

Top 5 Reasons to Invest in Commercial Property

1

Commercial property is returning more than traditional fixed interest or bonds or cash investments:

For the last five years commercial property sector has enjoyed a period of prosperity and commercial property yields (or cash distribution returns) have been stronger than many assets classes including term deposits (1 year fixed currently returning 3.10%¹), bonds (currently between 3 and 4%²) and residential property (currently returning on average 4%³).

2

Directly held (unlisted) New Zealand commercial property was the second highest performing asset class globally.

Investment fund manager, Mercer's, 2019 Annual Investment Returns report, directly held (unlisted) New Zealand property was the highest performing investment class behind global private equity, throughout 2018 in New Zealand and globally⁴, in the asset classes the manager reports on.

3

Commercial property becoming more attractive to investors:

The increasing costs and compliance of the residential property sector are making rental returns in the short term less attractive when compared with commercial property investment. Commercial property usually enjoys longer lease terms and includes rental review mechanisms, providing foreseeable longer-term income for landlords & investors. In addition, the property operating costs are often recovered by the building's tenants whereas in residential property the landlord is required to cover these costs.⁵

4

Commercial Property funds offer passive, reliable and regular income:

Professionally managed commercial property funds offer investors low hassle, passive income where the manager takes care of all day to day activities including collecting the rent, paying the bills, tenant enquiries, lease negotiations, building repairs and ensuring regulatory compliance on behalf of investors. This ensures investments are actively monitored by experts in asset and property management who proactively seek opportunities to also add value to buildings. While investors are paid a regular (i.e. monthly or quarterly) income without having to physically manage the buildings in the fund.

5

Commercial property is resilient:

Following the Global Financial Crisis (2008/09) it took directly held commercial property only three years to fully recover its loss of value (approx. 40%) versus equities which lost the equivalent value and took six years to recover.⁶ Unlisted commercial property in particular doesn't have the volatility like its listed peers in that it is typically less exposed to market volatility and sentiment. Unlisted commercial property fund returns reflect the true performance of the underlying assets (the property/s). This enables capital preservation and regular and reliable income, at a higher level compared to its listed peers currently⁷.

¹<https://www.interest.co.nz/chart/investing/term-deposit-rate>

²<https://www.interest.co.nz/bonds-data/issues>

³QV (NZ median gross yield for all dwelling types)

⁴https://www.mercer.co.nz/content/dam/mercer/attachments/asia-pacific/NewZealand/Investments/2019/NZ_Periodic_Table_2019_Interactive.pdf

⁵<https://www.realestate.co.nz/blog/news/commercial-property-good-investment-compared-residential-new-zealand>

⁶Source: Morningstar Direct

⁷Based on current S&P/NZX 50 Index Gross Dividend Yield at 4.20%



Many happy returns. Since 1992.

P 0800 219 476

pmsgfunds.co.nz