

NELSON PROPERTY INVESTORS ASSOCIATION
SEPTEMBER 2025 NEWSLETTER
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Our seventh meeting of the year at the Honest Lawyer Point Road, Monaco is on Tuesday 30 September 7:30 pm preceded with the optional meal at 6 pm. Sam Carroll Investment Relationships Manager from PMG Funds Christchurch is flying up to present the meeting.

PMG Funds

PMG Funds is one of New Zealand's most established unlisted commercial property fund managers, operating since 1992 with close to NZD 1 billion in assets under management across a diversified portfolio of high-quality industrial, office and retail properties nationwide. With a strong focus on ESG principles and hands-on in-house property management across offices in Auckland, Tauranga and Christchurch, PMG delivers regular, sustainable income and capital growth for both retail and wholesale investors.

My presentation will be centered around:

- A clear overview of the current state of New Zealand's commercial property investment landscape and the macroeconomic environment shaping it.
- Firsthand reflections on what PMG is observing in the market - including active acquisitions, portfolio management approaches, and rising investor interest as sentiment steadies.
- Forward-looking commentary on how trends such as falling interest rates, renewed confidence, and sustainability-driven tenant demand are feeding into a positive outlook for commercial property in 2025 and beyond.

The plan is to live stream the presentation onto our Facebook like we did last month. Our Facebook page now has over 500 followers. I and others, drop bits of news onto our page throughout the month. This helps build our membership and hopefully encourages the community to understand the huge impact that the providers of 90% of all rental housing have on our community in Nelson. Of course, a number of our members also provide commercial properties that are the place of work for most people.

COMMERCIAL PROPERTY RENT REVIEWS

Commercial property leases are very different to the government mandated documents that are used for residential properties. Businesses and organisations that rent their commercial place of operation need secure long term leases. This is essential to ensure their business grows through repeat and new customers that can find them easily.

Most commercial leases are drawn up by lawyers and these leases usually have a clause in them that specifies how often the rent can be reviewed. Those clauses often have a ratchet clause that specifies the rent can only be increased and not reduced. Banks often hover over these clauses and pay way more attention to them than is warranted. Silly as it may seem many commercial leases are silent on strategies on how to approach rent reviews.

The free world where market rates are king depends on both parties. There is always a fine line when setting a new rent. There is no point in pushing the rent up so much that a loyal tenant goes out of business. Business environments

are always changing and some businesses will not thrive even if the rent is kept low. Rents earned from a property, set its market value, so it is important to attempt to maintain rents at the correct market level. This is important not just to ensure you can sell it in the future but this everything when refinancing the property. I have used many review techniques over the years. Simple inflation adjustments are common. Market rent comparisons can be gathered from various sources and because the tenants can often observe these also, they will often easily agree to rent increase without much of a fight.

If you maintain a good loyal relationship with your favourite commercial real estate agent they will often give you good advice at no cost.

The real experts are the registered valuers who for a fee will carry out their research and supply an updated rental appraisal. This is what I was recently supplied with for a review.

“ Further to your instructions and our subsequent correspondence, please find attached our market rental valuation for the above tenancy. I have also attached a rental certificate which confirms our independent market rental assessment. I would recommend that you provide the rental certificate to the Tenant as opposed to our full detailed report, if they request verification of our independent market rental assessment.”

The long standing practice is to never supply the actual full valuation to the tenant because they will sometimes pick over the figures and dispute them. In my example above I supplied the rental certificate to the tenant and this achieved the desired result of \$8000 PA increase without any argument.

TENANT ASKED ME FOR ALTERNATIVE EMERGENCY ACCOMMODATION

One of my tenants recently had a small flood caused by a plumbing problem and I organised for the carpet to be dried. He claimed he could not sleep there with the noise of the fans and demanded I supply a motel unit till it was dry. He claimed both his lawyer and Tenancy Services told him he was entitled to this. Well no, the RTA law is very clear. Landlords are not responsible but rent relief may be granted. When he asked me to give him back the rent he had paid, I pointed out that actually he was currently in rent arrears so I was not holding any of his money. This all occurred after he had given notice to end the tenancy. I offered to allow him to give the statutory 2 days notice to end the tenancy when it was uninhabitable but he did not take up that option!