

Where's the Money?

The good news about the economy continues. Business confidence is up and the housing market - which leads our economy in and out of recession – is strengthening further.

BNZ economist Tony Alexander reports in his Housing Market Update *“Average house prices have now recovered 8% exactly since January and are only 4.5% down from their peak in late-2007.”*

He goes on to say *“There is a clear shortage of housing in NZ – as investigated by the Commerce Select Committee over 2008-08. Construction of new houses is at its worst level in four decades. Financing costs are at four decade lows. And net migration inflows have moved to above average levels with further gains likely”*. To see Tony's article [click here](#)

Consumer confidence reached a four year high in the September quarter – see Herald article [here](#) and just recently an article saying *“New Zealand's service industry recorded its strongest month in 20 in September, led by increased sales and new orders, providing more evidence that the economy is picking up pace after emerging from recession”*. See article [here](#)

But where's the money?

In the last three issues of GLOBAL VIEW I've been complaining how the economy's been improving but the credit markets haven't.

Well things haven't been getting any better. In fact, if anything, it's harder to get money now than it was a month or so ago. Many lenders still in business are strapped for cash or strengthening their balance sheets - and finding any excuse not to lend.

But we're now starting to see replacements for financiers who have ceased business or temporarily - or permanently - withdrawn from property finance.

For example, in last month's GLOBAL UPDATE I spoke about a flexible first tier non-bank funding facility and this is still available. To read it [click here](#)

Other sources of funds for both residential and commercial property include the following categories.

- Bank and non-bank finance in the low to medium interest rate range. Many are 12 to 24 month loans which can be rolled or refinanced when the credit markets improve. The terms are tight with debt servicing ability being more important the loan to valuation ratio.
- The re-emergence of the contributory mortgage structure as a financing mechanism, with new entities having been formed in the last few months.
- Solicitor nominee and trustee lenders also appear flush with money, as investors choose deposit returns over and above those offered by the banks and government guaranteed finance companies.
- A new group of finance companies, who are financed via investment from high net worth individuals and bank credit lines. These companies will steadily expand their funding books, which will enable them to look at larger transactions.
- Short term bridging loans with the possibility of capitalised interest. The key requirement is a clear repayment strategy.

At this time - with deposit rates so low - we're also seeing cashed up investors looking at joint ventures or

equity or loan/equity participation in projects. If you've got an interesting project that you can't fund and might suit this type of investment give me a call.

Or if you're an investor looking for a better return I've got some of these right now. Examples include:

- Owner of Central Otago rural property about to receive freehold status under government tenure revue, looking for JV partner.
- Five month second mortgage with bank take out yielding 20%.
- Part ownership of long term leasehold interest at Auckland Airport with 10 + 10 year lease to solid tenant. High return.
- Bridging loan to finalise agreement with offshore client which is convertible to equity in worldwide venture with huge upside. Initial risk mitigated in later stages.
- Equity required for joint venture building low cost ecologically efficient houses.
- Joint venture opportunity in a commercial property leased to international tenant.
- Opportunities to underwrite the future purchase of residential and commercial property under development.
- Equity participation in the purchase of an Australasian business currently in receivership.

The details of many of these are subject to signing a confidentiality agreement and some are only available to those who qualify as an "eligible person" To see the definition of an eligible person [click here](#).

Opportunities like these are arising all the time, so if you've a general interest in these maybe you could register that with me – phone or email are fine.

As a final note, I was told by a friend and business associate at a social function last Sunday, that I should be inviting subscribers to my newsletters to call me to meet and have a chat about my view on the economy, and how I think it will affect finance for property and business.

Hey, I'm happy to do that – and hopefully give you some assistance in raising debt or equity funds.

Email or call me. Mobile is best 021 902 004.

Cheers

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