

PROPERTY INVESTMENT UPDATE

ISSUE 63 | DECEMBER 2017



Edinburgh Realty

Licensed under the Real Estate Agents Act 2008



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Assisting vendors/investors since 2003

IMPORTANT DATES...



Dec 2017/Jan 2018

Christmas office hours
Close: 22nd December
Open: 9am, 8th January
Clayton on call throughout holidays



8 January 2018

Summer School Starts



19-25 February 2018

'O' Week Commences



26 February 2018

First Semester Classes Start

Welcome to our 63rd investment update...

With the election over and MMP 101 classes underway, as property investors we are (or should be) paying close attention to signaled changes which will affect our buying, investing, borrowing, selling and timing decisions. At the end of the day we will all have to jump a little higher over a few more hurdles, but in the end, investing in student flats is still way ahead of whatever comes second in planning for an easy retirement. The opportunity to make money essentially by improving our properties and increasing the rent remains fundamental - just a little less wild west than it used to be.

At the time of writing (14 Nov) new government policy details haven't been confirmed, but we should all be thinking about insulation, the bright line test being extended, ring fencing losses, tenants liability, easing of (who knows when) LVR restrictions and tougher rules for foreign buyers.

While we are preparing to keep abreast of changes - what's the student market doing? Our last four quarters including this one, 62+ sales, 39+ were on Campus, 3+ overseas buyers, 31+ buyers from Dunedin, 36+ vendors from Dunedin, 7 sales over \$750,000 with 4 over \$1 million.

The previous four quarters in 2016 were 95 sales, 52 were on Campus, 3 overseas buyers, 47 Dunedin buyers, 55 Dunedin vendors, 9 sales over \$750,000 and 5 over \$1 million.

In summary - LVR restrictions have taken out quite a few buyers (especially locally). Dunedin investors fairly consistently make up 50% of buyers and a similar percentage of vendors. Overseas buyers/vendors for these last four quarters are 3/6 (2017), and for the previous four quarters 3/6 (2016). Overseas activity has historically been around the 4% mark.

So will restrictions on overseas buyers have a noticeable effect on the student market - the reality is while we are in touch with substantial numbers of overseas investors there have only been 6 sales in the last 2 years (Papua New Guinea, Australia and this year and China, Malaysia and Australia in 2016). 6 sales in 157+ (3.8%). The answer is no. The majority of buyers came from Christchurch South and in the last 2 years 19 were from Auckland.



We would like to extend a thank you to all vendors, investors, buyers, friends and industry professionals who we have had the pleasure of working with during 2017.

All the very best to you and your families for a fantastic Christmas, safe, relaxing holiday period and a prosperous New Year.

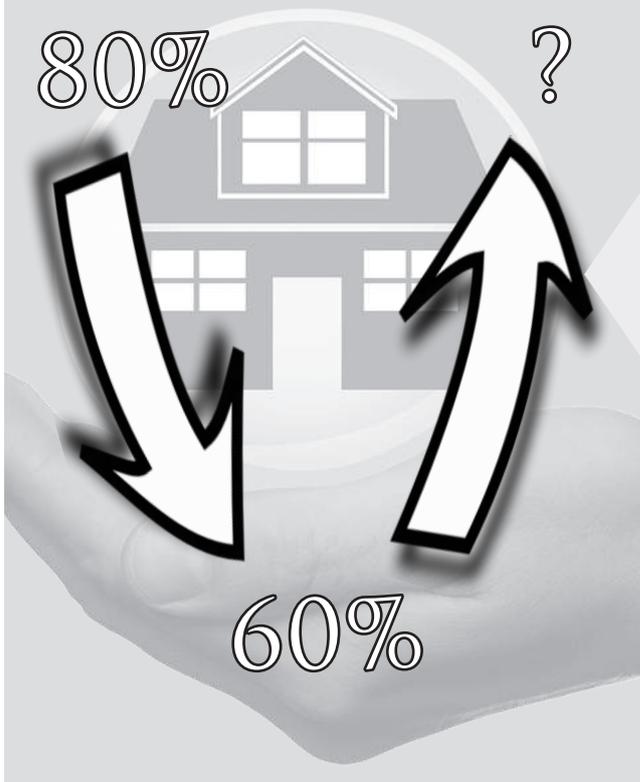
We look forward to working with you all in 2018.

Lane, Clayton & Mandy

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CAN I BUY?

LVR



Investor 'A' wants to buy his first student flat for \$500,000. His family home is worth \$400,000 and he can gear up to 80% on it ie. \$320,000. His current mortgage is \$240,000 leaving \$80,000 available for the investment top up. He needs to borrow the full \$500,000 because he has no money, but has unused equity (this is how we all started out). He can currently borrow 60% against the flat ie. \$300,000. His balance of \$200,000 for the flat has to come from his family home equity but that's only \$80,000. He can't do it, he's \$120,000 short. If his original mortgage was \$120,000 less ie. \$120,000, he could. If the 60% LVR on the investment property wasn't in place and was back to 80% he would only be \$20,000 short (if his original mortgage was \$240,000). Unfortunately many like 'A' are out of the market in the meantime.

Investor 'B' bought his family home 2 years ago for \$400,000 with a mortgage of \$250,000. He was lucky he bought in a rising market. After 1 year it was worth \$437,000 and is now worth \$480,000.

After the first year he geared up to the max 80% on both his home and a flat he purchased for \$500,000. He improved his flat over this last year enabling him to put the rent up by 6 x \$10pw. It's now worth \$550,000. It was so easy he wants to buy again. Enter the Reserve Bank and 60% LVR restrictions on investment properties.

While his current mortgages remain unchanged it's business as usual, but if he creates a "credit event" ie wants to borrow again, his existing and proposed flats will be limited to 60% LVR. While his flats equity has gone up by \$50,000 the LVR change from 80% to 60% has changed his borrowing capability by minus \$110,000 on his first flat and 20% less on the proposed new flat. He's not even close to being able to buy - exit the market stage left.

If the LVR had remained at 80% he would have been able to buy up to \$370,000.

While the Reserve Bank is currently looking at when to possibly review LVR restrictions, any announcement could still be some time off.

In the meantime for Investor 'B', it's concentrate on building equity in his current flat and hope the LVR goes back to 80% sooner than later.

COALFACE ASSISTANCE

DON'T JUMP! Got one of those 2-3 storey purpose-build flats built in the 90's with only one door or in some cases an additional ranch-slider on the ground floor, but no means of escape on the first or second top floors? We've considered fixed fire escapes but the cost and means to attach to 1990's construction types has always left any decision on the back burner.

These rope ladders cost \$144 at Bunnings. The ladder attachments (2) hang/hook over the window sill. Easy as long as you're not old and stiff. They come in two heights, 2 storey or 3 storey and are available at other outlets online.

LIGHTS OUT! You get the call from your flat, no power. You establish no lights and no plugs with the students. Do you get in the car and go look or just call Delta?

More and more students are connecting up to Electric Kiwi because they get one hour of free electricity each day at a time they set in place. Of course come say 4.00pm a heater goes on in each bedroom and the lounge heat pump goes on, everyone showers until the water runs cold. There are 6 x 8 amps + 10 amps + 8 amps = 66 amps, then the fridge kicks in, a few lights and the TV are on and even with no dishwasher, microwave - in fact anything else we are way above the pole fuse or pillar box fuse rated at 60 amps.

Word is Delta are getting just a little sick of being called out and might start charging. If your students are using Electric Kiwi it might be a good idea to give them Deltas number.



SKIPS - DON'T MISS IT!



Got flat rubbish to get rid of? Find out where and when large skips will be available on Campus.

Go to OUSA website, click on "support", click on "rubbish skips", there you'll see a map of locations and all dates for 2018.

First skips for 2018 will be onsite around 10 February (site hasn't been updated for 2018 yet (ie. 16 Nov 2017). Last skips for 2017 was 4 November.

In 2017 there were 17 skip days - usually a Friday and once a month except 4 in October and 2 in November.

RECENTLY SOLD



82 FILLEUL ST, CENTRAL CITY

Carparking

SALE PRICE \$1,305,000 (+ GST if any)
 YIELD N/A
 VENDOR Dunedin
 PURCHASER Dunedin

Outline indicative only



14/432 GREAT KING ST, CAMPUS

2 1 OSP

SALE PRICE \$559,000
 YIELD N/A
 VENDOR Dunedin
 PURCHASER Dunedin



7/432 GREAT KING ST, CAMPUS

2 1 OSP

SALE PRICE \$559,000
 YIELD N/A
 VENDOR Dunedin
 PURCHASER United Arab Emirates



84 & 86 CARGILL ST, CITY

4 2 2+ OSP

SALE PRICE \$575,000
 YIELD 5.4%
 VENDOR Dunedin
 PURCHASER Dunedin



9/432 GREAT KING ST, CAMPUS

2 1 OSP

SALE PRICE \$549,000
 YIELD N/A
 VENDOR Dunedin
 PURCHASER Te Anau



13/432 GREAT KING ST, CAMPUS

2 1 OSP

SALE PRICE \$529,000
 YIELD N/A
 VENDOR Dunedin
 PURCHASER Dunedin



150 DUNDAS ST, CAMPUS

5 2 OSP

SALE PRICE \$500,000
 YIELD 7%
 VENDOR Dunedin
 PURCHASER Darfield



151 DUNDAS ST, CAMPUS

5 1

SALE PRICE \$482,000
 YIELD 7.3%
 VENDOR Dunedin
 PURCHASER Tauranga



40 MALVERN ST, WOODHAUGH

5 5 OSP

SALE PRICE \$390,000
 YIELD 7.7%
 VENDOR Christchurch
 PURCHASER Queenstown



5/432 GREAT KING ST, CAMPUS

🏠 1 🍳 1 🚗 OSP

SALE PRICE \$369,000
YIELD N/A
VENDOR Dunedin
PURCHASER Waitati



3/432 GREAT KING ST, CAMPUS

🏠 1 🍳 1 🚗 1

SALE PRICE \$369,000
YIELD N/A
VENDOR Dunedin
PURCHASER Te Anau



43 CHAMBERS ST, N.E.V.

🏠 5 🍳 1

SALE PRICE \$270,000
YIELD 6.9%
VENDOR Auckland
PURCHASER Dunedin

CURRENT LISTINGS



25 CLYDE ST, CAMPUS

🏠 8 🍳 8 🚗 OSP

Quality studio room investment
SALE PRICE \$1,225,000
YIELD Approx 7.1% nett (of costs)
RENTAL \$2,060pw (2018)



17 ETHEL BENJAMIN PL, CAMPUS

🏠 5 🍳 5 🚗 OSP

Can't beat the location!
SALE PRICE By Negotiation
YIELD N/A
RENTAL \$1,648pw (2018)



58 GRANGE STREET, CAMPUS

🏠 5 🍳 5 🚗 OSP

Great location!
SALE PRICE By Negotiation
YIELD N/A
RENTAL \$1,648pw (2018)



123 CARGILL ST, CITY

🏠 18 🍳 6 🚗 OSP

Cash flow, development or both
SALE PRICE By Negotiation
YIELD N/A
RENTAL \$2,930pw



25A LONDON ST, CITY

🏠 5 🍳 5 🚗 OSP

Superior Studio Accommodation
SALE PRICE \$920,000
YIELD Approx 7% nett (of costs)
RENTAL \$1,465pw



62 MANOR PL, DUNEDIN CENTRAL

🏠 10 🍳 5 🚗 OSP

Substantial multi-income investment
SALE PRICE By Negotiation
YIELD N/A
RENTAL \$1,160pw



Outline indicative only

16 LONDON ST, CAMPUS

🏠 6 🚿 4

Superb location!

SALE PRICE \$695,000
YIELD 9.1% gross
RENTAL \$1,210pw



120-124 STAFFORD ST, CITY

🏠 12 🚿 4

Owner wants action!

SALE PRICE By Negotiation
YIELD N/A
RENTAL \$1,060pw



15 CONSTITUTION ST, CITY

🏠 5 🚿 1.5 🚗 carport

Superbly located investment

SALE PRICE By Negotiation
YIELD N/A
RENTAL \$700pw (2018)



4 HYDE ST, CAMPUS

🏠 5 🚿 1

What an opportunity!

SALE PRICE \$539,000
YIELD 6.8%
RENTAL \$700pw (2018)



432 GREAT KING ST, CAMPUS

🏠 2 🚿 2 🚗 OSP

Exciting new development!

SALE PRICE From \$529,000



9 FRAME ST, N.E.V.

🏠 8 🚿 2 🚗 OSP

Large brick investment

SALE PRICE \$499,000
YIELD Approx 7.7% nett (of costs)
RENTAL \$1,075pw



8 CONSTITUTION ST, CITY

🏠 4 🚿 2 🚗 1

Charming Inner City investment

SALE PRICE \$499,000
YIELD 5.2%
RENTAL \$500pw (2018)



115 CARROLL ST, CITY

🏠 4 🚿 2 🚗 OSP

Quality investment

SALE PRICE \$439,000
YIELD 7.5%
RENTAL \$635pw

PROPERTY WANTED



We have buyers looking for property to purchase in the \$200,000 - \$500,000 price range.

If you are thinking of selling, feel free to give us a call for a no obligation chat and market appraisal.



19 DUCHESS AVE, CITY

🏠 5 🍳 2 🚗 OSP

Sensible investing

SALE PRICE \$439,000

YIELD 6.9%

RENTAL \$580pw (2018)



158 QUEEN ST, CAMPUS

🏠 5 🍳 1.5

Great sun and views

SALE PRICE \$399,000

YIELD 8%

RENTAL \$615pw (2018)



432 GREAT KING ST, CAMPUS

🏠 1 🍳 1 🚗 optional to purchase

Exciting new development!

SALE PRICE From \$349,000



10 CLYDE ST, CAMPUS

🏠 4 🍳 1

Cheapest on Campus!

SALE PRICE \$299,000

YIELD 7%

RENTAL \$400pw

WHAT'S NEW...

View our new look website now

www.propertyinvestments.nz

You can now find us on:



3/63 ROYAL CRES, ST KILDA

🏠 2 🍳 1 🚗 OSP

Downsizing?

SALE PRICE \$299,000

YIELD 6.6%

RENTAL \$380pw



80K LONDON ST, CITY

🏠 2 🍳 1 🚗 OSP

Centrally located unit

SALE PRICE \$289,000

YIELD N/A

RENTAL Vacant



38 MALVERN ST, WOODHAUGH

🏠 2 🍳 2 🚗 OSP

Ready to invest?

SALE PRICE \$279,000

YIELD 7.55%

RENTAL \$405pw



2/63 ROYAL CRES, ST KILDA

🏠 2 🍳 1 🚗 OSP

Quality Townhouse

SALE PRICE \$269,000

YIELD 6.3%

RENTAL \$325pw