

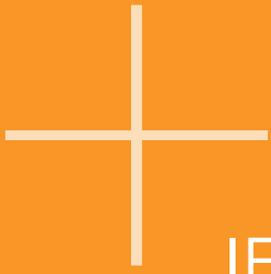
ERSKINE+OWEN

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**SYNDICATION**  
THE NEW PATH FOR  
RESIDENTIAL  
PROPERTY INVESTORS

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IF YOU'D LIKE TO  
**INCREASE YOUR  
RESIDENTIAL PROPERTY**  
INVESTMENT BUT  
BELIEVE CURRENT  
MARKET CONDITIONS  
ARE TOO TOUGH -  
ERSKINE + OWEN'S  
NEW SYNDICATED  
INVESTMENT COULD  
BE THE ANSWER.

## WHAT IS SYNDICATION?

Syndicated property investment simply means pooling together with other investors to access property you couldn't buy alone or may not want to.

## WHY?

Today's market has multiple challenges. Prices have escalated primarily in the main cities, but now in regional centres such as Queenstown, Tauranga and Hamilton. The Reserve Bank's 40% deposit requirement has impacted investors - and the Bank may introduce a borrowing cap to slow the market further. On top of that, retail banks have taken steps to tighten lending criteria.

So - it's far harder to get finance for a good capital growth property, compared to when we started Erskine + Owen ten years ago. And given property values, once you do get finance it's harder to ensure you're covered for any cash shortfalls.

However, most would agree that over the long term, property still delivers healthy returns. At Erskine + Owen we believe investors need more options to reach their wealth goals.

If you can't buy a property on your own, why not reap the benefits with a share of great property?

## WHAT ARE THE ADVANTAGES OF SYNDICATION?

- Opportunity to gain access to the property market, and potential capital growth, when you may currently be unable to invest.
- Exposure to the property market with sensible leverage.
- Access to potentially higher-value and higher-growth freehold property (on a full site, located in a suburb with a favourable capital growth profile) than you could potentially buy as a single investor.
- Potential risk mitigation: with maximum funding of 50%, the bank will not require personal guarantees and has recourse only to the property.<sup>1</sup>
- Leverage Erskine + Owen's considerable buying and negotiating experience.
- Exposure to multiple properties and multiple areas with one investment.

<sup>1</sup>Based on current bank policy as at March 2017.

## WHAT TYPES OF PROPERTY WILL BE CONSIDERED?

Here are some examples of our recent property purchases that are delivering a good return for investors. These types of investments will form the brief for our syndicate acquisitions.



### COMPELLING CAPITAL GROWTH IN QUEENSTOWN

We've been buying in Queenstown for some time now, both personally and for clients. The capital growth has been significant over the past few years.

This property with mountain views, backs on to a reserve and was purchased at \$1.066m. It will have rent of \$900 per week delivering a gross yield of 4.4%<sup>2</sup>.



### EQUITY IN HAMILTON WITH A PROPERTY THAT WILL STAY NEW FOR THREE YEARS

Erskine + Owen works with a select number of builders with a proven record of building quality product. This Hamilton property was purchased at \$850k, \$60k under valuation. As a show home, leased back to the builder, this property will have minimal wear and tear – so at the end of the lease the building is still like new. The depreciation should be minimal.

<sup>2</sup> Does not represent future yield potential and is not a guarantee of future performance.



## WHY ERSKINE + OWEN?

WE KNOW GREAT PROPERTY AND  
UNDERSTAND THE INDUSTRY.

We've been successfully operating for 10 years with many happy investors who can testify to the wealth we've helped them grow through smart property investment.

We provide the following service to our clients for whom we buy property directly:

- Time saving - we do the property hunting for you.
- Long established relationships that often get us first look at a property.
- We know property inside out. From requisitions on a LIM and spotting property complexities, to in-depth understanding of sales stats and comparing growth profiles. We're experts.
- Proven track record with a large number of repeat clients.

## WHO CAN TAKE PART?

This opportunity is only for 'wholesale investors' as defined by the Financial Market Conducts (FMC) Act 2013. Our Information Memorandum (IM) which is available on request, will help assess whether you qualify.

You also need to have the funds available. The good news is that it's probably a lot less than what you would need to invest directly yourself. The minimum investment is NZD \$100k with an incremental investment of NZD \$50k.

## WHAT ARE THE RISKS?

No investment is risk free. Get good advice before making a decision to help you weigh up the risks and the benefits. If you're a 'wholesale investor' under the FMC Act you'll be well qualified to assess the risk / reward balance. Here are some things to consider:

- *Is the property worth the asking price?* We always get a registered valuation.
- *Is the property sound?* A building inspection and LIM (Land Information Memorandum from council) are required for each property.
- *Will the property go down in value?* Think about demand and supply over the medium and long term.
- *How easy will it be to sell my share?* Erskine + Owen will provide a secondary market through our database of investors who will potentially qualify for this type of investment.

## HOW DOES IT WORK?

- Request the Information Memorandum by emailing [syndication@erskineowen.co.nz](mailto:syndication@erskineowen.co.nz). This document explains in detail how the syndication works.
- We will send you a Subscription Agreement. We will also send you a copy of the Limited Partnership Agreement which includes the buying profile. This provides full detail on the areas and types of properties we will buy.
- You need to **sign and return the Subscription Agreement** confirming:
  - you are a 'wholesale investor';
  - you are satisfied with the terms and conditions of the limited partnership agreement;
  - you accept the buying profile; and
  - you have the required funds available.
- The next step is to pay your funds into the limited partnership's solicitors interest bearing trust account.
- Once the syndication is fully subscribed we will register the limited liability partnership with the Companies Office and commence the property search.
- We will find properties that fit the buying profile, get them under contact, perform due diligence and, if the results are satisfactory, declare the contracts unconditional. Erskine + Owen will then purchase the properties on behalf of the syndicate.

If a situation arises where we have insufficient investor commitment and don't proceed, your deposit will be refunded with any interest accrued.

## WHAT HAPPENS AFTER THE PROPERTIES ARE PURCHASED?

Erskine + Owen's sister company, POINT Property + Portfolio Management, is expert in all aspects of managing residential investments – including securing quality tenants, site inspections, and regular rent review appraisals.

After properties are purchased, POINT Property will manage all the syndicate's assets – giving investors the reassurance that syndicate properties are in good hands.

## HOW CAN I TAKE UP THE OPPORTUNITY?

Request a copy of our Information Memorandum, which explains how it all works. From there we send you the required documentation to sign.

If you have any questions or would like to discuss any aspects of the syndication arrangement with us,

call **+64 9 377 6463** or

email **[syndication@erskineowen.co.nz](mailto:syndication@erskineowen.co.nz)**

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