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The New Zealand Centre for Political Debate

## Property and Politics

At a time when there is a waiting list for state houses of over 10,000 people, you would think that the Government would be attempting all it could to resolve this issue. To be fair, it has initiated some practical measures that should help landlords to provide good accommodation. However they are also looking into measures that could drive private suppliers of rental property out of the market. There is also the question of whether in fact the 10,000 waiting list is a true indication that there is a shortage of rental property at all.

If you say to someone, anyone, that you will save them upwards of \$40 a week on their accommodation costs without reducing their standard of living, do you think they would be interested? Of course they would and that is the reason for the waiting list, because there are 10,000 others who also think this way.

This does not mean that there are not people and families in New Zealand that do not have an urgent and desperate need for accommodation. It is a sad fact people such as this are part of the 10,000, yet they can't get access to a state house.

Estimates put the number of state house tenants who pay market rental prices at 10%, which means there are around 6,000 people who don't need their state house. Surely it is unjust to keep a struggling family living in a garage when there is another family in a state house when they could easily be in private sector housing. There is a desperate need for policy changes regarding who should and shouldn't occupy state houses. This would have a dramatic affect on housing those with serious needs.

There is also a need to look at why low-income families are being coerced into State Houses when they

could be housed in the private sector. Some people believe that there is no place for a profit motive in providing housing and that is why the state needs to provide housing for low income earners. Over the long term there is certainly good reasons to invest in property, however on a year to year cashflow basis, it is certainly not easy to provide rental accommodation that pays its own way let alone makes a profit.

Everyone knows that rental yields have fallen dramatically over the past two years. There has never been a time when such a large gap between the cost of renting and the cost of home ownership has existed. Renting a property is considerably more affordable than home ownership and private landlords are taking on risk and considerable effort in providing rental accommodation.

For the most part, private rental accommodation providers do a good job at housing a significant proportion of our population.

With low rental yields it is not an easy financial environment to work in and we need all the help we can get. Unfortunately the capital gains made in the housing market over the past few years has led to envy and the inevitable calls for the property investors job to be made harder. One of these moves is to introduce taxpayer funded advocates for tenants.

While no system is perfect, the current operation of tenancy matters through mediation services and the Tenancy Tribunal works quite well. The system recognises that most providers of rental accommodation in New Zealand are not professionals but hard working ordinary New Zealanders. This is why Lawyers currently play little part in our tenancy dispute handling system. This all may change if Government decides to introduce Government funded Advocates for tenants and will

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permanently bias justice in favour of tenants. The Australian experience has shown the unjustness of such a system.

In Australia, Tenants can have a lawyer appear for them at Tenancy Tribunal hearings at no cost to themselves. Landlords are not allowed to have lawyers represent their interests even if they pay for them. This is completely unjust and we must never allow such a system to be introduced in New Zealand.

The vast majority of cases in the Tenancy Tribunal are for rent arrears and damage to property. The fact that many landlords lose millions of dollars every year through these two issues is the main concern within the industry. Even tenant groups admit that there is a serious problem and that it is a significant barrier to the provision of more rental properties.

Government has certainly tried to help in this area. They have introduced the ability to have beneficiary rental payments made directly to landlords (although there are strings attached). They have made it easier to gain access to the Tribunal by allowing an application to be made when a 10-day letter is issued and not at the end of the 10-day period. They have made it easier to

track down absconding tenants by allowing some government departments to share address information with the Department of Courts. In July they are going to introduce Tribunal applications on line, which will greatly help landlords select good tenants and act as a deterrent to bad tenants.

These are good measures and appear to be working well. However a reduction in depreciation allowances plus talk of increasing notice periods landlords must give tenants (We have actually asked for them to be decreased), tenant advocates, building warrant of fitness's and capital gains taxes for investment property are certainly not going to encourage people into the industry.

At a time when more people are choosing to rent, the state cannot keep up with their self induced demand, rental returns are at historical lows and the property cycle is at a peak, I would have thought this was the time to encourage people to provide more rental property, not discourage it.

Andrew is a leading property author, commentator and business plan advisor.

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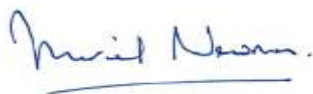
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Regards



Muriel Newman  
(founder & director of NZCPD)