NEW ZEALAND

PROPERTY PROFESSIONAL

MAGAZINE

SUMMER/AUTUMN 2021

HOUSING MARKET OVERVIEW

CLIMATE CHANGE AND INSURANCE

Residential property management up for review

UPDATE ON RESIDENTIAL TENANCIES ACT 2020

Top speakers lining up for property conference and awards

CONTENTS
Summer/Autumn 2021

NEW ZEALAND PROPERTY PROFESSIONAL MAGAZINE

Contact details
Viv Gurrey, CEO
Property Institute of New Zealand
PO Box 5304
Lambton Quay
Wellington 6145
0800 698 258
v.gurrey@property.org.nz

Editor
Helen Greatrex
helen@property.org.nz

Design
Nic Porteous
design@nicporteous.co.nz

Print and advertising enquiries
The Printroom
(04) 473 1211
glenn@theprintroom.co.nz

Publisher
Property Institute of New Zealand.
Property Professional is published quarterly and a copy goes to every New Zealand based member of the Property Institute. The articles are not peer reviewed and represent the unaudited views of the relevant authors. If you have any questions about the content of an article please contact the Editor or the relevant author.

ISSN 2253 5195 (Online)

VIV GURREY

Stronger together in 2021 and beyond

Tēnā koutou katoa.

Welcome to the Summer/Autumn edition of the *Property Professional* magazine. As part of our philosophy of continual improvement, we've made some changes to this edition to make it easier for you to read and navigate in a digital environment. Over time, we plan further improvements to this format, so we are able to provide more interactivity, direct links to content and occasional video. We hope you'll come with us on the journey as we work to deliver a stronger digital magazine with information that helps you as a property professional.

Recent polling conducted by the Property Institute shows its membership is embracing and appreciating the new ways of learning. In-house statistics show big growth in that area, which has been one of the menu changes that COVID has brought to the table.

Nevertheless, a busy year lies ahead with challenges yet to be determined. We are planning for the rest of the year as if it will be near to business as usual, but as you would expect we retain our ability to be nimble and move with the circumstances that are presented to us.

On that note, the Property Institute and the New Zealand Institute of Valuers are in the middle of their Branch AGM season.

One of the reasons the organisation is so grounded is because of the fantastic work and generous people who give up their time to make us strong and keep the team focused. I am planning on being at each and every one of the meetings in person (COVID willing), and I will be joined by PINZ President Luke van den Broek and NZIV President Jeff Alexander as their schedules allow.

These are an important series of meetings for us, as we chart a new course for tomorrow together, and work to ensure PINZ becomes the natural home of property professionals.

Already this year we have launched brand new and improved Continuing Professional Development policies, with the aim of ensuring that the Institutes deliver the best education programme and challenge members to strive to be even better than they already are.

Knowing where we are going and being able to clearly describe this to our members is important. Our board started strategic planning in 2020, we got slowed down by COVID, but we are racing to the finish now as we build a clear strategy that will support our professional communities and members to thrive.

Here are a few things to watch for in the year ahead:

- **Conference** – with the theme 'Charting a new course for tomorrow, together' – a great speaker line-up – education and importantly the power of coming together after a face-to-face drought. See the articles later in this magazine.
- **Branch needs and support** – building a powerful resource for branches to support members through the resource hub – focus on members and branches – identifying what support our branches require to be successful is important to us and important to you. All branches need to know and resources all in one easy to find place.
- **Education** – our plan will be community-specific and driven by our professional communities and their education sub-committees. Our recent membership survey said around three-quarters of you thought enough CPD was on offer and confirmed that it satisfied your specific community and professional interests. But we never rest on our laurels and have an even stronger line-up coming in 2021.
- **Professional communities** – being stronger together by supporting the unique needs of our professional communities and refocusing our Service Level Agreements with them.

We have an aspiration to put our members at the heart of what we do as we work hard to provide a secure, stable, innovative and visionary home for Property Professionals. We will do this by focusing on the unique needs of your profession and our professional communities that you belong to and supporting our communities to put members' needs first.

As we strive to support our communities and their members to raise their professional standards, and as we encourage and nurture professional pride, *we will truly be stronger together*

MARSH

LEAD ARTICLE

HOUSING MARKET OVERVIEW

Housing demand has remained strong, spurred by low mortgage rates and a speculative dynamic. Added to that, a lagged response in new listings has meant that buyers are chasing relatively few properties – a perfect storm for house price rises – but a cooling is expected in time.

SHARON ZOLLNER

Record breaker

House prices grew at the strongest quarterly pace on record in December 2020 (since REINZ data began in 1992). The market has significant momentum and tightened even further in the month. We expect continued strength in the market in the short term at least, with an eventual gradual cooling in the rate of house price inflation as credit and affordability constraints weigh.

House prices rose 2.9% in December, following similar stellar rises in October and November. This saw a quarterly gain of 7.7% for Q4 – the biggest quarterly gain on record (based on data from 1992). Since the lockdown induced declines seen in April and May, house prices have risen 16%, which has seen annual house price inflation rise to 17%.

Annual house price inflation is still below the peak seen in February 2004 (24% year-on-year), which followed a year of solid monthly gains (1.8% month-on-month on average). The upturn this time has been shorter but sharper, with price rises of 2.1% month-on-month on average since May.

It is possible that continued momentum could see the 2004 peak in annual house price inflation surpassed, but there are reasons to think that the upturn might not have the same persistence this time around. A key difference is that the economy was very buoyant in the early 2000s, with incomes growing strongly. This time income growth is fairly stagnant and house prices are already very unaffordable relative to incomes, making continued house price inflation at the current pace unsustainable.

We expect continued strength in the market in the short term at least, with an eventual gradual cooling in the rate of house price inflation as credit and affordability constraints weigh.

Momentum in the short term

We do expect to see some continued momentum in the market over the next few months, with the housing market very tight. Days to sell reduced further in December to just 31 days, compared with a historical average of 39 days. Listings are not coming onto the market fast enough to meet demand, with inventory hitting new all-time lows. This speaks to further upwards pressure on prices, reinforced by the fact that house price expectations have increased as the housing market has strengthened.

Lower interest rates have played a role in the recent upturn, but this is only part of the story. A speculative dynamic has also contributed, with participants in the market running on the assumption that strong house price gains will continue.

It has been a perfect storm:

- Fear of missing out (FOMO)
- Scarcity of properties
- Expectations that house prices will get further out of reach at a time when interest rates have been falling and bank funding has been readily available.

But cooling in time

This dynamic is expected to contribute to further price gains in the short term at least. We expect the housing market will cool in time, but exactly when is highly uncertain, given that momentum in the market can be slow to moderate.

Eventually, we expect that an easing in acute market tightness will occur and fundamental factors will return to the fore, including income considerations, weak population growth (with building strong), affordability limits and credit constraints.

The Reserve Bank of New Zealand (RBNZ) has signalled it will reintroduce curbs on high loan-to-value ratio lending to investors, effective from 1 March, with some banks acting pre-emptively to rein in lending to this segment. This will have some effect in dampening house price inflation (say one to two percentage points according to the RBNZ), although only temporarily, as with the previous imposition of such restrictions. Nonetheless, these may play a role in curbing (in the RBNZ's words) 'irrational exuberance', thereby contributing to a slowing in momentum.

Overall, we expect house price inflation to moderate, with solid gains in the next few months, followed by a more marked cooling. House price declines cannot be ruled out, but for now that is not our expectation and sits squarely in the 'risks' basket.

House price declines cannot be ruled out, but for now that is not our expectation and sits squarely in the 'risks' basket.

OCR expected to stay positive

A stronger outlook for housing is one of the factors supporting our upwardly revised expectations for economic momentum into 2021. This, along with a more resilient business sector, higher export prices and a better-than-expected starting point suggest we are in better stead to face the challenges ahead, notwithstanding ever-present downside risks.

Against this backdrop, the medium-term outlooks for both inflation and the labour market are now more assured. This means there is less need for the RBNZ to provide stimulus and we no longer expect the OCR will be cut again.

The RBNZ will remain vigilant and willing to do more if necessary, but as things stand, it appears they have done enough to get the economy through. However, the prospect of lifts in the OCR remain a long way off. The RBNZ will remain very cautious while the true economic situation remains so murky and a resurgence of COVID-19 on our shores remains an ever-present threat.

Long-term challenges

During 2020, the COVID-19 crisis was understandably front and centre and it will dominate the stage in 2021 too. But eventually, as return to normality starts to be in our sights, other longer-term issues will increasingly return to the fore. Climate change, an ageing population, housing unaffordability and intergenerational equality are all likely to get more attention.

These issues have not gone away, and in some cases the COVID-19 crisis has only seen existing challenges worsen, such as housing unaffordability and wealth inequality. Policy-makers have been mainly focused on responding to the health crisis that has unfolded before us, but action needs to be taken on these other issues. In some cases, difficult decisions will eventually need to be made

The COVID-19 crisis has only seen existing challenges worsen, such as housing unaffordability and wealth inequality.

Disclaimer

This article is reproduced with permission of the Australia and New Zealand Banking Group Limited. It is adapted from the 'ANZ Property Focus' published on 19 January 2021. The information in this article is provided for information purposes only, it is general in nature, does not take into account the objectives, financial situation or needs of any person and is subject to the ANZ General Disclaimer which is available on the ANZ website.

Sharon Zollner is Chief Economist ANZ Bank New Zealand Ltd based in Auckland.
sharon.zollner@anz.com

RESIDENTIAL PROPERTY MANAGEMENT

The Government's political football

Considered the sales agents' poor cousins from those in the real estate industry, residential property managers are now striving to be recognised as important players in the ever-changing world of professional property management. But it is not without its challenges. This article looks at the major changes that have been thrust on the residential property management industry over the last two years and how in 2021 the issue of regulation of the industry still gains momentum.

DAVID PEARSE

Legislation

The ink on the Residential Tenancies Amendment Act 2019 was not even dry before the Government was planning the Residential Tenancies Amendment Act 2020. The Government-funded lobby group Renters United was carrying out a Facebook campaign asking tenants to 'tell them about their horrible landlord' stories. The process was not balanced as there was no opportunity for landlords to add anything and most of the contributors were anonymous. It would have been of interest if they had even identified what type of landlord (owner managed, real estate, specialist) the complaints were made about. This was developed into a paper on the state of residential property management in New Zealand. Stories filled the media on a weekly basis, with landlords the constant political 'football'. The lack of a level playing field, and the clear imbalance with most on the select committee hearing, left this submitter with a question over our democratic process.

Even now some of the changes that were added just before the final (third) vote in Parliament, and which were not part of any submission process, are on hold while policy-makers work out how new parts of the legislation will work.

The Labour Government's election win will mean that we will have to make the most of the hand we have been dealt. There is no doubt that the new changes will cause a number of unintended consequences as landlords consider them and reposition themselves. It will also mean that the romantic dream of being an owner landlord with the good old Kiwi 'number 8 wire' mentality is a thing of the past.

Residential property management has become too complicated and far too risky for anyone wanting to save money and do it as a hobby. It is not a matter of collecting the rent and doing the occasional inspection. Owner landlords will need to consider the consequences of getting it wrong. For example:

- Unlawful and contaminated properties where owners may need to refund all the rent or be fined
- Properties need to comply with the healthy homes legislation and make lawful disclosures or the cost is horrendous
- Landlords cannot now give 90-day notices to remove bad tenants and will need to be skilled to be able to put their case to the Tenancy Tribunal
- Infringement offences have now been introduced, where there are 23 penalties for landlords that MBIE can make against them based on a complaint by a tenant or as the result of an investigation.

Infringement offences have now been introduced, where there are 23 penalties for landlords that MBIE can make against them based on a complaint by a tenant or as the result of an investigation.

Regulation is a hot topic industry-wide and a sensitive one for real estate companies and their representatives.

Regulation

As tenancy law continues to change, so does the industry. Operators who are committed to upskilling and staying ahead of these changes are those who will ultimately reap the rewards and gain the professional credibility they deserve. In turn, this will ensure clients paying for a professional service are getting the highest level of service and care for what is usually their second highest value asset.

So – should residential property managers be regulated, or registered, or certified as a minimum requirement? The Property Managers Institute of NZ (PROMINZ) says 'Yes'. The Real Estate Institute (REINZ) is lobbying for regulation, with property managers being regulated under the Real Estate Authority (REA).

Regulation is a hot topic industry-wide and a sensitive one for real estate companies and their representatives. Property managers are not covered under the REA and there is no designated body to handle complaints unless they hold a sales agent licence. Members of groups such as PROMINZ have chosen to be affiliated with a self-regulating industry body, with membership criteria and a robust complaints procedure. Its members must have the appropriate insurances and operate a separate account for rent payments.

However, this is not the same for all umbrella bodies and management companies are currently not required to be registered or have their employees hold any industry qualifications. PROMINZ would like to see a standardised system for registering property managers and criteria to which they must adhere. This would ensure all industry operators are fully accountable and always operating at the highest level.

It is likely that as landlording becomes increasingly complex and onerous more property owners will engage the services of a professional property manager. New Zealand will start to see an increase in the percentage of residential rental properties being managed professionally. However, it is estimated that only 40% of rental properties in this country are currently managed by property managers. So, will there be any real change if only property managers are regulated? Property managers often come across owner-managed properties where there is no tenancy agreement, no rental statement, and no bond lodged for the tenancy.

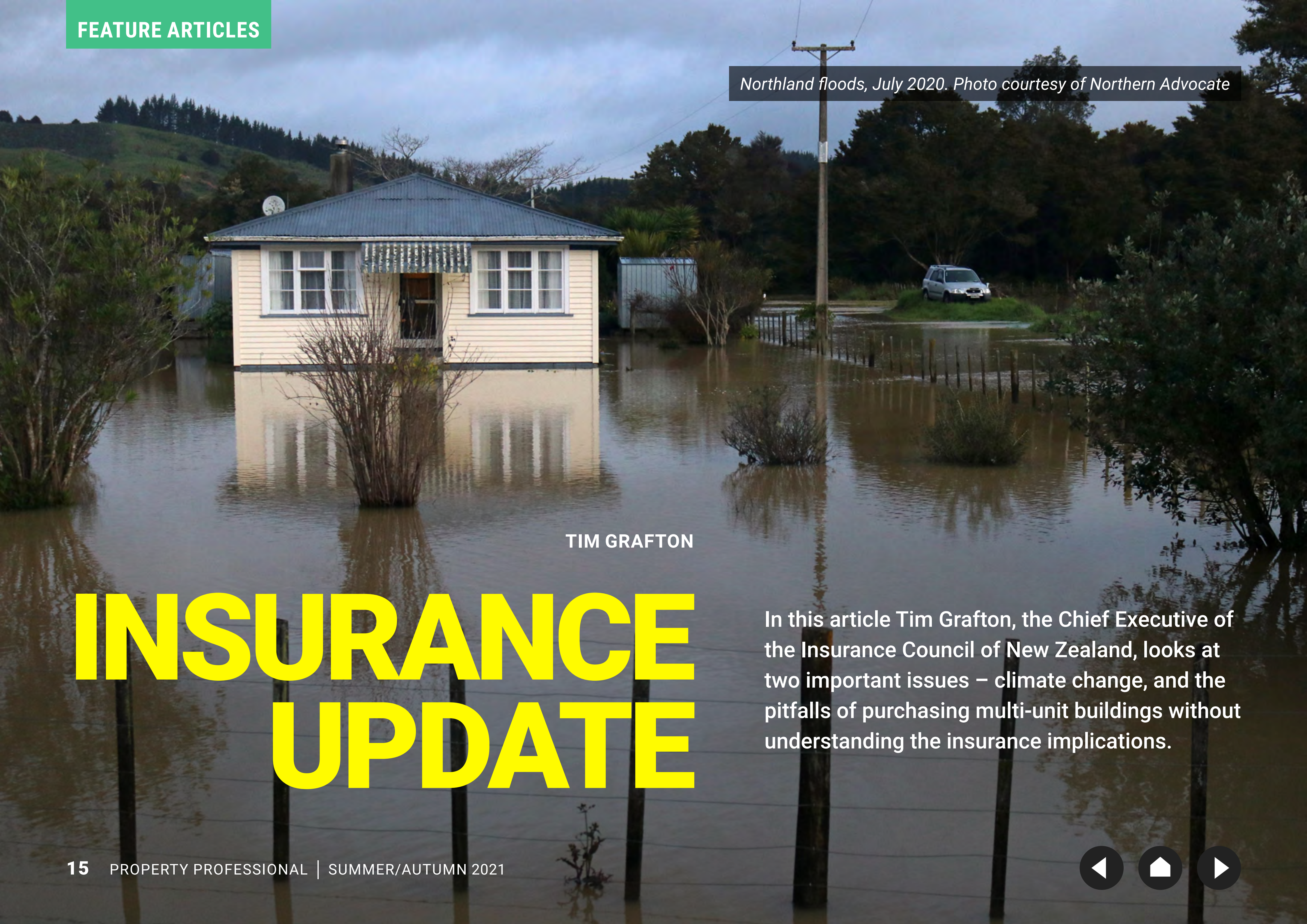
If the basics are not being done then what about the real grassroots implementation of all the recent legislation and compliance responsibilities imposed on landlords? Are the majority of owner-managed property owners ignorant of their responsibilities under the Residential Tenancies Act and, if so, then should they not also be at least licensed? How otherwise will the overall rental market improve? As MBIE only know about an estimated 500,000 rental properties because of the bonds lodged, how will we know the true position of the market and if the properties are compliant?

There is a strong case for all landlords (owner managers and property managers) to be licensed. This has become the model in Wales (see www.rentsmart.gov.wales) where there is compulsory landlord registration and property manager licensing. Both need to show evidence of having the required training and education to be either an owner manager or property manager. The rental industry would finally be in a position where there is clarity about who the landlords are and the true number of rental properties. MBIE can then communicate directly with tenants and landlords about changes to rules and to ensure a basic level of education.

This is just a small extra step. Both PROMINZ and REINZ have comparable levels of Accredited Property Manager status, which includes the requirement to obtain the NZ Certificate in Residential Property Management, so there only needs to be a base course for owner managers. I would expect that many would put their hand up for this, with the NZ Property Investors Association being one of them.

With the recent changes to the Residential Tenancies Act, the Government already has in place the legislation and tools required for the Chief Executive of MBIE to be the regulator of the industry. The question is whether the Government has the political will to finish their game plan this year or otherwise leave it half-baked

David Pearse ARPM MPINZ is President of the Property Managers Institute of NZ. david@pukekorentalmanagers.co.nz



Northland floods, July 2020. Photo courtesy of Northern Advocate

TIM GRAFTON

INSURANCE UPDATE

In this article Tim Grafton, the Chief Executive of the Insurance Council of New Zealand, looks at two important issues – climate change, and the pitfalls of purchasing multi-unit buildings without understanding the insurance implications.

Impact of climate change on property insurance

Implications for property owners and investors

Understanding the impacts of climate change on a house, investment property, or holiday home has never been more important. Climate change impacts are already being felt. Over the years to come the incidence of extreme weather events will become more frequent. In coastal areas where property is affected by sea-level rise, the risks will increase.

In 2020, severe weather and floods saw extensive damage across the country, with over 12,000 weather-related insurance claims equating to more than $200 million being paid by insurers to help Kiwis get back on their feet. While flooding is the most frequent natural hazard we face in New Zealand, we can also expect some areas will be drier, and wind patterns will change, so we will see more wildfires.

Climate change is not just a major strategic priority for the insurance sector locally and globally, but needs to be given as much priority by all sectors. With billions of dollars of assets increasingly at risk around the world, adequately responding to climate change will mean regulators and decision-makers must take a long view as to how these risks are managed.

There are four ways to respond to risks:

- Avoid
- Reduce
- Transfer (to insurance), or
- Accept the risk.

If society does not adapt to climate change risks (i.e. reduce or avoid the risk), then all the responsibility for responding falls to either accepting or transferring the risk.

Insurance will respond to increased risk in an entirely predictable manner – premiums will increase and/or excesses will increase, until ultimately if the risk gets too high, insurance will be withdrawn. This will happen incrementally over time as insurance typically only provides cover for a year ahead.

In 2020, severe weather and floods saw extensive damage across the country, with over 12,000 weather-related insurance claims equating to more than $200 million being paid by insurers to help Kiwis get back on their feet.

Avoiding or reducing risk

Property owners and investors should therefore be thinking holistically beyond insurance and consider whether they can accept the risk if insurance will not. And if accepting the risk is not an option, then avoiding or reducing the risk to enable insurance to remain affordable and available is essential.

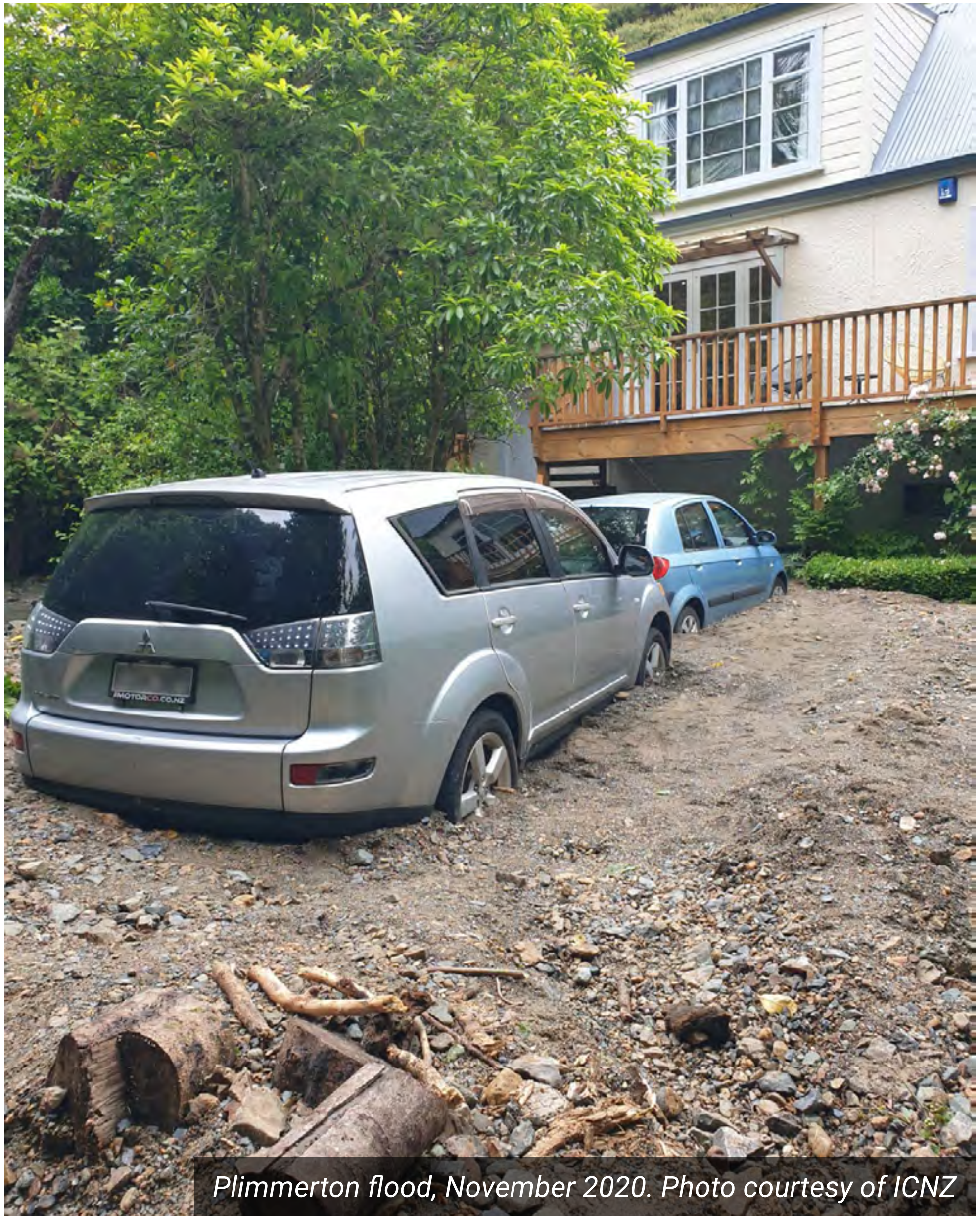
How decisions are made to adapt to climate change to reduce or avoid risks will require central and local government action. In New Zealand, a key step was taken in August 2020, with the Ministry for the Environment's release of its first-ever Climate Change Risk Assessment Report.

Adapting to climate change

The report identifies climate change risks and prioritises them. The Government has two years to set out how it plans to reduce these risks. More importantly, its key underlying message was that society as a whole must adapt to climate change.

Unless these risks are reduced social, economic and environmental losses will increase. We also know that the sooner we adapt to our changing climate, the less adaptation will cost us. There are many ways society can adapt:

- Improving infrastructure such as stormwater systems
- Moving properties away from coastal areas and floodplains
- Not consenting new properties in high-risk areas
- Building new residential and commercial buildings to be more resilient to a changing climate.



Plimmerton flood, November 2020. Photo courtesy of ICNZ

New legislation

Some recommendations from the review of the Resource Management Act last year helpfully point to a way forward. One of these was to pass a Climate Change Adaptation Act to enable consenting authorities to take the necessary action, and another was to provide funding to manage gnarly issues like property retreat from higher risk areas.

Councils around the country are increasingly taking a serious look at these issues. The Climate Change Response (Zero Carbon) Amendment Act 2019 has a focus on adaptation which requires a long-term framework to be put in place to manage adaptation.

These are not trivial issues. Literally, tens of billions of dollars of property are at risk over the decades ahead.

Severe weather on Wellington coast. Photo courtesy of ICNZ

Tens of billions of dollars of property are at risk over the decades ahead.

Uninsurable properties – sea-level rise

Our call for local and central government to take a long view out 50 to 100 years to map the impact of climate change to support these measures was echoed by the Deep South research on climate change and insurance retreat late last year. This report raised the very real issue of insurability of areas that are at an elevated risk of rising sea levels. Its prediction that many coastal properties may be uninsurable in 20 years is a wake-up call that must be heard.

The increased risks presented by climate change, and outlined in the report, will continue to be signalled by insurers through traditional means like price and excesses, reflecting their appetite to accept risk.

While insurers are likely to continue to cover existing homeowners in climate change or natural hazard threatened areas, we can expect premiums and excesses will increase. That might mean a floodplain property will have a higher excess applied for flood damage. However, some companies might choose not to take on new customers in areas that have a known higher risk to sea-level rise and flooding in 15 to 20 years.

Wider implications and what you need to do

It is also highly likely that banks will also review the terms of their loans on higher risk properties. Modelling expertise and risk management are not solely the domain of insurers. Banks also model and look at their exposure over the term of a loan, and in the future we may see them offering much shorter terms in higher risk areas (maybe 10 to 15 years rather than 30). Shortening the term of a mortgage will have a dramatic impact on the demand for those properties and ultimately how they are priced.

For their part, insurers will draw increasingly on higher quality data to understand likely climate impacts to inform underwriting decisions and their appetite to accept risk.

People need to be checking insurance early in the process, and should never sign a sale and purchase agreement or go unconditional without checking they can actually get insurance.

More granular data enables insurers to price more fairly. At the most granular level, Property A with less risk should have a lower insurance premium than Property B with higher risk. Without this data insurers would be forced to price both properties at the same premium, which would not be as fair on the property with less risk.

With more Kiwis holidaying at home due to continuing COVID-19 travel restrictions, we have seen an increased interest in coastal holiday homes located in some of the areas that face these issues. For those in a position to purchase it is critical they complete their due diligence, researching and finding out how likely the property is to suffer from flooding, sea-level rise and other natural disasters.

People need to be checking insurance early in the process, and should never sign a sale and purchase agreement or go unconditional without checking they can actually get insurance.

For insurance customers, the sector is focused on working with them to ensure they have the right insurance in place for their needs. They need to understand the reasons and costs associated with pricing certain risks so they can make informed decisions to protect their property and belongings.

Those who live in 'heightened risk' coastal or floodplain areas should expect more information from their insurers about the risks that they face over the long term. This should also include an explanation as to why premiums and/or excesses are likely to increase, reflecting the particular identified risks.

Insurance pitfalls for multi-unit buildings

Check if there is a body corporate

For those buying a new home attached to others it is necessary to ask if it is being sold without a body corporate to reduce costs and issues. ICNZ is urging all potential or existing owners of multi-unit property to check they can adequately insure their property.

If a unit is attached to other units and does not have a body corporate structure in place, many insurers may not provide insurance because of complexities that can arise at claim time if not all units are insured or if they have different levels of cover from different insurers.

Owning your own home is increasingly difficult for New Zealanders. ICNZ wants to ensure buyers aren't tripped up by steps to make properties appear more affordable when they could actually cause more expense in the future.

If a unit is attached to other units and does not have a body corporate structure in place, many insurers may not provide insurance because of complexities that can arise at claim time.

With high-density housing one of the solutions to address New Zealand's housing availability and affordability, it is critical that property owners are able to appropriately protect their assets. ICNZ encourages people to talk to an insurer early on so they can help them understand the insurance that is available or the questions they may need to ask before purchasing.

While body corporates can be seen as adding extra cost and administration for owners, they also offer a single point of insurance for the entire building, including units, shared spaces and common property. Critically, this ensures all owners have insurance in place, with one insurer, meaning claims can be handled simply and efficiently.

However, there can be gaps in cover for multi-units, with shared spaces and common property often not covered by insurance where more than one insurer is involved. Ultimately, it can lead to a really nasty experience for owners, especially following a significant event that causes wide damage that is not insured. Uninsured or underinsured units can cause repair delays, impacting on everyone's ability to pick up the pieces and get back to normal.

Check with your insurer before buying

ICNZ says that if you are looking to buy within a multi-unit building, a multi-unit complex (multiple buildings), or a property that is attached to others, be sure to tell your insurer before you go unconditional. This means you can have a robust conversation about the type of property and what level of cover the insurer may offer to best meet your needs. This will enable you to make an informed decision to proceed with the purchase or not and therefore avoid possible pitfalls.

Properties are sometimes marketed as being body corporate free to save owners time and money – but the ultimate outcome is that it won't.

It is also important not to get caught up in the sales pitch from developers or agents. Properties are sometimes marketed as being body corporate free to save owners time and money – but the ultimate outcome is that it won't.

To help buyers and homeowners understand more about purchasing home insurance in a multi-unit building, ICNZ has developed a helpful consumer guide which is available on its website: *Purchasing home insurance in a multi-unit building*

Tim Grafton is Chief Executive of the Insurance Council of New Zealand based in Wellington.
icnz@icnz.org.nz

2021 PROPERTY INDUSTRY AWARDS

Cordis Hotel, Auckland
15 July 2021

Entries close at 5pm
on 9 April 2021

After a year's hiatus, entries are now open for the 2021 Property Industry Awards which are part of the Property Institute of New Zealand's Annual Conference being held at the Cordis Hotel in Auckland on 14–16 July 2021. This is your chance to demonstrate you are among the best of the best in the New Zealand Property Industry.

Nine categories are up for grabs:

Property Institute of New Zealand (PINZ)
- Supreme Award: The Property Industry Award
- Young Property Professional of the Year
- Women in Property Award
- President's Award

New Zealand Institute of Valuers (NZIV)
- Iain Gribble Memorial Award
- John M Harcourt Memorial Award

Commercial Property Managers Institute (COMPRO)
- Commercial Property Manager of the Year

Institute of Property Advisors & Consultants (IPAC)
- Property Advisor of the Year

Property Managers Institute of New Zealand (PROMINZ)
- Residential Property Manager of the Year

For further details, conditions of entry and criteria:

Visit the web page

Top speakers are lining up for the Property Institute's 2021 National Property Conference

After the COVID disruption to last year's event, the Institute is determined to make the July conference a highlight of the property calendar, with a selection of top presenters, inspirational speakers, strong networking opportunities and a first-class education programme.

The Institute is keeping a number of special announcements close to its chest until closer to the date, but its pleasing to be able to announce the first couple of speakers who are locked and loaded to join us with '*Charting a new course for tomorrow, together*'.

Sir Ian Taylor

Ian's back story is a fascinating journey, from growing up in a house without electricity in the 1950s, to being part of a company recognised globally as being at the leading edge of technology and innovation.

A former television presenter for TVNZ children's programmes like Play School, Spot On and New Zealand's Funniest Home Videos, his very public life started when he joined the band Kal-Q-Lated Risk in 1967 as lead singer. After a stint in the army in the 1970s, he went on to complete an LLB degree from the University of Otago before setting up Taylormade Media, a television production company, in 1989.

The following year he established Animation Research Limited, which quickly became one of the top computer animation companies in New Zealand and known internationally for its work, particularly in television advertising and sports graphics.

> Ian established Animation Research Limited, which quickly became one of the top computer animation companies in New Zealand, known internationally for its work in television advertising and sports graphics.

Its sports division, 'Virtual Eye', provides award-winning graphics globally across a wide range of sports. This year marks almost 30 years since they developed the first graphics for The America's Cup back in San Diego in 1992. In 2014, they won a prestigious Sports Emmy for 'Outstanding New Approaches to Sports Coverage', and they have been recognised by the New Zealand Hi Tech Trust with a special 'Life Time Achievement Award'.

At a personal level, Ian was inducted into the New Zealand Technology Hall of Fame in 2009 and was named *North & South Magazine*'s 2010 New Zealander of the Year. He was awarded an Honorary Fellowship of the Institute of IT Professionals (HFIITP) in 2010 (under its former name New Zealand Computer Society), the top honour for the tech sector in New Zealand. In the 2012 New Year Honours, Ian was appointed a Companion of the New Zealand Order of Merit for services to television and business. In 2013, he was named Outstanding Maori Business Leader of the Year. On 13 February 2019, Ian was named Innovator of the Year at the annual New Zealander of the Year Awards. Awards organisers cited his business intuition and expertise as an exemplar of innovation in New Zealand. In 2020, Ian was named the Deloitte 200 'Visionary Leader of the Year'.

What few people may know is that it hasn't all been plain sailing. In 2008, he was on the verge of bankruptcy and he arrived at his Dunedin office to tell his team that the company would have to close. As he walked past his receptionist she showed him the front page of that morning's newspaper announcing the closure of a local factory with the loss of hundreds of jobs.

As Ian recalls, 'I can still remember her saying, "God, how awful would that be." And I thought, "Well, I can't do it today".'

In 2021, more than a decade later, Ian was promoted to Knight Companion of the New Zealand Order of Merit in the New Year's Honours for services to broadcasting, business and the community. It's fascinating to think that if that factory hadn't closed that day, ARL would have!

Join us to hear from a person described as having a 'maverick style and ability to inspire the passion of those around him.'

In the 2012 New Year Honours, Ian was appointed a Companion of the New Zealand Order of Merit for services to television and business. In 2013, he was named Outstanding Maori Business Leader of the Year.

The Hon Paula Bennett

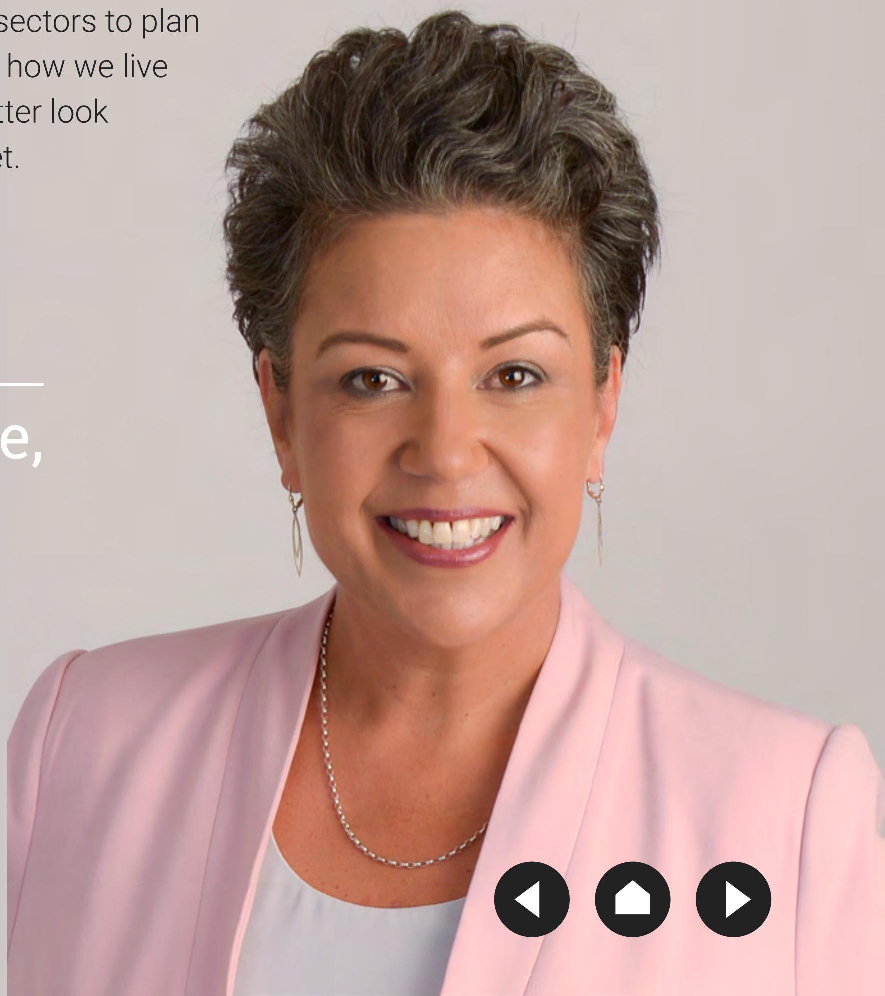
Paula Bennett needs little introduction. She has accepted the challenge to be the celebrity MC for the event and will inevitably bring her own style to the proceedings.

About Paula: Paula has an incredible back story – she knows a thing or two about resilience, and setting and achieving goals. From a teenage solo mum to Deputy Prime Minister, hers is a story of determination and Westie grit.

Her parliamentary career spanned 15 years, and she was a list MP and electorate MP for 12 years. After only one term in Parliament, Paula earnt herself a seat in Sir John Key's Cabinet as the Minister of Social Development and Employment, Disabilities, and Youth Affairs. She steered some major reforms through these challenging portfolios in the midst of the global financial crisis, including the biggest welfare reforms that the country had seen.

She held a number of high-profile portfolios during National's time in Government, including Associate Minister for Finance, State Services, Social Housing, Police, Local Government and Tourism. In 2015, Paula became the Minister for Climate Change issues and signed the Paris Agreement on Climate Change. She worked alongside our agriculture, forestry and business sectors to plan true change in how we live our lives to better look after our planet.

Paula knows a thing or two about resilience, and setting and achieving goals. From a teenage solo mum to Deputy Prime Minister, hers is a story of determination and Westie grit.



In 2016, Paula was appointed Deputy Leader of the National Party and Deputy Prime Minister. In Opposition, she remained National's Deputy Leader until 2020. Leading into the General Election, she announced her retirement from politics and that she would be taking her wealth of experience into the corporate world.

In her maiden speech in Parliament, Paula outlined many of the values she continues to fight for today, in particular, her desire to see New Zealanders succeed and thrive. She continues this work today in property as Bayley's Director Strategic Advisory.

We are very excited to have personality plus Paula on board

In her maiden speech in Parliament, Paula outlined many of the values she continues to fight for today, in particular, her desire to see New Zealanders succeed and thrive.

PROFILE

BORIS BABIC

This profile looks at the life and career of Boris Babic who made the early decision to a follow a property career rather than pursue sporting ambitions.

Split career choice

Boris is an ambitious young property professional looking to make his mark in the industry. Originally from the former Yugoslavia (modern day Bosnia), he moved to New Zealand at the age of five. He grew up in central Auckland attending Auckland Grammar School, where he was a well-rounded student and captain of the premier basketball team.

Had he not pursued a career in property, his alternative path would have led him to a professional basketball career. After turning down a basketball scholarship opportunity in the US, he decided to pursue a Bachelor of Commerce, majoring in International Business and Management at the University of Auckland. Coming into his second year of studies he felt his passion didn't lay with his chosen degree, but like most young adults was not exactly sure what path he should pursue.

As both of his parents are lawyers, going down that path seemed natural. On the other hand, he had been exposed to property development from a young age and felt a natural instinct. He ended up completing a conjoint degree with a Bachelor of Commerce and Bachelor of Property.

Early property role

Following university, Boris set off on his OE through the US and Europe. Naturally, the travel bug caught on and he extended his trip close to two years, getting in touch with his roots and learning more about his heritage. These experiences exposed him to a variety of urban environments, each one influencing and shaping his current worldview.

After returning to New Zealand, he landed his first role in the industry as a Graduate Valuer at a boutique commercial valuation firm in Auckland. With a couple of years of experience under his belt, a unique opportunity presented itself at Beca to be an Assistant Development Manager/Valuer as part of a new Land Development Advisory Team, whilst also still pursuing his valuer's registration with the Valuations Team.

Although he values his time at Beca, he felt he needed to solely focus on valuations and complete his registration. The next step was a role as a Valuer at Knight Frank. In 2017, he obtained his registration under the strong guidance of Tim Gemmell and continued practising within the Auckland market, focusing on commercial, industrial and development properties.

> Boris was selected as a PINZ Young Leader and had the opportunity to learn from the National Board at the time.

Boris was selected as a PINZ Young Leader and had the opportunity to learn from the National Board at the time. A couple of years later, Knight Frank was bought out by Bayleys and he continued practising there. During this time, he always made it a priority to stay active and involved within the basketball community, where he would volunteer coach a junior basketball team at his former high school. He says nurturing a competitive drive was extremely rewarding, so it was a win-win for all.

Current career

A shoulder tap by a recruitment agent would lead to a significant career path change. Boris took up a role as a Commercial Analyst within a newly-formed Advisory and Development Management Team at RCP, New Zealand's largest privately owned project management firm.

This role has exposed him to the full spectrum of the property development and what it can offer. He was recently promoted to the role of Development Manager/Investment Manager. Within this role, he deals with a range of private, institutional and public developers, investors and high net worth individuals, helping them maximise and unlock value associated with their property holdings.

> To unlock a successful development, it needs to meet its individual prerequisite investment hurdles and also provide a strong urban design outcome.

He notes that to unlock a successful development, it needs to meet its individual prerequisite investment hurdles and also provide a strong urban design outcome – he says one without the other won't do and won't be well received in today's world. He is fortunate to be working with a team with a diverse range of technical backgrounds and is learning from some of the best in the industry. This includes working alongside Cristean Monreal and receiving mentorship from Jeremy Hay.

PINZ involvement

Following his stint as a PINZ Young Leader, Boris was proudly selected to represent the Northern Region for the PINZ National Board. He believes the Board is continuing to make strategic moves to serve the industry's best interests. Alongside this, he serves on the local Auckland Branch Committee and is a Keystone Trust Mentor. He believes it is important to give back as you never know what impact a few kind words may have on someone.

Looking ahead

Boris believes he has discovered his niche with property development and advisory and hopes to continue gaining experience and expanding his knowledge in this field. He believes the property industry needs to be nimble enough to accept inevitable change that will come its way. It should also be proactively seeking to embrace new technologies and sustainable construction methodologies to meet the changing demands of modern New Zealand

bbabic@rcp.co.nz

RESIDENTIAL TENANCIES AMENDMENT ACT 2020

Rights of tenants strengthened

CLAUDIA DUFF
& NICK WILSON

The Residential Tenancies Amendment Act 2020 passed into law on 11 August 2020, amending the Residential Tenancies Act 1986 (RTA), which remains in force in part. The changes brought about under the Amendment Act generally strengthen a tenant's rights and security of tenure and will impact on residential property investors and landlords.

This article considers how the changing landscape of New Zealand's rental market has driven and shaped this reform, summarises a number of the significant changes to tenancy laws under the RTA and discusses what these changes mean in practice for both landlords and tenants.

A time for change

Since the enactment of the RTA in 1986 there has been a shift in the proportion of households living in owner-occupied dwellings. In the 1990s, the rate of home ownership in New Zealand peaked at 78%, but at the time of the 2018 census home ownership had fallen to 65%, the lowest since 1951. Accordingly, while in 1991 less than one-quarter of New Zealand households rented their homes, around 32% of them now do this.

The way people rent has also changed. Today it is common for households to rent for life, or at least for a much longer proportion of their life than in the past. The Ministry of Housing and Urban Development has noted that reforming the RTA aims to 'align New Zealand's rental laws with the realities of renting in New Zealand.'

Some early commentary on the reform has highlighted that many of the changes imposed predominantly favour tenant's rights. While ensuring security for tenants is desirable, there is some concern that if obligations on landlords become too onerous then this may lead to a reduction in the supply of rental properties, further aggravating New Zealand's housing crisis.

The changes take effect in three phases over a 12-month period that commenced with the enactment of the Residential Tenancies Amendment Act 2020. Landlords, tenants and other relevant parties should ensure they are aware of how their rights and obligations change under each phase and the key dates when each phase takes effect.

12 August 2020 – Phase 1 changes

On 12 August 2020, two key law changes came into effect. Now if premises are being used to provide transitional and emergency housing, under certain circumstances the RTA will not apply. Previously, transitional and emergency housing was captured under the RTA.

Also, landlords can now only increase the rent once in every 12-month period. Previously rent could be increased every six months. Any rent increase notice given to tenants after 12 August 2020 must comply with this new rule.

11 February 2021 – Phase 2 changes

Various changes took effect across a number of different areas of tenancy law on 11 February 2021 and these included:

Security of tenure

The Residential Tenancies Amendment Act 2020 achieves greater security of tenure for tenants by reforming the laws around termination of periodic tenancies. Landlords will no longer be able to terminate periodic tenancies without cause by providing 90 days' notice to the tenant, a mechanism of termination previously available.

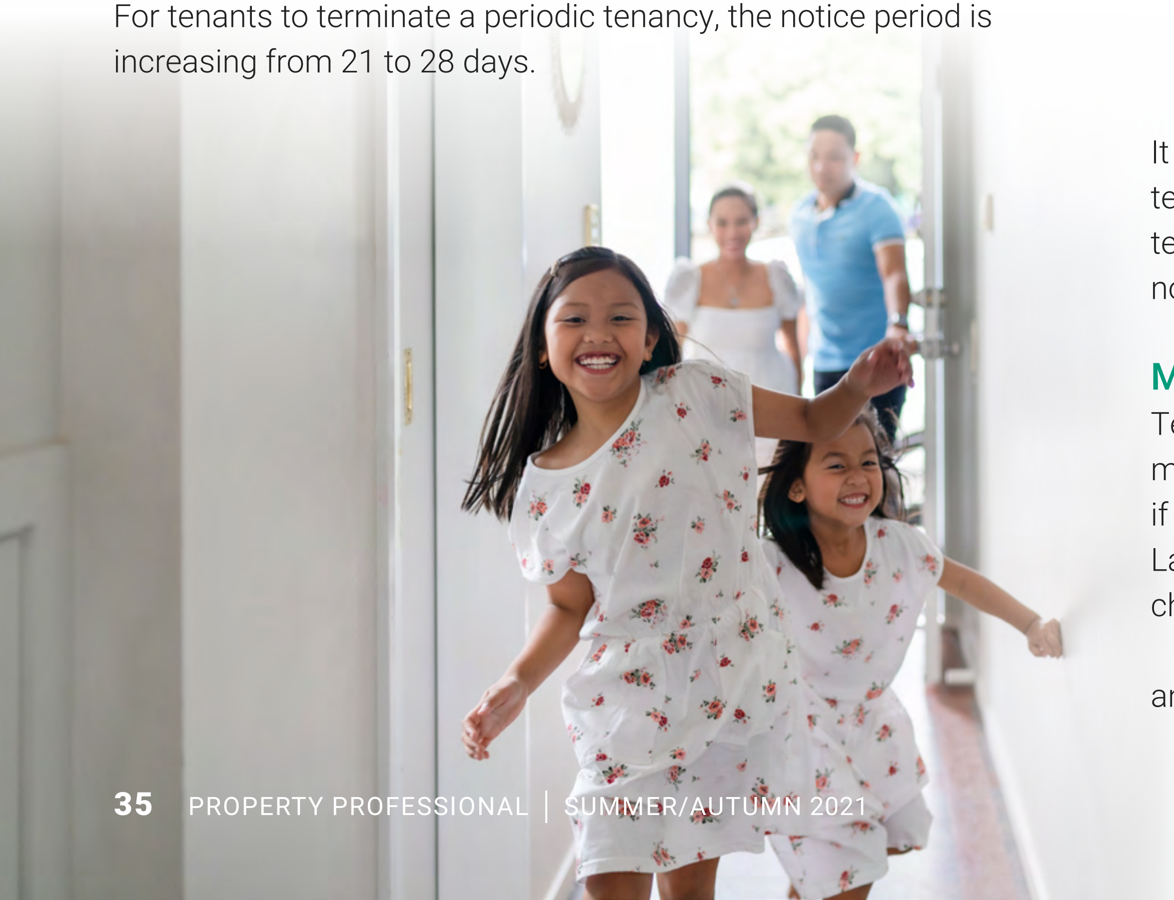
Without involving the Tenancy Tribunal, landlords will only be able to terminate periodic tenancies by giving notice under one of the grounds for termination set out under the RTA and abiding by the prescribed notice period. Notice periods for termination without Tenancy Tribunal involvement will increase to either 63 or 90 days, depending on the grounds for the notice.

Consequently, going forward tenants will always know the reason for their tenancy ending. If tenants consider their landlord has unjustifiably ended their tenancy, or that the landlord did not follow the prescribed termination process, tenants will be able to challenge the termination at the Tenancy Tribunal.

Where none of the prescribed grounds for giving notice apply, landlords will only be able to terminate a periodic tenancy by applying to the Tenancy Tribunal. The Tribunal can make an order to terminate the tenancy where:

- The landlord has provided written notice to a tenant for discrete anti-social acts on three separate occasions within a 90-day period
- The landlord has given notice that a tenant has been more than five working days late to pay rent on at least three separate occasions within a 90-day period, or
- Without the order, the landlord would suffer greater hardship than the tenant and because of that hardship it would be unreasonable to require the landlord to continue with the tenancy.

For tenants to terminate a periodic tenancy, the notice period is increasing from 21 to 28 days.



Changes for fixed-term tenancies

All fixed-term tenancy agreements will automatically convert to periodic tenancies (at the end of the fixed-term period) unless:

- Before the expiry, the parties renew or extend the tenancy or the parties agree not to continue with the tenancy
- The tenant gives notice to end the tenancy at least 28 days before the expiry, or
- The landlord gives notice of termination on one of the grounds available to landlords under a periodic tenancy, in accordance with the required notice period.

It will be important that landlords who traditionally grant fixed-term tenancies are organised and keep track of these to ensure that their tenancies do not revert to periodic tenancies, which as noted above now provide landlords with less flexibility.

Minor changes to rental premises

Tenants will be able to request their landlord's permission to make minor changes to the property, and they must not decline the request if the change is minor and no other specified grounds to decline apply. Landlords can impose reasonable conditions around how any minor change is carried out.

Tenants will be responsible for any costs associated with installing and removing any minor change that they request. If the landlord does not agree to the changes staying, the tenant will be responsible for restoring the property to its previous condition when the tenancy ends.

Fibre broadband

At the request of a tenant, landlords will be required to permit and facilitate the installation of fibre broadband if it can be installed at no cost to the landlord and none of the specific exemptions apply.

Rental bidding

Landlords must not advertise or otherwise offer a tenancy of a rental premises unless a rental price is advertised or stated in the offer. Landlords will also be prohibited from inviting or encouraging any prospective tenants to pay any amount that exceeds the amount stated in the advertisement or offer of the premises. Prospective tenants will not be prohibited from making an offer that exceeds the rental price advertised or otherwise offered.

Privacy and access to justice

On the application of a party that is wholly or substantially successful in proceedings, the Tenancy Tribunal must order that the party's name or identifying particulars not be published. This is unless the Tribunal deems that publication is in the public interest or is otherwise justified because of the specific circumstances of the case. The Tribunal may also make a suppression order on its own initiative.

Assignment of tenancies

Landlords will be required to consider all requests to assign a tenancy and they must not unreasonably withhold consent to any assignment. If any residential tenancy agreement prohibits a tenant from assigning the tenancy, such provision will be of no effect.

Landlord records

The changes to the RTA require landlords to provide a tenancy agreement in writing. If a landlord fails to do so they will be committing an unlawful act and they may be liable to pay an infringement fee. Landlords will also be required to:

- Provide tenants with a breakdown of fees charged on agreements to assignment or subletting or ending a tenancy, in order to give them an opportunity to consider whether the fees charged by the landlord are reasonable
- Provide tenants with the records relating to the healthy home standards, at a tenant's request, and
- During a tenancy (and for the 12 months following the termination of that tenancy) retain certain documents, including records of building work that requires a building consent, prescribed electrical work and any advertisement for the tenancy.

Strengthened enforcement measures

The civil and criminal penalties in the RTA will increase between 50% and 80%, to ensure that if parties fail to comply with the law then the consequences they face are appropriate. Additional penalties will also be introduced for landlords with six or more tenancies, as they are deemed to be 'large-scale landlords'.

Changes for the Tenancy Tribunal

Going forward the Tenancy Tribunal will have the jurisdiction to hear cases and make awards of up to $100,000, where previously it could only make awards of up to $50,000.

The civil and criminal penalties in the RTA will increase between 50% and 80%, to ensure that if parties fail to comply with the law then the consequences they face are appropriate.

11 August 2021 – Phase 3 changes

The third phase of the RTA changes will take effect on 11 August 2021, or earlier if the Government agrees. These changes deal with the termination of tenancies, either where a tenant is experiencing family violence or where a tenant has physically assaulted the landlord, the owner, a member of their family or the landlord's agent, and a charge has been filed against the tenant in respect of the assault.

Family violence

A tenant who is experiencing family violence will be able to withdraw from a periodic or fixed-term tenancy by giving two days' notice accompanied by qualifying evidence that the tenant has been a victim of family violence while a tenant of the premises. Exactly what will be considered forms of acceptable evidence will be clarified when the regulations are developed. The Ministry of Housing and Urban Development has noted that these may include a Protection Order, a Police Safety Order, or a declaration signed by an independent and reliable person, such as a women's or men's refuge worker, or a counsellor.

If there are no other tenants then the tenancy terminates. If there are other tenants, then the tenant withdrawing must notify the co-tenants of their withdrawal no less than two days after the date of the withdrawal. The co-tenants will then receive a proportionally reduced rent for the two-week period following the tenant's withdrawal from the tenancy, after which the rent will return to the amount specified in the tenancy agreement. The Ministry of Housing and Urban Development has noted that this reduction minimises the financial impact on the remaining tenants and is balanced against the financial impact on the landlord. Tenants could use this time to find a new tenant should they wish to. Landlords can only terminate the tenancy in respect of the remaining tenants on the tenancy agreement under one of the grounds in the RTA.

The remaining tenants will have the ability to apply to the Tenancy Tribunal to terminate the tenancy where they will suffer hardship as a result of the withdrawal of the co-tenant and it would be unreasonable to require the tenant to continue with the tenancy. The hardship the tenant faces must also be greater than the hardship the landlord will suffer if the tenancy is terminated.

Physical assault

Landlords will be able to terminate fixed-term or periodic tenancies by giving 14 days' notice to the tenant if the tenant has physically assaulted the landlord, the owner, a member of their family or the landlord's agent and a charge has been filed in respect of the physical assault. Tenants are able to challenge such a notice in the Tenancy Tribunal, and if they do so the onus falls on the landlord to prove that the assault occurred.

> A tenant who is experiencing family violence will be able to withdraw from a periodic or fixed-term tenancy by giving two days' notice accompanied by qualifying evidence.

Reminder about the healthy homes standards

In addition to the legislative changes brought about by the Residential Tenancies Amendment Act 2020, residential landlords also need to be aware of the healthy homes standards that became law on 1 July 2019. These changes were introduced to ensure that landlords have healthier, safer properties and that tenants are better able to keep their homes warm and dry.

The healthy homes standards introduced specific and minimum standards for heating, insulation, ventilation, moisture ingress and drainage, and draught stopping. In most new or renewed tenancy agreements signed on or after 1 December 2020, landlords must include a statement of their current level of compliance with the healthy homes standards (unless the tenancy is fixed-term and ends before the healthy homes compliance dates arise).

Dates for compliance with the healthy homes standards are:

- **From 1 July 2021** – all private landlords must ensure their rental properties comply within 90 days of the commencement of any new or renewed tenancy, and all boarding houses (except Kāinga Ora and Community Housing Provider boarding house tenancies) must comply
- **From 1 July 2023** – all Kāinga Ora houses and registered Community Housing Provider houses must comply, and
- **From 1 July 2024** – all rental homes must comply.

The healthy homes standards introduced specific and minimum standards for heating, insulation, ventilation, moisture ingress and drainage, and draught stopping.

Changing landscape of the rental market

The changing landscape of New Zealand's rental market over recent decades has assisted in driving and shaping the reform of the RTA and the enactment of other laws such as the healthy homes standards. The inclusion of provisions in the RTA that recognise the possible realities of family violence and an increased need for security of tenure, as well as the healthy homes standards that serve to ensure tenants have warm and dry homes, is a recognition that for many households a rented property is not a temporary place to reside but a place to call home (often over the long term). It is important that residential landlords are aware of the changes to the RTA and their obligations under the healthy homes standards to ensure that their activities comply with the new requirements

Disclaimer

This article is only intended to provide general comments on the subject matter. Specialist advice should be sought about your specific circumstances.

Claudia Duff is a Solicitor in Simpson Grierson's Commercial Property Group. claudia.duff@simpsongrierson.com

Nick Wilson is a Partner in Simpson Grierson's Commercial Property Group. nick.wilson@simpsongrierson.com

BLOCKCHAIN IN CORPORATE REAL ESTATE

Can it be used in New Zealand?

VAUGHAN WILSON

Overseas there are some property companies using blockchains to manage new leases and changes in ownership of corporate real estate (CRE). This article describes how the technology works, how it is being used overseas, and whether it could be used in New Zealand for property lease and tenure transactions.

Blockchains and bitcoin have been the talk of the internet for a while now. Blockchain technology has recently been adopted and adapted for use by the CRE industry. CRE executives are finding that blockchain-based smart contracts can play a much larger role in their industry. Blockchain technology can potentially transform core CRE operations (such as property transactions like purchase, sale, financing, leasing and management transactions) into much easier and simpler activities with enhanced security and privacy.

Understanding the language

What follows is a list of commonly used terms in the blockchain and bitcoin world:

Bitcoin

This is often described as a cryptocurrency, a virtual currency or a digital currency. It is a form of money that is 100% virtual. Each bitcoin is a computer file which is stored in a digital wallet app on a PC or smartphone. People can send bitcoins (or part of a bitcoin) to another person's digital wallet or to someone else. Each and every transaction is recorded in a public list which is called the blockchain. This system makes it possible to trace the history of each bitcoin and to prevent fraud.

Blockchain
This is a system of recording information in a way that makes it difficult or impossible to change, hack or cheat the system, and that system could be a cryptocurrency such as bitcoin or ownership of a property. A blockchain can be thought of as a digital ledger of transactions or as a distributed ledger of records. It records the provenance of a digital asset. These transactions are duplicated and distributed across the entire network of computer systems on the blockchain. Each block in the chain contains a number of transactions. Every time a new transaction occurs on the blockchain, a record of that transaction is added to every participant's ledger with an immutable cryptographic signature called a hash.

Cryptocurrency
This is not legal tender and is not backed by a government. It is a decentralised and digital medium of exchange governed by cryptography. Its form is more like bank credit sans the bank, in that it is represented digitally but not backed by a bank or government. An algorithm controls the supply.

Digital platforms
These are online businesses that facilitate commercial interactions between at least two different groups. Typically, this would be between buyers and sellers, or suppliers and consumers.

Fiat
Fiat money (or fiat currency) is currency that a government has declared to be legal tender. It can take the form of physical dollars or it can be represented electronically, such as with bank credit. The government controls the supply. Fiat roughly means 'let it be done' (not to be confused with the car company which is an acronym for Fabbrica Italiana Automobili Torino).

Interoperability
Many different blockchains exist, and most of them are unable to communicate or work with one another. This lack of standardisation (or interoperability) is a challenge in the blockchain environment.

Tokens/tokenisation
Crypto tokens are a type of cryptocurrency that represent an asset or specific use and reside on their blockchain. Often created through an initial coin offering (ICO), crypto tokens are typically used to raise funds for crowd sales. Tokenising real estate assets refers to a process in which a property owner can offer digital tokens that represent a share of their property. Using a blockchain to track these investments, with each transaction being time-stamped and immutable, makes it possible to limit the risk of fraud.

Future storage predictions

According to a 2015 World Economic Forum survey of 800 executives and ICT sector experts, 57.9% of the respondents believe that 10% of the global GDP information will be stored on blockchain technology by 2025. The decentralised record-keeping technology, which is designed to instill trust in the authenticity of digital transactions, could be used to create efficient solutions for both commercial and residential real estate. This could be from buying property to conducting due diligence to enabling crowd-sourced investments.

Potential to address real estate issues

Blockchain technology has the potential to address many issues within the real estate industry including:

- **Improving trust and transparency** – blockchain technology offers a verifiable and censorship-resistant option for sharing information, such as valuation details.

- **Reducing siloed databases** – real estate processes would benefit from secure and tamper-resistant shared databases that compile data and documents from various different stakeholders in one place. This decentralised environment commands trust and security. Information stored in the blockchain is accessible to all peers on the network, making data transparent and immutable. One only has to go back to the housing bubble crash in 2008 to see how greed and the lack of transparency on the part of institutions can have catastrophic consequences.

According to a 2015 World Economic Forum survey of 800 executives and ICT sector experts, 57.9% of the respondents believe that 10% of the global GDP information will be stored on blockchain technology by 2025.

- **Making transaction processes more efficient** – real estate technology has traditionally been primarily concerned with listings and with connecting buyers and sellers. Blockchain technology introduces new ways to trade real estate and can enable trading platforms and online marketplaces to support real estate transactions more comprehensively. For example, Atlant (a world leader in real estate blockchain tokenisation) has developed a platform that uses blockchain technology to facilitate real estate and rental property transactions. By tokenising real property, assets can then be traded much like stocks on an exchange and transactions can be made online.

- **Limiting the use of intermediaries** – many intermediaries (such as brokers and conveyancers) could be rendered obsolete by blockchain-based approaches, as records could be stored, verified and transferred using blockchain technology. Removing the need for intermediaries could dramatically reduce costs and save time, with buyers saving money on commissions and fees charged by these intermediaries. This also makes the process much quicker and more efficient.

- **Liquidity** – real estate has long been considered an illiquid asset since it takes time for sales to conclude. This is not the case with cryptocurrencies and tokens since they can, in theory, be readily traded for fiat currencies through exchanges. As tokens, real estate can be readily traded. A seller does not have to wait for a buyer who can afford the whole property in order to realise the value out of their property.

- **Fractional ownership** – by allowing fractional ownership, blockchain technology also lowers the barriers to real estate investing. Typically, investments would require significant money upfront to acquire property. Alternatively, investors could also pool their money to acquire bigger ticket properties. Through blockchain technology, investors would simply have to access a trading app to buy and sell even fractions of tokens as they see fit. Fractional ownership would also help them avoid managing the properties themselves (e.g. maintenance and leasing). Property management is usually carried out by a contracted firm related to the organisation coordinating the tokenisation, similar to syndication.

- **Costs** – the transparency associated with a decentralised network can also trim down costs associated with real estate transactions. Beyond the savings made by cutting out intermediaries' professional fees and commissions, there are other costs such as inspections costs, registration fees, loan fees and taxes associated with real estate. These costs even vary depending on the territory that has jurisdiction. Like intermediaries, these can be reduced or even eliminated from the equation as platforms automate these processes and make them part of the system.

- **Due diligence information** – New Zealand leads much of the world in our online access to ownership data for properties. There are various databases available providing legal descriptions and RV values, ownership, contours, site dimensions and a plethora of other information, as well as up-to-date copies of the Certificate of Title.

New Zealand leads much of the world in our online access to ownership data for properties.

General property management

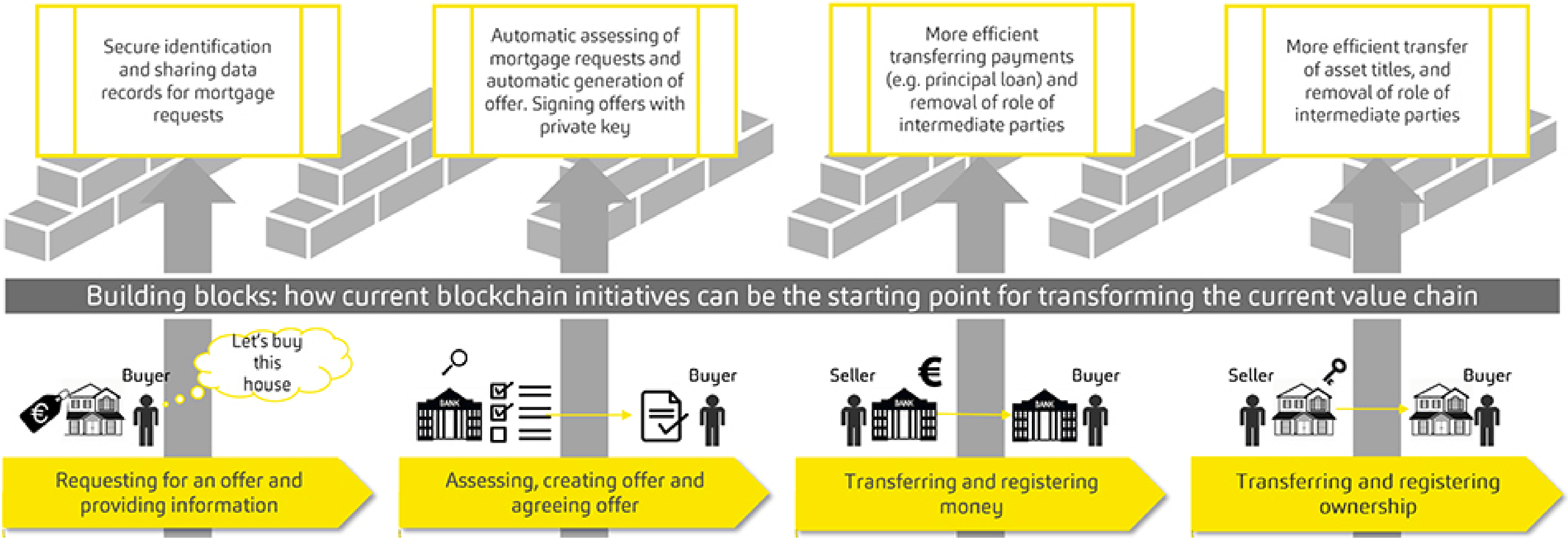
What about other information concerning tenant profiles, tenancy details, vacancies, financial and legal status, and performance metrics? Blockchain technology could assist in these areas:

- **Property management** – this is highly complex, with many stakeholders involved including landlords, property managers, tenants and vendors. Most properties are currently managed by a combination of paperwork and via multiple software programs that generally do not integrate well with one another. Blockchain technology could assist by digitising the entire property management process, from signing lease agreements to managing cashflow to filing maintenance requests, all in a secure and transparent manner.

- **Financing and payment systems** – due to the extensive documentation required and the involvement of various intermediaries, existing modes of financing and payments for property transactions are often slow and cumbersome. Verifiable digital identities for properties could allow a reduction in both due diligence and loan documentation time, thus speeding up the mortgage approval process.

Blockchain could transform the current mortgage value chain

Current blockchain initiatives can become the starting point of transforming the current mortgage value chain.



Source: Blockchain Technology Labs

- **Real estate investing** – tokenising real estate assets refers to a process in which a property owner can offer digital tokens that represent a share of their property. Using a blockchain to track these investments, each transaction is time-stamped and immutable.

- **Using tokens and blockchain technology** – this approach makes it easier to establish a market for property 'micro-shares', creating the potential for a property to effectively have numerous co-owners with a stake in potential returns. There are numerous blockchain-based real estate investment platforms that currently exist, but most are still in the development phase.

- **Syndicating** – in New Zealand syndicating is popular whereby syndicators sell down units representing partial ownership in a freehold property. While similar to tokens, the units tend to be more restricted in terms of on-selling and are of significant sums, typically between $25,000 and $100,000, and they are not traded like a bitcoin. The syndicator Jasper has had recent success by selling over a digital platform. This digital application allows purchasers to purchase a fractional ownership online. Again, not quite the same as a blockchain or purchasing tokens.

Challenges with this emerging technology

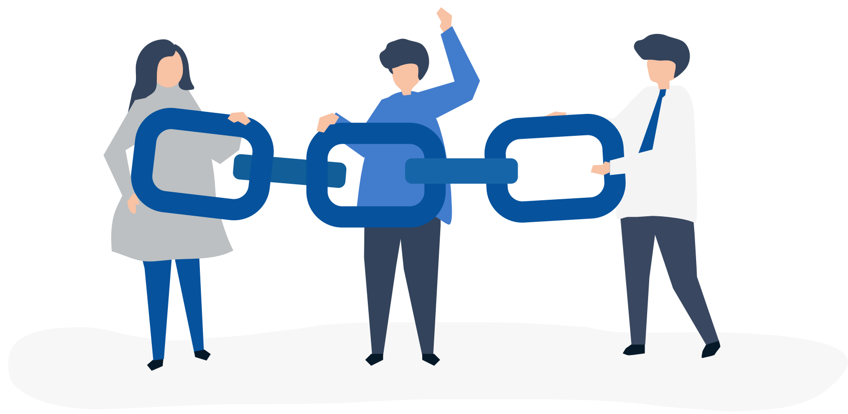
While blockchain technology could help solve many problems within the real estate industry, there are always challenges that come along with transitioning to an emerging technology. It is important to note that blockchain technology is still in its early stages and full adoption across the real estate industry comes with its own set of challenges, including:

- **Regulation** – navigating complex regional regulations around the globe is a key issue that faces the adoption of any new technology. Blockchain is no exception. For example, some blockchain-based real estate investment platforms do not allow investors from the US to participate because the relevant regulations tend to be strict and can cause additional administrative overheads for the sale and trade of tokens.

- **Scaling** – in the real estate industry, there are millions of global real estate transactions made every year and this requires networks that can handle large transaction volumes quickly and efficiently.

- **Interoperability** – many different blockchains exist, and most of them are unable to communicate or work with one another. This lack of standardisation/interoperability is a challenge. For example, to keep the past transaction histories protected, the second blockchain would need a way to reference the first blockchain, and this is currently not possible due to lack of interoperability.

- **Widespread adoption of blockchain technology** – this is still some way off, especially as many industries have yet to fully explore its potential applicability. In the real estate industry, it could be a while before the majority of businesses feel confident enough in blockchain technology's capabilities to adopt it for day-to-day operations.



> Blockchain technology is still in its early stages and full adoption across the real estate industry comes with its own set of challenges.

Conclusion

There is a long road ahead before blockchain technology reaches maturity. Companies are still experimenting with its applications, and many issues remain to be addressed as purchasers, sellers, real estate companies and real estate professionals learn how to use and understand the decentralised technology.

> It is clear that this emerging technology has the potential to disrupt many industries, including real estate.

Blockchain technology needs to overcome the often seen negative image it has gained from speculative cryptocurrency, with some projects seen as get-rich-quick schemes or even outright fraud. It is clear, however, that this emerging technology has the potential to disrupt many industries, including real estate.

Industry leaders and governments are actively exploring and implementing blockchain applications in the real estate space. It is possible that the real estate industry is up for a sea change by utilising this new level of technology, and it may therefore be one of the first industries to make the leap into a decentralised digital world.

In New Zealand the availability of legal and ownership information on properties is freely available, much more than in many of our overseas trading partners. However, we still suffer from a disenfranchised collection of databases and locations of data for other aspects such as tenancy information, valuation and information about the integrity of a property (e.g. seismic capacity).

New Zealand could benefit from a blockchain environment for its real estate industry, harvesting the efficiencies and confidentiality it can provide (of course noting this country's privacy laws), and up-to-the-minute accurate data on properties to better enhance property management, buying, selling and leasing.

It could also provide a tokenisation environment where the small investor would have the opportunity to purchase a small portion of an investment. In these times of low interest rates, and thus a heightened competitive market for investment opportunities and returns, this may open the door to small investors getting into real estate with minimal fuss and with a smaller amount of money to invest. So, who will be the first in New Zealand to offer such an opportunity?

Vaughan Wilson is a Director of Digital Nomad Coworking in Wellington, Wilson Hurst Property Services operating in Auckland, Wellington and Christchurch, and Wilson Hurst Property Valuation in Wellington.
vaughan@wilsonhurst.co.nz

NZIV COUNCIL APPOINTS PRESIDENT-ELECT

The New Zealand Institute of Valuers (NZIV) Council has appointed a new President-elect who will officially take over from the outgoing President, Jeff Alexander, when his two-year term expires in the middle of this year.

At the Council's February meeting, **Adam Binns**, who was recently appointed as an NZIV Representative to the Property Institute of New Zealand (PINZ) Board, was elected unopposed to the position of President-elect and made a Vice-President of NZIV in the interim.

Dunedin-based President-elect Adam Binns is honoured to have been selected by Council to take over from Jeff.

'Jeff's done a fantastic job leading the organisation in the past couple of years. His drive and his sharp strategic mind has made us all lift our game and focus on the things that matter for our members.

'His deep knowledge and understanding of the Valuers Act and the NZIV Rules has served the profession and the public well in some extremely challenging times.'

About Adam Binns

Adam originates from Yorkshire in the north of England and has worked in the property profession for 33 years, the first 16 in the UK and the last 17 in New Zealand. He left school at 16 and spent eight years in residential real estate agency and property management before going to De Montfort University in Leicester as a mature student, gaining a First Class Honours degree in Urban Land Management. He qualified as a Chartered Surveyor in 2002, working in a number of commercial property roles in both London and Leeds in the valuation, asset management and agency fields.

In 2004, Adam and his wife Lynne emigrated to New Zealand, where he took up a role with DTZ in Dunedin working in commercial and residential valuation and becoming a Registered Valuer in 2007. After a short spell as the Dunedin City Council's Investment Property Portfolio Manager, he became the joint founder of a valuation firm in Dunedin in 2009. As Director, he currently undertakes valuation and advisory work on a wide range of commercial property types.

Adam was advanced to Associate of the New Zealand Institute of Valuers and Senior Member of PINZ in 2011. He joined the Otago Branch Committee of the Property Institute in 2006, becoming Branch Secretary in 2007, a role which he remained in until 2015 when he moved up to become Branch Chairman for three years.

Adam has sat on the NZIV Council since 2016, and the PINZ Board over two spells between 2017-2019, re-joining in 2020. Adam and Lynne have two sons – Callum, 15 and Sam, 12 – and away from work he is the bass player in a guitar band, a photographer and enjoys most sports

Adam became the joint founder of a valuation firm in Dunedin in 2009. As Director, he currently undertakes valuation and advisory work on a wide range of commercial property types.

RECENT NZIV & PINZ ADVANCEMENTS

Congratulations to all the members who have advanced in recent months:

ANZIV

James Steele
Panuku, Auckland
NZIV

Genevieve Grant
Ford Baker Valuations Ltd
Canterbury/Westland
NZIV

Jerome McKeefry
Telfer Young (Wellington)
Wellington
NZIV

Christopher Owen Price
Morgans Property Advisors
Manawatu
NZIV

Richard Guy
QV Limited, Manawatu
NZIV

Martyn Cottle
Keystone Valuers, Northland
NZIV

MPINZ

Caroline Fergusson
CBRE, Auckland
NZIV

Scott Millar
CBRE, Auckland
NZIV

David Pearse
Pukeko Rental Management Ltd
Napier
PROMINZ

SPINZ

James Steele
Panuku, Auckland
NZIV