



**Landlords**  
For Kiwi Property Investors

# Bell, M., 2017

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## Bright line test dents flipping

Wednesday 22  
March 2017

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Big profits are still being made by flipping properties but commentators say the bright line test has had an impact on the prevalence of the practice.



By **Miriam Bell**

It's not illegal, but it is contentious - and tales of the profits earned on flipped properties are guaranteed to outrage.

**VIDEO:** Tenants could face limited liability for some damage

But property industry commentators question how just how prevalent the practice really is.

new data from CoreLogic shows that, in 2016, a total

**VIDEO:** Property investors finding ways around new lending rules (+ VIDEO)

### Today's Top Mortgage Rates

Floating	1 year	2 year	5 year
Resimac			5.00%
Kiwibank			5.55%
Kiwibank - Offset			5.55%
The Co-operative Bank - Owner Occ			5.65%
The Co-operative Bank - Standard			5.65%
TSB Bank			5.65%
Liberty			5.69%
ICBC			5.70%
Wairarapa Building Society			5.70%
Heretaunga Building Society			5.75%
ANZ			5.79%

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3rd



of 466 properties, which is 0.5% of all sales, sold for profit across New Zealand after being held for less than three months

## Property News

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This is a noticeable drop from the average of almost 1,400 properties per year (1.1% of sales) which were sold for

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profit after being held for under three months, in the five years up to the previous market peak in 2007.

It is also down on the 706 properties (0.6% of sales) sold for profit after being held for less than three months in 2015.

When the numbers are broken down by market, they provide further evidence that the extent to which flipping occurs is often exaggerated.

In Auckland 285 properties (1.0% of sales) changed hands for profit twice in three months in 2016.

This is as compared to an average of 850 properties (2.0% of sales) per year in the five years to the 2007 peak.

The story is similar, albeit on an even smaller scale, in Hamilton and Tauranga.

Last year, just 31 properties were flipped in Hamilton and only 15 in Tauranga, as compared to their previous respective highs of 76 in 2005 and 52 in 2003.

Around the rest of the country, the practice of flipping is even less common.

CoreLogic senior research analyst Nick Goodall said that while there's been a fair amount of chat about flipping lately, the statistics provide a much clearer picture of reality.

"Yes, Auckland has been a red-hot market, as has Hamilton, but elsewhere in New Zealand it's occurring on a smaller scale.

"And in a historical context, things are much improved in 2017."

Goodall said the introduction of the bright line test, which taxes profits made on the sale of any property bought after 1 October 2015 and sold within two years, could have led to the decline in flipping.

But he added the bright line test hasn't stopped everyone from flipping, which wasn't surprising given the profits that can be made.

NZ Property Investors Federation executive officer Andrew King agreed the likely reason for the decrease was the introduction of the bright line test – along with the Inland Revenue crackdown on property traders.

"It was a common belief that you didn't have to pay tax if you bought and sold property. However, the bright line test has made it absolutely clear that you do."

It should also be acknowledged that homeowners can buy, do up and sell their homes for a profit once a year without having to pay any tax, he said.

"As only 7% of properties are on-sold within a year, with the majority likely to be sold by homeowners, this means that the bright line test is working well."

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[REAA gets tough on flipping](#)

[Landlords warned: IRD is watching](#)

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Every Auckland suburb now has an average asking price over \$500,000 but the rate of growth in particular suburbs has been astronomical, new Trade Me Property data shows.

## Commercial

### Tenant magnetism: top 10 tips

Attracting and retaining tenants is critical for success in commercial property investment, so we talked to a few industry veterans for advice on how to make a property appeal to tenants.

## Mortgages

### Market slowdown different this time

Interest rate movements mean that this time round the post-LVR cooling of the property market is different, ANZ economists say.

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