

PROPERTY INVESTMENT UPDATE

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Edinburgh Realty

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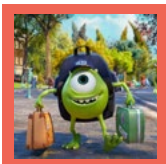
LANE SIEVWRIGHT
021 526 366



CLAYTON SIEVWRIGHT
021 191 5555

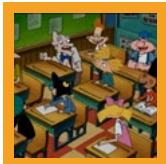
Assisting vendors/investors since 2003

IMPORTANT DATES...



27 September 2019

Mid semester break begins
(Polytech)



14 October 2019

Second semester resumes
(Polytech)



16 October 2019

Second semester exams begin (Uni)

9 November 2019

Second semester exams end (Uni)



22 November 2019

Second semester ends (Polytech)

Welcome to our 70th investment update...

What a difference a year makes - interest rates at all time lows, rents up across all flats, sales prices up, sales yields trending down, number of sales - about the same, buyers in the market - about the same, shortage of flats for sale, number of inspections at new listings - up depending on property, multiple offer situations - up, landlord compliance hoops - up, demand from tenants for flats for next year - earlier and up, expectations for future rental increases - up, expectations for yields - to continue downwards trend, expectations for borrowing costs to come down further, overall outlook for this particular market - up, gap between fixed interest rates and buying yields - widens.

YIELDS:

As expected, sales yields have followed fixed borrowing costs down but at a slightly slower pace thereby increasing residual rental income after paying the mortgage. The last 4 quarters sales yields (92) breakdown looks like this:

Campus 71 (sales), average yield - 6.53%, low of 4.8%, high of 8.9%, 21 sales were under 6.0% and 11 over 7.5%. A big influence in these results was the demand for modern 1, 2 and 3 bedroom apartments which made up 36% of the sales. **N.E.V** sales (14) had an average yield of 7.3%, low of 4.9%, high of 10.8%. **City Rise** South of Exchange sales (7), average of 7.7%, low of 5.5%, high of 9.4%. A huge variation in properties and yields, but the results do paint an overall picture. The main point is there have been some very good low yield sales which wouldn't have (and didn't) happen when interest rates were higher.

LETTING CYCLE:

The first of our own flats were let in April and all were let by the end of July. All rents were increased. Most students we met were happy with \$150-\$160. A third of our flats are returns with all or a few staying on and forming new groups. Returning students definitely makes life easier at the end of the year.

Edinburgh managed flats: 309, 98.7% of all student flats on Campus let as at 9th September ie only 4 left. Student flats outside Campus, only 3 left. Studio rooms 40 left on Campus 77% let, 35 left outside Campus.

Feedback from our Property Managers specialising in student flats is: Applications were in earlier this year. Room rate expectations up. Multiple applications on some flats up. Our "Get a Room" publication is well established as the go to option in securing a flat.

While there will always be high demand for well presented classic villas, students are now more market savvy and looking for warm, dry, well maintained and well equipped properties. Needless to say - location is as always, a prime consideration.

e siewwright@edinburgh.co.nz
w www.propertyinvestments.nz

UP WITH THE PLAY?

It's time to put hoop jumping at the top of your to-do list. What a year this has been for tenants, at the expense of landlords. There are now three disclosure statements that landlords must add to new tenancies. Next year there'll be another. Healthy Homes Standards are now established and will cost some landlords more than others over the next two years – or earlier if a tenancy changes. Tenants liability for damage has been defined and just in case you are making too much profit from your investments we'll throw in the, now extended Bright Line Test with a ring-fencing of losses treat. Many of these changes have been in the pipeline for some time and have been more than adequately signalled and reported on in various publications and websites. It is quite likely some flat owners aren't completely up with the play and others simply miss many of the media articles because they don't reside in New Zealand, plus during the course of busy lifestyles, if the rents coming in and the phone isn't ringing with problems, whose paying attention. Due to limited space – here's a very brief overview of changes you need to be aware of.



- **The Residential Tenancies Healthy Homes Standards (HHS) Regulations 2019** – these new standards need to be complied with by **1 July 2021** or within 90 days of a new tenancy and cover **Heating, Ventilation, Draught stopping, Moisture ingress, Drainage, Record keeping and Insulation** (insulation installation deadline was **1 July 2019**).
- **The Residential Tenancies Amendment Act 2019** – became effective **27 August 2019** and covers **Tenant Liability for Damage, Unlawful Residential Premises and Contamination of Premises**.

Statements required in agreements:



- **Healthy Homes Standards – intent to comply statement** (required from **1 July 2019**). www.tenancy.govt.nz/assets/Uploads/files/healthy-homes-standards-key-facts.pdf
- **Insurance Statement** – (required from **27 August 2019**) www.tenancy.govt.nz/assets/Uploads/files/insurance-statement.pdf
- **Insulation Statement** (required for **1 July 2019**). \$500 penalty for non-compliance (if no statement). www.tenancy.govt.nz/forms-and-resources/insulation-statement.pdf
- **Healthy Homes Standards – Specific information** required from **1 July 2020** ie. the next step from intent to comply. The template for this statement will be available from www.tenancy.govt.nz website before 1 July 2020. Non-compliance penalty \$500.

For detailed information on all the Healthy Homes Standards, check out Tenancy Services website.

- **Bright Line Test** (updated and current) – applies to any sale of residential property bought from 1 October 2015. Property bought between 1 October 2015 to 28 March 2018 is subject to the 2 year bright line rule. From 29 March 2018 the 5 year rule applies.
- **Capital Gains Tax** – exit stage left, thanks Winston
- **Ring-fencing of Losses** – ie. can't offset investment property losses against other income (salary/wages). Effective 1 April 2019. Within portfolio losses from one property can be offset against others.

NEW PRIVACY ACT GUIDELINES FROM THE OFFICE OF THE PRIVACY COMMISSIONER ...

Aimed at landlords and tenants ie. what can be asked for, collected and not collected (personal details).

Go to www.privacy.org.nz/news-and-publications/guidance-resources/privacy-act-guidance-for-landlords-and-tenants/ and click on full guidelines and/or information fact sheet.

Comment: Tenant liability for damage – it might be difficult to prove intentional damage at the Tenancy Tribunal. With tenant's liability for accidental damage, limited to the insurance excess or 4 weeks rent, whichever is less, there would appear to be some merit in establishing insurance excesses at about 4 weeks rent and lessen the premium cost. In the event of a major loss (flood/fire) the difference in excess would be a minor consideration. However there is the issue of having a high excess in the event of a genuine non tenant claim. Which is most likely - tenant event or normal claim?

With the leaning and detail of many of these rule changes it is likely landlords will tend to be more diligent in their choice of tenant. Once bad tenants move in, it can be extremely difficult to sort the problem. While tenancy agreements will need to be added to, to make sure they comply, there will also be some cost in complying with the Healthy Homes Standards. The reality is most landlords treat their tenants with respect and as customers of the service they provide. It is equally likely a vast majority of landlords' properties already comply – if not close to it.

So is this it? – or is there another ship on the horizon? Normally we wouldn't comment on government wish list changes that haven't eventuated yet – but there is a pattern emerging, that will likely not be landlord friendly if they morph into law (before the next Election).

In September 2017 the NZ Herald ran an article: Ardern: *“Labour would end right to give tenants 90-day notice without cause.”*

Key points were:

- Abolish no-cause terminations of tenancies
 - Abolish all 42 day notice periods (allowed in limited cases) leave 90 days
 - Limit rent increases to once a year, with a formula for increases included in Tenancy Agreement
- See www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11916281 for the full article



A BRIEF WORD ON INSURANCE AND INSPECTIONS ...



While there's been talk for some time about insurance providers requiring regular inspections around rental properties it has only been this year that we've noticed it highlighted in our policies. To be fair we've been a bit slack ourselves because 1. we're busy and 2. we're often at each flat during the year anyway. After a discussion with our provider their main concerns are gradual damage that might result in a more expensive payouts plus fire/safety measures. Gradual damage like an obvious crack in a shower wall, or floor would not be covered anyway, but a leaking pipe hidden behind a wall would. Working smoke alarm/dangerous heaters, overloaded 4 way boxes are obvious ones.

Best advice is talk to your provider. Our provider requires 4 monthly inspections. We have an inspection sheet for each flat plus an over-riding schedule sheet of sign offs ie dates only.

IN AUGUST 2018 WWW.INTEREST.CO.NZ RAN AN ARTICLE ...

"Minister of Housing Phil Twyford eyes increase to tenancy termination notice periods, no cause tenancy terminations and limiting rent increases in shake-up of Residential Tenancies Act".

Key points were:

- Ending no cause tenancy terminations while ensuring landlords can still get rid of rogue tenants
- Increasing the amount of notice a landlord must generally give tenants to terminate a tenancy from 42 days to 90 days
- Limiting rent increases to once a year
- Whether the general obligations that tenants and landlords have, remain fit for purpose
- Better equipping tenants and landlords to reach agreement about pets and minor alterations to the home
- Introducing new tools and processes into the compliance and enforcement system

See www.interest.co.nz/news/95526/minister-housing-has-increasing-tenancy-termination-notice-periods-no-cause-tenancy



In October 2018 the Auckland Property Investors Association commented in a blog with some very relevant comments.

See www.apia.org.nz/apia-blog/the-thing-about-no-cause-termination-is-this

All in all with the latest raft of changes now passed into law we would hope that might be an end of it all, however in August this year there was a renewed call for tougher tenancy laws at the Green Parties Annual Conference. Green Party co-leader Marama Davidson said

"The Government will be reforming the Residential Tenancies Act this term, and the greens believe that no-cause terminations must end". "It is also vital that we introduce a Warrant of Fitness scheme for all rental properties as an enforcement mechanism for the Healthy Home Standard". "We wouldn't allow people to lease a dodgy rental car, why do we allow dodgy rental homes? Poor quality, damp housing causes sickness. It needs to stop and a housing Warrant of Fitness will do just that".

Comment: There's some truth in this statement, but we all know the way some tenants live in properties can be a contributing factor.

Alongside a rental WOF and ending no-cause terminations, the Greens also want to see "better protection against runaway rent increases". "People who rent need a transparent and fair formula to see how and why their rents will go up and this will remain a priority of our work to reform laws around renting".

(The conference was only 4 weeks ago). It's been 2 years since the election and 14 months to the next. How likely is it that some or all of this wish list becomes law before next years election or doesn't and becomes an election issue? Could be an interesting 14 months. In reality voting in 14 months time could become (to some extent), landlords v's tenants plus a huge pool of voters not too concerned either way. So, are landlords on a hiding to nothing or is there a glimmer of hope?

In 2018 313,000 individual taxpayers filed returns including rental income. In 2018 there were 625,000 rentals in NZ. (Most landlords own 1-2 properties and 1% own 10+).

In 2017 (the Election) there were 2,605,854 registered voters. 21% didn't vote, 79% did. Of those who didn't vote most were in the younger age groups. Only 12% of all registered voters owned rental properties (ie 313,000). 2,058,624 of the registered voters actually voted. One would assume all landlords voted, so the rest of actual voters including renters was 1,745,624.

Assuming there were 625,000 rental properties in NZ in 2017 as well as 2018. Assuming 2 voters in each rental – 1,250,000 voters. Putting all other election issues to one side it is likely anyone renting will not vote in favour of landlords. But 21% of registered voters in 2017, didn't vote ie 547,229. It is likely most of these were renters. So if the next election was decided on whats good or bad for landlords or renters the number might be (with a large margin for error!), 313,000 definitely for, (1,250,000 - 547,229), 702,771 definitely against and 1,355,854 floaters. We would need half the floaters plus 389,771 to vote for landlords ie 1,067,698 – 79%.

Would we borrow money from the bank and bet on the outcome? No. Would we borrow money from the bank and buy a student flat? – in a heartbeat. Property investment is still more tangible than shares. The fact the bank will loan funds to buy property using equity in other owned properties (family home) makes it really easy to get on the capital gains ladder. It all hinges on how you manage the property to make it work for you once you purchase it – and that's another story.



RECENTLY SOLD

SOLD!

4 (A,B,C) DUNDAS ST, CAMPUS

🏠 17 🚗 3 🏠 1 + OSP

SALE PRICE \$1,900,000
YIELD 7.2% (2020)
VENDOR Australia
PURCHASER Dunedin

Drone photo taken from above the property

SOLD!

2 COSY DELL RD, CAMPUS

🏠 14 🚗 4 🏠 OSP

SALE PRICE \$1,540,000
YIELD 7.1% (2020)
VENDOR Australia
PURCHASER Dunedin

Drone photo taken from above the property

SOLD!

25-97 FILLEUL ST, CITY

🏠 2 🚗 2 🏠 OSP

SALE PRICE \$717,500
YIELD N/A
VENDOR Dunedin
PURCHASER Omarama

Red outline indicative only

SOLD!

19-97 FILLEUL ST, CITY

🏠 2 🚗 2 🏠 OSP

SALE PRICE \$701,500
YIELD N/A
VENDOR Dunedin
PURCHASER Wanaka

Red outline indicative only

SOLD!

627B CASTLE ST, CAMPUS

🏠 4 🚗 2 🏠 OSP

SALE PRICE \$631,000
YIELD 5.9%
VENDOR Ashburton
PURCHASER Dunedin

SOLD!

627A CASTLE ST, CAMPUS

🏠 4 🚗 2 🏠 OSP

SALE PRICE \$620,000
YIELD 6% (2020)
VENDOR Ashburton
PURCHASER Nelson

SOLD!

236 NORTH ROAD, N.E.V.

🏠 5 🚗 2 🏠 1

SALE PRICE \$620,000
YIELD 6% (2020)
VENDOR Ashburton
PURCHASER Dunedin

SOLD!

3-23 BRADSHAW ST, STH DUNEDIN

🏠 3 🚗 1 🏠 1

SALE PRICE \$563,300
YIELD N/A
VENDOR Dunedin
PURCHASER Wellington

SOLD!

36 WOODHAUGH ST, WOODHAUGH

🏠 5 🚗 1 🏠 OSP

SALE PRICE \$495,000
YIELD 4.7%
VENDOR Tokyo
PURCHASER Dunedin

SOLD!

28A MACLAGGAN ST, CITY

🏠 2 🚗 1

SALE PRICE \$355,000
YIELD 5.6%
VENDOR Dunedin
PURCHASER Dunedin

SOLD!

26 LEES ST, CITY

🏠 5 🚗 1

SALE PRICE \$345,000
YIELD 7.5%
VENDOR Dunedin
PURCHASER Mount Maunganui

SOLD!

177 EVANS ST, OPOHO

🏠 1 🚗 1

SALE PRICE \$331,000
YIELD N/A
VENDOR Dunedin
PURCHASER Dunedin

Drone photo taken from above the property

SOLD!

18 TITAN ST, CAMPUS

🏠 2 🚗 1

SALE PRICE \$281,550
YIELD 5.1%
VENDOR Dunedin
PURCHASER Dunedin

SOLD!

53 SERPENTINE AVE, CITY

🏠 3 🚗 1

SALE PRICE \$245,000
YIELD 7.4%
VENDOR Auckland
PURCHASER Auckland

SOLD!

141 CARROLL ST, CITY

🏠 3 🚗 1 🏠 1

SALE PRICE \$172,000
YIELD N/A
VENDOR Dunedin
PURCHASER Christchurch

REFINANCE, HOLD, SELL, BUY?

The best time to sell is always when your property doesn't have to compete with others. The more properties on the market, the more the pool of buyers will be split between making an offer on a particular property.



Current buyers are keen to purchase. They are not just looking around, they are serious, qualified and ready to move.

Listings are currently in short supply. The combination of all time low interest rates and trending down yields has pushed sales prices to all time highs with often multiple offers at each sale.

Owners situations continually change and in-depth market information can be invaluable.

Call us anytime if you'd like a casual (but informative) chat about current market trends and outlook.

e sievwright@edinburgh.co.nz | w www.propertyinvestments.nz

CURRENT LISTINGS



17A MILBURN ST, CORSTORPHINE

🏠 2-3 🚿 2 🚗 1 🚗 OSP (each)

New to the market, these contemporary townhouses are now ready for sale. Finished to a high standard with a quality fitout. Units 1 and 6 feature three bedrooms with two bathrooms and Units 2-5 feature two bedrooms, two bathrooms, plus a spacious utility room with twin skylights. The living space is open plan with a Juliet balcony with bifold doors opening to give expansive views towards the harbour, whilst also providing an indoor out flow to an entertainer's courtyard at the other end. These stunning townhouses are definitely worth a look.

Unit 6 - Under Contract, Unit 2-5 - \$599,000 each, Unit 1 - By Negotiation



50 DUNDAS ST, CAMPUS

🏠 5 🚿 4

Multiple income opportunity
 SALE PRICE By Negotiation
 YIELD N/A
 RENTAL \$80,845pa

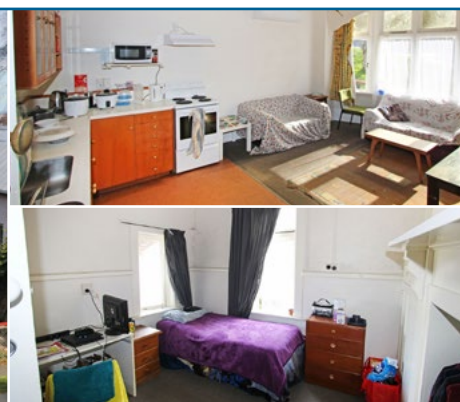


RIVERSIDE RESIDENCES, Alison Ave, Albert Town COMING SOON TO ALBERT TOWN

Located beside the upper Clutha River in Albert Town, Riverside Residences is a stunning new development of terraced homes just five minutes' drive from central Wanaka and half an hour from Treble Cone and Cardona Ski Fields. Featuring one, two and three bedroom layouts, each with car park and private court, these are the perfect holiday home or investment property.

Enquire now to: Kate Elder 027 223 0076 and **Camille Ainsley** 027 204 1941

PRICED FROM \$399,000



28 WARRENDER ST, CAMPUS

🏠 5 🚿 1

SOLID CAMPUS INVESTMENT WITH DEVELOPMENT POTENTIAL!

Enquiries over \$550,000. Located in a popular senior student area, this 393m² site, zoned Residential 3, is eight rooms capable and offers plenty of development potential, whilst still offering a stable rental income. This substantial 160m² brick bungalow features five-bedrooms, spacious open plan kitchen/living, tidy bathroom and second toilet. Two heat pumps, ceiling and underfloor insulation. Large basement storage area. Currently rented for 2019 at \$635pw.

SALE PRICE DEADLINE SALE



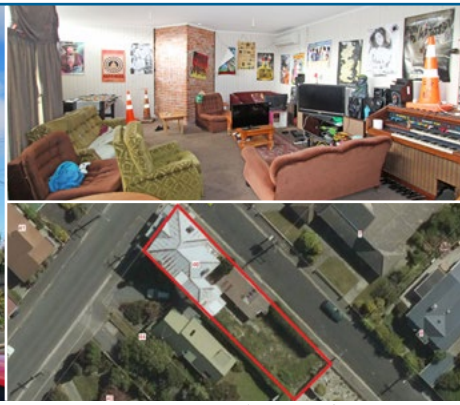
Drone photo taken from above the property

126 QUEEN ST, CAMPUS

🏠 6 🚿 2

Easy care investment!

SALE PRICE \$799,000
 YIELD 6.6% (2020)
 RENTAL \$1,020pw



46 SIGNAL HILL RD, OPOHO

5 bedrooms 1 bathroom 1 garage

OPPORTUNITY KNOCKS!

Buyer enquiry over \$420,000. A fantastic opportunity to renovate to a large family home or leave as an investment! Featuring open plan kitchen/dining area at the rear, five good sized bedrooms, bathroom with shower over the bath and an extra-large lounge with heat pump at the front of the house. Currently rented at \$500 per week to 31st December 2019. Renovate and reap the rewards. Situated on a 374m² freehold section encompassing a sunny back yard.

SALE PRICE DEADLINE SALE



SOLD!

4-217 OXFORD ST, STH DUNEDIN

2 bedrooms 1 bathroom 1 garage

Low maintenance townhouse

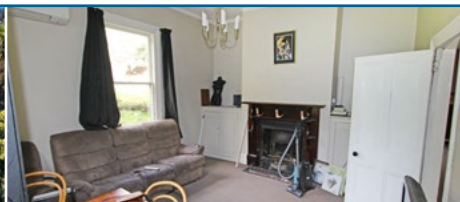
SALE PRICE By Negotiation

YIELD N/A

RENTAL N/A



Drone photo taken from above the property



41 MECHANIC ST, N.E.V.

4 bedrooms 1 bathroom

IDEAL FIRST HOME/INVESTMENT

Buyer enquiry over \$350,000. Looking for your first home or investment? This could be the one! Currently rented as a four-bedroom student flat until 19th December 2019. At the rear is the updated galley style kitchen that flows through to the living room which has a heat pump. Modern bathroom, electrical upgraded and recent re-roof. Storage sheds including laundry. Positioned to receive all day sun and an easy walk to the Gardens Shopping Centre.

SALE PRICE DEADLINE SALE



UNDER OFFER

3-217 OXFORD ST, STH DUNEDIN

2 bedrooms 1 bathroom 1 garage

Located in the heart of South Dunedin

SALE PRICE By Negotiation

YIELD N/A

RENTAL N/A



2-217 OXFORD ST, STH DUNEDIN

2 bedrooms 1 bathroom 1 garage

Fantastic opportunity here

SALE PRICE By Negotiation

YIELD N/A

RENTAL N/A



UNDER OFFER

1-217 OXFORD ST, STH DUNEDIN

2 bedrooms 1 bathroom 1 garage

Purpose-built 1990s townhouse

SALE PRICE By Negotiation

YIELD N/A

RENTAL N/A



SOLD!

46 GLADSTONE RD, N.E.V.

3 bedrooms 1 bathroom OSP

The perfect starter!

SALE PRICE By Negotiation

YIELD N/A

RENTAL \$330pw (2020)

View our current listings online www.propertyinvestments.nz

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