

Hi everyone. Isn't it great to have a better spell of weather. It has an impact on the market with both potential tenants and potential landlords both back in the market. We have been busy doing rental appraisals for owners looking at entering the rental market and a few owners looking at changing management companies. It is nice that they are considering us. It will be good to have some new properties to offer as our availability has been somewhat limited over recent months. Tenants are staying put which has pluses and minuses.

You will have read about how buoyant the housing market has been since lock-down. Despite all the pundits predicting a collapse of the market the exact opposite has happened. Record prices are being obtained across the country including here in Christchurch. A sudden surge in demand and price has seen Christchurch real estate rise by 11% over the past 12 months. We don't have figures for Christchurch specific but nationwide the largest group buying has been investors at around 43% followed by first home owners at 41% which is the first time that this group has appeared this high in the statistics. A combination of low interest rates, availability of money, access to special incentives and in some markets low prices.

But in our view some caution has to be read into these outcomes.

- As Covid 19 restrictions continue so will doubt around the future of the housing market. There remain many commentators who believe that a drop is coming.
- As wage subsidies are lifted many families who have been coping may find themselves in a financially tighter position
- As more houses are placed on the sales

market it is possible that prices stabilise or even fall. This has been illustrated in Wellington city prices though outlying Wellington areas such as Upper Hutt are still rising quickly.

As people keep saying 'we live in interesting times'. Another factor which may impact on the Christchurch rental market is the proposal of the City Council to impose financial regulations around the short-term accommodation sector. Read into this AirBNB and the like. If passed, un-hosted visitor accommodation would be allowed for up to 60 days per year without resource consent. Between 60 and 180 days a year the council could not decline any application but it could impose conditions on the consent such as noise, traffic impacts on neighbours. Anything over 180 days would be classified as a 'non-complying activity' and the council would only grant consents if the environmental effects were low. These restrictions only apply to un-hosted accommodation – accommodation not shared by an owner. But the Council is also considering restrictions on hosted accommodation. These will be around the times of arrivals and departures and the banning of large functions or events being held at the property.

As you can imagine these proposals have met with mixed reactions. Owners of AirBNB style accommodation feel they are going to far and owners of motels and similar businesses don't think they go far enough.

The indicative cost of a discretionary consent is \$20,000 which will drive many operators out of the market and would see homes vacant for half of the year. AirBNB describe the proposed rules as 'outdated, regressive and restrictive'. They say the 'changes will make it significantly harder for

Cantabrians to earn extra income to help cover bills such as mortgages, rates and insurance. They claim that over 250,000 guests used AirBNB last year 'visitors who spent money in Christchurch businesses and helped grow local jobs.

Under existing rules owners in most residential zones need a resource consent to rent out their entire property as short-term accommodation but these laws are not monitored or enforced. The council only acts on complaints. It estimates that about 1,600 homes were being used for short-term accommodation without the necessary consent. That figure will no doubt have reduced after the Covid 19 restrictions were put in place.

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Something else to bear in mind. If these proposed regulations are put in place what will owners of AirBNB style accommodation do? Do they pay the consent fee and continue in business? – possibly unlikely in the short term due to Covid 19 restrictions on international travel. Do they take advantage of the currently buoyant house market and put the property up for sale? – a sudden surge of properties may in itself negatively impact the housing sector. Do they place them into the residential rental sector? – whilst demand for rentals remains steady a sudden surge in numbers of available properties wouldn't help the market. Time will tell.

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Renters United spokesman Robert Whitaker is asking the Government to impose a further restriction on landlords – that they can't increase rents by more than the cost of inflation in any one year.

It is our opinion that organisations like Renters United serve a positive role but it is also our view that they need to be more encompassing in their outlook and look at matters from both sides of the fence.

Landlords put the rents up to ensure that they are meeting the current market and to cover increases in costs rather than simply to increase their profit margin. So, this begs the question of Renters United. How do they justify their comments if landlords cost increases are in excess of the rate of inflation? Or even increases in the Cost of Living Index. Why do they expect landlords to accept these restrictions when organisations such as local councils, insurance companies, electricity and gas providers, maintenance companies are not also asked to limit the size of their increases?

Get all these parties to agree and then the suggestion of Renters United may have some merit but until such time they really need to get into the real world and work with landlords to find mutually acceptable solutions. We understand the desire to help protect tenants but if landlords are not protected also then the supply of rental properties will dry up, rents will go up and more tenants will be adversely impacted.

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Highlights from the REINZ and Tony Alexander Real Estate Survey:

- The sector is more buoyant.
- Fewer agents and buyers believe prices will fall.
- Fewer investors believe they will now find a bargain.
- Listings remain low.
- More buyers are reporting that finance is hard to secure.

- Having said this more people are looking and attending open homes.
- The absence of price falls following Covid 19 has spurred people into action.
- There has been a slight uplift in enquiries from overseas.
- No sign of investors offloading rental properties.

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The ASB is tipping that interest rates will fall into negative territory by April 2021. This is the result of the international impact of Covid 19. The ASB does not expect real recovery of the NZ economy until 2023. 'Until Covid 19 is brought under control, economic recovery will face periods of disruption' says Nick Tuffley, ASB Chief Economist. 'An effective vaccine to combat the outbreak could still be years away and until then containment looks to be the best solution. The art will be refining and adapting restrictions and business operations to minimise the disruption'.

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The Commerce Commission has cautioned property investor representatives after a group of them allegedly tried to collude online in an attempt to uniformly raise rents on a single date – September 26<sup>th</sup>. The Commission quoted an online communication which made 'a reference to the whole market grouping together'.

The names of any party were not released.

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Landlords have been given an additional 5 months to meet this year's Healthy Homes standards. They now have until Dec 1<sup>st</sup> to include detailed information in their new or renewed tenancy

agreements about how their property meets the standards, before compliance is required by July 1, 2021.

Many landlords may benefit after the Government increased the depreciation limit from \$500 to \$5,000 until March 2021. What this means is that previously a heat-pump was never usually tax deductible but now most of them will be under the \$5,000 limit.

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On the issue of Healthy Homes. National leader Judith Collins has stated that under her Government all the recent changes to rental standards would be repealed. Easy to say – much harder and slower to do. They would not, for example, be able to get rid of the legislation in time for landlords to avoid the compliance statement from December 1<sup>st</sup>, 2020.

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With all the doom and gloom in the marketplace about residential rentals you would think that the demand was exploding and vacancies rapidly increasing.

This has not happened:

There has been a drop of 81 rental properties available within our area since December last year.  
A drop of 6%

By bedrooms:  
September 2020:

	1	2	3	4	5+	
Banks Peninsular	1	4	9	0	0	14
Christchurch City	249	332	335	149	95	1160
Selwyn	4	10	32	34	7	87
Waimakariri	1	4	11	8	0	24
						1285

December 2019:

	1	2	3	4	5+	
Banks Peninsular	1	6	4	0	0	11
Christchurch City	53	461	411	190	93	1208
Selwyn	3	6	35	32	9	85
Waimakariri	3	15	26	15	3	62
						1366

What does this show us? For Banks Peninsular and Selwyn very little change. For Waimakariri a significant drop in available stock. This could reflect the sales of houses within new developments such as Pegasus where for a long time properties did not sell and many new houses were rented out. But for Christchurch the huge shift is in 1-bedroom units. From 53 to 249. Simply a reflection of the many new apartment blocks that been built throughout the city and the fact that many of those are being let on a 'room x room' basis. These new builds are also reflected within the 2-bedroom increase. The drop in 3 / 4- bedroom properties is not a surprise. The demand remains with family homes in suburban areas.

By rental level:  
September 2020:

	\$0 – \$200	\$201 – \$300	\$301- \$400	\$401- \$500	\$501- \$600	
Banks Peninsular	1	0	5	3	3	
Christchurch City	62	114	298	368	169	
Selwyn	2	2	11	38	26	
Waimakariri	0	1	8	10	3	

December 2019:

	\$0 – \$200	\$201 – \$300	\$301- \$400	\$401- \$500	\$501- \$600	
Banks Peninsular	1	2	3	1	3	
Christchurch City	66	122	278	383	182	
Selwyn	2	3	9	40	21	
Waimakariri	0	3	16	40	3	

There is nothing of significance with these figures other than a drop in high-end properties in Christchurch. We interpret this as being fewer 'student rentals' on the market currently compared to year end 2019. It will be interesting to see how these look later in this year given the restrictions on foreign students due to Covid 19. We hear that several student properties have been converted to family rentals so should immigration restrictions ease there may well be a shortage of student accommodation for the New Year.

Wishing you all a happy month ahead  
Sharon, Carolyn, Andrea, Sue and Tracey