

Generally speaking not a lot has changed over the past month. The market has certainly been more active this year when compared to previous years. Activity from both potential landlords and potential tenants. The market is reacting quickly to any listing for a family home. A little less quickly for apartments but there is still interest in these. Inner city listings are attracting more attention. Smaller, older, 1 or 2 bedroom properties are sitting longer.

Its election year and parties are now starting to release policies affecting the property rental market.

The big one and something nobody predicted.

After years of criticising the current government over its decision to again allow for the deduction of interest including accusing the government of protecting “rich” landlords at the expense of “poor” tenants Labour has announced that it will not reverse the settings.

The cynics may suggest that Labour is trying to buy the votes of “rich” landlords. The realists may suggest that Labour has finally acknowledged that property rental is a business and that the deduction of interest is a legitimate business expense.

Labours announcement has been well received by the New Zealand Property Investors Federation who say that both landlords and tenants should feel relief. “It’s the impact on tenants that’s important here. These are the people who would have been most impacted by a reversal of policy”.

Any reversal goes as a straight-line cost increase to landlords. And the only options they’ve got are to put up rents, cut costs, cut maintenance, cut investment in their property off to sell. Any of these actions would be detrimental on tenants.

Announced policy directions which may/will impact on the rental sector.

National:

- Have pledged no new taxes (though hasn’t ruled out lifting levels on some existing ones)
- Explicitly ruled out CGT, wealth tax, inheritance tax and gift tax.
- Defends its record: 100% interest deductibility restored, brightline test returned to two years, 90-day no cause terminations returned
- New “Backing First Home Buyers” policy expanding access to 5% deposit.
- Supply-side RMA reform and fast tracking.

Labour:

- Flat 28% CGT on residential investment and commercial property from July 27. Realisation based, no inflation indexation, rate matched to company tax rate,. Replaces the bright-line test. Family home, farm Kiwi Saver, shares and business assets exempt.
- No wealth, inheritance or increased corporate taxes.

Green Party:

- Capping rent increases to 2% per annum
- Scrapping no-cause terminations
- Introduce an independently certified rental WOF
- National register of landlords and property managers
- Capital Acquisition Tax, Tax on assets, gifts received over \$1 million (family homes and farms exempt)
- Reversal of the interest deductibility and bright-line changes.
- A wealth tax on net assets over \$10 million

ACT:

- Committed to a fiscal plan with no new taxes
- Lower, simpler tax settings
- Historically the most pro-investor party. They argued for the outright elimination of the bright line test rather than Nationals two-year version.

NZ First:

- Open to some reform, particularly for low-income households but holding firm on retirement settings
- Floating a Crown co-investment or shared equity scheme where the Government owns a home alongside the buyer
- Owns the foreign buyer ban – it was the coalition agreement with NZF that killed Nationals 15% foreign buyer tax on \$2 million+ homes.

Te Pati Moari:

- Most aggressive on property
- Five new taxes – a wealth tax, an international profit transfer tax, land banking tax, vacant home tax, and a 5% stamp duty on residential sales including family homes unless the buyer is a first home buyer.
- Wealth tax at 1.5% on net assets \$2 - \$5 million / 2.0% on \$5 - \$10 / 2.5% above \$10 million funding a \$30,000 tax-free income threshold.

Opportunity:

- Annual land value tax – 1.75% of the unimproved value of urban land (0.5% on rural land). Not a sale triggered tax – the bill arrives every year regardless of whether or not the property has gained or lost value. Land valued at \$800,000 would attract a bill of \$14,000
- Funds a “Citizen’s Income” – an annual tax-free payment of \$19,400 per adult replacing most welfare and superannuation means tested above \$350,000 income.
- PAYE realignment to three brackets
- Deferrals and exemptions proposed for “land

rich cash poor” owners. Specifically, retirees and farmers. Deferral postpones the liability until sale, or transfer, rather than cancelling it.

- The tax would pull house prices down by 10-15%. The party’s stated aim is to make land less attractive and push capital towards more productive assets.

We came across an opinion piece with regards to the national median rent. Under the previous Government the median rent increased from \$400 to \$600 – a 50% increase.

Labour focussed on making life harder and more expensive for landlords and tenants suffered as a result. The current Government reversed the worst of those policies – especially interest deductibility - and the median rent flatlined and even dropped.

Surely this is not a co-incidence.

We have had a week of fairly positive economic news.

On the plus side there are good numbers in the manufacturing and services indicators, migration continues to lift, tourism numbers are up and we continue to see economic growth, albeit slowly but with signs of acceleration.

On the downside inflation risks are higher given events overseas, an increase in the OCR, an increase in oil prices (which are outside of our control) and a falling exchange rate.

New Zealanders are not happy campers. The two major parties are polling under 30% and most voters (56%) feel things in New Zealand are headed in the wrong direction.



A majority think that Nationals economic plan is better and a stunning 67% say they would prefer lower taxes even if it meant fewer Government services.

Overall, a fairly confusing picture.

This election promises to be an exciting one.

This past weekend Sharon, and several other Quinovic franchisees, attended the New Zealand Property Investors Federation conference in Tauranga. It was a busy weekend – not just socially – and there was much interesting discussion.

ACT used the opportunity to announce that it will remove rent loss ring-fencing for new builds. National and New Zealand First did not rule out the idea. There was belief that Labour (who were not at the conference) would also see the merit in this change which would provide for continuity regardless of election results in the future.

The Tenancy Tribunal discussed measures it was reviewing that would result in the speeding up of Tribunal hearings. They also discussed work being done on the transition to a digital bond system. There have been some bumps since its launch but overall people are saying that the change is great.

A statistic that was presented at the conference. Collectively landlords in New Zealand pay \$1 billion in tax. The same as the ANZ.

There has been a significant increase in the number of “accidental landlords” over recent months. The slow down in the housing market has hit both “Mums and Dads” and major developers.

There have been eight consecutive months of falling property sales. Sales in August was the second lowest since 2011.

These statistics are making life very difficult for real estate agents. Their income depends heavily on commissions.

There are 12,850 licenced salespeople in New Zealand. In August there were 5,430 property sales throughout the country (down 13% on August 25).

This equates to 0.4 properties per agent. It is acknowledged that not all licenced salespeople are active (it is thought 3,000) but regardless the figures would indicate that this is not sustainable.

Prices have dropped marginally by 1.3%. Inventory has increased by 9.7%. Prices aren't collapsing – transactions are.

The equation does not compute! More licenced salespeople, fewer transactions, more properties sitting on the market, fewer new listings, longer selling times. Add into the equation the fact that a small number of high performing agents handle a disproportionate number of transactions.

When you have a commission-based income this has to be worrying. For many agents, survival has become the immediate goal.

Enjoy Spring – the blossom is beautiful.

Best Wishes

Sharon.