



Property Management Update

June 2016

The rental market has been quite busy since the last update in March. There is currently a lot of supply available, which is not ideal for investors. However, there seems to be a reasonable level of demand to meet this supply, meaning we are mostly finding our available properties are renting within a normal time frame. The number of properties available has been yo-yoing up and down somewhat in the last few months.

Rents are fairly steady but continue to slowly track upwards, in line with past trends.

We are coming into what is traditionally the slower time of year for the property market (rentals and sales), so with demand likely to dampen down a bit, we'll hopefully see the number of rentals available drop back a bit too.

We have a new updated landlord guide available, updated to cover new regulations. Let us know if you or anyone you know would like a copy and we can get one of these to you.

Kind Regards,
David



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Latest Rental Statistics

Market Rent

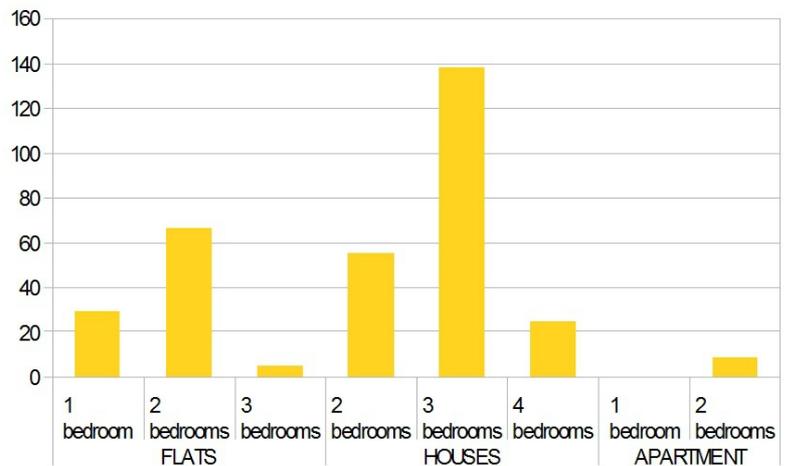
in Timaru Township:

01 Aug 2015 – 31 Jan 2016

Number of bonds received: 295

LOWER QUARTILE	\$236
MEDIAN	\$295
UPPER QUARTILE	\$330

Number of Properties Rented per Property Type



Ray White



New Smoke Alarm & Insulation Rule

The new regulations on smoke alarms and insulation are now being finalised, and will take effect from 1 July 2016. These are basically as expected but contain some further detail on top of what was already known to be included.

The rules around rental properties are becoming more stringent, and it seems likely that this trend will continue. There are also important changes being made regarding retaliatory notice – this is where a landlord requires a tenant to leave in retaliation for exercising their rights (such as asking for repairs).

The MBIE will also be given stronger enforcement powers to pursue cases against landlords that are not compliant with legislation (whether the tenant wants this or not.)

Below is some information on each issue, explaining what is required (courtesy of the MBIE):

SMOKE ALARMS

By 1 July 2016 all residential rental properties covered by the RTA must meet the following regulatory requirements:

- **There must be a minimum of one working smoke alarm within 3 metres of each bedroom door, and in a self-contained caravan, sleep out or similar there must be a minimum of one working smoke alarm.**
- The **landlord** is responsible for making sure smoke alarms are in working order at the beginning of every new tenancy.
- The **tenant** is responsible for replacing batteries (if required) during their tenancy.
- In multi-story units there must be one smoke alarm on each level within the household unit.
- **Long life photoelectric smoke alarms are now required where there are no existing alarms. When existing smoke alarms are replaced, the replacements must be long life photoelectric smoke alarms.**
- Hard wired smoke alarms are also acceptable.
- All smoke alarms must be replaced in accordance with the manufacturer's recommended replacement date stated on the alarm.
- **All new and replacement smoke alarms in rental properties are to be installed in accordance with placement requirements provided in the manufacturer's instructions.** The illustrations from New Zealand Standard 4514 provide a simple guide on where to place alarms. You can also find helpful information on the NZ Fire Service's website.
- When smoke alarms are installed or replaced, you should ensure the alarms you purchase comply with the manufacturing standard: Australian Standard AS3786:1993 (this should be displayed prominently on the packaging).

It is an unlawful act for tenants to cause or permit any interference with, or to render inoperative, any means of escape from fire – which includes smoke alarms. The maximum fine for this offence is \$3,000.

INSULATION RULES

All rental properties must meet the new requirements by 1 July 2019.

Landlords will be required to make a statement on the level of insulation in every new tenancy agreement from 1 July 2016 onwards.

This will mean that we will need to ascertain exactly what insulation is installed, which will include not just whether there is underfloor and/or ceiling insulation, but its 'R-value'. R-values are a measure of thermal resistance – the higher the value the better the insulation will insulate the heat inside the home.

If insulation is incomplete, doesn't meet the minimum standard, or is damaged or damp, it will need to be replaced.

This will mean that we will need to look at getting assessments done on properties that have not had insulation installed in the recent past, to ensure compliance of existing insulation.

Insulation must:

- Have ceiling and underfloor insulation that would have met or exceeded to 1978 standards at the time of installation.
- Cover all spaces used for daily activities, except around flues or downlights as applicable
- If retrofitted or replaced after 1 July it must meet current standards

The level below which rental properties must be upgraded is as follows:

Timber-framed	Masonry
Ceiling – R 1.9	Ceiling – R 1.5
Underfloor – R 0.9	Underfloor - R 0.9

The minimum standard for new and topped-up insulation is as follows:

Zone 3 (South Island and Central North Island)
Ceiling – R 3.3
Underfloor – R 1.3

Exclusions to this include:

- Where it is impractical to fit insulation due to physical design or construction of the property
- Where a landlord intends to demolish or rebuild within 12 months of a tenancy starting, and can prove it (with applications for resource or building consent)
- A period of 12 months from the date of purchase, whereby a property is purchased and rented back to the former owner immediately

Installation of foil insulation may also be banned – this is to go through a consultation process. It doesn't appear that existing foil would need to be removed.

HEALTHY HOMES BILL

As some of you may have noted, Andrew Little's Healthy Homes Bill passed its first reading in Parliament recently.

This bill is nearly identical to a similar one defeated in 2015, but was able to pass this time around due to the support of Peter Dunne.

The gist of the bill is that it would require the MBIE to set minimum standards for:

- Methods of heating
- Methods of insulation
- Indoor temperatures
- Ventilation
- Draught stopping
- Drainage

Any detail on what this would entail is lacking. Opposition parties (National and ACT) have suggested that the bill is flawed, and amounts to 'showboating'. I personally tend to agree – as far as I can see it would be very impractical to regulate things such as 'indoor temperature'. Many of these are also covered in the existing regulation (such as the Building Act), and in the new regulations.

