

NELSON PROPERTY INVESTORS ASSOCIATION
March 2024 NEWSLETTER
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Our second meeting of the year at the Honest Lawyer Point Road, Monaco is on Tuesday 26th March 7:30 pm. Yes, we still have the before meeting optional meal at 6 pm.

Note: No bookings are required and no charge for attending. Non-members are welcome, but we do encourage all attendees to subscribe to our free newsletters.

At our last meeting an attendee spoke inappropriately to one of the Honest Lawyer staff. That person's free non member newsletter has been suspended.

This month we are pleased to bring you Ashley Church.

Nelson PIA has strived for years to get Ashley to come to Nelson to address us. At one stage plane tickets were purchased and hotel bookings made but these had to be cancelled due to covid. It would be an understatement to describe Ashley as a controversially interesting person that has both admirers and detractors!

Ashley comes to us with an extensive background in property an ex CEO of the Property Institute of New Zealand, a role he held from 2015 to 2019. Prior to this he has been CEO of the Newmarket Business Association and the Auckland Property Investors Association. Ashley is a high-profile media commentator on the state of New Zealand's property market and currently writes a weekly column for One Roof and participates in a regular NewsTalk ZB radio show dealing with property matters.

Any person that is prepared to express their opinion on property and the future of the property market is bound at times to be right and wrong all in the same sentence.

Regardless what others say (including those investors that I have a great respect for), I have always found value in reading and thinking about his views.

Ashley wrote an article on Kainga Ora and a likely looming situation facing them.

How much trouble is looming for the Government's housing agency, Kainga Ora?

We have found out it won't be able to repay its billions of dollars of debt it owes for the next 60 years.

One does not need to have much inside knowledge on KO to know that the housing crisis the labour government had great faith in to fix, is still with us.

Old two storied social housing in Murphy street has had untold money poured into them to make them better? But some of them are still sitting empty. Other empty sections or abandoned fenced off homes sit waiting for new families all over the city. Nelson has a below average percentage of social housing

compared with other cities and regions due to historical reasons so what we see locally is just the tip of the iceberg.

We know that over the whole country over 80% of all rentals are provided by private owners and this percentage is growing faster than the stock of government housing. Private owners have been forced to carry out expensive healthy home improvements while at the same time social housing providers be they government or community housing providers have a longer time to carry out this work. Now there is suggestion KO is not going to meet this later time limit and so their properties will stay cold and in old poor condition.

Regardless of who we voted for last year we now have a new government. We have already seen the plug being pulled on the government funded loss making Cook strait ferry expansion. Auckland's disastrous dream filled rail network has had its wings clipped. Central government will not bail out irresponsible councils who have made poor infrastructure investments. Auckland can no longer tap into fuel taxes that the rest of New Zealand contribute to.

KO's \$29 billion is a bigger elephant than Pictons \$1billion wharf.

Call me a dreamer with a self-interest but would it not make more sense to encourage us private landlords, the providers of 80%+ of rental housing, to do a better job of housing more people.

I say watch this space. Encouragement does not need a stick or free handouts. Fair and just laws to equally apply to all housing providers would be a good start. Why should some landlords be permitted to have higher drug contamination and colder drafty homes. Laws are passed by both central and local governments. KO can override restrictive planning laws that prevent affordable houses from being built by private investors. I say let me and others get on with operating our business to attract and reward good tenants. Let us build homes that people can afford and want to rent. I have just completed a new home. That new build took two years to amble through the council approval process and ended up costing double the original estimates.

We have KO speaking on 11 June. The earth is not going to stop spinning to permit you to jump on. Hang on there the world is changing and we are part of it. Sign up to become a member Nelson PIA to put your shoulder to the wagon to propel us forward to a better informed future.

Here is the article that Ashley wrote.

COMMENT: The Government merged Housing New Zealand, Community Housing Limited and the perennially troubled KiwiBuild Unit to form a new Urban Development Authority which it named Kāinga Ora.

Empowered under new legislation passed in 2020, Kāinga Ora inherited most of the roles of these previous agencies, but also gained draconian new powers, which gave it the ability to override Local and Roding Authorities to achieve its goals. In effect, this means that Kāinga Ora can ignore Council District Plans, even though these may have been settled following years of public consultation, if it believes those plans are an obstacle to its objectives.

So how has Kāinga Ora performed since kicking off? According to their surprisingly outdated website, they owned or managed over 67,000 properties in June 2021 (fewer than the 69,000 properties they owned or managed in 2019). But how many homes have they actually built since inception?

Again, according to their website, they delivered 2432 homes in the 2020/21 year. They also had 3500 homes under construction or contract and 3310 in the consenting and procurement stage. Assuming that there is no doubling up in these figures, that's 9242 houses delivered or in some stage of planning in June last year – a huge improvement over the pathetic numbers delivered through KiwiBuild in the years between 2018 and 2020.

So Kāinga Ora is a success, right?

To be honest, it's still too soon to know. For me, there's still a huge question mark over whether the Government actually has a role to play in the construction of houses, versus simply making it easier for the private sector to do so and providing support to the housing disadvantaged in other ways – and there are also emerging (and worrying) signs that, as I predicted a couple of years ago, [we don't actually have a housing shortage](#) and are now at risk of oversupplying the market.

But perhaps the most worrying indicator was the [emergence in July of information](#) which suggests that Kāinga Ora is already in deep trouble, financially. According to the leaked information, which was in the form of a briefing to the Housing Minister, rising construction and interest costs mean that the agency will be unable to repay its billions in debt over the next 60 years.

In January 2020, the Government allowed Kāinga Ora to more than double its debt capacity and the agency is now predicting that that debt will peak at almost \$29 billion in 2033, a huge increase over previous debt positions. As a result, Kāinga Ora has warned the Government that it will not be able to deliver on the Government's commitments, that it is considering suspending home heating and accessibility improvements to the homes that it builds, and that it is so concerned about its position over the next four years that it may require an "equity injection" from the Government.

On top of this, Kāinga Ora has indicated that it may need to take on even more debt to meet the significant maintenance and upgrade needs of 45,000 homes within its aging portfolio because the money required to do this hasn't been set aside.

To be fair, these predictions are made on assumptions which may not pan out as indicated. Mortgage interest rates are likely to drop over the next few years and the over-all value of the Crown's housing portfolio is likely to continue to increase, offsetting some of the risk associated with increased debt costs – but the fact that this crisis has emerged so quickly after Kāinga Ora was formed carries echoes of the kind of incompetence and financial mismanagement we've seen in other government programs, but on a much larger scale.

If the Government continues on the current trajectory, we run the risk of a financial blow-out which will make the failure of KiwiBuild look like small change and – if my warnings from 2020 are borne out – we may also find that we've built thousands of homes that weren't actually needed.