



# Report of the Petitions Committee

## Petition of Katharine Moody: Regulate rents via introduction of a universal ‘weekly rent maximum’ formula

September 2023

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Hon Jacqui Dean  
Chairperson

## Petition of Katharine Moody

### Recommendation

The Petitions Committee has considered the petition of Katharine Moody—Regulate rents via introduction of a universal ‘weekly rent maximum’ formula—and recommends that the House take note of its report.

### Request for a formula-based approach to rental prices

The petition was presented to the House on 6 December 2022. It requests:

That the House of Representatives regulate residential rent via a formula where  $(RV/1000) - x\% = \text{weekly rent maximum}$ ; the variable ‘x’ to be calculated based on median property value (RV) equating to a rent maximum of 30% of median household income in the district; and applied as a constant to all rental properties districtwide.

### Background to this petition

The petitioner, Katharine Moody, is a senior tutor at Massey University, working in the School of People, Environment and Planning. Ms Moody told us that she initiated her petition after learning of the hardship faced by some individuals due to increased residential rent prices following the end of the COVID-19 rent increase freeze.<sup>1</sup> She noted that the Salvation Army’s 2022 State of the Nation Report referred to the housing situation as having moved from “crisis” level to “catastrophic”.<sup>2</sup> She explained that the report had found that increases in market rent had disproportionately affected low-income neighbourhoods. Page 34 of the report noted:

...looking at the percentage change over the past decade shows a worrying trend in rent increases. Communities like Fordlands in Rotorua (146%), Cannons Creek North in Wellington (100%), Huntly East in Huntly (91%), Highbury in Palmerston North (86%) and Papakura in South Auckland (83%) have seen enormous increases in rent over the past decade.

Ms Moody’s investigations into the price of rental properties led her to publish an article on the [interest.co.nz](https://www.interest.co.nz) website that proposed a model for regulating rental prices in New Zealand.<sup>3</sup> We include more discussion of Ms Moody’s proposed model later in this report.

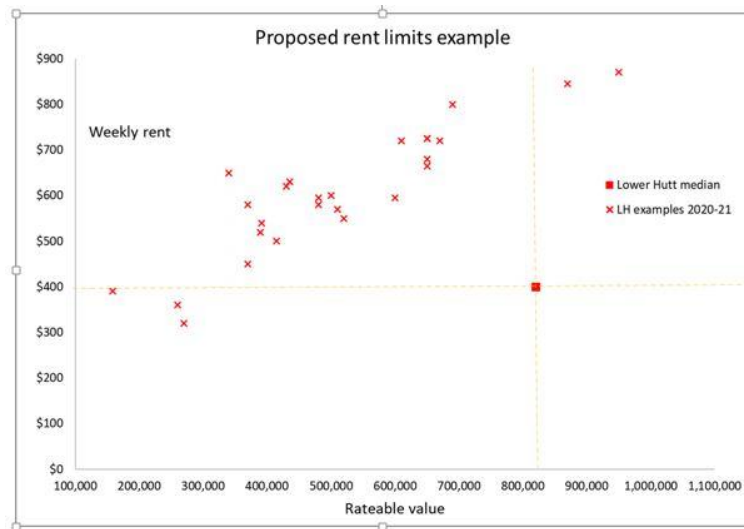
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<sup>1</sup> The COVID-19 rent freeze came into effect on 25 March 2020. The freeze placed an immediate hold on increases in rent, and most rental terminations. It came to an end on 26 September 2020.

<sup>2</sup> [Salvation Army, \*State of the Nation 2022\*, p 30.](#)

<sup>3</sup> [Ms Moody’s article is publicly available here.](#)

To support her assertion that rental prices are disproportionately high, Ms Moody provided the graph below, showing a sample of rental prices in Lower Hutt.



Each red cross illustrates a property advertised as available for rent in Lower Hutt compared to the same property’s Rateable Value (RV). The red square illustrates the median RV in Lower Hutt compared to an affordable weekly rent for an average household in the area.<sup>4</sup> Ms Moody noted that most properties in the sample had RVs below the market median, but only three were affordable for the median household.

### The petitioner’s proposed model

Ms Moody’s petition proposes a new model to regulate rents. This model would set a property-specific maximum rental price for properties offered for rent. Ms Moody believes this would help keep rental prices affordable and help to alleviate some hardships caused by unaffordable accommodation costs. Her model is based on the formula:

$$(RV/1000) - x\% = \text{weekly rent maximum}$$

Under this model, the maximum market rent for a given property would be a thousandth of its rateable value, minus a region-specific variable, x. The variable x would differ between different regions. It could be calculated for each area using the following formula:

$$(\text{Median RV}/1000) - x\% = (\text{median weekly household income} \times 0.3)$$

In other words, x is a variable designed to ensure that the maximum rent charged for a property of a median rateable value is 30 percent of the median weekly household income. The intent of this is that a property with a median rateable value is affordable for people on median weekly incomes, and that properties below the median rateable value are not rented out at prices that are unaffordable for people on low to median incomes.

Ms Moody used Auckland as an example, with a median RV of \$1,300,000 and a median weekly income of \$1,726. She provided the following maths to illustrate how x would be calculated in this example:

$$(1,300) - x\% = \$518/\text{week}, \text{ or as an algebraic equation,}$$

<sup>4</sup> Ms Moody defines an affordable weekly rent as 30 percent of an area’s average household income.

$$1,300(1 - x) = \$518/\text{week}$$

$$x = 0.6 \text{ or } 60\%.$$

Effectively, the variable  $x$  for a specific region would be calculated by substituting that region's median RV and median weekly income into Ms Moody's formula. Once  $x$  was calculated for the region it could be used to calculate the maximum weekly rent for a specific property.

## **Comments from relevant ministries**

In response to this petition, we received a joint submission from the Ministry of Housing and Urban Development (MHUD) and the Ministry of Business, Innovation and Employment (MBIE).

In the year to June 2023, rental inflation for new tenancies was 3.5 percent, which was lower than the CPI measure of general inflation of 6 percent. We heard that as rental price increases are lower than inflation, individuals who have benefited from wage increases in recent months may find rental prices more affordable. However, the ministries acknowledged that this is likely to vary widely between different households.

## **Actions to address rental affordability**

The ministries gave us a breakdown of actions the Government is undertaking to address the supply of rental properties. They include the following:

- The Housing Acceleration Fund: this is a \$3.8 billion fund aimed at accelerating the development of more "build-ready land" for housing projects.
- The Infrastructure Acceleration Fund: this is a contestable fund of at least \$1 billion that aims to allocate funding to support new or upgraded bulk infrastructure—such as roading, water and waste pipes, and flood management—to enable new homes to be built in areas of high housing need.
- The National Policy Statement on Urban Development: the NPS–UD seeks to accelerate housing development by simplifying regulations and enabling more medium-density housing.

We heard that the Government had committed to developing over 18,000 public and transitional homes by 2024.

The ministries also noted that work is under way to increase the ability of tenants to pay higher rents. This includes increases to the accommodation supplement, and increases to the minimum wage, benefit rates, and Working for Families tax credit.

We heard that a recent report by the Ministry of Social Development showed that the total incomes of people receiving a benefit had increased at a greater rate than inflation since 2017. After adjusting for inflation, these individuals' total incomes are 48 percent higher than at the end of 2017.

## **Current rent protections in the Residential Tenancies Act**

The Residential Tenancies Act 1986 defines the rights and obligations of landlords and tenants. Amendments in 2020 were intended to ensure that the Act appropriately balanced

the rights and responsibilities of tenants and landlords and better reflected the fact that long-term renting has become a reality for more New Zealanders. As part of this reform, several changes were made to provide protections to tenants. These changes included limiting rent increases to once every 12 months and prohibiting landlords from inviting or encouraging rental bids above the advertised price.

The Residential Tenancies Act states that rent should be similar to that charged for similar properties in the same area. If a tenant believes their rent is too expensive and can show it exceeds market rent, they can apply to the Tenancy Tribunal under section 25 of the Act for a rent reduction. The Tenancy Services website currently provides a market rent tool that shows bond information for properties where bonds have been lodged in the six months being reported on.<sup>5</sup> MHUD and MBIE told us that it is a useful guide for landlords and tenants but should not be used alone to determine the market rent of any property.

### **Unintended consequences of rent controls**

MHUD and MBIE told us that introducing rent controls would substantially depart from how the rental market currently operates. They told us that overseas experience shows that introducing rent controls can significantly affect the housing market.

The ministries noted that rent controls keep the rents of controlled properties low. They highlighted, however, that if rent controls were to be lifted at any point, this could result in a significant increase in rents.

MHUD and MBIE further noted that if price controls are placed on rent, rents may not accurately reflect the landlord's costs in providing the accommodation, so they may no longer be able to afford to rent out the property. Recently, inflation has increased costs for landlords, such as rates, insurance, and maintenance costs. Interest rates have also increased, which is relevant for landlords who have borrowed. While a landlord could choose to sell to another investor, this may lead some landlords to shift their housing to other uses, such as short-term accommodation not covered by rent controls, thereby reducing the supply of rental properties in the market.

The ministries also discussed the impact of supply on the affordability of rental accommodation. We were told that increasing the supply of rental accommodation through increased new construction relative to population growth has a clear correlation with improved affordability. Since 2018, regions with more abundant supply have tended to see growth in wages outpacing rent increases, on average. This trend has been visible in Auckland, Canterbury, and Otago.

### **Implementation costs**

The ministries told us that the petitioner's proposed "weekly rent maximum" scheme would have significant costs in its implementation, administration, and enforcement. MBIE would need to replace its current market rent tool with one equipped to provide the maximum rent allowable in a given area. This would require the development of a calculator tool that identified the maximum weekly rent for any given property based on its RV. Variables to feed into the calculator, such as median weekly household income and median market value of

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<sup>5</sup> <https://www.tenancy.govt.nz/rent-bond-and-bills/market-rent/>.

properties on a location basis, would need to come from territorial authorities and Statistics New Zealand.

The ministries told us that it would be challenging to build an effective tool that accommodated data at a level that would allow correct calculations. A significant amount of collaboration would be needed between those providing the data, to ensure that the location groupings were consistent and that the data covered the same timeframe, enabling more reliable calculations.

### **Features of the proposed model**

MHUD and MBIE noted that a fundamental aspect of the proposed model is that households should not have to spend more than 30 percent of their gross income on rent. This differs from the definition of “affordable” used by Statistics New Zealand, which uses a figure of 30 percent of net income, and the OECD, which uses 40 percent of disposable income.<sup>6</sup>

The proposal suggests that, as a starting point, weekly rent should be 1/1000th of a property’s value. The ministries noted that the reasoning behind this formula was unclear and might require further consideration. They also noted that the proposal used the RV of a property as its value. RV is recalculated and updated once every three years. Therefore, while the rent calculation might be consistent with the target of 30 percent of median household income at the beginning of the three-year period, this might not be the case throughout the whole period. Towards the end of the three years, landlords might prefer to keep their properties off the market to wait for the new RV recalculation, temporarily limiting rental supply. The ministries noted that an RV is calculated to determine rates in a specific area. This means that the variables used to calculate the RV of a property can differ between councils.

The ministries told us that they did not support commissioning a study into the merits of the proposed model.

### **Our response to the petition**

We thank the petitioner for bringing this matter to our attention. It is clear to us that Ms Moody has spent a large amount of time and effort researching and developing her model. We commend Ms Moody for her efforts and advocacy on behalf of those facing hardship as a result of unaffordable accommodation costs.

We note comments from the Ministry of Housing and Urban Development and the Ministry of Business, Innovation and Employment that rents have been increasing at a lower rate than inflation.

We agree that no one living in New Zealand should be unable to afford rent or face material hardships as a result of accessing accommodation. However, we note that there are significant uncertainties around the potential costs and unintended consequences that could arise from adopting Ms Moody’s proposed model of rent control. For this reason, we do not support Ms Moody’s proposal in its current form.

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<sup>6</sup> <https://www1.compareyourcountry.org/housing/en/1/all/default>.

## Appendix

### Committee procedure

The petition was referred to us on 6 December 2022. We met between 4 May and 7 September 2023 to consider it. We received written submissions from the petitioner, the Ministry of Housing and Urban Development, and the Ministry of Business, Innovation and Employment. We heard oral evidence from the petitioner.

### Committee members

Hon Jacqui Dean (Chairperson)  
Rachel Boyack (to 8 February 2023)  
Dr Liz Craig (from 8 February 2023 to 3 May 2023)  
Steph Lewis (to 8 February 2023)  
Nicole McKee  
Sarah Pallett  
Jamie Strange (from 8 February 2023)  
Teanau Tuiono  
Hon Poto Williams (from 3 May 2023)

### Evidence received

The documents we received as evidence in relation to this petition are [available on the Parliament website](#).

### Recording of our hearing

A recording of our hearing can be accessed on the Committee Facebook webpage.

- [Hearing of evidence with the petitioner, 8 June 2023 \(from 11:34\)](#).