Hi all. Our extended summer here in Christchurch continues especially when we look elsewhere in the country. I am feeling guilty as I look down on the hundreds (thousands) of fellow Cantabrians competing in this morning's Christchurch marathon. I should be out there with them but for some strange reason I am not.

The rental market continues to be buoyant. Usually in Autumn things turn down but not so far. Demand continues to outstrip out-strip supply. Reasons are self evident – shortage of supply, record immigration, record enrolments at local educational facilities, record internal migration from elsewhere in New Zealand to Christchurch. More than anything a slowing down of the residential property sales market.

We are told that there are more properties listed for sale within New Zealand since 2015. Over 31,000 properties were listed for sale at end of February 24 with sales being only 5,693 – or 21% of stock sold. At a time when fewer people are looking.

Prices continue to be steady but analysts believe that there are many vendors out there, fighting off mortgagee sales or simply wishing to reduce their outgoings, that are prepared to negotiate on price. If this sector of vendors continues to grow then downward movement in price is anticipated.

What may offset this would be an acceptance by the reserve Bank tat they may have over engineered the steps taken to bring down inflation and start to reduce the OCR sooner than expected.

Analysts believe many people are holding off on purchasing a property as they are anticipating drops in both asking prices and interest rates. One trend that is already evident in the market is the number of mortgage holders who are fixing interest for just 1 year in the hope of interest rates falling.

The continued shortage of new builds to the market is predicted to continue. Building permit applications are falling fast all across the country. The number of builders facing financial difficulties is increasing and many have closed permanently – often leaving considerable debt to sub-contractors which is placing further difficulties within the sector. On the brighter side are indications that inflation on building materials is falling faster than in some other areas of the economy but this may be too little too late for some.

The future continues to look bright for the residential property sector. Recently introduced changes to the residential tenancy Act – even if they done take place immediately – show that the new Government appreciates that private landlords need to be encouraged to remain in the sector. Media focus has been on the eligibility of interest payments for tax consideration. But the re-introduction of the 90-day termination clause provides an easier environment for landlords facing difficulties with tenants.
No landlord sets out to get rid of tenants at regular intervals. Landlords do not use this to maximise rents. It is always better to retain good, reliably, viable tenancies than it is to evict and to find replacement tenants.

However, from time to time a wrong tenant is selected. They fall behind in rent. They damage the property. They are offensive or threatening to neighbours and landlords. Since the 90-day termination clause was removed it has become extremely hard and stressful on landlords. The legal system, through the Tenancy services process, with its long delays and limited ability to enforce has not always been supportive in such circumstances. The re-instatement of the 90-day termination clause will provide greater support to landlords and will enable more deserving tenants to find accommodation.

The re-instatement of fixed term tenancy agreements will provide stability to both tenants and landlords.

The current 10-year bright-line-test- for residential properties are to be repealed and replaced by the original 2-year bright-line-test. The stated policy is 'to return the test to its original purpose of ensuring that speculators pay their fair share of tax on gains from property'.

Most of the news around the Residential Tenancies Act however has been the planned introduction of Pet Bonds. Until now it has been illegal to write Pet Bonds into a lease agreement – even if both parties are in agreement. They are unenforceable in the current context. Resultant from this has been a reluctance by landlords to allow pets in their properties. There have been cases where damage to property by pets has exceeded the maximum 4-week bond currently permitted by the legislation.

The Government plans to introduce a bill amending the RETA so that a ‘pet bond’ up to a maximum of 2-weeks rent can be applied on the basis of both parties agree. Landlords are not obliged to accept pets and some reasons for not doing so include (but not limited to) -

- Property not being suited to pets due to the property size, inadequate fencing.
- Relevant body corporate rules or council by-laws.
- The size, type and number of animals.
- If a dog, that breed of dog is classified under the Dog Control Act 1996 as dangerous or menacing.
- Disruption to the neighbourhood.
- Evidence that the pet has previously attacked people of other pets.
- Evidence that the tenant has history of not complying with relevant local council animal by-laws.

The amendments also propose to make tenants fully liable for careless and accidental pet-related damage that is beyond fair wear and tear.

NOTE: This is a proposed amendment. It is not yet in force. It may be 2025 before this change comes into play.

We are told that there are now over 25,000 applicants on the waiting list of Kianga Ora and other public housing providers. After 6 years of fanfare and false promises the situation only continues to deteriorate. And there is no sign of noticeable improvement on the near horizon.

What’s also rearing its head is the new Governments awareness that subsidies to New Zealanders on either rent or mortgage payments now equal $2.4 billion per annum. They are seeking evidence that such levels of subsidy are sustainable. Watch this space.

The real estate sector is feeling the impact of low sales figures. Real estate commissions throughout New Zealand were around $400k million for the first quarter. In fact, that figure has been the average for the past 4 quarters. Compare this to the halcyon days of 2020/21 when total commission paid out peaked at $700 million for the 4th quarter of 2020 and were above $500 million for six consecutive quarters.

The slow market has bought with it another less common change. It seems more and more vendors are blaming the fact that their property has not sold on the sales agent. There has been a trend that when as property is re-listed it is with a different sales agent.

The reaction of agents is to be expected. One describes the sacking of an agent who has put in a bunch of hard work as a kick in the teeth. Another is calling for patience. They suggest that changing agents is not in the better interest of the vendor. Properties get tarnished by such moves and often this results in the vendor obtaining a lower price. Afterall as one agent suggest, “the only thing a new agent can often play with is price”.

It has been pointed out that often is not the buyer that is delaying the process but the banks requiring building reports, registered valuations and refusing to mortgage properties with issues such as plaster components.

The temptation is to think the grass is greener on the other side but seldom does that prove to be true. Panic reactions often have a negative impact on price agents say.

Any help you can give us to obtain new properties to supply our growing list of potential tenants would be greatly appreciated. Suburban homes and city apartments are in demand at present. Rolleston continues to be a location of high interest.

Take care as winter approaches.

Best wishes Sharon.