

Now's the time to inspect Kiwi properties

Anneli Knight
October 5, 2010

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“My philosophy is to have cash flow positive properties – and there is more opportunity to do that in New Zealand than in Australia.”

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Aussie property investors cast their eye across the Tasman.

While the Australian property bubble continues to push to the point of bursting, some Australian investors are looking across the Tasman towards the more stable and affordable property market in New Zealand.

Pam Russell has had an interest in property investment for 30 years and owns a couple of rental properties in rural NSW.

Two years ago, she went on a property education tour in New Zealand and was so enthused by the opportunities there she now owns seven investment properties.

“I’ve got two in Tokoroa [middle of the North Island] and the rest are in the South Island. My philosophy is to have cash flow positive [properties] – and there is more opportunity to do that in New Zealand than in Australia.”

“Where in Australian can you get a house for \$58,000 and the rent is \$170 a week? There’s no stamp duty, there’s no land tax. It’s so marvellous.”

Russell does most of her research on the internet – checking out property locations on Google Earth and investigating rental yields and demographic information online.

She has a bank account in New Zealand and has built up a network of New Zealand advisers – mortgage brokers, accountants and property finders – with whom she keeps in touch by telephone.

Mary O’Brien is a mortgage broker from New Zealand Mortgage Solutions. She is originally from New Zealand and now lives in Sydney and assists clients to secure mortgages with New Zealand banks. “There’s always been a lot of Australians wanting to buy in New Zealand,” she says.

O’Brien says some of the advantages of investing in New

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Zealand include the relative strength of the Australian dollar to the New Zealand dollar, slightly lower interest rates and the fact there is no stamp duty or land tax and there are virtually no restrictions for foreign investors.

One key difference is that New Zealand banks ordinarily require a 30 per cent minimum deposit.

"You've got the dollar advantage, the set-up cost advantage and you've got the ongoing advantage of no land tax. Costs associated with buying a property are NZD\$1000 to NZD\$1500 and that includes registration, solicitor's fees, everything."

O'Brien says the past 12 months has seen an increase in the number of Australians who are buying lifestyle properties, rather than strictly investment properties that concentrate on rental return.

"Queenstown has gone way, way down in price so it's a buyers market at the moment. Australians go there for a holiday and they can't believe what they see," she says.

As well as Queenstown, O'Brien says areas of New Zealand that have been popular with Australian buyers this year have been Nelson and Marlborough (both in the top part of the South Island with vineyards and coastal attractions) and Tauranga, in the North Island's Bay of Plenty area.

Jonno Ingerson, research director for property information group Property IQ in Auckland, says the New Zealand market has had its share of booms and busts over the past six or seven years and, unlike the Australian market, is now relatively stable.

"Some of the major bank economists in New Zealand are saying the fundamentals point to it increasing slightly, others talk about it decreasing slightly. No-one says it is going to implode or boom. So yes, it's stable," Ingerson says.

The rental market has also been relatively flat over the past two years, and Ingerson says an extensive survey of landlords across New Zealand by Property IQ found the majority were planning to push rents up by 5 per cent in the coming year.

Ingerson says forecasts are positive with long-term growth in the property market expected.

"New Zealanders do have this real love affair with owning property. It will take a fundamental shift in policy before that is going to change. There is every expectation the market will start to rise in the medium term, and some of the reports lately are seeing some very strong growth in value in two, three, four years from now."

"So now is not a bad time to get in."

Useful web resources

www.reinz.co.nz – lists property for sale

www.trademe.co.nz – real estate private sales

www.qv.co.nz/online-reports/residential-pricemovements – shows property price changes and offers reports for sale for specific areas

www.dbh.govt.nz/market-rent – to check market rent

KEY POINTS

Benefits:

1. Lower entry price properties more available
2. More motivated sellers
3. Higher rental yields – often enough to make the property neutral or even positive
4. No stamp duty on purchases
5. NZ banks are sometimes more flexible than Australian banks
6. Good value for Australian dollar currently

7. Interest rates comparable with Australia
8. More balanced approach to tenants and landlords rights

Other things to consider:

1. Repairs and maintenance can be more costly – including maintenance to reduce potential mould and wood deterioration due to the climate
2. Some property managers not as good as Australia – important to be selective
3. The market can be flat for several years at a time – so if you're buying for cash flow in an area you're confident of tenanting, it's not a problem. But if you're *relying* on capital growth it could be an issue.

Key points provided by property investing education group
Property Women: www.propertywomen.com.au

Source: smh.com.au

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Another good investment is commercial property and commercial land. Places like Wellington are fast running out of large blocks for commercial activities due its geography. Commercial provides better returns than residential with business tenants paying not only the rental but all over heads such as rates and upkeep. Get 15-20 minutes out of Wellington to places like Porirua and commercial land is amazingly cheap in comparison to Wellington itself.

Posted By: Tony | Sydney - October 07, 2010, 10:02AM

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