Securing your future

An introduction to simple residential investing

Real Estate Together

Welcome

As I see things, millennials can't get onto the property ladder and their parents are blindly hoping to retire on luck. No one has taught us financial literacy.

I see a social malaise looming, with millennials resenting the property owning baby boomers, and the boomers approaching the golden years like a freight train with no brakes; not a clue and eyes wide shut.

Add to this a fast restructuring voting culture not so committed to providing benign pension schemes for their elders, and you have a recipe for social unease at best.

Yet most 50 and 60 year olds have strong home equity and often cash from small inheritances or small business sales.

And I know how daunting it is to approach real estate agents, trawl through the markets, attend a few auctions... And then retreat back to thoughts of eventually 'downselling' the family home, buying a modest unit as close as they can afford, having a little cash for a while and hoping... for what?

So I've worked it all out - read on to see what I've planned for you.

A tried and true strategy

Martin Dunn FELLOW REINZ

The bottom line is, you MUST be proactive and actively invest. Houses are too dear and if you're honest about maintenance, you'll get a 1% return.

Apartments in Auckland have a legacy, shared only by Vancouver, of remedial heartbreaks and breakups. You don't want that.

But brick and tile units have little old ladies in them forking out for the lawnmower man but not much else. No lifts, pool, gym, building manager, body corporate... and I've studied **thousands** of them for you.

We currently trawl through the 180 units for sale any day down to – and view – 30 units a week (not a month) from Papakura to Torbay to Swanson to Takanini. Of these we choose about 8 (that's 5%) that pass 'The Mother Test.' Guess, or ask us.

And we buy them FOR you for a modest fee of $15,000 or 1% +GST.

If a new mortgage on your home doesn't frighten you (the alternative will, believe me), I see an obvious, continued doubling of what I buy, each eight or nine years.

Each one costs say $650,000, and the most modest, researched, compound annual growth rate I will use is 9% pa. PLUS an initial 3.5% nett estimated income paid monthly. Mathematically that's nearly 13%, the bulk of it potentially tax free. See your accountant.

For the confused, $650,000 doubling in say 10 years gives you $650,000 potentially tax free.

Two of these should offer you million dollar equity and you can retire gainfully engaged in life from say 75 to 90 years... on $100,000 per year from that (see table on p5).

And you still own your family home.

So let's get started as the procrastination is costing you.

Unit market history

Median value of units 2011: **$330,000**
Median rent: **$360pw**

Median value of units 2021: **$790,000**
Median rent: **$520pw**

Compound Annual Growth Rates (CAGR): 9.1% and 3.75% rent

FIGURES FROM REINZ

- At 8% CAGR, a property doubles in value in 9 years
- At 9% CAGR it doubles in 8 years
- At 10% CAGR it doubles in just over 7 years (And add 3.5% for initial nett rent)

Of course past performance doesn't guarantee future performance, but... read on!

The above historical figures are for all two bedroom units across all Auckland suburbs.

Our own figures are higher due to our specialist knowledge, buying power and focus on suburbs where we identify culture change, infrastructure change and/or gentrification. And brick units only with careful note of flood plains.

We asked REINZ for the 10 years only to 2021 to specifically avoid the 2022 manic boom and current correction of the Reserve Bank, Covid-inspired, interest rate manipulations.

After not buying for the last couple of years and the reported 28% boom and 12% (?) crash we believe huge opportunities now present.

Auckland is in a good place

Our intense shortage of doctors, teachers, police, veterinarians, drivers, fruit pickers, nurses, fire fighters, hospitality workers and tradies has our new Government throwing the immigration doors open.

A nett gain of 30,000 new immigrants was immediate at the first quarter of 2023.

Yet Auckland is strewn with fenced off residential development sites where developers cannot attract tradespeople, finance or even materials to build. And we have the ongoing shame of Aucklanders sleeping in motels, cars and garages.

So our logic is that we are in a very good place to invest and provide rental accommodation. We feel a return to strong residential growth is to be expected and that most readers can benefit for their retirement by sticking to our researched and historically proven plans.

How it works

Ask your accountant about the newly reinstated tax deductibility of losses against your investment (if you borrow all the funds) and confirm your understanding of a tax free doubling in value in say 10 years.

The sooner you get started the better your position, should the howls for capital gains tax (we actually already have one) start incrementing your family's future.

This conservative, long term investing is designed to protect you for the future and to ensure your grandchildren fly Business Class.

Hopefully interest rates will drop and rents will rise making your investment more attractive year by year.

It is critical you hold long term.

We organise your borrowing (independent party) and refer but oversee the management to Barfoot & Thompson's premier manager.

All you have to do is say **yes**.

The calculations below are based on the following presumptions;

Purchase unit say $650,000,
Rent $600p.w.
Interest 6%
Compound annual growth rate (CAGR) 9% (a doubling in 8 years).

Borrow 100%

Expected rent $600	+ $31,200
Interest $650,000 x 6%	- $39,000
Management, rates, maintenance	- $5,000
Nett effect	- $12,800 (tax loss?)
Possible 9% CAGR	+ $58,500
Possible total nett effect	**+ $45,700** (tax free?)

Borrow 75%

Expected rent $600	+ $31,200
Interest $487,500 x 6%	- $29,250
Management, rates, maintenance	- $5,000
Nett effect	- $3,050 (tax loss?)
Possible 9% CAGR	+ $58,500
Possible total nett effect	**+ $55,450** (tax free?)

Pay cash

Expected rent $600	+ $31,200
Management, rates, maintenance	- $5,000
Nett effect	+ $26,200; 4%! (taxable?)
Possible 9% CAGR	+ $58,500 (for the grandchildren?)
Possible total nett effect	**+ $84,700** (at least income taxable?)

75 to 90 years old cashflow - how it runs

	Principal	Spending	Interest/pa	Balance
1	$1,156,312	$100,000	$42,252	$1,098,564
2		$100,000	$39,942	$1,038,507
3		$100,000	$37,540	$976,047
4		$100,000	$35,041	$911,089
5		$100,000	$32,443	$843,533
6		$100,000	$29,741	$773,274
7		$100,000	$26,912	$700,205
8		$100,000	$24,008	$624,213
9		$100,000	$20,968	$545,182
10		$100,000	$17,807	$462,989
11		$100,000	$14,519	$377,509
12		$100,000	$11,100	$288,609
13		$100,000	$7,554	$196,153
14		$100,000	$3,846	$100,000
15		$100,000	$0	$0

Next steps

Call or email me, Martin Dunn, anytime for an appointment to meet. I travel extensively to meet clients personally if at all possible.

When satisfied, you will be emailed documentation allowing me to act as your Buyer Agent and establishing what you are comfortable investing and your suburb preferences. We have strong opinions on suburbs of perceived growth.

Martin Samuel Dunn was made a Fellow of the Real Estate Institute of New Zealand in 2018 for services to the profession. He has been a vice president of the institute and chaired the five disciplinary committees for four years.

Martin has been the top broker at two of New Zealand's most prestigious agencies. He pioneered the Auckland apartment market's inception and founded specialist agency City Sales in 1997, the agency becoming a household name.

Ready to talk?

A buyer agency like Real Estate Together is unique to New Zealand but is standard real estate practice in the USA and is common in the UK.

Watch Martin's **The Whole Story** video at realestatetogether.co.nz

Make an appointment with us today

Call Martin Dunn on 0274 984 097

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