

LETTING IT OUT!



Rental Boom On Its Way?

Landlords can probably look forward to several years of rent growth from around 2010 if not sooner as the market takes an unprecedented turn.

In September 2008 there were record numbers of homes for sale. Prices were sliding with some doomsayers predicting that 2009 would be the mother of all property slumps.

Nine months on and the tables have unexpectedly turned. Purchasers and successful real estate agencies are experiencing competition between buyers, a shortage of listings and the average number of days to sell are falling sharply. With a falling supply of homes coming to the market, a rising confidence in buyers and a faster selling time we are shifting from a buyers market to a balanced market and the occasional bumper result for a seller here and there.

When prices dropped in 2008 and some homes were taking several months to sell many owners who were leaving town chose to rent their home out rather than sell below their bottom price. This supply of extra rental properties could have placed a downward pressure on rents if it hadn't been for an even larger number of

landlords selling their rental properties as they scrambled for cash or lost their nerve. The result of fewer rental properties available for tenants saw an increase in residential rents.

If the property recovery this time is anything like previous recoveries, those who became landlords through market circumstances rather than by design will start selling them over the next few months. If the volume of these sales is greater than the number of properties introduced to the market by landlords we will experience a tight supply of rental accommodation. Add to this predictable situation a positive inflow of migrants and ex-pats and we will have a serious shortage of rental accommodation.

If you are a landlord, or plan to be, you will be rubbing your hands, what with mortgage interest rates falling even further, some great buys in the last year and a strong demand from tenants, what more could you hope for?


What about the poor old tenant?

As it happens rents have, historically speaking, been very, very low as a proportion of the average wage.




Some tenants have used this as an opportunity to save and together with lower house prices they have escaped from the rental market. In many cases they are not paying much more on a mortgage with the new rates than they were in rent, sometimes even less. It is unfortunate for our young people that not more of them have bought in the downturn. This is good for the investor.

The median rent is about 23% of the average wage. Back in the mid 1990's it was more like 28% to 29%. Rent increases are driven by demand and affordability.










If tenants were prepared to pay a higher percentage of their income in rent 15 years ago than they are paying today then they will do so again. This combined with a shortage of rental homes will not only lead to an increase in rents but also property prices.


 Professionals, Oxygen Property Limited, Helping you to become a property investor, rather than a landlord.
Vesna Wells Manager, 587 0947

Your Property Investment Consultants



 Tania Pollard Lower Hutt 619 1020	 Tihan Roos Lower Hutt 569 0760	 Wael Gwada Wellington 027 567 8178
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Your Property Managers

 Henriette Ferreira Lower Hutt 570 3067	 Janette Downard Lower Hutt 568 1958	 Julie Overduin Lower Hutt 570 3066
 Meryl Quayle Lower Hutt 570 3062	 Penny Leonard Lower Hutt 619 1045	 Vickie Lister Lower Hutt 587 0940
 Ange Pogson Upper Hutt 619 1031	 Karen Stevens Upper Hutt 619 1035	 Amber Barnett Upper Hutt 527 0122
 Fiona Gray Wellington 619 1038	 Renee Wilkes Wellington 619 1032	 Rik Dixon Wellington 619 1034

 Specialist Property Managers focus on your needs. They successfully manage your investment properties so you can remain worry free!
Sandy Wallace
Wellington
619 1048

Your Letting Consultants

 Jenny Burns Lower Hutt 568 1491	 Tvi Reid Lower Hutt 619 1047	 Rovin Bhan Upper Hutt 568 1953
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 Letting consultants work with your property manager & prospective tenants to ensure that only the most suitable tenant is found for you.
Janine Tweeddale
Upper Hutt
527 9754



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Ten Percent At Day Ten Rule

Many novice investors think that they would like to hold out for the highest rent possible before letting their property – even if this means losing several weeks rent. Is this a good idea?

Experienced property investors report that the best way to maximise the return on their investment properties is to keep the property let - in other words to minimise vacancy. But it is not always easy to decide to lower the rent. It is tempting to hold out for 'just another week' and before you know it, another one goes by. But experienced investors say that doing

the sums shows that holding out for a high rent is counter-productive; if the property is never going to let for \$400 a week anyway, losing \$350 for even two weeks is \$700 that, spread over a year, will lessen the overall weekly return to less than the \$350 the property will actually let for.

Experienced property investors work by

the rule that (provided the property is clean and presents well and is well-maintained) if a tenant is not secured by day ten of the leasing campaign, the asking rent should be reduced by ten percent. This takes the agony out of the decision, enabling the property owner to distance themselves from the process by working to a tried and tested system.

Meet Vickie Lister

Property Manager - Upper Hutt & Lower Hutt



A real people person, Vickie has been with Professionals, Oxygen Property working as a property manager for the last 3 years. Prior to this, she worked in the banking industry doing everything from lending, financial advice, organising seminars to public speaking. Throughout her career,

Vickie has found that she has always enjoyed talking with people and getting to know them on a personal level. She can easily relate to others and this has helped her tremendously when working with both tenants and property owners.

Vickie is quite the international traveler and has lived in Melbourne, France and Wales (ask her about visiting every castle in Wales). She and her partner, who played an ork and hobbit in LOTR, have three children and enjoy watching sci-fi movies together.

With her outgoing personality and dedication to doing the job well, she has been a welcome addition to the team at Professionals, Oxygen Property.

English Reassures Property Investors

Property investors who fear the new government may be tempted into raising more tax from them can breathe easy.

Minister of finance Bill English says no changes to how property is taxed are on the agenda.

There has been a fear the government might aim the raise some much needed extra cash by looking at the ring - fencing of losses from property investments.

The previous government looked at the idea and calculated it would raise between \$400 - \$600 million a year in extra revenue if it did so.

English told parliaments finance and expenditure select committee last month the issue is not a priority

Asked by the green party co-leader if he would - amongst other things use the current economic down turn to change the tax laws in order to prevent another property bubble, English said no.

"I don't think there will be a housing bubble for some time because I don't think there will be the credit to fund it.

"I'm sure there will be debate over whether we should have deductibility of interest and all that sort of thing. But at the moment it's just not our highest priority."

On the outlook for the housing market, English told MP's its one of the three areas of risk facing the New Zealand economy (the other two being bank stability and export prices).

But he says he is 'pretty hopeful' New Zealand's property market will not get into the sort of negative spiral of lower asset prices, higher unemployment, and then the assets help by banks become more of a credit risk.

"That's what's happened in a number of countries but the forecast we have don't take us to anything like that level of unemployment."

"Our housing adjustment has been going on for sometime now. Whether it's over remains to be seen; housing prices are still above their long term average".



Rental Statistics

Rental Returns for May 2009

	Bedrooms	Median Rent	Rent Range lowest - highest	% Change from May 08	No. Let
HUTT VALLEY					
Northern Lower Hutt	1	\$147	\$130 - \$255	-12%	8
	2	\$265	\$250 - \$290	0%	35
	3	\$345	\$307 - \$376	5%	73
	4	\$390	\$356 - \$481	4%	5
Southern Lower Hutt	1	\$180	\$160 - \$222	-3%	32
	2	\$280	\$251 - \$323	-3%	71
	3	\$385	\$348 - \$450	1%	68
	4	\$485	\$400 - \$550	1%	22
Wainuiomata	1	n/a	n/a	n/a	0
	2	\$240	\$240 - \$252	4%	8
	3	\$300	\$290 - \$317	3%	24
	4	n/a	n/a	n/a	0
Upper Hutt	1	\$165	\$130 - \$180	6%	14
	2	\$220	\$196 - \$247	0%	43
	3	\$325	\$295 - \$360	2%	62
	4	\$425	\$345 - \$457	-11%	20
WELLINGTON					
Khandallah/Ngaio	1	\$265	\$240 - \$280	6%	10
	2	\$350	\$283 - \$380	3%	41
	3	\$440	\$400 - \$500	-3%	44
	4	\$600	\$450 - \$785	9%	11
Karori/Kelburn	1	\$240	\$176 - \$266	-2%	21
	2	\$330	\$302 - \$415	0%	31
	3	\$490	\$385 - \$550	9%	24
	4	\$565	\$500 - \$650	20%	14
Wellington Central	1	\$318	\$284 - \$392	43%	116
	2	\$450	\$400 - \$500	2%	148
	3	\$530	\$489 - \$642	6%	73
	4	\$625	\$545 - \$705	18%	20
Haitaitai/Brooklyn	1	\$235	\$195 - \$280	7%	38
	2	\$320	\$260 - \$400	0%	49
	3	\$462	\$400 - \$550	0%	42
	4	\$480	\$405 - \$598	-13%	23
Kilbirnie/Island Bay	1	\$230	\$177 - \$273	0%	27
	2	\$355	\$315 - \$415	8%	48
	3	\$480	\$400 - \$531	12%	33
	4	\$560	\$497 - \$670	-10%	12
Miramar	1	\$225	\$195 - \$350	n/a	6
	2	\$360	\$295 - \$475	6%	26
	3	\$485	\$435 - \$550	9%	20
	4	\$515	\$460 - \$575	n/a	8
JOHNSONVILLE-PORIRUA					
Johnsonville/Tawa	1	n/a	n/a	n/a	0
	2	\$282	\$260 - \$300	-3%	38
	3	\$375	\$345 - \$400	1%	82
	4	\$450	\$380 - \$500	-10%	21
Porirua	1	\$200	\$192 - \$211	n/a	5
	2	\$260	\$232 - \$290	13%	15
	3	\$300	\$258 - \$355	1%	53
	4	\$375	\$313 - \$506	-21%	9

Median rent - The middle value when all of the weekly rents are placed in order of value. The median is a better indicator of rents in the middle of the range than the average rent figure, as the average can be influenced by one or two rentals that are extremely high or low. All values are rounded to the nearest whole figure.

SOURCE: Tenancy Services Bond Centre.

These statistics are derived from information gathered from bonds lodged at the Department of Building and Housing. The results may not be a true indication of the rental market, because they only reflect properties where bonds are lodged at the Department of Building and Housing. The data has been produced to show recent market rents for non-government owned properties for which the Department of Building and Housing holds information.