



Regulatory Impact Statement: Regulation of Residential Property Managers

Decision sought	<i>Cabinet approval to draft legislation for regulation of Residential Property Managers and Organisations</i>
Agency responsible	<i>Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development</i>
Proposing Ministers	<i>Hon Tama Potaka, Associate Minister of Housing</i>
Date finalised	<i>05/09/2025</i>

Summary: Problem definition and options

What is the policy problem?

Intertwined market failures and information asymmetries in the structure of the residential property management sector are causing unnecessary harms and avoidable costs for both tenants and property owners (landlords). These costs and harms include financial risks borne by property owners, wellbeing impacts associated with poor quality housing, incidents of discrimination, and poor levels of service by some Residential Property Managers (RPMs). The market failure arises (largely) because residential property management services are mainly experienced by tenants but are contracted for by property owners. This gives rise to a principal-agent problem because there are barriers to tenants communicating directly with property owners and because tenants may not feel confident raising concern about RPMs. This is a structural issue which the market is unable to resolve. The only recourse tenants have is to lodge an application to the Tenancy Tribunal for a breach of the Residential Tenancies Act 1986; however, poor RPM conduct could be deemed lawful as the industry is not regulated and does not provide adequate safeguards for tenants. There is no proper avenue for tenants or property owners to lodge a complaint against an RPM for poor behaviour.

The private residential rental sector is large (it covers around one quarter of households in New Zealand), and it is growing, so there is a need to ensure that minimum standards can be set, the worst actors are prevented from causing repeated harm, and there is an increase in transparency, especially around financial management practices. Key stakeholder groups have requested changes to address the significant risk that a lack of common industry practice standards and controls, and an accessible independent disciplinary and disputes resolution process, pose to property owners and tenants.

What is the policy objective?

The policy objectives are to respond to the risks, promote public confidence in the delivery of residential property management services, and protect the interests of property owners, tenants, and other consumers.

To achieve this objective, Te Tūāpapa Kura Kāinga – the Ministry of Housing and Urban Development (the Ministry) proposes to:

- improve the transparency of RPM and Residential Property Management Organisations (RPMOs) operations and financial management practices,
- prevent behaviour by RPMs and RPMOs that cause harm to property owners and tenants – whether through initial prevention or through preventing repeat offences, and
- improve accountability, including through the provision of an independent, transparent and effective disciplinary and complaints resolution process.

The success of regulation will be measured in part through tracking the number of registrations, any evidence of significant non-compliance with regulatory requirements and the number of valid complaints, especially if this requires higher than tenable numbers of disciplinary tribunal hearings and determinations.

What policy options have been considered, including any alternatives to regulation?

Under the status quo, we would expect that the RPM sector would continue to grow, maintain low rates of voluntary registration, and harm would persist. A range of non-regulatory interventions (such as public provision of information) were considered and discarded as part of the policy process.

A broad range of policy interventions were considered in the development of a previous Bill – *‘Residential Property Management Bill’* (previous Bill) in 2022. In the development of the proposed intervention, less light-touch interventions were ruled out of scope. This left in scope:

- an occupational licencing regime, and
- a registration and disclosure regime (preferred option).

The preferred option has been subject to cost benefit analysis (CBA) by the independent consultancy MartinJenkins, who found a registration model administered by the Ministry of Business, Innovation and Employment (MBIE) has the most favourable benefit-to-cost ratio. The benefit to cost ratio is 1.15. This is both the Ministry’s and the Associate Minister of Housing’s preferred option.

What consultation has been undertaken?

Broad consultation was undertaken between 2021 and 2024 in the context of the previous Bill, including the release of a discussion document in 2022. Property owners, RPMs, RPMOs, industry representative groups, tenants, tenants’ advocacy groups, and Māori housing providers gave feedback on the proposals at that time. A select committee process ran from 30 August 2023 – 12 October 2023. The Social Services and Community Committee received and analysed 152 written submissions and 23 oral submissions.

Many submitters expressed support for the previous Bill and noted the lack of minimum standards or regulation of the sector. Some of the other issues that were raised included unsatisfactory conduct and misconduct, the need for tenant representation on any regulatory body, and the cost of regulation and penalties.

To inform the development of new 'light-touch' regulatory options, the Ministry held targeted conversations with a set of key industry representative groups, including the Real Estate Institute of New Zealand (REINZ), Residential Property Managers Association, Auckland Property Investors Association, New Zealand Property Investors Federation (NZPIF), and Tenants Advocacy Network (TAN).

The Ministry led the problem definition, identified options and analysis in collaboration with other key agencies including MBIE, Ministry of Justice, Ministry for Regulation (MfR), Real Estate Authority, and the Treasury.

Is the preferred option in the Cabinet paper the same as preferred option in the RIS?

Yes.

Summary: Minister's preferred option in the Cabinet paper

Costs (Core information)

Costs of the preferred option are split between the Crown (in the form of establishment, ongoing regulator, tribunal costs and stewardship), and the residential property management sector (in the forms of both sector structure and compliance).

Based on the cost-benefit analysis, the intervention would have a total net present cost of \$177.0 million, of which \$58.9 million falls on the Crown and an estimated \$118.2 million on the sector.

We have medium confidence in costs for the sector and high confidence in the cost to government.

The non-monetised costs of the intervention, which include potential effects on competition are assessed to be low. Additional costs for the sector are very low on a per property basis and are expected to be passed on to property owners, who may in turn pass them on to tenants through rent increases. These are anticipated to be around one dollar per property per week.

Benefits (Core information)

Based on the cost-benefit analysis, benefits of the intervention are estimated at around \$200 million. Around half of these benefits accrue to clients (property owners) of RPMs. The net present value of costs they avoid is modelled at around \$100 million. The residential property management sector itself is anticipated to avoid around \$50 million in costs, while tenants in the properties they manage benefit by an estimated \$55 million. These modelled benefits are conservatively low confidence estimates.

Non-monetised benefits, including increased tenant and property owner agency and increased reliability and trust of the residential property management sector are expected to have a medium impact.

Balance of benefits and costs (Core information)

The Ministry commissioned MartinJenkins to undertake a cost-benefit analysis. MartinJenkins were asked to assess four combinations of options and found that a registration and disclosure model with MBIE as regulator has the most favourable benefit-to-cost ratio.

Both the monetised benefits and non-monetised benefits exceed monetised/non-monetised costs of the intervention in net present terms. The intervention has a net present value of around \$25 million, and a modelled benefit to cost ratio of 1.15.

MartinJenkins compared regulator costs from MBIE and the Real Estate Authority. The Real Estate Authority reported higher establishment costs. The MartinJenkins report outlines differences in design, benefits, and costs between the regulatory models.

Both costs and benefits, and the net benefit are the net present values over 10 years of the intervention. Costs, including establishment costs, are front-loaded, while incremental benefits overtake costs in the fifth year of the intervention. Benefits will continue to outweigh costs if the intervention continues beyond 10 years, further improving the intervention's benefit to cost ratio.

Implementation

How will the proposal be implemented, who will implement it, and what are the risks?

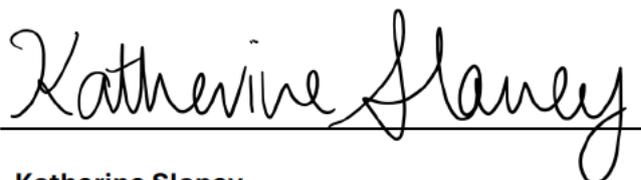
The proposed intervention involves both a registration and disclosure regime and a disciplinary tribunal. The proposal is for the Residential Property Managers Regulatory Authority (the Authority) to be led by MBIE. MBIE supports the Tenancy Tribunal and runs the Tenancy Compliance and Investigations Team. Because of these multiple regulatory roles, MBIE has put considerable effort and resources into shared services and regulatory stewardship, and there are potential system benefits and savings to having residential property management regulation coordinate with MBIE's existing tenancy system functions. The residential property management sector and tenants are familiar with MBIE and view it as a credible regulator of the rental market. The Residential Property Managers Disciplinary Tribunal (RPM Tribunal) would be administered by the Ministry of Justice. This is preferred due to its existing mandate, infrastructure, and expertise in supporting independent judicial and quasi-judicial bodies. The Ministry of Justice administer a wide range of tribunals and have established governance, staffing and procedural systems in place to ensure the impartiality, consistency, and legal integrity of disciplinary processes. § 9(2)(f)(iv)

Limitations and Constraints on Analysis

This analysis has been framed by the scope established for the review, which has focused on addressing the harms associated with the activities of the residential property management sector. While the analysis has taken account of the broader regulatory environment within which RPMs operate, the review was not charged with addressing policy issues associated with existing regulatory settings in that wider environment. There were some constraints imposed on the Ministry's analysis as a result of limitations in the data available on the residential property management sector and the operation of the wider residential tenancy market. There was also limited data available to quantify the cost of the harms arising from residential property management activities and to assess the benefits associated with the preferred regulatory intervention. These limitations are acknowledged in the associated CBA that is appended to this paper. Credible qualitative examples were gathered through consultation and generally support the quantitative estimates we have made. On balance, however, we consider there is sufficient evidence to support the introduction of the proposed regulatory model for the residential property management sector.

I have read the Regulatory Impact Statement and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the preferred option.

Responsible Manager(s) signature:



Katherine Slaney
Acting Manager Housing and Rental Markets
5/11/2025

Quality Assurance Statement

Reviewing Agency:

Members from the Ministry of Housing and Urban Development and Ministry of Business, Innovation and Employment

QA rating: Partially meets

Panel Comment:

The RIA Panel consisting of members from the Ministry of Housing and Urban Development and Ministry of Business Innovation and Employment has reviewed the RIS: *Regulation of Residential Property Managers* and confirmed that it partially meets the RIS requirements. The Panel considers that the RIS contains a strong theoretical basis for intervention and is supported by quantitative cost-benefit analysis. However, the empirical basis for regulation, and the link between intervention and improved outcomes, was not fully convincing to the Panel.

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

Housing and the residential tenancies market

1. The number and proportion of New Zealanders who rent has grown significantly over time. Homeownership peaked in the 1990s at around 75 percent and has fallen to around 66 percent at the 2023 census.
2. The number of people residing in rental accommodation grew to over 1.5 million people by 2023, of which the majority (84.6 percent) rent from a private person, trust, or business. At the time of the 2023 census 475,994 households, over one-quarter of the households in New Zealand, were in rental accommodation operated by a private person, trust or business.

Residential property management sector

3. As the residential property market has grown, so has the role of RPMs and RPMOs.
4. It is challenging to estimate the number of RPMs and RPMOs operating in New Zealand because there is no central register of residential property managers. There were around 8,600 'property managers' (including commercial and other kinds of property management) at the 2023 Census. We estimate 3,500 – 5,000 of those are RPMs.
5. RPMs are responsible for managing about 55 percent of private rental properties on behalf of property owners.¹ Based on bond data, we estimate 232,400 private tenancies are managed by the residential property management sector. The value of assets managed by the sector is around \$160 billion, generating an estimated \$7 billion in rent payments annually.
6. RPMs typically charge property owners a percentage of weekly rental income along with a margin or fee for specified services. They can provide a range of services to property owners such as:
 - a. initial property inspection and rental appraisals,
 - b. property letting, including tenant and lessee vetting,
 - c. bond lodgement and refund transactions and safe stewardship of tenants' money,
 - d. collecting and managing rental income,
 - e. managing payments to contractors and property owners,
 - f. regular property inspections,
 - g. organising maintenance and repairs,
 - h. providing or contracting building management activities,

¹ This estimate of the portion of private rentals managed by RPMs has changed from 42 percent in October 2022 (when a previous RIS relating to RPM regulation was published). This reflects improvements in our data rather than a large increase in the past few years.

- i. regularly reporting to the property owner,
- j. performing rental reviews,
- k. arranging for the payment of insurance and local authority rates and other property expenses, and
- l. managing compliance with relevant minimum standards, legislative requirements, and minimising business risk on behalf of property owners.

The current system – voluntary industry self-regulation

7. While the residential property management sector as a whole is not required to meet minimum competency and industry practice standards, industry bodies have established requirements that apply to their members. These cover a small percentage of the sector as a whole.

Real Estate Institute of New Zealand

8. REINZ is a membership organisation representing more than 17,000 real estate professionals nationwide. As of 2024, REINZ represents over 1,400 members who carry out residential property management activities. REINZ estimates that around a quarter of these property managers work within mixed real estate agencies, and around 30 percent are considered to be sole traders with the balance working in larger property management exclusive businesses.
9. REINZ members are bound by various Codes of Practice, including an Agency Code of Practice for owners and offices of companies, a Code of Individual Membership for all individuals, a Residential Property Management Code of Practice for agency members and their property managers, letting agents and other employees, and a Code of Practice for REINZ Affiliated Individual Property Managers. To gain accreditation, individual or affiliated members are required to adhere to the relevant Codes of Practice, be of good character, and hold the New Zealand Certificate in Property Management. Once accredited individual and affiliated members must invest 10 hours of Continuing Professional Development (CPD) per year. All property management agency members are required to adhere to the relevant Codes of Practice, have at least one staff member with the New Zealand Certificate in Property Management, provide staff with a minimum of 10 hours CPD annually, provide an in-house disputes resolution process, have professional indemnity insurance, and hold client monies in a trust account that is either audited or independently reviewed annually.

Residential Property Managers Association

10. The Residential Property Managers Association is a professional association for RPMs/RPMOs that was established in 2021. As of 2024, the Residential Property Managers Association represented around 90 RPMs/RPMOs. To obtain membership of the Residential Property Managers Association, RPMs must:
 - a. observe the Residential Property Managers Association Code of Ethics,
 - b. commit to CPD (a minimum of 10 hours annually),
 - c. complete a criminal history check,
 - d. hold public liability insurance, and
 - e. use a designated rent account where money is held in trust.

11. The Residential Property Managers Association has five classes of licences. To obtain the 'Qualified Residential Property Manager' licence, individuals must hold a New Zealand Certificate of Residential Property Management qualification (or equivalent) and have completed the Residential Property Managers Association Ethics Module.
12. The Residential Property Managers Association has a complaints procedure to resolve issues between a property manager and their client (either a property owner or a tenant).

The wider regulatory environment

13. The activities of RPMs are shaped by the wider legislative and regulatory environment. Their actions need abide the rules and regulations set out in other relevant legislation, such as the Residential Tenancies Act 1986.
14. The Residential Tenancies Act 1986, and its associated regulations, is the primary legislation that regulates interactions between landlords and tenants. The Residential Tenancies Act 1986 defines the rights and obligations of landlords and tenants of residential properties, establishes a tribunal (the Tenancy Tribunal) to promptly resolve disputes arising between landlords and tenants, and establishes a fund into which bonds payable by tenants are held.
15. In some circumstances an RPM may be considered a landlord under the Residential Tenancies Act 1986 and be subject to its requirements. This depends on what is contained in the tenancy agreement and whether the RPM or property owner chooses to be listed as the landlord.
16. While disputes between landlords (whether property owners or property managers) and tenants are covered by the Residential Tenancies Act 1986, disputes between a property owner and property manager are not. Property owners can pursue claims against property managers under the general law, the Fair-Trading Act 1986, or the Consumer Guarantees Act 1993.
17. Many RPMs work for agencies that are licensed Real Estate Agencies under the Real Estate Agents Act 2008. The purpose of the Real Estate Agents Act 2008 is to promote and protect the interests of consumers in respect of transactions that relate to real estate and to promote public confidence in the performance of real estate agency work. The Real Estate Authority regulates and licenses real estate agents but does not regulate RPMs. However, if a RPM is also a licensed real estate professional, the REA can take action under the Real Estate Agents Act 2008 if their conduct in property management amounts to serious misconduct.
18. RPMs and RPMOs also need to take account of other relevant legislation, including the:
 - a. Crimes Act 1961,
 - b. Commerce Act 1986,
 - c. Fair Trading Act 1986,
 - d. Public and Community Housing Management Act 1992,
 - e. Human Rights Act 1993,
 - f. Building Act 2004, and
 - g. Privacy Act 2020.

19. As there is no mandatory regulatory or oversight framework that applies to all RPMs and RPMOs, minimum standards cannot be set or enforced across the industry. The lack of regulatory tools to prevent poor behaviour and exclude the worst actors, means poor behaviour occurs. This leads to harm for both property owners and tenants, promoting distrust in the sector.

How is the status quo expected to develop if no action is taken?

20. We anticipate that the number of renting households, and the number of landlords will both increase in line with population at the minimum. Homeownership rates slightly increased from 64.5 percent in 2018 to 66.0 percent in 2023, but we do not anticipate that this is the beginning of a significant new trend.²
21. Government initiatives including Going for Housing Growth and reform of the resource management system are expected to improve the elasticity of the housing market, allowing supply to better react to demand, and increasing housing supply in the medium to long term. Increasing housing supply will not necessarily change the balance between renters and homeowners, because greater supply tends to influence the attractiveness of both renting and buying homes in roughly the same way.
22. Increased supply of rentals will improve the relative bargaining position of tenants over their landlords. However, increasing the stock of housing will, all else being equal, increase the demand for residential property management services and increase the exposure of property owners to potential issues with RPM and RPMO practices. Accordingly, we expect the benefits of regulation (which accrue mostly to property owners) will at least remain constant as a result of Going for Housing Growth and resource management reform.
23. We do not anticipate that a significant proportion of the residential property management sector will begin to operate within voluntary industry standards in the absence of a mandatory regime that applies to the sector as a whole.

What is the policy problem or opportunity?

24. Performance across the residential property management sector is uneven, with some providers not meeting expected quality, volume, or pricing standards consistent with consumers' long-term interests. This leads to avoidable social costs and reduced wellbeing related to housing services, affecting both property owners and tenants.
25. The sector's failure to meet the needs of the market is a consequence of market failure at the structural level. The residential property management sector is subject to a clear principal-agent problem – services are purchased by property owners but consumed by tenants. Property owners have little visibility into how well their RPMs perform, while tenants cannot contractually require higher service standards and often have few channels to provide feedback directly to their landlord. Even when feedback is possible, tenants may hesitate to give it because they rely on RPMs for future references or expect to rent from the same agency again.

² Stats NZ, *Housing in Aotearoa New Zealand: 2025*, Wellington: Stats NZ, June 2025, <https://www.stats.govt.nz/reports/housing-in-aotearoa-new-zealand-2025/>.

Government regulation of the residential property management sector is necessary and justified

26. The absence of a regulatory system means that minimum standards cannot be set or enforced across the sector, regulatory tools cannot be used to prevent or discipline poor practice, and there are no means to exclude the worst actors after they have caused significant harm. The lack of protections has resulted in variable practice and has heightened the risk of failures in the residential property management market, including behaviours which are likely to cause significant, irreversible harm to both property owners and tenants.
27. RPMs are contracted by property owners to manage and maintain a significant capital asset. This includes managing relationships with tenants and ensuring compliance with a broad range of legal obligations. However, there is no regulatory assurance available to the property owner that a property manager will deliver their services in a manner that meets those legal obligations.
28. Fundamentally, there is an issue with accountability. As noted above, RPM service levels are not directly visible to property owners, and tenants may have few avenues to raise issues with their RPM. Anecdotally, we know that this can mean that serious issues with service (such as discrimination) can go under-reported and not be addressed.
29. The Cabinet Office Circular (99) 6: Policy Framework for Occupational Regulation [CO (99) 6] outlines a number of steps for determining whether occupational regulation should be put in place. The first two of these steps are tests for whether regulation is necessary and justified. In the first step, the framework asks whether harm is at least:
 - a. reversible and voluntary, but with a high probability of occurrence, or
 - b. reversible and involuntary, with a low likelihood of occurrence.
30. In either of these cases, or whenever harm is irreversible, CO (99) 6 states that there is a possible case for intervention.
31. Where harms are irreversible, involuntary, and highly likely, CO (99) 6 states that there is a high case for intervention.

Intervention is necessary because harm is sometimes involuntary...

32. Risks in the residential property management sector can be grouped into voluntary and involuntary categories. Property owners can choose whether to rent out their property, but most tenants have no comparable choice: they must rent because they do not own housing. Changing properties may help individual renters avoid poor RPM services, but renters overall cannot escape them. Some tenants will face a choice between renting a property managed by an RPM they would prefer to avoid and not renting at all. This constraint makes the choice effectively involuntary.

... because the likelihood of harm is high...

33. We estimate that RPMs are responsible for managing 55 percent of the residential tenancy market. That market is continuing to grow as a greater proportion of New Zealanders are accommodated in rental housing. Approximately 232,400 tenancies and associated properties are exposed to risks relating to improperly or inadequately managed property, and we anticipate that this could increase to over 310,000 over the next decade. This

magnitude of exposure means that even relatively rare risks are likely to occur at unacceptable levels. As the rental sector grows, this likelihood of harm will also grow.

34. While RPMs who belong to an industry body such as REINZ or the Residential Property Managers Association are subject to a range of measures designed to ensure good practice, a significant portion of the industry is not covered.

...and the harms caused have the potential to be significant and irreversible.

35. Mismanagement has the potential to cause significant harm for property owners. Because they can have little visibility of either the finances associated with their rental or the rental property itself, poor management by RPMs can mean they lose rental income, and that properties are not adequately maintained or require remediation to meet rental quality standards.
36. Tenants can face significant, involuntary harms when rental properties are poorly managed or maintained. Because RPMs are not personally accountable for compliance with the Residential Tenancies Act 1986, and tenants may be reluctant to complain, problems may persist for long periods.
37. Inadequate RPM services can also cause tenants to lose their bonds. Although uncommon, such losses can have serious financial consequences, as many tenants rely on their bond refunds to secure their next rental.
38. Poor-quality property management may also reduce tenancy stability. Substandard property conditions or breaches of quiet enjoyment may cause tenants to leave prematurely, while some managers may prefer high turnover to justify rent increases. Frequent moves undermine tenure security and can harm tenants' health, education, and employment outcomes. For example, tenants who move often are less likely to have an ongoing relationship with a primary health-care provider. Frequent relocation also increases stress and living costs. These effects can be substantial and, in some cases, lasting.
39. The demographic characteristics of renters differ markedly from New Zealanders as a whole. For one example, at the 2023 census 51 percent of Māori and 65 percent of Pacific peoples lived in dwellings which they did not own or hold in a family trust compared to 34 percent of New Zealanders as a whole.
40. Insecure tenure can also significantly affect children. International evidence links a lack of secure sustainable housing with low academic performance and negative health outcomes for young children. Children who change schools more often are more likely to receive special education services and show up in truancy data.
41. Disabled people have reported discrimination in accessing the housing market, for example when implementing accessibility measures in the home, and in the context of their tenure being considered. Insecure tenure is a particular issue for disabled renters who require modified homes – people are generally unable to receive further funding for the same or similar housing modifications in a new home unless there are 'genuine or exceptional circumstances'. Discrimination against disabled people in accessing and staying in rental

properties was highlighted as an ongoing issue by the UN Special Rapporteur on the right to housing.³

42. In addition to these potentially significant and irreversible harms, poor RPM services can also create unnecessary costs and inefficiencies in the market. This can occur, for example, when rents are set at levels that do not achieve the best overall outcomes for tenants and landlords, or when maintenance is carried out in ways that do not deliver an appropriate balance between cost, risk, and long-term asset performance. While these effects alone may not justify government intervention, they represent additional benefits that could arise from intervention justified on other grounds.
43. There are limited sources of robust data quantifying the harms from poor residential property management practices, in part because of the present lack of regulation. However, anecdotal evidence from tenants and property owners highlights the significant risk that the lack of regulation of property managers poses to them. For example:
 - a. a property manager stole 49 bonds instead of lodging them. This property manager was able to be disciplined under the Real Estate Agents Act 2008 because they had a real estate agent licence. This case shows how a dishonest RPM can cause large-scale harm across many tenants,
 - b. MBIE took a RPM to the Tenancy Tribunal who had rented out units without working water services. When tenants raised complaints with MBIE's Tenancy Compliance and Investigations Team, the RPM sent people to evict and intimidate tenants,
 - c. a RPM transferred their entire rent roll to another company without informing their clients about the transfer. There are no credentials that need to be provided to owners when this kind of transfer happens, nor any sector consideration of ethics and fiduciary duties,
 - d. in one instance, a tenant was required to take two different RPMOs to the Tenancy Tribunal, for the same rental property, within the space of a year, for mistreatment. For both cases, the property owner was ordered to pay the tenant a total of \$1,440, even though it was the RPMO that was deemed to be at fault,
 - e. in another case, a RPM employed by a real estate agency stole approximately \$40,000 from property owners after changing their bank details so that rental payments were redirected into their personal account, and
 - f. similarly, almost 25 property owners were robbed of thousands of dollars by one RPM, who took varying amounts from weekly rental payments over the course of two years. One of the affected owners noted that landlord insurance does not cover instances of fraud.

Stakeholders have provided further anecdotal evidence of harms

44. REINZ in their information paper *A Call for Change* provided specific examples of harms, including:

³ UN General Assembly, *Report of the Special Rapporteur on adequate, A/HRC/47/43/Add.1*, April 2021, pp. 16-17.

- a. discriminating against tenants and asking for inappropriate personal information,
 - b. not complying with the Residential Tenancies Act 1986,
 - c. renting out spaces that do not comply with the Residential Tenancies Act 1986, and
 - d. stealing bond and rental money from tenants and property owners.
45. Due to a significant imbalance between supply and demand for rental properties, property managers sit in a strong negotiating position, while tenants frequently feel they are in a “take it or leave it” situation. In the absence of regulation this creates an opportunity for RPMs and RPMOs to exploit vulnerable tenants in a number of ways, including:
- a. handling tenant’s private information inappropriately,
 - b. entering the rental property inappropriately or holding inspections at inconvenient times for the tenant,
 - c. preventing tenants from making their rental property a home through modifications because it is easier to say no than check in with the property owner,
 - d. discriminating against or acting inappropriately towards tenants, and
 - e. putting unlawful clauses in tenancy agreements such as unreasonable exit cleaning requirements above what is considered “reasonably clean and tidy”.
46. Discussions with tenant advocacy groups noted that RPMs have a lot of information and system advantages and use information to either misinform tenants about their notice periods, bonds, inspections or their rights under the Residential Tenancies Act 1986. Similarly, RPMs incorrectly tell property owners of their obligations under the Residential Tenancies Act 1986. Because of these reasons tenants are dissuaded from complaining to the Tenancy Tribunal as they are concerned that they may need a reference from their existing RPM, may need to rent from the same RPMO in the future, fear making flatmate agreements complicated, and fear being blacklisted by the sector.
47. Based on the evidence presented, including the views of industry participants and other affected parties, a threshold for regulation under step one of CO (99) 6 has been met. Harm, for a substantial portion of those affected, is involuntary, irreversible, and reasonably likely.

Government regulation is justified

48. Step two of CO (99) 6 tests whether government regulation is justified, specifically whether industry self-regulation is or will be sufficient. The relevant tests are whether, given that significant harm to consumers and third parties is possible:
- a. existing means of protection for consumers and third parties are insufficient, and
 - b. Government intervention is likely to improve outcomes, including because there is a market failure which the industry cannot remedy.

49. The market structure of the residential property management sector, and presence of well understood market failures, indicates that industry self-regulation will be insufficient (and has proven to be insufficient in the past).
50. Existing means of protection, mostly voluntary self-regulation regimes, have relatively low take-up in the sector and have not been successful in preventing harms to date (as reflected in industry desire for regulation and self-reported incidents of harm).
51. The costs are borne by a third party, the tenants, and are therefore external to the transaction between the property owner and the RPM.
52. A cost-effective occupational regulatory system is therefore required to hold all RPMs and RPMOs to account for their conduct. It will help ensure appropriate professional standards are established and met across the entire industry, in addition to resolving claims or causes of action under contract or legislation.

What objectives are sought in relation to the policy problem?

53. The Government is committed to ensuring New Zealanders have access to secure, healthy, and affordable housing.⁴ With one in four people in New Zealand living in private rental accommodation, a well-functioning residential tenancies market is vital to the achievement of that outcome.
54. There is a need to establish a system that provides assurance to property owners and tenants that rent their properties that all RPMs are required to meet appropriate standards.
55. The purpose of government regulation is, therefore, to promote public confidence in the delivery of residential property management services and protect the interests of property owners, tenants, and other consumers by:
 - a. improving the transparency of RPMO operations and finances,
 - b. preventing behaviour by RPMs which causes harm to property owners and tenants, and
 - c. providing accountability through an independent, transparent, and effective disciplinary and complaints resolution process.

What consultation has been undertaken?

56. Broad consultation was undertaken between 2021 and 2024 in the context of a previous Bill, including the release of a public discussion document in 2022. Property owners, RPMs, RPMOs, resident property management sector organisations, tenants, and tenant advocacy groups, and Māori housing providers gave feedback on the proposals at that stage. There were 456 submissions received on the discussion document. The majority of submitters (92 percent) supported government regulation of RPMs to address risks to tenants and property owners.
57. To validate the new approach, the Ministry held targeted conversations about light-touch options with residential property management sector organisations and tenant advocacy groups, including REINZ, Auckland Property Investors Association, Tenants Advocacy Network, Residential Property Managers Association, and New Zealand Property Investors

⁴ Government Policy Statement on Housing and Urban Development (GPS-HUD).

Federation. All stakeholders were supportive of regulation of some form, with most being supportive of either registration and disclosure or less light-touch intervention.

Stakeholders saw a clear need for regulation in 2022, and the context has not significantly changed since

58. Consultation on whether the sector should be regulated took place in 2022. The proposals in this RIS do not revisit that question. Targeted engagement since then suggests industry stakeholders' views have remained largely unchanged, so the information below reflects the feedback provided in 2022.
59. Public consultation in 2022 confirmed there was broad recognition of the need for regulation. For example, 92 percent of submitters on the 2022 discussion paper considered that government regulation of the residential property management sector is required to address the risks posed to tenants and property owners.
60. There was a small portion of submitters, mainly consisting of independent RPMs, who disagreed with the need for regulation. They argued it would be costly and unnecessary to replace existing voluntary industry self-regulation.
61. The majority of submissions supported the proposed regulatory model outlined in the discussion paper, although there were a range of views on particular features of the model and how to best refine them in order to improve its efficacy.
62. The overarching issues consistently raised were concerns about the regime not including private landlords, questions about whether the regime would apply to Kāinga Ora and Community Housing Providers, engagement with Māori in a manner that meets the Crown's obligations under the Treaty of Waitangi, and concerns about the timeframe for implementation.
63. Submissions on the previous Bill noted the lack of minimum standards or regulations for RPMs and RPMOs is inconsistent with the influence of the sector, its effect on tenants' lives, and the amount of money handled by RPMOs.
64. Submitters highlighted that regulation was long overdue and were largely supportive of the previous Bill. Many submitters offered a variety of changes that should be made to improve the effectiveness and impact on housing outcomes.
65. From our targeted discussions this year on 'light-touch' regulatory options, we heard that the Residential Property Managers Association and REINZ viewed registration as a useful foundation if backed by clear standards and enforcement. The Tenants Advocacy Network considered registration a good starting point. Both the Tenants Advocacy Network and the Residential Property Managers Association noted that RPMOs influence the culture and operation that individual RPMs have to work within, so regulating RPMOs would help improved conduct.
66. The Real Estate Authority advised that it receives complaints about RPMs but is unable to take action unless the person is a licensed real estate professional, and only if the conduct meets the higher threshold for misconduct.
67. There was general consensus from stakeholders on the need for a well-resourced, transparent complaints and disciplinary system so that there are consequences for bad actors.

Section 2: Assessing options to address the policy problem

What criteria will be used to compare options to the status quo?

68. Our assessment has been based on the following criteria. These have been weighted equally with the exception of proportionality, which has been given higher weight in the case of a tie. This is a response to the level of uncertainty around costs and benefits. While we have taken a conservative approach to estimating benefits, there remains a risk that they are overestimated. If that is the case, we would prefer to err on the side of ‘lighter touch’ regulation. This also accords with our commissioning, which emphasised the need for proportionality.

Effectiveness	How well does the proposed system achieve its regulatory objectives – preventing unacceptable behaviour by RPMs, increasing transparency, and building public confidence in the sector? To what extent does it reduce risks for property owners and prevent harm to tenants?
	In assessing effectiveness, any trade-offs between different objectives (such as tenant protection and regulatory cost) or between actual outcomes (such as improved safety but higher rents) should be identified and considered to show how the system balances competing aims.
Proportionality (indirect costs)	Are compliance requirements and costs proportionate to the expected benefits? Do expected compliance costs fall on parties who should be regulated?
Certainty	Will regulatory requirements, processes and decisions be transparent, predictable, and consistent with other policy settings and provide certainty to regulated parties?
Flexibility and durability	Will regulated parties have the scope to adopt least cost and innovative approaches to meeting their legal obligations? Can the regulatory system evolve in response to new information and changing circumstances?
Implementation risk and direct cost	Are the implementation risks, timeframes, and costs to government acceptable? Is the system based on established and proven regulatory features or will it include untested or novel solutions? How certain are the implementation timeframes and costs? Are they within acceptable bounds?

What scope will options be considered within?

69. Non-regulatory options including public provision of information were considered and discarded as effective options as part of the policy process and so have not been included in scope at this stage. As noted above, industry self-regulation is a feature of the residential property management sector at present and has not been effective in fully reducing the harms we seek to address. We also considered non-regulatory options such as public provision of information as policy was developed, but these were considered to offer minimal improvement over the status quo. Government currently provides information on

the obligations of landlords and tenants through tenancy services (tenancy.govt.nz), and further provision would offer only marginal improvement.

70. The proposed options are designed to address the harms arising from the activities of the residential property management sector. Commercial property management activities are therefore excluded from the scope of the regulatory system.
71. Similarly, we consider property owners who choose to let their properties themselves do not need to be regulated parties under the proposed regulatory system. The activities of property owners who choose to let their own residential properties to tenants are already adequately regulated through the Residential Tenancies Act 1986. The key market failure which this intervention is intended to address is a principal-agent problem resulting from the specific owner-RPM-tenant relationship and does not apply where the relationship is directly between tenant and property owner.
72. Work informing the previous Bill also removed commercial property managers and property owners self-managing their rentals from the scope of consideration. It otherwise considered a wide range of possible options, from the status quo up to tiered licensing of both individual RPMs and RPMOs.
73. Over time we have reduced the scope of options to consider in detail. For this proposal we were asked to consider options which were lighter touch but were not constrained in what those lighter touch options would be. Previous work set out a wider range of requirements, including certification and a tiered licensing system of RPM and RPMOs. Settings within each option and how those would contribute to benefits and costs remained in scope.
74. We ruled out in-depth consideration of options which would only address harms affecting one of the two relevant consumer groups (property owners and tenants). Our initial judgement was that significant fixed costs which are in common across all options mean that options which limit benefits to only one group will have worse cost benefit ratios than options which benefit both groups.
75. Policy work informing these options was informed by international examples including Rent Smart Wales and Australian state regulations. These examples were prominently referenced in submissions on the 2022 discussion document. We also considered comparable occupational regulation systems in New Zealand, such as the regime regulating real estate agents, immigration advisers and motor vehicle dealers. Each of these occupational regulatory systems provide different reference points for property management.

What options are being considered?

Option One – Status Quo

76. The status quo would entail the continuation of voluntary industry self-regulation which would only apply to the members of REINZ and the Residential Property Managers Association but not be enforced upon the whole RPM sector.

Option Two – Registration and disclosure

77. This option would broadly entail requirements for:
 - a. RPMs and RPMOs to register and declare they meet minimum eligibility requirements (including providing all required information, being at least 18 years old, having relevant education or practical experience (with the relevant

education or evidence of relevant experience needed prescribed in regulations), and not being a prohibited person under the model),

- b. disclosure of key information to clients and the Registrar, including employment or business structure, relevant experience, and how client funds are managed,
- c. ongoing obligations, such as continuing professional development compliance to be declared at renewal, and notification of key changes,
- d. a public register and a complaints and disciplinary process, with referral of complaints to a Tribunal where there are grounds for discipline, and
- e. offences and penalties for operating without registration or breaching regulatory obligations.

Option Three – Occupational Licensing

78. This option would entail the establishment of an occupational licensing regime, delivered by the Real Estate Authority and the Real Estate Agents Disciplinary Tribunal with an extended mandate. The Real Estate Authority, under this option, would issue:

- a. provisional licences for new RPMs,
- b. full licences for trained/experienced RPMs, and
- c. organisation licences for RPMOs.

79. Requirements for RPMOs would include only engaging licensed RPMs to carry out residential property management services, meeting practice standards established by the regulator and meeting financial reporting or auditing requirements established by the regulator.

80. Licensees would be required to pay a licence renewal fee, have done at least 10 hours of continued professional development within the previous 12 months, and continue to meet a range of entry requirements and practice standards. The eligibility criteria for someone to obtain a license include:

- a. they must be aged 18 or older,
- b. not be prohibited from holding a licence,
- c. pass a fit and proper person test, and
- d. have the qualifications and/or experience prescribed by regulations.

81. These entry requirements would prevent the worst actors from continuing in or entering the RPM sector. This option would also entail the extension of the Real Estate Agents Disciplinary Tribunal's jurisdiction to cover RPMs, enabling it to determine breaches and impose penalties.

How do the options compare to the status quo/counterfactual?

	Option One – Status Quo	Option Two – Registration and disclosure	Option Three – Occupational Licensing
Effectiveness	0	<p style="text-align: center;">+</p> <p>Registration can effectively prevent repeat misbehaviour through a complaints and disciplinary process, and to the extent that this is effective deterrence can also prevent first-time issues.</p>	<p style="text-align: center;">+</p> <p>Licensing puts in place additional entry requirements. We expect the difference in effectiveness between options two and three relative to the status quo to be moderate.</p>
Proportionality (indirect costs)	0	<p style="text-align: center;">-</p> <p>Compliance costs are largely made up of the minimal educational attainment and professional development requirement costs.</p>	<p style="text-align: center;">--</p> <p>Sector compliance costs are roughly 50 percent higher under this option than option two, mostly reflecting additional training and education requirements and the 'fit and proper person' test.</p>
Certainty	0	<p style="text-align: center;">+</p> <p>A simple measure which is easily understood and consistent with other occupational regulation.</p>	<p style="text-align: center;">+</p> <p>Greater transparency and certainty around professional practice of RPMs.</p>
Flexibility and durability	0	<p style="text-align: center;">+</p> <p>Registration limits the flexibility of regulated parties, but having established the regime means the regulatory system can be adapted to changing circumstances. On balance, we view this as positive relative to the status quo.</p>	<p style="text-align: center;">+</p> <p>As with registration, though stronger on both counts; licensing imposes stronger requirements but allows more scope to adapt to changing circumstances since entry and training requirements can be changed over time.</p>
Implementation risk and cost	0	<p style="text-align: center;">-</p> <p style="text-align: center;">Low risk</p> <p>Establishing a registration regime comes with fixed initial costs to government and ongoing costs of running the regime.</p>	<p style="text-align: center;">-</p> <p style="text-align: center;">Low risk</p> <p>Establishing a licensing regime comes with fixed initial costs to government and ongoing costs of running the regime; these are roughly eight percent higher than under a registration system because of slightly increased staffing (additional compliance requirements).</p>
Overall assessment	0	<p style="text-align: center;">+</p> <p>Registration only model with MBIE as regulator has the most favourable benefit-to-cost ratio; although its gross benefits are lower, its reduced implementation costs make it more cost-effective overall.</p>	<p style="text-align: center;">0</p> <p>Positive present value, but marginally lower than option two; both benefits and costs are higher for this option.</p>

Key for qualitative judgements:

- ++ much better than doing nothing/the status quo/counterfactual
- + better than doing nothing/the status quo/counterfactual
- 0 about the same as doing nothing/the status quo/counterfactual
- worse than doing nothing/the status quo/counterfactual
- much worse than doing nothing/the status quo/counterfactual

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

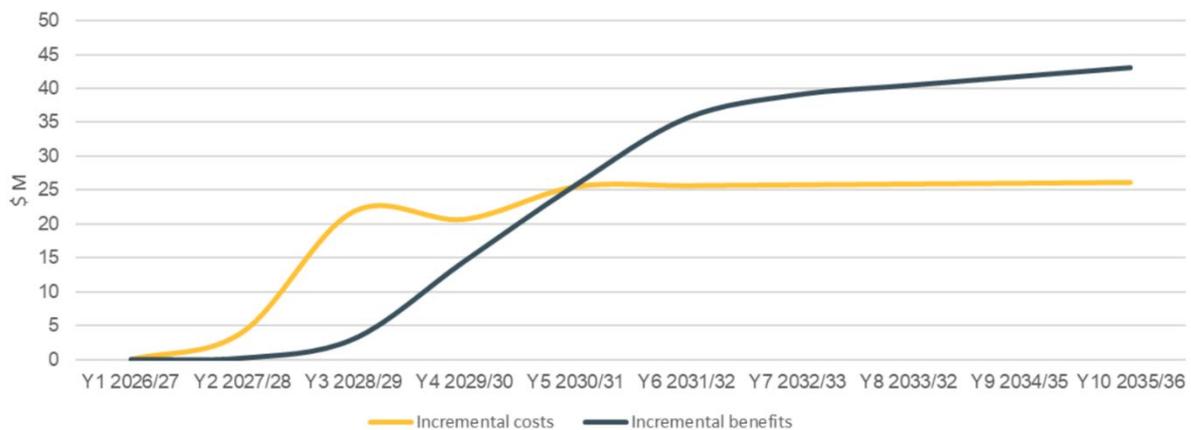
82. Our preferred approach is option two – a registration and disclosure regime, led by MBIE. Both options represent an improvement over the status quo, offering benefits to both landlords and tenants. However, the registration and disclosure approach, in our view, better balances regulatory costs and proportionality with the objectives sought; increased transparency, especially financial, and the ability to curtail the most unacceptable behaviour in the sector.
83. Costs, benefits, benefit-cost-ratio, and net benefit (present values) for the options described above were assessed by MartinJenkins. This updated a previous CBA from 2022. Figures for the preferred option are show in the table below. These reflect 10 years of operation at a two percent discount rate (per Treasury guidance on social benefits).

	Incremental Costs (PV)	Incremental Benefits (PV)	Benefit to cost ratio	Net benefit (PV)
Preferred option (Registration)	\$177.0m	\$203.3m	1.15	\$26.3m

84. The largest portion of estimated incremental benefits are avoided costs for residential property owners, which the CBA models as a reduction in the annual risk premium associated with owning and operating rental properties. The reduction reflects avoided revenue losses, liabilities, property value effects, and operating and maintenance expenditure caused by improvements in overall RPM service levels. This could include a reduction in disputes between tenants and property owners where these impose costs on property owners (as well as tenants).
85. Avoided costs for the residential property management sector are also expected to form a substantial portion of incremental benefits. These avoided costs take the form of reduced conflict, liabilities, disputes, and management costs from variations in training, the ratio of RPMs to residential properties, risk management, and overall performance.
86. Finally, tenants are also expected to benefit. The CBA estimates moderate reductions in the frequency of cold and damp homes, with associated health benefits, and the frequency of incidents of discrimination affecting residents with associated wellbeing effects. Improved housing quality and fewer incidents of discrimination are expected outcomes of the operation of the disciplinary tribunal.
87. The relatively modest benefit to cost ratio of 1.15 above reflects a realistic and conservative estimation of benefits. This is consistent with the policy problem and current understanding of the sector. A very high benefit ratio from intervening would indicate a highly dysfunctional status quo, which we do not have strong evidence of.

88. The cost benefit ratio is expected to improve over time, as shown in the chart below. Costs begin to accrue in the second year of the programme and rise towards a plateau around \$25 million per year in year 5. Benefits necessarily lag costs: they begin to rise in the third year of the programme, rise rapidly toward \$35 million per year in year 6. Growth in benefits slows significantly at that point.

Figure 1: Incremental costs and benefits over time, \$m, real.



89. The preferred option has some distributional impacts. Net costs for the residential property management sector are expected to increase in the order of thousands of dollars per year per RPM. On a per property basis this is very low – around \$47 per year (as an average across the forecast period to 2035). These net costs are minor. If these costs are passed through to tenants, rents could increase in the order of one dollar per property per week. Any resulting effects on consumer prices or rental preference would likely occur through rent increases passed on to tenants.
90. As with all occupational regulation there is the potential for increased compliance costs to lead to reduced supply (and therefore competition) in the sector. Regulation could lead to some RPMs leaving the sector and could act as a barrier to entering the occupation. This risk is greater in smaller markets. As noted above, the costs of compliance are very low under this preferred option, especially on a per property basis.
91. The non-monetised costs (including reduction in competition) are expected to be low.

Key assumptions

92. The size of the RPM sector is a key factor in our estimated benefits. The majority of the costs to government of operating the registration regime are fixed, while benefits scale according to the number of landowners and tenants exposed to the risk of poor RPM services. We are confident in our high-level estimates of the number of RPMs and RPMOs, properties under management, and tenants, but these figures are uncertain and will become clearer once registration is in place. We also made assumptions about the relative size of the sector over time; these are partially based on population growth trends, which form another assumption.
93. The CBA supporting our preferred option uses a social discount rate of two percent, as per Treasury guidance. The majority of the benefits this regulation would provide are social. Use

of the commercial eight percent discount rate was included in sensitivity testing and reduced the benefit-cost-ratio for the preferred option to 1.08.⁵

Is the Minister’s preferred option in the Cabinet paper the same as the agency’s preferred option in the RIS?

94. The Minister’s preferred option is the same as the preferred option in this RIS.
95. Our initial advice noted that the benefits of a licensing regime were expected to be higher than registration. We expect that the effectiveness of licensing in preventing harms, especially proactively, would be higher than the option of a registration and disclosure regime. This is borne out by the CBA undertaken in parallel to our advice. Having received this new analysis, we now on balance prefer the registration and disclosure option. The overarching benefit-to-cost ratios for registration or licensing are very similar – 1.15:1 for registration and 1.13:1 for licensing. However, the slight quantified advantage of registration is complemented by qualitative advantages including its lighter-touch approach to regulation, lower compliance requirements, lower cost in the medium-long term, and the potential benefits of locating in the same regulatory agency as Tenancy Services.

What are the marginal costs and benefits of the preferred option in the Cabinet paper?

Affected groups	Comment <i>nature of cost or benefit (eg, ongoing, one-off), evidence and assumption (eg, compliance rates), risks.</i>	Impact <i>(\$m present value, high/medium/low)</i>	Evidence Certainty
Additional costs of the preferred option compared to taking no action			
Residential property management sector	Structural adjustments to meet new regulatory framework	84.6	Medium
	Ongoing compliance activities	33.6	Medium
Government: Regulatory costs	Establishment, ongoing regulator costs, tribunal costs and stewardship.	58.9	High
Total monetised costs		177.0	Medium
Non-monetised costs		<i>Low</i>	
Additional benefits of the preferred option compared to taking no action			
Residential property management sector	Avoided costs	52.4	Low

⁵ The 8 percent discount rate represents the standard commercial rate used in government economic analysis to test the sensitivity of results to higher opportunity costs of capital. It reflects the rate typically applied to projects with predominantly private or commercial impacts.

Property owner clients of RPMs	Avoided costs	96.1	Low – modelled on adjustment to risk premiums that scales with the number of properties under management
Tenants in properties managed by RPMs	Avoided costs/harms	54.8	Low – modelled on reduced rates of adverse outcomes (health, discrimination)
Total monetised benefits		203.3	
Non-monetised benefits	Increase in tenant and property owner agency, increase reliability and trust of RPM sector.	<i>Medium</i>	<i>Medium</i>

96. The present value of net monetised benefits is estimated at \$26.3 million.

97. The proposal has a higher benefit ratio and net benefits than the previous regulatory proposal. The changes in the regulatory system approach that explain this are:

- a. A simpler registration structure with lighter and more consistent entry requirements,
- b. Less compliance costs around financial management, and
- c. No compulsory insurance requirements.

98. However, some cost elements have increased, especially regulatory costs. The explanation for this is a shift to using a separate tribunal for RPM discipline, better costing methodologies used by agencies and generally higher costs of providing services that feed into regulatory costing.

Section 3: Delivering an option

How will the proposal be implemented?

Roles and responsibilities

99. The Minister of Housing will be responsible for the proposed regulatory system.
100. MBIE will be the agency administering this regime, which we propose will be called the Residential Property Managers Authority (the Authority). Legislation would permit any department of state to be the administering department of the Authority on nomination of the Prime Minister to permit flexibility in the future. The Authority would comprise a Registrar of Residential Property Managers (the Registrar) and other staff appointed to support the role of the Registrar, both appointed by the Chief Executive of MBIE.
101. MBIE has been consulted on this proposal, are supportive of the design of the regime, and believe it can be implemented effectively and reasonably efficiently. Input from MBIE on implementation and ongoing costs was incorporated into the updated CB.
102. The Ministry will be the regulatory steward and will oversee the establishment of the regulatory system. The Ministry will be responsible for:
- a. advice on primary legislation,
 - b. leading development of enabling regulations and supporting establishment of rules required to give effect to regulations,
 - c. monitoring system performance, and
 - d. advising on changes to the regulatory system to improve performance.
103. The Ministry of Justice will be responsible for the establishment and ongoing operation of the Residential Property Managers Disciplinary Tribunal.
104. The regulation of RPMs and RPMOs will require the passage of new legislation. This will provide another opportunity for public input when the Government's draft Bill is being considered by a Parliamentary Select Committee.
105. s 9(2)(j) [Redacted]
106. s 9(2)(f)(iv) [Redacted]
107. s 9(2)(f)(iv) [Redacted]

s 9(2)(f)(iv)

108. s 9(2)(f)(iv)

109. s 9(2)(g)(i)

How will the proposal be monitored, evaluated, and reviewed?

110. In conjunction with the legislation passing, the Ministry will plan for, and implement, system monitoring and evaluation arrangements. This will enable the Ministry to inform the responsible Minister and Parliament on the system's overall performance and recommend any measures required to improve that performance.
111. MBIE will be responsible for establishing and delivering the Authority's functions, while the Ministry of Justice will oversee the arrangements and monitor the Residential Property Managers Disciplinary Tribunal.
112. The Ministry, as the regulatory steward for the proposed legislation will advise the responsible Minister of Housing. The Ministry will be responsible for:
 - a. providing advice on the development of the primary legislation,
 - b. leading the development of the enabling regulations and establishing the rules required to give effect to regulations,
 - c. monitoring and reporting on the performance of the regulatory system, and
 - d. advising the responsible Minister on any changes to the regulatory system to improve its performance.
113. Issues that may require attention after commencement include:
 - a. substantially lower registrations than expected,
 - b. evidence of significant non-compliance with registration requirements, and

- c. high numbers of valid complaints that require higher than tenable tribunal hearings and determinations, or generally higher than forecasted complaints received by the Tribunal, especially if these exceed its operating capacity.
- 114. Outcomes that may indicate success of the regulatory system include reduction in the number of tenancy tribunal cases brought against property manager and organisations.
- 115. It is likely that to support ongoing monitoring and early issue resolution MBIE (the Authority) will provide clear contact and engagement channels for regulated parties and other regulators.

Stage 1 Cost Recovery Impact Statement

Regulation of Residential Property Managers

Status quo

The RIS sets out the rationale for government intervention, outcomes and elements of the regulatory model for regulating RPMs and RPMOs. The following Cost-Recovery Impact Statement (CRIS) sets out the cost recovery implications and drivers of introducing this regulatory system.

The key policy decision is to establish an occupational regulatory regime for RPMs and RPMOs. This regime would include a system of registration and disclosure to ensure that only suitably competent providers operate in the sector.

The purpose of registration and disclosure is to improve consumer and public confidence by making it clear which providers meet required standards of competence and conduct, and by enabling accountability for service quality and behaviour.

As occupational regulation creates benefits (or club goods) for those being regulated, the costs of the regime should be recovered from RPMs and RPMOs through fees and levies rather than general taxation.

Implementing the regime will require new legislation to establish the Authority and RPM Tribunal and their associated funding mechanisms.

Policy Rationale: Why a user charge? And what type is most appropriate?

On balance, we consider a significant proportion of the cost associated with delivery of regulatory system services should be met by RPMs and RPMOs as it is their activity that creates the risks the system is designed to manage.

We propose that the cost of services that provide direct ('private good') benefits to RPMs and RPMOs, such as obtaining registration to provide property management services – should be paid by RPMs and RPMOs in the form of a fee. Services that provide benefits to RPMs and RPMOs collectively (club goods), such as the provision of professional and industry standard setting services and a range of compliance management services, should be met through an annual operating levy paid by all RPMs and RPMOs together with a registration application and renewal fees.

The approach to funding complaints services recognises that cost should not act as a barrier to holding RPMs and RPMOs to account and the need for the service arises from the activities of RPMs and RPMOs. Ensuring RPMs and RPMOs meet agreed professional standards through a complaint based disciplinary process also has club and some merit good aspects to it. We propose, therefore, the ongoing operating costs of the Authority and the RPM Tribunal are primarily funded via fees and levies paid by registered RPMs and RPMOs. In addition to a levy contribution from registered RPMs and RPMOs, a modest fee will be payable by the complainant for filing an appeal with the Disciplinary Tribunal. Tribunals will charge an application fee to cost recover the administration of application, ensuring the financial sustainability of the services they provide. These services offer benefits to the user and the tribunal staff.

The costs associated with the regulatory stewardship responsibilities for the Ministry would be met from core government funding. The service is provided primarily to the responsible Minister and to Parliament and has wider public good benefits.

The outputs of this occupational regulatory regime will be:

Output	Contribution to outcomes	Cost recovery proposed
Registration for individuals and organisations providing residential property management services	Provides assurance that registrant has legal credentials to operate RPM services	Private good – fees
Regulatory operations – an Authority to set standards, maintain public register, receive complaints and investigate offences, provide consumer education	Provides consistent regulatory services to RPM sector and its users and stakeholders, increasing service standards over time	Club good – levies
Disciplinary operations – a RPM Tribunal to investigate and determine complaints	Provides a disciplinary service to enforce standards	Club good – levies and fees

Full cost recovery is proposed for RPM regulation, once operations are established⁶ to fund the ongoing operation of the regulatory regime.

Full cost recovery is justified because the activities of RPMs and RPMOs create the risks that regulation is designed to manage. As these entities both generate and benefit from the regulatory system, it is appropriate that they contribute to its full cost. These costs include funding sector-specific goods such as professional standards, registration, and consumer information. Registration assures consumers that residential property management services are provided by competent practitioners and organisations, while consumer information helps them understand what services to expect. Standards setting provides further assurance that consumers are less likely to experience poor outcomes. These safeguards are reinforced by a complaints and disciplinary system that addresses legitimate consumer concerns. Because all these regulatory functions serve both RPM providers and consumers, recovering the associated costs from this sector is reasonable.

The distributional costs of regulation (made up of compliance, structural changes and regulatory system cost) are shared over a large number of transactions (regular rent payments on hundreds of thousands of properties, as well as service fees for specific activities that RPMs charge on an as-needed or as-agreed basis) so the recovered costs should not create effects on competition or consumer preferences, at the current level of cost.

The residential property management sector comprises 3,500 – 5,000 individuals and organisations. Businesses range in size from sole traders to national brands and franchises. Sector revenue is derived from commissions on rent and fees charged on managing approximately 232,000 properties. The approximate rent revenue is in the region of \$7 billion

⁶ Establishment funding will be required to set up regulatory systems, and this is unlikely to be recovered from RPMs.

per annum, and assuming 9 percent commissions sector, revenue is approximately \$620 million per annum.

Implementation issues – establishment phase

Government funding is proposed for the Authority's capital and establishment costs because these involve merit good dynamics and contain public good elements. Full cost recovery, including of the establishment cost, could lead to fees that are unreasonably high for the sector. Therefore, public funding is justified on efficiency and equity grounds. We do not propose government funding for first-year operating costs, as these will be covered through sector cost recovery once the Authority and Tribunal is operational.

The uncertainty around the actual number of RPMs and RPMOs that will be subject to regulation and the number of complaints and disciplinary matters that will be taken against them, creates challenges in establishing fees and levies at a level that will cover the regulatory system's costs.

Further work will also need to be undertaken by the Ministry and the establishment manager for the regulator, with input from the Ministry of Justice to refine the indicative direct and indirect cost estimates that have been prepared to date to inform the regulatory impact assessment and advice to Ministers to date.

High level cost recovery model (the level of the proposed fee and its cost components)

Each of the cost elements in the analysis relates to operational cost recovery once the regulatory system is established, and the items and costs are based on assumptions about existing regulatory systems.

Actual charge levels will be determined after:

- further analysis to refine the estimated number of RPMs and RPMOs,
- further analysis of estimated costs for the delivery of regulatory services,
- further analysis of estimated number of claims to the RPM Tribunal,
- the new legislation enabling cost recovery is enacted, and
- appropriate engagement and consultation have taken place with affected stakeholders.

The estimated charge level is likely to be comparable to licensing fees and charges for immigration advisors, but also considerably higher than other regulatory occupational licensing regimes such as for real estate agents.

This assumes there will be 3,500 – 5,000 RPMs and RPMOs. Total fees and levies revenue generated will recover the annual cost of the Authority and RPM Tribunal operations, but no establishment or transition costs, and no charges are applied to recover the cost of system stewardship.

Note that the estimated charge level is significantly higher than the October 2022 RIS. The previous proposal's cost estimates were based on a different Authority and intervention (licensing), and higher-level costing information and industry parameters. It also assumed that government would fund establishment and first-year operating costs, rather than full cost recovery through fees and levies.

We are not assessing cost-recovery of compliance activities, such as training and continuing professional development. These will be private costs for RPMs and RPMOs, and whether they apply will depend on the requirements set in future regulations. The delivery cost will not necessarily be incurred by the government or funded by charges created using cost-recovery powers.

The main cost drivers are the number of people and organisations to register, the operational activity to provide support and guidance to registered RPMs and consumers (through the provision of information and setting and monitoring of regulations), the number of complaints about RPMs and RPMOs (particularly those that require investigation) and the number of complaints referred to the disciplinary tribunal.

The breakdown of user charges for RPMs and RPMOs will be:

- registration fees – registration staff, register IT unit charges, and supporting corporate staff, services and accommodation,
- operational levy – Registrar, investigation and administration staff, consumer information and education, and supporting corporate staff, services and accommodation,

- s 9(2)(j) [redacted]
- disciplinary Levy – tribunal members, registry staff, accommodation, technology and court premises to hear cases,
 - s 9(2)(j) [redacted]

The charges will be distributed across all registered persons and entities. The final design of the system will determine how fees and levies are structured. For example, RPMOs may face higher charges than RPMs, and sole traders may have a reduced charge as they must register as both and the aim is to avoid placing the highest compliance burden on them. The system could also consider applying a differentiated rate depending on the size of the entity. The key drivers for charges in this sector will be the number of people and organisations that register, and the number of complaints proceeding to the RPM Tribunal.

Limitations and constraints of current analysis

If the number of RPMs is significantly higher or lower than estimated in the cost-benefit analysis, then the revenue will over- or under-recover costs and there will need to be adjustments made to charges. If there is under-recovery, there may need to be a reduction in regulator services. This can be mitigated in the stage two cost-recovery modelling process by attempting to more accurately gauge how many RPM and RPMOs will pay registration charges, and refining the operational design of the Authority.

If the number of complaints referred to the RPM Tribunal is higher than assumed, then this will affect outcomes for RPMs and consumers, firstly by creating delays in disciplinary processes, and then in potentially higher disciplinary levies to fund the required level of tribunal activity. Conversely, if fewer complaints are referred to the tribunal, this will reduce disciplinary costs, which would presumably be passed through to registrants when levies are reviewed.

MBIE notes that some operating costs are likely to phase in over time, in part because in the first and second year of operations there will be less need for investigations with dedicated staff.

Consultation

Consultation on charges for the residential property management regulatory system took place as per the following:

In 2022, a public discussion document was released and received 400 submissions from the RPM sector over 10 weeks, including RPMs and RPMOs, as well as other sector stakeholders. The options in that discussion document were to use fees and levies to recover licencing and regulatory system costs.

In 2023 and 2024, the previous Bill was introduced and referred to the Social Services and Community Committee which included fee and levy setting cost-recovery powers for a licensing regime. The Social Services and Community Committee received submissions from 142 submitters.

In March-June 2025, high-level options for lighter-touch RPM regulation were discussed in targeted conversations with the sector bodies that contributed to policy development and made significant submissions on the discussion document and previous Bill.

The key feedback about cost recovery raised in submissions was about the potential for higher charges for sole traders that would need to register as both individuals and as organisations. The purpose of registering these separately is to regulate different requirements that individuals and organisations will be accountable for under the regulatory system. We do not expect sole traders to pay twice for registration. The Authority will set the fees and levies with reference to guidelines for setting charges in the public sector, so can consider this issue during the detailed development of the cost recovery model.

The regulatory system will be defined by legislation that will be introduced and progress through to select committee. As this proposal is substantially different to the previous Bill to regulate RPMs and RPMOs, it will undergo the required submissions and hearings process, and the select committee will report on the new Bill to the House.

Implementation of the regulatory system will require developing regulations for registration, including those for cost-recovery charges. The exact requirements will depend on the chosen cost-recovery mechanism and may involve further impact analysis, consultation, and approval by the responsible Minister or Cabinet.