

How to lower rent increases

➤ **Care for your rental home**

• **Keep it clean**

Wash walls and windows 4 times yearly.
Clean inside walls monthly
Clean or wash curtains & blinds twice yearly
Vacuum carpets weekly

• **Keep it dry**

Let fresh air flow through all rooms for at least 20 minutes every day.

• **Keep it fire safe**

Check fire alarms regularly; report faults and replace batteries when needed.

• **Protect drain pipes**

Do not flush nappies, sanitary items, rags, wet wipes, or any non-natural items into toilets. These, plus cooking fats, etc., block drains causing large costs for property owners.

• **Keep your grounds tidy and clean**

Owners, friends and neighbours respect clean tidy people.

• **Advise landlord of faults**

Report problems with: - leaks, drains, power, rot and appliances so they can be quickly fixed to minimise costs.

➤ **Pay rent as agreed**

Regular uninterrupted rental payments reduce administration costs and owners' concerns.

➤ **Be a great neighbour**

Good neighbours are quiet, helpful and friendly to those around them. This avoids extra concerns and administration costs for owners.

Trustworthy, caring, long term renters receive smaller rent increases and are respected.

Renters' Benefits:

1. Shelter from the weather and cold
2. Security for possessions and family
3. Clean water to taps
4. Facilities for cooking, washing and bathing
5. Heating facilities
6. Access to electric power
7. Disposal of sewage and liquid wastes
8. Disposal of household rubbish
9. Bus and library services
10. Roads and footpaths for accessibility
11. Parks and playgrounds for enjoyment
12. No huge deposits to first save for
13. No crippling mortgage payments
14. No regular rates payments
15. No property insurance premiums
16. No building maintenance and repairs
17. No large replacements & renovation costs
18. No administration responsibilities
19. Freedom to move homes anytime

Renters' responsibilities:

1. **Keep rental home clean, dry and tidy**
2. **Pay rent as agreed**
3. **Be a great neighbour.**

For official information visit www.tenancy.govt.nz or phone Tenancy Services on 0800 836 262.

Renting Costs

Property users help pay these but in 2024 they have increased around **25% + new taxes must be paid**

➤ **Yearly expenses**

Interest

Pays investors' for hundreds of thousands needed to purchase and retain the property.

Rates

Pay for clean water, drainage, rubbish removal, busses, parks, pools, libraries, roads and more.

Insurance

Protects the property from losses due to fire, floods, and other rare destructive events.

Repairs and Maintenance

Help reduce very high costs of refurbishments and replacements.

Wages

Provide fair compensation for owners time with:- Inspections, reporting, record keeping, meetings and other communications.

Administration

Includes costs for:- Office space, phones, power, stationery, computers and transport.

Professional fees

These help meet the costs of purchasing, operating and selling rental properties Involved are lawyers, accountants, estate agents, managers.

MORE COSTS (Replacements, Taxes, Unplanned Over

➤ **Replacements and renovations**

While a home is occupied, large amounts must be paid periodically for items are destroyed over time by Rust, Rot or Wear. These include:-
Floor coverings, Appliances, Curtains, Ventilation systems, Heaters, Roofs, Paint, Insulation, Wall cladding, Fences, Wiring, Pipes & drains etc.
After 100+ years the entire building must be replaced.

➤ **Special Landlord taxes (2024)**

Charged during 2023 these 3 complicated taxes must be paid during 2024. The averaged cost of these is around \$150 weekly. (Interest and Capital gain taxes will substantially reduce in 2025)

➤ **Unplanned costs**

Changing tenants

Every new tenancy costs around \$300 for wages or fees, advertising, travelling and meetings are needed to find a new, quality renter.

Non-complying tenants

Additional costs occur for administration, rent losses, repairs, maintenance, replacements, cleaning, and debt recovery when tenants fail to meet their rental agreement obligations.
Providers always value reliable honest renters and they carefully avoid lending their properties, worth hundreds of thousands, to people who cannot show they will always be reliable and respectful of their rented home.

Renters are less secure in homes that cost more to operate than the incomes they generate.

Examples of costs (2024)

Approximations below are based on a \$400k 3br Timaru flat or 2 br house that generates around \$470 rent plus \$500 average weekly capital growth.

Regular costs	weekly*
<i>Interest on capital</i>	\$538
<i>Rates & insurance</i>	\$58
<i>Repairs & Maintenance</i>	\$29
<i>Administration</i>	\$38

Periodic replacement costs weekly*

<i>Exterior walls & windows</i>	\$29
<i>Carpets, vinyl & curtains</i>	\$36
<i>Kitchen & bathroom</i>	\$43
<i>Appliances & furniture</i>	\$15
<i>Painting inside and out</i>	\$58
<i>Roof cladding</i>	\$43
<i>Fences & sheds</i>	\$12
<i>Heat pump and vent fans</i>	\$11
<i>Insulation</i>	\$ 8
<i>Power, wiring pipes & drains</i>	\$15
<i>Bad tenant damage</i>	\$12
<i>Remaining building</i>	\$41

Landlord taxes (2024)	- weekly*
<i>Tax for interest (2024)</i>	\$ 44
<i>Ring-fenced tax</i>	\$108
<i>Capital gain tax</i>	\$ n/a

Total income weekly	\$ 970
Total expenses weekly	<u>\$1639</u>
Averaged weekly LOSS	<u>\$ 667*</u>

* See www.rentagain.nz

Use the free XL calculator to assess the cash-flows for different estimations of different properties.

More

- **Owners' profits**
Profits arrive after ALL costs have been deducted from rents and capital growth.
- **Capital growth?**
Generally property values grow with inflation. However, this has no benefit when inflation also increases the cost of items to be purchased from the proceeds of a sale.
- **Markets set rents**
Market competition sets rents as, providers seek reliable renters and renters seek suitable homes for the best rents.
- **Loss making rental properties are sold.**
Loss making rental units don't pay interest on their equity or wages for their owners' work and some even require extra cash inputs to meet **their costs.**
- **LAW on increases**
Rent increases cannot be less than yearly.
Notification of 60 days before the new rent begins.

www.rentagain.nz

Cash-flow calculator, links, ideas and suggestions that compliment and enhance relevant material provided by www.tenancy.govt.nz.
(It is all free for renters and providers)