

TOP FIVE POLICIES AND WHAT THEY MEAN FOR PROPERTY OWNERS

The recent election result has seen National in a position to form the next government, potentially alone with the Act Party.

Although nearly 20 per cent of the total election vote is yet to be counted (special votes and final results are expected to be announced on November 3), we could see additional input from potential coalition partner New Zealand First, with concessions to the proposed policy outlined below.

Despite the possibility of additional input, National and Act broadly agree on requirements of housing policy, so we don't expect significant changes to current proposals.

1. National-Act plans to **restore interest deductibility** for residential investors in 25 per cent steps until it is fully restored from April 2026.

- Act has proposed this effective immediately from April 2024, rather than being phased in over three years as advised by National.
- Whatever the timeline, the policy has the potential to draw property investors back to the market, with the ability to offset interest costs against rental income, providing a meaningful lift for profit margins.
- Anecdotal evidence suggests investors have already increased activity in anticipation of this change, with a recent survey of mortgage advisors noting the highest landlord interest since January 2021.
- This is expected to increase competition for existing properties, pushing prices up slightly in areas that command entry and mid-level prices.
- It may also increase demand for new-build and off-the-plan developments as first-home buyers broaden their scope to avoid bidding wars with residential investors.

WHY SELL NOW: Surging demand for properties from first-time buyers and investors is fuelling a sense of urgency, underpinned by pent-up demand. With the impending introduction of Debt-to-Income limits expected around March 2024, these buyer groups are poised to act swiftly to secure properties, making it an opportune time to sell.

2. National and Act agree they will **reduce the bright-line test time frame** from 10 years to two.

- This is expected to enhance the value proposition for residential property investors, attracting them back to the market because they can sell their assets without paying tax on appreciation earlier than planned.
- On the flip side, we could see a higher proportion of sales in the near term, as existing investors struggling with cash flow are encouraged to offload their properties, given they're no longer required to pay tax on capital gained.

WHY SELL NOW: Anticipated policy changes are likely to trigger a surge in property listings. To ensure your property stands out in a competitive market, acting promptly and selling now is a strategic move that could prove advantageous before the market receives an expected influx of new listings.

3. National has proposed to **reverse the foreign buyer ban**. This would see foreign nationals able to purchase residential property (new or existing) at a price point exceeding \$2 million, with a 15 per cent tax attached.

- The greatest potential here is adding to house price inflation at the top end of the market, particularly for a finite supply of luxury homes, estimated to be around three per cent of total housing stock.
- Demand will likely be concentrated in areas with a high proportion of higher-end homes, like Queenstown and Waiheke Island.
- It could also be a buoy for off-the-plan apartment sales in the high-end and boutique space.
- Despite being a critical income-generating component to its tax plans, it will be interesting to see whether the policy survives in its original form, given that National did not win enough seats to govern comfortably alone with Act and its likely coalition partner, New Zealand First, is traditionally opposed to policies that promote foreign ownership of New Zealand assets.

WHY SELL NOW: This policy is expected to invigorate the upper quartile price bracket. This could see local buyers act swiftly to secure their desired properties and avoid missing out.

4. **Unlocking more land for housing development** in a three-pronged approach incentivising development and new housing supply.

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WHY SELL NOW: Anticipated policy changes, while significant, are likely to increase available housing stock in the mid-long term. Creating a prime opportunity to maximise your property's sale price in the current market.

5. National and Act agree **rental market improvements** are required, including reinstating no-cause termination notices and the provisions which see fixed-term tenancies roll into periodic tenancies in most cases.

- This is expected to attract more private landlords back to the market, with emphasis on landlords' abilities to protect assets should anti-social behaviour arise.
- This will significantly impact the owners of nearly 510,000 private rental properties and their 1.3 million tenants, with the potential to stabilise rapidly rising average rental rates by providing more housing supply.
- Tenants may benefit from having more housing choices, and stabilising rental rates.

WHY SELL NOW: With investors actively seeking assets, the current climate presents an opportune time to capitalise on the heightened demand from this competitive buyer group, which have been biding their time since punitive measures were introduced several years ago.