



Market Watch

It seems hard to believe that yet another year has whizzed by already. 2007 was a year of increased awareness for many New Zealanders.

As the gap between the 'haves' and the 'have nots' continues to widen New Zealanders are becoming increasingly aware of both the need to invest in order to enjoy 'golden years' and the importance of getting started today.

Higher interest rates, as home owners come off fixed rates, combined with increased food and fuel prices are compromising cash flows for many New Zealanders. As a result we're becoming increasingly aware that simply squirreling away what's left unspent each week will be insufficient to fund the retirements we dream of.

This awareness has been further prompted by the Retirement Commission's emphasis on not relying solely on the Government pension and by the launch

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and promotion of the KiwiSaver scheme.

KiwiSaver has been a trigger for New Zealanders to start thinking seriously about their financial plans for retirement so it's reassuring that ASB's Investor Confidence Report for the period ending 30 September 2007 showed 94% of respondents were aware of KiwiSaver.

Unfortunately 2007 has also been a year where many New Zealanders have

learnt difficult lessons. This year the property market has again proven media speculators wrong and New Zealanders who have chosen to try to time the market have missed out on substantial opportunities, reinforcing the message that it's time in the market, not timing the market that counts.

Dooms-dayers scoffed when we predicted continued market growth for 2007. Yet once again the residential property market remained strong. With October 2007 QV statistics reporting 12.7% growth in national property values over the past year. While some New Zealand cities experienced easing growth rates, property values in the Auckland region steamed ahead, increasing by 12.8%.

Fallen finance companies have also led

to increased public understanding of the importance of getting financially savvy about where we invest our hard-earned money and who we entrust to make our investment decisions. New Zealanders are now realising that investing in bricks and mortar offers solid returns and more security than investing in funds and finance.

Many New Zealanders have chosen to



put their money back in the bank until the right investment opportunity comes along, reflected by increased confidence in bank savings accounts this quarter.

While caution is commendable, every week you delay investing in property you're potentially missing out on opportunities to capitalise on growth and save money on your taxes. Based on the growth rate of 12.7%, that's a lost opportunity of \$1,221 per week on a \$500,000 investment property in capital growth alone, or more than \$63,000 p.a. Add to that your annual tax savings and you could potentially be looking at \$78,000 p.a.

Even at a conservative 3.5% growth on a \$500,000 property you could miss out on \$616 per week or more than \$32,000 over the year.

While any well-selected investment

is better than no investment at all, confidence in rental property investment remains the most favoured investment category according to the ASB Investor Confidence Report, despite the string of interest rate increases.

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2007 has been a busy year at NZINVEST. We've been proud to assist many New Zealanders on their journeys towards achieving their financial dreams. In response to market conditions we have also recently launched *Fusion*, a shared equity product offering a stepping stone to those who have the desire to invest but insufficient financial means to achieve it on their own.

If New Year's Eve rolls around and you find that another year has passed by without putting a retirement plan in place please drop us a line and let NZINVEST get you on the road to financial freedom. Remember, the best time for you to start investing is always now.

We're looking forward to a well deserved break over the summer holidays and wish you the same.

A very merry Christmas and happy holidays from all the team at NZINVEST.

Co-Buy...With A Little Help From Your Friends

Whether you're an experienced property investor or considering your first investment purchase, you've probably already considered the idea of investing with a partner.

Co-ownership, also known as shared equity, is an emerging international trend which is offering a promising and accessible solution to home affordability issues by meeting the needs of those who have the desire to invest in property but who lack the financial means to do so.

This shared ownership strategy offers multiple parties a realistic and affordable way to enter the property market by pooling their resources and sharing the costs of an otherwise unaffordable asset, while still enjoying the benefits of home ownership or investment.

NZINVEST identified the potential for co-ownership products in New Zealand early this year and has seen this demand strengthen as rising interest rates and property prices have forced more New

Zealanders out of the market.

An increasing number of first home buyers are searching for alternative ways to get a foot on the rung of the property ladder before the hope of property ownership slips from their grasp.

But co-ownership is not just for first home buyers. Many existing homeowners

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who aspire to purchase investment property are also feeling that even a modest investment will now stretch their cash flow too tight.

Co-ownership is a good solution for those with equity in their homes but who do not currently have the financial ability to invest in more property. Co-ownership means you can increase your property portfolio right now by sharing both the costs and the risks rather than standing on the sidelines and watching property get

further and further out of your reach.

For many this is part of a long-term investment strategy where at the conclusion of the agreement they will sell the property and each party will continue to invest on their own.

While co-ownership is a great way to get into the property market or expand

your portfolio, it's only effective if correctly structured and managed. Buying property is a complicated process and can be confusing and stressful for people who are unfamiliar with the concept. Like any investment there are important considerations, risks and pitfalls to be aware of.

To help lower this risk NZINVEST has taken co-ownership a step further, offering *Fusion*, a full suite of co-ownership services within one product. *Fusion* includes matching clients with a silent investment



partner, coordinating finance and insurances, setting partnership agreements in place with each party's lawyers, sourcing the property, facilitating the sales process and managing the investment after the property has settled.

Through simplifying the process and managing the investment partnership we are able to reduce the stress and the risks of co-ownership for our clients.

For more information about co-ownership or *Fusion* please contact NZINVEST on 0800 NZINVEST (0800 694 683), visit www.nzinvest.co.nz or email enquiries@nzinvest.co.nz.

Where Do You Get Your Advice?

The best way to improve at anything is through education, whether theoretical or real life experience. If you have a financial goal that you're working towards, you most likely have a finite timeframe to achieve it. Therefore you'll want to take the most efficient route to avoid wasting precious time and making costly mistakes. So, whose experience are you best to learn from? Your own, or that of others who have already achieved what you are setting out to do?

That said, it's important to get your advice from those who are in a position to provide it. We occasionally come across clients who have a clear financial goal in mind but whose accountant or family members make them hesitant to fully commit to their investment strategy.



While seeking independent advice is encouraged, consider the credibility and relevant experience of those offering you the advice. For example, is your accountant an experienced and successful property investor? Undoubtedly these warnings are issued with good intentions but we encourage you to weigh up the

significance of the decision and whether you're comfortable having someone else make it for you. Caution when investing is commendable, but with a decision this significant it's important that you get the full story so you can make an informed decision, rather than taking someone else's word for it.

NZINVEST's team of investment coaches are both experienced and

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passionate about investment. They have each learnt valuable lessons on their journey towards their own financial goals

and invite you to take advantage of their experience so you can reach your investment goals more efficiently.

In a brief 30 minute overview NZINVEST can provide you with the information you need to make an informed decision about whether property investment is the right investment vehicle for you. Call NZINVEST today on 0800 NZINVEST to book your

free one-to-one investment consultation, or email enquiries@nzinvest.co.nz and say you saw this article in *Investigate*.

NZINVEST In The Community

Throughout 2007 NZINVEST has been proud to support a number of worthy causes in support of children and their families, talented young New Zealanders and breast cancer awareness.

We were proud to sponsor:

- ▶ two great fundraisers for children suffering from Primary Immune Deficiency and over 9000 other special needs and disadvantaged children in the Greater Auckland area
- ▶ promising young Kiwi Motorsport talent, Daniel Gaunt, in his pursuit of a win at the New Zealand Porsche GT3 Series
- ▶ the Wilson Hope Women's Golf Classic – raising over \$19,000 for The New Zealand Breast Cancer Foundation, and
- ▶ the NZINVEST Celebrity Golf Classic for Herceptin Awareness to be held on 13 December 2007 at the Titirangi Golf Course.

With Christmas just around the corner the team at NZINVEST are also looking forward to participating in the Salvation Army's Adopt a Family programme for



the fourth year. As one staff member put it "there's no better Christmas gift than knowing that as a direct result of my contribution less fortunate families have gifts to enjoy together on Christmas morning." Should you wish to Adopt a Family this Christmas please call (09) 262 2332 extension 733 or email manukausa@xtra.co.nz.

Maximising Depreciation

An Australian survey recently estimated that only one in five Australian residential property investors are making use of the tax depreciation entitlements available to them.

These depreciation benefits can significantly boost cash flow. This may be especially beneficial to investors who are feeling the pinch after interest rate rises have resulted in higher mortgage repayments.

Kim Yeoh, NZINVEST's Senior Tax Accountant explains that investors who do not use accountants specialising in property investment may miss out on benefits available to them as a result of incorrectly structured ownership or not claiming their full depreciation allowances.

NZINVEST specialises in tax accounting for property investment. If you are a residential property investor and your investment was not set up or managed by NZINVEST we are offering a free 20 minute consultation during January and February 2008. To make an appointment, please call 0800 NZINVEST or email enquiries@nzinvest.co.nz and mention this article.

Ask NZINVEST

Ask NZINVEST is a new section where our team of experts will answer your questions. If you have a question you'd like answered just email it to enquiries@nzinvest.co.nz

Is water usage reimbursable from a tenant?

Water usage is reimbursable by a tenant providing certain criteria are met.

1. The Tenancy Agreement must contain a clause indicating that the tenant shall pay for metered water.
2. The property must have a separate water meter for the individual unit/flat/house.

Waste water costs can be charged to the tenant so long as the water provider bases that charge on metered use, not a fixed or daily charge.

The invoice from the water provider is the Owner's debt, so typically the Owner will pay the invoice then forward it, complete with meter reading details, to the Property Manager to arrange reimbursement from the tenant.

What is the difference between Fixed Term and Periodic Tenancies?

A Fixed Term Tenancy has a termination date contractually set in place. For landlord's, under current legislation, there is no big advantage in signing up a tenant for a Fixed Term Tenancy as a tenant has little difficulty proving to the Tenancy Tribunal that they would be financially disadvantaged if the Owner refuses to allow early termination of the contract. A Fixed Term Tenancy does however offer



the tenant the significant advantage of having no rent increases during the tenancy term.

The Owner can sell a property while a Fixed Term Tenancy is in place but it is almost impossible to terminate a tenancy due to the sale of the property so the tenancy will in most cases continue after the sale has been completed.

A Periodic Tenancy is where there is no previously agreed termination date. This allows either party to terminate with the appropriate notice. This allows a degree of flexibility for both the Owner and the tenant.

Can I increase the rent on my property if it's not specified in the contract?

The rent for a property can be increased providing:

- ▶ the tenancy is Periodic not Fixed Term
- ▶ there is not a clause in the agreement that says that the rent will not be increased
- ▶ it is no less than 180 days from the commencement of the contract or from the last rent increase
- ▶ 60 days notice of the increase is given to the tenant, plus 4 working days for mailing of the notice
- ▶ the new rent rate is in line with market rent for such a property.

Top Tips For Tip Top Landscaping



Gardening isn't all about good looks, there are also many strategic applications for flora and fauna which can help to keep your property in tip top shape. Murray Lilley, NZINVEST's Maintenance Services Manager is an award-winning landscape gardener. In this article Murray shares five hot tips on how to make your landscaping both tactical and practical.

1. Think carefully about your choice of plants. Using native plants reduces the need for watering, fertilising and applying herbicides and pesticides.

These plants will flourish without additional water or fertilisers once properly established, because they're well-adapted to the climate and soil.

2. Stone gardens act as mulch, preventing the soil from drying out so quickly. They are a good choice if your tenants don't have green thumbs as the plants will need watering less often. Stone gardens also help to reduce water usage during the dry summer months.

3. Shrubs can act as a 'living-wall' to screen out external sights or sounds and provide your tenants with privacy from the street or neighbouring properties. Screen plants also work well in front of fences and will help prevent graffiti in high traffic areas.

4. Landscaping is a natural way to keep your home cool in summer and reduce your energy bills. In addition to adding environmental quality to your property, a well-placed tree, shrub or vine can deliver effective shade, act as a windbreak, and reduce overall energy bills. Carefully positioned trees can save up to 25% of a typical household's energy used for cooling.

5. Planter boxes, small trees or large rocks around the perimeter of the front lawn will prevent tenants or their friends from parking on the grass.

Happy Holidays From NZINVEST



The Pohutakawa trees are blooming, the sun is shining and the delicious smell of the traditional Kiwi BBQ fills the air. It's time to slip into your jandals, slop on some sunscreen, and enjoy all the wonderful things that make the New Zealand summer holidays so special.

On behalf of all the team at NZINVEST we wish you and your family a very merry Christmas, a safe and enjoyable holiday season and a fun-filled New Year.

Thank You For Your Feedback

At NZINVEST we pride ourselves on listening to our clients, and encouraging feedback on how we can improve. Past clients have told us that the purchasing process can sometimes be confusing for first time investors, so we've developed a guide to step you through your NZINVEST investment journey from signing your Sale and Purchase Agreement to Settlement and beyond.

Your Guide to Settlement and Beyond, is hot off the press and is proving to be a valuable asset for our clients. Thank you to those of you who provided the feedback that led to the development of this useful guide. If you have any thoughts or ideas for ways we can improve the NZINVEST experience please give us a call or email us at feedback@nzinvest.co.nz.

Hot Summer Special

NZINVEST Maintenance Services offers three different low maintenance stone or bark garden landscaping packages, ranging from \$2500-\$3500. These packages have been specifically developed with tenants in mind.

Early summer is also an important time to ensure your gutters have been cleared of debris, as the build up may cause water to flow back into internal walls and will attract nest building wasps and bees.

Book any landscaping package with NZINVEST before 29 February 2008 and we'll clean your gutters free of charge!*

**Based on a standard one hour clean. Terms and conditions apply.*

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