



Christchurch Property Management

Raising Standards - Raising Returns

August 2013

Monthly Newsletter, Issue 2

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Want to read more about interest rates?

Have a look at these online articles:

<http://www.interest.co.nz/news>

<http://www.bnz.co.nz/personal-banking/be-money-smart/economic-commentary-and-insight/weekly-overview>

For the latest market rental statistics:

<http://www.dbh.govt.nz/market-rent>

Interest Rates - fix or float?



Should I float or should I fix? It's a dilemma facing many of us. For the past few years, Kiwis have kept hearing that interest rate rises are always just around the corner - yet the rates just seem to get cheaper. When floating rates are low, it's difficult to fix at a higher rate. It's natural to think: why should I pay one or two per cent more to fix when floating rates are so cheap?

The trouble is that floating mortgages are risky. Borrowers can't guarantee that rates won't go much higher in the future. Floating rates have been as high as 10% in the past decade and there is no absolute guarantee they won't return to those same kind of levels again. If you believe floating interest rates rise to 7% next year, then a 6.25% fixed interest rate for five years now starts to look fairly desirable. Keeping an eye on mortgage news can both educate you and help you decide. The Reserve Bank of New Zealand publishes a monetary policy statement each quarter, outlining both their global and domestic outlook and their expectations for the official cash rate in the near term. This statement can provide some guidance on the likely direction of interest rates.

Each individual's situation is different, of course. People on fixed incomes or those who really can't cope with uncertainty might want to consider fixing. If they're going to stay much the same, then a floating interest rate could be good. If they're going up, however, it's a good idea to fix. The bad news is that even economists don't know exactly where home loan rates are going. A common way to approach the 'should I float or should I fix' dilemma is to take a punt either way and split your mortgage into two or three portions. Put one on floating, one fixed for a shorter period and the other fixed for a longer period. That lessens the impact of any interest rate increases and ensures that no more than one third of the mortgage can change at any one time.

Finally, remember that interest rates can and do go up and down. They can rise higher than anyone expects and fixing mortgage rates is a little insurance policy against that. If rates go down though, home owners may "lose" the bet they placed. But at least they know they're protected against mortgage rates going much higher.

Want to learn more about property investment?

The Canterbury Property Investors' Association provides information, advice and networking opportunities through regular events, seminars, industry news, updates and publications.

To find out more and how to join, go to:

<http://canterbury.nzpif.org.nz>

Contact Us

Nerida Gaeth

Nathan Broughton

www.chchproperty.co.nz

admin@chchproperty.co.nz

03 967 0969

021 763 276

PO Box 6644

Upper Riccarton

Christchurch 8041

Pet Bonds



There has been much talk in the media over the past few days about pet bonds. This is when a landlord take an extra amount of bond (over and above the maximum 4 weeks rent) from tenants that have pets. It appears that there are some landlords in Christchurch that are doing this.

Tenants who own pets, and particularly dogs, can find it hard to secure a good quality rental property that will allow them to have pets. These tenants may even offer to pay an extra pet bond to help them secure a property in this market where rental properties are at a premium.

What the law says

Under the Residential Tenancies Act 1986, the maximum bond is set at four weeks rent. Requiring a greater amount is an "unlawful act". Tenants charged a "pet bond" on top of four weeks rent can apply to the Tenancy Tribunal under section 18(4) of the Act. They could ask for the bond to be reduced and seek exemplary damages for being charged more bond than the Act allows.

What we suggest

Increasing your weekly rent in order to allow pets is not prohibited under the Act, so long as the increases are not more frequent than specified under section 24 of the Act. If you are considering allowing pets but are concerned that they may cause damage or extra wear and tear to your property, tenants are often happy to pay a slightly higher weekly rent in exchange for being allowed to have pets. We would also recommend always taking the maximum bond allowed, which is four weeks rent.

Referrals

We are gaining a lot of our new business from referrals. Thank you to those clients that have recently either referred us new business from friends and family or have given us additional properties for us to manage. If you are pleased with the job we are doing as your property managers, we would appreciate any referrals you can give us. For every referral that you give that turns into a new management for us, you will get an annual magazine subscription. Please see our website for further details.

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