

Delay flawed tenancy law reform - property owners

Published: Fri, 17 Apr 2020 National Business Review

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The Residential Tenancies Amendment Bill came under fire this week as property owners and managers said the proposed reforms would motivate property investors to exit, leading to the risk of higher rents.

The consultative process itself has been criticised as being hasty, given the covid-19 restrictions effectively suspended all but essential business before select committees.

In a statement, National's spokesperson for housing and urban development Judith Collins questioned why the government was pushing ahead with the process when people are "rightly focused" on the national health crisis and the bill had already been amended as part of the emergency covid-19 law changes.

The Real Estate Institute of New Zealand echoed the call, saying rental reforms needed to be put on hold while the country was in lockdown. In a statement yesterday, chief executive Bindi Norwell said rental property management companies are grappling with landlords and tenants who are losing their jobs and are struggling to pay their mortgage or rent.

A number of the 18 oral submitters to the social services and community select committee yesterday also prefaced their comments by noting they were uncomfortable with presenting by video-conference, with one stating he thought the bill's passage was a "foregone conclusion."

Comments followed the same general thread of the more than 1,332 written submissions on the bill - best summed up by property investor and landlord Naveen Goel's opening comment that "if it ain't broke, don't fix it."

From the perspective of the landlord, the most significant change under the proposals is the removal of the ability to end a tenancy at 90 days' notice.

This has been offset by the creation of a new, Tenancy Tribunal-based pathway to ending tenancies where tenants consistently commit 'anti-social acts' – such as disturbing or threatening neighbours or hosting loud parties.

The New Zealand Property Investors' Federation, representing about 6,000 property owners, believes the proposals could shut the door on getting rid of obnoxious tenants, to the detriment of the neighbourhood.

Former NZPIF executive officer Andrew King said while the federation agreed with the broader aims of protecting the tenure of tenants, the perception that tenants were currently being kicked out of their rental properties for “no reason” was inaccurate.

“The 90-day notice is really only used as a last resort and neighbours do expect landlords to do something about loud or potentially aggressive neighbours – which is really where the notice would generally be used.”

Goel, who represented a group of 60 property owners, said the removal of the no cause termination was the equivalent of giving tenants the right to stay in a property "in perpetuity."

"Landlords will perceive that they are likely to be stuck with a tenant for a very long term, if not for life. Therefore, they will naturally be more selective and harsh in their selection of a tenant.

"Tenants who have stable employment, good references, good credit, small families, no pets etc, would be preferred and the lower category of tenants - bad credit, poor references, previous history of evictions and bad behaviour - would lose out and no landlord would be willing to rent to them."

Auckland Property Investors Association president Andrew Bruce suggested the reforms leave the termination rule as is. "The landlord always has a reason to terminate a tenancy, not having to state one is not the same as not having one in the first place."

Bruce said the current tribunal set up also needed review and suggested the creation of a sub-tribunal to deal with rent arrears, which would address the majority of applications each year and would speed up the process.

In her submission, Ace Body corporate owner Philippa Walsh said the bill in its current form would see a "flood of investors" leaving the market, due to extra administrative time and costs and additional risks.

The Wellington property manager said a "standard property" would take a property manager approximately 22 hours a month to manage, requiring break-even revenue of \$2,200. Properties with a late paying tenant or badly maintained could take an extra 25 hours.

"We are looking for a 20 percent profit so a tenant who is regularly late in paying rent takes more time, meaning more cost to the owner."
