

HD 'ANGEL MONEY' WINGING IN FROM ASIAN INVESTORS

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NEW ZEALAND'S rock star economy is only part of the reason why the country is seeing a flood of overseas investment come into the country, the **Property** Council's chief executive Connal Townsend believes.

The influence of overseas investment in **property** markets was one of the key themes of a **sold-out Property** Council national conference in Wellington recently. While much of the comment was about **Chinese** investment, Townsend said Germans, Indonesian, Malaysian and other Asians were also very active in New Zealand **commercial property** at present.

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Their interest appeared to be as much about New Zealand's risk profile as its robust economy.

The recent **sale** of Auckland's Lumley centre to German investment fund Deka Immobilien, for \$146 million was a good example, Townsend said.

While **commercial property** in New Zealand is averaging total returns of just over 11 per cent, the political situation in Europe was another possible factor. "From the Ukraine to Germany is not a large distance and I suppose . . . certain European investment is coming to New Zealand trying to find a safe- haven because it is perceived to be low risk."

Diversification also appeared to be the reason why strong economies like Indonesia and the **Chinese** were in our market, said Townsend.

The **Chinese** were "very much concerned about the high level of debt that is in the **Chinese** economy and they're just seeking to spread their options".

Other speakers included Jeff Kennett, a former premier of Victoria state. He warned that New Zealand and Australia were benefiting from the growth of Asia's middle-class but it also made us vulnerable.

"People in **China**, I believe, are starting to read the tea leaves and they're trying to move some of their money offshore very quickly indeed and they're prepared to pay prices that are substantially above the odds."

Australia was experiencing a boom in **residential** high-rises and many of the units were being built specifically for the **Chinese**, Kennett said. The problem was, the apartments were very small and Australians were unlikely to **buy** them if they were put back on the market.

Kennett likened Australia's situation to that of the gambling **island** of Macau, which would close "overnight" if **China** shut its borders.

"My great fear is that they may do that with wealth leaving the country and if they do that, Australia, and to a lesser degree New Zealand, is going to be substantially squeezed."

However, David Mahon, a long- time New Zealand resident in **China**, said he felt much of the concern in New Zealand over **Chinese** buyers was being fuelled by politicians.

Mahan, who now runs a private equity **firm** and helps firms enter **China**, said many Westerners were still coming to grips with the centre of the world's economy shifting to North Asia. As a result, **China** was often portrayed as a threat.

But the **Chinese** had been through hard times and it was no surprise that they wanted to improve their lives.

They would continue to come to New Zealand to live and invest and he urged the audience to try and understand **China** better as they could go elsewhere for most things.

"I think New Zealanders don't understand that it is not a handful of **Chinese** buyers of houses and buyers of agricultural assets that are making it difficult to own our own properties."

Speaking for the **commercial property** sector, Townsend said foreign investment was something of a godsend. There had been a constant shortage of capital in the country's development sector after mezzanine finance "dried up with the crash in 2008".

Thus, developers were quite desperate to see investment money coming into the country to keep the industry going.

"So we do see overseas investment as angel money with wings, really."

CO dgdk : DekaBank Deutsche Girozentrale

IN i814 : Banking | i81403 : Savings Institutions | ibnk : Banking/Credit | ifinal : Financial Services

NS gcat : Political/General News

RE china : China | nz : New Zealand | austr : Australia | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRIC Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | easiaz : Eastern Asia

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