

# The advantages of investing in New Zealand

By Mary O'Brien, MD, New Zealand Mortgage Solutions

The land of the long white cloud offers many attractions: glaciers, hot springs, magnificent scenery and fishing. When Australians think of the land of the long white cloud, they should also think property investment. With its growth markets near local tourist destinations, sound rental returns, a favourable exchange rate and the chance to avoid investor-related taxes like stamp duty, investing in New Zealand property is decidedly attractive.

New Zealand is currently in its sixth year of property growth and it's growing strong. In the past 18 months property investments have climbed to amazing peaks. According to *Quotable Value New Zealand*, "The House Price Index shows an increase of 14.2% for the year (June 30, 2003)." House prices in parts of the South Island, like Nelson, reached a new record with more than 40% increase for the same period.

The increase applies to residential properties as well as holiday accommodation that offers high seasonal returns.

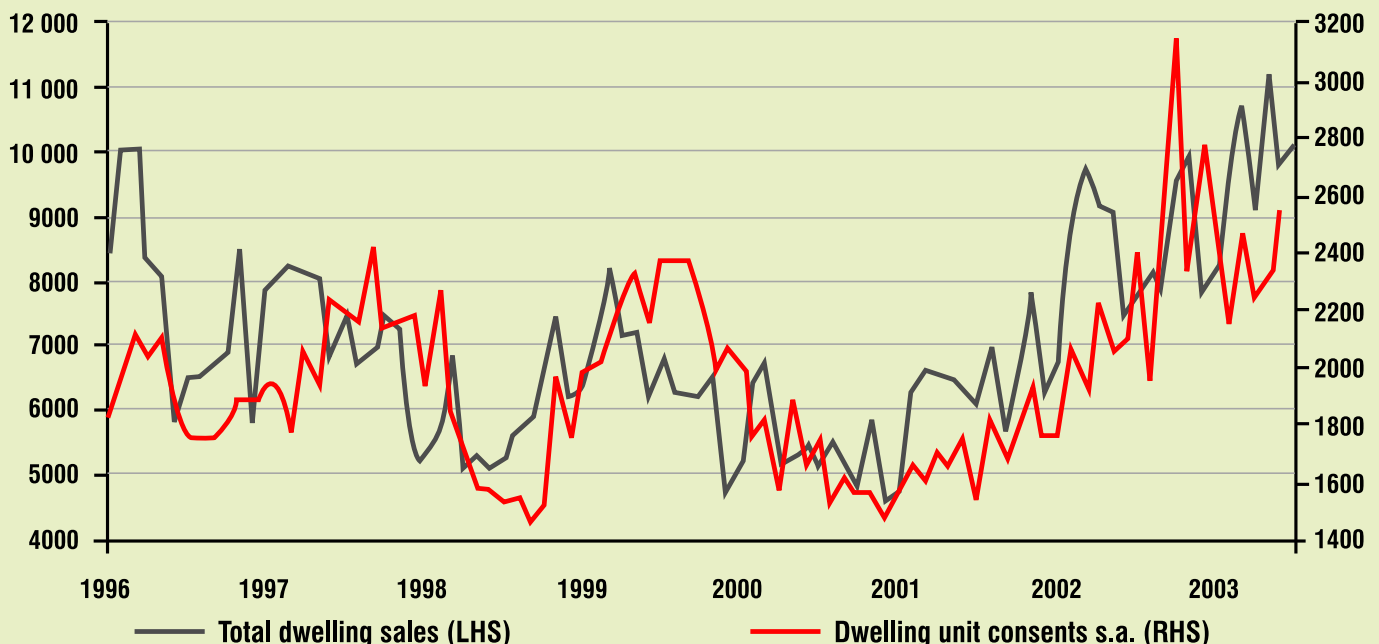
There are few places outside of New Zealand where you can purchase quality coastal investment property on high peaks of land. According to the Real Estate Institute, the median selling price for a scenic area

like Queenstown is NZ\$350 000 with a 22.8% increase over the past 12 months.

Politicians, entertainers and sporting celebrities have long been aware of the property opportunities New Zealand has to offer. NSW Premier Bob Carr has made an investment across the Tasman. He is aware that there is no capital growth fee or stamp duty in New Zealand. Carr and entrepreneurs from overseas are also aware of the low risk and high growth the New Zealand property market has to offer and have invested accordingly.

Coastal properties such as Orewa (near Auckland), Waiheke Island and Coromandel Peninsula have increased by as much as 50% in the last 12 months. One of my clients purchased a cliff-top property

Residential dwelling Investment Indicators remain at robust levels



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for NZ\$550 000 less than a year ago. It was recently valued at NZ\$1 100 000.

The larger centres are similarly attractive. The median price for a property in the regional area of Auckland is NZ\$298 000, increasing by 15.01% in the last year. For Wellington the median price is NZ\$237 000, an increase of 15.6%, Christchurch \$184 750, an increase of 21.50% and for Dunedin, the median is NZ\$134 000, an increase of 26.4%.

### Rental demand

Lifestyle, demographic and social changes have also affected rental returns.

Ten years ago seven out of ten people owned their own home in New Zealand. Today it's decreased to six out of ten, with a consequent rise in demand for rental properties. A typical example in Auckland's North Shore is a four bedroom house that rents at an average of NZ\$500pw. A three bedroom rents for NZ\$450pw.

Baby Boomers are selling large family homes and moving to exclusive waterfront apartments and investing in coastal beach houses for weekends away. Migration has increased and there is also an increase in foreign students attending universities. And since September 11, SARS and the Bali bombings, fewer New Zealanders are travelling overseas; instead, they are investing in beachside properties.

New Zealand's isolation is now proving to be an asset with steady growth and strong buyer demand. Rental yields in residential investments range from 5% to 9% thanks to current strong rental demand. Property growth is demand driven, with New Zealand enjoying low interest rates – by Kiwi standards – of around 7%.

### Financial benefits

According to Mark Withers, a New Zealand Chartered Accountant, New Zealand is the place to invest.

"From a tax perspective, New Zealand is not burdened with indirect taxes like stamp duty and capital gains tax", says Mark. "Investors who derive income from rental profits in New Zealand will need to file tax returns here but can expect to receive a credit for any tax paid in New Zealand when completing an Australian tax return. However, Australians are not allowed to claim losses in Australia on New Zealand investment properties – a problem not experienced by Kiwis investing in Australia."

Australians can purchase property quite freely because of the Free Trade Agreement between Australia and New Zealand. The same applies to Kiwis purchasing in Australia. Mark advises investors to consult an Australian accountant for Australian taxation advice.

### New Zealand investment benefits

- No stamp duty
- No capital gains tax
- No land tax
- No death duty
- High rental demand
- High rental return
- High capital growth
- Favourable exchange rate
- Low prices
- Low interest rates
- Population growth of more than 1.8%.

(The NZ dollar was \$1.14 to the Australian dollar at the time this publication was printed.)

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