

Hi everyone. Our first newsletter since the country went back to something like normal after Cobid-19. As yesterday showed us we are not free of it yet but everyone has shown considerable restraint in trying to beat the pandemic.

It has been a really mixed return to 'normal'. We have been very busy with doing appraisals of potential new rentals, there has been some interest from potential tenants, there has been a catchup on those non-urgent repairs that arose throughout the lock-down and of course we have resumed doing property inspections.

The end of lock-down has coincided with the approach of winter which is traditionally a slower time in the residential property rental market. Pre-winter interest is usually from people new to the city, families wishing to relocate due to schooling or some other social reason, from students at the university or hospital or from immigrants to the country. Lock-down put paid to much of this traditional activity. Immigration is zero whilst the borders are closed, student numbers are only just resuming but with no international students, families were unable to relocate during lockdown and now are reluctant to do so with winter fast approaching so the market at the moment seems to be mainly young professionals leaving home or new residents to the city – of which there are few.

What we have seen is a demand for smaller houses in the suburbs. This may be a cost driven choice but many of the applicants have been single people or couples. Interest in Central city townhouses is particularly slow but this is not helped by the large number of new developments. We hear from realtors that first home buyers are strong in the market and with low interest rates

and some reduced priced buying seems to be the preference over renting at the moment.

Lock-down caused us far fewer problems than we had anticipated. Media coverage was heavy about unpaid rents and the need for rent relief. For us this did not arise. As already advised, we had a few instances of unpaid rent but only marginally more than usual. Some were by tenants who had a history of non-payment prior to the lock-down. Only a couple were by tenants who were genuinely facing financial difficulties and interestingly nearly all of these have since been paid. A couple will go to the Tenancy Tribunal but they have history. Our thanks to those landlords who worked with us to resolve these problems. We do predict that there will be some difficulties in the future as more redundancies take place so please be patient and work with us if the need arise.

Further media coverage was regarding the owners of AirBNB units who were having to place those properties on the long-term rental market. If that was true then we didn't see them. And nor is it evident from the statistics available from TradeMe. Looking at it yesterday TradeMe had 1,282 listings within Christchurch City, Banks Peninsular, Selwyn and Waimakariri. That is actually 84 properties (6%) less than what we reported back in our January newsletter. So, we are uncertain as to what is really happening within the AirBNB market. We have noted some on listings such as Bookings.Com.

We have noted articles from both the Real estate Institute and The Property Investors Federation asking that since the country is now operating at level 1 the Government removes the limitations it placed on landlords around the frequency of rent increase and their ability to enforce 'no reason' end of tenancy agreements. There has been no response from the Government and our guess is that there will not be given the pending elections in September.

-----

The Government has however allowed an extension on the deadline by which landlords must provide Healthy Home Compliance Statements – from July 1<sup>st</sup> 2020 to December 1<sup>st</sup> 2020. This should not be a concern to our owners as we have virtually finished our independent surveys and had the necessary work completed on all our properties. Have to say that we were surprised to be approached, since lock-down was lifted, by three other property management companies asking who we had used as they hadn't even started yet. Remember please December 1<sup>st</sup> is the date that we now have to issue statements. However, if a tenancy is renewed or a new tenancy begins after the 1<sup>st</sup> July 2021 then the property has to meet the new Healthy homes Standards with 90 days of that renewed or new tenancy. All rental properties must comply to the new standards no later than July 1<sup>st</sup>, 2024.

-----

Another change revolves around the Tax Deduction cap on small purchases being lifted from \$500 to \$5,000. FOR THIS FINANCIAL YEAR. This is aimed at encouraging economic spend after Covid-19. So as an example, the installation of a new heat pump should be fully tax deductible now. Without the change such a purchase would have been shown as a depreciable item over time. Other Healthy

Homes related items such as a ground vapour barrier install or insulation should also be able to be claimed in full as in most cases the cost would be under \$5,000. However, we are not tax accountants so we recommend that you discuss this with your accountants first. SO?- If you are having to install heatpumps, extractors etc please ensure you do so prior to 31<sup>st</sup> March 2021

-----

From the real estate sector:

Several realtors have told us that they have been pleasantly surprised by the interest in the market since lock-down constraints have been lifted. Some pundits are predicting that house prices will fall – some say by over 10% - as a result of Covid-19 but frankly we don't see this happening in Christchurch as we went into lock-down with prices at a low level when compared to other parts of the country. There will obviously be some casualties arise from Covid-19 such as redundancies, business failures, and a general economic downturn but these will be offset to some degree by a lower LVR, low interest rates and with the support of a banking system that currently is highly competitive in the residential sector. And in many cases demand exceeds supply which will help to hold prices up. We see that this could be a great environment for investors looking to build on their rental portfolio.

-----

On this point we are currently working on a project that may be of interest to investors. We have been chosen by a developer currently working within Rolleston. He is planning dual floorplan properties – a home for a family with an attached flat for either extended family, AirBNB or long-term rental. There are still some issues around dual occupancy but these will be overcome in the near future. These are well thought out designs and if you would like to know any more please speak with Sharon.



For your interest the increase in average price of houses in Christchurch over the past year has been 3.7%. Well below Wellington at 11.2% and Dunedin at 20.7% but not far below Auckland at 4.5% and Tauranga at 4.6%. There are signs that the local market is improving.

It is anticipated that now the restrictions are lifting and whilst our borders are closed, that we will see an improvement in property listings nationwide.

This will come from people who held back during the lock-down and from people selling off AirBNB properties. There are definitely a large number of people talking about selling. It's unknown territory – we haven't come through a pandemic before, our borders haven't been closed before, the impact on our economy remains to be seen and of course immigration is at a standstill.

As you would anticipate property sales in April fell by a massive 78.5% to only 1,305 sales many of which had been signed up earlier with settlement falling within lock-down.

There has been a 40% spike in people under the age of 30 looking on TradeMe listings of houses for sale. This sector had been declining year on year for many years so this illustrates a possible surge in interest (as discussed earlier).

Finally, to advise of changes within our team. Andrea, who has been with us for 2 years, firstly as administrator and for the past year as a property manager, has decided to return to University to further her studies. We obviously support Andrea in this decision and have worked with her to help. Accordingly, Andrea will revert to a part time position, maintaining her role as Property Manager

but with a reduced portfolio. We have pleasure in welcoming Sue Gledhill, a very experienced Property Manager, to our team starting from June 22<sup>nd</sup>, She will take over the balance of Andrea's portfolio plus work on new business opportunities. Sue will be introduced to those owners whose properties she will be responsible for in the very near future.

Take care. We may not have Covid-19 totally eliminated but we are really close.

Best wishes Sharon, Carolyn, Andrea and Tracey.