

Property BULLETIN

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Up and down

8,568 dwellings sold in New Zealand in April 2016, up 18.4% on April 2015, but down 10.1% on March 2016.

National median price of \$490,000, up \$35,000 (+7.7%) on April 2015 and down 1.0% on March 2016.

New record median prices in Waikato/Bay of Plenty, Taranaki, Canterbury/Westland and Otago, with Central Otago Lakes recording the largest percentage increase of 25.2% compared to April 2015.

A 39.3% rise in the number of sales of \$1 million or more between April 2015 and April 2016 - from 779 to 1,085

20,456 dwellings sold by auction in the 12 months to April 2016, representing 22.0% of all sales, an increase of 35.5% in the number sold by auction in the 12 months to April 2016

Sources: REINZ stats

Welcome to the May edition. Not much has changed - as agents we are continually struggling to put houses on our shelves.

Our stock levels are now very low historically. To compare, on the 18th May 2015 we had 996 houses on Trade Me listed in Wellington against 16th May 2016 when there were 547 - this represents a 45 % reduction. Days on markets are reducing with a lot of marketing campaigns now running over a two week period rather than three or four.

Changing legislation is all around us and in this edition we focus on some important changes in law and interpretations of that may affect you. However there is no substitute for good professional advice and we suggest you speak to the appropriate qualified person when dealing with issues you are concerned about.

Regards

Malc and the Team
Leaders MREINZ

Chronic lack of supply fuels regional growth in house prices and sales volumes

Sales volumes hit new levels and median house prices reached new record highs across more regions of New Zealand than ever before, according to the latest figures released by REINZ.

Record median prices were reached in Waikato/Bay of Plenty, Taranaki, Canterbury/Westland and Otago. This shows the growing 'Halo Effect' of rising prices around New Zealand is strengthening in the regions where it is already present, and moving on to new regions, driven by a chronic lack of supply.

On a seasonally adjusted basis, the number of dwellings sold in April 2016 rose by 12.8% compared to March, indicating that the normally-expected drop in sales between March and April was far smaller than usual. And compared to April 2015, all regions recorded increases in sales volume.

At the same time, the availability of properties

for sale has fallen by over one third over the past 12 months, with a number of regions seeing declines of more than half. Days to sell, another measure of demand, has also fallen by more than 20% over the past 12 months in nine of the twelve regions.

The April data confirms the continued strength of the real estate market right across New Zealand, driven by a chronic lack of supply.

Investors outside of Auckland are increasingly looking to real estate investments to improve their yields compared to bank deposits. First home buyers are also taking advantage of low mortgage rates, putting pressure on the number of properties available for sale. The strength of the seasonally adjusted level of sales demonstrates that the underlying demand for real estate across New Zealand remains strong, with every region recording an increase on a seasonally adjusted basis.

What's Up at the Reserve Bank!

Reading through and listening to the latest video link on the OCR announcement on 28th of April the Reserve Bank has clearly noted they will be implementing additional macroeconomic measures targeting the housing market. If you watch the video there is a considerable amount of concern expressed about the risks to the stability of the economy posed by the raging property market. The speech notes are mild in comparison to the frustration clearly evident in the video link. The Reserve Bank is obviously under a lot of pressure. Bill English who has been critical of their performance has spoken of his frustrations. In contrast Nick Smith – Minister for Building and Housing has said there is not a “housing crisis” rather a “challenge”.

Measures the Reserve Bank spoke about were the possibility of implementing Debt to Income Ratios. This has already been run past Treasury which has given them a tick but I don't think it will be easy to implement across the board and the definition of income may be difficult to apply evenly between self-employed and waged workers. Additionally they may look at tightening the LV Ratios particularly against Auckland, though also in some other regional centres (Tauranga and Hamilton are traveling pretty fast as well). The Reserve Bank is also frustrated that the Government's attempts at boosting housing haven't really taken off at all. We are simply short of houses!

My feeling is that the Reserve Bank and the Government will implement changes very soon – probably between now and August. The lag we had when LVRs were first introduced caused the market to surge until they were implemented thus lessening the impact. A quick implementation will have the greatest long term benefit. This may send those responsible for the paperwork into a mad scramble to comply but I think the banks are a lot more organised than they were before the initial LVR's were proposed.

The Budget is on the 26th of May this year and I am sure the property market will be part of policy changes announced.



New Health and Safety Legislation Catches Landlords Unaware

Under legislation that came in to force on 1 April a Landlord is classified as a Person Conducting a Business or Undertaking (PCBU) and the property will be classified as a workplace if a person is undertaking work there.

What this basically means if you are getting someone to do some work on your rental property you will have an obligation to ensure:

1. You identify and manage the risks on the property. You also need to identify the risks that may be around the work that is being undertaken;
2. That the contractor is suitably qualified and has their own suitably qualified health and safety plan;
3. That the workers understand their health and safety requirements.

Good note taking and discussion with the contractor is vital as Worksafe, who will be

investigating any breaches, may come down heavily on you.

Residential work can be wide and varied and there are a number of tradespeople who can visit the workplace over the years so you need to be vigilant from now on. It may be a good idea if you are employing someone to complete work on your rental property to meet them prior to starting work just to ensure you are covered. Again it is important to take good notes.

If you are not sure how the contractor works and his/her standards on site or they haven't worked for you before, it's better to have a site visit with them before the work is carried out rather than just issuing instructions over the phone or by email. Be particularly vigilant if the contractor hasn't visited the site before and is not aware of hazards. There are a lot of accidents around the home, with roofs, ladders and difficult egress just some of the high-risk areas. Be cautious!

Holler vs Osaki

You probably remember way back in 2002 the case that was settled in the Dunedin District Court relating to fire damage that was caused by bacon cooking on the stove in a flat. There were five flatmates in total, with them all having to stump up for the total cost of the damage of \$67,000. The flatmate who caused the damage immediately admitted liability however the Court said that they were all liable. At that time, under the Residential Tenancies Act damage caused by the tenant or others who have been permitted on the property by the tenants were liable. The tenants didn't have insurance (previously called flatties insurance) but in his summing up the judge noted it was pretty harsh on the other four flatmates and that the whole situation was pretty unfair. This example has been used by many property managers and owners in the past to ensure incoming tenants arrange insurance to cover such situations.

In 2007 the Property Law Act was introduced which was a tidy-up of predominately existing commercial property law.

Subsequent to this the Osakis, who were tenants in a house owned by the Hollers, left a pot of boiling oil on the stove which ignited

causing a fire and \$216,000 worth of damage. The Osakis faced a difficult time having a claim against them but a District Court judge ruled differently to the result in 2002.

The judge's decision (which was subsequently upheld by the High Court and the Court of Appeal) was that the Osakis were entitled to the protection of the Residential Tenancies Act citing a specific section which allows general principals of law to be considered. The Property Law Act of 2007 prevents a landlord (and therefore the landlord's insurer) from recovering losses from the tenant caused by certain events including fire and flood where the landlord is insured against the loss. In the High Court the Osakis argued that this immunity should be extended to them and that the Courts look at Part 4 of the Property Law Act to create a general principal of law which should give the same protection to both residential and commercial tenants.

It was an interesting argument and the Osakis succeeded at the District Court, the High Court, and subsequently the Court of Appeal who released their decision in mid-April.

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Are you interested in receiving our newsletter or house sales information on a monthly basis of your local area? We produce sales stats of Postcode 6011, 6012, 6021, 6022 and 6023 on a monthly basis and is available to clients by email. Email Kirsty@malcolmmorris.co.nz or phone (04)3900132 to receive just good content. Your privacy will be respected and I confirm your email address and details will not be passed to any third party or people trying to sell you things!

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