

NELSON PROPERTY INVESTORS ASSOCIATION
FEBRUARY 2021 NEWSLETTER
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Our first meeting of the year is on Tuesday 9 March 6:00 pm. (time to be confirmed)

Continuing on from earlier successful first meetings of the year, I have arranged with Resene Paints to visit their outlet. They are located at 69 St Vincent Street. This visit was arranged way back in June 2018 with the then manager. For those of you with good memories this is a copy of my January newsletter 2020. Does anyone want to be reminded of the problems we all suffered with last year! So this is the third attempt at getting to Resene.

I have spent well over \$10,000 on paint during 2020 so it sure makes sense to hear what to do with the stuff and what new products along with the old favourites are out there.

THIS YEAR HAS TO BE BETTER THAN LAST YEAR.
2020 WAS A NEW YEAR, NEW DECADE, AND CAME WITH
LOTS OF NEW THINGS WE HAD TO COPE WITH.

In my first newsletter last year I made some comments about the local market and made some generalised predictions for the year. No one would have imagined nor predicted the way it turned out.

I wrote the statement "I am sure it is going to be interesting and profitable."

I was 100% correct on those two predictions.

All the highly respected experts were hopelessly wrong saying how bad it would be.

When I say "all" I mean every single one of them.

Beware the same people are now filling the news and magazine articles again. I doubt they have learnt anything this year and their predictions will be based on copy and guess work again.

Last year I pointed out that in Tasman 501 dwelling consents were being issued every year. This last year to December Tasman built 564 compared with Nelson at 247. Tasman is now building 10 dwellings for every 1000 population compared with Nelson at 4.5, Auckland 9.5, Hawkes Bay 5.9 and Waikato 8.1

So what, you might say. Well I have heard a huge ugly hippopotamus is rising out of the stinking swamps of Wellington called INTENSIFICATION. Do not underestimate this beast because hippopotamuses are very fast and very dangerous. Those in power who pull the levers look and act as if they are suffering from Parkinson's Disease. Their hands shake and no movement occurs. No reasonable person would want to knock over our old worn out 1940's houses in the Wood, Maitai, Nelson South and next door to you but that is what intensification means. Nelson city needs to be demolishing old and building 1000 dwellings per year in order to catch up with Tasman. The first old fart in power with his hand on a lever that moves will be blamed for it.

New Zealand will never return to the days of tens of thousands of good people going to Australia. They are going to stay here and will need good homes to live in.

THE RISK IS TOO GREAT TO HOUSE YOU

Late last year a young lady booked a viewing of a two bedroom unit we had just spent \$20,000 renovating. She was driven to the site by her social worker. Both were very pleasant. We chatted a little bit as I showed them round the property and I explained the previous tenant had lived there for 25 years and I was sad to see her go because she was the best tenant I have ever had. As part of that conversation I pointed out some tenants were not as good and showed them some pictures of another flat of mine down the road that had recently been damaged by the tenant. The applicant showed me a well typed up letter about herself along with a picture of her most adorable baby. The letter indicated she had left her family home when she was 16 years old and had been living independently since that time. She indicated she had never rented before. I gulped and said sorry you are wasting my time because the risk to house you is too great. The two ladies left in tears and obviously I felt sad for them and a little bit guilty for being honest.

Surprise two days later an abusive email came in from the manager of the social agency that was supporting the young lady. Not to my email which was still up on Trademe but to the president of both the Rotary Club I belong to and the president of another club. The writer explained she did not know my email, but because she had seen me fundraising for the community organisation she asked for the email to be passed to me and demanded I be expelled from the club. Boy I sure was glad she had not written to the President of the Nelson Mountain biking club because I would not want to be expelled from that club. In talking to some property management firms who operate in Nelson apparently their property managers also are getting increasing abuse from social workers for declining some applications. So I am not alone. This must be some new initiative by the government to abuse and bully landlords into taking people off their books. I wrote back saying I am sure there must be some way of helping young people like this perhaps by using section 18A (b) (ii) which is a guarantor form and suggested we have a meeting to discuss this. The President of my Rotary Club also separately wrote encouraging them to at least meet with both of us to talk about the issues. The organisation did not respond to this suggestion but did write back piling on even more abuse suggesting my properties were substandard and made several racist comments that cannot even be repeated.

I had been making arrangements to meet with the new MP for Nelson Rachel Boyack so took these issues with me to talk about with her. Sarah Turner our newest and youngest PIA committee member came with me. I think Rachel was first out of the gates with a comment that the policy of the Labour Government was to support people to buy their own homes which I agreed was a good thing. I showed her pictures of a smashed flat of mine that had been recently damaged by a tenant with a machete. I explained there was no way the new law was going to change even if it meant that I the landlord would be penalised if domestic violence like this occurred in the future. I waved my A5 copy of the RTA at her and said it had provisions in it to deal with high risk tenants like Lavana who I had declined a rental to. We could use section 18A (b) (ii) and all we needed to do was find good people to back up the likes of Lavana with a guarantee. Sarah said Glenn seems to be prepared to take on more risk than she was prepared to take on. Rachel's response was we should get Housing NZ to manage our properties if we were not up to it. I suppressed a laugh, because the manager of HNZ had once been my tenant, so I said I know the manager and he is a good person. She also talked about Nelson housing Trust which Sarah's father had provided a lot of

help to with their first build. She also talked about Habitat for Humanity helping people to rent to buy. I had helped them get help from the city council. I commented a number of private landlords would like to participate in the same scheme if they could get the same tax treatment as Habitat had.

Rachael said the government was building houses for the likes of Lavana and the private market did not have a place in that market. Sarah asked her how many properties had been built by HNZ in the last 12 months. The answer was 12 which caused me to laugh and say the private market had constructed 800 in Nelson Tasman over the same period of which would have resulted in about 500 more rentals.

Then the meeting was over and nothing was achieved.

SOMETIMES THE BOOT IS ON THE OTHER FOOT THE RISK WAS TOO HIGH ?

One of my family Trusts was recently declined a loan to buy another rental property. The market value of that trust is \$2M and it has about 25% debt. I offered up an unencumbered property of three rental flats as additional security. The new rental would have been cash positive. Reason given was whilst there was plenty of equity, there was insufficient external income to service the debt if the 10 rental dwellings became empty. In hind sight we should have gone to a mortgage broker or even asked for a competitive quote from another bank. An article in the January issue of the NZ Property Investor magazine has a similar story about a well healed investor who just happened to be over 70 years old like me. Apparently banks think older people are riskier.

The most surprised and disappointed party was the vendor.

So beware do not assume anything and never think banks will be kind to you when you need them even if you have heaps of money in cash. Goodness gracious we had enough cash on hand to actually pay a 50% deposit but we wanted that money for ourselves.

Regards
Glenn