



RESIDENTIAL
RENTALS



SPECIAL REPORT

21 Ways to help determine
how much a property should rent for...

hands on property managers



Find out how to make the most of your rental property and ensure you end up with extra dollars in your pocket.

Introduction

The following report has been developed to help investors and potential investors in residential property understand the motivation behind the choices tenants make when renting a property. With this information investors can make informed decisions when it comes to choosing which investment property to buy and which property management professionals to look after their investment.

There are many factors to consider when purchasing a residential investment property. Regardless of the location of your investment property a number of things remain constant.

Firstly the amount of rent you expect to get for your property is determined by the market demand for properties similar to yours. If you have the sort of property that appeals to tenants, you'll have more interest and therefore will generate more income.

It makes sense therefore to learn about the sort of features that tenants most commonly ask for. This report is designed to guide property investors as to what tenants look for when renting a property. As always please consult a financial expert before making any investment decisions.

1. Property Presentation

First impressions are critical when a prospective tenant inspects your property. First, you need to decide what sort of tenant you are targeting. There are tenants who want to save money and are happy to live in a property that is not in first class condition. There are others, such as professional people, who are happy to pay top rent, but expect the property to present at its absolute best.

There is no doubt that a well presented property will achieve top market rent and will usually attract the best quality tenants. That adds up to a higher investment return, together with fewer and shorter vacancy periods.

A good property manager will insist that your property is very clean and in its best possible condition before letting tenants move in.

Here are a few presentation tips.

Tend to the gardens, mow the lawns and clean the windows, paths, gutters and outside paintwork. These are all things seen from the street, and you don't want prospective tenants to dismiss the property before getting to the front door. If you present the property well from day one it also sets the standard of care and upkeep that is expected from the tenants.

Repair or replace leaking taps, sticking doors, broken light fittings, loose door handles and leaky gutters. All of these things can distract the potential tenant and gives the impression that the owner doesn't care about the property.

If you are thinking about painting, only paint those areas that really need it unless you plan on doing the lot. New paint may only make those areas left unpainted look even shabbier. Use light, neutral colours as strong colours may not be to the tenants taste.

"There is no doubt that a well presented property will achieve top rent and will usually attract the best quality tenants."



Presentation Tips continued...

- ✍ If your property is in a noisy area such as a main road, school or shopping centre – inspection times should occur when noise is at its lowest. Get rid of odours that you may not notice but prospective tenants will, such as cigarette or pet smells. Have the carpets and blinds cleaned, neither of which is very expensive.
- ✍ Furniture in a property can make a big impact. If you want to increase the number of inquiries that you get, it maybe worthwhile to hire good furniture for one day and get some professional photos taken. You will be able to use these photos every time you rent the property out - so even if your current tenant is very messy, the property will present very well when listed online or in promotional flyers.

This strategy works well for all property types but is particularly successful with premium properties. For a good example of the difference furniture can make, look at building display show homes as they have mastered this technique.

*"We all know first impressions count
and a well-presented property can help
achieve higher rent from tenants"*



2. How to pick a property that will give you a high rental return...

Determining what sort of rent will be achieved for any property is always difficult.

Despite what some agents will tell you, it is simply not possible to predict exactly what rent will be achieved for a particular property.

Comparing what else is renting in the area i.e. a comparative market analysis gives us a guide but is never completely accurate. This is because there are a number of external factors that determine what rent you will achieve.

The most important thing to consider is which property features will improve the rent you are likely to achieve. Obviously the more money you can rent your investment property for the higher your investment return is. Generally speaking the more money you pay for a property the more rent you will be able to collect each week. So the question everyone wants to know is exactly what sort of property is most attractive to tenants. To understand this we first have to understand what most tenants are looking for.

Currently the highest demand is for property within 8km of shopping centres, public transport, and in zone to premium schools. Almost 80% of leases in the suburbs are signed with young families with either one or both parents in employment.



Key factors that determine how much rent you will achieve for your property.

1. Number of Bedrooms
2. Number of Living Areas
3. Number of Bathrooms
4. Outdoor Entertaining Areas
5. Car Accommodation
6. Location
7. Presentation
8. Fixtures and Fittings
9. School zoning

3. Number of Bedrooms

The number one criteria that tenants have when renting a property is the number of bedrooms. Typically a two bedroom property will achieve higher rent than a one bedroom property. A three bedroom more than a two bedroom and so on.



This is because the more bedrooms there are the more people can live there. And naturally the more people that are occupying the property the more rent they can afford. For properties in a lower price range this rule is even more applicable. Especially so when your most likely tenant is a group of students or younger people.

Of course having lots of bedrooms isn't a guarantee of achieving a good weekly rent. The size of the bedrooms is equally important. In any property, typically one of the bedrooms is smaller than the rest. If it is significantly smaller then it adversely affects the rent ability of the property. A rule of thumb to go by is to ensure that no one bedroom is less than 75% of the size of the other bedrooms. Furthermore aim for bedrooms that will fit a double or queen bed.

As a result of the current New Zealand wide affordability crisis rents across the country are increasing rapidly. This is causing more people to share rental accommodation than ever before. As a result we are seeing an increase in demand for 3 and 4 bedroom properties. Having said this, the most popular properties are still 3 bedroom houses and 2 bedroom units.

4. Number of Living Areas

So what is a living area? It's an area within a property that can be used for general living, i.e. it would fit a lounge, coffee table and TV viewing area. To have a second living area it needs to be far enough away from the first area for noise not to be an issue. For example a house that has a combined lounge / dining room upstairs and a rumpus room downstairs would be considered



to have two living areas.

In many properties an outside undercover entertaining area like a back deck may be considered a second living area.

More about outdoor areas will be covered later.

5. Number of Bathrooms

Like living areas the number of bathrooms you have should be in proportion to the number of bedrooms. One bathroom or ensuite is suitable for a one bedroom property. One bathroom is also suitable for a two bedroom property as long as it is not an ensuite attached to just one of the bedrooms. Two bathrooms are preferred for a three bedroom house but not essential. For a property with four or more bedrooms two bathrooms is a must otherwise as with living areas, you won't receive the extra rental benefit that a fourth bedroom will give you.

An important consideration for the bathroom is plenty of cupboard and bench space, particularly for bathrooms that are to be shared by the occupants of two or more bedrooms. Interestingly a bath is not a major factor for most tenants when deciding whether a property has suitable bathroom facilities. A shower is obviously essential. Female tenants place more importance on bathroom facilities (and a bath) than male tenants.



6. Outdoor Entertaining Areas

The outdoor living has become an almost essential part of life. Properties without an outdoor living / entertaining area are more difficult to rent than those with one. Raised back decks are the most preferable type of outdoor living / entertaining area. These are most common on properties on the low side of any street, or either side of a flat street.



Size is once again important. Enough room for a BBQ and outdoor setting for 4-8 people is suitable.

To be considered an outdoor entertaining / living area it must be attached to the house and be covered from the elements.



“Open curtains and blinds to let the sun and the view inside. Nobody likes a dark house, and the view will make rooms feel bigger.”

7. Location

The location of a property for tenants is important, but like car accommodation is not a top priority. Location is relative to each person and most tenants have their own criteria with regard to location such as “within 15 minute walk of their place of work” or near easy to use public transport options. Despite managing \$160 million of residential property across New Zealand, we generally don’t find any one suburb to be more popular than the other.


Most families do, however, prefer to be close to popular shopping centres and most importantly in zone to good quality schools.

8. Floor Coverings

Modern carpet in bedrooms such as “loop-pile” or short “blush-pile” carpet is acceptable as long as it is new or near-new and in good repair. Light earthy colours only. Shag-pile carpet is always a detriment and makes a property hard to rent. Likewise carpet in living areas is detrimental unless it is modern and in excellent condition.

9. Views

Views of the city and water may significantly increase your purchase price but will have very little impact on your weekly rental income. Naturally when dealing with two similar properties if one has views, this will usually be the prospective tenant’s preference. Of course don’t forget if your plan is to sell at some stage in the future, good views may increase your capital growth return over the period of time that you’ve owned your property.



"The more recently a property has been renovated or built the higher the weekly rent return will be".

Checklist

- ☒ Bedrooms
- ☒ Living Areas
- ☒ Bathrooms
- ☒ Kitchens
- ☒ Presentation

10. Presentation

After bedrooms, living areas and bathrooms the next most important factor in achieving high weekly rental income is presentation. While un-renovated properties provide owners with an opportunity to value add and also to maximise capital growth, they do not rent well. The more recently a property has been renovated or built the higher the weekly rent return will be.

Modern kitchens and bathrooms are the most important factors in presentation. A tidy low maintenance yard for houses and clean common areas for units and townhouse are essential. Ironically a tidy, well kept, extensive garden helps rent a property but often during the tenancy it falls into disrepair increasing time on market next time the property becomes vacant.

Interior paint scheme is important. If you are considering painting a property, never use bright colours, such as reds, blues and greens. Light earthy colours such as whites and off whites appeal to most people. Avoid renovating to a theme murals or paintings of scenery on walls.

11. Air Conditioning and Heat Pumps

Always be aware that having air conditioning is more beneficial when renting your property during the summer months and while ceiling fans are definitely an advantage they don't replace air conditioners.

Heat Pumps are particularly important during the winter months and are essential for keeping a house warm, dry and free of mould which is a result of New Zealand's damp climate.



12. Car Accommodation

Surprisingly car accommodation is not a major factor with most tenants when selecting a place to live. This is probably due to the large number of younger people, who do not yet have the financial capacity to own expensive vehicles. Additionally most property is within 8km of major shopping centres and accessible to reasonable public transport.

While covered car accommodation is not top of the priority list, some sort of off street parking is a definite advantage.

13. Busy Roads

It goes without saying that nobody wants to live on a busy road, however a spacious, well presented property on a busy road will rent before a poorly presented property in a quiet location. A property that fronts onto a busy road will take longer to rent than the same property that backs onto a busy road. This is because backing onto a busy road doesn't affect access.

If you are considering purchasing on a busy road, the most important consideration is off street car accommodation, and the location of outdoor entertaining areas. If outdoor entertaining areas are noise affected the extra value they create in rental return won't be realised.

14. Access to Facilities

Having easy access to café / shopping centres increases demand as well. Easy access to schools, parks, hospitals and other community facilities does not really increase demand, as almost all properties are relatively close to these sorts of facilities.

Zoning to popular schools is quite important so buying property in these areas will increase your rental return and there is usually less time between vacancies since these rentals are in high demand. These properties tend to have significant increases in tenant enquiry at the start of the year in January & February.

15. Appliances

Most tenants supply their own appliances. However, some extra amenities - such as a dishwasher, air-conditioning or heat pump can get you a few more dollars from a potential tenant. The kitchen is a significant area of interest for most tenants and quality appliances may help sway their decision when weighing up between two properties. Gas hobs and stainless steel appliances are preferred by most tenants.

Dishwashers are becoming more sought after by tenants, they're also becoming cheaper to install. Keep in mind that any appliance or amenity you put in is your responsibility to maintain or repair, which means if the dishwasher breaks, the cost will come out of your wallet so it pays to put in quality. Premium appliances tend to attract premium tenants. Most houses built from the year 2000 onwards will normally have dishwashers.

16. Security

Security alarms and lockable windows are appealing to tenants particularly to safety conscious families in the rental market.

17. Smoke Detectors

While little or no thought is usually given to smoke detectors by most tenants, they are required. The New Zealand Building Code requires that all new houses and all existing house undergoing alteration have smoke alarms installed. Domestic smoke alarms must be Type 1 which has:

- A hush button so the alarm can be cleared without shutting off the power (i.e. by removing the battery)
- A test button

As the owner of the property it is your responsibility for installing, cleaning and regularly testing and replacing batteries before the start or renewal of a tenancy. This doesn't really affect the appeal of the property to tenants but is worthy of a mention for investors looking at properties to be aware of whether or not smoke alarms are installed.

18. Furniture

While furnishing the property can increase the rental income, it is recommended that investors consider their property type and likely tenant pool before they decide to furnish their investment property. You will get more rent for your property if it is fully furnished; however, there are so few tenants looking for fully furnished properties that you end up with vacancies for longer periods of time. The only exception to this are inner city serviced apartments and executive apartments.

Furnished properties only suit a specific type of property and you are best off consulting a property manager beforehand to determine if your property suits. In most cases the overall return will be better in an unfurnished property.

19. Built-in Wardrobes

Built-in wardrobes in units and townhouses are often expected by tenants.

Please complete this form if you would like to find out what your property could rent for. Simply post or fax it to our office and we will provide you with an analysis based on our current market knowledge.

Free Rental Appraisal									
Please tick appropriate box:	Name:								
	Contact Number:				Mobile:				
	Email:								
	Address:								
	Suburb:				City:				
	Property Type:								
	House:			Townhouse:			Home and Income:		
	Property Status:								
	Owner Occupied:			Tenanted:			Vacant:		
	Age of Property:		1-5 years		5 to 15 years		15 plus		
	Construction:								
	Brick	Veneer	Clad	Fibro	Timber	Other			
	Number of bedrooms	1.	2.	3.	4.	5.	5 +		
	Bathrooms	1.	2.	3.	3+				
	Living Areas	1.	2.						
	Outdoor Living Area	Balcony	Veranda	Deck	Courtyard	None			
	Parking:	Carport	Single	Double	Triple				
		Garage	Single	Double	Triple				
		Off Street							
Extras	DVS	Alarm	Fully Fenced	Other					
If house is more than 10 years old.	Furnished				Unfurnished				
	New / Modern Kitchen				Yes		No		
	New / Modern Bathroom				Yes		No		
	New Carpet / Floorings				Yes		No		
	New paint				Yes		No		
	Property Condition:								
Excellent		Good		Average		Poor			
Please tick appropriate box:	I would like to rent the property for								
	Now	6-12 months		12 + months		Already tenanted		Never	
	Signed:								
	Dated:								

Post to PO Box 51 910 Pakuranga, Auckland 2140 or
 Scan and email to rentals@residentialrentals.co.nz or
 Fax to +64 9 271 5201

Residential Rentals Limited is a 100% property management focused organisation providing superior property management services to landlords in the Dannemora, Botany, Howick, Pakuranga, Manukau, The Gardens, Albany, Gulf Harbour and the Greater Auckland area as well as Northland, Hamilton, Bay of Plenty and Wellington. Our mission is simple, firstly, to take the hassle out of owning an investment property and secondly to help our owners achieve the very best return for their investment. The fact is that an organisation that focuses 100% on being the very best at one thing is always going to perform better than a “jack of all trades”. We are the specialists in property management, it’s all we do, and when you do the same thing over and over again, you get very good at it. In fact so good that we have a unique **property management guarantee**.

Service Guarantee

At **Residential Rentals Limited** we are serious about our commitment to provide the best property management service to home owners. To make sure this commitment is not just lip service, we offer the following service guarantee to all of our owners as a measure of accountability.

If you are dissatisfied with the service you have received, and you have brought this to our attention and we have failed to address your concerns, then we will gladly continue the management of your property for the next 4 weeks free of management fees.

Free 2 Month Trial Period

Residential Rentals Limited over the last 10 years has helped manage many homes for investment property owners. We have been quite shocked by the sort of sloppy service going on in the real estate industry today. It’s simply unacceptable.

That is why we are offering you the opportunity to trial our service for **FREE**. Yes you heard right. Try our property management services for **FREE** for 2 months.

Complete the form below to find out more information.

Name:	
Contact Number:	Mobile:
Email:	
Property Address:	
Suburb:	City:

Post to PO Box 51 910 Pakuranga, Auckland 2140 or
Scan and email to rentals@residentialrentals.co.nz or
Fax to +64 9 271 5201

20. Houses, Units or Town Houses

There is much debate over whether houses, units or townhouses are the best investment for people wanting to invest in property. The following guidelines may assist you in making your decision as to what type of property to invest in. Please however consult your investment advisor and do your own research before making a decision.

In contrast generally speaking the reverse will be true from a capital growth perspective. You will generally receive better returns in capital growth from houses than from townhouse and units. Please note this is a general rule and depends heavily on what you buy and where it is.

Apartments typically have various body corporate fees and charges that you need to pay, as the owner, to help cover the cost of general building maintenance. Actual returns when taking into account the Body Corporate fees can be very disappointing. With houses there are generally more maintenance issues that need taking care of.

21. Share Houses and Co-Tenancies

Share houses and co-tenancies have increased in popularity significantly in recent years. With rents continuing to increase, tenants are looking to share the cost. Shared houses are particularly popular in inner-city suburbs and near universities. Properties with 3 or more bedrooms and 2 or more bathrooms are suited to this style.

There are a number of things to be aware of when going down this track. Most share house arrangements are student accommodation and generally have higher vacancy rates particularly from Nov – Dec and if a lease is broken mid-year can be difficult to re-rent. There is usually an increase in wear and tear on the property because of higher volume of tenants moving in and out of the property and you may have to cover the costs of electricity, internet and water in a share house arrangement.

Currently there is a high supply of share houses resulting in higher vacancies. This style of investment only suits a very specific set of parameters and we recommend consulting your property manager to see if this is the best option.



Take the worry out of property management.

Let Residential Rentals be hands on so you don't have to be.



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