

We're on the Worldwide Web

www.investrealestate.co.nz

Over the years I've endeavoured to keep you informed of the best finance options, economic trends, area growth patterns and rental comparisons through this newsletter among many other current topics in each issue. We've found that, like other correspondence you may receive, by the time the newsletter is printed some information is three months out of date. So in lieu of our June newsletter, we started a website which will include:

- 1 Weekly, monthly and quarterly economic reports
- 2 Daily updated finance options, where you can make applications over the internet.
- 3 Current listings of ours and eventually, specialists from all major cities in New Zealand (some as yet are not using the net).
- 4 Current and back issues of a national residential property investor magazine.
- 5 Access to the immediate past month's rental figures, by the suburb, for all of New Zealand.

We've also started putting all our current buyers e-mail addresses into categories so that we can directly post any new listings into their e-mail inbox. This has obvious time and opportunity advantages but the difficult part is to: **(Continued on page 3).**



Trafalgar St
2x2 brm
N/O \$169,500



Craven Street
1 x 3 brm : 5x2 brm
N/O \$380,000



Hanmer St
2x2 brm
N/O \$180,000



We were one year old last month photo t an interesting year it has been. Regrettably many of the warnings we have given previously are eventuating but on a more positive note we're starting to see our predictions of opportunities arise more and more. This is a market in transition where opportunities not seen for decades arise. Be prepared to re-shuffle your portfolio if needs be, to take advantage when the chance arises. Negative news articles on the property market are presently 2/3 months behind the times. We are just starting to see positive response from buyers. Don't be left behind.

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PROPERTY DEPRECIATION ANALYSIS

- Could it benefit you?

Why should you get a Property Depreciation Analysis Report?

Because you could maximise your depreciation claims on your property investments and pay less tax. This means a Property Depreciation Analysis Report can provide direct cashflow benefits and improve the bottom line rate return from your property investment. The Inland Revenue Department (IRD) recognises the services and fitout of a building have a shorter life than the building structure, so higher rates of depreciation are allowed on these assets (see later example).

So What is the Process?

We carry out a detailed inspection of your property and provide a full report which apportions the costs according to IRD prescribed Asset Categories and Depreciation Rates. The IRD list is extensive and includes structure, electrical reticulation, light fittings, plumbing, partitions, suspended ceiling, carpets, carparks and fences. All types of buildings can be considered, including property purchased for investment purposes (ie residential dwellings, apartments, offices, warehouses, shops, etc) and specialised properties (ie hotels, restaurants, cinemas, etc). The analysis can be carried out on new, old and refurbished buildings plus property purchased in past years.

What Will it Cost?

To carry the work out is a **once only expenditure** which will provide benefits year after year until the property is sold (or the asset is demolished under refurbishment). Without specialist advice, many property investors ultimately claim only a small proportion of the legitimate depreciation entitlements.

We will provide a no obligation quotation to clients relating to the cost to carry out this work.

How Does it Work?

Depreciation claim WITHOUT an Analysis

Purchase price of the property including land	\$1,500,000
Total cost of improvements (building, structure, services and fitout)	\$1,000,000
Total first year depreciation claim (4% maximum)	\$ 40,000

Depreciation claim WITH an Analysis

Purchase price of the property including land	\$1,500,000
Total cost of improvements (building, structure, services and fitout)	\$1,000,000
Structure (proportion)	\$ 650,000
First year depreciation on structure (4% depreciation)	\$ 26,000
Services and Fitout (proportion)	\$ 350,000
1 st year depreciation and fitout (say average 10%)	\$ 35,000
Total first year depreciation claim with cost apportionment	\$ 61,000

So What is the Result?

- Increased first year depreciation claim is \$21,000 more
- Increased first year cashflow benefit of \$7,800 (at 33% tax rate).

SUMMARY

- Once only analysis cost
- Direct cashflow benefits every year until the building is sold
- A detailed asset register of building structure, services and fitout
- Initial book values documented for individual assets or groups of assets
- Methodology uses IRD prescribed asset categories and depreciation rates.

(cont from front cover)

- a) Get in contact through conventional telecommunications methods, initially, and
- b) to find an investor who has an e-mail address that they (not just their kids) use.

This method of communication is very commonplace in business now but not so much domestically, yet. It has been shown that if it takes seven years to gain 10% acceptance of new technology (eg fax machines), it only takes another seven years to get to 90%, so get with it and get linked up. If for no other reason but to keep in touch cheaply with friends and family all over the world. Yes, it's cheaper than a fax.

If you are a current buyer whom we've not already contacted and wish to receive information on new listings as they come available please e-mail us with your address at tony@brazierpi.co.nz. When we have enough together we'll start a weekly update process.

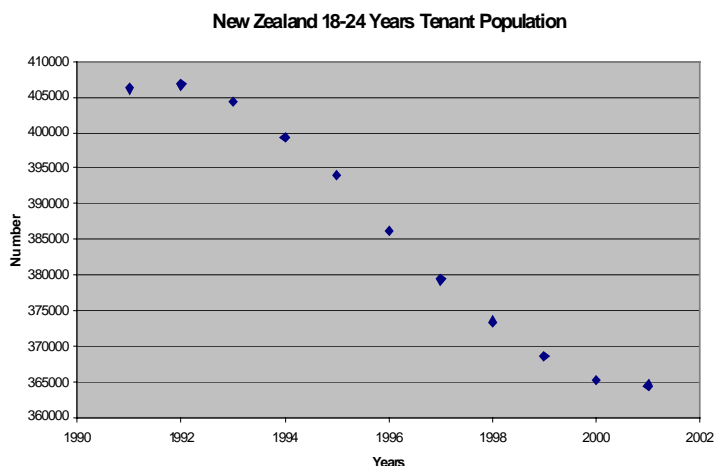
(Eventually we will ask for **all** e-mail addresses of receivers of this newsletter but for now just current buyers, please). So, CALL NOW TO BE A PRIORITY BUYER.

By having our website (which for those who are unaware is different than having an e-mail address) at your disposal hopefully you will be able to keep in touch fully with our sector of the market throughout New Zealand and specifically Christchurch.

If there is something you would like to see there that isn't there (given that we are in the building stage of our site) please notify us by using the "Contact Us" button to e-mail us, or phone through directly. We want to make it as usable and relevant as possible for you as well as giving us an avenue to display your properties worldwide.

MARKET COMMENT

Graph 1



I apologise for being so late with this newsletter but our energies have been spent on setting up the web page (see above).

In April this year New Zealand seemed to suddenly realise that this Government was actually going to do what it said it would in the pre-election seduction, for everything very noticeably ground to a halt. To date as the Government have drip fed us with tax increases, the Employment Relations Act 2000, Housing Policy implementation, fuel rises, etc, etc the one way tickets for our fully paid up brightest minds have skyrocketed. Until recently our "abandon

ship" mentality seemed to be restricted to those with little chance of getting a job, due to lack of skill or training, and those on the "big OE". But nowadays it is the cream of our future leaders being skimmed off by the lure of jobs, companies and countries perceived to be actually going somewhere.

Even one of my opposition in real estate has left for greener (or easier) pastures and another is considering it. This and the fact that we have just lost 10% of our potential rental market (see **Graph 1**) over the last ten years in New Zealand (406,000 18-24 year olds in 1990 down to 364,000 in 2001) and it's not hard to see why many landlords presently have an empty flat in Christchurch

As I've studied the causes of this lumbering market however, I'm less convinced that the likes of interest rates, yield rates, inflation, rental levels or Government policies and legislation have as much to do with the present market as people think. I believe there is a much greater, slower moving and more predictable cause – demographics. All of the trends in the market at the moment can be explained by pressures created (or voids left) by changes in population.

Some of the trends we are experiencing presently are obvious, but their causes are not so.

(cont on next page)

1 Townhouse/Unit Oversupply

During the 90s the post war baby boomers were in their mid to late 40s setting themselves up for retirement. Of all the decades since the war this was the busiest for the “first time” investor (see Graph 2 – Massey University Study).

2 Student Flats: Hard to Rent

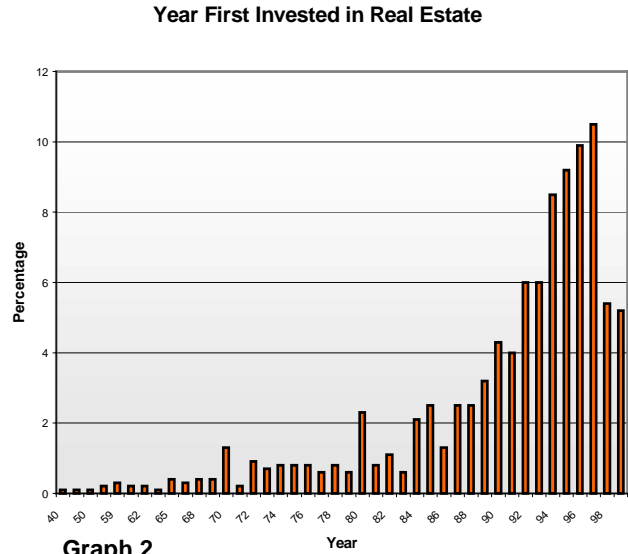
In 1990 Canterbury University were looking for flats to house their students. They left it till 1999 to produce 555 beds creating an oversupply five years too late (see Graph 1).

3 Thousands of Sections Coming On



4 Empty Nesters

Apart from the proliferation of sometimes poorly designed and hastily constructed townhouses put up recently there are some extremely attractive, well located, larger townhouses purchased by those in their 50s (or close to) who have had enough of draughty old villas on large, high maintenance sections. The baby boomers should keep this better style moving along nicely whilst the



Christchurch’s average age is approximately 36 years which coincides with the time when people are often looking for their second home or to build their dream home therefore the subdivisions have been popular. At present there are estimates between 1,200 and 2,000 sections being created.

former, of a lesser standard will suffer as their target audience leaves for foreign shores. Look up Graph 4 of March Issue, No 42 which shows that the 20-29 year age group are the only age band apart from a very small 65+ year group that has negative net migration. As we look through the decades, and the ages of the baby boomers at the time, we can see the effect they have had, and maybe we can even predict the needs they will have, in the future.

BABY BOOMERS’ INFLUENCE

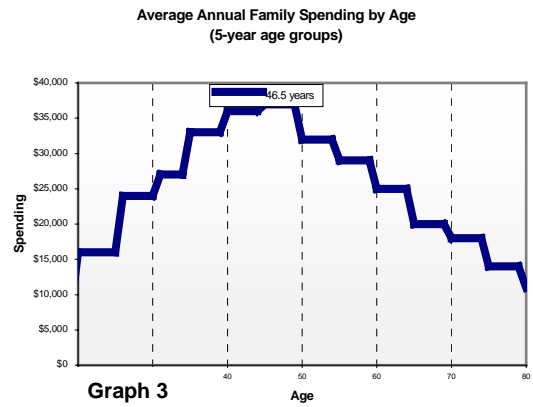
1950-60s Enormous number of schools built. Why?
To house the boomers.

1960-70s Boom of blocks of rentals built. Why?
The boomers were all tenanting age.

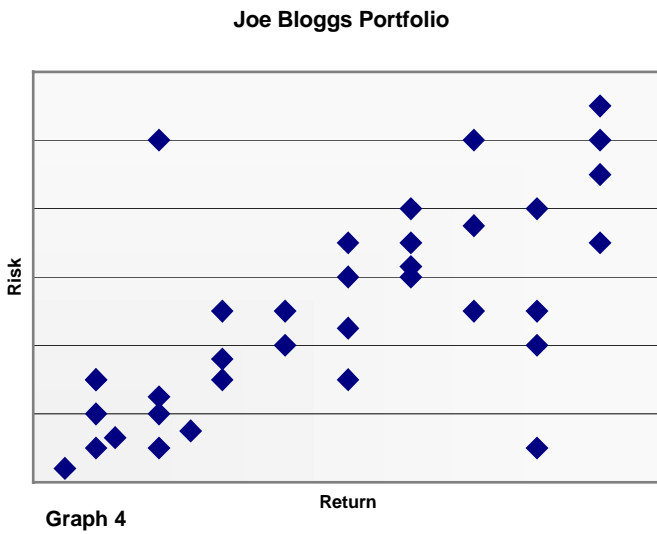
1970-80s Rampant inflation, housing and share market booms.
Why?
The boomers were starting to earn well.



1990s Huge investment by first time investors. Why? The boomers were panicked by the Government to make their own preparations for retirement. Many were also at or near their peak spending age ie 46.5 years (see Graph 3). Presently our earning population are growing close to being this age on average.



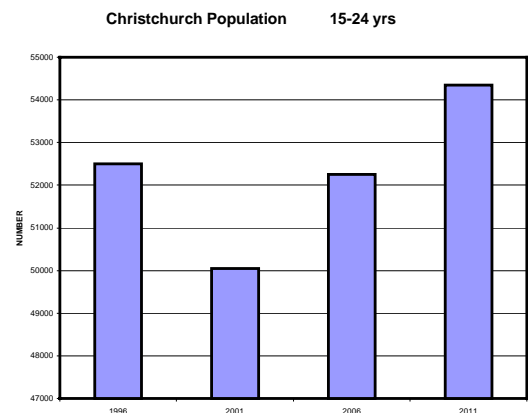
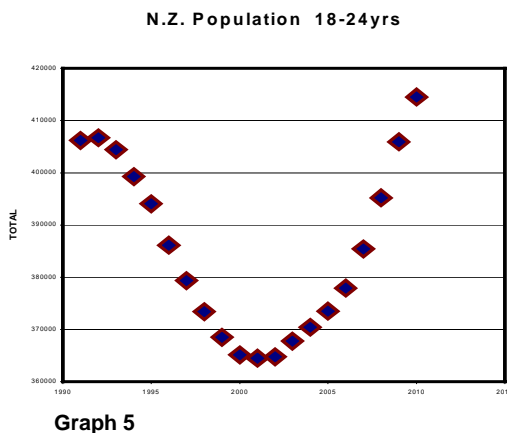
2000 and Beyond



Much as there has been much in the media of a negative nature and the sluggish market cannot be denied, investment properties are still selling. As investors we must recognise times like these as times of opportunity. There are some very clever and timely purchases happening. This is the time to balance one’s portfolio (see Graph 4) and pick up on where others have become disgruntled. Those who attended our “Market Options” seminars were shown a few examples of how to add value, change a property’s use and spot an under-rented property. We’ve also seen examples in the market of under-priced property (but not through this office). There are three or four good reasons to be optimistic about the next ten years regardless of the present market.

1 Tenant Population Projected Increase (Graph 5)

The 10% reduction in tenants suffered in the last ten years is about to reverse over the next ten years, back up to 414,000 18-24 year olds throughout New Zealand. For Christchurch this means an extra 4,000-4,500 tenant-aged young people (see Graph 6). This increase is best described as baby boomers’ babies and sometimes grandchildren.



2 More Money in Circulation

Although we won’t reach it until much later, the closer we get as a population to the average peak spending age (46.5 years – see Graph 3) the more money will be in circulation. Over the next ten years before the boomers start retiring we will have a comparatively large workforce producing, especially if the retirement age is pushed out.

3 Internet Influence

Most, if not all of this workforce will already be or will become computer literate just as the greatest influence on world commerce since the invention of the first printing press takes hold – the Internet. Fortunes never before heard of will be made, pumping dollars back into the system. Do not underestimate the effect of the net. Unfortunately some jobs/professions/trades will become close to obsolete.

4 Immigration Influence

To a lesser degree, dependent on realisation, changes in immigration policy much wanted by Jim Anderton and Garry Moore could have a major turnaround effect as happened back in the early/mid 1990s.

For the entrepreneurs like the developers of the Strip, San Dona Olive Groves and Robbies Bar and Grill, the opportunities created by the juggernaut baby boomers in the past will continue to be so in the future. When looking for opportunities we may all need to think like 55 year olds and ask “What is it that I need?” They’re not ready for retirement homes yet, by any means.

TO GET YOUR PROPERTY MANAGED?

Come with us for a day and you will witness a huge variety of standards of maintenance, tenant selection criteria and subsequent thresholds of acceptable tenant behaviour by vendors. Add to this the immense diversity of characters and backgrounds that our landlord/property investors have and it is easy to see how some combinations work brilliantly and others fail miserably.

Many landlords are do-it-yourselfers and have one or more of a combination of time, confidence, knowledge and practical or people skills to guide their way. Many others have few or none of these attributes or, for some other reason, must rely on engaging the services of a professional property manager. There are many managers throughout the city, both corporate and independent. All of them (as they grow) face the same issues; one is that when they are small they can offer personalised service and act like the private landlord but lack the time to do all aspects as well as they would like, whereas when they are bigger the systems are wonderful but the individual managers can’t be everywhere at once and everything to everyone. Some combat this by using a portfolio system where one of many managers takes full responsibility for, say, 100 properties and does everything a private landlord would do. Other companies increase staff numbers and job descriptions to fill the gaps in the system that growing pains may create.

My property manager colleagues in other companies do a great job in substituting for the thousands of investors who abdicate their role as landlord; yet recently they have come under immense criticism by some owners who have got empty flats. It is not our position to adjudge these criticisms as being justified but when looking more closely one needs to consider the standard of the product that the manager has to deal with, the willingness of the owner to spend money when asked, and the appropriateness of that style of property to be managed in the first place, before making any definitive judgement on the prowess of the manager.

The best managers, in my experience, become clinically abrupt in their approach, as one might see in an old doctor/surgeon. Having dealt with similar problems many times over and having tried hundreds of remedies they settle for what they know works for them and their clients. This doesn’t always satisfy every client but then again property managers (corporate especially) do not always have the luxury of picking and choosing the properties they take on.

Many properties are a breeze to manage and any manager would consider it a privilege. Other properties, by their sheer size, layout, construction or location are a nightmare for anyone to manage yet offer high returns, cashflow and redevelopment opportunities. Do not judge your property

manager's prowess without considering what you've given them to deal with. Not many can make a silk purse out of a sow's ear.

Renting is difficult, and will remain so in the short term before tenant numbers increase. Some managers, as indeed some landlords, are coping better than others – don't shoot the messenger. Do what you can to help, offer suggestions, maybe even take over some of their role temporarily but remember they're on your side. The same goes for the many independent managers who start off as investors. Get alongside them and see each issue through.

In selecting your property manager there are a number of issues you may need to consider with respect to location, accessibility, experience, etc. If you would like assistance in making this choice give us a call. We can help locate our preferred choices of manager geographically, or otherwise, for your type of property. This service is free to you and until we set up our own property management services, we'll continue to place them as we have done for several hundred vendors over the years.

Brazier Property Investments Ltd, apart from selling investment property, acts as consultants for people who want to discuss property management options, and have a very wide range of recommendations available. Like Mortgage Brokers we look for the best result at no charge to you.

OUR TEAM



Anna

Many of you will already know my sales colleague, Anna Ward. Anna comes from a long history of property investment and was initially my client along with other members of her family. We work closely together feeding off each other's strengths for the benefit of those with whom we are working. Anna works all hours, sometimes from her own home office.

Shar

As you know, our database is extensive and is continually updated and modified. This is the responsibility of Shar Brazier who does a great job and also makes a mean batch of muffins! Shar is the one to ask for when making changes to addresses, phone numbers and email addresses and is possibly familiar to some of you as our personal delivery person.



Jude



Our frontline person is the envy of many. Jude has vast skills in office accounting, systems set-up and the preparation of seminar, internet and client presentations. She is our Office Administrator and obviously gets her work done quickly when the boss is away, judging by this photo!

AUGUST 2000 RENTAL PRICES (August 1999 shown in shaded boxes)

Source: Tenancy Services Bond Centre

No of Rooms	Median Price	Price Range	No Let	No of Rooms	Median Price	Price Range	No Let	No of Rooms	Median Price	Price Range	No Let
CHRISTCHURCH CENTRAL				CASHMERE				FENDALTON/MERIVALE			
One	\$135	\$112 - \$200	40	One			0	One			0
Two	\$162	\$130 - \$200	46	Two	\$155	\$142 - \$177	20	Two	\$167	\$150 - \$200	32
Three	\$225	\$188 - \$255	23	Three	\$210	\$190 - \$240	27	Three	\$230	\$190 - \$265	24
Four			0	Four	\$200	\$197 - \$242	5	Four	\$300	\$255 - \$330	7
One	\$136	\$100 - \$162	60	One	\$115	\$96 - \$147	7	One	\$135	\$131 - \$148	7
Two	\$170	\$130 - \$198	43	Two	\$165	\$150 - \$180	23	Two	\$180	\$140 - \$210	41
Three	\$220	\$181 - \$237	23	Three	\$195	\$177 - \$210	20	Three	\$257	\$215 - \$290	20
Four	\$		0	Four	\$260	\$210 - \$312	5	Four	\$260	\$240 - \$285	9
BURWOOD/AVONDALE/NEW BRIGHTON				ADDINGTON/HOON HAY				AVONHEAD			
One	\$110	\$102 - \$147	8	One	\$95	\$90 - \$105	5	One			0
Two	\$160	\$147 - \$170	36	Two	\$150	\$126 - \$178	35	Two	\$175	\$160 - \$190	19
Three	\$190	\$178 - \$213	57	Three	\$200	\$183 - \$210	53	Three	\$210	\$183 - \$240	21
Four			0	Four	\$200	\$185 - \$225	8	Four	\$230	\$75 - \$250	10
One	\$115	\$100 - \$120	8	One	\$110	\$97 - \$130	7	One			0
Two	\$167	\$150 - \$180	26	Two	\$160	\$127 - \$175	30	Two	\$170	\$160 - \$185	14
Three	\$200	\$185 - \$212	52	Three	\$200	\$180 - \$210	31	Three	\$220	\$196 - \$247	35
Four	\$230	\$215 - \$257	9	Four	\$200	\$147 - \$228	9	Four	\$260	\$247 - \$285	13
LINWOOD/BROMLEY				RICCARTON				REDWOOD			
One	\$100	\$85 - \$140	25	One	\$120	\$100 - \$120	8	One			0
Two	\$135	\$125 - \$150	38	Two	\$160	\$140 - \$186	39	Two	\$167	\$160 - \$177	16
Three	\$177	\$160 - \$185	34	Three	\$210	\$190 - \$230	18	Three	\$200	\$190 - \$220	35
Four	\$190	\$180 - \$220	8	Four	\$167	\$140 - \$200	10	Four			0
One	\$100	\$90 - \$122	20	One			0	One			0
Two	\$140	\$120 - \$150	54	Two	\$160	\$145 - \$182	49	Two	\$180	\$167 - \$182	12
Three	\$180	\$172 - \$210	25	Three	\$215	\$185 - \$245	28	Three	\$210	\$200 - \$228	47
Four			0	Four	\$200	\$150 - \$220	15	Four			0
SYDENHAM/WOOLSTON				BROOMFIELD TO HALSWELL				ST ALBANS/RICHMOND/SHIRLEY			
One	\$100	\$100 - \$100	15	One			0	One	\$110	\$105 - \$127	12
Two	\$140	\$125 - \$162	52	Two	\$170	\$151 - \$188	19	Two	\$145	\$128 - \$160	69
Three	\$170	\$170 - \$180	27	Three	\$195	\$180 - \$210	44	Three	\$197	\$180 - \$220	30
Four			0	Four			0	Four	\$240	\$203 - \$306	9
One	\$106	\$100 - \$120	10	One			0	One	\$110	\$92 - \$135	15
Two	\$140	\$130 - \$165	56	Two	\$160	\$146 - \$173	23	Two	\$140	\$126 - \$160	83
Three	\$180	\$165 - \$200	37	Three	\$200	\$180 - \$210	42	Three	\$200	\$175 - \$222	33
Four	\$187	\$167 - \$197	8	Four	\$212	\$205 - \$235	8	Four			0

Recent Sales

Blocks of Flats(RR)	Houses in Flats(RC)	House(HSE)	Townhouse(TH)	Ownership Unit(RF)
Redwood RR	2 units	\$185,000 (9.8%)	Meri/StAl RF	1x2 brm \$84,000 (9.9%)
Linwood RR	4x2 brm	\$250,000 (10.2%)	Phillipstown RR	4x2 brm \$225,500 (10.4%)
Meri/St Alb RF	1x2 brm	\$105,000 (7.7%)	Riccarton RF	1x2 brm \$108,000 (7.7%)
Merrivale RR	4x2 brm	\$425,000 (9.0%)	Merrivale RR	4x1 brm \$365,000 (8.3%)
Hoon Hay RC	3x1 brm	\$130,000 (12.6%)	St Albans RR	4x2 brm \$285,500 (9.3%)
Mairehau RR	2x2 brm	\$159,000 (9.2%)	Edgware RR	2x1 brm \$155,000 (7.7%)
Meri/St Alb RR	2x2 brm	\$165,000 (9.5%)	Phillipstown RR	4x2 brm \$245,000 (10.6%)
Linwood RR	4x2 brm	\$269,000 (9.8%)	Linwood RR	4x1 brm \$242,500 (9.7%)

MISSION STATEMENT

To assist my clientele in the long term, progressive realisation of their financial independence through residential investment by giving them priority as buyers and total access as vendors to all of my appropriate methodology, marketing and databases of current qualified buyers at competitive fees reducing in relation to transactions

For further information and FREE market appraisals on the value of your property, call us anytime on 3555 121. If you no longer own your flats or have changed your postal address, please inform me to save you further inconvenience.

Thank you
Tony Brazier
AREINZ, DipBus(RE) BEd

While every effort has been made to ensure accuracy, no liability is accepted for errors of fact or opinion herein. Our intention is to promote thoughtful analysis of your own portfolio. Any decisions should therefore be made after consulting your professional advisors.