

Summer's arriving and so is the traditional increase in enquiries regarding rental properties. We have enjoyed quite a busy month with both new listings and potential tenants. This is not to say that properties are letting out quickly. Tenants have considerably greater choice and have certainly become far more selective than they were just a few months ago. However as you would expect well presented, well priced properties are still in demand.

We spoke last month about the new regulations around smoke detectors. Sadly another tragedy in Palmerston North in which two people dies has again highlighted the necessity for smoke alarms. The Governments new directive also addresses the age long issue of tenants not taking responsibility for replacement of smoke alarm batteries or as in many cases removing the batteries for use in some other appliance. By demanding that all future smoke alarms are of the sealed, long life (10 years) battery style at least landlords can be confident that both of these problems will be addressed.

Landlords have until 2018 to install smoke detectors in rental properties. Frankly we don't understand why landlords would delay this long. Operational smoke detectors not only save lives but they save property – your property. The sooner people become aware of a fire the sooner help is sought. The sooner help arrives there is at least a good chance that the level of damage can be contained. Less repair costs, less down time, less hassles but most importantly a lower chance of fatality.

The new standard smoke detectors retail at around the \$70-\$80 mark each. We have been able to source these for \$55.00 incl. GST. We appreciate that there are cheaper sealed units but our research tells us not to go there as that's exactly what they are – cheap.

The instructions of the manufacturer calls for ceiling mounted units placed no further than 10 meters from each other. So in an average rental property 3-4 units

would suffice. NOTE: If you know that your tenants (perhaps in a room x room situation) are more likely to close their bedroom doors for privacy or security then you should consider 1 unit per bedroom plus others in the common areas.

We have arranged installation at \$75 incl. GST per property so if you work on 4 units the costs involved would come to \$295 incl. GST.

A no-brainer really. Your tenants get increased safety. You get peace of mind and your property gets additional security.

The new regulations refer to long life smoke detectors only being the standard for new or additional units. There is no obligation (at this point) for landlords to upgrade existing units to the new standard.

OUR STRONG RECOMMENDATION to those of you who already have the traditional replacement battery style of smoke detector in place is that you supplement these with a small number of the new standard unit. It pays to be sure.

We are currently working on a possible cheaper unit price so in the interim take to prices mentioned above as a worse case scenario

The number of rental properties available to potential tenants with pets remains small with many landlords declining such applications. We can certainly understand the concerns but we believe that there is room to compromise and that there are benefits for landlords.

There are obviously pets that are unacceptable under any circumstances but by advertising "pets negotiable" at least the landlord/agent has the opportunity to view the tenants (and the animal) before a decision. People with pets make up a large portion of the "tenant pool"

and often these are people who would make for excellent tenants and look after your property. Only 5-7% of properties listed on TradeMe are listed as “pets OK” or “pets negotiable”.

There are other advantages for landlords:

- It may be possible to secure a higher rental recognising the pet
- Tenants may stay longer given that their options to change properties are restricted.
- Less downtime between tenancies – again because options are restricted.

The main concern is damage caused by pets – which can be anything from chewed or scratched surfaces to smells.

(Source: New Zealand Property Investor)

Our own experiences with pets have been varied. One instance of a badly scratch damaged property – curtains, furniture, carpet – but fortunately the tenant took full responsibility and paid fully for the repairs / replacements. But on the whole the level of damage done by ‘selected’ pets has been minimal. Mature cats and smaller dogs do virtually nothing. Kittens can be a major issue and big dogs we try to stay away from.

We include in our lease contracts specific clauses relating to damage caused by pets and to cleaning at the end of a tenancy should the tenant have permitted pets. We have not experienced issues relating to these clauses.

Interesting feedback from the Ministry of Business, Innovation and Employment with regards to “Pet Bonds”. Under the Residential Tenancies Act you can’t “require a bond” to cover pets. (Note the maximum bond is 4 weeks rent). You can’t ask for or demand a “pet” bond. However according to spokesman Paul Davies if the tenant “offers a pet bond” you can accept it provided you have written evidence that the tenant

offered this additional bond payment.

The biggest issue faced with pets is that they often turn up after the tenancy begins. You get the usual stories “we are just pet sitting for friends for a few days” but you know this isn’t true. So the options then are eviction and the related costs, down time that comes with that or acceptance but under a new contract that recognised the pet is on the property. It is possible that with a more flexible “pets negotiated” policy that much of this could be avoided.

Don’t under-estimate the benefits that some minor upgrading of your rental property may bring. The rental property pool is widening and tenants have greater options. Some properties may look dated and those will sit for longer.

But planned upgrading – particularly of bathrooms and kitchens – upgrading of heating and insulation and replacement of carpets will bring quantifiable benefits to landlords.

- Improved quality of tenant
- Increased rents
- Increased yield
- Reduced downtime
- Increased capital value

And we are not necessarily talking big money. Kitchen or bathroom upgrades may only cost a few thousand dollars – a small portion of the capital value of the property. On the other hand however the rental increase may be significant and the yield lifted.

And they may be tax deductible. It pays to seek advice on this as when renovations go beyond fair wear and tear and rental levels are increased or the insured value of the property is increased then the IRD is likely to view this as non-deductible capital costs.

There has been some relaxation of the LVR criteria imposed by the Reserve Bank which may enable lending authorities to advance a larger portion of their mortgage fund to buyers with less than 20% deposit. This should enable especially first home buyers to be more competitive in the marketplace.

There are early signs from the Auckland market that these restrictions and those directed at property speculators have bought about a slow-down in the marketplace. Prices have not come back as yet but the substantial increases in residential property prices have tailed off.

These same restrictions, whilst perhaps tempering the Auckland market, have in fact fuelled regional markets with areas such as Hamilton, Tauranga, Rotorua reporting increased interest and increased prices over recent months.

Just a quick note on TradeMe listings. As at end of August there were 1607 properties listed in Christchurch, Banks Peninsula, Selwyn and Waimakariri.

As at today this sits at 1845 – a 12% increase in listings in just 1 month. We will do a full comparison again in November.

From the real estate sector:

- Christchurch values remain flat and market activity, whilst seasonally strong like most of NZ, has not picked up in recent weeks
- More new listings coming onto the market
- 8,121 properties sold across NZ in July – up 37.8% on July 14 and 9.4% over June 15
- July sales valued at \$4.582 billion
- Auckland prices have risen 85% from 2009
- Net immigration has been 58,000 and still rising
- Inventory levels of houses for sale are at

their lowest since records began in 2007 – at end of July the equivalent of 18 weeks sales almost half the long-term average of 35

- Mortgage rates have hit a 60 year low
- Sorry but property prices in Christchurch are predicted to fall in the near future (Tony Alexander, BNZ Head Economist)

Hopefully you will have seen the advertisements. Following on from the success of our first “Women with Rentals” seminar (108 attendees) we are now running a second seminar.

Date: Tuesday September 22nd, 2015

Time: 5.30pm until 8.00pm

Venue: Board Room, Duncan Cotterill, 148 Victoria Street, City

Numbers: Limited to 75

Cost: FREE

As with the last seminar speakers will address the issues of Property Selection, Financing Options, Legal Structures, Accounting Structures and Property Management.

To quote one attendee at the last seminar. “Over the years I have attended many such seminars, some taking several days and some costing large amounts of money. You girls have been able to cover in 2.5 hours all the key points. The best seminar I have attended”.

If you would like to attend, or have friends that would like to attend, please contact Sharon (355 0348 or 027 355 0359) immediately. It is filling up fast.

Wishing everyone all the best.

Sharon, Rachel, Diana and Toni