INVESTOR IQ

www.quinovic.co.nz

QUINOVIC
Experts in property care and return

Welcome to your monthly update from Quinovic Merivale on property investment news and opportunities *22 August 2023*

It's been a very busy month and once again we find ourselves with next to no available rentals. It has been an exceptional winter period. Usually come May the market slows and properties sit. Not this year. It is unusual for us to be disappointing those potential tenants seeking accommodation and finding they face a severe shortage of rental properties. As soon as we introduce a new listing we have a list of names and good property has gone often on the same day.

Needless to say, if you know of people we could talk to about managing their rental property we would love to hear from you.

Demand is city wide. All styles of property though family homes still the most in demand. Inner city apartments are popular with the younger tenants or e newly married / no children / walk to work demographic.

Demand is coming from people moving to Christchurch for the lifestyle and from new immigrants now the borders are back open. The Government is talking of further relaxation of entry rules so we see this demand continuing for some time as working visa tourists and foreign students return.

It's been an exciting month.

Firstly, we have had the annual Quinovic conference – this time in Wellington. All 26 franchisees from around the country have the opportunity to gather and discuss issues of common importance. And to be recognised.

Quinovic Merivale won the award for the largest growth in portfolio over the year. This award included our acquisition of the rent role last year.

Quinovic Merivale came third in growth when the acquisition wasn't included. This was a big thrill as it is harder for offices in smaller regions to outgun our colleagues in Auckland and Wellington.

I came back early from Wellington as Quinovic Merivale had been invited by Steve Goodey, a well know Wellington based investor and property coach, to participate in his 'Cashflow Property Bootcamp' held in Christchurch last Sunday.

Over 300 people attended the seminar. Existing landlords and investors and those thinking of entering the sector. Steve spoke about his journey and presented strategies designed to 'make money from property'. With close to 30 years of experience to draw from Steve spoke about buying to flip; buying to renovate and sell; buying to renovate and hold; about cashflow – how some properties had to be cashflow positive to satisfy bank requirements; about equity levels; his love of boarding houses; the ability to add value and to the income stream by adding rooms etc.
The over-riding question – How much do you want / need a week of disposable income in retirement – for 30 years?

An excellent seminar (you can look up Steve and some of the content on the internet) and well received. Personally, I learned a lot about the sector from 'the eyes of a client'. Quinovic Merivale was grateful for the opportunity for exposure to all those present.

A very quiet month in terms of political announcements. No major party announced housing policies though the Green Party did make a climate announcement which encompassed housing.

Their new policy was around solar electricity – and associated improvements to home controls. Under the policy home owners (including landlords) were eligible for a grant of $6,000 towards the costs of installing solar panels. A further interest free loan of up to $30,000 is available to pay for other necessary work on the property (insulation, weather tightness, double glazing etc) in order to make the property more comfortable. For landlords they emphasised that the repayment of the loans would be tax deductible.

We have no issue with the policy. If it assists home owners to have a comfortable level of living and to reduce longer term power dependency and costs then it is a good thing.

Were we see the policy having a weakness is that they announced the expectation that Kainga Ora would convert 30,000 properties a year under this program. Given Kainga Ora's inability to meet healthy homes standards – they have had one time extension and are seeking another – you would question their ability to manage or focus on this program.

IQ INVESTOR

www.quinovic.co.nz

QUINOVIC
Experts in property care and return

Welcome to your monthly update from Quinovic Merivale on property investment news and opportunities *22 August 2023*

The other announcement – this time from Labour – was about the licencing of Property Managers. A bill will be introduced into the house which if past will require Property Managers to be licenced. As you know from previous items in our newsletters Quinovic has no issue around this.

But the announcement doesn't go far enough.

It does not include private landlords who manage their own properties. We know there are 'rogue' managers out there but they are few in number. We would respectfully suggest that many of those landlords who have been exposed for poor management standards were not landlords who would use property managers. The proposed bill therefore offers no additional security to those tenants.

Nor does the bill cover Property Managers employed by Kainga Ora or other community housing providers. Why is it seen that their tenants don't deserve to be covered by the protection the bill is designed to offer the tenants under Property Managers.

In fact, the proposed bill will only cover an estimated 42% of tenants nationwide. Begs the question – why is the Government considering a bill that will support such a low number of tenants. How is protection going to be offered to the other 58%?

We came across an interesting article from Core Logic. In it they compare the cost of servicing an average mortgage with the cost of an average rent.

Based on its latest housing affordability data they say the average mortgage repayment on an 80% mortgage on an average price home equates to 49% of the average gross household income. At the same time the percentage of the average household gross income required to service a n average rent was 21-8%

"Spending almost 50% of gross average household income on mortgage / interest repayments is relatively unaffordable long term. Although lower mortgage rates are likely over a two-year horizon we are not expecting cuts in the shorter term".

Christchurch has a rent to income ratio of 21% and an average mortgage ratio of 43%.

Infometrics Chief Executive Brad Olsen says he hopes that the past couple of years have changed peoples view that 'house prices always go up'.

Olsen says this environment is behind more people deciding to rent long term rather than buy a house. People are thinking that if they could save 17% a year – the difference between the two costs – that would place them in a better position long term.

We see the long-term issues relating to this as being family security, potential capital gains should house prices return to a higher level and of course the big question – would that 17% really be saved or would temptation to use elsewhere occur.

But in the immediate term a good future outlook for investors.

Interestingly the current market is making accurate and consistent reporting very difficult.

- Demand is currently higher than availability in some regions
- Low stock levels are resulting in fewer completed sales
- Lower stock levels are resulting in higher-than-expected prices in some cases
- Demand for larger family homes is declining and a shift to more modestly sized property is evident
- Really top end property is selling well
- Over all the market the number of days to sell is increasing
- Fear of over-paying (FOOP) is high
- Fear of missing out (FOMO) is returning to the market
- Election year jitters are returning to the market
- Investors returning to the market in some locations.
- More first home buyers in the market though their window of opportunity may be narrowing.

So, a relatively short newsletter this month. We can expect more policy announcement around housing as the elections get nearer. Realtors tell us that they expect a lift in their market sector over the remainder of the year. We are very confident that demand for quality rentals will stay high for the rest of the year.

Thank you all for your ongoing support. We do appreciate it. – SHARON