

Hi everyone and welcome to 2021. We trust that you all had a wonderful holiday period and are looking forward to a hopefully different new year. Haven't we been so fortunate, when compared to most of the world, to have been free to enjoy the beaches, the cricket, the Americas Cup and being free to travel – even if just within our own country. Let's hope it can stay that way given the new virus strains that are popping up elsewhere. Remember to scan those codes so you know where you have been should that be necessary.

The boost to business that we experienced for the last 3 months of last year has continued over the holidays. Strong interest in available properties, a good number of potential new properties, rent levels holding and in some cases rising. Long may it continue.

There hasn't been a lot of media focus on the rental property sector over the holiday period other than around the changes to the tenancy laws which come into effect from February 11th, 2021 so let's just review those.

EVICTON:

The most controversial of the changes is that around eviction. Under the new regulations landlords will no longer be able to evict tenants for 'no cause' simply by giving 90 days' notice. Landlords will need specific grounds to get rid of tenants and the notice periods will change too.

If a landlord, or a family member of the landlord, wants to live in the property they have to give the tenant 63 days' notice. If the property is to be sold then landlords have to give 90 days' notice. This notice period starts from when the landlord intends to start the

sales process- not from when a sale goes unconditional.

To evict problematic tenants landlords must provide evidence of three anti-social events in a 90-day period or prove that the tenant has been more than 5 days late in payment of rent in a 90-day period. This is something that landlords have expressed concern about with some tenants taking advantage of this clause.

However, there are exceptions. If tenants are more than 21 days in arrears with rent, if they have caused or threatened to cause significant damage, have assaulted or threatened to assault someone, used the property for illegal purposes or abandoned the property then the above notice periods are void.

The reality is that the existing 'no reason' clause has been used on less than 3% of cases before the Tenancy Tribunal. Most landlords have never resorted to using this condition. But the comfort level for landlords came from knowing that such evictions were possible if needed.

MODIFICATION:

Another section of the reforms focusses on making the properties more like home for the tenants.

Example – tenants may ask for fibre internet and landlords may not refuse if it comes at no additional cost to them. However, approval can be denied if this compromises the weather tightness or structural integrity of the property, if it breached body-corporate rules or if the landlord plans to begin extensive alterations within 90 days of the installation.

Tenants will also be able to request to make minor changes to the property such as hanging curtains or installing a baby gate and landlords cannot decline if the change is small. They can however request that such modifications be carried out in a certain way. The only condition under which a landlord can decline is if the proposed modification cannot be changed back at the end of the tenancy.

RENT PRICES:

Rental bidding wars are outlawed and all properties must be advertised with a price tag. However prospective tenants are still allowed to offer to pay more if they wish – it simply can't be landlord instigated.

Tenants are allowed to transfer 'interests and responsibilities' to another person unless there are reasonable grounds for the landlord to decline. A vague area but we assume that should personal references or a credit check highlight issues then this would give the landlord grounds.

PRIVACY AND DOCUMENTATION:

The laws around privacy in the Tenancy Tribunal are also changing. Tenants will be able to apply for name suppression following a hearing to avoid themselves being blacklisted. Note they can 'apply' it is not automatically granted.

Landlords will be required to keep more thorough documentation of their tenancies. Any landlord who does not provide a written tenancy will be considered unlawful. Documentation of all fees and repair receipts must also be kept and made available to MBIE if required.

STILL TO COME:

From August any tenant experiencing family violence will be able to leave their tenancy with just 2 days' notice provided they have evidence of such abuse. And the rent will decrease by the percentage of people who have vacated for up to two weeks. Regulations for what constitutes appropriate evidence are still being drawn up by the Government.

The majority of claims before the Tenancy Tribunal are made by landlords and relate to rent arrears and bond refunds. The number of such claims are so high that this is causing significant delays within the Tribunal. Cases can not be handled in a timely manner resulting in many cases in additional losses for landlords.

Resultant from this the New Zealand Property Investors Federation is calling for a separate division within the Tribunal specifically for claims related to rents and bonds. They see this would speed up the process and reduce court time and costs.

The on-going rise in residential house prices is being reflected in increased rents across the country. Whilst the number of available rental houses has increased over the past year (probably distorted by ex-Air BNB properties being offered to the rental sector) the increases in demand has been higher.

No change in this market driven outcome is expected until such time as supply at least matches demand. For rents to fall you would need to see supply exceed demand and that's an unlikely scenario for the foreseeable future.

The problem facing many landlords is that at current prices rental returns are unattractive. Costs such as rates and insurance continue to increase. Buying for rental in today's environment requires confidence that prices will continue to increase generating a capital gain over time. Since this is exactly what the Government and others want to stop has made many investors reconsider. A true catch-22 situation.

Changes to the Christchurch market over the past year.

- Christchurch now has 4 suburbs where the median price exceeds \$1 million. Scarborough is on top at \$1.2million.
- Philipstown last at \$304,850.
- The vast majority of suburbs have seen an increase in median value with New Brighton the largest in percentage terms at 7.9% and Westmorland the largest in dollar terms at \$30,700.

Of interest

- Herne Bay, Auckland has highest median value of \$2,681,650
 - Kawerau boasts the largest percentage increase at 200.7% over 5 years
 - Kaiti, Gisborne the largest increase over past 12 months at 39.7%
 - Lowest median value in NZ is Rununga, Greymouth at \$150,950
 - Lowest 12 month change in median value Queenstown at -10.9%
 - Highest gross rental return is Rununga at 10.3%
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The lack of properties for sale is not only causing higher prices but also reducing the time taken to sell a property. In December the average days to sell fell from 31 to 27 nationally the lowest in 204 months.

December saw 27.9% of all properties sold through the auction process – up from 13.6% at the same time last year. This was the highest percentage in 63 months.

Properties available for sale fell to 12,932 nationwide down 29.1% on the same time last year – the lowest level of inventory ever. In Nelson the fall was 49.1%, in Marlborough 49%, In Manawatu / Whanganui 48.3%. Wellington has less than 4 weeks inventory based on the current level of sales.

Houses sold for under \$500,000 fell from 32.1% to 19.3% of total sales
Properties sold for above \$1 million rose from 16.4% to 27.9% over the year.

Please remember that if you have a specific interest that you would like us to research we are more than happy to do so.

Best wishes
Sharon, Caroline, Sue, Jo and Tracy