

What a rapidly changing world we live in. Who would have thought – just a month ago we were enjoying a great summer. The property market was showing positive signs. The stock exchange was absolutely booming. People were taking about their planned holidays overseas. Now the good weather is the only one of these to still be relevant.

The global pandemic, Coronavirus or COVID 19 has changed the world in ways that no one in our generation has seen before.

However, the critical thing is that we all do everything that we can to stay healthy and to keep others healthy.

This morning you should have received from us an update outlining the guidelines that we at Quinovic will be following until further notice. These controls are necessary if we are to meet our community obligations, our obligations to you as our clients and our obligations to our staff. We are not trying to make life more difficult – in fact we think that by following these guidelines things will be easier for all of us.

At first pass one would be excused for thinking that our sector, residential property rentals, would be immune from the many issues now facing the country. And in many ways we are. We are not in an environment that encourages large groups of people. We provide a service rather than a high demand commodity that people require on a regular basis. You may think life will simply go on. It won't.

The guidelines we issued highlight several areas where we believe we will see a change.

- What may change is the transfer of people from one rental property to another. This has actually dropped considerably over recent years but it does still happen. It particularly happens when there is a surplus of rental property available and tenants play one landlord off against another in terms of rent.
- Our ability to get repairs done as promptly as before. Contractors may find themselves short staffed or simply be reluctant to visit until it is confirmed that a property is free of risk.
- Some tenants may refuse or delay inspections. Usually they can't do this and it is likely that this remains the case. We need to be aware that delays may arise. Please note the advice about checking with Insurance companies. Many insurance policies demand that a certain number of inspections are carried out each year. Failure to do so may result in difficulties should a claim be necessary.
- The key exposure is that of rent arrears. Whilst some tenants may use this as an excuse there will be others where this becomes the new reality. Job losses will follow on from the pandemic, across many sectors of the community – no one is really immune, blue or white collar workers. Some will be able to manage this whilst others will find themselves in difficulty. Within reason we ask that landlords show some tolerance and work with us and the tenants to find a suitable solution.

We can't get down over this. We must work together to address any challenges that arise. We will get through this. Thank you for your co-operation.

There have been other things happening within our sector that we bring to your attention.

- Despite yet another drop in interest rates – to the lowest level ever – analysts are predicting that the property market will slow and that prices may fall. The logic behind this is the belief that 'social distancing' will make transactions harder to complete. Agents may cancel open homes as social isolation makes it harder for people to view homes. Owners will withhold property from the market, lending institutions will become more risk averse as ongoing employment for many may be at risk. Add to this that fact that the value of Kiwisaver has fallen sharply with the global share market crash so fund availability especially to first home buyers has reduced. On a positive note the most similar scenario to compare the current situation with is the 2008 Global Financial Crisis when house prices dropped by around 6% but had bounced back and even surpassed previous levels within a year.
- Up until now rental levels had continued to increase across the country reaching a national average of \$480 per week. This isn't just in key markets but in fact it is the minor markets that are showing the highest increase. This equates to \$20 per week more over last year and \$40 per week over the year before. Or 3.9% which is 2% over inflation levels. This has led to Renters United spokesman, Robert Whitaker, to

suggest that the Government needs to control increases – his suggestion is to the rate of inflation. An idea that is totally impractical. Not only would landlords need to control increases to this level but so would other suppliers of items such as rates, insurance, electricity, maintenance – all of these directly impact on a landlords cost structure. Whitakers idea simply won't fly as it is ridiculous to think that one party in the 'supply chain' should carry all of the burden. This is not a mature way to address a social issue such as housing.

- Some good news for landlords – we all know we need some. There is a growing trend within New Zealand of 'Renters by Choice'. More and more New Zealanders are making the decision to become long term renters – a trend that is predominant overseas. They wish to be free of the shackles of home ownership – mortgages, maintenance, financial commitments. And they like the ability to move as and when they wish with little inconvenience. A chance to upgrade easily. The number of renters in NZ has risen to 34% (from 26.2% in 1991) with the number of households renting growing at twice the rate of those that own. Rapidly changes lifestyles fueled by technology and a shifting workforce means people move more, change jobs more often, marry less and have fewer children making stability – often the top priority for buying a home – far less of an incentive than for previous generations. Also quoted as reasons for renting were no time to do maintenance, being able to live centrally and close to facilities and entertainment, and the view that by being a home owner one would be poorer, live

less comfortably and being more stressed. Interesting perspective on things. It would not be difficult to put up an economic argument to support long-term renting over ownership. The days of rampant capital gains are well gone and increases in expenses are higher than increases in income.

- Landlords are reminded that if they wish to object to proposed changes to the Residential Tenancies Amendment Bill then they should do so quickly. The aim of the changes is to make rental properties safer and healthier. It hopes to also provide landlords with 'better tools' with which to manage their properties. The key change that is causing the most concern amongst landlords – with the support of the REINZ and the NZPIF – is that removing the 90-day notice with no cause. The proposed changes are seen to be cumbersome on the landlord and almost impossible to work within in a timely manner. The ability to remove tenants who are causing issues within the community or causing damage to the property are greatly inhibited. Associate Minister Chris Faafoi doesn't agree and sees the proposed changes as simply levelling the playing field between landlords and tenants. Expect a considerable discussion around this point before the changes are passed. A recent survey of carried out by the REINZ found more than 82% of Kiwis disagreed with its proposed change. The 2,800 people surveyed were made up of landlords, property managers and tenants. A surprising outcome – 45% of tenants were

against the change. Seems some of them are concerned about the behavior of other neighbouring tenants and see the proposed change as limiting the responses of landlords. The survey also highlighted concerns about the proposed change under which fixed term tenancies will automatically convert to periodic tenancies. With this there was a larger gap between landlords and tenants' responses. Landlords want the ability to choose their tenants and tenants like the idea of security over term of rental. It is suggested that a large number of landlords will consider selling up if they lose the ability to exit tenants in a timely manner. In our opinion tenants who are well behaved and meet all of their obligations should not feel threatened by the current laws. We are yet to meet a landlord who throws out a good tenant.

- The proposed changes to the Amendment Bill also include a much longer list of unlawful acts by landlords. The present Act list 24 such offences – the proposed new one 60. By comparison only 17 unlawful acts are listed against tenants. Issues such as 'failing to supply a tenant with a change of address' - \$750 fine. 'Not replying to a tenant within a reasonable timeframe' - \$1,500 fine. For a full list go to [nzpif.org.nz](https://www.nzpif.org.nz)

That's it for this month. Please take care. If you have any concerns please call us rather than just dropping into the office.

Best wishes Sharon, Caroline, Andrea, Tracy.