

### 3) Replacement COSTS

from Rust, Rot and Wear of vital components  
These are calculated weekly and totalled.

#### ► Vital building components include:-

- Carpets, vinyl and curtains
- Exterior walls and windows
- Appliances and furniture
- Bathrooms
- Kitchens
- Paint inside and out
- Roofs and spouting
- Water pipes and drains
- Fences, gates and sheds
- Heaters and ventilation systems
- Insulation
- Electric wiring, meter boards, etc
- Floors & piles
- Buildings themselves also need replacing

#### ► Loans must pay for replacements

Example: -

A \$5,500 heating and venting system lasts 15 years

A 15 year bank loan purchases the system

\$10pw repays the loan. After 15yrs the system needs replacing with a new loan. (see ANZ mortgage calculator)

#### ► \$10,000 loan repayment table

Interest 4.5%

10 yrs = \$24 pw	40 yrs = \$10.4 pw
20 yrs = \$15 pw	60 yrs = \$ 9.3 pw
30 yrs = \$12 pw	100 yrs = \$8.6 pw

### 4) Ring-fencing tax COSTS

Unlike all other businesses, rental losses cannot be offset by other taxable incomes.

IE home rental owners pay more tax than other rental or business owners who face the same loss.

WHEN rental homes don't pay their costs  
they are sold

### Renters' Benefits:

Renters borrow homes worth hundreds of thousands of dollars. These provide:-

1. Shelter from the weather and cold
2. Security for possessions and family
3. Clean hot and cold water
4. Facilities for cooking, washing and bathing
5. Access to efficient heating and Wi-Fi
6. Access to reliable electricity
7. Disposal of liquid and household wastes
8. Bus and library services
9. Roads & footpaths for accessibility
10. Parks for enjoyment and relaxation
11. No mortgage, rates and insurance payments
12. No building maintenance, or repair costs
13. No huge replacement and restoration costs
14. No administration responsibilities
15. Freedom to quickly move homes anytime

### Renters' Responsibilities:

1. Take good care of rented homes
2. Pay rents as agreed
3. Be great neighbours.

Renters need good credit ratings, and  
references from previous providers.

### RENTING COSTS \$790pw\*

1) Operations	\$130 pw
2) Interest	\$340 pw
3) Replacements	\$410 pw
4) Ring-fencing tax	\$ 10 pw

### RENTING INCOMES \$600pw\*

1) Weekly Rent	\$480 pw
2) "Net" Capital Growth	\$120 pw

*IF COSTS exceed INCOMES,  
Availability falls - and rents rise*

\* Basis of calculations

- Results are rounded to nearest \$10
- Default setting [www.rentagain.nz](http://www.rentagain.nz) calculator includes:-
- Property value \$400,000
- Bank Loan \$200,000,
- Interest rates 4.5%
- Inflation rate 4.5%,
- Capital growth 6.0%

WHEN rental homes don't pay their costs  
they are sold

## More on COSTS

### 1) Operations COSTS

#### ► Rates and Insurance

These pay for:-

- Clean drinking water
- Waste removal services
- Paved streets, parks, busses
- Damage protection and much more.

#### ► Administration

Includes wages, equipment and transport for:-

- Inspections
- Changing tenancies
- Record keeping, correspondence
- Meetings, breaches, debt collections
- Office space, equipment, power and phones
- Organising repairs and refurbishments
- Accountants, managers and lawyers

#### ► Repairs and Maintenance

Wages, materials and transport costs are constantly required to pay for repairs and small item replacements usually involving filters, grounds, leaks, spouting, alarms, doors water delivery and electrical supplies.

### 2) Interest COSTS

#### ► Interest hires other peoples' savings.

Interest pays for the capital used to secure rental accommodation.

#### ► Weekly interest cost table

For property value of \$400,000

3% interest = \$231 pw    6% interest = \$463 pw  
4% interest = \$308 pw    7% interest = \$538 pw  
5% interest = \$385 pw    8% interest = \$615 pw

## More on INCOMES

### 1) Rents

- **Markets dictate rents.** When rents (+ capital growth) fail to meet costs, shortages happen
- Rental shortages of rentals increase rents
- Governments build subsidise rentals to fill shortages. These reduce market rents that then cause private rental losses and fewer private rental homes.

### 2) Capital Growth

- **Inflation** causes value gain, **BUT:** Inflation does NOT increase "real" wealth because the costs of items (to be) purchased from property sale also increase with inflation.

#### Example of "inflation driven" capital growth:

A property is purchased for the same cost as say, a 12 month world cruise.

With inflation, the property sells for a much higher price, but this still only purchases the same world cruise because the cruise price also increased with inflation.

- **"Net" capital growth** is the difference between property values growth and inflation.

#### Example of Net capital growth:

If our \$400,000 property value grows by 1.5% MORE than inflation; then, its "net" or "real" capital growth is ( $\$400,000 \times 0.015$ ) \$6,000 or **\$120pw**.

- **If a property's value grows at LESS than inflation** then its "net" value reduces. Consequently when sold later, the sale precedes purchase fewer benefits compared to those that could have been purchased by the money that bought the rental property years before.

Calculate Financial Viability at [www.rentagain.nz](http://www.rentagain.nz)

*When costs constantly exceed incomes;  
investors withdraw and renters lose homes.*

## More on Inflation

**Inflation reduces the buying power of currencies.**

IE The same things cost more dollars as time progresses.

#### ► At 7.2% inflation, costs double in 10 years

- #### ► Looking back 50 years (inflation)
- \$500pw rents were \$15pw (7.4%)
  - \$450,000 properties were \$12,000 (7.4%)
  - \$900pw wages were \$30pw (7.1%)
  - \$4.20 hot pies were 12 cents (7.4%)
  - \$2.95 petrol litres were 11c (6.8%)
  - \$100 ski passes were \$6 (5.8%)
  - \$180 shoes were \$110 (1.0%)

- \$200 cel phones 40 yrs ago were \$5k (-6.2%)
- \$3,000 TVs 15 yrs ago were \$10,000 (-7.7%)

- #### ► Rent cost rises faster as they include only:-
- Wages, Building, Painting, Rates and Insurance. The CPI inflation index includes low and negative growth items

- #### ► "Real" property values DON'T increase with Inflation
- Because the costs of items (to be) purchased from property sales also (usually) increase with inflation.

- #### ► Interest rates usually follow inflation rates
- If inflation moves from 3% to 6%, interest rates follow from 3% to 6% This means that interest COSTs DOUBLE as other costs increase by 3%

## Government rental housing

- **\$700pw** is around the subsidy given for each of New Zealand's 78,000, \$600k state rental houses. (From [www.rentagain.nz](http://www.rentagain.nz) Viability calculator)
- **\$740pw** repays a \$600k 30yr 5% mortgage. Therefore, it's cheaper to give away state houses:
- 70,000 state rentals lost around \$2.5b in 2024 costing every NZ tax payer \$520 (\$10pw)

## www.rentagain.nz

- This site helps owners, renters and others understand the real costs and incomes of renting homes.
- Six basic renting tasks expand with:-
  - Process checklists to stay safe
  - Ideas suggestions and calculator
  - Information brochures, forms and sample letters
  - Quick easy links to official advice and law.
  - No costs, ads, spying, passwords or restrictions

More at [www.rentagain.nz](http://www.rentagain.nz)

Includes: Special rental home Viability calculator