

Confidence seems to have remained within the market over the past month. The lifting of the threat of a new Capital Gains Tax seems to have stimulated interest by both first home buyers and investors. Several owners have indicated that they may now look at expanding their rental portfolio. Obviously from a business growth perspective we would like that to happen but we do urge caution. There does appear to be an increase in enquiries about rentals but there are still a large number of unoccupied rentals out there. Stick to the common sense rules of location, facilities, family home, schooling zones, heating and insulation, presentation and you should be fine. Please remember that we are available to advise on this BEFORE you buy.

A suitable time to talk about one style of new rentals. The 'dual key' or 'multi key' apartment style. These are units which could be used as a family sized individual dwelling or alternatively as a number of individual dwellings with 'separate keys'. They sound very good on paper but some concerns are currently being expressed as to whether or not they meet the new Housing Improvement Act (HIA) with regard to the sink and water requirements as written in the act. The concerns are around the size of the kitchens, limited cooking facilities and sinks. We currently are working with two owners in trying to get some clarity. Opinion differs with some saying they clearly don't meet the requirements and others believing that they do. Even our own sources within the Ministry concede that 'this is a grey area'. We are in no doubt that a suitable outcome will be reached – it may just take a while. The Tenants Protection Agency has become involved in one case (not against us or one of our owners) which adds a level of emotion but on the other hand encourage a result that all parties will find acceptable. So we are not suggesting you don't consider 'dual key' or 'multi key' opportunities but just seek clarity from developers and have your advisors check floor plans against the HIA. Again we are here to assist if needed.

If you are considering expanding your rental portfolio then CoreLogic has a toll for you. According to CoreLogic many investors fall into several common mistakes:

- Think any property is a good investment
- Basing 90% of the decision making on emotion and only 10% on logic
- Not having a sound strategy
- Using a 'one size fits all' strategy
- Trusting what the salesman tells them
- Not doing enough research
- Overpaying.

Market research is important for any investor and CoreLogic has easy to use tools to assist with research. If interested then contact Jonathon Chang, – Jonathon.Chang@corelogic.co.nz

You should have all received our 'news flash' the day after our last newsletter with regards to the Governments decision on Capital Gains Tax.

Almost one month later there remains – at least in some circles – considerable surprise at the Governments (or at least a Labour led Government) capitulation on what had been a long held and key policy. A clear demonstration of the impacts of a coalition. Labour had to resign itself to the fact that they would never get this through as legislation without the support of the New Zealand First Party. That clearly wasn't going to happen. Labour and the Greens did not hold sufficient sway to make it happen so it has been dropped. Labour disappointed and embarrassed, the Greens furious that their key drive has been lost and New Zealand First – who would know how they feel.

But the main surprise was on how adamant the Prime Minister was in saying that the question of a Capital Gains Tax would not be introduced to parliament again whilst she is leader of the Government. The surprise is based around the fact that New Zealand First, based on its current polling, may not be part of the future coalition and if that was to be true then Labour and the Greens could well hold the balance of power and have the

ability to talk further on a Capital Gains Tax.

Has it really been taken off the table? The Prime Minister says yes, other commentators are not so sure.

And let's not forget we actually have a form of CGT operating at present. Under the Bright Line Test if you sell an investment property within 5 years of buying it and you make a profit then you pay tax on that profit.

The New Zealand Property Investors Federation issued this press release following the announcement.

“The NZPIF applauds the Government’s decision not to introduce a Capital Gains Tax” said Andrew King. “This tax would have no effect on the housing market except to make rentals even more expensive. This would have been unfair to tenants”.

NZPIF notes that the Government is still considering looking at land banking, and speculation. As rental property providers are not speculators they maintain that the rental property providers should not be included in this investigation. Speculators buy and sell property but rental property investors hold property for the long term so that they can provide homes for tenants.

The other ongoing embarrassment to the Government is KiwiBuild. It simply is not working. It is not providing affordable houses. It is not providing them in any reasonable number. It is confusing the facts through relationships with others that are bringing existing, unsold housing stock into the figures whilst not adding any additional stock to the market. Yet everyone seems in agreement that the problem will only be solved through higher stock levels.

It has reached the point where neither the Prime

Minister nor the Housing Minister will confirm if the original target of 10,000 homes a year for 10 years will be maintained. We are told we have to wait until a June announcement. Here we are 18 months down the track with fewer than 500 homes built and even fewer sold. It seems self-evident that the ambitions of the KiwiBuild program will fall well short. Furthermore Minister Twyford is quoted as saying that he is no longer certain that New Zealand needs a further 100,000 affordable homes. “The market has changed, it is not the same as it was a year ago’ he said. A fact or desperate thinking? Time will tell.

However at least one politician believes that not only will the target of 100,000 homes be met but that it will be surpassed. Winston Peters told a press conference that “the Government will build a lot more than 100,000 new affordable homes”. He said “he doesn’t believe the nay-sayers, telling the house that the Kiwibuild target is easily achievable’. Really?

The KiwiBuild program seems to have now fallen victim to the dreaded R words – reconstructed, reset, reconsidering and review. Some are saying that there are now 2 further R words hanging over Minister Twyford’s head – resign, reshuffle.

Obviously a lot more yet to come about KiwiBuild.

Also from the media:

- The Reserve Bank has lowered the OCR to its lowest ever level of 1.5%. Good news for home buyers as interest rates have already started to fall. Bad news for anyone with deposits in the banks as returns on those will fall – even further.
- House sales to foreign buyers have fallen dramatically – no surprise there! A drop over 80% March 2019 vs March 2018. Only 0.6% of all sales were to people without citizenship or residents visas. Out of 31,729 transfers only 90 were to Chinese tax residents.
- Looking at the Auckland market 7.2% of all

sales resulted in a capital loss to the vendor. That compares to 3.1% at the same time last year. With the falling prices in the city more and more property owners are finding themselves in a loss position – some of them finding themselves negatively geared. Further good news for first home buyers.

- Housing NZ says it has 2,300 new state houses under construction and on track to have 1,600 of these completed by end of June. But even at this rate they are not keeping up with the demand state houses. At last count 10,700 people were on waiting lists for a state house. Resultant from this the Government has paid out over \$23 million in emergency housing grants for temporary accommodation like motels.
- Queenstown Lakes District Council has made land available for a 65 unit new housing development in Arrowtown. The Queenstown Lake Community Trust requested the land to build affordable rentals, senior housing and homes of 1-4 bedrooms.
- Some apartment owners are ditching their natural disaster insurance saying they can no longer afford them due to skyrocketing premiums. Some premiums have reportedly tripled since 2016 so some owners are taking the risk despite it putting them in breach of their mortgage conditions.

From the real estate sector:

- No. of residential properties sold in March fell by 12.9% over March 2018 – 6,938 vs 7,964
- Excluding Auckland sales fell by 10.5% - 4,932 vs 5,513
- Only 1 region saw an increase in sales – the West Coast – up by 1 sale
- This was the lowest March sales result since 2011.
- Days to sell rose from 34 – 36 days in March
- There has been an increase of 4.5% in the number of houses available for sale
-

Owners have just 6 weeks left to ensure that their rental properties meet the new standards for insulation and heating. We have been delighted with the response from our owners and we believe that we only have a handful of properties to complete by due date. One owner is reluctant due to his intention to demolish the property as 'soon as he gets permission' which is fully understandable but places both him and ourselves in a dilemma. From July 1st the tenants could sue us for breach of standards. We are confident that this will be resolved so hopefully a clean plate.

From time to time owners will receive a computer request to complete a brief survey about our performance. Each month 10% of our owners are selected at random by an outside consultancy and simply asked how they feel rate our service – a scale of 1-10. That's it.

We do ask that you please complete the survey.

There are no prizes in this for us. What it tells us is if our clients appreciate our service level or if there is room for improvement.

The higher the number of responses the more accurate the results become.

We have always tried hard to be client focused and to provide our clients with the very best level of service. If we are failing to do this then we really want to know so that we can make the improvements necessary.

So next time you get a survey request we would be grateful if you would take the time to reply.

As always many thanks for your loyalty and support. If you know of anyone who may need our services please have them contact us or let us know.

Keep warm.

Best wishes to you all

Sharon, Lexi, Carolyn, Andrea and Tracey