

Property Investor

Courtesy of Buy West Property Management

No go for rent controls

Changes to tenancy law which aim to boost tenants' rights are on the way – but landlord advocates are relieved to find rent controls won't be among them.

By Miriam Bell

Housing and Urban Development Minister Phil Twyford has confirmed that he wants to introduce legislation to reform the Residential Tenancies Act by the end of this year.

He says New Zealand tenants have less rights than any in the Western world and he wants to modernise the law to improve their lot and to encourage longer, more settled tenancies.

The reforms are likely to include restricting rent increases to once a year, banning letting fees and abolishing no-cause terminations.

However, Twyford has also confirmed that rent controls will not be part of the reform package.

That's because he thinks rent controls are bad policy which drive landlords out of the market, discourage landlords from upgrading and maintaining their rental stock, and only protect tenants in properties under rent control.

Ultimately, the only lasting solution to addressing the current rental market squeeze is to increase the supply of housing on the market,

Twyford says. Tenant groups have been advocating for the introduction of rent controls following claims that a rise in student allowances has led some Wellington landlords to significantly increase their rent.

But NZ Property Investors Federation executive officer Andrew King says that imposing rent controls would only make the situation worse.

"There are high levels of regulation and new compliance costs already. That's contributing to rising rents at a time when there is already a shortage of rental supply.

"Enforcing further regulation, like rent controls, is only going to accelerate the problem as private landlords stop replenishing the rental stock."

For this reason, he is relieved that Twyford has ruled out rent controls – the prospect of which was worrying many landlords.



"I feel that is very positive, but we will have to wait and see what happens with the rest of the suggested reforms."

The government is planning to conduct extensive public consultation with landlords, tenants and the general public before the RTA reform legislation is introduced to Parliament.

Twyford says they have to get the legislation right so that it works for both landlords and tenants.

Source: landlords.co.nz

A message from Natalie Hachache...

Beat the rush! During summer it's a good idea to get the work done around your rental property that needs doing prior to winter – the companies that provide these services get very busy in the winter months, and in some cases, get so busy they can't attend to the jobs until spring! If you've been thinking about installing a ventilation system, DVS have offered us a special price for our clients, and we also have a special for heat pumps from Oxygen Air. If you would like further information on these, please contact one of our property managers today.

Natalie Hachache – General Manager



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Thinking of investing in property? Here's what you should know

If you're thinking about buying an investment property in 2018 but you could benefit from some guidance, you've come to the right place. We understand that dipping your toes into the world of property investing can appear daunting, that's why we're here to bring confidence to your decisions.

Let's start by looking at the main three benefits of property investment:

- Capital growth**
 Capital growth is the continued growth in the value of your property over time. This strategy generally requires you to hold onto the asset over a longer period of time.
 As an example, if you purchased a property in 2013 for \$300,000 and it grew in value by 5% each year it would be worth \$383,000 in 2018 and you would have made an \$83,000 capital gain, minus any expenses and taxes.
 If you are looking at re-selling the property rather quickly, one thing to be mindful of is the Bright Line Test which has been in for the last few years and helps determine how much capital gains tax (which is simply payable tax on your property's profit) home buyers and sellers have to pay, should their sale be within two years of the purchase.
- Rental and investment yield**
 Rental yield is the money you earn from rental income minus the expenses you incur owning the property. With the right structure, a property investment can generate a monthly income stream and high investment yield. Investment yield is the yearly amount of rental income you earn divided by the total loan deposit you made. As an example, if you earned \$10,000 in rental income after your expenses and deposited \$100,000 on your loan your investment yield would be 10%.
- Tax benefits**
 There are tax advantages for all types of property investors; you can claim expenses you incur owning the property and if your rental income is less than your mortgage payment, you can offset losses incurred in the property investment against your taxable income.

Why existing home owners might choose to buy an investment property

If you're an existing property owner who has been paying off a mortgage, you may have equity in your property which could allow you to make another purchase without having to put down a deposit or make a large upfront financial commitment. The more equity you have the better, as the lender will likely be more willing to approve a higher loan amount. It's important to note however, that there are lending restrictions with banks depending on your deposit size, whether it be equity or cash. That's why it's as good a time as any to speak to a mortgage advisor as banks are capped at lending up to 65% on an investment property, while borrowing from a non-bank lender often isn't as tough, commonly lending at 80% for investments. But what if you're a first home buyer? Can you still purchase an investment property? The answer is yes. It's not uncommon for property investors to purchase an investment property the first time that they buy a property. This is partly because banks may increase the borrowing capacity for if you apply for an investment property, as the bank will factor in the rent that you'll earn from the property, as well as your income. Purchasing an investment as your first property can be a great way to build a solid financial foundation for the future. You'll get all the benefits of owning a home, such as building equity in a large asset, whilst still enjoying the flexibility of renting. If you'd like to see how much equity you have and are thinking about investing in property, get in touch so we can talk about your options.

Rental Market Trends—Real Estate

No. Of Bedrooms	Median Price	No. Of Properties Let
West Auckland—Te Atatu Peninsula		
2	\$430	15
3	\$530	64
4	\$630	19
West Auckland—Te Atatu South		
2	\$425	22
3	\$500	58
4	\$595	21
5+	\$675	6
West Auckland—Henderson		
2	\$425	64
3	\$495	256
4	\$610	83
5+	\$710	23

Sales Market Trends—Real Estate

Median house price year-on-year	National	\$550,000 - up from \$520,000 + 5.8% year-on-year
	National ex Auckland	\$450,000 - up from \$422,000 + 6.6% year-on-year
	Auckland	\$870,000 - up from \$855,000 + 1.8% year-on-year
Seasonally adjusted median house price	National	Up 1.7%, up 1.7% on November 2016
	Auckland	Up 1.1%, up 1.2% on November 2016
Month-on-month median house price	National	\$540,000 - up from \$530,000 + 1.9% since last month
	National ex Auckland	\$450,000 - up from \$440,000 + 2.3% since last month
	Auckland	\$880,000 - up from \$848,149 + 3.8% since last month
Median days to sell	National	33 - 1 day longer than same month last year
	Auckland	35 - 1 day longer than same month last year

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