



Rental Property Management in New Zealand.



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Whether you're new to the property investment game or already you have a portfolio of properties, you'll find that managing and maintaining investment properties is time-consuming. Dealing with tenants can be a hassle and keeping up with constantly changing investment and tenancy legislation can be difficult. But an investment property can be a good financial nugget to have in your pocket, so it's important that you know how to protect yourself from the 'what ifs'.

Here's our guide to investment property management in New Zealand - and the ins and outs of engaging a property manager to make your life easier..

The benefits of owning an investment property?

A good reason for owning an investment property is about building wealth to provide yourself and your family with a better future. There are two main ways that property investments help you increase your net worth:

1. **Positive cash flow:** A property is cash flow positive when the income it exceeds the expenses associated with owning, managing and maintaining it. This extra cash can be used to supplement your income, save for retirement, pay your mortgage down faster, or buy more investments.
2. **Capital gains:** When a property that you own increases in value after you buy it, the difference between the new higher value and the amount you purchased the asset for is known as a capital gain. This increase in value can be cashed in by selling, or used as leverage to borrow from the banks to buy more property.

Your property investment may also allow you to use several tax benefits, which could save you thousands or more.



As well as increasing your net worth and enjoying tax benefits, by renting your property out you're providing vital service. Many areas around New Zealand are experiencing rental property shortages, and by providing a warm, dry, healthy home, you're giving another family an opportunity to thrive

What's involved in managing a rental property?

Kiwis have an admirable can-do attitude - many of us would prefer to do everything ourselves rather than call in the professionals. But what most people don't realise is how time consuming, complex and involved managing a property can be.

To give you an idea of everything a property manager does, let's run through the basics:

% Setting rent:

Set your rent too low and you're leaving money on the table. Set it too high and you may not rent it out at all. A property manager will use industry knowledge and in-depth research to set and reset the ideal rent to maximise your return.



Targeting and marketing a property:

If your investment is vacant, or becomes vacant, a property manager will prepare marketing material including listing copy and home photography. They will then advertise on all relevant channels online and in print to target your ideal tenants.





Selecting tenants:

There's an art to picking the right tenants. A property manager will go through each application they receive (which could be dozens or more) and select the tenant most likely to help you reach your investment goals. This may include:

- Performing credit checks
- Verifying proof of identity
- Searching the Tenancy Tribunal records for any past problems the tenant may have had.
- Checking references from employers.
- Looking at recent payslips to verify the tenant can pay rent.
- Chatting to prospective tenants at viewings to get a 'gut feel' for what they're like.



Organising tenancy agreements:

This is a legally binding document that can easily be confusing. A property manager will source and edit this for you, ensuring the terms are as fair as possible. They will then get both parties to sign the documents.



Showing the home:

After the marketing stage, a property manager will hold open homes where they will show prospective tenants through the property and answer any questions.



Liaising with tenants:

After your tenants move in if they have any problems, concerns or questions they'll get in touch with a property manager. This includes conducting and negotiating rent reviews.



Organising inspections:

For insurance reasons, and to make sure your tenants are taking care of the rental, a property manager will notify tenants of their visits and perform inspections as often as necessary (but within the boundaries of the law). Usually inspections will be every three months.



Coordinating maintenance:

The property manager may notice parts of the home during inspections that are in need of repair or maintenance. They will organise tradesmen to fix any issues immediately, which should extend the life of your property and help keep your tenants happy.



Attending the Tenancy Tribunal:

In the event of a Tribunal intervention, a property manager will attend the Tenancy Tribunal with you or on your behalf, using their expert knowledge and experience to resolve the issue.



Why should you engage a property manager?

Managing a rental property is a full time job, and while you can do it yourself, it's almost always better to let a professional handle it for you. Here's why:

- Your property manager will make the best decision for your investment, free from any potential emotional attachment to the property an owner may have.
- Property managers run several checks and use their experience in the industry to make sure they find you the best possible tenant.
- In the event there is a negative incident with a tenant, property managers can shield landlords from it, and play good cop, bad cop.
- Good property managers have extensive knowledge of the market and years of experience so they know how to maximise your investment returns.
- Most property management companies have existing relationships with trade companies like builders and electricians. This allows them to get discounted rates and get work done quicker - saving your tenants time, and saving you money.

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- Having a quality property manager provides you with a layer of legal protection. Their expert knowledge of complex tenancy law means they'll always act legally, ensuring that your property is in compliance with all relevant legislation.
 - The best property managers are a source of valuable advice. Since they've been in the industry for so long, they can answer most questions you have about your investment properties.
 - Property management companies often have a pool of prospective tenants looking for a home, which means they can usually fill vacancies much faster than your everyday landlord.
 - Property managers handle rent collection for you, using tried and true systems to make sure you're paid on time.
 - If you are overseas for more than 21 days, you are legally obliged to appoint an agent to manage your property while you are away. This can be anyone you like but usually only a professional property manager can be trusted to fulfil the legal requirements and obligations of taking care of a property.
 - A good property manager will save you money. The savings you'll make will usually more than cover their fee.





Legislation affecting rental property management

Your activity as a landlord is governed by several laws that dictate what you can and can't do as well as the minimum standards you must meet.

For example, in 2016, all rental properties were required to include smoke alarms within a certain distance to the bedrooms. Now in 2019, all rental properties will need to meet minimum standards of ceiling and floor insulations.

The laws are always changing, and can often be unclear, so it's in your best interest to work with a professional property managers to make sure you're compliant with current and future regulations.

What happens when you don't follow legislation?

"The Residential Tenancies Act 1986 (the Act) sets out the rights and responsibilities of people who enter into tenancy agreements. When someone doesn't follow the rules, this is called a breach of the Act. Someone can breach the Act by not doing what they're supposed to do, or by doing something they're not allowed to do."

If you breach the Act in any way, your tenancy could be ended and you could be fined or ordered to pay your tenant reparations. For this reason alone, it's worth getting help to make sure you don't break the law.



When you're searching for a property manager, it's worth considering the following:



The cost-benefit:

Each property manager charges differently - some are very cheap, while others can be expensive. For example, a property manager in Auckland will be roughly 8% of the weekly rent (+GST) for a reputable firm. In the regions where rents are lower this could be roughly 10 - 12% of the weekly rent. Most landlord's instincts will tell them to go with the most affordable options to help maximise their returns. However, this can often be a mistake.

Cheaper property managers may include fewer services in their fee, and they may spend less time ensuring your property is well cared for. This often proves costly in the long run.



Determining cost:

A good property manager will sit down and ask what the landlord needs and cater to their needs charge: 6.5%-12% - the location of the property and what they'll be doing with the money goes into what they'll charge - fees vary depending on where in the country you are.

To avoid making the wrong decision, sit down with your property manager before you agree to anything and get an understanding of what their fee is, what is included and how much extra services cost. Make sure you know how they charge their fee - whether it's a percentage of rental income, a set weekly amount or a list of services charged as needed.

Tips for finding the right property manager:

You should not trust someone to take care of your investment lightly, so it's worth shopping around to make sure you choose the right property manager. Here are a few tips to help get you started:

- Check that they're a member of the Real Estate Institute of New Zealand: Members of this national organisation are governed by a code of conduct so you know they can be trusted.
- Get references and referrals: If your friends have rental properties, ask them if they'd recommend their property managers. If you're considering hiring someone, ask for references from some of their current customers.
- Go mystery shopping: Find out what a property manager is like by attending one of their viewings or calling them and asking questions - were they helpful and polite?
- Meet them first: A good property manager will be happy to meet you for coffee so that you can get to know them and discuss what's best for your property.
- Look locally: It's best to only hire a property manager who works in your area as they'll have valuable experience in the local market.





Investment property is a great way to build wealth for a better future but managing a rental is a full time job that's becoming increasingly complex and difficult. The processes of finding and choosing a tenant, managing their needs and resolving disputes can be stressful, and if you do it incorrectly, the success of your investment is at stake.

That's why it's always best to hire a property manager. A good one will save you time and stress while maximising the return of your property investment so that it does what it's supposed to - make you money. With the increasingly high level of new legislation around tenancies, this is only becoming more important.

Take the time to choose the right property manager using our tips and your property investment journey will be easier and more successful.



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