



SOCIAL HOUSING OPPORTUNITY

Following the changes to the Residential Tenancies Act, social housing providers are about to become a big deal, predicts **Nick Gentle**.

Over the last few months, we've all witnessed the debate around the Residential Tenancies Act (RTA) changes. A lot of industry feedback went to the Government, who summarily ignored it. You now have a few months to wrap up problem tenancies before you welcome the new order.

I'm not going to rehash everything that brighter minds than mine have already written and spoken about the RTA changes. This article is about what comes next, and I think there will be a rapid increase in social housing providers that will give a viable option for private owners to continue to rent in low socio-demographic areas.

HERE'S WHY

- If you have a problematic tenant under the new RTA rules, you will have a real problem trying to end that lease.
- If you have a problematic tenant under a standard lease to a social housing provider, you have guaranteed rent and they are responsible for managing the tenant.

I have spoken with a few providers of social housing. Think of them as a property management company who sub-leases your property to people who need housing and the government pays the cost. You lease them the property, they place a tenant and the rent is paid to you.

Many people think of social housing as "homeless people on drugs" which is completely wrong, and unfair. There are a wide range of community needs; from

wheelchair access, to displaced families, emergency housing and more.

Depending on the nature of the tenant, social housing providers have wrap-around services to visit the property regularly (as much as weekly) and deal with any issues. This is more resources than a private property manager or landlord can invest and as these services grow and become more sophisticated their management models are going to evolve further.

Most housing providers guarantee to fix any damage beyond fair wear and tear. Already the larger ones are introducing some insurance protection so that owners in turn can more easily secure house insurance (this was an area of concern for private owners and insurers).

CONSIDER YOUR OPTIONS

I dislike the RTA changes as much as the next investor, but if you own properties that you were considering selling because of RTA concerns, you now have another option. I think it is early days for this housing model in New Zealand. In the next one to two years they will certainly experience growing pains as they expand to meet demand. The few providers I have spoken to are ramping up and trying to bring in more staff to handle their growth.

For long-term leases the rents are usually pegged to the Tenancy Services median rent data (sorry, not per-room motel rates). Operators I have spoken to so far do not charge owners a management fee, they are funded

differently. So even if as an owner you needed to outsource quarterly insurance inspections to make extra sure they are done correctly, you will still come out fine financially.

Please do your own due diligence. Ask questions about their method, who they help, how often the properties are visited, how maintenance is handled, how insurance is managed (in turn discuss with your own insurer), insurance inspections and anything else of concern.

SO WHERE IS THE OPPORTUNITY FOR YOU?

First, we are probably going to see properties come on the market as some landlords decide to leave a certain area or sell up entirely in the face of the RTA changes. There is certainly the opportunity to study up on what a few local social housing providers require and confirm a tenancy before going unconditional on a purchase. Knowing your cash flow before you buy is a big help to investors.

Second, if you already own properties and have had problems with tenants, now might be the time to consult with some local operators to see if those houses would suit their needs. You will probably find that your returns increase as you will not pay property management costs or letting fees and rent will be guaranteed.

Lastly, these operators are looking for houses they can lock up long term. They want to provide homes for life for people, and as an owner, long-term guaranteed rent is very appealing. ■

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