

NELSON PROPERTY INVESTORS ASSOCIATION
AUGUST 2020 NEWSLETTER
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Our fourth meeting of the year is on Tuesday 11 August at the Honest Lawyer at 7:30 pm preceded by the good old dinner at 6 pm. This time we are lucky to have wonderful speakers from the BNZ and JB Were. See more details below about the speakers. Without a doubt we are all headed into stormy economic times. Salty stinging waves of bad news are hitting us from all directions and it is hard to see if our boat is headed towards rocks. In times like this we need a strong seaworthy ship, a great skipper at the helm, and smart navigators. As for banks we can love them or hate them. One thing is for sure they have been there for a long time and have smarter people than you and me running them. So it is perfect timing for them to speak and who knows what we will learn. There will always be winners and losers in our industry. The winners are the smart ones who took time to listen to what experts are saying and have taken whatever smart action is needed. I did think that the meals we had at our June meeting were much better than in the past. So book a place at the table in anticipation of the rents going up. Please send table bookings to me. There is no need to book a seat for the meeting but you do need to arrive before we commence.

SPEAKER DETAILS

Phil Borkin and Stephen Vercoe are speaking.

Phil joined JB Were at the start of 2019, coming from ANZ Bank where he was a Senior Macro Strategist. Prior to ANZ, Phil spent five years at Goldman Sachs in both Auckland and Sydney as their New Zealand economist. He has a strong interest in economic cycles (past and present) and what they mean for markets, investors and return prospects.

Phil has a BCom/BSc conjoint degree and a First-Class Honours degree in Economics from the University of Auckland. Outside of work Phil has two young children keeping him extremely busy, but when he does get a spare moment, he loves watching American sport (particularly baseball) with a nice cold craft beer.

Phil is the main speaker and his topic is “COVID-19 and beyond” with a general macroeconomic update tailored to your group having a particular interest in property and interest rates.

Here is Steve’s bio

Stephen Vercoe is the BNZ mobile mortgage manager based locally here in Nelson. Steve has a wealth of experience in all aspects of banking built over 30 years in the industry and has a good understanding of the local dynamics that makes here special, having lived in the region for the past 20 years. Steve has the ability to meet customers at various local Branches or your own Home and outside of normal work hours.

Steve is speaking briefly with a local lens in a supportive role to Phil and available afterwards for any individual questions.

In addition to Phil and Steve, Dion Smith and Nathan Latimer both from JB Were are looking to also join myself in support of our speakers.

WHAT ON EARTH IS GOING ON

I have watched some great webinars recently and surprisingly I agreed with much of what was said. Of course whilst these people are obviously smarter than you and me, we run our own businesses, make the final decisions and reap the good and bad from those decisions. So what they and I say have to be taken with a grain of salt and adjusted for each person's situation.

Shamubeel Eaqub presentation was easy to listen to and made sense.

His comments were the real shock will be the recession over the next 18 to 24 months. Renting numbers will increase as will housing problems. Being a landlord will be more difficult. New Zealand is going to cope better than most other countries. Borders will stay closed for a long time. 45000 jobs have already disappeared and another 100,000 will follow. He thinks interest rates will stay low. For the next two years investors will be the dominate buyers. He predicts ever increasing use of property managers partially due to aging of investors but mostly due to ever increasing complexity of compliance and legislation. Covid 19 will accelerate this. None of us really know what will happen. Economists get their forecasts wrong all the time.

The other webinar I watched was on the RTA amendments. Sure it is not yet passed but I doubt much if anything will change between now and then. Clearly 90 day no cause notices have gone, 42 notices for sale and re occupation are almost doubled, property managers and professional investors will be have double fines for almost everything like overlooking or not responding to an email whilst sick or on holiday for a few days. The government and some private housing providers will be exempt most of the contentious problematic clauses, and a few other little tweaks will catch out experienced old hands when they least expect it. The thing that most annoys me is the unfairness of the way the act is applied. The basis of all laws in any democracy is the law needs to be fair clear and with no exemptions for friends of political parties. Fair enough to make special provision for tenants with special needs or specialised housing providers. But about 25% of HNZ tenants actually pay market rents so whilst I doubt they feel rich they are no poorer nor more in need special eviction exemptions than my tenants. I know of one very large private company who house people with intellectual difficulties. A number of years ago I was privileged to let one of my high quality managed rentals to them while they did major renovations on their Nelson property. They will be exempt but I would not have been despite having identical occupants. The use of the word "reasonable" is spread throughout the law but despite hundreds of difficult to understand new clauses no definitions, guidelines or hints are given as to what reasonable means to tenants, landlords and the government officials. Yes the law has introduced a third party to tenancies who can now join landlords and tenants in court to mess with things. At the moment MBIE are thought to be the entity that makes applications to the court re a tenancy but there is nothing to stop other authorities doing so as well. Perhaps we will see local authorities and NGO's have a go as well.

It sure would be nice if each political candidate would say what they propose to do about the misuse of government power and the new unfair laws.

I was circulated a paper last week outlining each parties' position on housing. Here we are a few weeks out from the election with hoardings spouting up on the road sides. Sadly and suspiciously National have not said what their policy is. Sure Simon Bridges did promise to rescind the amendments. In that release mention was made about pets being forced on landlords. But there is nothing in the amendments about pets? Then the housing spokesperson for Muller said National had made a mistake selling HNZ houses and her party was planning on building lots more HNZ houses. She clearly had not read the HNZ annual reports for each year. It is clear that many of the houses that have been sold have been done so under a long standing deal where existing HNZ tenants are assisted to purchase their homes. The most recent annual report details how many were sold under that scheme. She probably did not understand that currently the private market creates more rentals per year than the number of people on the waiting list and that the huge increasing wait list is driven by the huge disparity of assistance provided to a lucky few and is not based on the need of the tenants but is based on who owns their rental property.

Hopefully I am wrong but it looks to me as if the law, warts and all, will be passed and no matter who wins the election we will be stuck with the new law for a long time.

RENTS

As mentioned in the last newsletter the rent freeze is ending on the 26th September. MBIE has sent out emails to many landlords advising that it is permissible to issue rent increase notices before 26 September in anticipation of the freeze being lifted. Those of us old enough, but not so old we have forgotten, might remember when governments both blue and red have imposed similar freezes in the past. When the freezes get lifted it is not a pretty sight. If you do not take the opportunity when it is permitted you might be stopped from taking action for a long time. One thing is for certain things will not be the same as it was in the past. Difficult times will be faced by many people and landlords will right at the end of the line if you need some help.

SUBSCRIPTIONS

Thanks to those 86 members who have renewed their \$185 subscriptions for the year. For those whose membership card has expired I am sorry but I have stopped your magazine and discount privileges. We need each other so hurry along please.