

Hi everyone and a merry Christmas to you and your family. What a year this has been but the good news is that all of us here have managed Covid-19 and the problems that it brought and are ending the year on a bit of a high. We do however appreciate that this may not be true for all of our owners and we hope that the issues of the year are now behind you all.

Looking back the year started off slowly for us – we seemed to miss that New Year rush. Mind you we didn't have a lot of vacant properties to offer potential tenants and new business seemed harder to obtain.

For us the impacts of Covid-19 were not as disruptive as we feared.

- In terms of new business, it virtually dried up – you will recall that we were not allowed to show properties during the lockdown.
- In terms of tenants – they couldn't move even if they wanted to so there was much greater stability within the market than would be usual.
- In terms of credit collection everyone was fantastic. Yes, we had several late payments but we had NO non-payments. Tenants that experienced difficulties due to work lay-offs etc spoke with us and their landlords were totally co-operative so by the end of lock-down we had no on-going issues.
- Our sincere thanks to everyone for their support during these difficult times.

For the first few months after lockdown was lifted the market remained stable and looked like a normal winter period in our market.

But the last three months have been wonderful.

- We have been offered a number of new business opportunities – many of which we were successful in obtaining.
- As advised earlier we were selected by another property management company to take over a number of their accounts which didn't fit into their traditional network. The transition of these properties into our business has now been completed and we hope running smoothly. Some of these new owners only came across this past month so to them we offer a big welcome into the Quinovic Merivale family and we look forward to working with you in the future.
- Although the pool of potential tenants remains smaller than usual – due mainly to restrictions on international students and migration – there is activity and properties are moving. Rents are holding up and, in some categories, increasing. There is renewed interest in inner-city living.

So, the start of 2021 looks very promising.

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From the media.

- As you would have read in all the papers the housing market has gone berserk across most of the country. Whilst the Government struggles to work out how to control rising prices the real estate sector is experiencing its best few months for over 12 years – in terms of number of properties sold.
- Houses are selling well in excess of RV – which in itself is not a surprise given that RV's are a 'desk-top' exercise and don't include those hidden values such as modernisation, views, schooling and the like.



- Some areas have experienced high double figure growth – like Akaroa where average prices have risen by 58%. Gisborne by over 50%, Hastings by over 35%
- After many months of stability even Christchurch is seeing price growth – for the year ended November 2020 of 5.2% but we would suggest if just October and November were considered this figure would be higher.
- The price of the average home in NZ has now risen to \$762,700.
- Ashley Church, former head of the Property Institute of New Zealand has claimed “put on a blindfold, stick a pin in a map of New Zealand, buy a house there and you will make money”. He is concerned that “property is becoming unaffordable even for those with equity”.
- The Reserve Bank has refused the Government's invitation to involve itself in the housing sector. Many accusations circle that part of the current problem is that funds released by the Reserve Bank to stimulate the economy following the Covid-19 outbreak is in fact being cycled into the housing sector which is an unproductive investment when compared to growth in industrial manufacturing output, tourism, retail and the like.
- Accusations are also being made that the current environment of low interest rates and rising prices is further promoting the interests of investors. Some statistics show that whilst investor activity has risen over recent months it lies second to ‘first time buyers’ whose share of the market has more than doubled.
- However, some banks are imposing their own restrictions on investors. The ANZ, and others, are now seeking a 40% deposit from investors with more than 3 properties – their own interpretation of LVR. (Incidentally the Reserve Bank has indicated that LVR's will return in February 2021. They have also hinted at even stricter restrictions)
- There are some predicting that the ‘bubble is going to burst and that many recent home owners may face having negative equity in their property’. At this stage we see this as being quite a dire prediction and one unlikely to happen – or at least happen to the extent some see. The prediction of a collapse of the housing sector arises about every 5 years and has not yet happened in this country. In the meantime, countries such as the UK and Ireland experience such reversals at regular intervals and they are viewed as simply being part of the property cycle.

What we have to remember is that no Government – no matter which colour – wants to be the Government that led the country into such a collapse. Stabilisation would be high on their agenda but not reversal.

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Perhaps not surprisingly Stats NZ has released figures that show that home ownership in New Zealand is at its lowest rate since 1951.

By the end of 2018 just over 1.4 million New Zealanders live in rental accommodation. Just over a third of all renters over 65 years of age live in social housing. The report found ‘considerable disparities’ in home ownership with younger people far less likely to own their

own home and Maori and Pacific people less likely than other ethnic groups.

As an example, they show that in 1991 61% of people aged between 25 and 29 lived in an owner-occupied property. By 2018 this had dropped to 44%. For those in their 30's this had dropped from 79% to 59% over the same period. This report, whilst no doubt useful, is already 2 years old and given the significant changes over that 2-year period it is already out of date. It is not surprising that the Government struggles with finding solutions.

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The report also raised the old chestnut about how rental properties fall far short of acceptable standards in terms of heating, insulation, moisture content etc. This keeps getting raised yet there is little supporting data that shows this to be true – how many? Location? Private landlords of social housing?

With the new Healthy Homes standards just around the corner we would be surprised if a large number of privately owned rental properties fell outside the standards or where the standards were not being addressed. Sure, there will be some, maybe even a few thousand but given there are over 250,000 private rental properties in the country even this would be a small % of the total.

Not so however with houses owned by Housing New Zealand or social housing. A report in the media this week indicates that less than 10% of all Housing NZ homes meet the Healthy Homes Standard. They have until 2024 to meet standards but if these figures are correct, they are going to fall well short. Sounds like another Kiwibuild fiasco. It seems appalling that Housing New Zealand and other

social agencies place so little focus or priority on such issues. It also seems like an area in which the Government could more clearly show their commitment to poverty and housing standards. They could demand that this work be carried out in a more professional and timely manner. If as much pressure was placed on Housing New Zealand and social providers as has been placed on private landlords over recent years then this situation would be no where as bad as it apparently is.

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The New Zealand Property Investors Federation is calling for a change to the Tenancy Tribunal. It wants to see a separate division to focus on just rent arrears and bond refunds. They believe the outcome would be shorter wait times, less court time and lower costs.

The majority of claims made through the Tenancy Tribunal are from landlords and relate to rent arrears and the application of bonds towards damages caused by tenants. From July 1<sup>st</sup> to September 30<sup>th</sup> 2020 a total of 5,548 applications were lodged – 76% by landlords, 24% by tenants. 38.52% were in Auckland, 8.44% in Christchurch, 4.60% in Hamilton and 4.56% in Wellington. 3,107 related to rent arrears, 2,172 to bond refunds, 2,091 to termination cases, 1,397 about compensation for damages. (The numbers add up to more than 5,548 as many applications cover more than one dispute).

A division of MBIE the Tenancy Tribunal was established to resolve disputes between landlords and tenants. It is less formalised than the court system but it is able to issue legally binding decisions. Disputes are meant to be heard within 20 days of lodgement but reality is

that many cases take more than 6 weeks to be heard.

Based on our experiences with the Tenancy Tribunal they offer a system that is fair to both parties.

According to the latest REINZ / Tony Alexander report on the housing sector-

- Fewer people are attending open homes. This may reflect some tiredness on the part of frustrated buyers but not necessarily reflect that buyers are deserting the market.
- Fewer people are attending auctions. Possibly the outcome of stricter lending criteria being imposed by banks in advance of the re-introduction of LVR's.
- FOMO (fear of missing out) is still playing a significant role.
- There has been less activity from offshore investors.
- The shortage of listings remains the biggest problem within the market. However there has been a marked increase in enquiries around getting valuations of property so perhaps this may swing in the New Year.
- Little evidence of investors selling off rental properties.
- The market continues to be in flux.

Earlier this year we advised that our property manager Andrea had moved to part-time hours to enable her to go back to university. This has worked very well for Andrea. However, Andrea has now decided to go to university full time in the New Year and has resigned from her role with us. We congratulate Andrea on this decision and wish her every success with her studies and thank her for all of her efforts with Quinovic Merivale.

We are delighted to be able to advise that we have been joined by Jo Jamieson who will be stepping into Andrea's old portfolio effective immediately. Jo will be a valuable member of our team and we are all looking forward to working with her.

Christmas is now upon us. Our office closes from 5pm on Wednesday 23<sup>rd</sup> December and re-opens 8.30am Tuesday 5<sup>th</sup> January, 2021. We will of course be out and about doing viewings, paying our clients and organising maintenance.

Please note that there will be someone on Call 24/7 during this time, but we do expect to have some personal time with our families so our mobiles may not be answered- Simply ring our usual landline number 03-3550348 and you will automatically be put through to the person on duty. So please don't hesitate if you have any issues you wish to discuss.

All of us wish you and your families a very enjoyable Christmas and New Year and we look forward to working with you in 2021. Our sincere thanks for your trust in us to manage your property. It is appreciated.

Merry Christmas everyone

Sharon, Caroline, Sue, Jo and Tracy