

Hi John,

Recovery on the way?

*I can see clearly now, the rain is gone
I can see all obstacles in my way
Gone are the dark clouds that had me blind
It's gonna be a bright (bright), bright (bright)
Sun shiny day*

To see the Johnny Nash classic [click here](#).

This is a rather hurried GLOBAL VIEW as Pauline and Grant have been busy analysing the results of the recent survey about the newsletters I've been sending you - and your views on the New Zealand economy.

The analysis is not complete but I can say I got a fabulous response. And the lucky winner of the case of Man O' War Waiheke wine was Pieter Oosterbaan of Beacon Construction, Birkenhead, Auckland.

I can also tell you the response indicates people see little difference between GLOBAL UPDATE and GLOBAL VIEW and it's likely the two will be combined in future.

The analysis of the survey will be published on the Global Pacific web site in the next week or so and I'll get back to you about it then.

Recovery on the way?

At last we're starting to see some positive signs of an economic recovery, both within New Zealand and globally.

A major driver of New Zealander's investment sentiment is the state of the residential property market, and this is now starting to show signs of increased activity. The New Zealand Herald's article this week is just one of many recent comments here, and in some places offshore, that the housing market may have bottomed out and is showing signs of growth. To see the article [click here](#).

Real estate agents are reporting increased levels of enquiry, which have resulted in much stronger levels of residential sales in March and April - with both months recording sales in most regions well above those in 2008. For the latest Real Estate Institute figures [click here](#).

Results from the latest Property Investors Survey - run by Mike Pero Mortgages and Landlords.co.nz - which surveyed more than 550 property investors, found that residential property investors firmly believe that falling interest rates are making residential property investment more attractive.

Their survey results also showed that 11% of property investors planned to buy another property in the next two months, while 12% were looking to acquire more property by the end of September. A further 23% intended to purchase in the last quarter of the year. In total, nearly half of those surveyed (46%) were planning to buy again this year.

The lack of residential development - both sub-divisions and house and land packages - over the past nine months has led to the view by an increasing number of commentators that there will be a shortage of residential property in certain regions. This is partly driven by:

- An increasing demand from investors and owner-occupiers for property as a hedge against future inflation. “Buy now while the market is stagnant, and interest rates will remain low for a long time.”
- Natural population growth and the increase in immigration due to the economic woes abroad. See the “Good to be here” section in my February GLOBAL VIEW [here](#).

Rodney Dickens, in his latest Rodney’s Ravings, says “House sales have started to respond to the massive interest rate cuts and the upturn in REINZ house sales should be followed by increased consents for building new houses before mid year”.

Rodney’s stuff is always good and controversial, and his latest Ravings is well worth a read. You’ll love the Dumb and Dumber analogy about the New Zealand Reserve Bank’s monetary policy. To read it [click here](#).

Of course if you’d like to keep looking in the rear vision mirror, like the RBNZ tends to do, you can read their Financial Stability Report. Interest.co.nz’s Bernard Hickey gives a good summary of the Reserve bank’s view – and their “advice” to banks – on commercial property and farm lending [here](#).

Thanks Alan. Personally I like Rodney’s view better.

Investors seeking better returns than from the banks

The other issue concerning investors, is funds left in the bank now earn a net 1.5% - 2.0%.

So a large number of investors will be chasing greater returns than those being offered by the banks. This means we can expect to see more capital flow into government guaranteed finance companies, property syndications, bond issues and property investments. And dare we say it - the share market.

In my next GLOBAL VIEW I’ll comment on this trend and where I believe investors need to be wary.

So who’s lending?

There are still strong credit restrictions in place for funding end purchasers and developers in property developments. We expect to see this easing over time, especially if demand for property increases as discussed above. Hopefully this will encourage lenders to be more aggressive in the market.

There is plenty of money available for medium sized projects, but the larger projects which only fit with the mainstream banks are more difficult to fund. It appears that the majority of banks are still experiencing a shortage of funds to lend out, and there is a need for non-bank lenders such as building societies, trustee lenders, and finance companies, to become more active.

Many of these are now sitting on large sums of capital which have flowed in to them due to the government guarantee scheme, much of which would have been obtained at relatively high deposit rates in the 8% - 11% range. They too are being affected by the low deposit rates now, so they have to lend it out somewhere.

We’re being approached by an ever growing number of finance companies and solicitor nominee companies with funds to lend. We also have access to a number of high net worth individuals who are prepared to act as financiers, joint venture partners and underwriters to projects.

To obtain finance it’s back to basics. Knowing where to go, the criteria lenders are looking for, and a proper presentation, remain the key essentials to success.

Cheers

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