

**NELSON PROPERTY INVESTORS ASSOCIATION**  
**OCTOBER 2018 NEWSLETTER**  
**PO Box 198 Nelson**  
**NelsonPIA@xtra.co.nz**

**Our seventh meeting of the year** is being held at Honest Lawyer Monaco on Tuesday 9<sup>th</sup> October 7:30 pm. Graeme Dick from Projects and Ventures is speaking. Graeme and his team are the brains behind multiple subdivisions in Nelson and afar. In particular they are driving the Richmond West developments. The TDC planning staff made the comment to attendees at their consultation meetings that Nelson City growth was ending up in their patch. This is certainly true. After over a decade of delays things are on a roll and a new city is being created. What is not generally understood is there are multiple players at work on the growth edge of the new city fringe. Some applicants have been successful and some not. Graeme has been involved in Nelson property for over 40 years. He is a can do person who has transformed the face of Nelson.

### **STOP THE WORLD I WANT TO GET OFF**

In order to fit in a bit of fun and world adventure I wrote this newsletter in August. The plan was to hike around a few live volcanoes in Kamchatka Siberia return to Nelson for a week send off the newsletter then pop over to Iran for some more hiking and return just in time for the meeting. A few days before leaving Nick Smith MP asked if he could delay his pre-arranged speaking appointment with us. So I was very relieved and grateful to have my friend Graeme agree to swop speaking dates. This is what I wrote about Nick coming. *Just when we thought things could not get worse with the National Government policies along came the new government. Boy have they got some surprises for us.* Oh how true. Whilst out of the country in another world that used to be run by megalomaniacs our government released its own final solution to fix the rental market. You can find the details for this on Tenancy Services web site. Some of our members have already written to me saying they want out if some of these new laws come in. My family owns around 20 residential rentals with mostly very long happy tenancies. A number of them already have log fires and heat pumps. In order to achieve the target temperatures in all living areas my guesstimate is it would take about \$65000. Under current tax laws this would all be capital expenditure so could not be paid for from rental income. Across Nelson this would require an investment of around \$32.5 million and for the whole country it would require \$1.78 billion.

### **A VOICE FROM THE WILDERNESS**

Leonie Freeman spoke at our last meeting. I am sure everyone would agree with me that she knows property and clearly understands what is happening. My attempt at live streaming sort of worked but the results were a technological failure. Sorry about that folks. Leonie's main point was that to get housing sorted we all need to be working together. Everything such as planning, finance, RMA, building quality, legislation, social and private all need to be working towards a common goal. During her time at HNZ it was incredibly hard to get building projects completed in a timely economic manner. Delays were caused with most projects because someone would not

make a decision. She found it hard work dealing with the split responsibilities of the ministers of the crown under the last Government because they did not seem to be working to common KPI's. I got the message that things are even harder under the current government because some of those key building blocks are missing. She talked about developers working on proposals, presenting them for approval then hearing nothing and giving up after having expended ten's of thousands of dollars of their own money.

## THE PROPERTY MARKET

At the beginning of August I did some analysis of Trade me rental property rents levels. The last time I did this was April. The spread sheet below details what I discovered.

	1 Brm	2Brm	3 Brm	4+ Brm
Average	317	374	487	586
Median	300	370	452.5	595
Adverts	11	26	30	9

These were taken from the "Nelson" area. As you can see there were a total of 76 properties advertised to let. This number of properties does fluctuate a bit as properties are let then new ones come on again. Today 20 days later there are 73 advertised. Obviously there are no social houses advertised by HNZ, NCC, and NHT so these rent levels are not being influenced by external invisible subsidies. The subsidies I refer to are local body rates, insurance, finance, and of course the income related rent subsidy. There are three other rental data bases that readers can compare rent levels with. These are QV, MBIE, and NZPIF. These three all claim to source their data from the bonds that are lodged. They all vary and all are all way less than my simple study from Trade me. There is something wrong. But the difference between my figures and others is significantly less than what they were in April. I wonder why this is the case.

I am starting to panic now. My own tenants are paying less than my statistics indicate I could get. 😊

## LETTERS IN THE MAIL

The following four "communications" that have come in recently sum up the market perfectly. I do love to hear from you and sharing snippets from my contacts from time to time is great fun. There is so much wisdom and knowledge in our community. All we have to do is open our eyes and pull the cotton wool out of our ears and noses.

The first one came in from "x%&&#" I guess she might own the biggest rental property in Nelson. *"We are full and have a waiting list"* What does that tell you about our market? I would say the rental market is fantastic.

The second one came in from a fellow retiree. I used to manage his rentals going back 20 years.. *We are forever thankful we saw fit to buy rentals a long time ago and was rescued from getting out of it by you taking on Murphy St for us. We certainly wouldn't be in the happy situation we are in financially without going down this road.*

The third one came by snail mail. This was a shock. I had forgotten that people could still hand write letters and put them into envelopes, put a pre paid stamp on the corner and someone would deliver it across the country. In the envelope was an article about Renters United who have come up with a range of outrageous idiotic dangerous ideas to change the rental laws. The way the current government is moving and comments they are making about rental properties and landlords some of their ideas may in fact be introduced. The good decent folks who wrote the letter were as they say "moved to join our association" So yes some folks who have worked and saved all their working lives may in fact have their modest nest eggs smashed by maniacs in power. In times like this we need to support each other and speak out about injustices and foolish ideas. There has been a modest increase in membership recently and I suspect some of this is because people understand what our organisation is doing for the investor community.

The fourth communication came by way of a long phone call. The caller was considering buying his first one off rental unit. Can you tell me if the house prices will keep on going up he asks. I started by telling him that Nelson PIA does not offer investment advice only landlording advice! I think I convinced him that no one can say what the future holds. What I was able to bring to his attention was that a person who is 69 years old will not live long enough to see two or three price surges over the next 20 to 30 years. Buying your first residential rental property at retirement age is not the smartest thing to do if the idea is peace of mind, and income supplementation. The right time to do it is when you are much younger. Regardless of what Jacinda and Phil do, there will always be a demand for houses to live in. There will be some bumps along the way with interest rates, house prices, tenant demand, and legislation. Some investors will thrive and some whimper out.

So in just in case you do not read tea leaves the same way I do this is what I take out of the four "shared" stories.

- 1 There is still plenty of life left in the industry and many people are still doing ok out of it.
- 2 The best strategy in the industry is to be providing what people want by way of stable well managed and well maintained properties.
- 3 The best time in your life to get into investing is when you are younger.
- 4 From time to time there will be nasty surprises and bad unwanted things thrown at landlords. The surest way to reduce the stress and pain of uncontrollable events is to pay down your mortgage, maintain your property, and get it managed by someone who knows what they are doing.
- 5 You should join your local Property Investors Association. Not for what you can get out of it but ensure there is someone who speaks out about injustices and does its best to protect landlords and tenants from things beyond their control.