

**NELSON PROPERTY INVESTORS ASSOCIATION**  
**MAY 2024 NEWSLETTER**  
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Our fourth meeting of the year at the Honest Lawyer Point Road, Monaco is on Tuesday 11<sup>th</sup> June 2024 7:30 pm. Yes, we still have the before meeting optional meal at 6 pm.

Note: No bookings are required and no charge for attending. Non-members are welcome, but we do encourage all attendees to subscribe to our free newsletters.

This month we are very pleased to have some bankers from ANZ speaking. Bryce MacDonald and Nic Kidson (ANZ Private) and JJ Wilson (Mobile Mortgage Specialist) are joining us to provide an update on the home lending and investment markets, including information on good energy loans, and ANZ's appetite/policy to residential lending.

They will also discuss ANZs approach to indirect property investment through investment portfolio options, which is an important asset class within investment portfolios. This might be an attractive option for members who are at a stage of divesting their directly held property portfolios. You'll also hear about the highly personalised wealth management service offered by ANZ Private.

Since retiring from property management, I have thought several times that with my "mature" portfolio the days of getting mortgages was over. But no, new things keep popping up, and business keeps rolling on. Old knowledge is never much good, and I had to learn a few new tricks last year when our new build ran somewhat over budget. We needed a short term loan, and we did not fit into someone's box. Luckily, ANZ came to our rescue. We have been living in the same house in Nelson for 50 years. So, I can personally recommend JJ who was first banker ever to actually make a visit to our home. He sorted things our real fast and gave us just what we needed.

### **COMMERCIAL PROPERTY INVESTING**

One of our members responded to my annual survey when renewing their annual subscription. He asked us to have a speaker on commercial investing. Sarah is seeking a good speaker but meanwhile I thought I would comment in this newsletter. The May issue of the NZ Property Investor magazine which you all get, focused on commercial property. I read the article and thought it was good, and in fact I disagreed with nothing in the article, but then reflected on my own experience of commercial investments starting in 1992. We purchased that first investment because some respected advisors said commercial investments were a much safer sound and superior investment. I still have that property and have purchased a few more over the years, learning along the way. The things I have learnt were not covered in the article! One thing I soon learned was other commercial property investors were way smarter than me. Be they vendors, buyers, neighbours, lawyers, accountants, and syndicators. Tenants fall into two categories. Local small businesses and national big guys. The big firms are usually good payers but are terrible to deal with when it comes to rent reviews. Both the big and small firms are just as likely to close down or move. Having a long 20 year lease which is renewed every three or so years does not guarantee they will stay for the full 20 years. Generally, replacement tenants will be found for you by your favourite commercial agent who typically charge two or three months' rent to find a tenant. It is normal to expect at the

least a few months between tenancies and often the landlord has to grant a rent holiday of a few months as they get set up, plus contribute toward fit out. Agents do not do any due diligence for you apart from saying this firm is good. Landlords need to make their own enquiries. New businesses have either a high failure rate or else they grow so fast they need to move to bigger premises. It is common for vendors to leave their businesses as tenants in place. Often the rent / rental return is very good for such purchases. But such leases tend to end after a few years and the next tenant might not want to pay the same inflated rent.

For various reasons we have been locked into using commercial property managers on some properties. All had failings like inability to collect the correct outgoings, refused to follow up rent arrears, poor to non-existent property maintenance, inability to carry out credit checks on prospective tenants, and some things we never did find out. Body corporate issues dealing with other unit title owners who do not pay their levies, building warrant of fitness, fire security, and maintenance of internal gutters add to the woes of being a commercial landlord.

Over my investing lifetime of thirty years, I have found residential investing has outperformed commercial on most fronts. The capital gains, rent growth, and occupancy rate have all been superior. Residential has caused more work and the properties have needed more consistent maintenance. Political interference nationally and locally plus negative social stigma is worse for residential.

For some reason, the higher initial investment returns obtainable with commercial somehow level out over the years.

## **INVESTMENT SEMINAR**

You are invited to attend a Summit information event on recent tax changes for landlords, how to build wealth through property, and economic outlook. Thursday 20<sup>th</sup> June 6 pm Beachside Conference Centre See attached flyer.

## **MEMBERSHIP OF NELSON PROPERTY INVESTORS ASSOCIATION**

Our membership numbers have stayed steady over the last 12 months. Like as many new members have joined as have departed. Thanks for those of you who have quickly responded to the annual invoices I sent out last week. Non-members and lapsed members are encouraged to join. Joining means paying your \$185. For this fee that has not changed for about a decade, you get the monthly magazine, fantastic discounts off insurance, Bunnings, credit checks, and whatever. More importantly you get someone advocating on your behalf when nasty anti landlord legislation is being dreamt by politicians who hate private landlords providing homes for people to live in. I am yet to discover a political party anywhere in the world that intelligently encourages the provision of homes. Some parties are just worse than others. I have seen and read about homelessness throughout the world. Help stamp out the virus by joining.

## **AGM TIME AGAIN.**

We will hold our AGM before the speakers get going on 11 June. If you would like to be part of the small group that steer our lean and efficient organisation speak up now. New people are always welcome on the committee. The world eventually rewards those who give their time and expertise for the benefit of others.