

It is winter after all but these cold mornings are taking some getting used to. And the usual winter slow-down has arrived. There is interest but it is limited.

July the 1<sup>st</sup> has come and gone and the new insulation standards are now operational.

Next come the 'healthy homes' standards. These cover specific and minimum standards for heating, ventilation, insulation, moisture, drainage and draft stopping in rental properties.

From 1.7.2020 landlords will be required to include detailed information in their tenancy agreements about how their property meets these standards so that both tenants and landlords will be aware of these standards before compliance is required from 1.7.2021.

The new standards are:

- All homes must have a heater that can heat the main living room to 18 degrees.
- Ceiling and underfloor insulation that either meets the 2008 building code or (for existing insulation) has a thickness of 120mm.
- Kitchens and bathrooms must be fitted with extractor fans or rangehoods.
- Where there is an enclosed subfloor space owners will need to install a ground moisture barrier to stop moisture rising into the home.
- The new standards also reinforce existing law that says landlords must provide adequate drainage and guttering to prevent water entering the home.
- Draughts that make the property harder to heat must be blocked

From 1 July 2021 private landlords must ensure their rental properties comply with the Healthy Home Standards within 90 days of any renewed or new tenancy.

All private rental properties must comply with the standards within 90 days of any new or renewed tenancy after July 1<sup>st</sup>. 2019. The standards are designed to make it easier for tenants to keep their houses warm and dry.

The full standards can be viewed on <http://www.tenancy.govt.nz/healthy-homes>.

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Already we are hearing of tenants taking landlords to court for not complying by the due date. There is a risk here of tenants taking advantage of the system to 'punish' landlords. There is a risk of tenants seeking compensation / reward rather than really being concerned about the issue. But there will also be genuine cases whereby a landlord has refused to comply. As long as the legal system recognised those landlords who have genuinely endeavoured to comply but due to shortages of both materials and contractors have been unable to meet the deadline. And some have been waiting several months.

There have also been reports that some landlords have been dropped by property management companies because of their refusal to comply with the new insulation standards. One commentator claims that 5% of landlords have found themselves 'out in the cold' due to concerns about scrutiny from an increasingly punitive MBIE, the risk of litigation and the likelihood of negative media coverage.

There have also been instances of landlords presenting false insulation statements and claiming compliance.

Fortunately we have no tenants taking legal action against the landlords / ourselves and we have only one instance where we await the supply of materials in order to complete the job. Thank you to all of our owners for taking this issue seriously and in time for the deadlines to be met.

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Kiwibuild continues to be the 'elephant in the room' for the Government and it simply refuses to go away.

With the cabinet reshuffle announced last month Megan Wood is now in the driver's seat but there are now a total of 4 ministers looking after housing in one way or another. To some a sign of the Government's commitment to address the housing issue. To others a sign of panic.

Regardless the program has simply failed to gain any traction whatsoever with very few homes having been completed and even fewer of them having been sold. It is obvious that a rethink is needed before too much more energy or money is spent on Kiwibuild. The current program does not seem to deliver what the public wants, at a cost the public can afford, in areas the public wish to live.

Now the Auditor General has announced an investigation into claims that public money has been spent on Kiwibuild outside of the scope of the Cabinet's permission.

This specifically relates to Kiwibuild homes that the Government appears to have underwritten after they were already built. The Cabinet paper made it clear that the taxpayer underwrite – which guarantees developers a minimum price for houses that don't sell – only

applied on homes sold "off the plans" and "offered for sale in the first instance to Kiwibuild buyers". However Kiwibuild underwrote developments in Auckland and Christchurch. Some of these properties had been built to plans approved prior to the last election and started before Kiwibuild was launched. They had been offered to sale prior to becoming part of Kiwibuild.

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Research by TradeMe shows that rents are increasing in every region of the country but it's the provinces and smaller cities showing the greatest increase.

Southland, Taranaki, Northland, Otago and the West Coast have had very strong increases with all 5 regions hitting new rent records during May.

Upper Hutt showed an increase of 31%, the Wairarapa 21%, Hamilton 10% and Wellington 9.6%

TradeMe assign the increases to the shortage of rental stock in many of these areas and to landlords passing on the cost of complying with the new insulation standards.

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One rental property insurance provider is promoting the fact that it now only requires property inspections to be done 3 times per annum.

Please do not jump to conclusions.

The number of times your property is to be inspected will be set by your insurance company. It is usually written into your insurance policy.

Landlords would be foolish to complete fewer

that that required number of inspections. It could place any future claims at jeopardy just to save a few dollars.

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The Reserve Bank's proposal to strengthen the financial sector by requiring banks to hold more capital could affect people's mortgages according to a leading academic, Dr. Claire Matthews of Massey University.

Under the proposal, the New Zealand banking sector would be required to hold an additional \$20 billion in capital to comply with the new standards. Not surprisingly the banks have come out strongly against the proposal.

The ANZ has advised the RB that if it goes ahead with the proposal then the ANZ would consider reviewing the 'size, nature and operations' of its New Zealand business.

Dr. Matthews sees this as a fair response in that if banks are required to hold more capital in relation to their size a 'rational response' is to shrink the size of their business.

If banks have to hold more capital then they won't have the same ability to spend. They still need to get a return on that capital so if they have less to lend then the cost of borrowing that money needs to go up. It will put interest rates up.

The ASB has also expressed its concerns about the proposal. The Reserve Bank has yet to make a final decision.

The proposal follows the Government's announcement that it plans to introduce a 'deposit protection regime' to 'increase public confidence in banks'. New Zealand would join the rest of the OECD in having a bank deposit guarantee regime protecting Kiwi's deposits should a bank fail. But it has not been decided if the Government would back it financially.

In Dr. Matthews view "It seems to me that

requiring deposit and insurance and also having a high level of capital is almost double support for the same thing which seems unnecessary".

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From the real estate sector.

- Sales volumes nationwide tumbled to a 5 year low in June – 5,978 down from 6,213 last year.
- New listings are down 7.3%
- People are reluctant to list until they have somewhere secured to move to or unless they have funding for a new purchase confirmed.
- Canterbury was one of a small number of areas that bucked the trend – sales up 2.1% (but off a lower base than usual).
- Average 'Days to sell' has increased from 38 – 41
- Issues that may further impact the market
  - Decisions from the RB on LVR or similar loan limits
  - Changes to insurance premiums – shift to risk based pricing
  - Flattening off of residential building consents
  - The 'ever-changing' landscape for investors
  - Banking sector competition – interest rate wars
  - Changes to the OCR

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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, Caroline, Andrea and Tracy