

Again, this month's newsletter is a little late but again there was a reason. We were aware that a Government announcement on further 'rules' for landlords was going to be made so thought it best that we wait so as to be timely. More on that announcement later.

The market is holding up. There is a strong interest from landlords for rental assessments but unfortunately for us many of these are for some date early next year so we have not seen the benefit from these as yet. But it is nice to be building a pipeline of potential new business for the new year. Interest from tenants is also good for this time of the year. We don't really deal with student accommodation and as always at this time we see student flats coming onto the market (end of University year) and interest from newer students in finding accommodation for next year. Many existing leases fall due around this time of the year as it is the time when interest is strongest. So as usual we are seeing existing tenants research the market before signing up for another period. What we are finding however is that very few of them are choosing to move and resign for the same property. The last group of potential tenants are those moving to Christchurch in the new year. They are keen to research the market and, in some cases, commit to a property prior to Christmas so as to avoid the New Year rush. So, all in all a busy time for us and signs that the new year may start off strongly for both landlords and tenants.

Let's look at the latest Government announcement. It covered a number of matters all designed to protect tenants and to improve the 'balance of power' as it has been referred to by the Government.

Limiting rental increases to once a year. The current act provides for landlords to adjust rentals at 6 monthly intervals. That's great but here in Christchurch we have found:

- Competition in the market has not allowed for significant increases – in many cases it hasn't allowed for any increase.

- Whilst we review all rental levels 6 monthly, we find that many of our landlords do not take advantage and hold the rents at the same level for the period of the lease (usually 12 months). If the lease is renewed or extended landlords may apply a modest increase but again, if the tenants have been responsible, no increase is applied.

So we don't see this amendment impacting on our clients.

The banning of 'rental bidding'. This is the practice of advertising a rental with no set rental price and inviting interested parties to submit an offer of rent level. It encourages a bidding war between interested parties. It is an abhorrent practice and one which we are pleased to say we have never encouraged or ever been asked to do by a client. It is doubtful that given the over-supply market in Christchurch over the past few years that this would work anyway. We do not see any negative impact from this for our owners.

Tenants will be able to add minor fittings and improvements as a right. Things like baby proofing or hanging pictures. We have never had any request for such things refused by a landlord. All that has been sought is an assurance that items such as non-damaging, removable picture hooks are used or that any screw holes etc (say to hold a baby gate at the top of stairs) are filled when the item is removed. We doubt this is going to impact on any of our owners.

An increase in the level of fines for either the landlord or the tenant if certain conditions of the Residential Tenancy Act are abused. These are varied and of little importance given that in our 12 years as Property Managers we have never had a client fined by the Tenancy Tribunal or a court. We have had decisions of the tribunal go against the owners which may have had a cost attached to them (i.e. damage by a tenant that the Tribunal ruled the owner had to pay for /

unpaid rent that the Tribunal dismissed or set such a ridiculous repayment schedule that the owner would most likely never see the money) but never once has a fine been applied on top of that. So again, we do not see this as being an impact on the majority of our owners.

But the last amendment proposed – the removal of ‘no-cause’ evictions has rattled the cage and has upset the Property Investors Federation. The current act provides for a landlord to evict a tenant provided they give the tenant 90 days’ notice of intent. No reason has to be given. We have certainly applied this rule to end tenancies when say the property is going to be sold, the property is need by the landlord for his or his families own use, and indeed when a tenant has not complied with their obligations under the lease agreement. But we can’t think of a single occasion when a landlord has asked us to apply this rule simply so they could change the tenant and (as implied) increase the rent. Personally, we don’t believe this change will impact negatively on our clients but agree that it takes away an option all of them currently have.

As mentioned, the New Zealand Property Investors Federation has come out strongly against this proposed change. They have issued a bulletin outlining their concerns – as they see it may impact on owners, tenants, neighbours, the community and on the Tenancy Tribunal. We reproduce this bulletin below:

#### With the right help & support

#### IMPACTS FOR LANDLORDS

#### REMOVING 90 DAYS NOTICE

Being a successful landlord is all about managing RISK.

Removing 90 days’ notice is a bombshell for landlords that will cause many to get out of renting, resulting in a large rental shortage.

A landlord's choice of tenant is the single most important decision they make. This risk is multiplied if the landlord can no longer give a no-cause 90 days’ notice.

#### IF LANDLORDS ARE UNABLE TO GIVE 90 DAYS NOTICE:

- Landlord RISK will increase exponentially
- Tenants with anti-social behaviour will be very hard to remove - landlords cannot protect New Zealanders anymore
- Landlords will NOT select first time tenants, or tenants with a colourful renting history or a sad story. Those tenants have a higher risk
- They will NOT give marginal tenants ‘a go’ – they are a higher risk
- Trials are unlawful.
- ‘Riskier’ tenants WILL NOT get a tenancy
- Neighbours will be intimidated and threatened (see HNZZ – shocking cases)
- It will be nearly impossible to remove a tenant if witnesses are intimidated
- The landlord's other good tenants will leave
- Landlords will become exceptionally cautious in selecting tenants

#### RESULTING ECONOMIC IMPACTS

- Up to 50,000 landlords will sell their rentals (NZPIF survey October 2019)
- This could mean up to 100,000 rentals will be sold
- Leading to a severe shortage of rentals
- And an increase in demand for rentals – which means rent increases
- Rental housing crisis deepens
- Significant decrease in Tax Revenue
- Massive increase in Government expenditure required to house these tenants
- The Government appears intent on reducing the private supply of rentals
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## IMPACTS FOR NEIGHBOURS AND NEIGHBOURHOODS

### REMOVING 90 DAYS NOTICE

- This is the future: of not being able to give a no-cause 90 days' notice: Below is a small selection of cases of neighbourhood problems caused by HNZA's anti-social tenants.
- Key words in these examples are: fear, threats, assaults, intimidation, drugs, violence, terrified.

New Plymouth: Stuff- April 2019: On Saturday a 20-year-old man was shot in the arm in an early morning dispute at a Housing New Zealand

New Plymouth: Stuff- April 2019: On Saturday a 20-year-old man was shot in the arm in an early morning dispute at a Housing New Zealand property at Plympton St, Brooklands, New Plymouth. Neighbours have made multiple complaints about gang related activity, drug dealing, loud parties, problematic behaviour, arguments, intimidation and large numbers of people coming and going from the house to HNZA, but say nothing has been done to rectify the situation. *National Party MP Jonathan Young believes there is a direct correlation between the anti-social behaviour and the Government's "no eviction" policy, and good people were being put under considerable stress.* Phil Twyford states: *"That's why Housing NZ takes a 'sustaining tenancies' approach which involves taking all reasonable steps to support tenants and their families to stay in their homes for as long as they need them. Eviction is a last resort.*

Hawkes Bay: 11 Feb 2019: Hawkes Bay Today: Threats, intimidation and violence from Mongrel Mob members and their associates has turned a "lovely, quiet" Hastings neighbourhood to "feral", and residents have had enough. Rachelle owns a house next door to a Housing New Zealand (HNZA) property in Akina, Hastings, which got new

tenants about four months ago. Frequent visits from gang members, smashed cars on the front lawn, noise and violence have now become the new norm for her. "Our street was a lovely, quiet, safe street," Rachelle said. Rachelle has called and complained to HNZA 12 times since December, and emailed them a couple of times, but feels like she isn't being heard. "I keep getting told to ring the police or noise control because there is nothing Housing New Zealand can do.

Hawkes Bay 22 March 2019: Herald Housing New Zealand didn't evict anyone in Hawke's Bay in 2018, despite 578 complaints about the anti-social behaviour of its tenants. Property condition and damage resulted in 160 complaints; there were 50 alleged illegal activity complaints, 43 alleged threat complaints, and 30 dog nuisance complaints. HNZA declined a request to specify whether any of the total complaints were gang-related.

Motueka: October 2018: A Motueka resident is questioning Housing New Zealand's tenant policy after years of dealing with an abusive neighbour. The Motueka woman, who asked to stay anonymous for fear of retribution, has lived in her social housing property for more than a decade. Along with other neighbours, she's repeatedly rung the police, Housing New Zealand and Oranga Tamariki. But after years of reporting the neglect, the abuse and bad behaviour to every agency she can think of, she's all but given up.

Motueka: November 2018 – 'Incredible' change to troubled Motueka neighbourhood after tenant moves. For the past three years, residents on York St in Motueka had complained of loud parties into the early hours, abusive language towards children at the address, and verbal abuse to passers-by from a Housing New Zealand tenant in the neighbourhood. The matter came to a head at the end of September, when the street was the scene of a hit and run incident which put two people in hospital. A York St resident, who did not want to be named, said the change in the neighbourhood after the tenant moved out had been "incredible".

"It's amazing, the street is back to exactly what it was. The kids have come back out again, parents are letting their kids ride their bikes and scooters on the street.

"All of that had gone, because of this situation created by this one neighbour."

Christchurch: Stuff – 2019. A Christchurch man who [believes a Housing New Zealand \(HNZ\) property nearby is a drug house](#) is frustrated no agency will act. The Northcote resident told [Stuff columnist Mike Yardley](#) he estimated about 20 to 25 drug deals were happening at the house every day, and one day he noted 39. Complaints about HNZ homes are nothing new, with issues raised about its [management of homes](#), while other neighbours have complained about being [driven out by burglaries](#), assaults and public defecation. Homeowners from across Christchurch have come forward after [Stuff](#) published details of [repeated break-ins, brawls and faeces smeared on cars](#) near a Housing New Zealand (HNZ) complex in the central suburb of Phillipstown, to report similar problems with tenants in other Government-owned properties.

One man claimed a neighbour had raised a running lawnmower to his face and another had dealt drugs from a flat for several years.

Christchurch: August 2019: A Christchurch Housing New Zealand (HNZ) tenant says she has endured attacks and threats from neighbours, but agencies have taken no action. The woman moved into the unit in December, she has a 4-year-old daughter. Instead of finding a safe haven, the woman says she has become victim to tenants from a neighbouring property in the complex. "My wee girl doesn't want to leave the house. She's terrified."

- Anti-social tenants will terrorize neighbours and the community (see cases below)
- One out of three homes is a rental
- Mum and dad home owners living next to a rental can expect problems
- The people lose control of their communities

- Neighbours will be intimidated not to give evidence for evictions
- Some of the intimidation is 'Deadly Serious'
- Young children and families will be traumatised, threatened, assaulted and intimidated – this is UNACCEPTABLE.
- It is the good tenants that leave their homes
- There will be significant demands on Police, Council and Noise Control officers

#### IMPACTS FOR TENANTS

##### REMOVING 90 DAYS NOTICE

Removing the landlord's right to give notice, and Labour calling it "sustaining tenancies" will not help tenants at all. It will make things much worse for tenants.

At present: Only 1.4% of all tenancies are ended (for tenant anti-social behaviour) by a landlord giving 90 days' notice. (NZPIF research)

- As a result of landlords selling, there will be less properties to rent
- This means higher rents (supply and demand)
- Less chance of a tenant getting a rental
- Longer time to for a tenant to obtain a rental
- Marginal tenants, first time tenants, tenants with poor references, a colourful background, or a sad story will find it hard if not impossible to get a tenancy
- The best protection for all tenants is more houses – not less
- So why is the Government reducing the supply of private rentals and making it harder for tenants to get a rental?

##### NEIGHBOURING TENANTS

- New Zealand neighbourhoods are pepper-potted with residential tenancies. The proposed changes will mean it is very likely that most neighbourhoods will be affected at some time by anti-social tenants.
- Even the worst anti-social tenant CANNOT be evicted by giving 90 days' notice.

- It is the good neighbouring tenants who will leave – this creates ghettos.
- Even owner occupiers may sell up and leave the neighbourhood.
- It will cause serious stress, alarm and fear for all neighbours.
- The government has been piloting 'security of tenure' with Housing NZ Corporation (HNZC) – it has not worked for those neighbours
- Refer to the HNZC cases where HNZC actively does NOT issue 90-day notices

#### IMPACTS FOR THE TENANCY TRIBUNAL

##### REMOVING 90 DAYS NOTICE

- Right now – to evict an anti-social tenant a landlord can give 90 days' notice
- The Tenancy Tribunal is not involved – it is simple and effective.
- This means no additional costs and time for the Tenancy Tribunal

#### AS A RESULT OF THE PROPOSALS:

- Landlords MUST take an eviction case to the Tenancy Tribunal
- Landlords MUST obtain witnesses to prove the tenant's behaviour
- Witnesses will be intimidated
- Intimidation will range from – a look, to assault to threats to kill
- Because of the intimidation the very serious anti-social tenants may not be evicted and intimidation, fear and threats will continue.
- Adjudicators have to carefully assess landlord's and tenant's evidence
- These will be long hearings adding to serious delays for tenants and landlords.
- The Tenancy Tribunal will receive 7000 or more extra applications for termination – rather than a landlord simply giving a 90-day notice. (NZPIF Survey Oct 2019)
- This could add as many as 3500 extra sitting days (7000 x ½ day) to the Tenancy Tribunal

From our perspective whilst there are some valid arguments in and amongst this bulletin it is perhaps over-weighted by emotion. The NZPIF's own survey of members showed that only 3% of tenancies were ended through applying the 90-day notice rule. Half of these were for antisocial behaviour and the disturbance of neighbours. We do agree however that there is little need to amend a law, which is seldom applied, to protect a small percentage of tenants.

If the proposed amendments are adopted by the Government next year it will become the responsibility of the landlord to prove 'antisocial' behaviour by tenants.

Fortunately for us the vast majority of our tenants are decent people. Because of this the majority of our owners do not seek to replace them. They are provided with the security of calling their rental house a 'home' and for the family to become part of the community. They are provided with stability. These are the reasons stated by Associate Housing Minister Kris Faafoi to justify the need for the proposed amendments.

#### Other news items spotted are:

- The woes of Kiwibuild continue. Kiwibuild could not attract buyers for completed homes and nor can the Government. These homes had been placed on the open market, at competitive prices but few have sold. Proof positive that before you build you should do a market survey of what people want and where they want them. Currently over 800 Kiwibuild homes are being underwritten by the Government taking the potential financial exposure away from developers.
- The number of first home buyers across the country are falling month on month but year to date figures show that 27,768 first time buyers made a purchase in the 12 months ending August 2019. An increase of 3,000 over the previous year. No doubt supported by changes to the LVR, to Kiwisaver and low interest rates. 1340 buyers took advantage of the First Home Grant.
- We found this article of interest because of

the comparison it used. Landlords always compete with each other for tenants, and tenants always compete with each other for places to live. But in housing markets stifled by rules and processes guaranteeing that housing supply cannot keep up with increases in demand for places to live, outcomes will not favour tenants. It is easy to see that by contrast with the car market. If you wish to enter into a long-term rental agreement for a car in New Zealand – a lease – there are plenty of suppliers from car dealers to specialist leasing companies. Toyota's standard lease agreement, the one I could most quickly find online, includes a lot of provisions that would not be allowed under either current or proposed housing rental regulations. If you lease a car, and do not hold up your end of the bargain when it comes to maintenance and insurance, the car's owner can do it for you and charge you for it. If you return the car at the end of the lease and it has more than normal wear and tear, you do not just forfeit a deposit – you also have to pay to bring it up to spec. If you do not make your lease payments on time, if you have violated any of the terms of the agreement, or if the lessor has reasonable belief that you will damage the car, they can take the car back and charge you fees for early lease termination. And any costs Toyota incurs in the process will be sheeted back to the renter.

- The average house price in Christchurch as at 4<sup>th</sup> November is \$499,840 – an increase of 1.4% over the same time last year. Dunedin is currently the 'star' performer with an increase of 14.7% over the year.
- There has been a marked increase in investor buying over the entire country during the last quarter. In Dunedin this amounted to 38% of all sales.
- Property sales are however 5.5% down on the same time last year.
- And finally with luck you may be one of these. A global wealth report has revealed that 185,000 New Zealanders can now claim to be millionaires in US\$ terms. This is up from 16,000 in 2010. For most their wealth is tied up the property.

As always thank you for your business and support.

Thanks to the clients and staff, Quinovic Merivale once again took out an award in Customer Service at this year's Quinovic conference. PLEASE- whether your responses are good or bad we really appreciate your feedback to help us maintain our high level of service- Do fill out the survey next time you are selected!

THANK YOU

Kind Regards

Sharon, Caroline, Andrea and Tracy.