**HEADING: Commercial property gaining in appeal**

**STANDFIRST:** Syndication offers a way in

**PHOTO**: Samara Phillips

**CAPTION**: Samara Phillips

(see if you can get the building photos in as well, Emma, with captions

By Paul Dykes

Property syndication can be a relatively easy first step in diversifying your investment portfolio to include commercial property.

That’s the view of Samara Phillips, Syndicated Investment Manager at Bayleys Real Estate, who conducted a break-out session for delegates at the NZPIF national conference in October.

“Just to be clear, I’m not here trying to sell you something, we actually don’t have any investments available at the moment,” Samara pointed out. “I’ll talk about what it is, what to consider, frequently asked questions and some case studies.”

She says in basic terms, property syndication is direct property investment that allows investors the opportunity to invest in premium-grade commercial and industrial property with a minimum investment of $50,000, with average returns in the vicinity of 7% a year.

Her colleague Ian Little, Head of Research at Bayleys Real Estate, set the scene, saying global uncertainty had increased over recent years, with issues such as the election of President Trump, the rise of ultra-right terrorism, mass migration, Brexit and North Korea’s nuclear aspirations making large parts of the globe less attractive.

“By contrast, New Zealand has seen its reputation as a safe haven grow, which has driven a tourism boom as we are seen as a safe place to visit,” explained Ian.

“It has also driven a migration boom as we are seen as a safe place to live, and elicited record flows of foreign capital into the country, much of it into our property markets, as we are seen as a safe place to invest.”

The country was experiencing steady GDP growth and new business expansion, which was flowing through to the commercial property market. Vacant floor space was “falling away”, so there was upward pressure on rents.

“With the interest rates staying low for longer, you can’t just put your money in the bank to fund your retirement. There is a lot of money flowing round the globe, and high-grade investment property is in demand.”

Samara added that in most cases the investment in property syndicates was in one particular property.

“You can think of it like you and group of your friends getting together to buy a property where you all own a proportion of it, but this is just on a much bigger scale, with the type of properties that would normally be out of an [individual] investor’s reach.

“It’s the pooling of investors’ funds along with bank debt, typically around 45% of the purchase price, and this is used to fund the property purchase.”

The investment units are typically $50,000 each. Investors can purchase more than one unit. As the market has grown and matured there is a huge range of investors from mum and dad investors who may take one or two units (so maybe $100,000) through to iwi and high-net-worth individuals who will take in excess of a couple of million dollars.

Returns on the new investment offers are currently in the vicinity of 7% pre-tax. These returns are paid into investors’ bank accounts monthly. Basically, the tenants pay the rental, the costs such as the interest payments to the bank and management fees are paid, and what is left is distributed to the investors.

The property and the investment are professionally managed – so investors don’t have the burdens of day-to-day property management, says Samara.

“They can create their own diversified portfolio by investing in different types of property, for example industrial, commercial or retail, different tenant profiles and also through different locations around New Zealand and Australia.

“So it’s different than investing in say a listed property trust because you get to choose the properties in which you want to invest.”

Bayleys exclusively offers syndications put together by Augusta Funds Management, an NZX-listed company that has $1.7bn in funds under management.

Augusta selects the properties to offer to the investors, performs the due diligence on the property, structures the offer, organises the bank funding and issues the Product Disclosure Statement. The Product Disclosure Statement is the offer document that potential investors receive, containing the information on the property and the investment.

Once the property is purchased, Augusta is the asset manager and takes overall responsibility for the management of both the property and the investors – things such as the rent review negotiations with the tenant, lease extensions, providing the financial statements to investors and the quarterly reports.

“One of the most frequently asked questions is around liquidity. Your individual investment in a property syndication can usually be bought and sold like any other type of property investment and in general terms as the property increases in value your individual unit increases in value. Augusta has facilitated the secondary sale of over 300 units in the past five and a half years.”

Bayleys is the main point of contact for investors. It sells the $50,000 investment units in the property to investors and will send the information to you, answer questions, take you through the properties, help you with the application forms and basically make the process as easy as possible. It also holds presentations throughout New Zealand on a regular basis. For information, contact Samara Phillips on 021 027 61373 or email samara.phillips@bayleys.co.nz

**PANEL 1:**

**Heading: Tauranga up with the play**

Bayleys Commercial in Tauranga refers interested people to the specialist Bayleys syndication team in Auckland, in line with the requirements of this investment class.

Dickie Burman, Tauranga Branch Manager for Bayleys and also its Commercial Manager, says it is proving to be a very popular form of investment locally, especially among the baby boomers.

“Every Augusta Funds Management syndication Bayleys offers in Australia and New Zealand goes out to everyone on our commercial database,” explains Dickie. “We notify every investor who has registered an interest with us, and all of our established syndication members. All responses are then funnelled up to the specialist team in Auckland.”

Examples of established Bayleys/Augusta syndications in Tauranga include Countdown at Fraser Cove and Carters in Waihi Rd.

“Such syndications offer the smaller investor the opportunity to have a share of a building worth $20-$30m.”

The syndication investments generally suit passive investors who are seeking a regular income,” says Kim Williams, from Bayleys Commercial Sales in Tauranga.

“Typically, they are at or beyond retirement age and are looking to secure a monthly income at better-than-bank returns. They find a deposit lodged in their account every month.”

She says the Bayleys syndications are affordable to many investors, with each share costing $50,000.

“A lot of older people are shedding property these days,” adds Dickie. “Recent sales of commercial buildings suggest some of the vendors have an eye on higher returns through commercial property syndication.”

One current commercial sale in Mt Maunganui went for just over $2m, with a yield of 4.5%. Typically, syndication returns are around 7%.

“Others are opting to put the management of their commercial properties under the control of Jan Cooney and Brodie Thomas at Bayleys Commercial Property Management – clear evidence that more baby boomers want to free up their time.”

**PANEL 1 ENDS**