

Olly Newland explains why he thinks there's never been a better time to buy property

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By Olly Newland

2010 Budget Day has come and gone and the world has not come to an end.

Finance minister Bill English spelt out how he was going to deal to 'property speculators' and frankly I found it hard to suppress a yawn. I must confess that I was somewhat irritated however to hear him snarling about 'speculators'.

Didn't we leave that all behind in the 1970s when the Kirk/Rowling Labour Government clamped down on 'speculators' with punitive taxes ... and pushed up prices by over 50% as a consequence?

The removal of depreciation on both residential and commercial property while reducing personal and company tax means a re-

shuffling of the deck chairs and very little else. Any professional who has passed Accountancy Stage One will find another means to reduce tax legally -- of that I am sure.

So what's all the gnashing of teeth all about?
Be content if you have to pay tax and GST, I say. It means that you are making a profit

For years I have taught that investors should be in the market to make profits, not losses. Too often I have had people come to me seeking advice who have bought rubbish properties just to create a loss. (It beggars belief that anyone can think in this manner but there you have it. They believe what they're told by the get-rich quick spruikers.)

I used to cringe when I read or saw adverts that said 'Let the tax man pay off your property.' How dumb is that? Just asking for trouble.

Of course there will be consequences. Bill (call me 'Stasher') English says Treasury has admitted that rents may rise by 'one or two percent' as a result of the new rules. Well I've got news for Bill and all the Noddies in Treasury: Rents will rise all right -- but more like 15 - 20% over the next two to three years would be closer to the mark in my estimation.

Have they forgotten the effects of the GST increases on costs? And what about the Carbon ETS due to hit all our pockets in a month or two? Rates, fuel, electricity, insurance, timber, concrete, steel, you name it -- all will be going up in price ... and adding fuel to inflation.

The government already admits that these extra costs will result in a 6% inflation factor. It goes without saying that if they admit that much you can be sure it will be higher.

As usual, it's the poor who will get walloped first as they have no means of passing costs on -- so inevitably, a wage push will follow... then inflation, then higher interest rates, then the wage/price spiral starts all over again.

But that's good in a way, because the opposite of inflation is deflation and deflation would have us all end up walking in ever decreasing circles in Zombieland for ever.

Inflation is good for property, as we know. I have lived long enough to see the trends quite clearly.

The Inflation Factor

Never mind the statistics -- here are the facts as I personally experienced them.

My parents bought their first home in the late 1930s for \$800.

I bought my first investment property in 1959 for \$600 and sold it 6 months later for \$1,200.

I bought my first house in Astley Ave New Lynn in early 1960 for \$6,000 and sold it 12 months later for \$8,000.

All through the 1960's I was buying and selling Auckland houses for around \$8,000 - \$10,000.

In the 1970s I was doing the same for around \$18,000 - \$20,000

In the 1980s these same houses had reached \$150,000 and in the 1990s \$250,000.

These days you have to pay \$350,000 for something half decent in the main centres (unless you buy in the slums or the wop-wops) and if that figure wobbles 5% or 10% either way -- so what?

In a few years some will be looking back in wonder at the bargains that they missed out on.