A message from your Property Manager

Tuesday 3rd May

Property is a long-game.

Property investing is a long-game where over time higher rents, capital gains, and (over the past 20 years) lower interest rates turns our properties into profitable businesses for us. To get to the long-term we need to minimise cash losses to get to this eventual profitable situation. Remembering this becomes more important after the large Auckland capital profits our clients have made over the past few years. After the big price rises since 2011 the market is extended and the risks of future capital losses has grown. So if you are thinking of buying Auckland property we would like to direct your attention to a little-know part of the Auckland Unitary Plan which we think offers strong cash-flow opportunities for investors.

Conversion of a dwelling into two dwellings

Clause 3.3 of the Proposed Auckland Unitary Plan makes provision for the splitting of a larger house into 2 units as of right and without the previous restrictions for minor dwellings. This means that you could convert a current property (if it is large enough) or split a new purchase, and so add an additional income stream to your portfolio. It could allow many Auckland investors to add at least $200 pw (net) to a property's rental income. This proposed rule covers all Auckland residential zones.

We have attached the detail of the provision with this update. The only open question seems to be the size of the unit. Currently it is down as 40m2 but it was 30m2 in the first proposal. We will know the actual size required once the plan is finalised around August 2016. This is a key provision of benefit to investors and very few people seem to know about it, which means it is unlikely to be reflected in a property's purchase price (unlike subdivision potential).

Water rates management.

We want to make sure that our landlords are getting reimbursed promptly by tenants, and avoid having to chase them for payments. Many tenants are poor budgeters and so we have trialled a system to minimise the problems involved in collecting these water charges.

What we have come up with is including an estimated allowance for water rates into the tenants rental payments (from their next rent review). The new rental will include the estimated amount which will be paid to our landlords each month. The amount received can be reconciled no longer than 6 monthly to ensure they are correct for both parties. Unfortunately since we set up WeRent in 2009, Watercare has gone to monthly billing which has increased problems for both tenants and landlords. We need to implement this approach for all our clients to ensure that water rates arrears are controlled.