

## THINKING ABOUT PROPERTY INVESTMENT?

- Allistar Walker

Clients of mine asked me “What, in your opinion, is the better investment option for us, residential property investment, commercial property investment or even grabbing some of the opportunities in the share market at the present time?”

There is no one answer to this question. As with any growth related investment (perhaps ‘growth’ is an oxymoron for both property and shares at the moment) there are certain interest risks. **Firstly**, a potential investor needs to be made aware of these risks, particularly by those ‘in the trade’ such as myself or anyone else in an advisory capacity. **Secondly**, the client’s age and place where they are at in life is important. Is the time right for them? Is this the right sort of investment and appropriate risk for them to take? Often a simple ‘Risk Profile’ process will identify where the client should invest.

**Above all**, the client should be comfortable with what they are doing and have done their own research. There are many books on the market covering all manner of investment. The authors of these books only have a vested interest in selling the book. They have no vested interest in your decision, and will cover the various aspects of investment to give you a better understanding.

At the moment, many property investors have emerged, to take advantage of the present market. Amid the reported property (land) price decreases, interest rates are also attractively low. In the commercial area there are many premises that are vacant and producing no rent.

So what is best? Residential property or Commercial property investment? To help decide this for yourself, here are some factors to be aware of.

Commercial properties can experience very high rental yields compared to residential. The trick is not to have either empty for too long. Currently there are not many empty residential investments, but if you take a trip around your local area you may see plenty of empty commercial premises. Unlike residential, the tenant pays all the outgoings (rates, etc) and will usually keep the place looking smart, because smart is good for business.

Commercial property investors will have a clear understanding of the following:

- Commercial property pricing structures
- Can you withstand an economic downturn (like now)? Location can be vitally important here.
- Is the location suitable for your target tenants needs?
- What internal fittings are required by prospective tenants?
- Are there lease arrangements already in place? What are the terms, etc?
- Will your location become more desirable or will it become history as newer developments take place.

In summary the returns are higher for commercial property, but so are the risks for the unwary.

**Next Article.** What to look for (or not to have) in Residential Investment properties. Residential investment is simpler and less costly for most to understand and get involved in.

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