September 2021

Property Investor News

Courtesy of Buy West Property Management Ltd

RayWhite.

New builds: 20-year exemption from tax changes

New builds will be exempt from the Government's tax deductibility rules for 20 years, irrespective of who the owner/s are over that period.

The Government has released the draft legislation outlining details of the policy limiting the deductibility of interest costs on residential property investments.

A property with a code compliance certificate on or after March 27, 2020 will be eligible to deduct interest for up to 20 years.

The exemption will apply to both the initial purchaser of the new build and any subsequent owner within the 20-year period.

Housing Minister Megan Woods says the new build exemption also applied to the build to rent sector.

"Purpose-built rentals are large residential developments designed for ongoing rental, rather than sale," Woods says.

"This is an emerging area and one where we see real potential to meet gaps in our rental market.

"I am expecting further advice on purpose-built rentals in coming weeks and will report back to Cabinet on whether there should be an extension beyond the 20-year period for some or all of this sector."

For all other existing residential investment property acquired on or after March 27 this year deductions for the cost of interest will no longer be allowed.

Interest deductions on borrowings drawn down before March 27 this year for existing residential property will be phased out from October 1 this year until March 31, 2025.

Revenue Minister David Parker says private residential investment properties capable of being used for long-term accommodation will be subject to the rules.

"So hotels for instance, will not be affected by these rules as they are set up to provide short-term, and not long-term accommodation.

"The owner-occupier of a house with flatmates would not be affected either," he says.

Parker says the Government wants to curb investors' appetite for existing residential properties but also wants to stimulate investment in new housing.

"That's why we're also proposing an exemption for property development and for new builds, allowing interest deductions in full."

Earlier this year the bright-line test was extended from five years to 10 to help reduce the incentive to invest in housing over other types of assets.

Finance Minister Grant Robertson says early indications suggest enthusiasm for existing residential investment properties might be waning.

"Tax is neither the cause nor the solution to the housing problem, but it does have an influence, and this is part of the Government's overall response."

Woods says the Government is committed to boosting the supply of new housing.

"The exemptions for new builds and for property development will ensure the interest limitation rules do not reduce the ongoing supply of new housing."

Source: landlords.co.nz
September 28 2021

An Update from... Loan Market

Interest rates: Is now the time to fix or float?

The recent re-emergence of Covid in the community and snap lockdown saw the Reserve Bank decide not to change the official cash rate (OCR).

Commentators had widely anticipated the Reserve Bank would raise the OCR for the first time in several months. ANZ even pre-empted the move and announced a hike to all its fixed mortgage rates.

Given the current uncertainty, the Reserve Bank instead decided to take a cautious approach. However, Governor Adrian Orr made it clear an increase in the OCR is still on the cards.
The Monetary Policy Statement sees the OCR increasing from 0.25% to over 1.5% by the end of 2022.

With mortgage rates already increasing, many clients have asked us whether now is the time to fix their home loans. Everyone's situation is different. So before making a decision, it's essential to get expert advice from your Loan Market adviser. And to help you prepare for the discussion, we share some general pros and cons of fixed and floating mortgages.

Fixed rate mortgages: Advantages and disadvantages

Fixed rate mortgages have an interest rate fixed for a set term, usually between one and five years. So, whether interest rates skyrocket or fall, you will still be paying the same amount.

The main advantage of fixed rate mortgages is certainty. You know exactly what you need to pay each month. Plus, the rates offered by lenders tend to be more competitive and are usually lower than the floating rate.

The downside is the early repayment charges. Say you get a promotion at work or receive an inheritance and want to pay off your loan faster by making a lump-sum payment. The banks will charge you for the privilege of doing so. You will also be penalised if you break the loan term or decide to sell.

Furthermore, there's always the possibility that floating rates may fall below your fixed rate. And so, if your mortgage is set for a longer period, you won't be able to take advantage.

Floating rate mortgages: Advantages and disadvantages

Interest rates for these mortgages fluctuate depending on the OCR and tend to be higher than fixed rates.

The main benefit of floating rate mortgages is flexibility. With floating rate mortgages, there are no early repayment charges. You will have a minimum monthly repayment rate but also have the option to pay more without being penalised. And so, if you get a bonus or a pay rise, you can increase the repayments or make a lump sum and pay back the loan faster.

Furthermore, floating rate mortgages don't have any break clauses or penalties. You are free to sell your home, refinance your loan or switch to another bank with a more attractive rate without worrying about expensive penalties.

Fixed and floating mortgages

It is possible to split your borrowing into a combination of fixed and floating loans, giving you the best of both worlds. With this arrangement, you get the certainty of a fixed rate alongside the flexibility of the floating rate.

Thinking of changing your mortgage? Talk to your Loan Market adviser today. We are still working during lockdown and will help you find the right solution.

Source: loanmarket.co.nz
August 30 2021

Sales Market Trends — Real Estate — August 2021

www.reinz.co.nz

Median house price year-on-year	National	$850,000 - up from $677,400 + 25.5% year-on-year
	New Zealand ex Auckland	$700,000 - up from $570,000 + 22.8% year-on-year
	Auckland	$1,200,000 - up from $949,500 + 26.4% year-on-year
Seasonally adjusted median house price	National	Up 2.5%, up 25.7% on August 2020
	Auckland	Up 1.7%, up 26.5% on August 2020
Month-on-month median house price	National	$850,000 - up from $825,000 + 3% since last month
	New Zealand ex Auckland	$700,000 - up from $688,999 + 1.6% since last month
	Auckland	$1,200,000 - up from $1,165,000 + 3.0% since last month
Median days to sell	National	30 – 3 days less than the same month last year
	Auckland	32 - 2 days less than the same month last year

Diane Stevenson
Licensee Agent/Director/Manager
P: 09 834 6789

Kris Brown
Business Development Executive
P: 09 834 6789

Rental Market Trends Real Estate

01 Feb 2021 - 31 Jul 2021
Source: www.tenancy.govt.nz

No. Of Bedrooms	Median Rent	Bonds Received
Waitakere — Te Atatu Peninsula		
2	$543	213
3	$600	561
4	$730	129
5+	$965	54
Waitakere — Te Atatu South		
2	$500	273
3	$585	669
4	$700	231
Waitakere — Henderson		
2	$473	327
3	$570	1527
4	$693	513
5+	$800	150