Financial Planning White Paper 2026

You Can't Eat Bricks

Investment properties, baches, and the costs that reshape a retirement

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Council rates across New Zealand rose 34 percent in three years.

House insurance premiums have risen over 50 percent since 2022.

Most retirement plans do not account for what property costs to hold.

The idea that property will fund your retirement

Property has an almost mythological status in New Zealand financial thinking. People who own investment properties or baches tend to feel, at some level, that retirement is covered. The asset is there. It is big. It is solid. It is real.

What gets less attention is what property costs to hold, and how those costs have been changing. Rates, insurance, and maintenance are not dramatic risks. They do not make headlines the way interest rate movements or market crashes do. But they accumulate, they compound, and over a fifteen-to-twenty-year retirement they can materially change what a property is actually worth to you.

This paper is not a case against owning investment property or a bach. Many of our clients hold both, and they make sense as part of a well-structured financial life. The argument here is more specific: property needs to earn its place in a retirement plan, and earning that place requires an honest account of what it costs, what it generates after all costs, and what the risks look like when examined without optimism bias.

There is also a category of property risk that goes beyond rising costs. Some properties are becoming harder to insure. In a growing number of cases, they are becoming effectively uninsurable. **A property you cannot insure is a property a mortgage-dependent buyer cannot purchase.** That is not a theoretical risk. It is already present in parts of New Zealand, and the conditions that cause it are not receding.

A note on the family home

We do not include the family home in a client's financial assets, and this paper reflects that position. Everyone needs somewhere to live. A home is a cost of living, sometimes with a lifestyle bonus attached. It is not an investment in the planning sense, and we do not treat it as one.

On downsizing: some clients do eventually move to something smaller, and occasionally a modest amount of capital is released in the process. In practice, this happens less often than people expect and releases less money than they assume. Moving from a spacious older property with a garden to something modern, lower maintenance, and better located tends to cost much the same as it releases, once transaction costs, legal fees, and the premium on newer property are accounted for. We do not plan on downsizing as a source of retirement income.

What this paper addresses is investment property and baches: assets held in addition to the family home, where the financial case needs to be made on its own terms.

What property actually costs in retirement

When clients think about what an investment property or bach costs, they typically think about the obvious annual outgoings: rates, insurance, and a rough allowance for maintenance. What they often underestimate is how each of those costs has been moving, and what happens when you project that movement forward over fifteen to twenty years.

The three cost categories below are distinct in their drivers, but share a common feature: all three have been rising faster than general inflation, and the structural reasons for that are not going away.

Council rates

Over the three-year local government term to 2025, council rates across New Zealand rose 34.4 percent, against general CPI inflation of 13.7 percent over the same period, approximately two and a half times the pace of consumer prices.[1]

The individual council picture varies significantly by location.[2] Wellington City lifted rates 12.0 percent for 2025/26. Hamilton City increased by 15.5 percent. Auckland came in at 5.8 percent and Christchurch at 6.6 percent. At the more extreme end, Queenstown Lakes accumulated a 50.23 percent cumulative increase over the three-year electoral term. The long-run average annual rates increase between 2002 and 2022 was 5.7 percent. In 2023 it reached 9.8 percent, the largest single-year increase since 2003.

The government has announced a rates cap of 2 to 4 percent per capita per year, but this does not take legal effect until 1 January 2027 and does not reach full regulatory force until July 2029. ANZ economists reviewing council long-term plans noted that councils were projecting one more year of near-10 percent increases before easing to 'still-large' increases of around 5 percent. Even under optimistic assumptions, rates are not returning to the trajectory of the decade before 2020.

The compounding effect is the point. A rates bill of $6,000 today reaches approximately $9,800 in ten years at 5 percent annual growth, and over $16,000 at 10 percent. For a couple holding an investment property and a bach, both bills grow simultaneously.

Insurance premiums

House insurance premiums in New Zealand have risen sharply since 2022.

Stats NZ data shows premiums up approximately 56 percent nationally from 2022 to late 2025, measuring what policyholders actually pay. Comparison platform Quashed, which tracks quoted premiums for active shoppers, shows a 31 to 37 percent increase over the same period. The gap reflects the 'loyalty tax': people who auto-renew pay significantly more than those who compare and switch. Both measures point firmly in the same direction.

As at Q1 2026, the national average for house insurance (building cover only; contents insurance is a separate policy and an additional cost) is approximately $2,949 per year.

That average conceals significant regional variation: Wellington averages $4,738, Christchurch $2,903, and Auckland $2,063. A bach in a coastal or high-rainfall location, or any property in an earthquake-prone region, will typically sit well above the national average. Wellington's premiums are roughly double Auckland's, driven by earthquake and weather risk that insurers are now pricing more explicitly than they did five years ago.

The pace of increase appears to be slowing: year-on-year rises ran at 24 percent in early 2024 and had moderated to 2 to 4 percent by Q1 2026.[4] However, the structural drivers remain: rising global reinsurance costs, more frequent severe weather claims, and a move by major insurers toward risk-based pricing that reflects individual property exposure more precisely. Over the past 25 years, home insurance costs have increased approximately tenfold in nominal terms, or around 400 percent adjusting for inflation.

Howden Waikato, our specialist fire and general broker, confirms that house insurance premiums in New Zealand have risen around 95 percent over the past decade, with some regions experiencing larger increases still. The principal causes are higher natural hazard risk, rising global reinsurance costs following major catastrophe events worldwide, the growing cost of rebuilding, and the shift toward risk-based pricing that more precisely links each property's premium to its specific exposure profile. Events including the Canterbury earthquakes, the 2023 Auckland flooding, and Cyclone Gabrielle have reinforced these trends. Howden expects the direction to continue as climate-related weather events become more frequent and earthquake risk remains a permanent feature of the New Zealand landscape.[11]

A wider debate is emerging about how insurance costs should be allocated across New Zealand property owners.

The current direction is toward risk-based pricing: each property's premium reflects its individual exposure to flooding, earthquake, and climate events. The alternative, argued by policy experts including Emeritus Professor Jonathan Boston in his 2026 book 'Insuring the Future', is a solidarity model in which risk is pooled nationally at flat or community-based rates.[5]

IAG's 2026 climate survey found 61 percent of respondents support risk-based pricing in principle, but only 20 percent are willing to pay more to subsidise those in higher-risk locations. How this debate resolves over the next decade will shape where insurance costs land for different property types and locations.

For retirement planning purposes, the directional assumption should be upward, with greater divergence between low-risk and high-risk locations than currently exists.

Maintenance

The widely used planning benchmark for property maintenance is 1 percent of property value per year.[6]

On an investment property valued at $850,000 that is $8,500 annually. On a bach valued at $650,000 it is $6,500. Together, $15,000 a year before a single rates notice or insurance renewal arrives.

The 1 percent figure is a floor, not a ceiling. Properties that are older, in coastal or high-rainfall locations, or that carry any deferred maintenance from previous ownership regularly cost more.

Maintenance costs are also irregular in timing: years of modest outgoings punctuated by a roof replacement, a driveway, a heating system, or a compliance upgrade under the Healthy Homes standards for residential rentals. The planning question is not what maintenance costs on average, but whether the retirement plan can absorb a $25,000 to $50,000 maintenance event in any given year without disrupting income.

For baches in particular, coastal salt exposure, damp environments, and the wear patterns of high-use holiday properties tend to accelerate deterioration. A bach that presents well on a summer visit may carry deferred maintenance that is not visible until a sale, a building report, or an unexpected failure.

What the costs look like together

The three cost categories do not interact dramatically. They simply add up, every year, and they compound. Consider a couple holding an investment property and a bach entering retirement, with starting costs based on typical holdings we see among clients in this situation:

> **Investment property:** rates $5,500, insurance $3,500, maintenance allowance $8,500, *total approximately $17,500 per year.*
>
> **Bach (coastal location):** rates $4,000, insurance $4,500, maintenance allowance $6,500, *total approximately $15,000 per year*.

Combined starting holding cost: approximately $32,500 per year. At a moderate growth rate of 5 percent annually across all three categories, that becomes **around $53,000 after ten years and $86,000 after twenty**. At the higher rates recorded recently, the trajectory is steeper.

If the investment property generates rental income, some of this is offset. But rental income is gross. After property management fees (typically 8 to 10 percent of gross rent), letting fees, vacancy periods, and maintenance not covered by the annual allowance, the net yield on a well-managed Auckland residential rental has typically been in the 2 to 3 percent range in recent years. The holding costs above need to be deducted from that net yield to understand what the property is actually contributing to retirement income.

A bach that is not rented generates no income. It exists as a lifestyle asset with ongoing costs. There is nothing wrong with that as a deliberate choice. A bach is a place your family values and uses, but it is carried by the rest of the retirement and financial plan, and the rest of the plan needs to be sized accordingly.

The political risk

The tax treatment of investment property has shifted substantially over the past decade, and not always in a predictable direction. The brightline test was introduced by National in October 2015 as a two-year rule: sell a residential property within two years of purchase and any capital gain is taxable.[9] Labour extended it to five years in March 2018 and then to ten years in March 2021, significantly changing the exit calculus for property held as a retirement asset. The National-led coalition restored the brightline period to two years from 1 July 2024, meaning most residential investment properties sold from that date are outside the test unless held for less than two years.

Interest deductibility followed a similar trajectory. Before 2021, landlords could deduct mortgage interest against rental income in the normal way. From March 2021 the Labour government removed that deductibility for properties purchased after that date and began phasing it out for earlier purchases, leaving some investors unable to claim their largest expense against rental income.[10] The coalition government reversed the policy in stages: 80 percent of interest was deductible from 1 April 2024, rising to 100 percent from 1 April 2025. The point here is not which settings are correct. It is that the rules governing the taxation of investment property have changed three times in ten years on the brightline test alone, and the direction of change has reversed entirely between governments. A retirement plan that depends on property being taxed in a particular way carries a risk that does not show up in a cashflow projection: the risk that the rules will change again before the property is sold.

When insurance becomes unavailable

Rising premiums are one problem. A more serious one is the point at which insurance stops being merely expensive and becomes effectively unavailable.

In parts of New Zealand that face elevated flood, coastal erosion, or earthquake risk, some major insurers have already pulled back from providing automatic online quotes or are applying exclusions that effectively exclude the most likely events.

RNZ analysis of Treasury-held Finity actuarial data found that in Wellington and the Hutt Valley, none of the monitored properties could obtain an online quote from more than two of the four main underwriters.[7] In Marlborough, only 7 percent of monitored properties could access a third quote. Most properties in these areas can still be insured, but the restriction of choice and the manual underwriting now required signal the direction the market is heading.

The proportion of households that had dropped insurance because of cost rose from 7 percent in 2022 to 17 percent by 2025. Insurance now ranks among the four biggest financial pressures on New Zealand households, alongside housing, food, and debt.

The practical significance for property investors is direct: a property that cannot be fully insured becomes very difficult to sell to a buyer who needs a mortgage. Residential lenders require proof of insurance as a condition of lending. If a buyer cannot obtain insurance, the pool of buyers shrinks to cash purchasers only. Cash buyers price in the risk they are absorbing. In some cases the discount makes the property effectively illiquid at anything close to its assessed value.

This risk is location-specific and already present. Properties in low-lying coastal areas, flood plains, or zones identified in LIM reports as subject to sea level rise or flood risk are the most exposed. For a bach in a coastal location, the relevant question is not whether it is insurable today, but what its insurable status is likely to be in 2035 or 2040. A conversation with an F&G broker familiar with the specific area will usually give a directional view.

This is not a hypothetical risk. Under section 72 of the Building Act 2004, councils can register a hazard notice on a property's title, and the Natural Hazards Commission has confirmed it will decline or partially decline claims linked to perils flagged this way. As at 2026, over 25,000 New Zealand properties carry such a notice. Some insurers, including Tower, will not offer cover to new customers with an s72 notice on the title, while others assess each case individually. A notice can also be added after purchase, including when an owner applies for a renovation consent, so a bach that was fully insurable at purchase may not remain so.'[i]

The risk that is already inside the walls

Not all property risk is environmental. New Zealand carries a legacy construction risk that is still working its way through the market.

Between approximately 1988 and 2004, a combination of monolithic cladding systems, untreated timber, and building practices that did not allow for drainage or ventilation produced an estimated 174,000 homes with serious weathertightness problems.[8] Total remediation costs have been estimated at between $11.3 billion (PwC, 2009) and $47 billion in more recent assessments, with journalist Peter Dyer describing it as the most expensive self-inflicted disaster in New Zealand history. Full remediation of a single dwelling (stripping cladding, replacing rotted framing, installing new cladding with proper drainage) typically costs between $150,000 and $500,000 or more.

> Full remediation of a leaky dwelling typically costs between $150,000 and $500,000 or more.
> The scope almost always expands once the work begins.
> IRD treats the cost as capital expenditure. It cannot be claimed as a deduction against rental income.

The crisis is not over. Properties that were affected but not remediated remain on the market. Some have been partially remediated and present continuing issues. The financial consequences of discovering a leaky building after purchase are severe, for two reasons beyond the obvious remediation cost.

First, the scope tends to escalate. The initial finding (a window flashing, a parapet detail) almost always expands once cladding is removed, because moisture damage does not stop where the leak entered. Clients who have been through this describe a process of successive investigations, each revealing more, each requiring more time and money before the property can be returned to an insurable, usable state.

Second, IRD has confirmed that major weathertightness remediation is generally treated as capital expenditure, not a deductible repair. The cost cannot be offset against rental income. The full amount comes from the owner’s own resources.

Commercial properties built in the same era face the same structural issues. Leaky commercial buildings receive less public attention but can carry larger remediation costs, and the complexity of remediating a multi-tenanted or multi-owned building adds significantly to both cost and time to resolution.

When the numbers stopped working: two case studies

The following case studies are drawn from real client situations, with details adjusted to preserve anonymity. They are included because the financial impact of property problems is more legible in a specific story than in projected cost tables.

The commercial inheritance

A client inherited six commercial shops from a parent's estate. The properties came with debt attached and appeared initially to be a working portfolio tenanted, income-generating, with apparent asset value. The client had a well-structured financial life and was not under immediate pressure to sell.

The problems emerged gradually. Roofs began leaking during significant rain, flooding tenanted spaces and triggering immediate remediation work. As building investigations proceeded, further structural issues emerged. The scope of required work expanded with each investigation. Maintenance costs mounted, not as a single event but as an accumulating series of urgent repairs, each necessary to keep the properties tenanted and insured.

The client used their own savings and liquidity to fund the work, because the properties' cashflow could not carry the costs and the debt structure limited the ability to borrow more against them. What had appeared on paper as an inherited asset progressively consumed the financial cushion the client had built independently. By the time the portfolio was rationalised, the equity that had nominally existed had largely been absorbed by remediation, maintenance, and the transaction costs of exit. The stress of managing the situation over several years was significant and not something the client had anticipated.

The lesson here is not that commercial property is a bad investment. It is that inherited (and all property) assets require assessment on their actual condition and actual cashflow, not on their nominal value. Debt combined with hidden remediation costs and an unfamiliar management burden can turn an apparent windfall into a sustained financial drain.

The dream home

A couple in their mid-fifties were on track to retire at 65. Their financial plan was well advanced: portfolio accumulation was on schedule, debt was projected to be cleared on the target date, and the retirement income modelling was solid.

They purchased a home they had wanted for a long time, a property that represented, for them, what the retirement they had worked toward was for. Early in ownership, signs of moisture problems emerged. A building investigation confirmed weathertightness issues. Further investigation revealed that the scope was larger than initially assessed.

They lived elsewhere for months during remediation. The work cost significantly more than the initial estimates, for the reason described in the section above: once cladding was removed, the extent of damage exceeded what any non-invasive inspection could have revealed. The remediation was funded through debt, reintroducing borrowing that had been on track for repayment, and savings earmarked for retirement.

The direct consequence was a delay to the retirement target. The plan that had been on track required rebuilding. The couple did retire, but later than intended, having worked longer and saved more to restore the position that the remediation had set back. The indirect consequence was the stress, the disruption, and the period of genuine uncertainty about the final cost. None of that appears in a financial projection.

The lesson here is about the cost of the unexpected in a plan that has little slack. When a retirement timeline is tight, a large unplanned capital event does not just cost money. It costs time, because the plan needs to recover before it can progress.

A note on downsizing

Downsizing is often discussed as a retirement funding strategy: sell the large family home, buy something smaller, bank the difference. The arithmetic looks appealing.

In practice, it rarely produces what the calculation suggests. Moving from a spacious older property with a garden to something modern, smaller, lower maintenance, and well-located tends to cost much the same as it releases, once real estate commission, legal fees, moving costs, and the premium that newer, lower-maintenance property commands are factored in. The timing of downsizing rarely aligns neatly with retirement income needs, and many clients find that the property they want to buy is more expensive than the optimistic version of the calculation assumed.

Generally, we do not build downsizing into retirement income projections for this reason. Clients who do release meaningful capital from downsizing benefit from it, and it is worth considering when the conditions are right. But it is not a planning assumption we treat as reliable.

The family home is not exempt

This paper is about investment properties and baches, but everything described in the sections above on rates, insurance, and maintenance applies equally to the family home. The cost pressures are the same. The insurance dynamics are the same. A home in a flood-prone or coastal location faces the same questions about long-term insurability as a bach two streets away.

The planning implications are different, though. An investment property or bach is a discretionary holding. If the costs outrun the returns, or the risk profile changes, it can be sold. The family home cannot be sold without being replaced, and replacing it means buying back into the same market. The holding costs of the family home are a cost of retirement living, not a drag on an investment. They need to be in the plan, but the response to rising rates and insurance on the family home is cashflow management, not an exit decision.

What this means in practice is that a retirement income plan needs to budget for rising household costs, not just investment property costs. A couple whose combined rates and insurance on the family home reaches $15,000 to $20,000 per year within a decade of retirement needs that figure in the plan, growing at a defensible rate, alongside the holding costs of any other properties they hold. The total property cost burden is what shapes retirement cashflow, and the family home is the largest part of it.

Questions to work through if you hold investment property or a bach

The following are the questions we work through with clients who hold property as part of their retirement picture. They are worth revisiting periodically as the property ages, as insurance and rates conditions change, and as the retirement date approaches.

1. **What does the property actually generate?** Net rental yield after all costs (rates, insurance, management fees, maintenance, vacancy allowance and interest if there is a mortgage on the property) expressed as a percentage of current property value. If the answer is below 2 percent, the investment case rests primarily on capital growth, which warrants separate examination.

2. **What is the current insurance status?** Not just whether the property is insured, but on what terms, with what exclusions, and what the premium trajectory has been over the last three years. For coastal or flood-prone properties, the additional question is whether that coverage is likely to remain available at an affordable cost over a twenty-year retirement.

3. **What is the property's weathertightness history?** Weathertightness problems are not limited to monolithic cladding or the 1988–2004 era, though that is where the highest concentration of known failures lies. Flat or low-pitch roofs, internal gutters, parapets, balconies without adequate drainage, and complex roof-wall junctions all carry risk regardless of cladding type or construction date. For any property where these features are present, review the LIM report and building consent history. Where there is any doubt, commission an invasive moisture test before treating the property as a reliable retirement asset.

4. **What maintenance events are foreseeable in the next ten years?** Roof age, driveway condition, heating systems, kitchen and bathroom fitout age. These are not unpredictable. A property manager or builder's assessment can give a reasonable view of what is coming and when, allowing the retirement plan to be sized accordingly.

5. **What does the LIM say?** Specifically on flood risk, sea level rise projections, and any council notes on hazard exposure. LIM reports have become more informative on climate-related risk in recent years. For coastal baches in particular, the LIM is the starting point for any honest assessment of long-term insurability.

6. **If this property needed to be sold within five years, what would that process look like?** In terms of buyer pool, likely price relative to current value, and realistic time to settle. Some properties are highly liquid. Others, including properties in smaller towns, coastal locations with retreating insurance availability, or commercial properties in secondary markets - carry real liquidity risk that is not visible in the current valuation.

7. **Is the rest of the retirement plan sized to carry this property's costs?** If combined holding costs reach $40,000 to $50,000 per year within ten years of retirement (not implausible at current cost growth rates), does the financial plan carry that alongside the other income needs? This is the calculation that most retirement plans do not do explicitly, and it is the calculation that matters.

What this means for your financial plan

Property held in retirement is not a passive asset. It requires active management, ongoing cost, and periodic decisions about whether it continues to earn its place in the plan.

The clients who navigate property in retirement well share some common characteristics. They know what their properties actually cost, net of all outgoings. They review insurance annually rather than auto-renewing. They hold enough liquidity elsewhere in their financial structure to absorb a significant maintenance event without disrupting retirement income. And they have made a conscious decision, revisited periodically, about whether to continue holding each property, rather than drifting into continued ownership by default.

The clients who find property most stressful in retirement are typically those who carried undisclosed or unexamined cost risks into retirement, assumed rates and insurance would remain roughly what they were at purchase, and treated the property's nominal value as equivalent to its financial contribution to the plan.

A financial plan that includes investment property or a bach needs to account for what those assets cost honestly, project those costs forward at defensible rates, and confirm that the plan can carry them at the higher end of the range, not just the middle. That is a conversation worth having well before retirement, not after the first renewal notice in retirement makes the numbers uncomfortable.

Notes and sources

Note 1 — Maintenance benchmark: The 1% rule is widely cited in property investment literature internationally and referenced by the NZ Property Investors Federation as a planning benchmark. NZ property managers typically recommend 0.3–0.5% for well-maintained residential rentals (Point Property Management, 2024), but older properties, coastal locations, and commercial buildings regularly exceed 1%. We use 1% as a conservative planning floor for investment-grade properties in retirement planning. Source: NZ Property Investors Federation (nzpif.org.nz); Point Property Management (2024).

Note 2 — Council rates, national picture: Taxpayers' Union 2025 Rates Dashboard (RatesDashboard.nz); RNZ, 'Can council rates keep rising like they have?', 25 July 2025; LGNZ/Infometrics, 'Analysing increases in local government costs', 2024; Stats NZ CPI June 2025 release (local authority rates largest single contributor to annual CPI, up 12.2% year-on-year). Government rates cap (2–4% per capita per annum) takes legal effect 1 January 2027, full regulatory force July 2029 (Local Government Minister Simon Watts, December 2025).

Note 3 — Council rates, by region: Individual 2025/26 increases: Wellington City +12.0%; Hamilton City +15.5%; Auckland +5.8%; Christchurch +6.6%; Queenstown Lakes cumulative three-year increase 50.23%. Long-run average 2002–2022: 5.7% per annum. 2023 single-year increase: 9.8% (largest since 2003). Sources: RNZ, 25 July 2025; Taxpayers' Union Ratepayers' Report 2026.

Note 4 — House insurance premiums: Stats NZ data shows house premiums nationally up approximately 56% from 2022 to late 2025, measuring actual premiums paid. Quashed Insurance Index (comparison platform) shows 31–37% over the same period, measuring quoted premiums for active shoppers. The gap reflects auto-renewal behaviour. As at Q1 2026, Quashed national average for house insurance (building cover only; contents insurance is a separate policy averaging approximately $804/year nationally): $2,949/year. Regional averages: Wellington $4,738; Christchurch $2,903;

Auckland $2,063. Sources: Quashed Insurance Index Q1 2026 (April 2026); Stats NZ; interest.co.nz, 'Insurance premiums increase 51% over three years', 2025.

Note 5 — Future insurance premium trends: Year-on-year increase rate: +24% in Q1 2024; +4% in Q1 2025; +2% in Q1 2026 (Quashed). Over 25 years, home insurance costs have increased approximately tenfold in nominal terms, or approximately 400% adjusting for inflation (Emeritus Professor Jonathan Boston, citing Stats NZ data, Helen Clark Foundation webinar, June 2026). Consumer NZ ('Will you be able to get home insurance by 2035?', January 2026) warns availability may become the key fault line in high-risk areas ahead of affordability alone.

Note 6 — The insurance funding debate: On risk-rating vs. solidarity models: IAG 2026 annual climate survey; Newsroom, Jonathan Milne, 30 June 2026; Jonathan Boston, 'Insuring the Future', 2026. IAG CEO Phil Gibson, June 2026: 'New Zealand must take stronger action to reduce the impacts of climate hazards' and the country is 'fast approaching a fork in the road.' IAG survey: 61% support risk-based pricing; only 20% willing to subsidise those in high-risk locations (56% opposed). Over the past 15 years, disasters have cost New Zealand at least $4.2 billion per year; nearly all spending has been directed to response and recovery rather than hazard reduction.

Note 7 — Insurance retreat: RNZ, 'Very significant rise in home insurance premiums revealed', 4 April 2024, drawing on Finity actuarial monitoring data of 2,000 properties provided to Treasury under the Official Information Act: in Wellington and the Hutt Valley, no monitored properties could get an online quote from more than two of four main underwriters; 7% of Marlborough properties could access a third quote. Consumer NZ survey: 17% of households dropped insurance due to cost by 2025, up from 7% in 2022. Insurance now ranks in the top four financial pressures on NZ households (Consumer NZ, January 2026).

Note 8 — Leaky buildings: Approximately 174,000 homes affected nationally (ArchiPro/Bear Construction, 2022). Total cost estimates: $11.3 billion (PwC/Department of Building and Housing, 2009); $47 billion in more recent estimates (Peter Dyer, 'Rotenomics', cited in NZ Property Investor, July 2023; Climasure, July 2025). Remediation cost per dwelling: typically $150,000–$500,000+ (shire.community NZ); recladding industry average $1,700–$2,000 per square metre (Bear Construction). IRD treatment: major weathertightness remediation is capital expenditure, not deductible — Inland Revenue Interpretation Statement IS 26/01 (2026), upheld in multiple Taxation Review Authority decisions. Sources: Wikipedia, 'Leaky homes crisis'; NZ Property Investor, July 2023; Acclime NZ, March 2026; interest.co.nz, March 2026.

Note 9 — The brightline test: The brightline test is New Zealand's mechanism for taxing capital gains on residential property sold within a specified period of purchase. It is not a capital gains tax in the broad sense; it targets only residential property (not commercial, not shares, not other assets) and only where the property is sold within the applicable timeframe. The main home is generally exempt. The test was introduced by National at two years (October 2015), extended by Labour to five years (March 2018) and then ten years (March 2021), and returned to two years by the National-led coalition from 1 July 2024. Under the current two-year rule, most investment properties held for longer than two years are outside the test. Sources: IRD brightline property rule guidance (ird.govt.nz); BDO New Zealand, 'The bright-line test', 2025; Deloitte NZ, March 2024.

Note 10 — Interest deductibility history and exceptions: Prior to March 2021, mortgage interest on residential rental properties was fully deductible against rental income in the standard way. The Labour government introduced interest limitation rules from 1 October 2021: properties purchased on or after 27 March 2021 had no interest deductibility; properties purchased before that date were phased down (75% deductible 2022/23, 50% in 2023/24, 25% in 2024/25). One significant exception applied throughout: new build properties (those with a Code Compliance Certificate issued after 27 March 2020) retained 100% interest deductibility under both the Labour rules and the subsequent National changes. The National-led coalition restored deductibility in two stages: 80% from 1 April 2024, 100% from 1 April 2025. Full deductibility now applies to all qualifying residential rentals from the 2025/26 tax year. Note that ring-fencing rules remain in place, limiting total residential rental deductions to the extent of rental income in any given year. Sources: IRD interest deductibility guidance; ANZ, 'Tax changes: Interest deductions and bright line tests', 2024; Deloitte NZ, May 2024; DNACA, November 2025.

Note 11 — Howden Waikato broker commentary on insurance premium trends: Howden Waikato is a specialist fire and general insurance broker. The following statement was provided to Moneyworks in July 2026: 'Over the past 10 years, house insurance premiums in New Zealand have risen significantly, increasing much faster than general inflation. Consumer NZ records this average increase at around 95% over the past decade, with some regions experiencing even larger rises. The main reasons for these increases are higher natural hazard risks, rising reinsurance costs, and the growing cost of rebuilding homes. New Zealand insurers rely heavily on overseas reinsurers to help cover major disaster losses, and global reinsurance costs have increased following large natural catastrophe events worldwide, while climate change has increased the risk of floods, storms, and other extreme weather events. In addition, insurers are increasingly using risk-based pricing, meaning premiums are more closely linked to the specific hazards faced by individual properties, such as earthquake, flood, or coastal risks. Major events such as the Canterbury earthquakes, Cyclone Gabrielle, and severe Auckland flooding have contributed to rising claims costs and reinforced the trend toward higher premiums. As a result, many homeowners have faced substantial premium increases, and these trends will likely continue in the future as New Zealand grapples with increasing climate change events and the ever-present earthquake risks present in New Zealand.'

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[i] Councils' natural hazard notices may leave some homeowners without insurance cover, *NZ Herald*, Jenee Tibshraeny, 14/07/2026