

TONY'S VIEW

Input to your Strategy for Adapting to Challenges

Feel free to pass on to friends and clients wanting independent economic commentary

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My Aim

To help Kiwis make better decisions for their businesses, investments, home purchases, and people by writing about the economy in an easy-to-understand manner.

Congratulations Mum and Dad

I bet 99% of you did not know this. When you reach your 60th wedding anniversary you can receive a congratulatory card from the Queen, and the Governor General, and the Prime Minister as well as the local Mayor and local MPs. I know because my sister-in-law called up a few weeks back asking me to investigate whether this was true and how to arrange said correspondence ahead of my parents' 60th anniversary on April 1.

So, I did, and the website referenced here lets us know that such congratulations can even be arranged for one's 50th wedding anniversary.

<https://www.govt.nz/browse/family-and-whanau/congratulatory-messages/>

All you have to do is go through a ten-stage process and the wheels turn. My parents, Barry and Maureen Alexander received their cards just before and just after their anniversary and a pretty picture they make on the windowsill.

So, if you are perhaps considering your mortality and fretting about not receiving a message from the Queen or King when you assuredly reach 100, don't fret. There is another way. All you've got to do is stay married to the same person for 50 years. How hard can that be?

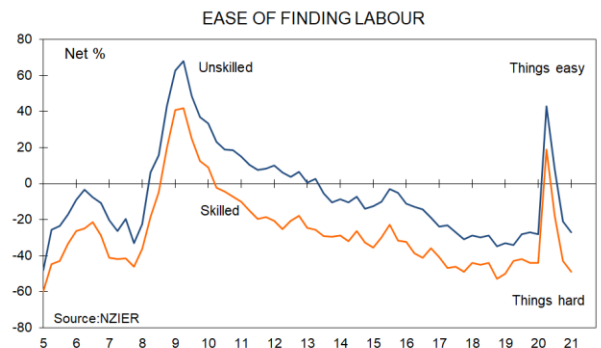
Capacity Constraints

Last week I wrote about how we now live in an economy where the rate of growth is constrained

less and less by a lack of customers and more and more by a lack of resources.

The NZIER this week released their long-running Quarterly Survey of Business Opinion and the results show just how tight things have become in the labour market.

When asked how easy they are finding it to source skilled labour, a net 49% of respondents from the non-farming sector said that it is hard. This degree of difficulty is above the ten-year average of a net 37% and the highest result since the start of 2019.



A net 27% of respondents also said that they are finding it hard to get unskilled labour. This is above the 16% ten-year average and right back to where things were just before the global pandemic started.

Measured as divergence from the ten-year average level of difficulty we find that problems finding staff are greatest in the merchants sector which covers retailing and hospitality.

There, a net 59% of firms are finding it hard to get skilled staff and a net 44% unskilled staff. These



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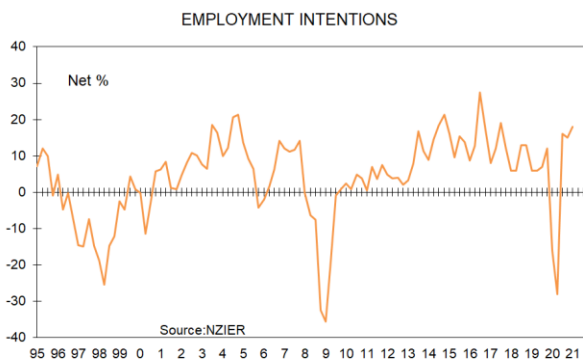


results are respectively 22 and 28 points worse than average.

In contrast, for builders things are only 8 and 9 points worse than average. For manufacturers things are quite tight at 17 and 7 points worse than average.

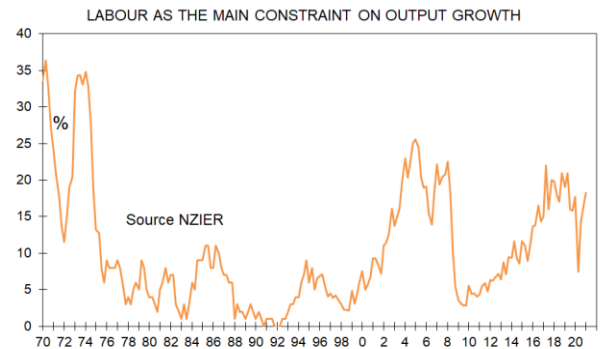
Firms are of course reporting staffing difficulties because they are actively trying to find people. Back in the June quarter of last year when businesses were not looking for people and were laying some staff off, a net 19% said it was easy to get skilled people and a net 43% said it was easy to get unskilled people.

Back then a net 28% of businesses said that they planned laying people off. Now a net 18% plan hiring more people. This is well above the ten-year average of 6% and the strongest staff-hunting result since mid-2017.

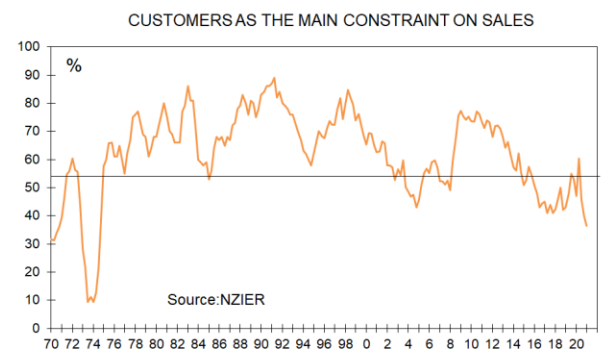


Labour has quickly returned to being seen by businesses as a key restraint on their ability to grow output. A gross 18% now cite this as their

main constraint. Things have been tighter in the past however and probably will become so again.



In contrast there is now a 47-year low in the proportion of firms saying that lack of customers is their main problem. Notice in the following graph how lack of customers spike as a problem during recessions such as in the early then late-1990s and the GFC. But this time meh! Such is the situation with the weirdest recession any of us has ever seen.



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TONY'S VIEW

New Zealand's Housing Markets

Age group impact of March 23 announcements

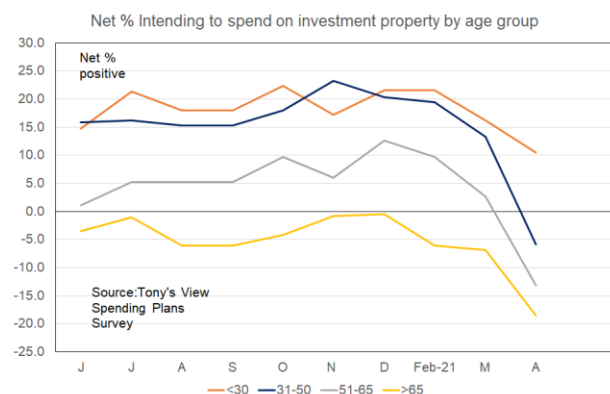
The government is hoping that its March 23 policies will discourage investors from purchasing and retaining ownership of existing properties so that space can be provided for first home buyers and that prices will become more sustainable.

Do we have any early evidence of market shifts from our monthly Spending Plans Survey?

This first graph shows that the downward trend in intentions of all age groups to purchase an investment property, in place since our first survey in January, has been reinforced following March 23.

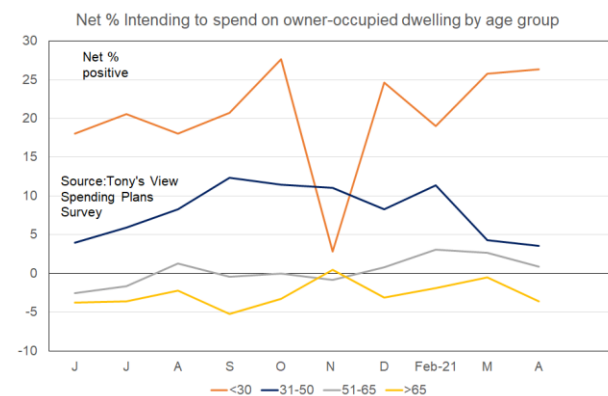
But there is one interesting element. The decrease in the net proportion of people aged below 30 years saying they intend buying an investment property from 16% to 11% is less than for the other age groups and these intentions remain positive. The other readings are

	March	April
31-50	13	-6
51-65	3	-13
>65	-7	-19



So, the group most resistant to government policies and which has been the most determined to buy an investment property since December, is young people.

What about intentions of buying one's own home to live in? These are high and have strengthened slightly for young people but are low and have decreased marginally for the other age groups.



I think all that the government can take from these readings so far is that the March 23 changes have accelerated a pulling back of investors which was already underway, and that perhaps people 30 and under haven't quite yet figure out what it means for their rentvesting strategy.

What do tenants think?

There are plenty of surveys flying around gauging the degree to which landlords are spitting the dummy about the latest anti-landlord legislation and regulations introduced by the Labour government. Economics 101 tells us that as a result of the costs of supplying a product (rental accommodation) going up there will be a reduction in the quantity of rental accommodation and the average price will rise.

we think every person deserves the same opportunities to get ahead

- Patterson Wealth Partners

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Retirement Planning

Wealth Creation



managing, growing and protecting your wealth

"We take the time to look at who is behind the numbers because in the end, that's what it's all about"



Property Investment



Retirement Planning



Wealth Creation

I would suggest those people believing income limits determine market prices go back to their first-year economics texts and relearn the slopes of demand and supply curves and the difference between movements along a curve and movements of a curve.

In the Spending Plans Survey sent out last week, I asked people not just the usual questions but also what they were seeing if they are a residential property tenant. In total 1,480 people replied and there were responses from 266 people self-identifying as tenants.

If you are a residential tenant, has your rent been increased in the past six months?

Of the 266 respondents 26% said that their rent has increased over the past six months. 72% said their rent had not gone up and 5% were Not Sure.

No	72%
Yes	26%
Not sure	5%

A 26% proportion does not seem all that high.

If so, by how much?

Of those who said their rent had gone up, the rises and proportions were as follows.

0-5%	42%
5-10%	22%
10-15%	11%
15-20%	16%
Over 20%	9%

The results validate the stories we have been reading regarding some people facing hefty rent rises in recent times. But for almost half those who's rent has risen the increase has been less than 5%.

Far better information on rent rises is available from MBIE and I would recommend anyone wanting to track rent changes over time go to that source.

Has your landlord indicated to you they will raise your rent because of the government's housing policy announcements on March 23?

There were 229 responses to this question with proportions as follows.

No	57%
Yes	28%
Unsure	15%

Just under 30% of tenants have been informed by their landlords that because of the government's policy changes their rents will be increased more than would otherwise have been the case.

If so, by how much?

Of the 77 people who were able to indicate the extent to which their landlord indicated their rent would rise, 30% said the increase would be less than 5%. But 14% said it would be over 20% and in total almost 50% said the rise would be above 10%.

0-5%	30%
5-10%	21%
10-15%	23%
15-20%	12%
Over 20%	14%

In my opinion the numbers involved here are too low to allow one to make any particularly strong comments beyond perhaps noting that many people have been told they face rent rises above 10%.

Tony's View

Has your landlord indicated they may sell their property because of the policy announcements?

There were 220 responses to this question and the distribution of answers was as follows.

No 73%
Yes 18%
Maybe 9%

That is, this far about two weeks after the March 23 announcements, some 18% of tenants have received an indication from their landlord that they may sell their property. There will be a downward bias to this result to the extent that not all landlords are communicating with their tenants on a fortnightly basis. There will be an upward bias because of the element of spitting the dummy which has arisen after each anti-landlord change imposed over the past few years.

Summary

This simple survey should not be read as indicating population-wide proportions of tenants set to be affected by particular rent rises or property sales. But it can be read to indicate that there is validity to the arguments that as a result of the government's changes there will be rises in rents which would otherwise not have occurred, and some tenants will have their properties sold.

Only some years down the track might an academic undertake the necessary detailed research using cohesive time series data to fully reveal the impact of the March 23 announcements on rents and property availability for tenants and owner occupiers.

In Tview Premium I reprint comments submitted by tenants regarding their thoughts on the changes.

Links to publications

[Tony's View Spending Plans Survey](#)

[Tony's View Business Survey](#)

[Tony's Thoughts Vlog](#)



[REINZ & Tony Alexander Real Estate Survey](#)



[Onerooft weekly column](#)



[mortgages.co.nz & Tony Alexander Mortgage Advisors Survey](#)



[Tony Alexander Regional Property Report](#)



Tony's View

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