

HOUSING SHORTAGE BOOSTS INVESTOR OUTLOOK

By Ross Davey

If you're taking time during the holiday season to reflect on the somewhat tumultuous year just gone and look ahead to what 2012 is likely to bring for residential property investors, you're not alone.

In preparing for the first newsletter for 2012 I have been reviewing some of the news headlines of recent months and have identified some key questions for the market and for investors over the year ahead.

What can we expect from the political environment?

The property market didn't feature as a big campaign item in the lead up to the 2011 General Election, beyond the Labour Party's commitment to introducing a capital gains tax if elected. The previous term of the John Key-led Government brought welcome reform of the Residential Tenancies Act and the unit titles ownership regime, and we're not expecting any Government-driven surprises in the foreseeable future.

What will interest rates do in 2012?

There seems to be a strong consensus that external factors, especially on-going difficulties in Europe and the US, will keep interest rates low, and investor-friendly, throughout 2012 and possibly into 2013.



Is there scope for an increase in the rental housing pool?

Despite an immigration slowdown and Christchurch losing a significant proportion of its population over the last 12 months, housing construction statistics are less than current immigration and natural population rate increases. Auckland and Christchurch will have the greatest need in the shorter term and BNZ Chief Economist Tony Alexander has predicted a national housing shortage of 90,000 dwellings in the next 20 years.

What's likely to happen with rental returns?

It's encouraging for investors that recent Statistics NZ figures showed the average national weekly spend on rent rose 6.6 per cent over the past couple of years. Some 543,000 households were paying an average weekly rent of \$260 in June 2011, up from \$242 a year earlier. Supply and demand issues can be expected to keep upwards pressure on rents, particularly as household incomes remain stagnant and keep many first home buyers out of the market.

What does it mean for investors in 2012?

To summarise: Rents continuing to increase, a growing shortage of rental properties, unchanged household incomes, and interest rates remaining low – these all relate to the fact that New Zealand needs more housing. This is unlikely to come from the public sector given the high level of national debt and the long term financial impact of the Christchurch rebuild.

That leaves the private sector as the only rational option for a meaningful expansion of our rental housing stock, so perhaps it's time for some creative thinking about how the Government might incentivise investors to fund this important, and not insubstantial, investment in New Zealand's future.

What is Quinovic's position?

Quinovic has continued to build a strong client base during the property market and general economic cycles over our 23 years in residential property management. We have found that when times are tough, serious investors seek out property managers they can trust to provide superior service and informed advice. We continue to invest in quality people and smart systems to ensure our clients receive timely and accurate information about their investments and prompt crediting of rents that consistently exceed market averages. We are well placed to help our clients optimise their investments through what is likely to be a challenging year ahead and we take this opportunity to wish you all a Happy and Prosperous 2012.

Ross is Managing Director of the Quinovic Group, based in Wellington. He founded the company in 1988 and since opening its first franchised office in 1991, has overseen its growth into the country's biggest property management company of its kind with a 27 franchise network throughout New Zealand and plans for further expansion.

Quinovic salutes conservation hero

At a time when many Quinovic clients and staff are enjoying the great New Zealand seaside holiday we're delighted to congratulate Mark Dean of Tauranga, 2011 winner of the Loder Cup and one of this country's conservation heroes for his contribution to the health and wellbeing of our coastal dunes systems.



Hon Kate Wilkinson presents the Loder Cup to Mark Dean, Dunes Trust Chairperson.

Mark is a trustee and Chairperson of the Dune Restoration Trust of NZ, which Quinovic is proud to support under a partnership agreement that was formalised last September.

The Loder Cup, awarded by Conservation Minister Kate Wilkinson, is one of this country's most prestigious conservation awards. It recognises Mark's outstanding achievements over the last three decades and in particular his work and contribution in native flora.

The Dune Restoration Trust is a charitable organisation that aims to see the majority of New Zealand dunes restored and sustainably managed using indigenous species by 2050.

This project caught the imagination and commitment of Quinovic and we're pleased to be partnering with the Trust so that we can play a real part in helping this goal come to fruition.

A WORD FROM OUR CLIENTS

"We have been renting from Quinovic for over three years and have found them to be excellent property managers. Issues or maintenance and repairs are dealt with promptly, staff are professional, respectful and sensitive to privacy needs. We recommend them to our colleagues and friends and would not use anyone else in the region"- Alexandra Denton.