



NEW ZEALAND  
PROPERTY  
INVESTORS  
FEDERATION

# Issues faced by the rental industry

- Tax working group
- Healthy homes Guarantee Bill
- Ring fencing tax losses
- RTA Review
- Meth and the Gluckman report
- Residential Tenancies Amendment Bill
  - Osaki - Methamphetamine - Unlawful properties

# Tax Working Group

## Possible outcomes:

- NZ First doesn't support CGT
- Labour decides not to introduce
- Government introduces, but at a lower rate or for assets bought after law introduced
- Government only introduces CGT on rental property

**Total rejection was the best possible outcome**

# Tax Working Group

## NZPIF Key moments

- Morgan Wallace report: Rental property pays the same tax as other capital growth assets.
- Meeting with TWG, who admitted the study they had in their working paper was wrong.
- Letters to PM, Ministers of Finance & Housing.
- Meeting with NZ First week before the CGT announcement

# Tax Working Group

## Meeting with Phil Twyford:

- Confirmed that Labour are not targeting rental property owners.
- No extension to the Bright Line Test
- Land bankers are to be targeted...

# Healthy Housing Bill

## **MBIE has set standards on:**

1. methods of insulation
2. methods of heating
3. indoor temperatures
4. Ventilation
5. draught stopping
6. drainage ...

# Insulation

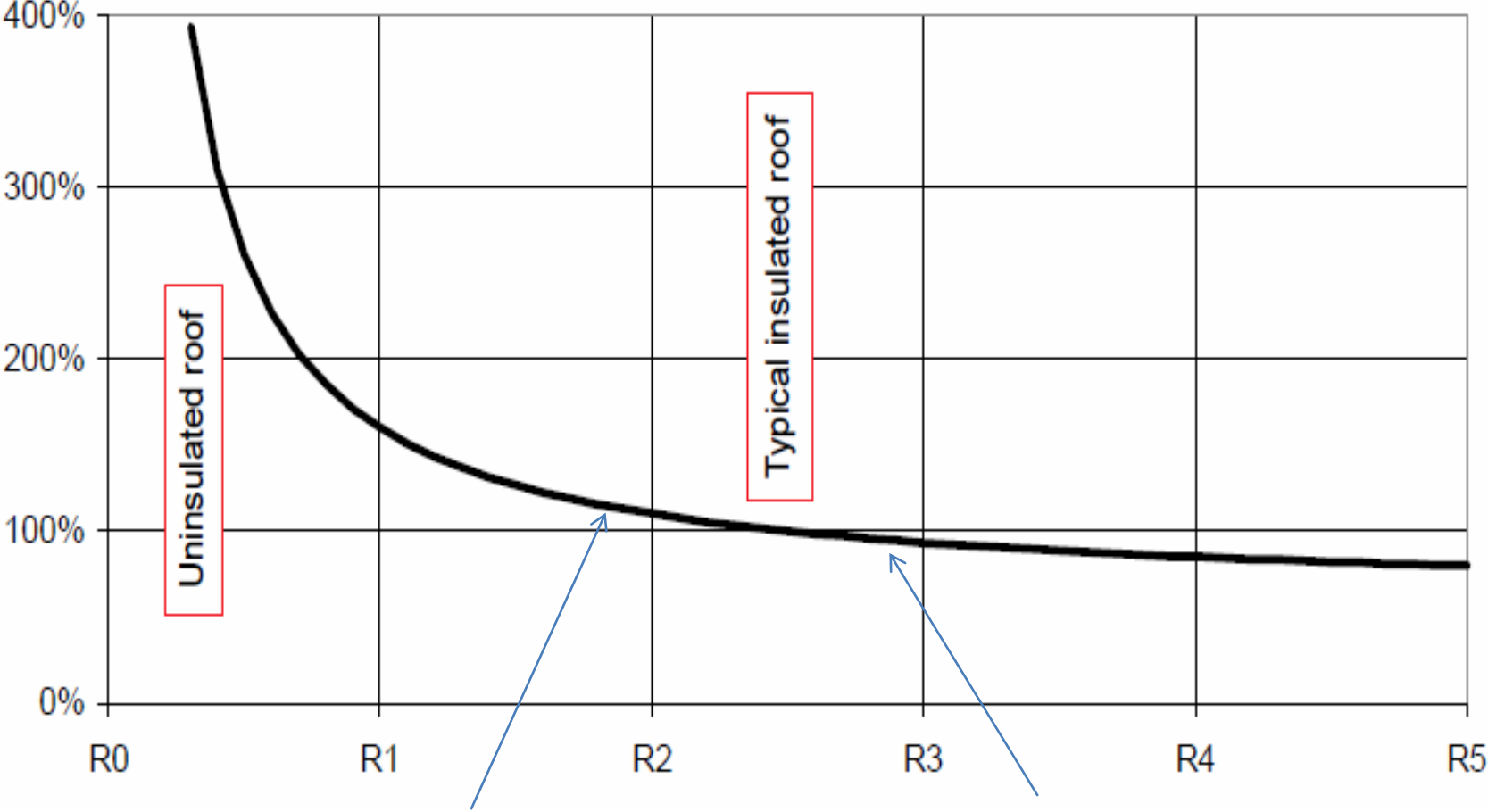
## **New standard:**

1. All rentals must be at the current standard
2. 120mm in ceilings
3. Underfloor insulation stays the same
4. Owners can install their own insulation

## **NZPIF view:**

1. Little benefit in adding extra insulation

# Example relative total heating energy consumption for the same comfort



1978 regulations R2

2008 regulations R2.9



# Heating

## **New standard:**

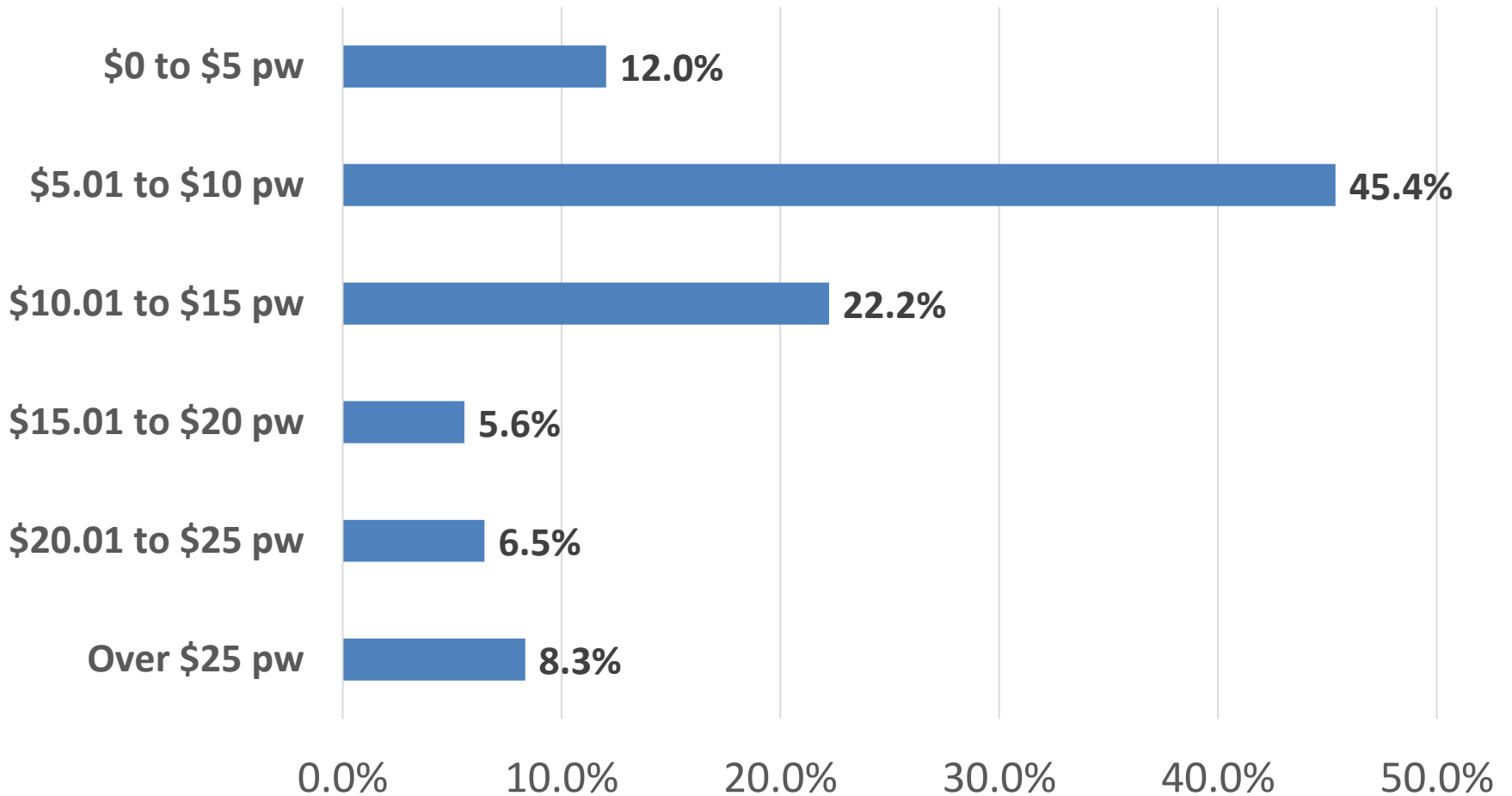
1. Fixed heating device capable of heating the largest living area to 18 degrees
2. No requirement for bedrooms
3. Non energy efficient heaters over 2400w are not acceptable

## **NZPIF view:**

1. Tenants may not want or use heatpumps

# Heating

## Increased rent from adding Heat Pump



# Ventilation

1. Mechanical extractor in bathroom & kitchen
2. Must be vented outside
3. Doesn't have to be a rangehood over the stove in a kitchen

## **NZPIF view:**

1. Could better protect the property
2. Not too expensive
3. Shouldn't be compulsory in kitchens

# Ventilation

**Do you think it should be compulsory?:**

	YES	NO	NOT SURE	TOTAL
In the bathroom	47.90% 262	42.41% 232	9.69% 53	547
In the kitchen	33.78% 178	54.84% 289	11.39% 60	527

Result from NZPIF Membership research

# Drainage

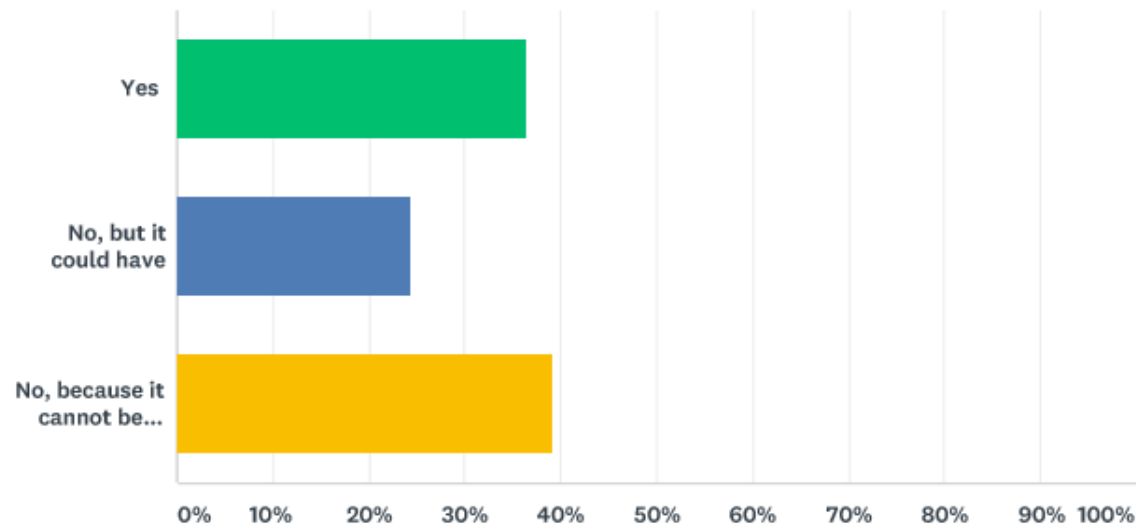
## New legislation

- Subfloor has a ground moisture barrier, unless there is already adequate subfloor ventilation

# Drainage

## Drainage Proposal:

Does your rental have underfloor moisture barrier



ANSWER CHOICES	RESPONSES	
Yes	36.44%	278
No, but it could have	24.38%	186
No, because it cannot be installed (concrete floor, apartment etc)	39.19%	299
TOTAL		763

Result from NZPIF Membership research

# Drainage

## **NZPIF view:**

1. Most members rentals have a moisture barrier
2. Could convince government that dampness and tenant health problems are not the fault of the rental property but the way the tenant uses the property.

# Ringfencing rental losses

Reason for the law change

- To provide a level playing field for investors & home buyers

Morgan Wallace Economic Consultants

- “Our analysis does not establish any bias in after tax returns between an investor, home buyer or tenant. The housing market can be considered a level playing field”.



# Cost of Ring Fencing losses

<b>Providing the average NZ home as a rental</b>		
Property Value (REINZ NZ Median house price)		<b>\$529,000</b>
Deposit / Investment	10%	\$52,900
Mortgage		\$476,100
Mortgage Interest rate		5.86%
Weekly Rent		<b>\$520</b>
Annual rent		\$27,040
Expenses		\$37,301
Cost in first year		-\$10,261
Tax Refund (Inc chattels Depn)	33.00%	-\$4,084
Owners cost		-\$6,177

# Ringfencing rental losses

## NZPIF submission

- Ring-fencing is not introduced.
- Government establishes the likely effects on rental prices and supply.
- If introduced, only on losses over \$10,000.
- If introduced, should exclude repairs and maintenance costs.
- If introduced, losses should offset the owner's other taxable income if a property is sold...

# Ringfencing rental losses

## What will the likely affect be?

- Only negatively geared providers affected
- Fewer people able to provide new rental property.
- Reduced supply will lead to higher rental prices.
- Introduce strategies to increase rental yields ...

# RTA Review

## **Key proposals:**

1. Security of tenure
2. Tenants making modifications
3. Allowing pets

## NZPIF additional proposals

1. Reform of Tenancy Tribunal
2. Introduce a third tenancy option

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# RTA Review

## Timeline:

1. Public consultation completed
2. Report to Government in a few weeks
3. Government policy announcement mid year
4. Law before the end of the year

# Meth

## **Current situation:**

1. NZ Standard 1.5 micrograms
2. Insurance companies adhere to NZ Standard
3. Gluckman report: 15 micrograms if no evidence of manufacture, otherwise 1.5 micrograms
4. HNZ & Tenancy Tribunal follow Cluckman report
5. Neither tenant nor landlord liable below 15 micrograms unless manufacturing involved
6. Government yet to provide advice on what we are meant to do

# RTA Amendment Bill

Passed it's second reading

National supported it

Likely to be law by middle of 2019...



# RTA Amendment Bill

## Osaki:

- Tenants liability limited to 4 weeks rent or the owners insurance excess, whichever is lower
- Unclear on whether this applies to each incident; Officials say it does
- Could be possible for the Tenancy Tribunal to say one incident of damage and Insurer to say multiple

# RTA Amendment Bill

## Methamphetamine

- Does not consider the Gluckman report
- Extends contaminant from Meth to any harmful contaminant.
- Gives the Minister of Housing the power to prescribe Maximum acceptable levels and how tests should be conducted

# RTA Amendment Bill

## Unlawful properties

Confirms existing rules around unlawful premises

BUT

Gives the Tenancy Tribunal the ability to hear unlawful property claims



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