

NELSON PROPERTY INVESTORS ASSOCIATION
MAY 2019 NEWSLETTER
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Our third meeting of the year is on Tuesday 14 th May 7:30 pm. at the Honest Lawyer with the normal pre meeting dinner to enjoy with fellow investors. I am excited to have David Faulkner from Real IQ coming from Wellington to speak to us. This is what his web site <https://www.eventbrite.co.nz/o/real-iq-8415679253> says about him. Real IQ is New Zealand leading Property Management trainers and consultants.

David Faulkner is the Director of Real iQ and is one of the most recognised personalities in the industry. David is an accomplished speaker and trainer. He hosts a variety of events throughout New Zealand including webinars and online sessions.

I read a superb article he wrote and instantly knew we had to get him to speak. So for a change we have someone coming to tell us how to be better landlords!

NELSON TASMAN HOUSING TRUST

Many of you would have read that the Nelson city council is exploring the possibility of selling or giving their pensioner flats to the trust. The trust already manages them for the council. Before NTHT took over the pensioner flat management the council used to use property management firms to carry out this task.

Being a charity they of course do not pay tax and have to submit an annual report to the Charities Commission which is available for down loading.

I have known a number of the senior people involved with the Trust since they commenced trading and they are all hard working decent honest people keen to help the community.

Firstly one must think about why the council is thinking about getting out of the business of rental housing? Most of the housing was developed by the provision of free loans from the government which did not need to be paid back. Some of their units were built on land the council already owned. I am not sure any of the lots were reserves. All was well for many years until a government of the day introduced income related rents for Housing NZ rentals. This subsidy system initially worked well. Instead of the tenants receiving their accommodation subsidies then handing the money back to the government the money went directly to HNZ. As time went by the difference between the official Accommodation Supplement that private 200,000 tenants receive and the IRRS the 50,000 HNZ tenants receive grew. IRRS is currently four times more generous than the AS that the bulk of the tenants receive. Politics being politics caused people to point out the injustice of this and convinced the Nelson City Council to introduce income related rents for their portfolio. Unfortunately for the Council and the owners of those pensioner flats (you and me) three successive governments over more than a decade would not pay the council the full cost of providing the housing so the council does not have money to expand their portfolio nor even keep the properties up to good standard. Their Orchard Street flats grew into an appalling state and

they were only able to be fixed up after the government of the day gave them a one off grant. I had done some work in one or two of the flats over the years and attended the opening of the new flats so I have a good idea of where they came from and how well the refurbishment was done. But the long term problem was not solved. The rents coming in were below market and the main beneficiary of those low rents was the government who did not need to pay even the accommodation subsidies because the rent was below the point where it kicks in.

The government will only pay the generous IRRS subsidy to either Housing NZ or a limited number of approved Not for Profit Social housing organisations. Nelson Tasman Housing trust is one of those. Thus it made sense for NTHT to manage the council flats and collect way more money than they could collect themselves or via privately owned property management firms. NTHT was the biggest winner out of that deal in that their accounts show they were paid \$220,658 to manage 142 flats that of course all had elderly easy to manage tenants with guaranteed rents. That is \$1553 each or perhaps a commission rate of around 50%. Of course that money comes from central government so it is money for jam! One earlier manager used to be paid \$5 per week per unit.

So what is the problem you might well ask? By studying the annual report that NTHT submits to the Charities commission it is possible to calculate the rents that NMHT charge their tenants. Their return indicates that they have 21 dwellings that receive the IRRS.

Rents received \$142989

Government subsidy \$295780

Occupancy rate 97.8%.

Average weekly rent for fully subsidised rentals operated by NTHT \$410 / w

They have another 23 dwellings that they claim are let at 80% of full market rents. Total rent in \$316549 which spread over the 23 dwellings at 97.8 occupancy rate gives an average weekly rent of \$270. They say this is a discounted rent so they are claiming the true market rent for these is \$337

One might well ask why only half of their rentals are fully subsidised. If they did this then they would be \$167440 better off per year. Clearly they are not fully profit driven and have not thrown out their better off tenants and replaced them with low income tenants. Well done NTHT.

If one compares the rents I charge on my portfolio of 23 dwellings my average weekly rent is \$297. I do have many tenants who have been with me for years. Their rent does creep up but they are still well below full market levels without me expecting nor receiving any assistance nor thanks from society for doing this. There are a few three bedroom houses in my mix which pushes up the average.

Goodness me. If I was able to pay no tax and received an annual grant of \$100,000 from the NCC and other grants of \$200,000 plus \$220,658 from the community housing portfolio, I would be able to provide free accommodation. They are collecting a top up of \$227.56 of public money per property per week in addition to their above market rents of over \$400 per week. Perhaps I should start a charity of my own.

Regards Glenn