

Property Management Focus

Bringing you news from the world of New Zealand property management.

What does level 3 mean for Property Management?



The response from New Zealanders to the level 4 restrictions has been tremendous, with most Kiwis doing as instructed and staying home. We have seen lots of people on the news and social media inside their bubbles learning new skills, spending time with their families and making the most of the extra time during lockdown. Our property managers, however, have been busier than ever responding to enquiries and concerns from landlords and tenants, and navigating the COVID-19 Response (Urgent Management Measures) Amendment Act passed in March 2020.

The change from level 4 to level 3 restrictions does not dramatically change what our property management teams are able to do, as our property managers are working from home and will remain there during level 3 restrictions. We remain able to address urgent maintenance and in level 3 we can also address other maintenance, with the tenant's consent. However, in the interests of not bursting bubbles, we will only address urgent or important maintenance during level 3.

Property managers cannot physically perform routine inspections during level 3. Property managers will continue to engage with tenants and discuss any concerns with them until such times as the restrictions are lifted, and property managers can physically attend the property.

Tenants will be able to move into rental properties during level 3, however, it may not be easy for the property manager or tenant to facilitate a move. Property managers are not able to conduct open homes, and viewings of vacant properties can be done by appointment only. Private viewings are limited to two



viewings per day per property, with only two people from the same bubble able to attend. Viewings of tenanted properties can only be done with the written consent of the tenant. Where possible, contactless moves may be performed and Harcourts has adopted technology that enables tenancy agreements to be signed electronically.

One lesson that we have learned over the past four weeks is that we must approach matters on a case by case basis, and that good communication with both landlords and tenants has been incredibly important during these difficult times.

Harcourts property managers remain committed to maintaining the same excellent service, albeit using different methods.



Short term vs long term rentals

The impact COVID-19 is having on tourism means that many landlords of short-term rentals will be considering long-term rentals of their properties. There have been more changes to legislation in the past few years than ever before and trying to navigate this alone could be difficult.



If you, or anyone you know, is the owner of a short-term rental, please reach out to one of our property managers for advice and assistance with converting these properties and making them available for the long-term rental market.

COVID-19 Response

(Urgent Management Measures) Amendment Act



The Minister of Finance announced on 23 March 2020 a freeze on rent increases and an extension of no-cause terminations. This has been applied as law through the COVID-19 Response (Urgent Management Measures) Amendment Act and applied from 26th March 2020.

There has been confusion between the lockdown periods and the periods that the new legislation applies to.

Freeze on Rent Increases

Rent increase freezes will apply for a period of six months from 26 March 2020. If a notice to increase the rent was issued before 26 March, and the rent increase had not yet taken effect, the notice has no effect. Landlords who knowingly increase rent or purport to, are engaging in an unlawful act and can be fined up to \$6,500 in exemplary damages.

Restrictions on Termination of Tenancies

Restrictions on termination of tenancies will apply for a period of three months (initial period) from 26 March 2020. Landlords who knowingly give or purport to give notice to terminate a tenancy when they are not entitled under the RTA, will be engaging in an unlawful act, and can be fined up to \$6,500 in exemplary damages. Note that termination notices can only be issued under specific grounds, including but not limited to; anti-social behaviour, death of a sole tenant or 60 days rent arrears. Example, if a landlord had given notice to a tenant for the purpose of moving

back into the property prior to the 26th March, the notice is of no effect. The landlord would need to re-issue the notice to the tenant once the three-month protection period ends, providing that period is not extended by Government. The notice period would re-start from when the new termination notice was issued.

Tenants can still give notice to vacate in accordance with the Residential Tenancies Act 1986.

If you have any concerns about the legislation, please contact your Harcourts property manager.

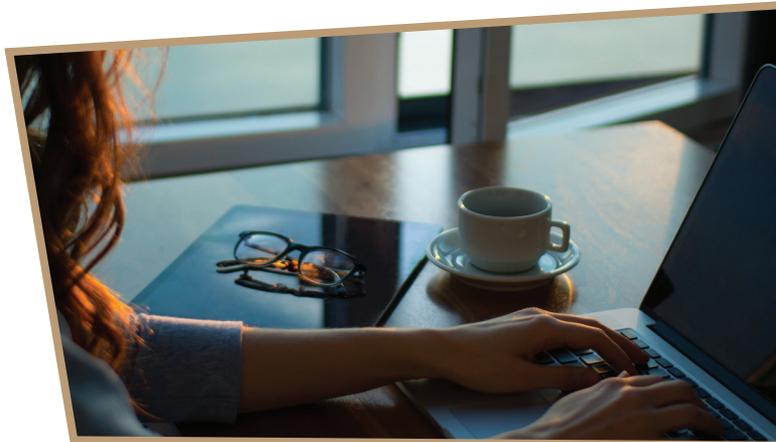


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Experiencing Financial Hardship...

What are my options?



This article has been re-produced with permission from Mortgage Express Limited (Mortgage Express) in response to the COVID-19 pandemic and the financial hardship that many of our clients may be experiencing.



As a result of the COVID-19 pandemic, many people may be struggling to meet their financial obligations and could be experiencing financial hardship. Most New Zealand banks have a financial hardship policy available to assist clients who may be experiencing some form of financial hardship due to COVID-19.

Your local Mortgage Express Mortgage Adviser can advise you of your options for any of the following:

- Extending the term of your loan
- Changing to interest only mortgage
- Taking a mortgage repayment holiday (deferred payment)

Option 1: Extending the term of your loan

Extending the term of a loan can help to reduce your repayment amounts through times of hardship.

Let's use the following loan example:

\$600,000 @ 4.5% over 20 years = monthly payment of approximately \$3,796

If you extend the loan term to 30 years, your new monthly payment would be \$3,040.

Impact

- Your monthly commitment is reduced by \$756.
- You have extended the length of time to totally repay your loan, which will increase the overall interest costs.

Therefore, overall, you end up making more payments over a longer period of time:

- \$600,000 @ 4.5% over 20 years = \$311,015
- \$600,000 @ 4.5% over 30 years = \$494,440

Most banks will probably limit the length of time you can extend the loan term for, and it's a good idea to revert to the original loan term as soon as you can.

Option 2: Changing to interest only mortgage

Changing to an interest only mortgage means you'll only be paying interest and not the principal, which will reduce your regular repayments.

Let's use the same loan example:

\$600,000 @ 4.5% over 20 years = monthly payment of approximately \$3,796

If you change to interest only, your new monthly payment would be \$2,250 interest only.

Impact

- You have reduced your monthly commitment by \$1,546.
- You have extended the length of time it will take to totally repay your loan by the length of the interest only period. This will increase the overall interest costs.
- In the example above, if you selected a 6-month interest only period, you will have increased the cost of your mortgage by \$13,500 (6 months of \$2,250 interest only payments).
- This means you'll pay more interest in the long term, as you aren't reducing your principal for the agreed interest only period. On the upside though, the balance owed does not go up like it does under the loan repayment holiday option (explained below).
- Most banks will probably limit the length of time you can have on interest only and it's a good idea to revert back to paying the principal off the loan as soon as possible.

Option 3: Mortgage repayment holiday (deferred payment)

A mortgage holiday is a break from your loan repayments; the amount you owe will increase as your loan continues to accrue interest.

Let's use the same loan example:

\$600,000 @ 4.5% over 20 years = monthly payment of approximately \$3,796

Impact

- When you defer the monthly loan payments, you are adding the interest payments to your loan balance.

- The above \$600,000 loan example has a monthly payment of \$3,796 which includes \$2,250 of interest.
- After one month your loan balance will be \$602,250, after month two \$604,508 and after month three \$606,775.
- You will now be paying interest on the new loan balance for the remaining loan term (or you may have had the loan term extended). The interest that has been included into the loan balance and/or the higher monthly payments may not seem like a lot. But when you consider it is for the remaining life of the loan, it could be thousands of dollars in extra payments.
- Thus, this "holiday" might not really be as much fun as it first sounds!
- No doubt a repayment holiday may offer peace of mind initially - but it is not a long-term solution. During your repayment holiday period, the interest continues to accrue, and it is added to your home loan balance. This is also known as interest capitalisation. At the end of the "holiday" period, your home loan balance would have increased.
- Most banks will probably limit the length of time you can have a mortgage repayment holiday to three to six months.

These are unprecedented times for all of us, and more so for people with a mortgage repayment commitment. Any of these options may help free up as much 'cash' as possible, but this privilege comes at a cost. There is, as they say, no free lunch even in periods of crisis. That's why each option needs careful consideration and advice from a mortgage specialist.

For personalised advice, tailored to your individual financial situation, ring 0800 226 226 and speak to your local Mortgage Express Mortgage Adviser.

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