



**Maat
Group**

Investment News

Autumn 2018

www.maat.co.nz

***"Don't wait to buy real estate.
Buy real estate and wait" – Will Rogers***

Welcome to this Autumn 2018 edition of Maat News as we leave behind the hottest summer on record in many cities and towns throughout NZ. In addition, water temperatures have been 2 degrees above the average, so it has been a summer to remember.



Neil Tuffin - Director

Maat's Philosophy

We again thank you for your support and loyalty in assisting us to develop our business based on the principles of Maat – the Egyptian Goddess of *Truth, Justice and Balance*.

The Maat directors and staff are committed to building strong personal relationships through the twin pillars of trust and ethics to:

- Provide investors with the opportunity to subscribe for equity in investment companies which are formed to own each individual property
- Enable equity investors to have the right to appoint directors and property managers for the investment company
- Maximise returns for investors, through minimising issue costs; minimising on-going management fees and not receiving further remuneration for share transfers
- Have transparency, so that investors have sufficient information and knowledge to understand the nature of the product that they are investing in
- Give New Zealand residents an opportunity to own shares in a company which owns commercial property in their own country
- Purchase properties as individual entities which are required to achieve the assessment criteria we impose for stand alone investments, rather than creating a fund for investment
- Retain significant cash reserves to meet the needs for future working capital and capital expenditure requirements



"Maat's mission is to share our knowledge and resources and provide the highest level of personal service."

As a result of implementing our equity investment strategy, Maat's offers are clearly different from investment offers by Proportionate Ownership Schemes which are controlled by licensed issuers under the Managed Investment Scheme (MIS) regime.

Maat now manages twelve properties, with a market value of \$260m. Our latest offer is detailed in this Newsletter for your consideration. The \$40m pending purchase of 306 Cameron Road, Tauranga, will increase Maat's portfolio of properties managed on behalf of investors to \$300m.

New Offer:

Cameron Road Property Investment Limited

We are again pleased to bring to the market an investment opportunity which meets our criteria of being a quality property with a range of quality tenants, from which we can maximise the returns for investors.



This property is located at 306 Cameron Road in Tauranga, on the corner Cameron Road and 3rd Avenue.

The construction of the 5-level building was completed in late 2016. It has 8,077 sqm of lettable area in the building. The two main tenants are the Inland Revenue Department (on a 9 year lease) and the Tauranga City Council (on a 7 year lease). Together, these tenants occupy 88% of the property. The property is being purchased for \$41,497,200, with \$22,850,000 of investors' equity to be raised.

Bank funding of 47.5% LVR will be secured to complete the purchase. We have held the estimated issue costs to 2.26% (excl. GST) of the purchase price, which is historically very low for the industry and assists us to provide the maximum return for investors.

It is planned for the investment to be registered as a PIE (Portfolio Investment Entity), limiting the top tax rate to 28% (from 33%).

The projected return, pre-tax, will be 7.8% per annum, payable monthly to investors. We have also retained significant cash reserves, accumulating to a projected \$558,000 at the end of the 3rd year of projections, as at 31 March 2021.

A prime attraction for Maat to offer this property to the market is the future development and growth of Tauranga. Tauranga is now NZ's 5th largest city (at 134,000); is currently NZ's second fastest growing city (behind Auckland); and the population is expected to grow by 20% in the next 15 years to 162,000. The city boasts NZ's largest port. Waikato University is in the process of constructing a precinct which will bring 12,000 students in to the city.

The Bay of Plenty region topped the annual growth comparisons for regional NZ for the second year in a row to 31 March 2017, with GDP increasing by 9% to a value of \$14.4bn (equating to 5.5% of NZ's total GDP).

Annual building consents of \$1bn value were issued for the first time in 2016 and the City Council is striving to achieve their vision of creating a truly international city.

The key dates to note are:

**Capital raising close-off
Settlement**

**12 April 2018
26 April 2018**

The Product Disclosure Statement (PDS) has now been distributed to those who have expressed interest and we would welcome your enquiry for further information on this investment.

Your attention is drawn to our requirement to file important documents on the Companies Office Disclose Register in relation to the purchase of this property. These documents include full financial statements; lease agreements; the Ownership and Management Deed; and expert opinions. You may view these documents by searching the Disclose Register (No.12335), with access through www.disclose-register.companiesoffice.govt.nz

Please contact the Maat Office on 09 414 6078 or:

Jodi (Investor Relations Manager)

Mob. 021 084 4253 | info@maat.co.nz

Neil (Managing Director)

Mob. 021 481 441 | ntuffin@maat.co.nz

You may also wish to view Maat's website: www.maat.co.nz

Staffing and Office Relocation

During March we have relocated to a larger office space on the same floor of our current premises. Our new address is B4, 17 Corinthian Drive, Albany, (previously B3). This facility provides greater space to meet our future requirements, including a larger meeting room to enable us to hold seminars internally.

We are pleased to announce the appointment of Michelle Lomas, a qualified accountant, as Finance Manager. Michelle is one of Neil and Allyson's twin daughters and will share the work-load with Bruce Ellis, the Finance Director. Mark Hughson, continues to hold the position of Compliance Director.

Michelle's husband, Tony, joined us in May 2017 as Facilities Manager and has significantly enhanced this very important role within Maat. Tony is now assisted by Paul Tuffin, as Tony becomes focussed on specific property refurbishment projects. Jodi Tuffin focuses on her investor relations management role and is developing Natalie Bell to assume responsibility for many of the administration tasks in the normal course of business.

We have built a very efficient and effective team within the Maat organisation. This team will be added to in key areas as Maat further develops and the need arises. We will maintain our strategy of developing future leaders within the company who will continue to abide by the principles of Maat in the future to effectively manage the fundamental objectives of our business, which includes maintaining close relationships with our investors and tenants.

Please get to know all of our staff. Their goal is to meet the needs of our investors by responding in a professional manner when attending to any issues raised by investors and/or tenants.

It is also of note that our Managing Director, Neil Tuffin, holds the positions of Deputy Chair and Finance Committee Chair of the Business North Harbour Executive Board, the local business association. It primarily advocates for improved business conditions for property owners and businesses located in the local Business Improvement District.

The Commercial Property Market



NZ commercial property development remains very active, with Queenstown, Tauranga and Auckland leading the development.

According to Colliers International research, there were 73 cranes in the Auckland skyline at the end of 2017, up one from a year ago! Major developments are on course to be completed in 2020, including the new Foodstuffs' 65,000 square metre distribution building at The Landing near the airport, the significant investment in retail redevelopments in progress at the Botany Town Centre, Westfield Newmarket and Sylvia Park and the continued expansion of the apartment market, led by the start of the two downtown complexes: the Seascape and the Pacifica. The Seascape will be Auckland's tallest apartment block at 187 metres. Hotel development is also taking place, with the major expansion of the Langham in progress (renamed the Cordis) and other hotel complexes being new builds or redevelopments.

It was interesting to note that Maat was the only NZ company to purchase property in Auckland with a value of over \$50m during 2017. The other 11 properties of this size were bought by overseas based investors. One of our goals is to provide NZ residents with the opportunity to invest in their own country, so we are pleased that we can identify opportunities to secure this goal for our investors.

The current demand for commercial property continues to be positive which has led to increasing prices and lower yields as a result of a combination of factors, including the sustained low interest rate period, the low vacancy rates, the continuing rising costs of new buildings and the effects of population growth. We are mindful of the effects of a 'softer' market when selecting properties in the current lower yield market. It is important to focus on the long-term market growth prospects which are dependent on the quality of the property, alternative uses, location and lease terms.

Investment Fundamentals

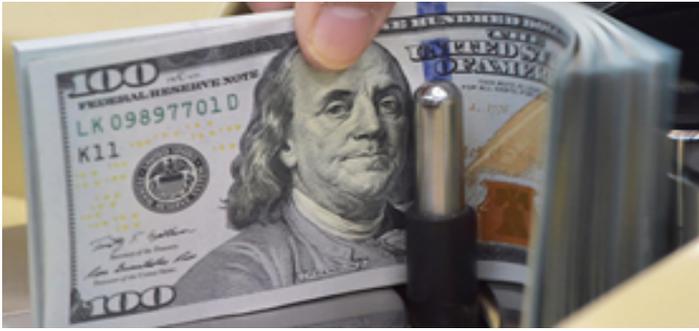
There are many options for investors to invest and their choice will depend on their own individual investment goals; their personal financial circumstances and their investment horizon. Regardless of their goals and aspirations, investors need to have sufficient information and disclosure available to them, including the nature of the investment, the associated risks and the financial projections.

There are fundamental elements to all investments which should be considered by investors before making the important investment decision, including growth forecasts; income and/or capital returns; volatility; costs; diversification; borrowing power and risk.

It is difficult to find comparative information between commercial property returns and other forms of investment return in NZ and dangerous to compare with such analysis in other countries as the tax laws are not the same in both countries. The normal comparison is between equities and property but such comparisons need to be viewed over a 10 year period. A 'wide-view' analysis is provided as follows:

- a) **Growth**
Over the longer-term property has shown significant increase in value and not subject to the same volatility as shares. With our type of property investment, the movement in value is recorded annually compared with share valuations which are real-time.
Winner: Property
- b) **Income**
Dividend yields on shares are generally around the 4-6% level (but not all shares pay cash dividends), whilst Commercial Property investment is likely to return in excess of that due to the investor using bank funding for a portion of the purchase cost.
Winner: Property
- c) **Volatility**
Shares can be bought and sold quickly, which brings greater volatility. Property tends to be much less liquid due to the longer sales process resulting in less frequent market swings.
Winner: Property
- d) **Costs**
Typically, property investment costs include legal fees, marketing, valuation, arranger fees and bank fees. These issue costs will (most likely) be greater than purchasing shares and need to be recovered from the increase in value of the investment in both cases
Winner: Shares
- e) **Diversification**
Investors in shares have more opportunity to diversify their shares across industries, countries and types of companies compared to investing in properties.
Winner: Shares
- f) **Borrowing Power**
Banks are more willing to lend an investor money to buy real estate and at a lower interest rate than if they secured a loan to buy shares. Property investors need to be comfortable with receiving loan funds.
Winner: Property
- g) **Risk**
Property values can fall by hundreds of thousands of dollars, but a single share investment can be wiped out completely. Remember the GFC.
Winner: Property

The World Economy



For the first time since the financial crisis a decade ago, all of the world's major economies are growing.

A decade after the world descended into a devastating economic crisis. Every major economy earth is expanding at once, a wave of growth that is creating jobs, lifting fortunes and tempering fears of popular discontent.

No single factor seems to explain how this recovery has happened. Each economy took its own path to recovery. The United States has been assisted by government spending during the Obama administration, plus a recent \$1.5 trillion shot of tax cuts. Europe is now reaping the benefits of cheap money being injected by its central bank.

The recovery has not been fast and many economists are sceptical that the benefits of growth will reach beyond the affluent and politically connected class. There is a recognition that the working people have not benefited as their wages have stagnated.

The United States, the world's largest economy, is into its ninth year of growth, with the International Monetary Fund lifting expectations for expansion to 2.7 percent this year from 2.3 percent because of the tax cuts.

China has diminished fears of an abrupt halt to its decades-long growth trajectory. Europe has emerged as a growth leader. Even Japan, long in decline, is expanding as well.

Rising oil prices have lifted Russian and Middle East economies. The result is a hopeful albeit fragile recovery, one vulnerable to the increasingly unpredictable predilections of world leaders.

There are always risks in economies and it's of note that the notion that Western markets are politically stable, is not now always true, as the effects of Brexit in Europe and the presidency in the United States bring a new level of instability looming over the world economy.

The world economy is expected to grow by 3.9 percent this year and next, up from 3.7 last year, and 3.2 percent in 2016, according to the IMF. That is positive. Yet in the years before the crisis, global growth typically exceeded 4 percent.

The New Zealand Economy

The latest ANZ outlook sees some headwinds ahead but "are not ready to call time on the cycle" just yet.



There are still enough positive forces that should see growth returning to broadly around trend over the next couple of years (but probably not much more).

Internationally, their global growth forecasts again "depict a steady and reasonably positive picture" in 2018, although it is arguably 'as good as it is going to get'.

The dairy markets look tentative during the first half of 2018, but most other sectors look steadier at what are currently historically high farm-gate prices.

Interest rates are expected to be stable before a gradual lift from around the middle of 2019, though rate increases are expected to be modest. The NZD is expected to strengthen a little on most crosses out to the middle of 2018.

Maat Financial Services

We are committed to building financial security for our investors and many others who have the need.

Led by Paul Tuffin, Maat Financial Services provides the required personal insurance advice and service to assist individuals and businesses to secure their income and/or protect their business exit strategies or continually if an insured.



Paul Tuffin - Advisor

Maat Financial Services can also provide companies with the opportunity to benefit their employees by implementing an Insurance Group Scheme. NZ companies are slowly catching-up to this employee benefit that has become the norm in many developed countries throughout the world.

Some startling statistics are available in NZ in regards to the impact of income lost through a personal tragedy. One key fact is that every year over 50,000 New Zealand households lose the main income earner's salary through illness for at least six months.

Maat's Goal

Maat will continually measure our organisation's performance against our own high expectations. *Maat's mission is to share our knowledge and resources and provide the highest level of personal service.*

If you have any queries about our business or your investment, please call Neil at any time on 021 481 441, or contact Jodi on 09 414 6078 or 021 084 4253.