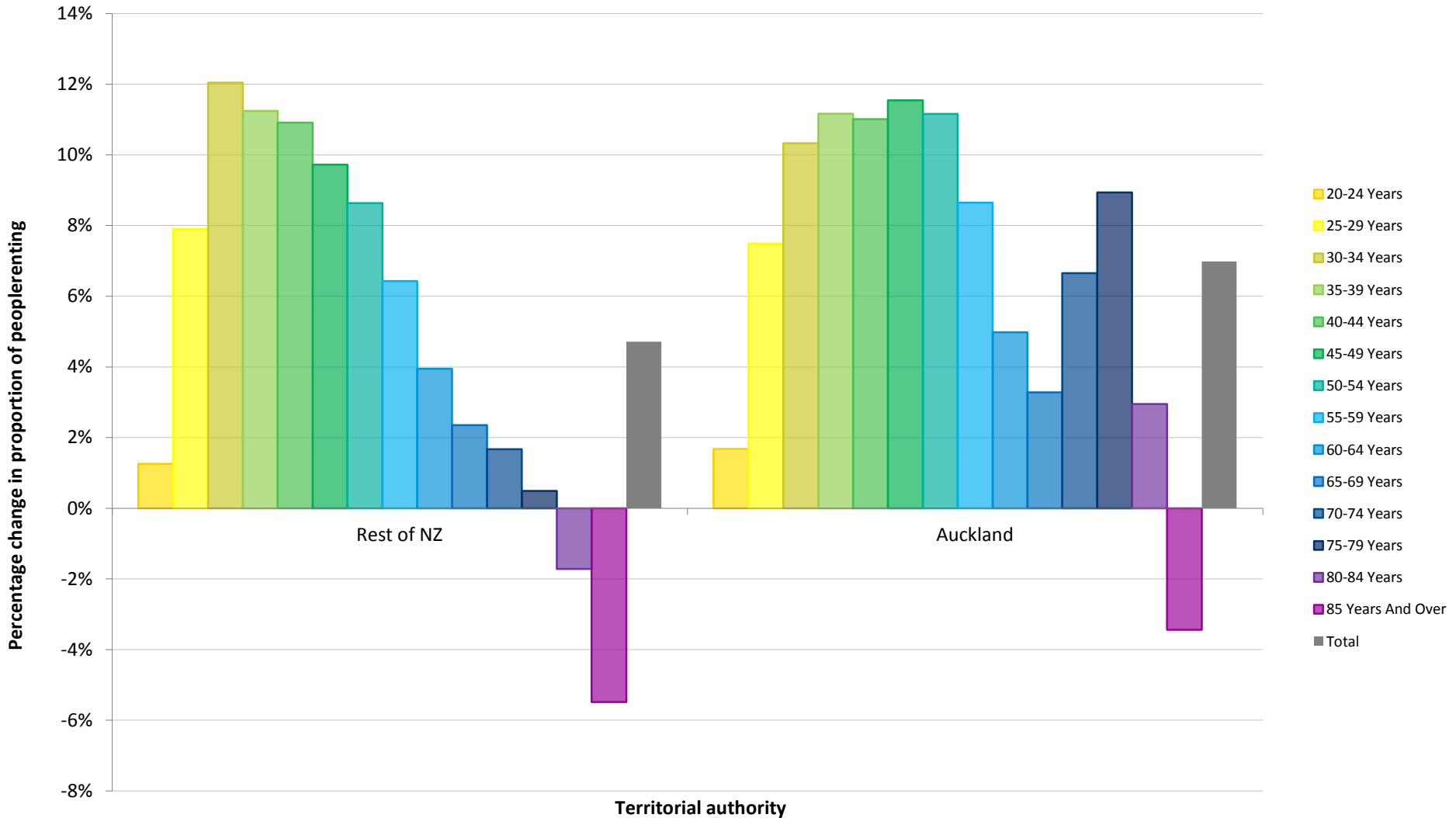
- Aucklanders continue to rent for longer in life than people in other parts of New Zealand

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



- Wellington's rise in renting is particularly high for those in their 30s.

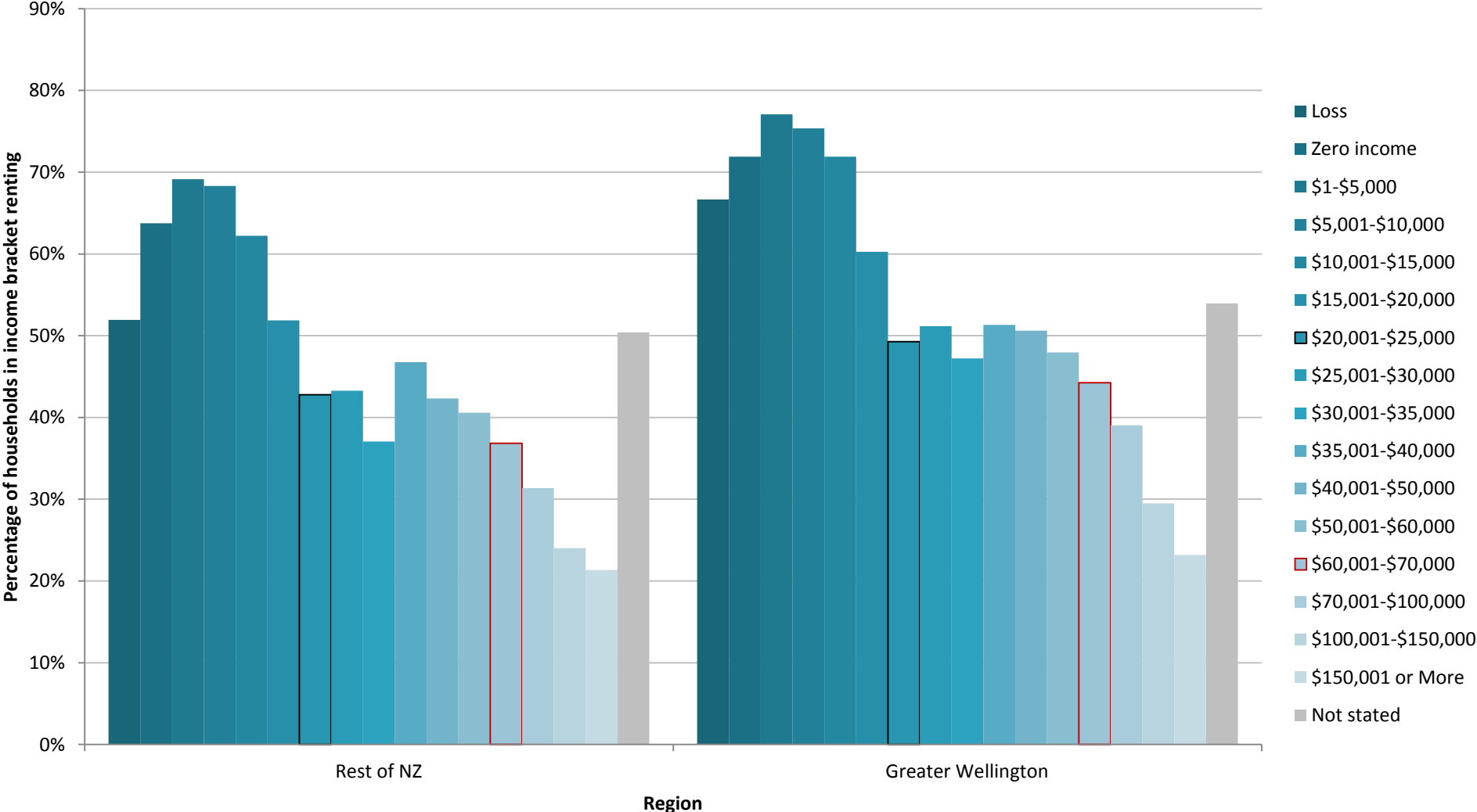
How has this changed? (2001 – 2013, 20+ years)



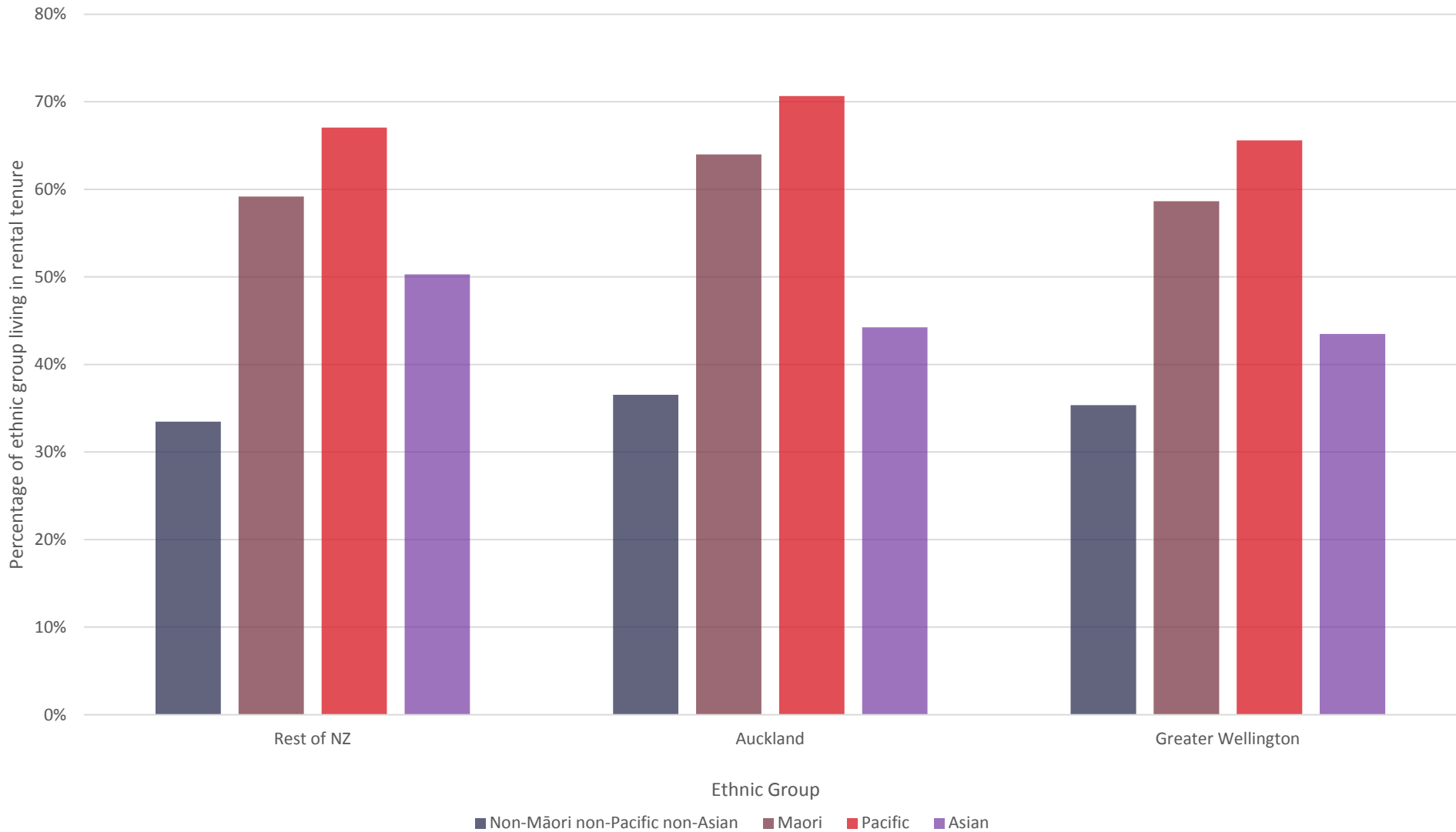
- Rise in renting highest in Christchurch, due to earthquake, but also high in Auckland for older age groups.

Renting and household income 2013

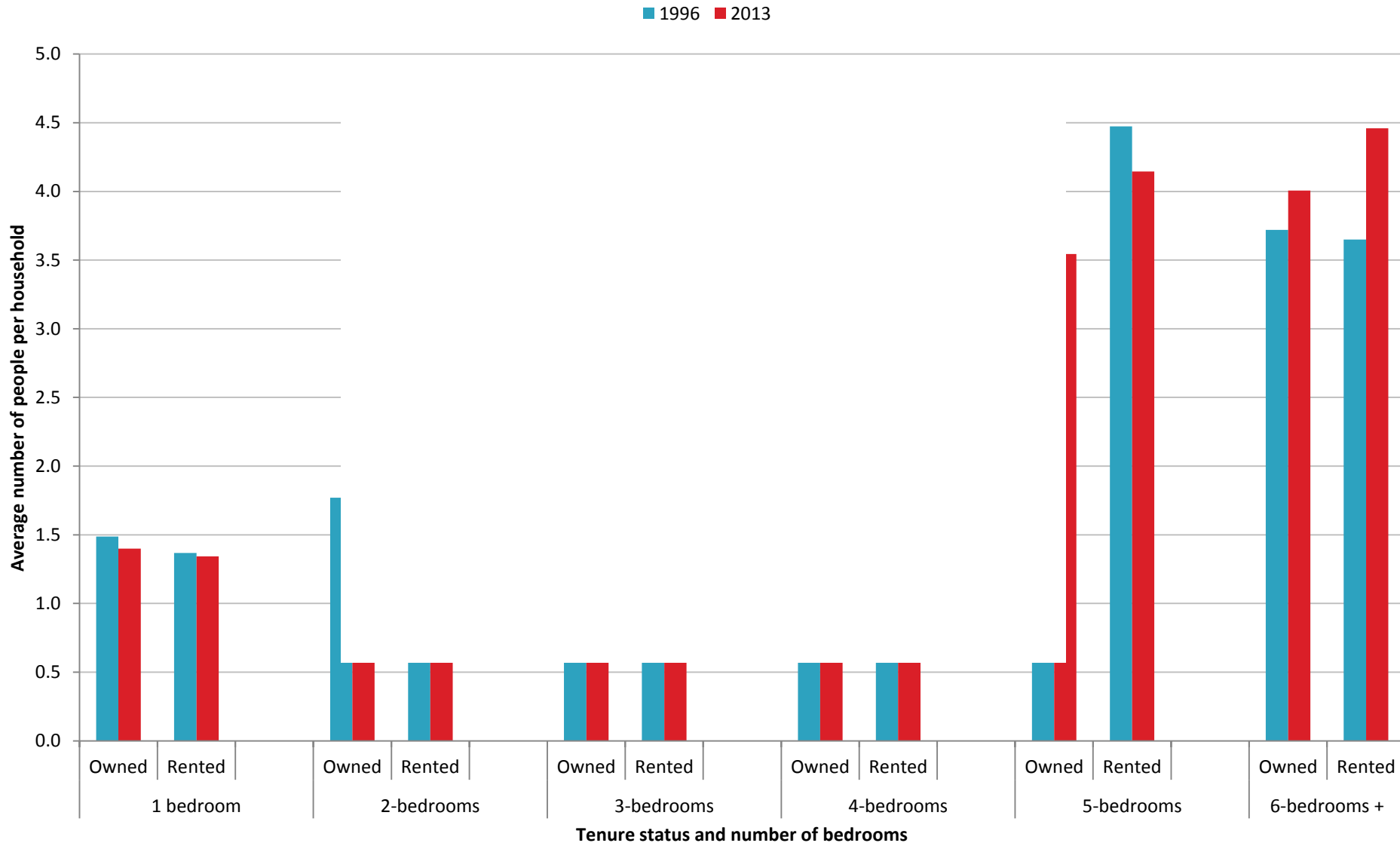
Proportion of households renting by household income



Renting and ethnicity 2013



Tenure and occupancy



Research Design

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The CATI survey replicated an Auckland 2011 Tenant and Landlord survey

* RIMU Auckland Council



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Karen Witten, Martin Wall, Penelope Carroll,
Lucy Telfar-Barnard, Lanuola Asiasiga, Thomas
Graydon-Guy, Taisia Huckle, and Kathryn Scott
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Tenants: housing pathways

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

Tenant groups

- **Long term renting - 10 to 45 years**
- **Renting by choice**
- **Major change in life circumstances**

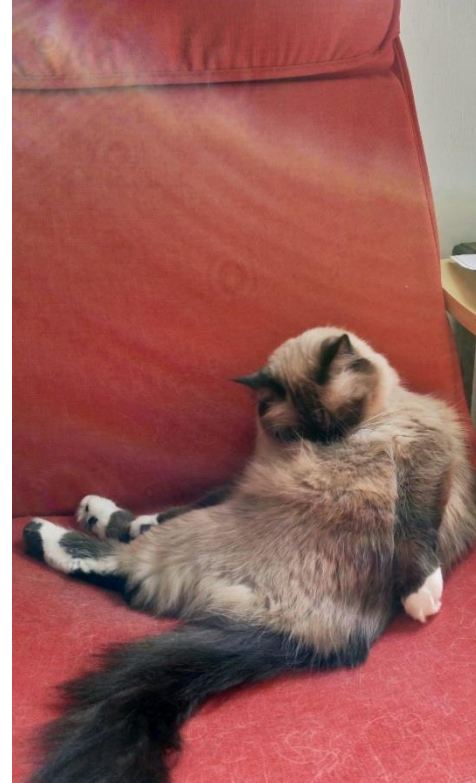
How to put it, we lost the family home.... unfortunately my husband lost his job, and he was...almost retirement age and he couldn't get another job, and we couldn't service the mortgage.

- **Temporary/short term**



How do tenants find homes?

- Trade me
- Over 50% secured the first rental they applied for, further 33% after 2 – 5 applications, 6% applied for > 10 before securing a rental
- Almost ¼ thought they had been unfairly turned down - children (25%), pets (18%), ethnicity (11%), age (11%)
- Most common reasons given for selecting a rental - affordability, quality of property, location and 'it was all I get at the time'



Tenants: tenancies

Tenancy agreements:

- 1 year fixed term that converts to periodic most common
- 91% of the sample had signed a tenancy agreement and 89% had paid a bond; 64% of those who had paid a bond knew that it had been lodged with the MBIE
- A good relationship with the landlord was highly valued and a majority of tenants preferred dealing directly with a landlord rather than a property manager.



Tenants: moving house

- 82% said accommodation was adequate.
- There was high rate of turnover: nearly half of the sample had moved in the previous two years
- Landlord selling the house was a common reason for moving (nationally 30%, Auckland 36% in 2015)
- Nearly half of tenants were planning to move in the next two years. In Auckland – to find cheaper accommodation (34%)
- Only 2% reported being evicted



Tenants: repairs and maintenance:

- Fear of a rent increase or eviction deterred requesting needed repairs.
- Repair requests - plumbing or electrical work most common; took two to three days to fix after being brought to the attention of the landlord/manager. Tenants viewed this as a reasonable timeframe.
- 85% of tenants said they were satisfied or very satisfied with the level of maintenance provided.
- Tenant priorities for capital improvements - insulation, heating and kitchens.

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



Why do landlords buy rental property?

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

- 53% owned one and 22% two rental properties
- 96% of properties were rented
- Median length of time as a landlord was 12 years
- Second-hand properties preferred. Why? - cheaper (38%); a greater choice (11%); had better resale value (9%).



Types of landlords

- **retirement income**

It's or long term pension fund

- **general wealth creation**

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

- **business/lifestyle choice**

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

- **'accidental landlords'**



Landlords: financing

- Financing the deposit on the **first** rental property: accumulated savings (53%), equity in their own home (28%)
- 40% of landlords had used equity from a property they already owned to purchase further property – some encouraged by their bank

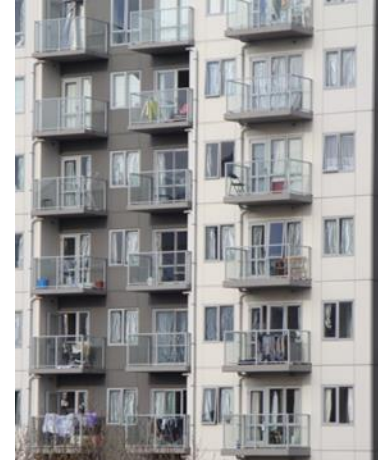
We had an existing home with \$130,000 equity and I just worked off that... banks were falling over themselves to hand out money

- 73% of rental properties were mortgaged



Landlords: financing (2)

- In 2015 median reported value of portfolios was \$560,000 (Auckland \$700,000)
- Median level of debt nationally was \$300,000 (Auckland \$365,000)
- 59% did not know the yield on their property investment/s
- 5% of landlords were a member of a property investor organisation



Landlords: managing properties

- 2/3 of landlords managed properties themselves 25% used a property manager
- Tenant selection was often delegated to a manager/agent (39%)
- 92% of landlords reported having signed tenancy agreements and 81 % having collected and lodged bonds
- 92% of landlords were aware of the then proposed minimum standards for smoke alarms and insulation and 88% agreed with these minimum standards



Landlords: maintenance

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

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

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

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

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



Landlords: future intentions

Future intentions

- 1/4 had plans to buy more rental property
- For those not planning further investment difficulties financing was the most common reason (45%)
- Succession planning?



Summary points

- Housing pathways are diverse
- Home ownership remains the NZ dream and the only route to housing security
- Rental property is first and foremost a landlord's asset and not a tenant's home
- Tenancy experiences and property management practices are diverse
- 'Lucky' - to have a good rental experience
- Stoical – low expectations of housing quality (except for insulation)



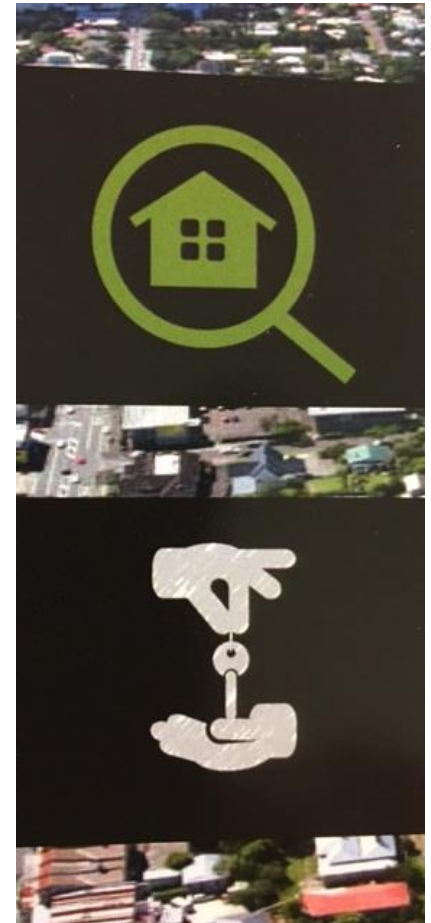
Residential property management in Auckland

- 27% of Auckland rental property owners employ property managers
- Income largely from fees for transactions:
 - Letting properties
 - Collecting and reviewing rents
 - Inspections
 - Repairs and maintenance
- Auckland Council interviews with 15 residential property managers:
 - Discourse of 'good tenant' – pays rent on time, clean and tidy, doesn't make demands
 - Contrasted with 'problematic tenants' – New Migrants and sole mothers, in arrears with rent



Residential property management in Auckland

- Property owner the client – seen as more challenging than tenants:
 - Ignore requests for repairs
 - Unrealistic expectations of rental return
- Some empathy for low income tenants but overriding free market narratives
- Interviews reinforced themes of:
 - Relative powerlessness of tenants
 - Poor quality of much rental housing stock
 - Reluctance of owners to pay for maintenance
- Calls for some regulation and supervision of the industry to ensure professional standards



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- 8 of 10 countries real estate investment trusts (REITs) are becoming an important mechanism for funding rental housing investment
- In most countries large corporate landlords are on the rise
- Diversity of approaches to rent regulation and security of tenure
- Only NZ, Australia, UK and some jurisdiction in the US allow tenancy termination without grounds

Australia
Belgium
Canada
NZ
Spain
Sweden
Germany
Ireland
UK
USA

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Thank you