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Commercial Property Investment Guide

Your practical guide to commercial property investing in New Zealand.

This easy-to-follow guide breaks down the fundamentals of investing and explores the dynamics of New Zealand's commercial property market. Packed with practical insights, examples, videos and explainers, it's the essential 101 for anyone considering commercial property as part of their investment portfolio.

How to use this guide

Whether you're new to commercial property investing or looking to diversify your portfolio, this guide is designed to meet you where you're at.

You can work through it from start to finish or jump straight to the sections that are most relevant to you.

SECTION 1

Investment

Investment fundamentals, risk profiling and the types of investment products available.

- → Why investment stacks up in New Zealand
- → Understanding your investment profile
- → Understanding liquidity and return rate
- → Why diversification matters

SECTION 2

Commercial Property

Take a closer look at commercial property in New Zealand, including how the sector works, key market trends and what drives performance.

- → Sector-by-sector guide
- → Performance over time
- → 3 Key trends in the commercial property sector
- → 5 Key differences from residential property investment
- → 5 Ways to invest in commercial property in New Zealand
- → The key to successful property management
- → Glossary of property and investment terms

This guide is intended to inform, not advise. While we've drawn on our experience at PMG, the content is general in nature and not investment advice. We encourage you to speak with a licensed financial adviser before making any investment decisions.

Congratulations on taking the next step in your investment journey.

I would say 'first step', but if you're a KiwiSaver member, residential landlord, or home owner, then you're already on your way.

Over the last few years, we've seen barriers to investing in virtually every investable asset fall away – meaning you're only ever a few clicks away from being able to purchase stocks, bonds, fund options or crypto currency. But just because you can, doesn't necessarily mean you should. Apps and websites may now be the doorway to successful investment, but knowledge is still very much the key.

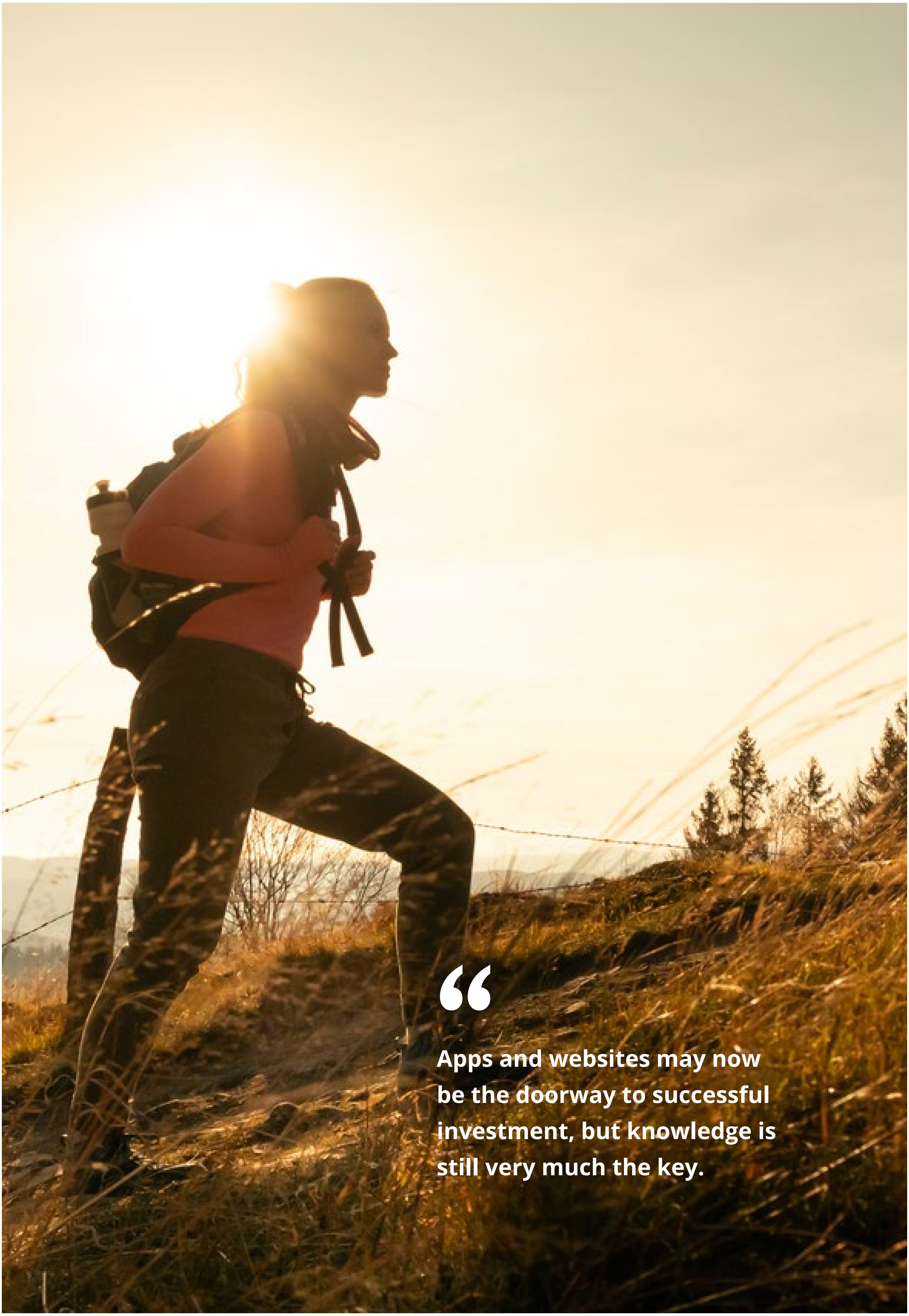
With investment we often talk about 'building' wealth – putting together a structured, diversified portfolio that can withstand the rough times and flourish through the good. All these asset classes and more can feature in a successful portfolio.

We specialise in commercial property funds, through which we provide investors with exposure to quality commercial property in New Zealand. We believe our funds can play a key role in a diversified investment portfolio, but to what extent will depend on your individual circumstance, risk profile, preferences and timeframe.

Informed investors make better investment decisions. Wherever you are in your investment journey, we want you to be able to approach commercial property investment armed with enough knowledge to get started, if it's right for you; and enough confidence to ask the right questions, of yourself and of others, before you commit your hard-earned savings to investing in your future.

Warm regards

Scott McKenzie
CEO & Director, PMG Funds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SECTION 1

Investment

Why investment stacks up in New Zealand

As a local investor, you're already operating in one of the most stable, transparent and investor-friendly markets in the world. But in an environment where every investment choice matters, it's worth re-examining what makes New Zealand such a strong foundation for long-term wealth.

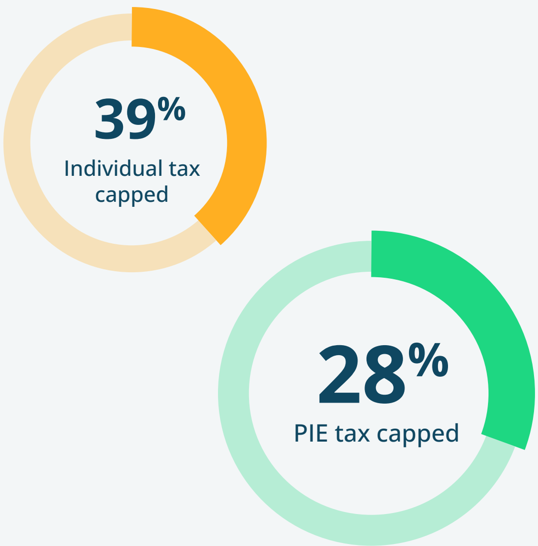
Stability you can rely on

We've all seen how quickly global markets can shift. New Zealand continues to stand out for its political and regulatory stability, high levels of trust, and consistent enforcement of investor protections. The Financial Markets Authority ensures licensed investment products are held to account, so you can invest with clarity and confidence.

A tax system that rewards structure

Our tax settings support intergenerational wealth creation. No capital gains tax (in most cases), no inheritance tax, and a capped 28% tax rate on Portfolio Investment Entities (PIEs) mean more of your returns stay working for you.

For investors who plan strategically, these benefits can make a meaningful difference over time.



Strong income assets, with global optionality

The local share market is dominated by dividend-paying infrastructure, energy and utility stocks. But you're not limited to what's here. With easy access to global markets, it's possible to build a diversified portfolio that balances income, growth, and resilience.

Interest rates aren't what they used to be

While recent inflation has pushed borrowing costs up, rates remain low by historical standards. For investors, this has underscored a broader shift: leaving money in the bank rarely outpaces inflation. That's why more Kiwis are looking to managed funds, commercial property and other income-generating assets as smart long-term plays.

Learn more about the impact of lower interest rates on various investment classes in this short discussion with Mark Lister, Investment Director at Craigs Investment Partners.

Understanding your investor profile

Your investor profile reflects your financial goals, risk tolerance and investment experience. Understanding it is key to making informed decisions that align with your long-term objectives.

While risk appetite varies at different life stages, a balanced, strategic approach ensures your investments remain resilient in changing market conditions. Understanding what type of investor you are enables informed decision-making, ensuring your investment strategy aligns with your risk tolerance and financial goals.

While your investor profile is not defined by your age, it is true that the younger you are, the far more likely you are to be comfortable with investment risk. This is based mainly on the reality that, at this early stage of your investment journey, you simply don't have as much to lose and that you have plenty of time to make any losses back.

It's likely that your investor profile, and therefore your portfolio settings, will depend on your changing life stages and circumstances. Diversification will help you build a more resilient portfolio.

Another key investment consideration beyond stability is passive income, which will enable you to cover your expenses without having to take money out of your savings. These can come in the form of dividends from listed stocks, mutual funds or Exchange Traded Funds (ETFs) or distributions.

Factors that shape your investment profiles

Age

Young professionals typically have longer time horizons, which means they may be more comfortable with higher levels of risk in pursuit of growth.

Family builders often balance growth with stability, focusing on a mix of income and growth assets.

Pre-retirees and retirees generally prioritise capital preservation and reliable income.

Sophisticated investors may pursue higher-risk, higher-return strategies and are typically experienced in managing the ups and downs of markets.

Time horizon

The length of time you expect to hold your investments matters. A longer horizon usually allows for greater tolerance of short-term volatility, while shorter horizons tend to favour more defensive strategies.

Investment goals

Your objectives — whether that's building wealth, funding education, buying a home, or ensuring financial security in retirement — strongly influence your approach.

Growth goals usually mean a higher tolerance for short-term volatility.

Income goals typically lead investors to prioritise stable, income-producing assets.

Knowledge and experience

- New investors may prefer to start with simpler, more diversified options to build confidence.
- Sophisticated investors with more experience may pursue higher-risk, higher-return strategies and feel more comfortable navigating complex markets and products.

Circumstances and lifestyle

Changes in employment, family commitments, health, or financial obligations can all reshape an investor's profile over time. A sound investment approach is one that remains flexible and adapts as your circumstances evolve.

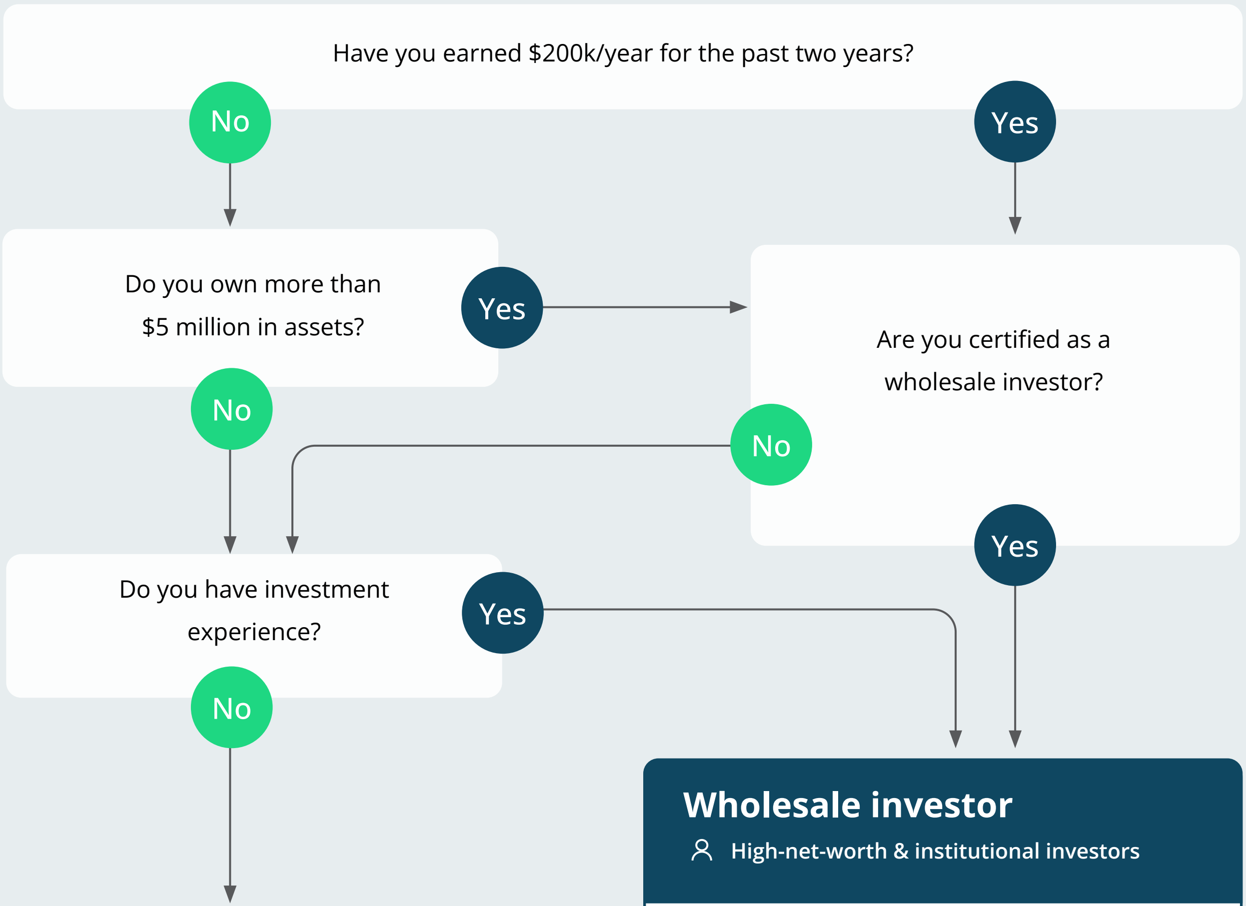
Investment is not the same as saving

Investing relies on the synchronisation of a variety of skills, knowledge and management practices to generate the returns you want.

Take the time to research your investment manager's strategies and values to ensure they resonate with you, so you can trust them to make difficult decisions. This will help you to approach your investment journey with enjoyment and confidence.

Retail vs wholesale investor: **which one are you?**

Under the Financial Markets Conduct Act 2013 (FMCA), there are two main types of investors: **retail investors** and **wholesale investors.**



Wholesale investor

High-net-worth & institutional investors

An individual or organisation with a strong understanding of financial products, their operation and the associated benefits and risks. To qualify as a wholesale investor in New Zealand, you must meet the following criteria:

- Minimum investment amount is $750,000.
- Investment amount, plus any amounts previously invested for the same financial products from that provider add up to at least $750,000.
- Investor will acquire the financial products under a bona fide underwriting or sub-underwriting agreement.
- The notional value of the derivative is at least $5 million.

Retail investor

Most everyday investors

Anyone who is not a wholesale investor, meaning they are not a person or entity with the capacity to assess investment risks and make informed decisions, and therefore require more regulatory protection.

**This quiz is for guidance only and does not replace legal or financial advice. We recommend speaking with a licensed financial adviser before making any investment decisions.*

Understanding liquidity, volatility and return rate

Weighing up the merits of investment and savings products can never be an apples-for-apples comparison. When deciding what's right for you, it's important to look beyond the surface features and think about how each option aligns with your goals and circumstances.

Successful investment is all about making your capital work for you. Once you've established your investor profile, and the level of risk you're comfortable with, three key considerations come into play:

- **Liquidity**: How accessible you need your capital to be.
- **Volatility:** How much the value of the investment is likely to rise and fall over time.
- **Return:** What you can expect your investment to generate, after fees and tax.

Not all products are created equally – some are suited to short-term saving while others are designed for those with a longer timeframe. Beyond that, factors like the type of investment product, the fee structure of the fund manager and your own personal tax rate will all ultimately influence how much of the advertised gross return you keep.

Liquidity

When investing a large sum of capital, it's important to know how long you can afford to be without it.

If you think that there's a chance that you may need to access some or all of it at short notice, for example for a major purchase, house deposit or holiday, products like bank savings accounts or specialist cash funds are typically designed for this.

If you're a medium-term investor with a low risk tolerance, fixed term products like term deposits offer liquidity and varied returns, though early withdrawal may affect return rates.

Listed funds offer near immediate liquidity, but are inherently volatile to market fluctuations, so risk and return depends on investor skill, timing and knowledge, as well as a variety of external factors. Commercial property funds are suited to investors looking to access regular returns and growth in value over time, but typically don't offer immediate liquidity.

Volatility

Most investments experience some degree of price movement over time. Volatility describes the extent of these movements – how much, and how quickly, the value of an investment can rise or fall. Products like term deposits or savings accounts are considered low volatility because their value remains steady, though they usually deliver lower potential returns. Listed shares, on the other hand, are highly volatile, with values that can change daily in response to company performance, market sentiment, or global events.

Volatility isn't inherently negative. In fact, higher-volatility investments often offer greater potential for long-term growth, provided you can tolerate the ups and downs along the way. The key is understanding your comfort with short-term fluctuations versus your need for stability. For example, if you are investing with a long horizon (20+ years), you may be less concerned with short-term swings, knowing you have time to recover from downturns. If you are nearing retirement, however, minimising exposure to volatility becomes more important to protect your capital and ensure reliable income.

Ultimately, your tolerance for volatility should align with your broader investor profile, balancing your goals, time horizon and appetite for risk.

Volatility in different types of products

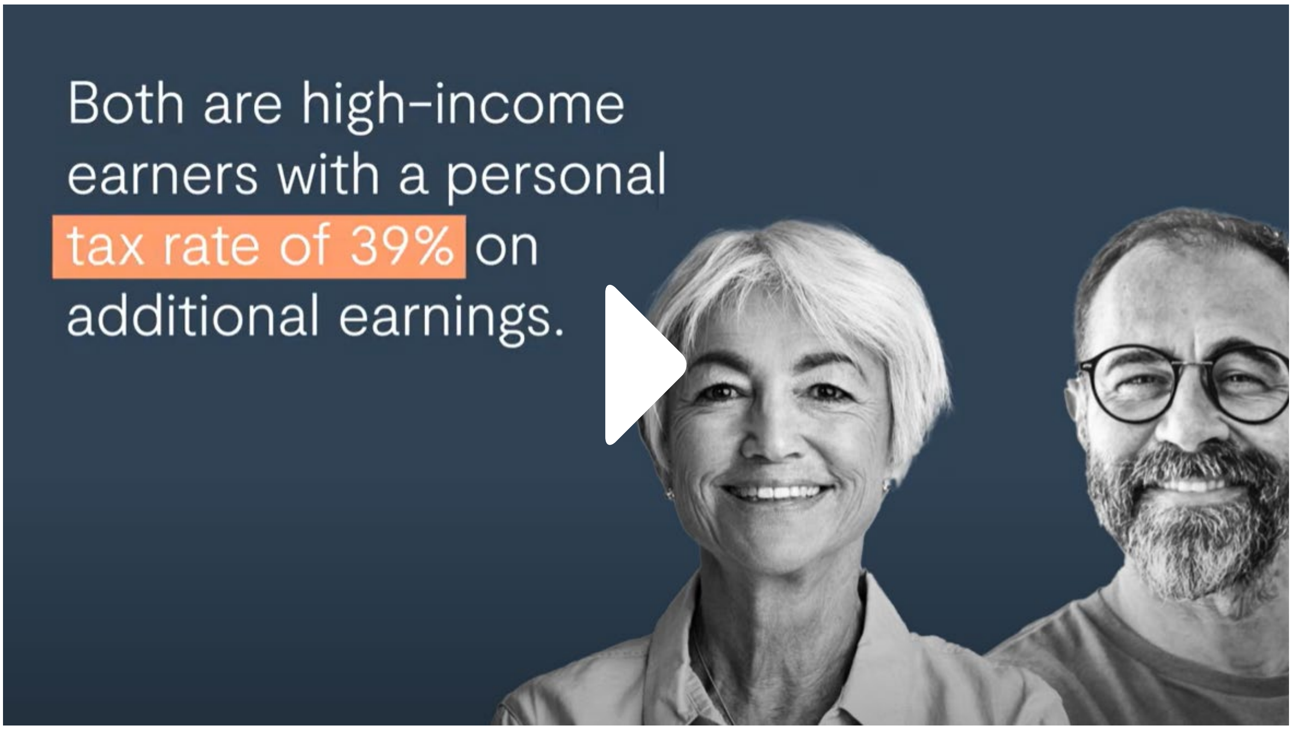
Product	Volatility	In practice	Investor consideration
Term Deposit (TD)	Very low	Value remains steady; fixed return agreed upfront.	Stability and guaranteed access to capital at maturity.
Balanced fund	Medium	Value can move up and down depending on underlying mix (shares, bonds, property).	Accept some fluctuation in pursuit of steadier long-term growth.
Listed shares	High	Prices can move daily with company performance, market sentiment, or global events.	Potential for higher growth over time, but more short-term risk.

Return rate

Most investment offers will be marketed with a headline rate of return. However, the amount you actually receive though will be dependent on your personal tax rate and/or the tax structure of the investment or savings product.

For example, you might see a term deposit with a headline rate of 4.00%. If you earn between $78-180K p/a, then your marginal tax rate of 33% will bring this down to 2.68%; and if you earn more than $180K, then your marginal tax rate of 39% will reduce the real rate of return to 2.44%.

However, should you choose to invest in a PIE product, then no matter whether you earn $70,000 or $700,000 a year, your investment returns will only be taxed at your applicable Prescribed Investor Rate (PIR) up to maximum of 28%, which may provide tax advantage depending on your income level. This means that even if the headline rate of the PIE Fund is only 4.90%, your real returns will be greater.



Investing wisely demands strategic thinking and adaptability and making educated decisions about what you're investing in.

With continuously growing investment options, commercial property can provide attractive returns and growth over the long-term. As with all investment opportunities though, commercial property performance is influenced by a range of external factors.

These include:

- Economic downturns affecting demand.
- Interest rate fluctuations impacting capital values and financing costs.
- RENT — Prolonged vacancies reducing rental income in slow markets.

The role of interest rates on commercial property performance

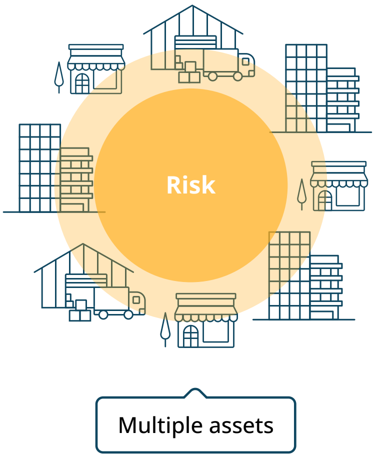
Read the article

Why diversification matters

Who doesn't love a free lunch? Nobel prize-winning economist Harry Markowitz famously called diversification the only free lunch in investing. What he meant by this, is that it allows investors to manage their exposure to risk without having to sacrifice returns.

Given the breadth of opportunities now available to investors, your 'free lunch' today comes in a variety of options to suit your specific dietary requirements. In its grandest form, it will see investors allocate their money across a mix of asset classes, industries and geographies on the premise that these investments would all react differently to the same negative market event.

The concept is just as pertinent to those starting out on their investment journey, with less investment capital to play with and/or less knowledge of particular asset classes.



Most investors will see commercial property as a vehicle for generating a combination of income and growth over time.

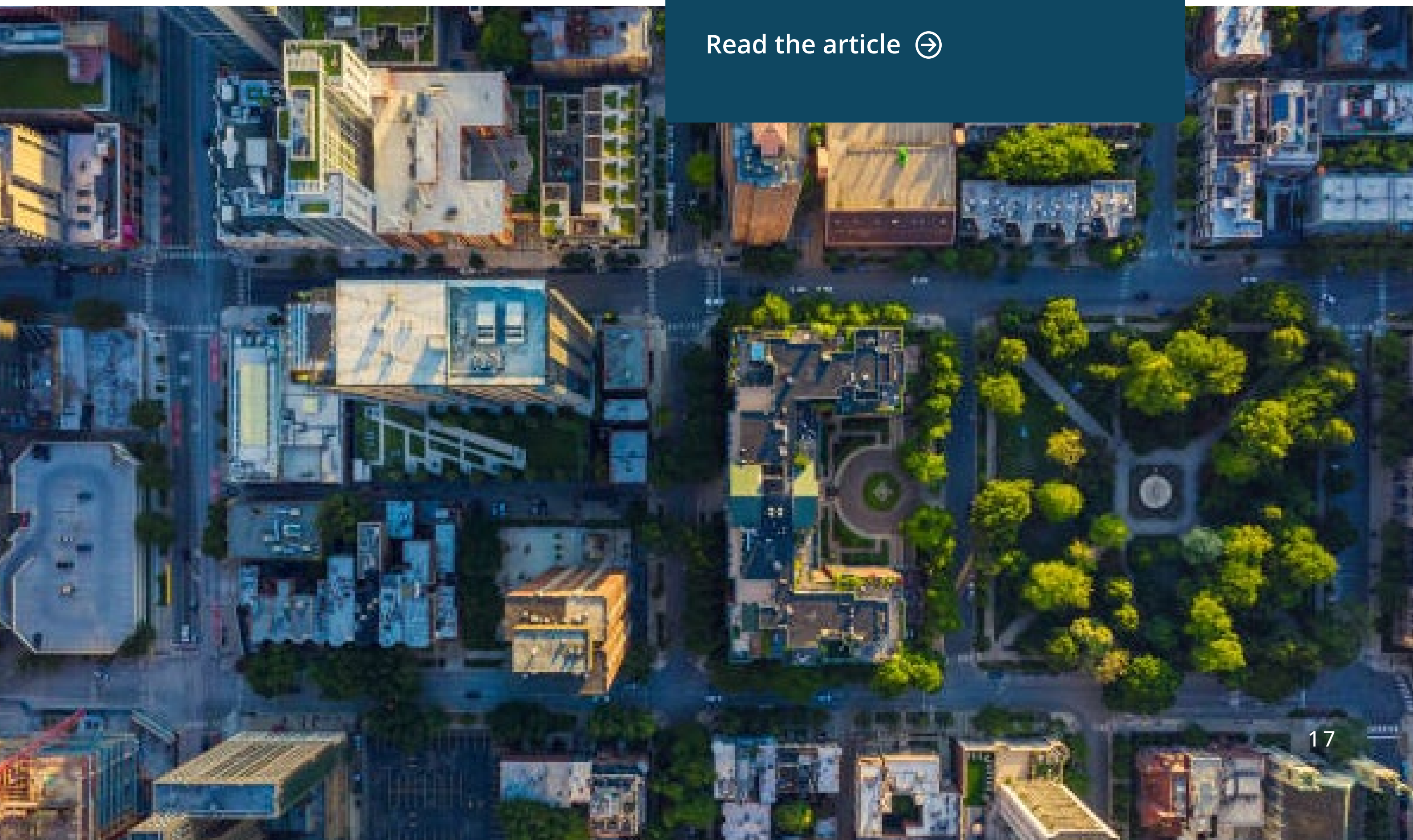
By investing in a diversified property portfolio rather than a single asset, you're protecting the income component in the event of unanticipated vacancies. Should a tenant's business fail, or a property require major unscheduled maintenance, the impact of a temporary loss of rent from one property can be cushioned by the ongoing performance of several others.

Like most things when it comes to investment, diversification is not a one-size-fits-all solution.

The way you choose to structure your investment portfolio should be influenced by your investment timeframe, wider financial position and risk profile.

How strategic diversification helps mitigate risk

Read the article



SECTION 2

Commercial property

A sector-by-sector guide to commercial property

The commercial property sector has traditionally been split into three main categories: office, retail and industrial. But with property both a product and enabler of emerging trends and technology, we've also seen the emergence of other, newer property types.

For now, these 'newbies' are still generally referred to as 'alternatives', but the likelihood is that in the future these will soon become established sectors in their own right.

Office

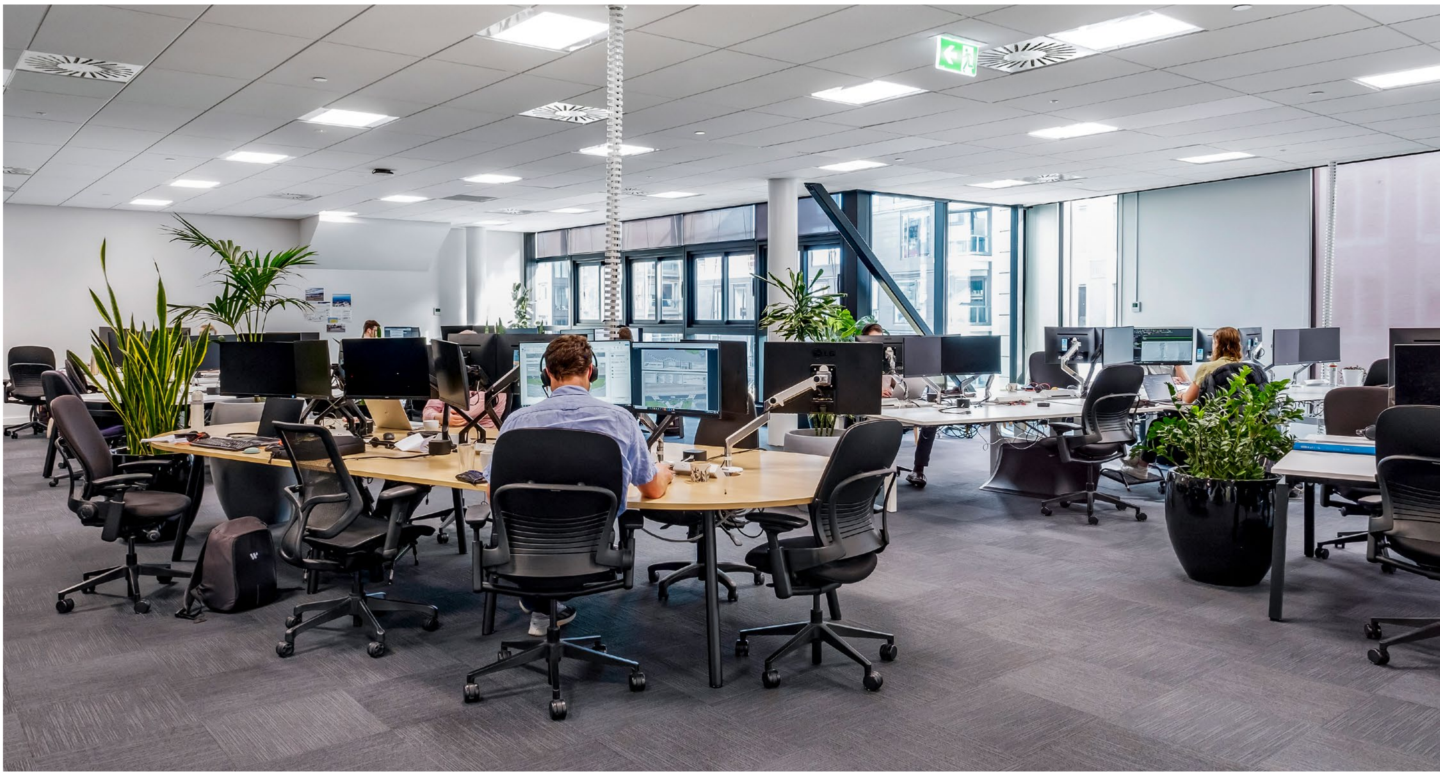
When the COVID-19 pandemic normalised remote working, some commentators were quick to pronounce the death of the office. The reality is far more nuanced. While the pandemic accelerated the adoption of flexible and hybrid working models, it also highlighted the enduring role of the office.

Globally, many employers have encouraged or required a return to the workplace – not only to ensure knowledge transfer, but to foster creativity, collaboration and workplace culture. These remain critical drivers of productivity and long-term business success.

Today and tomorrow's offices are less about rows of desks and more about creating environments that balance flexibility with functionality. Employers are seeking spaces that support collaboration, offer proximity to public transport and amenities and demonstrate sustainable design – features that help attract and retain talent while meeting environmental and social expectations.

- A premium placed on proximity to public transport and amenities.
- Floorplans that promote collaboration and interaction rather than a desk for each employee.
- Video technology-enabled meeting spaces.
- End-of-trip facilities such as showers, lockers and laundry services.

These are just some of the key hallmarks of the 'flight to quality' phenomenon that has led to a growing gap between the investment performance of premium and lower grade office stock (more on this later!).



Retail

Retail property – which covers everything from high street boutiques to suburban shopping malls and large-format retail centres – is closely tied to consumer confidence and discretionary spending. This makes it sensitive to economic cycles, but the sector has also proven its resilience.

Over the last five years, many well-located centres and adaptable retailers have performed strongly, even with the sector facing the impact of pandemic shutdowns and inflation. Success has come through localisation, omnichannel strategies and creating customer experiences that integrate physical and digital retail.

The shopping centre and large-format retailsectors (such as well-known houseware, DIY and technology brands) have continued to perform strongly throughout these challenging periods by offering convenience, competitive pricing and non-discretionary household items.

Savvy retailers blend in-store experiences with e-commerce for true omnichannel success.

Industrial

Whereas the traditional retail sector has been challenged by the rise of e-commerce, the industrial sector has thrived on it.

Already viewed as a safe and stable asset class, thanks in part to the longer lease terms associated with manufacturing, warehousing and logistics spaces, the sector has benefitted from increased demand for distribution centres and last-mile delivery hubs. This continues to underpin strong demand and rental growth for well-located facilities around our main centres.

The industrial sector is also subject to the **'flight to quality'** movement, particularly where this overlaps with sustainability and technology.

Property performance is now integral to corporate reputation, meaning tenants will seek energy-efficient buildings that can reduce both carbon footprint and operating cost. And within a highly-competitive market, modern buildings with flexible layouts that can accommodate advancements in automation will continue to be highly sought after.

Alternatives

Beyond the three main sectors, there are a number of niche markets that offer opportunities for investors. Some of the more established alternatives include:

- Childcare
- Healthcare
- Hospitality
- Student accommodation
- Retirement living

Recent changes to the way we live, work and consume information have also given rise to a new types of investment opportunities. These include data centres, to power the growing use of AI and cloud-based services; self-storage, to support the shift to smaller living spaces; and build-to-rent (BTR) residential that has emerged as an attractive alternative to home-ownership.

Performance over time

When it comes to building wealth, time in the market matters more than timing the market. A long-term approach allows investors to ride out short-term volatility and benefit from the steady compounding of returns over time. At PMG, we believe successful investing is about staying focused on your goals — not the noise.

In the short video below, PMG CEO Scott McKenzie sits down with Mark Lister, Investment Director at Craigs Investment Partners, to talk about why taking a long-term view is one of the most powerful strategies for investors at any stage.

"It's always important to step back, think about your objectives and invest for the long term."

Mark Lister
Investment Director at
Craigs Investment Partners

3 Key trends in today's commercial property sector

Understanding the forces shaping commercial property is key to making confident, future-focused investment decisions. In this section, we explore three major trends currently influencing the commercial property sector — from shifting workplace dynamics to sustainability expectations and evolving tenant demands.

Sustainability

Remarkably, it's estimated that **only 3% of the world's commercial buildings** are currently set up to meet globally-agreed 2050 zero carbon goals.

It's therefore vital that owners, investors and tenants all take significant steps to improve their contribution.

With many companies now reporting on their environmental footprint, either voluntarily or to comply with increasing regulations, sustainable property strategies have become far more common. These can range from companies seeking out buildings with green credentials (such as NABERSNZ ratings) to signing 'green leases' that compel both landlord and tenant to commit to reducing the environmental impact of the building and promoting energy efficiency.

There are a number of easy wins for improving environmental performance, such as enhancing monitoring capabilities, implementing recycling and waste diversion strategies, and installing energy-efficient LED lighting. Slightly bigger ticket enhancements include solar panel installation, end of trip facilities to encourage active transport to/from work and the implementation of smart building controls.

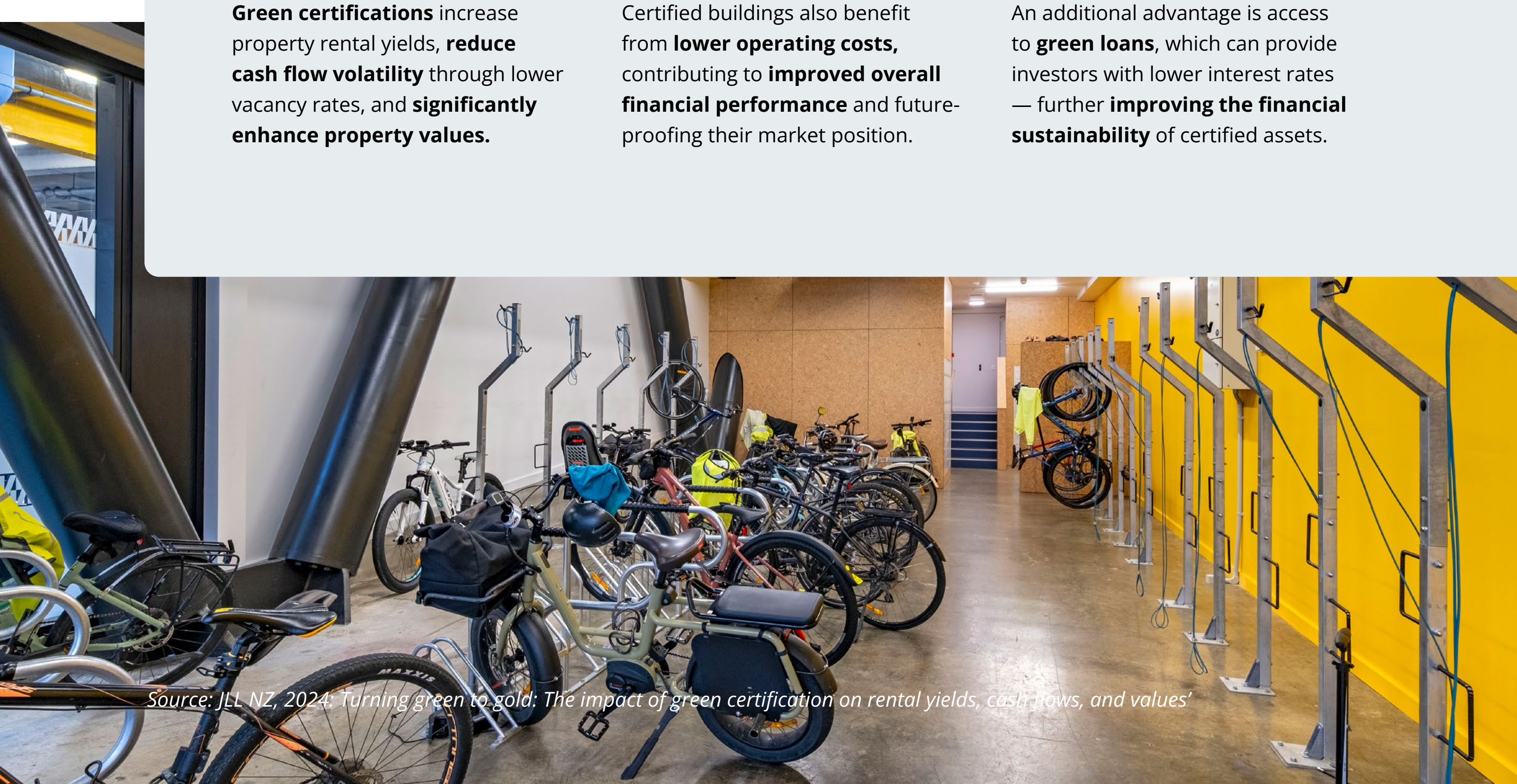
Beyond protecting planet for future generations, there's also a growing appreciation that environmental and economic performance go hand in hand.

Sustainable buildings not only attract and retain quality tenants, but can also lower operating costs and enhance property value.

Green certifications increase property rental yields, **reduce cash flow volatility** through lower vacancy rates, and **significantly enhance property values.**

Certified buildings also benefit from **lower operating costs,** contributing to **improved overall financial performance** and future-proofing their market position.

An additional advantage is access to **green loans**, which can provide investors with lower interest rates — further **improving the financial sustainability** of certified assets.



Source: JLL NZ, 2024: Turning green to gold: The impact of green certification on rental yields, cash flows, and values'

PropTech

One of those buzz phrases that remind us that the future has already arrived, PropTech (Property Technology) captures the constantly evolving array of digital tools available to enhance the development, management, operation, investment and leasing of property.

It's not so long ago that you may have included simple property listing websites within the category. But fuelled by the rapid growth in automation and AI, PropTech innovations now play a far greater role through the lifecycle of a property. This includes using big data and AI to provide insights into market trends; 3D modelling in construction; streamlining every facet of property management through a single portal; and integrating building systems to work together for better environmental and user outcomes.

Given that we're still at the start of discovering the potential of AI, it's fair to say we've barely scratched the surface of how PropTech will influence the world of commercial property.

Curious how sustainability, the flight to quality and PropTech are reshaping commercial property?

In this deep dive, Property Council New Zealand CEO, Leonie Freeman explores these trends and what they mean for investors, tenants and owners.

Flight to quality

Most pronounced in the office sector, the flight to quality movement has given rise to increasing disparity between the performance of premium and lower grade buildings as companies use their property strategy to attract and retain talent.

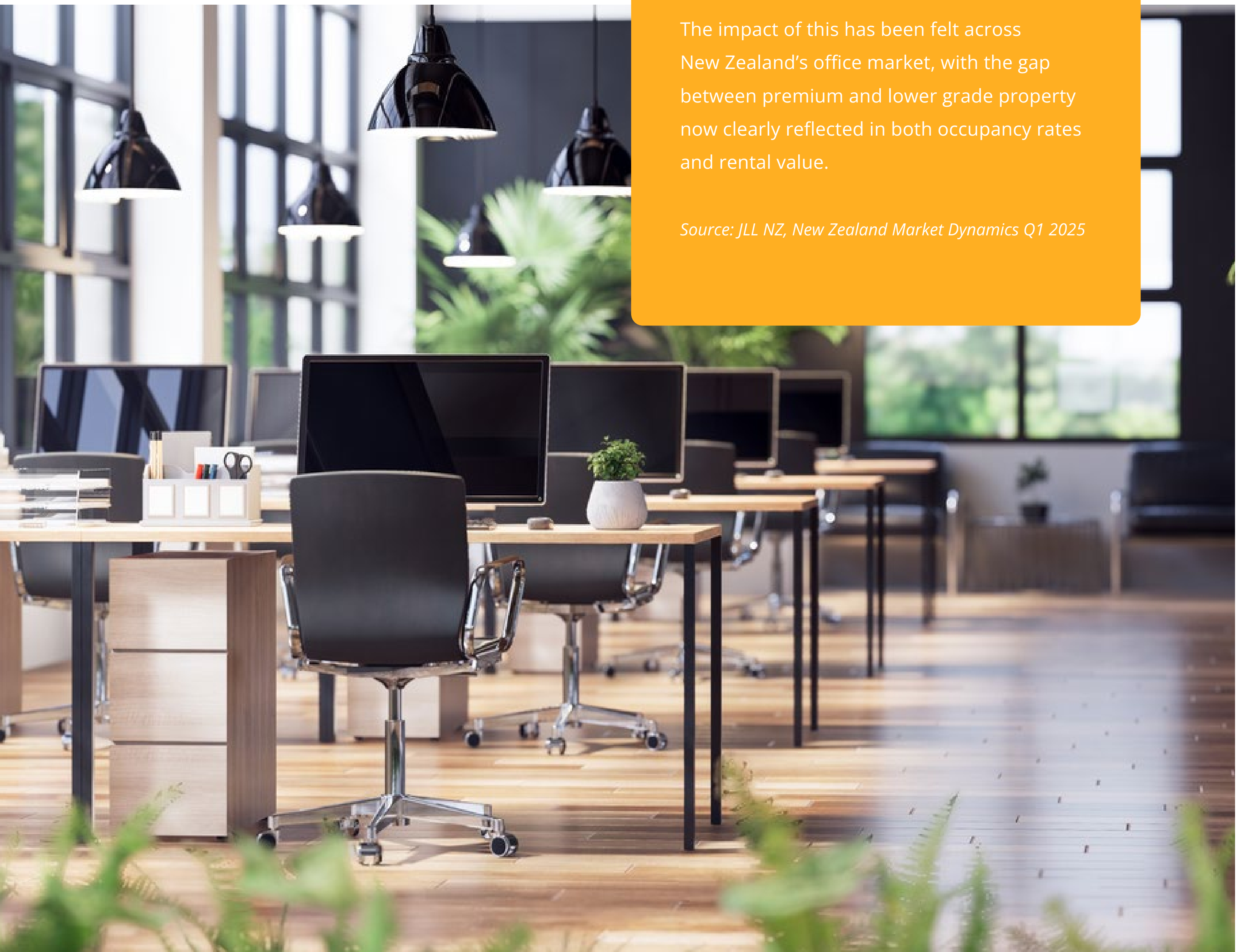
This is one of a number of trends to have been accelerated by the COVID-19 pandemic, reflecting elevated workplace expectations, changing business needs and a focus on employee well-being and productivity.

Better quality doesn't necessarily mean bigger. Rather, the hallmarks of a modern quality office include:

- Prime location close to transport links and amenities.
- Modern design with spaces for collaboration and interaction.
- Advanced technology.
- Strong environmental credentials and health and safety features, such as enhanced ventilation and touchless technologies.
- On-site amenities like gyms, cafes, end-of-trip and concierge services.

The impact of this has been felt across New Zealand's office market, with the gap between premium and lower grade property now clearly reflected in both occupancy rates and rental value.

Source: JLL NZ, New Zealand Market Dynamics Q1 2025



5 Key differences from residential property investment

Residential to commercial property investment is a natural pathway for many Kiwis, but beyond the size of building, there are significant differences between the two.

1 Residential property is more sensitive to economic and social shifts

There's a saying associated with the housing market that "a rising tide lifts all boats" – in other words when the market's up, prices (and rents) will ultimately go up across the board. To a degree the inverse applies when the tide ebbs too.

By contrast, the commercial property market is more nuanced in that certain sectors may perform better than others during particular economic environments. For example, during and in the aftermath of the COVID-19 pandemic, strip retail in the major centres suffered from a lack of customers, whereas the industrial sector, which incorporates warehouses that support e-commerce, continued to thrive.

Similarly, while high-quality offices have continued to perform well as an investment class, lower grade stock has fallen away as tenants are increasingly willing to pay more for quality to attract and retain staff.

2 Tenancy agreements are more secure

Residential tenancy agreements are generally at most annual commitments with the option to roll on further with fairly standard terms. Commercial leases, on the other hand, tend to start at three years for retail, six for office and 12 for industrial properties and come in a range of formats. These include triple net leases whereby the tenant is responsible for taxes, insurance and maintenance; and green leases, which incentivise collaboration between tenant and landlord to minimise the environmental footprint of the building's occupancy.

With built-in provisions for rent increases, building modifications, health and safety and co-tenancies, commercial leases require far greater legal scrutiny than residential ones.

3 Properties are valued differently

While there is both art and science to getting it right, the value of your residential property is essentially based on comparable sales in the surrounding area. Commercial valuations don't just take into account land and building value, rather they also factor in the property's profitability as an asset through its net operating income to determine its market capitalisation rate.

4 Property management requires specialist knowledge

Commercial property ownership demands attentive, proactive management – not only to cover off the basics of building maintenance and security, but to anticipate any issues that might impact the smooth running of the tenancy.

Unexpectedly losing a residential tenant can be frustrating, but given the favourable supply/demand dynamics in New Zealand's housing market, an available quality home will generally be snapped up quickly. Given the nature of most commercial leases, where properties are generally presented to suit a tenant's bespoke needs, losing a commercial tenant can result in prolonged vacancies, which can have a significant impact on cashflow.

5 Commercial property enables greater control over your investment outcome

A common complaint from residential landlords is the need to comply with one-size-fits-all legislation that, in seeking to universally protect tenant welfare, reduces your personal ability to control investment risk.

Commercial tenancy agreements, on the other hand, are customisable and therefore enable you, as the landlord, to define terms covering rent increases, maintenance and lease duration – all while supporting your tenant's best interests.

Additionally, the longer lease terms associated with commercial property agreements reduce the frequency of tenant turnover, thereby giving owners greater predictability and control over their investment.

5 Ways to invest in commercial property in New Zealand

1. Direct ownership

Given the high level of capital expenditure required – particularly for quality buildings in sought-after locations – the most obvious way of investing in commercial property is also the most out-of-reach for most of us, even in partnership with others.

Those that can afford to invest directly get the benefit of control that comes with ownership and the potential for strong, undiluted returns. However, these benefits need to be gauged against holding the unique responsibility for property maintenance and management and the greater exposure to market risks of owning a single asset.

2. Syndicates

Through a pooling of investor capital, syndicates allow individuals to invest in larger and higher quality commercial property – such as office, industrial or retail properties – than they would be able to through direct ownership. The trade-off for this is illiquidity and reliance on the syndicator for the stewardship of the asset.

While investing through syndicates removes the direct responsibility for property and tenant management from you as an individual investor, it can still leave you exposed to the market risks associated with investing in a single property, and beholden to the syndicator's management strategy, fees and capability. It can also mean that more material investors/shareholders can have greater influence on the property management, strategic direction of the scheme and outcomes. This may cause issues for smaller investors in the syndicate.

3. Unlisted Managed Property Funds

Unlisted managed property funds also put pooled investor capital to work, but rather than investing in single properties, they can enable investors to mitigate risk by providing exposure to diversified commercial property portfolios.

Unlisted property fund managers are professionally managed. While some are not licensed by the Financial Markets Authority (FMA), PMG is a licensed managed investment scheme (MIS) manager, providing additional investor protections under New Zealand law. Those that choose to be licensed (like us), provide built-in safeguards and transparency for investors through ongoing regulatory oversight and disclosure obligations.

As these funds are not publicly traded on the stock market, they do not offer the same immediate liquidity as listed property funds. However, there is still an aspect of liquidity as fund managers such as PMG often enable investors to trade their units/shares on a secondary market. As such, they are suited to investors seeking a long-term investment product that will provide a mix of income and growth over time.

4. Listed Managed Property Funds

Listed managed property funds typically own and operate income-producing commercial property, often specialising in particular sectors such as office, retail, industrial or healthcare. Even within these sectors, they can provide diversification through scale and geographic spread, which helps to mitigate income risk.

Some listed funds place greater emphasis on stable income, while others focus more on growth and reinvestment. This means investors can choose the type of exposure that best aligns with their objectives, whether that's regular income, long-term capital growth, or a balance of both.

5. Global Property ETFs

Another way investors can gain exposure to commercial property is through global property Exchange ETFs. These funds pool together a wide range of international property-related assets from listed property companies or real estate developers, and trade them on major stock exchanges.
While the exposure is indirect, global property ETFs can provide diversification across sectors and geographies, and are easily accessed through most online investment platforms.

Disclaimer: These products represent only a small portion of a well-diversified investment portfolio and may not be suitable for all investors. Always seek independent financial advice before making any investment decisions.

The key to successful property management

Owning a property is one thing, but managing it as a thriving investment asset is another challenge entirely. When it comes to commercial property, every tenant and tenancy brings its own nuances. However, there are fundamental principles that can help you safeguard and grow your investment.

Master the basics

Lease terms vary significantly across commercial property sectors and no two leases are the same. Because leases can often span multiple economic cycles, it's crucial to build in protections that will stand the test of time, such as bank guarantees and rent review mechanisms linked to market trends.

These features are most common in larger-scale assets and institutional-grade leases, but even in smaller tenancies, understanding how terms are structured and negotiated is key to assessing long-term performance.

A solid understanding of lease structures, market rents, and how these vary by property type will help you evaluate opportunities with more confidence.

Foster partnerships with tenants

A successful landlord-tenant relationship is more than a business transaction; it's a partnership. Knowing your tenant's business and creating an environment that supports their success benefits both parties. Helping them to create an environment that matches their needs and meets the expectations of their stakeholders protects your investment and ensures a steady income stream.

Being a property 'partner' also enables you to anticipate challenges, whether these are driven by shifting industry trends or economic pressures. Addressing potential issues early – particularly those related to financial difficulties – can save you the trouble of trying to find solutions later.

Align with tenants who share your values

Strong tenancies are built on shared values. If a tenant's activities clash with your own principles, the relationship is unlikely to thrive. For instance, we choose not to lease space to vape shops in our Bethlehem Town Centre. Their presence would conflict with our social sustainability goals and could impact the dynamics of our community retail environment.

Similarly, if you've invested in sustainability features such as smart lighting, solar energy, or waste minimisation, choosing tenants who actively embrace these initiatives ensures you achieve both environmental and cost-saving benefits. This applies across sectors:

- **Office tenants** increasingly value spaces that support hybrid working and wellbeing.
- **Industrial tenants** often look for efficiency gains, such as modern warehousing layouts, energy savings, and automation-ready infrastructure.
- **Retail tenants** value foot traffic, fit-for-purpose layouts, and shared sustainability outcomes that enhance customer experience.

Enhancing tenant experience enhances your investment

Modern tenants – whether in office, retail, or industrial – expect more than just four walls; they're looking for environments that support their business models and attract talent or customers. Delivering this enhances retention and ultimately adds value to your asset.

Location and amenities matter

Proximity to public transport, green spaces, and cafes enhances appeal and convenience. End-of-trip facilities, such as secure bike storage, modern bathrooms, and accessibility, are highly sought after. Environmental certifications further boost a building's desirability.

Workplace design counts

Office spaces now need to accommodate hybrid working. Adaptive fit-outs that balance physical and digital collaboration are essential, and the environment should inspire employees to leave their home offices for the workplace.

Managing property effectively isn't just about maintaining leases

It's about understanding the evolving needs of tenants and the market. When done well, it's a partnership that delivers long-term rewards for all involved.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Want to learn more and keep up to date with the market?

Thanks for taking the time to read through this guide and taking the first step toward successful commercial property investing. At PMG, we're passionate about helping investors make informed, long-term decisions.

Explore more insights, trends, and expert perspectives on our blog - updated regularly with content designed to help you stay ahead in a changing market.

Read now →

Glossary of property and investment terms

Investment Terminology

IRR (Internal Rate of Return)

What it means: A % return that reflects how profitable an investment is, including timing of income and costs.
Simply put: A measure of how hard your money is working over time – higher IRR = better return.

LVR (Loan-to-Value Ratio)

What it means: How much of the property value is funded by debt.
Simply put: If your property is worth $1m and your loan is $600k, your LVR is 60%.

PIE (Portfolio Investment Entity)

What it means: A tax-advantaged investment fund structure that pays tax based on the investor's PIR.
Simply put: A tax-smart fund that handles your tax for you – often at a lower rate.

PIR (Prescribed Investor Rate)

What it means: The tax rate that applies to your income from PIE funds.
Simply put: The tax rate your fund manager uses for your investments – often lower than your usual tax rate.

REIT (Real Estate Investment Trust)

What it means: A company or fund that owns and manages income-generating property.
Simply put: A way to invest in commercial property without buying buildings – like buying shares in a landlord.

WALT (Weighted Average Lease Term)

What it means: The average time remaining across all leases in a portfolio.
Simply put: How long your current income is locked in.

Yield

What it means: Annual income from a property (e.g. rent), shown as a % of the property's value.
Simply put: How much you earn each year from your property, compared to what it's worth.

Agency

What it means: A legal relationship where an agent is authorised to act on behalf of a principal. Common in property sales or leasing.
Simply put: When someone officially acts for you in a property deal.

Body Corporate

What it means: An entity that manages shared areas in a unit title property.
Simply put: If you own part of a building, the Body Corporate manages shared stuff like lifts and lobbies.

Conditional

What it means: When a sale or lease is only binding if certain conditions are met.
Simply put: The deal isn't final until certain boxes are ticked.

Covenant

What it means: A rule or obligation attached to a property.
Simply put: A promise tied to the property, like what it can be used for.

Due Diligence

What it means: A thorough investigation into a property before purchase or lease.
Simply put: Doing your homework before you commit to a property deal.

Mortgagee

What it means: The lender that provides a mortgage and holds security over the property.

Simply put: The bank or lender.

Mortgagor

What it means: The borrower who grants a mortgage to the lender.

Simply put: The property owner borrowing the money.

PIM (Project Information Memorandum)

What it means: A council-issued report identifying constraints and approvals needed for building.

Simply put: A council summary of what you need to know before building.

Resource Consent

What it means: Council permission to do something not allowed by default under the District Plan.

Simply put: Getting council sign-off to build or use land in a non-standard way.

Sale and Purchase

What it means: A legal agreement to buy or sell property.

Simply put: The contract that makes the property deal happen.

Unconditional

What it means: When all conditions in an agreement have been met and the deal is binding.

Simply put: The deal is locked in.

Vendor

What it means: The person or entity selling the property.

Simply put: The seller.

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