

Nice to see the sun. And it's true. Days like this bring out the lookers. There has been a slight lift in interest by potential tenants. Indications are that immigration continues to be a major factor – both from overseas and from within.

Christchurch is definitely the number one place in the country at this time. There is an increase in foreign students – the university roll is the highest it has ever been. Employment opportunities – though still tight – appear to be better than elsewhere in the country. Our new vibrant city is seen as being more fun and this is attracting families and young professionals.

Coupled with this is continuing caution around house purchases – potential buyers are opting to wait. This not just mortgage interest driven but there is concern around the economy and the effect that global issues may have upon it. Issues like the Israeli – Iran war and Americas growing involvement in this. The on-going Ukraine – Russia war and the flip-flopping by America. The impact of these wars on fuel supplies and pricing. The impact on household budgets and the drop in discretionary spending. Shaky financial security – the fear of job losses and falling KiwiSaver balance.

Both the positives and the negatives are helping to support the rental market in Canterbury. Good properties will remain in demand. Rents are much more stable than in Auckland and Wellington. Some properties are sitting but often that is a reflection of the current stock levels rather than with fault with the property. It is a tenant's market but signs are that this is starting to move back to being a more balanced market.

It's not a great time for property sales though. High stock levels. Fewer people prepared to commit. Falling prices.

You would wonder if that last statement is true when you read in the paper of houses selling for

record prices. It seems that multi-million-dollar properties (over \$5 million) are selling daily. Perhaps they are but we must remember that such houses form a relatively small portion of the market.

The real estate sector has seen a further drop in the number of registered real estate agents which would indicate that for some it is becoming just too hard.

We came across an interesting article. A local website had made comment that Ray White had more listings than Harcourts. They have had to apologise as this turned out to be incorrect. But the statistics are astounding.

Harcourts:

- 6,989 residential properties for sale
- 113 rural properties for sale
- 200 offices nationwide
- 2,573 licenced salespeople.

Ray White:

- 5,967 residential properties for sale
- 126 rural properties for sale
- 193 offices nationwide
- 2,692 licenced salespeople.

What we found staggering was if you divide the available properties by the number of licenced sales people then you have Harcourts at 2.76 properties per salesperson and at Ray White you get a factor of 2.26. You have to ask if this is sustainable? WE acknowledge that new stock enters the market and that other stock is sold but even if you allowed for a stock turn of 4 is it viable for the average sales per salesperson to sit around 10 properties per annum. Probably why so many are leaving the industry.

News around the rental sector has been very limited over the past month – virtually only around Healthy Homes compliance.

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Last month we asked what the compliance rate of homes managed by Kainga Ora was. Well, this question was answered on a TV news article last week. According to Kainga Ora over 96% of their properties met healthy homes standards. Really. If someone took a random 100 properties and inspected these would they find over 96% of these had extractor fans over the oven, correct heating within the lounge, correct water drainage over the section. Sorry but we find this hard to believe BUT we will be the first to apologise should Kainga Ora be proven correct. It didn't do their case much good though when the interview took place within a home they manage and the reporter / tenant were picking away at rotten wooden window frames and were talking of how it had been 'impossible' for the correct installation to be positioned below the floor and within the ceiling. Do they still consider that as compliant?

Healthy Homes awareness still appears low around houses managed by owners. By pure co-incidence the editor was speaking to friends who manage their own rentals.

- The decision was made to rent a family property. When asked about the provision of a Healthy Home Compliance Certificate there was a blank look. The family did not know about these legal obligations.
- With the other the heat pump failed in one of their rentals. They replaced like for like. When asked if the new heat pump met the formula as set out under Healthy Homes again there was a blank look. A comment that "the tenant was delighted" would not hold any ground if the pump was not sized correctly.

And the fines are already rolling in. A major real estate company in Auckland fined almost \$8,000 for non-compliance with Healthy Homes Standards. A Dunedin landlord faces numerous charges regarding non-compliance over several properties. And we only see this as getting worse as tenants realise the requirements and their rights to a home that meets Healthy Homes standards.

The question is often asked "is it worthwhile engaging a real estate agent to sell your property". More New Zealanders attempt to sell their property themselves – up from 3-1% in 2016 to 7.6% last year.

A study by Cotality indicates that it is!

The study shows

- Agents sell properties more quickly and effectively. They have a knowledge of who is in the market and can target interest faster.
- The success rate of agents is higher – 76% sold vs 65% sold privately.
- Prices achieved by agents are usually higher than those achieved privately – even after making allowance for commissions saved.
- Transactions tend to go more smoothly – paperwork compliance, legal documentation etc – when done by an agent.

The editor has sold many properties – through agents – over the years and is confident that the agents commission has been recovered by the higher prices that they achieved.

But in good New Zealand fashion many will still do it themselves.

It's the Holy Grail of property investing – the elusive cashflow positive rental. But according to investor and property coach Steve Goodey some realtors are playing fast and loose with the numbers – and investors are being duped.

Goodey has gone public calling out what he says is a disturbing trend in real estate advertising: bold financial claims that simply don't stack up.

"Cash positive" is supposed to mean that the rent covered all outgoings – mortgage, rates, insurance- and leave money in your pocket. But Goodey has found listings using the term without hard evidence,

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pushing properties that are nowhere near profitable under most conditions. He cites an Auckland property advertised as “a solid home or cashflow positive investment. Goodey crunched the numbers and found that to truly break even it needed to be bought for no more than \$405,000 – the vendor was asking \$500,000

Goody says “I’ve had agents tell me something is cashflow positive if you put 30-35% down in cash. Well, anything can be cashflow positive if you throw enough money at it”.
(Editors comment: You’re entitled to a return on your deposit funds not just your borrowings).

Another example cited was a property marketed as “cashflow neutral with a price tag of \$699,000. After running the numbers, it was projected to lose \$16,000 annually.

Yet another. A property being marketed as “cashflow positive”. It was going to auction. Goody says it is reckless to claim “cashflow positive” without a sales price to base those calculations on.

‘There is no accountability. Everyone shrugs and moves on but people are investing their savings based on bad data and clever headlines’.

Goody says that what investors should determine (before they get burned) are:

- A full breakdown of income and expenses
- Mortgage scenario assumptions (deposit size, rate, term)
- Realistic maintenance and vacancy rates
- Historical performance records – not just future projections.
- Most importantly do your own modelling or engage someone to do it for you.
- Trust nothing until it is verified.

“If we’re stretching definitions to make deals look better than we are no longer selling property but selling fiction”.

Some of you may recall that sometime back we purchased the rent roll of Propellor Property Management, a division of Propellor Property Investments. It would be fair to say that this transaction was not without difficulties but we prevailed and we now have many wonderful clients that came to us through this purchase.

Well, Propellor Property Investments is no more. It was placed into liquidation by the High Court in May. Its owner has now been banned from giving financial advice. Sadly, people are owed money – fortunately we are not amongst those.

The collapse of Propellor serves as yet another cautionary tale in the world of real estate investment schemes – particularly those fronted by personal brands promising easy financial returns. Investors are reminded to

- Check advisor’s licences and regulatory records
- Get independent financial advice
- Be cautious of “celebrity” advisors with bold claims – approach “gurus” with caution.

Last month I asked you to “watch this space”. I advised then that Nicky had opened Quinovic Rangiora.

I can now advise you that yet another Quinovic office is opening here in Christchurch. Quinovic Cashmere, owned by Vanessa, will open for business on August 1st, 2025. This now makes 5 Quinovic offices – Riccarton, Rangiora, Cashmere and of course my own Merivale and Rolleston. We wish Vanessa every success with her new venture.

Best wishes to everyone. If you have issues that you would like us to research and report upon in future newsletters please let us know.

Regards Sharon