

# PROPERTY INVESTMENT UPDATE

ISSUE 71 | DECEMBER 2019



## Edinburgh Realty

Licensed under the Real Estate Agents Act 2008



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Assisting vendors/investors since 2003

## IMPORTANT DATES...



Dec 2019 / Jan 2020

Christmas office hours  
Close: 12noon, 24 December  
Open: 8.30am, 6 January  
Clayton on call throughout holidays



6 January 2020

Summer School begins

14 February 2020

Summer School classes end



17 - 21 February 2020

'O' Week



24 February 2020

First Semester Classes begin

in improvements to increase their rents and still be confident about getting an increase in room rate to cover, or even better - more than cover their costs, while at the same time making good capital gain. While interest rates remain tight it's not impossible, yields could very easily continue to trend down presenting owners with (on paper) capital gains - reinforcing the view to hold and not sell, tightening the market even further. Lowering yields amplify the gain from any room rate increases.

There have been a lot of new investors added to our circulation this year, so we'll repeat the obvious here. A \$10 per week room rate increase, six bedroom flat, 6.5% yield = \$48,000 capital gain. Could you target \$10,000 of overdraft on the flexi to do the improvements to achieve this? Interest only at say 6% until you pay it back - \$11.50pw before tax - about \$8pw. \$3,120 per year increase in rent, every year going forward + \$48,000 gain all at a cost of \$10,000 + say \$600 interest.

## Welcome to our 71<sup>st</sup> investment update....

At the time of writing (15 Nov) and Christmas looming, has the market improved in the last 12 months? In short - yes! That is - from an owners perspective. Student flats are an investment and people buy them, not to provide a philanthropic service to students, but to make money. ie. capital gain, positive cash flow or preferably both. Continuing low borrowing costs and fairly widespread increases in room rates have this year continued to provide the perfect storm with buyers paying premium prices at low (but supportable) yields. While buyer enquiry has remained pretty much the same during the year we are seeing a noticeable buyer awareness of the tightness of the market and a willingness to compete to get their name on the title.

As in any market where sales prices are increasing - especially if the property is a rental and there are very limited alternative options of where to put any realized sales capital gain to get a better than inflation return, owners understandably are incentivized to hold and not sell, putting buyers in the unenviable position of increased competition, in a tightening market.

Other notable aspects this year have been flats rented earlier than in the past, but the warm fuzzies about getting signed up early can be offset if the group stops loving each other - resulting in tenant and bond changes.

Newly built and upgraded flats have raised the upper end of the market rent levels making it easier for those with lower rents to invest

We would like to extend a thank you to all vendors, investors, buyers, friends and industry professionals who we have had the pleasure of working with during 2019.

All the very best to you and your families for a fantastic Christmas, safe, relaxing holiday period and a prosperous New Year.

We look forward to working with you all in 2020.

Lane, Clayton & Mandy



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**YIELDS - TODAY:** For more than a decade the benchmark sales yield for a student flat has generally been 7% for a tidy well-located villa. That was pretty much the go to starting point in establishing market value. It was then adjusted taking into account twenty odd property specific considerations, market conditions at the time of sale, and the agents gut feel for buyer sentiment. The object was to establish the maximum sale price for the vendor – without losing the buyer and no sale. There was occasionally the odd sale (just) below 7% if there was clearly some fat in the room rate and only a little outstanding maintenance. Conversely if the rent was maxed out and immediate work (and cost) was needed to increase the room rate 7.5 – 8.0% was not uncommon. Interestingly sales yields over the years changed very little regardless of changes in interest rates.

Today's playing field has changed, primarily because buyers have made paper capital gains on other properties, and in particular low interest rates have become the norm and don't look like going up any time soon. On the flip side – if you actually have cash where do you put it to get a return better than inflation (after tax).

The buyers we are seeing this year are realistic, understand the limited opportunities available and appreciate their ideal ten out of ten property might never turn up and if it did there would be a line of other buyers ready to compete.

So how many opportunities have been sold on campus in the last 12 months? Rather than just quoting a one for all average yield rate, do some properties regularly sell for lower yields than others?

Of the 145 (campus only) sales recorded by REINZ November 2018 – October 2019 we sold 96 (66%) which while not being all sales is probably large enough to comment on market trends to provide a relatively useful indication of what buyers are prepared to pay. Of the 96 sales, 14 were new build apartments in Great King Street sold off the plans with a mixture of different buyer categories i.e. regular 12 month renting periods, air bnb – generally managed, owner partial use and rented at 3 monthly intervals. Six were 1 x bedroom, some of which have since been rented at \$395-\$415pw (i.e. regular rentals), 5.5%-5.8% yields. One of the 2 x bedroom units has been marketed at \$700pw - 6.6% yield. The remaining units fall in to the other categories. Twelve like new 3 x bedroom, four year old apartments on George Street/Union Street all sold \$595k-\$635k, rented at \$590pw, 4.8-5.2% yields Three near new 4 x bedroom flats in Queen Street sold at 6.6% yields rented at \$150 per room, while two modern 4 x bedroom flats in Cosy Dell sold at yields of 6.6% and 7% rented at \$149 per room. Rents are up, yields are down across the board and there is a real demand for modern apartments on campus in the \$350k - \$650k range.

There were only three studio room properties sold during the year and the age, style of property, number of rooms and landlord costs varied quite a bit with sales yields all over the park ranging from 7.4% nett (at \$1.935 million) to 6.8% gross (at \$1.6 million). Studio room properties with 6 or more rooms (tenants) fall under the heading of boarding house (requiring commercial insurance).

Regular old villas with substantial deferred maintenance, but easily let due to superb location and groups of boys prepared to rough it a bit sold at 9.3% (3 sales) with two others selling at 7.9% and 8%. Twenty sales of stand-alone and purpose-built flats of all descriptions sold at an average yield of 6.6%. This is, comparatively speaking, a fairly small market with a wide variation of properties and very few available at any one time. Recent and current sales information is critical in realizing the best possible sales result. A 5% mistake in establishing market value on an average \$600,000 sale at 6.6% yield is \$31,000! (the equivalent of a room rate increase of \$8 per room for a 5-bedroom flat at a 6.6% yield). Is 7% still the go to stake in the ground – was once, but not now.



**ROOM RATES:** Do you know what other landlords are charging? Edinburgh's property management team manage a portfolio of student flats and studio rooms catering for over 1,500 students. Here are some details about the flats letting cycle and room rates.

**One bedroom:** 64 in total. 99% fully taken as at 13 November. Average rent across all 64 - \$345pw with 56% - \$360 and over, and 26% - \$400 and over. Of the 24 (37%) flats on campus, the average rent was \$352pw i.e. 40 are off campus.

**Two bedrooms:** 26 in total. 2 still to let. Average across all 26 - \$318pw, with 54% - \$300 and over, and only 3 - \$400+. Of the 11 (42%) flats on campus the average rent was \$304pw.

**Three bedrooms:** 31 in total. 4 still to let. Average across all 31 - \$406pw, with 18 (58%) \$420 and over and 6 over \$510 (i.e. \$170 per room). Of the 16 (52% on campus the average rent was \$439, i.e. \$146 per room. Top rent \$660pw (\$220 per room).

**Four bedrooms:** 42 in total. 1 left to rent. Average across all 42 - \$539 (i.e. \$135 per room) with 14 (33%) \$600+, 27 (64%) on campus - average rent - \$547, i.e. \$137 per room. Top rent - \$700 (\$175 per room).

**Five bedrooms:** 90 in total. 1 left to rent. Average rent across all 90 - \$669 i.e. \$134 per room, with 12 (13%) \$800+ i.e. \$160 per room. 74 (82%) on campus - average rent - \$695 i.e. \$139 per room. Top rent - \$875 (5) i.e. \$175 per room.

**Six bedrooms:** 55 in total. 5 left to rent. Average rent across all 55 - \$842 i.e. \$140 per room, with 21 (38%) \$900+ i.e. \$150 per room. 43 (78%) on campus average rent - \$860 i.e. \$143 per room. Top rent - \$1080 (1) - \$180 per room.

**Seven bedrooms:** 12 in total. 9 x 7 bedrooms, 2 left to rent (both off campus). Average rent across all 9 - \$1045 i.e. \$150 per room. Of the 4 on campus - average rent - \$1085 i.e. \$155 per room. The 2 x 8 bedroom and 1 x 9 bedroom average rent - \$131 per room.

**Overview:** 54 (45% of all 1, 2 and 3 bedroom flats re-signed for 2020. 26 (13%) of all 4, 5, 6 and 7+ bedroom flats re-signed. 166 (52%) of all flats signed up before 1 July. 1, 2 and 3 bedroom flats let the quickest with 88% rented prior to 1 August i.e. 15 left out of 121. These numbers are by no means a defining representation of the overall student market, but in themselves might be useful to assist investors in deciding where their room rate could be, or conversely, pleased with where it is.

**Studio rooms:** We have 321 studio rooms, 89% taken as at 13 November with 110 (34%) re-signs. (A closer look at these later).

**Is there are demand for larger flats?** It's a small but growing market, but the property has to tick all the boxes. Of interest – we are selling a 10 bedroom studio room property in Royal Terrace this month and put a lease in place for 2020 with a mixed group of 10 students at \$1450pw, with applications from three groups, avoiding 10 individual leases, commercial insurance, utilities management, cleaning and boarding house rules.



# RECENTLY SOLD



## 26 CARGILL ST, CITY

🏠 14 🍳 14 🚗 OSP

SALE PRICE \$1,935,000  
YIELD 7.4% nett (2020)  
VENDOR Dunedin  
PURCHASER Alexandra



## 126 QUEEN ST, CAMPUS

🏠 6 🍳 2

SALE PRICE \$770,000  
YIELD 6.9% (2020)  
VENDOR Dunedin  
PURCHASER Dunedin



## 38 BANK ST, CAMPUS

🏠 7 🍳 2 🚗 OSP

SALE PRICE \$695,000  
YIELD 6.5%  
VENDOR Porirua  
PURCHASER Dunedin



## 40 BANK ST, CAMPUS

🏠 7 🍳 2 🚗 OSP

SALE PRICE \$695,000  
YIELD 6.5%  
VENDOR Porirua  
PURCHASER Dunedin



## 28 WARRENDER ST, CAMPUS

🏠 5 🍳 1

SALE PRICE \$661,500  
YIELD 5%  
VENDOR Dunedin  
PURCHASER Tauranga



## 6-17A MILBURN ST, CORSTORPHINE

🏠 3 🍳 2 🏠 1 🚗 OSP

SALE PRICE \$645,000  
YIELD n/a  
VENDOR Auckland  
PURCHASER Dunedin



## 1-17A MILBURN ST, CORSTORPHINE

🏠 3 🍳 2 🏠 1 🚗 OSP

SALE PRICE \$617,500  
YIELD n/a  
VENDOR Auckland  
PURCHASER Dunedin



## 7 MEADOW ST, CITY

🏠 4 🍳 2 🏠 1 🚗 OSP

SALE PRICE \$603,000  
YIELD n/a  
VENDOR Dunedin  
PURCHASER Dunedin



## 5-17A MILBURN ST, CORSTORPHINE

🏠 2-3 🍳 2 🏠 1 🚗 OSP

SALE PRICE \$599,000  
YIELD n/a  
VENDOR Auckland  
PURCHASER Dunedin



**SOLD!**

**2-17A MILBURN ST, CORSTORPHINE**

🏠 2-3 🚿 2 🚗 1 🚗 OSP

SALE PRICE \$580,000  
YIELD n/a  
VENDOR Auckland  
PURCHASER Dunedin



**SOLD!**

**3-17A MILBURN ST, CORSTORPHINE**

🏠 2-3 🚿 2 🚗 1 🚗 OSP

SALE PRICE \$550,000  
YIELD n/a  
VENDOR Auckland  
PURCHASER Dunedin



**SOLD!**

**4-17A MILBURN ST, CORSTORPHINE**

🏠 2-3 🚿 2 🚗 1 🚗 OSP

SALE PRICE \$550,000  
YIELD n/a  
VENDOR Auckland  
PURCHASER Dunedin



**SOLD!**

**11 DUKE ST, CAMPUS**

🏠 5 🚿 1

SALE PRICE \$520,000  
YIELD 6.3%  
VENDOR Little River  
PURCHASER Auckland



**SOLD!**

**1 DUCHESS AVE, CITY**

🏠 3 🚿 2

SALE PRICE \$484,000  
YIELD 6.4% (2020)  
VENDOR Dunedin  
PURCHASER Dunedin



**SOLD!**

**46 SIGNAL HILL RD, OPOHO**

🏠 5 🚿 1 🚗 1

SALE PRICE \$480,000  
YIELD 5.4%  
VENDOR Red Beach  
PURCHASER Dunedin



**SOLD!**

**19 RAMSAY ST, DALMORE**

🏠 4 🚿 1 🚗 1

SALE PRICE \$432,000  
YIELD 5.8% (2020)  
VENDOR Auckland  
PURCHASER Queenstown



**SOLD!**

**5 LITTLEBOURNE RD, ROSLYN**

🏠 3 🚿 1

SALE PRICE \$400,000  
YIELD n/a  
VENDOR Australia  
PURCHASER Dunedin



**SOLD!**

**28B MACLAGGAN ST, CITY**

🏠 2 🚿 1 🚗 OSP

SALE PRICE \$395,000  
YIELD 5.5%  
VENDOR Auckland  
PURCHASER Dunedin



Drone photo taken from above the property

**SOLD!**

**41 MECHANIC ST, N.E.V.**

🏠 4 🍳 1

SALE PRICE \$350,000  
YIELD 5.6%  
VENDOR Waimauku  
PURCHASER Dunedin



**SOLD!**

**2-217 OXFORD ST, SOUTH DUNEDIN**

🏠 2 🍳 1 🚗 1

SALE PRICE \$337,000  
YIELD n/a  
VENDOR Australia  
PURCHASER Dunedin



**SOLD!**

**4-217 OXFORD ST, SOUTH DUNEDIN**

🏠 2 🍳 1 🚗 1

SALE PRICE \$330,000  
YIELD n/a  
VENDOR Australia  
PURCHASER Dunedin



**SOLD!**

**3-217 OXFORD ST, SOUTH DUNEDIN**

🏠 2 🍳 1 🚗 1

SALE PRICE \$320,000  
YIELD n/a  
VENDOR Australia  
PURCHASER Australia



**SOLD!**

**1-217 OXFORD ST, SOUTH DUNEDIN**

🏠 2 🍳 1 🚗 1

SALE PRICE \$320,000  
YIELD n/a  
VENDOR Australia  
PURCHASER Dunedin



**SOLD!**

**147 QUEEN ST, CAMPUS**

🏠 3 🍳 1

SALE PRICE \$319,000  
YIELD 6.4% (2020)  
VENDOR Australia  
PURCHASER Dunedin

## CURRENT LISTINGS



**526 GEORGE ST, CAMPUS**

🏠 15 🍳 15

Prime George Street investment!  
SALE PRICE \$2,475,000  
YIELD 6.65% nett  
RENTAL \$4,165pw (estimated) (2020)



**50 DUNDAS ST, CAMPUS**

🏠 5 🍳 4

Multiple income opportunity  
SALE PRICE By Negotiation  
YIELD N/A  
RENTAL \$80,845pa gross



**41 ROYAL TCE, CITY**

🏠 10 🍳 2

Your super scheme starts here!  
SALE PRICE \$995,000  
YIELD 7.6%  
RENTAL \$1,450pw (2020)



### 23 DUNCAN ST, CITY

🏠 9 🚿 2

Substantial inner-city investment

SALE PRICE By negotiation

YIELD n/a

RENTAL \$67,000pa (approx)



### 1068 GEORGE ST, CAMPUS

🏠 5 🚿 2

Character Villa on George!

SALE PRICE Deadline Sale

YIELD n/a

RENTAL \$725pw



### 152 QUEEN ST, CAMPUS

🏠 6 🚿 2 🚗 1

Low-maintenance investment

SALE PRICE \$668,000

YIELD 7%

RENTAL \$900pw (2020)



### 1046 GEORGE ST, CAMPUS

🏠 5 🚿 1

Solid character investment

SALE PRICE \$549,000

YIELD 6.4% (2020)

RENTAL \$675pw (2020)



Drone photo taken from above the property

### 15 MONOWAI RD, RAVENSBOURNE

🏠 2 🚿 1 🚗 1 🚗 OSP

Development opportunity!

SALE PRICE Deadline Sale

YIELD n/a

RENTAL n/a



### 14 MALVERN ST, WOODHAUGH

🏠 3 🚿 1 🚗 OSP

Calling first home buyers/investors!

SALE PRICE Deadline Sale

YIELD n/a

RENTAL \$390-\$420pw (2020)



Drone photo taken from above the property

### 17 RAYNBIRD ST, COMPANY BAY

🏠 7 🚿 5 🚗 2 🚗 OSP

**Home and income opportunity!** Buyers over \$1.3 million should inspect. Check out this unique opportunity to secure a sizeable home on the wonderful Otago Peninsula. Elevated and basked in all day sun, this well-appointed and beautifully presented home offers a tranquil position with a superb outlook. You will be captivated as you make your way through this multi-levelled home. The Company Bay area is extremely attractive to growing families who want a quiet and caring community for kids to play outdoors and explore nature. An easy walk down the harbourside walkway to the Macandrew Bay School and amenities.

PRICE: Deadline Sale



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