

Increase in housing supply is being hindered

The NZ Property Investors Federation (NZPIF) welcomes the budget announcement last week that the Government planned to fund 8,000 houses with 2,000 of these being made available for emergency housing. However, even more houses are required.

Of the 270,000 rental houses in New Zealand, 90% are provided by the private rental sector with only a small percentage available through Housing New Zealand and other community-based organisations. Although any house available for rental is a help, having an excess supply of these is the only way to solve the current issue.

Although introducing improvements like the Healthy Homes standards are great and needed to upgrade the older housing stock of the country, they will also unintentionally reduce the supply of rental houses.

These older houses are being demolished and removed from the rental pool and are often replaced by owner occupier properties. Consequently, the situation becomes worse and the current total of 15,000 people on the emergency housing waiting list increases. Little thought has gone into the timing of such legislation.

Given the right tools, private providers could step up their supply. However, there are many negatives that discourage any further investment. Take for example the new termination regulations. We have seen recently how families returning from overseas due to Covid-19 have been unable to move back into their own house. This is due to changes in legislation which removes the ability of a landlord to terminate a tenancy so he and his family can occupy the house.

We have also seen how dairy farmers are finding that their tenants, who have also been their employees until the end of their contracts, are refusing to move due to these new termination regulations.

In both these examples, the tenants involved probably would have been willing to move if they had been able to find alternative housing. The lack of supply is the issue here as well as the termination regulations.

Another issue is that a fixed term tenancy is now no longer for a specific amount of time as it automatically rolls over to become a periodic tenancy. Yes, there are ways that you can remove your tenants. However, the reasons are very limited under the new legislation and, unless the parties both agree, tenants cannot be asked to leave unless there are rent arrears of at least 60 days and proven "anti-social behaviour".

These are all unintended consequences of the legislation and if the Residential Tenancies Amendment Bill goes through, as it is presently written, they will be an on-going issue. They will do nothing to help solve the shortage of housing but instead will hinder any improvement in housing supply.

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