# TONY'S VIEW SURVEY

**Input to your Strategy for Adapting to Challenges**

Feel free to pass on to friends and clients wanting independent economic commentary

2 December 2019

To subscribe to the free Tony's View weekly, email me…tonyalexander5@outlook.com
To enquire about having me in as a speaker, same address.

### My Aim

To help Kiwis make better decisions for their businesses, investments, home purchases, and people by writing about the economy in an easy to understand manner.

## A Multitude of Challenges

Many thanks to the large number of people who responded to my request two Fridays back for insight into what is happening in people's business sectors. I should have stated more clearly that results would be tidied up and reprinted here, so in order to eliminate the chances of a respondent being identified I have stripped out most locational references. I've also taken out other comments which might facilitate identification. Apologies if some comments are long and challenging to read – I removed all line breaks so each response is contained within one dot-point.

At this stage my intention is to run the survey every three months. Feedback is welcome, keeping in mind that there is already a lot of numerical survey information available on the business sector from other surveys. But contextual stuff as supplied here is rare outside of journalist articles and lobby group press releases. And a message to journalists reading this – no I cannot put you in contact with whoever wrote so and so a comment you may be interested in.

I've broken the results from 212 useable responses down into a wide range of industries and a miscellaneous category. All contents from page 3 have been written by survey respondents. My interpretation of what people have written is this.

### Overarching Themes

- A tightening up of bank lending criteria with reduced credit availability placing downward pressure on farm prices and curtailing business investment growth.
- Widespread shortages of labour with no sign of things easing up for employers. Increasing reliance upon migrant labour.
- Hefty and growing compliance burdens taking resources from other business areas and restricting growth. Health and safety, letting legislation, water quality.
- Distrust of the government which is seen as increasingly using the business and property ownership sectors to achieve social goals.
- Growing activity in the ecology, sustainability area.
- Discontent with changes in tenancy legislation with landlord plans to raise rents and be more selective in who they rent to.

### Accountancy

Busy with increasing compliance work for clients. Almost all respondents noted reduced bank finance availability. Staff hard to find. Most client bases doing okay but insufficient focus on forward planning strategies.

### Agriculture

A shift occurring away from farming for capital gain toward cash generation. Bank credit availability has sharply declined and farm prices are facing downward pressure. Issues are structural not cyclical given low interest rates, acceptable exchange rate, good export prices, good winter and spring weather. Focus decreasingly on boosting output and more on issues of sustainability, water quality, planting trees. Honey is newly challenging given the surge in production. Kiwifruit strong, sheep and beef good. Dairy prices strong but sector retrenchment is underway with few farm buyers and banks tightening.

### Automotive

Most comments note slowing activity. Staff shortages.

### Commercial Property

Yields still falling for industrial property, retail not so strong. Investors seeking properties but good ones are hard to find. Finance availability has worsened, insurance premiums are rising.

### Construction

Strong investor interest in Christchurch from the rest of NZ with lots of first home buyers in the up to $550k bracket, but weaker above. Price points look important. Auckland demand for new builds strong up to $800k, buyer behaviour indicating pent up but cautious demand. Staff shortages abound. Fewer mentions of credit shortage than in other sectors. Sector strong overall.

### Human Resources/Recruitment

Respondents note shortages of candidates.

### Information Technology

An extremely busy sector – replacement of old systems and general upgrading and incorporation of new technologies, cybersecurity a strengthening focus as are business intelligence and automation, staff very hard to find.

### Insurance

Massive changes underway in the sector. Premiums rising, new licensing regime expected to lead to older advisors departing the sector,

### Legal

Strong activity levels across many areas.

### Manufacturing

This is an extremely diverse sector so generalised comments are difficult to make. Staff hard to find. The usual competition from imports and managing regulations. No trends obvious beyond these.

### Marketing and Advertising

Clients want action and results very quickly. Choosing which new technologies to back is hard with so much innovation.

### Mortgages

Strong activity servicing investors and first home buyers, less for movers. Non-bank lending growing as willingness of banks to lend contracts slightly.. Difficulties convincing clients of the value in seeking more than just the lowest rate on offer.

### Residential Real Estate and Investment

Landlords are planning more scrutiny of applicants given that ability to remove difficult people will decline sharply from next year. Tenants are tending to move less as rent rises often occur when tenancies change. More landlords plan using property managers, older investors are returning to the market because term deposit rates are too low, but listings are in short supply and increasingly houses on the market have problems.

### Retail

Sales firm recently on average. Online store growth necessary to service young customers, strong offshore online competition, increasing penetration of Australian retail chains. Staff difficult to find.

### Storage, Transport and Logistics

Strong activity for storage unit providers. Road transport remains extremely competitive with driver shortages, activity strong for the primary sector, mixed for other sectors.

### Tourism

High-end market firm, visitor numbers spreading out beyond traditional peak periods. Hotel operators newly cautious on expansions and upgrades given easing Chinese visitor numbers. Strong competition from Airbnb.

### Wealth Management

Very strong activity levels with investors reacting to low deposit rates by seeking help in boosting yield.

## Accountancy

- Accountant - Manawatu- region going well - one recent big issue is the banks pull back from agricultural lending - we have 'A' clients who have been told no more lending as they completely retrench, ruining long build up relationships- seems crazy
- I'm a chartered accountant in Auckland. I'm very busy with a constant flow of new clients. Compliance with regulatory changes is a challenge we have to meet but is adding a lot of work load. E.g. AML. Clients seem positive and generally tracking a little better than last year. Older clients are looking to exit businesses, and younger clients looking for business opportunities but good ones are hard to find. It's also hard to match the clients due to the different skill sets. Banks have made life difficult demanding final accounts for loan applications from very early in the tax year, which has compressed work load. Wealthy clients are seriously reviewing bank deposits due to the minimal return.
- Chartered Accountant in Public Practice, Christchurch. Biggest problem I see is compliance stifling business activity at all levels. For Me it's AML issues which are really over the top. For Landlords it's new regulation. For Tradesmen it's H & S issues. For Farmers it's future land & water use restrictions. For almost everyone it's the fear of what comes next. Credit Rationing. It appears to me that Banks are more than happy to lend to people who do not need to borrow but other borrowers not so much.
- Chartered accountants Wairarapa, Lack of skilled staff an issue for us and our clients. Local economy is flat, lots of empty shops, sheep and beef farmers seem happy, Dairy are still making money but getting a public backlash. Banks are closing their purses.
- We are an accountancy and advisory business based in the Manawatu. The main trends are: shortage of skilled workers available (us and clients); increasing pressure on our fees; increasing demand to complete urgent tasks (the 'instant' world we all now live in); poor financial management skills amongst clients.
- Chartered Accountants Kapiti Coast. Lots of growth but not crazy growth I think driven by the new expressway to Otaki. Lots of clients seeing opportunities whether it be to invest in a building in the industrial area or carve a bit of land off their farm and sub divide it for residential sections. Challenges for my clients are mainly around obtaining bank finance.
- I'm a sole practice, tax advisor (CA) operating in Auckland CBD. I have a steady stream of work from transactions, IRD/Government activity, be it increasing transfer pricing activity, the "now you see it, now you don't CGT threat" or audit/review activity, through to tax payers want to sort out their affairs on a voluntary basis. I meet with similar businesses on a regular basis and generally business flow is pretty good for them. I also share premises with two guys who run M&A advisory businesses and none of us have felt headwinds at this stage.
- Accounting Hamilton. In a fight to stay relevant, we seem to be trying to switch from staying busy doing reactive compliance work (GST, other taxes and annual statements) and trying to actually help clients grow their businesses by giving proactive advice. Farming – massive uncertainty about where growth will come from: high land prices mean massive and expensive debt is needed to buy a farm so there is pressure for the farm to provide an income not just live of capital gains. Yet unknown compliance restrictions look likely to stop the ability to make more money by increasing milk production. There is an opportunity that comes with change but I feel like the opportunity is there for those that provide services to farmers and may be missed by the farmers themselves.
- Professional Services (Auckland) Increase in transaction activity / strong pipeline of work / ongoing challenges in junior staff resourcing

## Agriculture

- Rural – I think confidence is the big one here, but talking with some farmers they know and most want to try to improve but give them time to do it, it's not a one size fits all sector.
- From a banker - As you are probably aware capital constraints for the farming industry are very real and another worry for farmers on top of the new regulations and costs involved in the industry. They are also seeing a fall off of farm property sales so moving out short term may not be an option for them unless they are willing to drop their prices, whether this is real or perceived I am not sure. There are a number of people predicting a rise in milk solid prices given that growth in the dairy

industry has been curtailed by regulations but demand should continue to grow with population increases.

- Business = Rural Valuation specialists Farms and Forestry. Hawkes Bay economy seems very strong, everyone seems to have been very busy this year. The residential and lifestyle markets are particularly strong. The rural market is different. Forestry is very strong particularly between Gisborne and Napier due to close distance to port and processing facilities. Also, strong demand in Pongaroa for Carbon farms however they are disciplined on what price they will pay for land. In contrast dairy is very soft and finance is challenging. Pastoral appears strong however there is the underlying feeling that there will be more pressure from banks to some clients which may increase supply and therefore result in a softening or flattening of values however in contrast the strong commodity prices are giving farmers some confidence together with low interest rates. We are getting a few clients getting valuations as they look to refinance with other banks. Horticulture appears to have slowed- many of the large players appear to be in a consolidation mode with more investor-late joiners in market. Other new client desires/trends are a number of farmers wanting carbon profiling of their farms to measure this against their emissions.
- I have a Dairy Farm Refrigeration company. Despite the firm payout and healthy farm incomes, we are seeing general negativity and reluctance to spend money, even on important things such as regulatory compliance. It is our understanding, there is pressure being put on dairy farmers with higher debt levels from banks to repay debt and minimize spending due to reduction of security asset values (mainly rural dairy farm properties and Fonterra share values). There is a trend for our clients to shop around more when being forced to spend on capital items and generally a feeling of less loyalty out there. The current situation is unusual to be in that previous market confidence cycles have, in the past, always been related to compressed farm profitability (due to lower incomes or increased debt repayments) and this time around we have healthy farm incomes and low debt levels in play. Aside from the % of farmers being managed by the banks, I believe there are large quantities of cash being banked and, in my experience, farmers will be looking to spend in a catchup in future, assuming the payout and interest rates are still favourable when confidence improves). Our biggest challenge is recruiting skilled staff (who are prepared to do longer hours and after-hours callouts) and to this end we are reliant on migrant staff and government policies around this. Half of our current skilled staff are on 3-year temporary work Visas with no guarantees we can keep them long term. South Canterbury traditionally has about half the national average unemployment rate and there are way too few tradesmen in this town to fulfil the required skilled positions. Here we have not been able to even find suitable trainees to train into the skilled persons we require as the younger generations appear to avoid positions or trades where they will have work commitments outside of normal working hours
- Animal Health - lower North Island – It has been a kind winter and spring weather wise for farmers, and stock prices are almost the best they have ever been. We are seeing an increase in the animal health spend per animal to maximise productivity and ensure survival. If we take away political issues its very positive on farm at the moment. Low interest rates are also a big help.
- We are in the honey business both production and sales. Also, we are involved with pollination of small seed crops and some Blackcurrants and Blueberries. At this time things are a little uncertain, mainly due to very low prices. We produce White Clover honey only. We have not gone and chased the Manuka honey. Instead we stayed with our farmers and got involved with the Pollination of mainly the Carrot and Radish seed production. We are getting good returns for this service. The current situation with the low white honey prices is driven by large stocks of honey in NZ. Until an Exporter can start shifting several containers offshore then nothing much is going to change. The domestic consumption would only account for 50 to 60% of production. The Manuka situation is a little different because if you produce Active Manuka then you will have very little trouble with making sales although the price seems to have stopped rising. I have been following the Comvita share price and to me it seems to reflect the state of the honey industry. It has been down to $2.90 and has been as high as $12.00. At their AGM the shareholders gave them a hard time!! The main challenge now is to weather the storm until things get better. The biggest problem Beekeepers have is if they have very poor production years along with the poor prices. I am not sure what the Bank Managers will do then?? I think that the overall hive numbers in NZ have already started to decline.
- Animal health sector agriculture, Auckland based, Local manufacture, local R& D, but Rural NZ focused most importantly. The sector outlook prices have never been better for commodity prices – Beef, Lamb, Venison & Dairy all at record levels. Ironically sector confidence is muted with farmer

sentiment focused on - sustainability, environmental issues, focus on planting trees & the impact on Rural communities, Bank pressure particularly on the Dairy sector. The rural sector does feel as though it is being villainised at present – Great commentary the other week on agriculture's importance to NZ Inc, that's the opportunity. There seems to be another cycle emerging of Veterinary shortages in the Rural sector, against a back drop of ageing practitioners due to retire & transition from clinical practise

- We farm sheep, bull beef and maize in a modest and very frugal way. Nothing flash, everything goes into the stock and land management. We are in our sixties and will eventually have to sell out. It is fast becoming apparent to all that farms are not selling – potential buyers are unable to get finance, and those needing to sell are not reaching either their unrealistic price or trying to bluff the banks that they can't find a buyer. Can you interview your crystal ball and predict what might come of this situation? There is extreme nervousness around (particularly a neighbour who is melting down and crying because they recently bought a neighbour out (dairy) and now find themselves trapped. They thought their only worry was the milk price. The govt has not helped (along with the greens) with the water policy and quite frankly it seems there is going to an enormous crash affecting the whole industry; including those who like cream on the pav. I have heard of 5 intending buyers of one property who have backed out, not able to get finance. Some dairy farms that have failed to sell have not been up to scratch – the banks have given far too much rein to these people who have accumulated too many and lost control. They are the dirty farmers giving everyone a bad name. But they will kill the market for other genuine good farmers.
- Kiwi fruit. Strong, underpinned by Zespri strategizing with Sungold…….creating demand ahead of supply, another 3 x 750 ha's of licence release between 2020 & 2022. Green going well too as quantities reduce due to cut over to gold, Zespri this week released their 5 yr outlook with indicative prices for green, gold, conventional & organic all being strong. Challenges……..licence to establish Sungold averaged median this year $290,000/ha…….lots of big players missed out this year by bidding too low……..they are syndicate players with hands off investors who want to earn more than Term Investments but have lost a year before they get to the indicative 10% ROI………the syndicate developers will have to bid high so the licence price will climb significantly……will push the total cost of either a cut over from green yo gold or a green field development upwards of $450K/ha. Biosecurity always in the back of one's mind……….KVH doing a great job of keeping issues in front of the public.
- Rural Real Estate Whangarei. Farm lending getting considerably tougher. Most banks virtually closing the door unless confronted with a very good story and a 6 - 7% return on capital. Farms have been too expensive for 30 - 40 years based on real returns with exit plans at the whim of capital gain. This has been fuelled by banks lending money on poor business cases. Money that they would never have lent to a householder or mechanic etc. Farmers getting older and now many having to make that exit decision. Dairy farm prices probably due a sizable adjustment downwards. Will either be quick and quite painful or a long burn. Buyers of dairy restricted to top operators/neighbours. First farm buyers and sharemilkers virtually absent from market. Dry stock property prices being supported by forestry interests. What's the outlook for that? Swine flu has given protein a big shove and there is some risk ahead in 2 years when supply correction occurs.
- My husband and I are retired - we would like to downsize but superannuation does not cover expenses, interest rates are pitiful, so we still work hard to retain our style of living - no frills such as overseas trips etc. Each year our plum money is less as the big boys flood the market and therefore we can only get a meagre price for our plums, while expenses on the orchard, hedge trimming, spraying pruning and thinning are increasing. Also, people still expect to get a cheap product and won't buy unless it is cheaper than the supermarket.
- Dairy-focused Manawatu. Good dairy farmers are doing their bit towards pro-active care for the environment. They are under mounting pressure of compliance and a growing big-brother watching more & more. I think dairy farmers used to be perceived as wealthy. Now they are polluters. Morale and outlook has been affected. Many dairy farmers were principally in business for capital gain. Those days are gone. So it's all about knuckling down to make a profit from the business of making milk. Some sectors of our business are enjoying strong growth through customers focusing on strengthening the profitability and productivity gains on farm. Export market looks very positive. It's still hard to get good staff. We work hard to retain our good ones. We are investing in new plant & equipment, hiring more and are investing heavily in upskilling people. Complaints from everyone about not being able to hire staff. Development/construction absolutely humming everywhere

particularly in Waikato golden triangle—and BOP. Traffic in entire Waikato so busied up compared with even 2-3 years ago. Major transport companies have trucks sat up—can't get drivers. Dairy farmers trying their absolute hardest to look grumpy still—but smiles push through pretty quickly—7.50 payout anticipated one of highest ever for this year—and looking good for next season too. Kiwi fruit boys total pigs in sh*t—can purchase for up to 1.3 m/ha and still make money apparently—it's that good. Growers all happy/confident. Not sure where all supposed business negativity is coming from—maybe I'm just seeing areas doing really well???

- Dairy farming business, located in Waikato. Trends include banks tightening lending, severe labour shortage, drug problems of staff, absolute muppets who work on farm and very poor quality of applicants, people who are unreliable even in the management area, e.g. higher up the pecking order. Increased environmental awareness, restrictions, compliance and focus. Which is good as we need to lift our game in this area, and eliminate the bottom part of the industry who let others down. Also the case for animal welfare, sourcing of products etc. Look how NZ viewed coffee 25 years ago v now. Instant coffee e.g. Nescafe powder v all types of cafes, styles, options in 2019. Dairy industry (and many primary industries need to do the same in my view) value add/quality/story behind product/ethics etc and people are prepared to pay for this rather than volume or just making more low value or low quality bulk items. Beer is the same sort of story, 25 years ago we drank warm Lion red or similar, now people pay for quality beer, crafts, ales, all sorts of types with various stories behind them. Who would of thought in 1995, that in 2019 you could get beer made in micro-breweries around the country with all sorts of customised local flavours and people would pay more than mass produced beer? Lots of opportunities to do things better in the dairy industry. Improved labour conditions/rosters, environment management and awareness. Retiring of marginal or unproductive land. Use land suited to dairy farming, not the steep, swampy or like.

### Architect

- Architectural Designer. Auckland. Tentative and tightening to a normal/steady construction environment.

### Automotive

- Automotive sales, Chch. Slow decline in Sales (but from all-time highs), and a steady increase in alt fuel enquiries with an unwillingness to pay for the new technologies. 2021 incentives will have a big effect on the uptake, but until property prices rise sales numbers in general will remain stagnant.
- Wholesale Tyres. Growth in the entire automotive sector has slowed. We have had tyre shops that have been trading for 30+ years that have never seen it so quiet. Confidence is down. The agricultural scene is especially quiet.
- Car Mechanic Workshop. The biggest challenge is what you have pointed out in various newsletters about labour. It is seriously difficult to find skilled labour. And we are seeing pressure for employment costs to increase because of the rising minimum wage, whilst having some difficulty increasing prices. On the other hand, it does not feel as if the economy is really slowing down.
- Employed by motor vehicle dealership in Auckland. We are a bit behind last year's performance. Clients expect low interest rate (below 4%) car finance as normal these days. Clients tell us house market is getting better though... hence more intention to purchase new vehicles.
- Financial Services, Auckland. Biggest topics are changes to reporting standards (just introduced IFRS9 and IFRS16) as well as compliance with the new CCCFA legislation. I'm the financial accountant so more impacted on the reporting standards but quite aware that the compliance piece is a massive workload throughout the industry. Overall we seem to be tracking as planned. As the car market is declining, finance offers are used to support the sale of vehicles, which is good for us.
- Automotive industry supplying new car parts to all regions in NZ. Things in our sector since July have been very subdued with a lot of our customers (workshops and Panel beaters) saying things are quiet out there. Turnover backs up their comments as this has been lower than expected. In the South Island we have noticed in November there has been more activity than past months. In the North Island, just in the last week we are getting a lot of clients commenting that it's busy again. December and January in the automotive parts industry can be very fickle, great some years and very quiet other years. Hopefully, this year will be a busy one!
- Vehicle finance, nationwide. Margins are constantly under pressure. New business volumes supported by rental car operators fleeting up for the tourist season.

## China

- I work in executive search/recruitment focusing on consumer goods and education companies in China. Education segment is very robust with strong demand from parents to invest in their Children's education through after school programmes to support children through the ultra-competitive schooling system as well as a range of other afterschool programmes and international schooling – a lot of international services in China not just abroad. ……………Consumer industry is more patchy and complex. Lots of people complain of slowing growth, but coming from NZ I see this as both natural to slow whilst still very positive about the opportunities here. …………….Primary food imports are continuing to rise. Many consumer groups across the country continue to "trade up", purchasing in health and wellness related is growing and high growth is continuing in cosmetics/beauty and interesting categories such as pet food because of the change in lifestyles. Some once golden categories are under huge pressure such as infant formula – over investment/projections of baby population increases haven't panned out and foreign companies are losing to local competitors due to – regulatory environment, high marketing investment and smarter/deeper distribution. Across the industry I'd say local companies are doing better because of larger consumer bases because of their traditional cheaper products, high distributor, localised product/brand offer which enables them to take advantage of trading up with more revenue in their war chest to invest in the market. ……………From a sales channel perspective – hypermarkets/supermarkets have been declining with eCommerce taking over and traditional mum and pop shops slowly giving way to more modern convenience stores. People are eating or drinking out more and at far higher cost – so food service channels are doing well. Convenience as a consumer is incredible via payment and delivery – I haven't had a wallet in 3 years and I always forget I need one if I travel abroad/home.

## Commercial Property

- Commercial property investment. Auckland – but we own property all over New Zealand with an Auckland and Wellington focus. Strong market overall. Challenging to find deals that stack as the hunt for yield heats up, especially from privates and high net wealth who struggle to find places to put cash. Cap rates continue to compress, although retail may be turning (see Kiwi's results announcement). Industrial outperforms. Developments are performing well for us, both green and brown field, and look to be one of the best ways to create shareholder value. Share prices buoyant, the REIT sector is trading well above NTA, and so makes it easier to raise capital to grow. All our funds have a high level of hedging, so we are still to see the benefit of those low rates coming through from this year. Looking forward to those swaps maturing. Some local banks starting to tighten their belt on lending, although foreign/Chinese banks are hungry to grow their market share.
- Commercial Real Estate (Rotorua, Whakatane, Tauranga). Prices are holding but yields are compressing. I am seeing a lot of new people thinking of getting into commercial real estate and bidding up prices for smaller properties. What is currently being tenanted and providing a good yield may not be tenanted in a few years' time. But some investors seem to be disregarding that risk in the headlong dash for yield. Rotorua seems to be spending a lot of money in "renovating" the CBD but we will have to see how that pans out. CBDs around the country are seriously challenged but Councils appear to be slow to react.
- Commercial Real Estate Sales and Leasing with a focus on CHCH CBD Office leasing and retail development sales. Leasing is picking up, with the balance of power now moving towards equilibrium between Tenants and Landlords after 2-3 years of in favour of Tenants. Sales remain strong with good yields for Vendors, however they're not at the same level they were 18 months ago. Quality leased investment stock was previously dipping into the high 5%s and now we're seeing that struggle to get to 6%. This seems to be mostly due to difficulty obtaining finance, with clients who have substantial assets and cashflows being told no by their banks. Opportunity will come in the next year or two from Landlords with long-standing vacancies having to sell their buildings the cost of retaining them outweighs their ability or desire to do so.
- I still am an active director in a small private property syndication company. This sector as you will know is a reflexion of the chase for return, cash flow for the investor. It is a shame that like before the 2008 crash you could flood anything, we are seeing public offers in Syndication properties that should not be allowed, and potentially give the sector a bad name in a few years. The challenges, are the construction integrity of building pre 2014. An IEP is not worth the paper they are written on,

the minimum requirement should be a DSA, yet agencies are still selling on IEP's of 85 to 150%. The opportunity is maintaining your reputation, in a market that is yield driven, and trusting, "still". I believe the clients desire, apart from yield, is they have faith in a system that won't let them down, despite all the disclosures in the world.

- I am in the business of developing/owning/managing retail property in greater Christchurch. Things are slow because there is a lack of confidence, in my view a combination of a government that is not capable of managing virtually anything, and a changing world that we can't predict as easily as previously.
- Commercial property with property from Auckland to Invercargill. My Auckland property in New Lynn has been vacant since June and looks like only way to rent it is a huge rent free time, and an industrial property in Timaru has been up for sub-let last 1/2/years with no takers, so that side is slow.
- Commercial property - in Auckland it is going great guns. You will know this better than I as there is plenty of anecdotal (like mine) and hard evidence to support that statement. Good property in the Auckland CBD is now selling at the lowest returns I've ever seen in 20 years in the sector. Of course, that's because interest rates are so low. One floor in a building, recently sold at a return of 6.5% net. A year ago. 7,5% was paying a lot and 2-3 years ago, more like 8-9%. I get constant requests from agents to sell my stuff. But why would I? I've got capital gains inbuilt of 200% of what I paid, vacancy rates are the lowest they've been for many years and the location is good (not a high risk EQ zone, EQ factors are a factor in Auckland but nothing like say Wellington). Challenges - not many, insurance costs are one, they have risen 50% in 3 years. But I hear in WN, some owners can't even get insurance at all. Not nice. Opportunities - not many, the market is well awake to the value of good commercial property. A smart operator will always find a good buy somewhere but they are few and far between. I expect returns will drop further. A good long lease with a good tenant in a good building - who wouldn't want to buy it at 5-7% if cash deposits are 2%.
- Commercial Interior Design. Auckland. Sector at the moment - Extremely busy. Have 2-3 years of forward orders / work. Huge skills shortage, hard to get staff. Hard to get interior designers, architects, project managers. Have had to recruit from Australia, South Africa and Singapore. Things stalled a year ago, (June, July, August 2018) and many projects went on hold. Had to make people redundant. Suddenly it all took off again, and now we are scrambling to rehire. People we work closely with in the construction industry are all feeling the same way. Have years of forward orders, and suffering skilled staff shortages, particularly in the trades.

## Compliance

- Health and Safety Training. National. Large Companies spending money on the compulsory components of H&S legislation and reducing venerability but not spending willingly on factors that aren't addressing bigger risks.

## Construction

- Residential new house builds (project management) me, my project manager and admin. Location Christchurch. We are currently flat out with 3 builds under construction, 3 more coming out of consent and 3 more going into council next month. Coming into the Christmas break I feel we are very busy and I would expect quite a few enquiries over the Christmas break mainly from the first home builder. I am finding the market very aggressive at the moment trying to get the business. On the daily I would get a sales person contacting me asking to quote. Tradies are also quiet across all board and I am getting some very sharp pricing because this. I think we will see a few companies/sole traders falling off come the new year OR more debt to cover GST and time off over the Christmas break. First home buyers super strong under the $550k bracket across Christchurch even in the saturated area's like Rolleston. Over $550k is what you are probably hearing about the flattening off in the market and being a bit quieter however still a good market if you can get the pricing point right and provide the value they want. Investors are on the come back and looking at Chch as a good option. So from a business confidence point of view I think there is an abundance of money out there especially from the Auckland market looking for options and the consistent first home builders backed by the govt incentives and low interest rates I think we see a strong consent/construction year next year across NZ.

- I work for a residential property developer and our core focus is the Auckland market. We spec build all of our product. From my point of view this year has been tough without being awful for our sales department. The thing that we are increasingly seeing is that buyers are using a 'wait and see' approach and will not consider entering the market unless they perceive value for money. For example the month we went to our 'end of year' promotional pricing we achieved in excess of 35 sales, which was our largest month of sales (by volume) in the last 2 years. This indicates (at least to me) that there is still a lot of demand at certain price points but less of the frenzied buying behaviours we saw leading up to the peak. Our under $800k market is where most of the interest is. If we can manage to get things out for $650k or under they are usually signed up within days as people can benefit from the HomeStart grant etc.
- Town Planning and Development. Central Lakes. Very busy, growing focus on larger scale residential development, difficulty meeting client expectations around timing and slow process within government agencies/Council getting worse not better with growth, complexity increasing with rules in regulations rather than decreasing.
- I live in AUS but have a house in St Heliers Akl. Used to be a builder there but the risk factor is too high. One client did not pay for completed works with ccc so we left.
- I'm in Construction / Development industry based in Auckland. Construction has enough forward work load, development side we are working on resource consent for a small residential project with 10units currently too so happy with the outlook for next year.
- Construction (Estimation and Quantity Surveying). South Pacific. We are seeing a shift away from "cheapest tender wins" to a more "whole of life" approach. The Chinese contractors have historically won significant numbers of projects that are now failing and showing undue levels of degradation. Clients like the World Bank are realising that cheap is no longer cheerful and are tightening their tender submission requirements, including a focus on environmental management and quality control. Clients in the construction industry are coming to the same conclusion as the new wave of conscious consumers, that behind the attractive Chinese price tag is a whole slew of ethical, environmental, and quality sacrifices that aren't worth the risk.
- Construction (earthworks, access ways, retaining etc). Auckland - While I would not call things dead slow, there are certainly gaps in our schedule which would not normally exist this time of year and I am struggling to confirm larger quality jobs. People clearly want to spend/progress their projects but seem making the final decision with their emotions rather than any kind of clinical evaluation.
- We are in the crane hire business. A significant proportion of revenue derives from Construction sector, but far from all of it. Crane hire is booming, but construction sector although busy remains a tricky place for subbies to operate with builders in fragile financial states. Hence our debtor management is a focus.
- I am a business coach and work with small, mainly residential, builders (currently with teams of up to 30). I am based in Auckland but have clients across NZ. In the residential sector we are seeing the following. Pressure on locating skilled staff. One client in in Dunedin is growing his team without too much pain. And another in Wellington seems to have little difficulty, while in Auckland it is a constant challenge. Customers still fairly price conscious. Many architects do not introduce their client to a builder early enough so concepts are produced with little or no real understanding of cost. There is no estimating of the cost or build ability of the concept stages. Then when they are costed (often at the builder's expense) they are often outside the budget. Goes back for re-design or the job doesn't go ahead. The builder loses. I see this as part of the non-collaborative approach to building. Scheduling. Builds are taking longer as scheduling busy subcontractors and responding to delays is now a major part of a builder's job. This has an impact on the cost of the build. Having said all the above, I also have a client who has built a manufacturing plant over the last 18 months and is churning out manufactured houses (mainly for 2x storey terrace types builds) at one a week and is planning to double production next year, with further expansion likely. The advantage of this is that the build happens without interruption and quickly. Great for developers as they houses can be ready for occupancy in about 8 weeks from starting.
- Residential property development Canterbury. Market sentiment: current over-supply of new dwellings in residential subdivisions with slowdown of sales. Secondary market sale prices in sub $500k is gaining momentum with younger first home buyers more prevalent in market place. First home buyers lack of confidence and patience to buy off plans meaning larger scale residential projects driven by investor demand, most of which is from outside the region. Main challenge is

delivering product to market at the right price that provides the good yielding numbers to encourage investors to commit to buying off the plans.

- Reroofing Wellington. Normally 6 - 10 jobs per month. November to date 1 sold. Marked slowing this year with a lack of confidence going forward.
- Painting and decorating. We have pared back on staff numbers in recent years and have noticed a lot of sole traders preferring not to have staff as the Health and Safety regulations and compliance palaver is the straw that breaks the camel's back. We have so much work booked up and so have other trades that we can just pick and choose our jobs and clients are having to wait up to a year to get their work done. Whilst this is not ideal for a client, it makes quite a stressful work environment for tradesmen. There is so much opportunity for young tradesmen to step into business ownership in the next 10 – 15 years as the current business owners retire out.
- Project & Cost management consultants in Construction. Like most industries, talent "war" & digital transformation are ubiquitous. Technology in our industry (and we're slow to move) still seems to be diverging before particular products, systems or BIM process will consolidate into industry norms (I hope!) The industry still has significant talent issues. For contractors, this has meant accepting risk in contracts (and hence financial challenges over past years) and more re-work/quality issues on site. Good contractors are pushing back on the risk but the quality and experience still presents issues. For design consultants, the quality of documentation presents real challenges for building across non-residential and infrastructure (and residential, but we don't do as much in that space). There seems to be less confidence/certainty in the market, but still plenty of opportunity – i.e. the rate of growth has slowed but it's still going. Christchurch market is still tight but there's particular clients with significant work (i.e. Education), Queenstown is still mixed, Wellington looks its typical steady self, Waikato & Auckland still pretty strong. But there are some signs that suggest easing of the market – slower financing of projects (in part due to banking capital requirements), cost competition/under cutting creeping in, slower hiring of new staff, clients holding off on projects. We expect that there will be an increase in clients wanting value engineering / cost cutting and better asset management services as the market plateaus in the coming years. We're positioning to provide more advice in these fields rather than solely the delivery of projects. We're seeing signs that government are preparing for significant spend commitments in election year next year, but these still haven't flowed into tangible projects yet. There's definitely more interest from clients in the sustainability space, but the connections between capital spend and future opex are still lost on most.
- We're a surveying and land development consultancy in Christchurch. We've come through a quiet patch in Christchurch over the last year. Partially due to the rebuild slowing down which brings us less work doing too surveys and building set outs. Also due to market adjustment after a multitude of sections were developed post-earthquake. More surprising is the fact that things have lifted again reasonably quickly. Some subdivisions had a very small pause, and other new developers are coming into the market. Obviously, there's a government (central and local) push for apartments, and some of them are selling (perhaps to the Airbnb crew?). I suspect that the market would still prefer the typically home with a backyard, but price is beginning to push towards the smaller section size.
- Construction sub-contractor, commercial, Wellington. Very good levels of activity at present with reasonable margin. Strong future work prospects - currently pricing projects through to 2021 which is more long term than normal. Clients wanting to price work well in advance and secure resources in anticipation of shortages. Looks like at least 2 years of pressure. Labour Market - Major efforts going into staff retention, we can't find the quality of experienced staff we could create jobs for. Client performance expectations are high - significant time pressure on project implementation with increasingly tight delivery windows. More clients sourcing or considering sourcing built components from China. Expect this to be a growing trend especially whilst construction resources are in short supply locally - will avoid these types of projects. Aim to increase capital expenditure in 2020 on machinery automation. Principle drivers being a desire to contain our exposure to the labour market and increase our competitiveness. No problem raising capital at this stage.
- Residential Construction, Taupo/Rotorua, Strong, need more builders, painters and tilers. Clients want nice homes and are happy to pay for them.

### Education

- Tertiary Education. Domestic student numbers declining slowly (demographics). International student numbers approx. steady. Concerns of dominance of one market (China). Limited scope (govt regs) for domestic tuition growth. Scope for increased research funding – both domestic and international
- Retired lecturer. Tertiary sector has not recovered from the dumb mistake of letting the techs move from their core role to trying to become universities. The techs need changes, but I don't see how the current government's plans are a sensible start at an answer. Aging population creates numerous problems and opportunities. One problem I don't hear discussed is the need for caregivers. Perhaps the techs can contribute but educating caregivers, both informal care and formal/trained care. Techs might also try to attract retirees into programs and education that is directed at them.

### Electrical

- Electrical Test (household electrical). Challenging business environment, clients are not going ahead with full testing, delaying testing due to cashflow. We are seeing the competition is much tougher this year than in the previous 3, competitors aggressively quoting and undercutting. Definitely a marked slowdown. Opportunities (for us) are select test services at low cost, quick turnaround. This is focus for 2020 until companies feel wealthier to invest in new product development and full test programs.

### Energy

- On the power side of things extensive plans for wind generation (which is very marginal economically) and further geothermal have all been shelved given the quite substantial downturn in electricity usage resulting from more efficient electrical components, and the increase in immigration being way below that estimated -and of course there is the Tiwai Point bogey ! (Ed. Note, actually net migration is way above expectations.)
- Energy Load forecasting. Slow sell cycle in the energy industry at times. Japan is getting very busy (as their power market is deregulating). This presents the greatest opportunity for us. We've managed to get in with one of the largest energy retailers in the world, which is a handy feather in the cap and there's hundreds of retailers springing up, some of which will benefit from our services when they get large enough. Australia growing nicely as well. India has halted pretty much, mainly because it's too difficult dealing with the corruption there (even though it's middle of the road corruption) and the attitude of always buying the cheapest possible (which in energy forecasting, typically means the most inaccurate solution, which winds up costing the power companies far more than the most expensive package would ever cost 100 times over, but hey, it's the culture). Moving to another location soon to attract new talent and keep the people here happy (need a new analyst next year, typically look at getting an economist graduate fresh out of Uni before they learn worse techniques elsewhere). Clients love a flexible, responsive company to work with, along with being highly accurate. This really means being responsive to email/calls, changing things for the client sooner rather than later and incorporating client ideas (if they're good, we always encourage clients to give us their ideas about product improvements) into the main product, which really blows them away. We did a review at a management summit recently, 60% of additional revenue came from upselling existing clients. Well worth pointing this out to people. If you make them happy, they won't want to get rid of you. So very positive outlook.

### Engineering

- Engineering manufacturer. It has been a bumpy year with more good months than bad ones, the lead up to Christmas and the industry maintenance shut down period is looking as good as it has, and looking promising for the new year. Overall though we are steady and we are seeing more and more of our customers and work heading overseas to be manufactured there. Lack of skilled labour always a problem and very over employing anyone under 30. We need to upgrade our technology to compensate for the lack of skilled staff and will be doing so in the new year. We are finding a higher demand on technical advice rather than ten years ago when 90% of our customers already knew what they wanted before contacting us, big change there and a great opportunity for us to offer extra services to our customers.

- Heavy Engineering Services. The business is receiving more enquiries but also exposed to world commodity pricing as clients are price takers. They are under pressure to cut expenditure on major maintenance and are delaying where they can. Also pressure on locating quality staff to meet workload – now looking to bring staff in from Thailand for major projects to try and meet demand. We have withdrawn from "vertical construction" part of market as price demands are not worth the risk. Significant work ahead in marine and Navy areas as 18 months of delayed maintenance starts to catch up.
- Engineering consultancy. Compliance and legislation challenges, opportunities and challenges with population growth, clients demanding efficient timing but compliance issues holding back progress in development. Am part way through a small development personally and will never go through the process again and I work within the industry.

**Financial**

- We are a blockchain / crypto business. Trends are moving bullish - we are counter-cyclical generally, main challenges is a lack of global regulatory certainty, clients (largely institutional money) are tentatively entering looking for exposure to the new asset class and or looking to digitise existing assets like property / other largely illiquid assets.
- Financial services. Wellington. Increasing regulatory oversight, influence and control on business/es.
- Institutional Banker, Auckland CBD. As publicly communicated, the December RBNZ announcement on capital holding will be very significant. Challenges bankers will face is the rationing capital to areas where there is a high return. This impact should not be understated. Separately, if first-home buyers have access to their parents credit, good ladder entry points are not only P houses and rundown DIY jobs. I have a few friends who have purchased houses/villas relocated from Epsom etc who have plonked them on some bare land in Auckland fringe, renovated them up and selling them at a very healthy profit. I think it's a great idea not well shared! I wish I had access to my parents credit.
- Financial Services. Manawatu/Horowhenua. Lending growth muted. Banks' running scared of regulators post Oz fallout with increasing focus on compliance. Cost of Capital and right sizing balance sheet now the big thing, with Agri being aggressively downsized, and Institutional & Property capped. We await the outcome of RB's Tier 1 capital increase announcement to get better feel for impact (if any) on interest rates. Client balance sheet results still looking good despite media "doom & gloom" influence on confidence levels. Manawatu/Horowhenua outlook strong, with housing market holding up well – lack of listings the worry.
- Finance company (NBDT) Market – Good for us off the tightening by the banks and the restriction they appear to have placed on their lending. Overall our clients are trading well but a general feeling the residential construction activity is declining but we are not actually seeing that. Strong appetite for our investments as returns decline on the banks offerings.
- Property Finance, Mortgage Administration and Commercial Mortgage Advisory. Auckland but service all of NZ. Some turbulence with the changes in Bank appetite. This with any change creates opportunity if you can be agile. Solid finish to 2019 then will be tumbleweeds till Feb but predict 2020 will be a great year for us. Clients will need assistance navigating the new world after RBNZ capital review (hopefully).
- Banking Auckland Fairly challenged and disrupted times. Huge compliance and regulation focus. OCR changes having a significant impact on margins. That being said lending demand is strong; wealth management demand strong.
- Insolvency – Auckland based. Noticing a significant pickup in enquiries and work. Others I talk to are noticing the same patterns.
- Financial Adviser-Auckland. Lots of regulatory changes on the horizon. Business is challenging but then it always is. Positive about the future.
- We are a 2nd tier financial services provider based in Auckland . Though we had a decent October and are having a good November, most likely we will end up lending less than what we did in 2018. We expect next year to be the same.
- Banking/Finance London, UK. Challenges of political inertia, Brexit and a general election (with a lack of long term leadership across all parties) has resulted in a stagnation of a nation, sadly. That

said, through scarcity comes innovation...the consumer demand for technology and innovative solutions is still strong in London.

**Food**

- Importer / Distributor. Food Industry . Auckland based. NZ wide customers. Buoyant. Strong focus on disruptive technology or offerings (Vegan most evident). Sustainability big buzz word, but don't really want to pay for it.
- Our company exports food products. Main market U.S.A. Some segments of market orders are smaller with less frequency. Clients who sell on line have increased order quantity and frequency, clients selling at retail level smaller orders less frequent.

**Forestry**

- I work for a timber, hardware company. Things are looking reasonably well, our businesses are dependent on how building consents trend across the country, however challenges are always there of competition, new entrants in the market and pressures due to demand & supply of raw fibre (logs).
- Export logistics/ mainly for forest products. Manufacturers all over NZ. Forest product trends - Some manufacturers are struggling to sell forest products into traditional markets, notably China/Mid East causing high inventory levels here. However domestic sales remain steady as packaging requirements for dairy/produce remain firm. There seems to be a lack of qualitative forecasting in the industry as to when export markets will start buying again with most blaming the USA/China trade war. Logistics Trends - Shipping Co's continue to merge so there are essentially fewer options. Low-Sulphur Fuel Surcharges kick in from Dec 2019 raising base ocean freight rates from historic low levels. Logistics remains a competitive, low-margin industry with increasing customer expectations and compliance requirements but the accompanying technology is still catching up.

**Health**

- Central Government and IT, Wellington I mostly meet with PHO's, DHB's and service providers (charities mostly). I'm seeing that despite challenges (funding changes, uncertainties) people mostly just keep going. I don't see people not spending money on IT, which normally means they are confident about the value of the spend. Not sure if my view is of use as it's mostly a central government view, but I thought I'd share since it seems to me people have stopped talking about delayed spending because they are uncertain and just getting on with things.
- I am in sales for a gym in yy, We are currently seeing a huge range of different types of fitness offerings especially in xx being over saturated with gyms and now the internet (YouTube and apps) playing a big part in memberships decline. In the 8 years I have been at this gym we have seen a membership of 4200 slowly drop to 3200 now we are around 3500. We have a model which is the bench mark in the New Zealand fitness industry but have other companies like City Fitness who have changed the game with a wide range/ trending fitness options from $7 a week. This is our biggest competitor. We currently hold an advantage as our gym is still the best in what we have to offer (services like classes, PTs and Gym instructors) plus the quality of equipment is better.
- Workplace healthcare in the Auckland region. Increasing bureaucracy. increasing compliance (e.g. AML, H&S etc) which mostly seems to be a 'box ticking' exercise that does not add any value and adds layers of cost. Increasing 'political correctness'. A lack of personal responsibility and common sense with a preference to 'blame' and / or sue others – a la the USA. Increasing risk profile as a director leading to more cautious decisions. The risk / reward trade-off of being a business owner / director is definitely in the employees favour. As business owners are we 'playing to win', or, simply 'playing not to lose'? Recruitment challenges with an ageing workforce (and we pay well above the going rate). Pervading anti-business sentiment from current government – have politicians actually got any experience in doing anything 'useful' other than squabbling amongst themselves, or, covering their own backsides when they are caught out?
- I am part owner of a health-based spa designed to promote health and wellness through floating and other offerings. We have been open only 18 months and have been profitable--just barely, but gaining momentum. We have found a personal connection with clients with genuine concern for their wellbeing has helped us establish and grow in our little community. We are unique in our market and plan to keep adding options that will keep us that way as the only provider for certain services in our area. We have found our largest clientele is younger to middle age, with a good percentage of local

athletes. As older folks hear about us and the benefits, they are trickling in as well. Awareness and education are our biggest challenges. Social media helps a great deal with this. I think the trend for health and wellness is only beginning. We find ultimately people enjoy experiences and find less and less satisfaction with material possessions and more satisfaction with keep themselves healthy.

- Home Based Support - health sector. ROR getting less and (<5%), unions more involved and irritating, higher consumer expectations, increased and difficult to implement legislation. Challenging!

**Hospitality**

- We are a hospitality business based mainly in Auckland. Revenue is flat or growing slightly, competition is growing. More pubs, cafes, restaurants are opening, but they are not always good operators. The minimum wage increases are having an impact, pushing up the relative wages for front of house and kitchen staff, there is a shortage of chefs and we are working with training organisations to get more Kiwi's to come into the industry. We have preferred status with the Dept. of Immigration but despite this it is getting tougher to bring staff into the country. The increase in health and safety requirements are fundamentally good but this costs a lot to fix, to train staff and to change the culture. Dealing with the Council is still a nightmare and they are so slow at getting approval for any building changes. Landlords are increasing rents and banks are still overcharging fees for PayWave. On the positive side there is more opportunities out there for the public be it more hospitality sites, offering different styles, beers, food, entertainment, etc.
- Import and online retail – coffee capsules. Sales area: All of NZ. Trends = Fast growing segment, response to plastic problem. Challenges = Creating a meaningful customer relationship (i.e. generating easy repeat business) over the internet. Customers not wanting to pay extra for eco-friendly solutions (say one thing, shop the other). Can't put prices up. The uber-isation of everything (drive prices down to unsustainable margin levels that kill the market) creates unrealistic customer expectations on price. How useless Trade Me is as a platform compared to Google / Facebook. Lack of intelligence in your average online punter e.g. can't read / won't read explanatory information – it's easier to flick off dumb questions than read something – and that drives higher drop off rates in online shopping process as well as reduced customer satisfaction. ……………Opportunities = GST on online purchases from overseas is great. Small niche Kiwi businesses, gumboots on the ground, can deliver a better customer proposition than foreign corporates. Growth in online shopping backed by improvements in courier system (e.g. same day to city hubs from anywhere in NZ). Online advertising via Google / Facebook – highly developed integrated platforms, superb analytics, very targeted and very cheap, supports video (which becomes a challenge because that means end of TVNZ and Stuff ME (& Trade Me) – who employ the Kiwis who buy our product). ………….. Client desires = Easy, quick, simple shop & fulfilment process = Good product, Price, price, price

**Human Resources - Recruitment**

- I'm in online payroll and staff management. We are seeing an increase in concern from small businesses in relation to holidays act potential under payments. Increase in AI and automation in product design. No plans for new hires in the next 12 months. Steady growth in new customer subscriptions.
- Recruitment/labour hire. Auckland. Competitive and tight margins. Very hard to find good skilled labour and even harder to find unskilled labour who want to turn up for work. Wages have increased quite drastically. Some people are being overpaid for their skill level.
- Recruitment, in Auckland, and specialising in the SME market. I am incredibly busy. My main threats: Lack of quality candidates. Slow decision-making by clients. It is a good space to be in.

**Information Technology**

- Information Technology – Public sector. Auckland (CBD). Current focuses (foci?) in the sector are cybersecurity and digital transformation. Government stakeholders are increasingly worried about being hacked and interested in offering better services to the public through websites, apps, APIs etc. I think the sector is growing.
- Computer retailer / repairer. At the moment we are extremely busy with win7 – win10 upgrades.

- IT Services Auckland (cover all of NZ). A lot of activity in Digital services as well as Business Intelligence (turn data into information) and replacing old business systems with new, cloud based ones (especially in manufacturing and distribution).
- IT Outsourcing / Maintenance of SME's IT systems and infrastructure. Auckland. Generally we are still moving along strongly, we are set to grow by at least 20% next year but that's due to a new CEO (me - lol) now understanding the opportunities in the sector and the fact IT companies are being just that IT companies not customer focused and helping companies. But I hear snippets that companies are starting to sit on their hands in terms of spending money to upgrade IT. For example within Cyber Security, companies don't see the value in being preventative and say "I'm not important / too small " for those hackers to target me - well excuse me as hackers are playing the numbers game and don't care who you are or what your business does - if it has online vulnerabilities then they will be taken advantage, it not today, then tomorrow or maybe even in 18 months' time - but if you aren't ready watch out. Sorry a wee rant :)
- Break fixed/computer support for small business. Everything from supply of hardware to why can't I get online. Self-employed no staff. Jan to June 2018 extremely quiet, cost money to be in business. July – Sept 2018 business starting picking up and breaking even. Oct 2018 businesses started spending and it hasn't stopped. Interesting was that NZ being 20th month following, existing clients now not uncommon to be paid 3 -14 days after receiving invoice some still 20th month following. Comments from clients; Confidence in Government is crap, and don't expect it to get better until Labour is no longer in power. Interest rates are great but don't want to borrow as unable to raise prices. Can't lift productivity by much more as no labour available to hire.
- IT consultant – contract. Auckland. Contract market much quieter this year compared to last year.
- Produce and supply self-service automation Software and supply software consulting services. Auckland. The IT services sector is steady – we specialise in automating IT and business processes but we are finding very few business and people who actually understand what automation is and how it can increase efficiencies. A large number of our customers are government departments so we are seeing the inefficiencies on a daily basis – annoyingly this shows a huge wastage of tax and rate payers money. There are a number of large corporates who we deal with and they are moving away from NZ based IT companies and taking their services to India\Asia – I find this frustrating as xx want us to buy their yy but they are now purchasing their IT services from overseas (this does not impact our company) – not great for our economy as they cry poor after their bad decisions, cheap does not always work out – we have seen this fail time and time again. Our biggest challenge is finding good staff – we have been trying to employ 2 more people (total staff members = 12) but have only been able to find 1 which took 3 months. There is a large shortage of good IT people – my guess is the good people are less keen to leave their roles due to business uncertainty – we do require quite a specialised person to work with our software. It feels like there is a lack of skill out there and I am not convinced all the good ones have moved overseas (I did this for 3 years in 1999-2001) most of us come back – I think the young ones learn from Google and not from actually doing things physically so they lack the experience we require. I would prefer to hire people who have the scars of failed IT Projects – not the people with the degree and no real life experience. We are finding a number of our customers seem to be in a state of disorganisation and come to us for projects without warning and wanting it done ASAP – they seem to be poorly managed or lack a plan. We are busy which is great – getting everyone to pay on time is a little painful but is better than it was 12 months ago – staff are happy – we gave them all big pay rises at the beginning of this year as salaries in our industry have moved up considerably.
- IT. Wellington CBD. Sector activity is huge. Lot of government digital transformation happening. - Channel shift. Big move to get clients / transactions / data sharing (APIs) online. - Automation. Lots already. More coming. Implications self-evident (better cheaper faster). - Move to Cloud. Mandated by government. But easier said than done. - AI and Big Data. Not close to this - but know the impact will be big. - Legacy retirement. The challenge IT faces. Lots and lots and lots of work in this area. - We are going to be busy for the next 10y by my reckoning. - My organisation (MSD) is going to be resource hungry. So are others. Local market and wage implications pretty obvious (unless we off-shore lots of work).
- Technology company - design turn key systems in water power, waste - work in vineyard, aquaculture, primary sector. Margins being driven downward. Slowdown in plantings. We are

currently restructuring to create leaner business. Still opportunity but needs to be in niche areas i.e. wastewater.

- IT Services. Auckland (cover all of NZ) A lot of activity in Digital services as well as Business Intelligence (turn data into information) and replacing old business systems with new, cloud based ones (especially in manufacturing and distribution).
- Software - sector is going very well, there is a constant stream of demand for our product. The main challenge is adapting to new technologies, I suspect it always will be - with the corollary that talent/staff skilled in those technologies is always very hard to find. Oddly, salaries are not rising as fast I'd have expected (in line with the general malaise with wage rises in NZ) but the tech sector usually is a leader in salary rises. As an example of changes, software development tools rise and fall in favour - the tools developers learn mirror that change. Our software product was originally built in language that was top of the pops in the early 2000's, now it is obsolete. Meaning huge chunks of code get re-developed but feature wise, as far as the users are concerned. nothing much changes. So no extra sales as such. There is a huge amount of $$ and time being spent on reworking code by all organisations. For what I see as very limited productivity increase for users in the end result. Yes, there are new products and technologies all the time but an increasing % of work is just keeping up with the Joneses so to speak.
- IT solution / managed service provider, for SMEs. I see IT solution options for SMEs evolving and advancing, so more value can be delivered to clients through synergistically choosing and using the right tools, however only a few IT companies (at our level) are organising their marketing, conversion and delivery processes to be able to deliver these solutions; many are advancing too slowly and/or with insufficient dedication to creating a business vs a job.
- Data Analytics (currently for Dairy industry). Lots of opportunities, hard to find/keep technical staff with the right skills, hard to train and up-skill when you're busy with day to day operations. Then staff retention becomes a problem, train them up, then they move on to better jobs since they need new challenges to meet their new skill level. Many companies talk about making better use of their data but struggle to clearly define what they want to achieve and how they will get there. Many projects get bogged down in the IT department bottle necks when it really should be a business team with IT departments to provide infrastructure, not getting involved in how the tools and applications are used.

**Insurance**

- I am a financial adviser (insurance). Our sector is going through massive change at present due to regulation and insurers seem a little gun shy as the FMA imposes new rules and threaten legislation. There is a small trend towards online transactional business but the risk with that is there is 'no advice' which is contrary to what the government and FMA want. Business is good and there are some good opportunities in the market place. The challenge for us is ever increasing premium hikes so making cover affordable is always a challenge. Clients always want more for less but forget that they get older each year and the risk to the insurer becomes higher. It would be nice if government would consider some tax deductibility of premiums particularly for medical/health insurance as this benefit saves the tax payer a huge amount each year in claims paid.
- I'm am in the Insurance / Investment adviser business – Auckland and Waikato. As you will be aware massive changes at the moment with new Licencing – Government forcing a drop in Commissions / Income and an increase in Costs via the new Licencing. The expectation around this is a drop of 20% on income and an increase of 20% of costs ( compliance etc,) However, that brings new opportunities as a lot of the older guys will not want to go through licencing and expectation is around 20% of current advisers will be gone over the next 2 years. The opportunities come in purchasing their businesses and growth for the advisers left behind. It will also make it much harder for new people coming into the industry with the income drop and cost increase. The government is wanting better outcomes for the NZ public and customers, however, most of the guys do a great job now. The drop in advisers over the coming 2 years will give us more work and we will be more choosy – people with less money to invest will be ignored as it will not be profitable and so the exact opposite of the governments intentions will happen for some of the public and they will probably be the ones that need the advice the most. Although we have many changes coming (it happened 10 years ago with RFA / AFA regulations) I am feeling really positive about the opportunity's and the next 20 years. I purchased another Brokerage 6 months ago and looking at another 2 this week.

## Legal

- Consultant to legal profession - accounting and legal work. The work of a consultant seems buoyant. I am a one man band. Gaining work with anti-money laundering documentation and advice. For better or worse this is an expanding market. The legal industry seems to be largely marking time for general practices. Dysfunctional families are providing increasing amounts of work in the area of trusts and estates. Not sure if family violence work is increasing, suspect not as legal aid is a problem in this area..
- Lawyer – making and breaking deals/Professional Trustee. Auckland. My lawyer work has not changed over the last 6 years (I don't do conveyancing), and I have continued to increase my hourly rate (from $400 to $550) with no appreciable drop off. The new Trusts Act is a boon. I am re-engaging clients and it is either up or out, i.e. my annual passive trustee fee has gone up from a minimum of$250 to $1,000 and probably 20% of the clients are winding their trusts up, or sacking me – which is fine. I have on a post-it right under my nose, a quote from a certain BNZ economist "Cut output and focus on highest yielding clients"

## Manufacturing

- We are a manufacturer in Levin, with ~50 staff. Currently have forward orders into the last qtr of 2020.
- Importer/distributor of semi-finished non-ferrous metals for manufacturers. (aluminium, brass, copper, stainless, zinc). Traditional, mature business in mature markets. Price volatility from FX and commodity price movements – nothing sits still very long. China/SE Asia dominates discussions. Hedge what, when? Provincial slowdown – lack of large scale CAPEX works. Dairy & wine boom is over and Fonterra have put the cheque book away – what will drive provincial growth or will more towns die. Auckland solid off back of strong building and construction but who is making money? Margins continually squeezed – race to the bottom and lack of leadership from major players, especially those under share price pressure. Rents rising, wages static, margins falling. Have to pay well for good new people if you can find them. No matter what, service and relationships still key. Scale manufacturing continues to go offshore. 60+ males having difficulty selling businesses for anything other than asset value – staying around longer and not investing. Those remaining continue to invest in new CNC technologies, shift to technology driven solutions continues with lots of flexibility – where will 3D printing end up? Carbon footprint awareness/measurement has not filtered down to many markets/businesses – remains a discussion for most only. it will become the new H&S.
- Manufacturing and wholesaling into NZ market(flooring) as well as export to Australia/US markets (vertically integrated), also wholesaling some imported product. Sales declining year on year, tough market. US tariffs affecting some imports and exports, cheap imported product has created new competition. Change in consumer demand has necessitated diversification into different products, more imports.
- We are manufactures of roof access products for commercial buildings. We are finding the NZ construction market challenging, it is very competitive and there are a lot more compliance hurdles to jump through, compared to Australia. Having said that Australia is starting to follow suit!
- Product design and OEM offshore manufacture. Trends: Our client folio is spread through primary industry, retail outlets, OEM brands and start up product ventures. The clients surviving and growing are focusing on RnD development and have solid market channels. They are diverse and foster systematic behaviour. Challenges: Aggressive NZ companies chasing your client with a lower cost on low I.P. product sales. We are moving away for these markets which are predominantly primary industry and mainly red meat related. Attracting staff to xx who want to chase social activity in AK central, Understanding and learning what motivates 20-30 year old innovative staff, admitting it is not money for most staff.( still working on this one). Opportunities: I.P. rich product, Ownership of our own brand, manufacturing channel accompanied with information rich relationship management. Client desires: Exclusivity, Higher G.P., Innovation, 100% considered solutions in respect of financial, POS and longevity of market opportunity. We are aiming to double our staff from 8-16 in 24 months and build to a 20M Turnover, managing cash flow, staff and their job satisfaction is the hardest part. Finding customers and work is easier. Super keen on investing in land at present and are doing so. Was about to buy a waterfront 5 acre farm for the family/horses. Your consistent

opinion on rising sea levels has all but put us off. We are now looking inland at a commercial plot instead.

- We are plastic goods manufacturers for local and export markets. Locally customers are becoming unrealistic re pricing and delivery times. Staff recruitment is always a problem, sales are increasing slowly.
- I am a director of a smallish manufacturer (plastics) with range of products, an IT company and property as developer and owner. Credit is becoming tight, despite the fact that there has been a recent influx of 2nd tier lenders ex Australia (e.g. Bluestone Mortgages, Prospa ) busily offering cheap and readily available money - all so "last decade" with no doubt the same outcome. Staff availability is tough. Competence is mostly there - attitude has gone well West - pun intended. Probably due to general attitude that the world owes you a living supported by societal angst over "it's not fair". Our sign board outside the factory for "Staff Wanted" gets as many responses from parents wanting their lazy sons ( women don't seem to want hard/dirty jobs for some reason - 3 females in a staffing of 30+ ) off the couch as it does from actual prospective employees. The IT company is now fully "staffed" by contractors only. Customers are all OK, even the export markets - delivery and scheduling is the problem. Took 12 months to solidly establish a night shift in the factory. The effect of regulatory imposts and anti-business sentiments are lingering e.g. capital gains tax process, tone of media, residential rentals regulatory changes, sudden announced changes to oil exploration. All encourage people to invest very cautiously if at all and back out of NZ. We run a risk of becoming a Tier 2 jurisdiction with negative impact on capital availability/cost.
- Technology development company for fruit sorting where mechanical manufacturing has been moved from Auckland to China. Opportunities are great within the segments and we are well placed to benefit for to lower manufacturing costs in China allowing us to continue to be competitive. However, many of our clients fail to understand the value our technology provides and therefore compare our products against inferior products on price alone. Same challenge, different year. Trends are for rationalisation in the fruit packing industry. Opportunities are good for our technology.
- Manufacturing for export - tough as local costs (mainly wages & compliance) and material imports due to USD FX have pushed up production cost but our export customers have no appetite for the 8-10% annual price increases required to maintain margins.
- Blinds/Shutters/Awnings. Trends: Down, significantly compared to the last years. Challenges: More competition so big pressure on pricing, Price hike from all suppliers for raw material plus limited ability – if we have any - to rise our selling price. Opportunities: Hard to see. Client desires: Better product with cheaper price

## Marketing and Advertising

- I own my own database marketing services consultancy in Auckland. Business has been tough for us over the last 6 months and our staff numbers have dropped in that time. There is an explosion of new marketing technology software tools and services arriving every day from overseas and locally. Our clients and potential market (which is marketers largely) are overwhelmed by the range of options and struggle to make decisions. The thing that has hurt us most is delays, delays, delays on commencement of new projects. Everybody wants their marketing to be more sophisticated, more mature, more automated, more personalised. But they want it to happen faster and cheaper. In other words, everybody wants more for less and they'll take their time to find it. As a smaller business, we have smart people, experience, awards, track record, results, etc. But it's very difficult to choose which strategic path to head down. Which technologies to back. Which hard-to-find skills to employ. Which products to develop, The environment is changing so fast, and the big American tech companies so dominant, that it makes business decisions very tough. Should we just find a buyer instead? BUT we've had some good news this week, a couple of new client/project wins, and several more in the pipeline. Hopefully we will head into the new year with some good momentum.
- We are a digital advertising agency. Based in Auckland but servicing clients nationwide. We are very busy, but we do feel pressured to deliver results quickly for our clients. It feels that things are quite competitive and everyone is peddling hard to get new business and to be profitable. There is definitely a "more for less" attitude amongst the small-medium sized businesses that we work with.

### Miscellaneous

- Statutory body (central gov, local gov, iwi), Auckland and Waikato, environment focus. Big shift in attitudes from individuals, communities, businesses etc in favour of sustainability - serious money and resource now coming through. Growing awareness of value of traditional Maori knowledge and opportunity from true crown - iwi partnership. Much deeper understanding of NZ ecology and uniqueness (and therefore ability to protect) but still many entrenched old practices which are damaging to our environment esp. where sunk costs involved.
- Industrial cleaning – nationwide - This year the busy Xmas Holiday period is perhaps going to be a little bit less busy – smaller clients & a few schools are cutting budgets and work required. Has taken until this month to feel this happen. As per your last year of advice wages are rising quite a lot and very hard to get staff who are decent and willing to work with initiative and drive. Business has been expanding for 10 years. Only the most casual casuals are on $18 p.h now – most start minimum of $20 and more experienced/responsibility start $22 or higher. We had a couple of good years with all the mainly Indian students coming in for courses (Auckland) and being able to work part time. All gone now. Other young overseas travellers (South Island especially) not here so much for work either now. Dairy factories are good business for us and seem to be spending still. One thing I note is that low wage workers are still not wanting to join Kiwisaver and others cannot afford the deductions so take as many Kiwisaver Holidays as they can. Mainly this is in Auckland – cost of living has forced workers out – one moved to Levin and bought a first family home – still with the company. Another wants to rent 1.5 hours' drive from work in Auckland for cheaper rent. For now the company pays for the fuel & toll costs. More players in our niche now but often this ends up being a short term trend as specialist knowledge and difficulties maintaining quality lead back to expert experience. However as per your constant advice we too are having a few more re-do's due to poor quality work from inexperienced/low quality staff. Has been 1 year of this really – but most of our problems are good problems – heaps of work, hard to get enough staff. We deal with 100+ companies per month round the country and this year we have had more changes of contact people in those companies than previous last few years. Not sure what this means – people moving jobs for higher wages? A few went to Australia. Just a small observation.
- The environment is all the rage at the moment, and anything associated with it, plant nurseries, vermin control, wetland rehabilitation, lawyers specialising in RMA, environmental consultants ( most of whom just cut and paste from one expense report to another) etc are raking it in- while all piously declaring they're "not in it for the money".
- Scuba dive business. Trends: Growth in the professional training numbers. Fair to say this is due to the Govts Fees Free Policy in part. Difficulty that we see with this policy is for some students there is a lack of "buy in". It would be better to make this a results based policy. i.e. – pass the year and the fees are paid. Growth in recreational training numbers (Open Water, Advanced, Rescue) – probably attributed to a number of things – population growth, increase in providing training for Secondary Schools. Growth in dive charter/tourists – Distinct reduction of dive operators running their own boats in NZ meaning we are seeing increased demand. The lack of other operators has probably come about due to increase in compliance and audit requirements in recent years and the associated costs. The cowboys have left the industry perhaps. Growth in the overseas tourist demand which tends to be either side of the peak summer period. Challenges: Compliance costs – they just keep creeping up and in our game there are numerous areas of audit requirements to meet. Opportunities: Growing dive education in the secondary school arena. But with the new funding in schools – their inability to charge pupils for outside of school activities could be a minefield for us.
- 95%+ of business in NZ employ <5 staff. Talk in the media is of decreased borrowing costs for businesses, so therefore businesses should borrow and invest. Perhaps decreased borrowing costs is the case for large businesses but banks will only lend money as a small service business if you will put your house up as collateral. So, sure if you are prepared to borrow the money against your house and put that money into your business, you can obtain lower borrowing costs, however, not if you try to borrow from the bank directly. For example, our business overdraft interest rate facility has decreased from a rate 15.25% in June 2013 to 14.70% in November 2019 – wow a 0.5% decrease in (nearly) 6 ½ years while the OCR has dropped by 1.5%! Good margins for the bank there…
- Water treatment company and we do a lot of work in industrial water purification for food and beverage companies but the largest projects we do are plant room builds and refurbishments for our

public swimming pools. While we have plenty of work at the moment, projects 6 to 12 months out are looking pretty thin on the ground right now.

- Paper Tissue. Focus on reducing number of suppliers within supermarkets. Reduced concern of government changes (e.g. fair pay agreements) due to track record of not delivering promises, but concern still exists. Concern over USD currency continues if you are buying in USD but selling in NZD (currently moving to purchasing raw materials in RMB instead).
- Auckland based Commercialisation consultant. I work with scientists, CRIs and start-ups looking to progress by identifying markets, articulate business plans, find investors and generally improve the process of Commercialisation. Not sure where I would sit in your sector analysis! I am seeing a lot of interest in my area, with increasing focus on commercialisation and increasing (albeit still under-sized) budgets.
- Landscaping business in Auckland. There is no shortage of work for us in this industry. The biggest challenge is to find the right staff. There aren't any around, in fact for each ad we place we get maybe 2-3 applicants mainly from overseas. Rarely do we have a kiwi applying. On numerous occasions they don't even show up for the interview. Red tape is a daily struggle with more and more ludicrous things added on a seemingly weekly/monthly basis. This is local government and Wellington. So all in all plenty of work but staffing is a real struggle.
- The type of business I am in is HVAC manufacturing for the Rail industry. Our sector I believe, is growing slowly.
- Business sales - SME sector. Challenging - increasing costs, rising labour costs, time-consuming compliance requirements. Another couple of years of lack of business confidence, increased competition, limited margins.
- Film Industry ... Rental e.g. Lights, Cameras, Stands, etc. Sector is flat out as a whole ... boosted by major productions: Avatar, LOTRs plus several more, utilising lots of local crew and suppliers .. much of it is Auckland-centric. In turn the content is generated by streaming services (eg Netflix, Amazon), this is in addition to major Studio funded work (eg Avatar) . Add to that: local content, independents shooting for online with a one person crew and some kit, plus TV commercials etc. Wellington is very quiet in terms of actual shooting of content, (the digital, post production side may not be suffering the same level of inactivity). It has been a period of technology evolving rapidly ... with high capital cost, and short shelf life. I feel this is cooling. Corporates are looking to have their own in-house content producers (think young person(s) with a nice DSLR and a Drone) rather than outsourcing. There is never enough funding for local content (eg TV doco's etc). Longer term in what is a very on/off industry its looking pretty positive ... one major condition though: as long as central government continues to support the industry by way of rebates to overseas productions. It will disappear overnight if NZ does not remain competitive in making NZ attractive to the bean counters.

## Mortgages

- Non-bank mortgage specialists covering the country. Investors and first home buyers pretty strong. Home movers not so, more people extending/improving. Regulation coming soon and little clarity for Advisers particularly around cost of compliance. Non-bank lending is growing fast, especially in the 'near prime' space as the effects of the Royal Commission roll into banks here. Client demand is strong and with a greater product range available than ever before, more people can be accommodated at reasonable rates. KiwiBank and ASB, ANZ upping their 2 year rates caused a few eye brows to raise but at 0.1% from an historic low I don't read much into it. High and continuing demand, lack of housing stock, low rates and migration all point to a healthy property market and with the Government changes in rental regulations I see more renters trying to become owners as the rental stock will fall significantly.
- I am a Mortgage Adviser with clients all over Auckland). Our clients (buying and selling) are reporting sales prices on properties. We also receive newsletters from Real Estate Agents, some of which report sale prices achieved. It appears that almost all of the properties we are hearing about are selling at prices above, and in some cases, well above expectation. It appears, to me, that demand is outweighing supply (re existing properties in Auckland anyway), which is pushing up prices. I am interested in seeing media reports over the next few months and I suspect that they will lead to others jumping into the market (for FOMO). We have business coming in all the time (mainly referrals). Our biggest challenge is probably perception around our offering. Many people find it hard

to accept that we can provide a valuable service without charging our clients. They also think that it is all about getting the finance, and getting the cheapest rate, whereas advice, service and tailored loan structures are key elements to a great outcome (albeit not as visible as interest rates, which banks, who generally don't want to spend a whole lot of time on advice and loan structure analysis, promote). Fortunately, social media is helping our cause and I think that will continue.

- Mortgage Adviser. Auckland. A number of retail clients are saying turnover is down and they are hoping the Xmas period picks up for them. All trade people I am dealing with state they are already fill of work up to Xmas and some beyond are not looking for work at present.
- Mortgage Adviser Tauranga. Banks are not keen to lend. xx are completely out of commercial property market appears Capital adequacy unknown is limiting lending appetite, property market has re-ignited itself in Bay of Plenty, First Home buyers limited by First Home property value caps. Plenty of activity for lending as an Adviser.
- Mortgage Advising Wellington. Investors market, pushing first home buyers out due to supply shortage. Ability for people to use Kiwisaver, couple with more recent parents using recent equity increases to help buy homes. First home buyers being squeezed out due to investors being more confident and lenders making it too hard for first home buyers to get a home. Estate agents also fuelling the price increases in all areas, first home buyers having to offer 5-10% more with conditions than an investors unconditional offer, just to make it an attractive offer, then reg valuer comes in and justifies the price, again fuelled by estate agents proving recent sales, again pushing up prices. Mortgage brokers also to blame, getting more lending for customers by being able to leverage different banks. End story is a total supply shortage in my opinion, probably 6-9 years ago.
- I am a mortgage lender for one of the Aussie owned banks. The key trend I'm seeing is the tightening up of credit. I think it is largely influenced by RBNZ, APRA and the fallout from the royal commission (although not as bad as expected). In my opinion it is more difficult to be approved lending now even compared to post GFC around 2008, 2009 which was a difficult period.

## Music

- Music Management & Music Industry – hard as always in NZ to make much money other than with the help of Govt grants – which under Labour always are good. To be fair – was the same under previous Nat's govt. as well. Husband mainly works for overseas (UK) music services company that pays the bills. Streaming is making the major record companies with established (international mainly) artists very rich with a lot less cost (no more CDs to press - just a file to upload). The uberisation of the recording industry is going well and musicians/artists now have way more choice as to how they get paid for their output and much less need to do a deal with a major record company that will take 80% of their earnings minimum. But as usual the business is still not able to be negotiated easily by artists themselves – they more than ever need experienced people around them who know how to do it & will help for a cut/share/fee. Just doesn't have to be at such a high price and high bar to participation. Big rewards are still only for the smart & hard working though.

## Petfood

- High quality pet food export 90%. Asia, US, Australia. MAT growth over 50%. Local labour tight. Some upward price pressure on raw materials. But overall gangbusters.
- Petfood. We import all of our product and distribute it to pet stores & vets etc. Challenges obviously are hedging and forex contracts etc, and how much that affects margins. Traditionally we have been high margin as we are the premium product, but lately marketing from lesser quality competition has tried to position them up with us, but at a lower price point. We hadn't raised prices in 4 years, despite input costs rising 3-4% every year, and finally did a rise this year (my first year with the business). Thankfully not much push back from our stockists, and sales volumes haven't dropped. Typical challenge that you have noted time and again of not having much pricing power, so we will see how annual rises go from now on. But decreasing margins and profits for the last 3 years was unsustainable.

## Regional Economic Development

- Local government in Hawke's Bay. We tend to keep an eye on property activity (pricing, turnover, etc). The greater Napier region is still doing well. However, given that the region was at least 3 to 5 years behind the post-GFC recovery that occurred in the city centres, I see the current positive economy as lagging the progressive slowdown elsewhere. ……………Good pip fruit demand is having a flow-on effect to the wider economy……………………From the local government perspective we see future challenges from housing demand. There is a bit of a shortage here (I would qualify that as a shortage at the right price for buyers), and planning is currently around opening new areas that won't be impacted by coastal erosion or take up productive farm land. Know of any marginal hill properties? In terms of overall population growth we don't see the numbers being significant. Given that you can live somewhere nice (and be able to afford the house that you want), earn the same money as you can in the city, not mistake the motorway for a carpark, have great produce to eat (and get to know the grower),are spoilt for excellent beaches, forests and other natural resources, have consistently better weather, it is surprising that more people haven't made the move from Auckland out to the regions. The challenge is on to encourage more businesses to move to the region (and bring their skilled workers with them). People set in their ways are hard to budge no matter how bad their city gets. I made the move from Auckland a few years ago and haven't looked back……………………..Spending on capital works is a concern/focus. From what I see globally, councils have been neglecting infrastructure for decades. NZ is no different. Breakdown and degradation will force increased spending in this area. However, given the cost of lending at present, now seems like as good a time as any to get cracking –we have quite a bit in the pipeline.

## Residential Real Estate

- Not enough rental property less than 4 per suburb. 3 beds still outweigh any other we look after. Rental increases seen 3% increase compared 5% previous years. Although highest have been 2 bed city apartments. Longer term tenancies reaching 24 months. Compliance and government changes are our biggest expense and challenge. Not involving/making it desirable for private sector in build to rent scheme is a lost opportunity.
- Based in Hamilton, Mainly Hamilton properties that have development opportunity are obtaining very good prices and not taking long to sell although good quality properties i.e. location and condition, are in a similar boat. Waipa – Similar story with Cambridge although all properties are getting very good sales prices from recent sales history.
- I'm a mortgage advisor in Christchurch. I see "old" investors coming back into the market, some newer ones anxious about legislative changes that they perceive make being a landlord more difficult, first home buyers scraping together deposit to get in, and an increasing number of people my age (50+) with larger and larger mortgages that they are unlikely to have paid off by retirement.
- I'm a property valuer in Queenstown so quite a unique market in some respects. We have quite a segmented market here and are experiencing what I like to call a 'property sandwich'. There is a lot of demand pressure from below pushing entry level/first home buyer/investment prices up at the lower end of the market. At the top end of the market the changes to the Overseas Investment Act have reduced demand dramatically and prices have reduced, time to sell increased. So the middle part of the market in the sandwich is quite squished with buyers able to get quite a bit more for their money if they go up in price say from $1.5 to $2 million. The reduction in the OCR/interest rates has definitely had an effect with a buoyant and active spring, especially in October.
- I'm a Real Estate agent at Mt Eden. Approx 3 years ago we could absolutely demonstrate a 10% price drop in the central area. This wasn't really reported as we believe lazy journalists fixate on the average, or median, house price. The market has stayed relatively flat since until the CGT was kicked into touch. Since then we have observed investors come back into the market and we are feeling a definite improvement. I.e. our under-hammer auction results up from an average 30% to 50, sometimes 60% and my last 5 sales have all been above expectations.
- Property investor/landlord. Auckland. The government has been, and continue to, introducing anti landlord law to make landlord business extremely difficult operationally and financially, which will have adverse effects to both landlords and tenants.
- I am retired and have 5 rental houses with bank loans of around the $1M. Hence most of what you state is relevant to me. I'm seeing things much the same as you at present. Unfortunately we have fixed interest loans at 4.59% renewable late next year and the cost of early repayment is prohibitive so we're a bit stuck till then. However, some of our loans are offset, which cancels their interest. At present the govt seems to be hammering landlords - it's almost like they don't want us to house people, crazy when they've proved time and again that they certainly can't. However, govts change, houses remain, so we'll just weather it.

- I am a residential property investor of 28 years. Multiple properties located in Auckland and two North Island provincial cities. 1/ There is no shortage of tenants. I notice tenants are staying in the houses much longer now than ever before. Turnover is currently almost non-existent. 2/ Rents have not risen in Auckland for 18 months at least. Rents are rising in the provincial cities, faster than I can keep up with. Even after my property managers increase the rents, I feel like I want to ring them up and say "the rent is already too low." 3/ The biggest cost savings I have made in the last couple of years have been the cost of finance. 4/ The only negative factor at present is the continual government and press criticism about landlords. It's disappointing. I use professional property managers, obey the law, provide tidy houses to people that chose to live in them, and that they can rely on being available (i.e. they won't be moved on). Yet there is a sizable percentage of people seem to think I am a bastard.
- Property Investing / Trading. Auckland (south Auckland property investor, north shore trader). Property Investor incredibly challenging with all the new rules and now essential to use a good property manager, Property Trading there is a huge amount of rubbish property with problems on the market (leaky, unconsented, major problem)
- Property Investment. Dunedin and Christchurch. Prices are out of reach, investor financing is difficult, rents are high albeit begrudgingly by tenants.
- Business: Investment property – over 20 years. North Shore/Rodney district. View of this sector: bleak. Ongoing interference by government who appear to be taking sides (great for getting votes) without any insight to the everyday life of an investor/landlord. Level of interference is now reaching fever pitch – we will legislate what you can and can't do with your rental property (that is your assets). I think they have switched the whole social responsibility of providing housing from the State to the private investor. State housing/Housing NZ tenants often considered they had a home for life. That's changed with the whole infill and multi-unit development which required tenants to be removed from their home.
- Property investor/landlord. Auckland. The government has been, and continues to, introducing anti landlord law to make landlord business extremely difficult operationally and financially, which will have adverse effects to both landlords and tenants.
- Property Investment. Auckland/Hamilton. Issues: Regulatory change is the biggest issue. In saying that what I'm seeing is the amount of new regulation and impacts of some of the rules i.e. Healthy Homes Guarantee Act (HHGA) and ring fencing will make it harder for first time investors while playing into the hands of investors who have stronger balance sheets and therefore are likely to have positively geared properties (therefore ring fencing isn't an issue) and the financial ability to upgrade their properties to meet HHGA. In return for undertaking these upgrades rents tend to be increased to reflect their investment. The new proposed rules, particularly removal the 'no cause tenancy termination' is perversely likely to affect the very people Labour is looking at protecting, i.e. vulnerable tenants. The reason for this is property managers and many private landlord's will likely be more rigorous in their tenant selection. I know personally if this new rule is passed into law I would prefer to have a week or two extra vacancy rather than risking tenanting the property with somebody with a poor track record.
- Residential property development. Auckland. Long term fundamentals look fine, but the 2019 election and the RBNZ change in capital requirements will affect the market in 2020.
- I am a 50% owner of a valuation company in Christchurch. Business is good. Property market is busy in residential and commercial. No exciting tales of value increases but Christchurch is slow and steady which hopefully will win the race haha. Lots of activity running up to Christmas. Personally hoping the work flow slows so I can relax over the break but we shall see. First home buyer value range is hot hot hot. I'd say the most liquid part of the market. Above 500 - 600k is slower.
- I'm in residential property investment and management of our places & tenants. Locations: Tauranga, Hamilton & Whakatane. Trends: House price rises exceeding rent increases over the past many years = lower yields for new acquisitions. But rising rents mean yields on previously purchased properties are improving. Interest rates decreases more than offset increases in insurance and rates payments. Government regulations have been and are a major burden and difficulty for owners and landlords, particularly the proposed ending of non-disclosed reasons for rental terminations, and fixed term rentals becoming periodic. Thank goodness the CGT didn't proceed!

- I'm a school teacher and have a rental investment property in Christchurch. Looking to purchase another one. I like the fact that there is more regulation for landlords to adhere to, as the state of most rentals I have seen and lived in is very poor.
- Auckland Central apartments and fringe. Volume is low but listings are lower. Increase in owner occupier first home purchasers which will push up values. More buildings with issues being found.
- My husband and I have a residential rental portfolio. Life has been difficult and expensive keeping up with all the law changes: - all our houses were insulated, but those with foil under the floor could not get a certificate (10 years of dust!) = $10,000 - Range-hoods & extractor fans probably another $5K, with consequent changing some kitchens around ~ $30 K - Un-permitted premises (RTA amendment 2) is an absolute minefield as all our rentals are 1960's and in the last 70-80 years you can imagine how many sleep-outs and archways etc have been added without a building permit. We are committed so far to $350,000 for the four tenancies we will address first. Much more work to come. There are advantages: - low interest rates - rising rents - shortage of rentals means there no need to consider applicants with marginal references. The big problem coming up for many landlords is the loss of the no-fault 90 days' notice. I have only had to use this twice for ghastly tenant behaviour - the women tenants got new partners who really upset the neighbours. (Neighbours will let the landlord know what's going on, but are scared to complain directly or testify against the nasty fella in the Tenancy Tribunal.) Now I keep my properties in such good order I can select only the best tenants, so this is (hopefully) unlikely to occur. God help those tenants at the bottom of the heap, because landlords are less likely to give them a chance.
- Small time residential property investor (five units). Rental demand seems OK and rents solid (Christchurch). I've been involved for about 20 years. I have been sorely tempted to sell the lot as of late. Poor legislation again. My units have for many years had heat pumps, insulation etc. But with the new rules they now need for example an extra 20mm of ceiling insulation. You can't buy 20mm thick ceiling insulation. At present they have 100mm same as my personal home. I believe the days of the private landlord managing 1 or 2 properties are coming to an end. I have mine managed. The compliance is just getting too tricky to do yourself. So I believe the supply of rental accommodation will reduce over the coming years. Combine this with immigration and lack new builds, rents will continue on upwards. That is the main reason I haven't given up.
- Residential Valuation Manukau City. Flat out at the moment, huge pick up about 2 months ago from very quiet. Lots of first homes buyers and new builds on sites made possible by Unitary Plan. Prices firming and now appear to be more than a year ago.
- I am in the residential property investment (landlord), in Taranaki. There are so many challenges underway, mostly from our Government and poor policy changes,...mainly the amended Residential Tenancy Act....taking away our ability to administer 90 day terminations, sometimes the only sensible solution for your property and the neighbours. Meth problems and an avalanche of new rules, required upgrades to property. It's a headache. This could benefit landlords by meaning that you can select the very best, as I am sure for a lot this will be the last straw, so we the brave will have choice, also rents will rise, how could they not...interest rates are never lower.
- Rental Property Investment – Central/Eastern Auckland. Also renting myself at present same area (while building a house). Rents are increasing – just received a 3% increase notice for next 12 months rental. Still heaps of people wanting to rent and able to pay the high rents. Just bought a new investment apartment property off the plans and the competition was intense to get in on the deals for 1 bedrooms at a price not much above the KiwiBuild-type offerings in lesser suburbs. A lot of people in Eastern Suburbs have very small mortgages now and looking for local places to put their money for a return for retirement. Hairdresser friend says he is told they are investing in property – commercial and residential. Other wealthy lady I know said people are going back into shares. Somehow I'm not all that convinced! Lots of new apartment buildings being planned for Eastern Suburbs and seem to be selling quite well off plans. Newer smaller places in more expensive areas look good when you compare with the in-general poor quality housing stock in cheaper suburbs. I'm always looking and recently did a lot of research about whether to go for house & land in say Manurewa or Papakura type areas or a high quality suburb apartment. Still haven't found a decent piece of land with an OK house in Auckland that makes me want to risk the potential tenant quality, work required on house etc for the potential of maybe being able to do something with the land further down the track – when I can have a nice new apartment with nice tenants in a nice area for way less hassle. Yes potentially way less money to be made but for cashflow it is fine.

- I'm a landlord, small time. Three rentals in Lower Hutt. Feeling on the ground - that this govt. have the view that enough excessively stringent regulation (can't ban pets, almost impossible to remove bad tenant, etc,) will chase investors out of the business, lots of properties for sale bringing prices down and properties predominantly becoming owner occupied. (I heard one Green M.P saying "Well the houses don't go away"). I wonder what they think will stimulate building new residential property so perhaps in effect houses will go away.
- Real Estate Christchurch Good activity, due amongst other things to the fact that retirees are getting back into investment property to achieve a better return on their retirement funds; property insurance continues to be a challenge for many prospective purchasers due to the earthquake issues both past and potentially future ones. Still many 'underlying' potential problems in Christchurch with earthquake repairs not completed properly (or at all!) and many I am sure still undiscovered – it is a bit of a mine field in my opinion and I am not so sure that we have our heads 'out of the sand' so to speak.
- We have a couple of units in xx we rent using Airbnb and over 70% of our guests are from overseas. No shortage of guests at the moment, and most are not cyclists. These units are part of our retirement plan and I am aware of the view that NZ may become a less attractive destination over time due to climate concerns around flying. No sign of that currently. We also have some residential rentals and in the long term the plan is to sell up some of these and put the money into equities/bonds/term deposits to have a diversified portfolio and therefore less risk (50/50 property vs other). Some of these properties are in Wellington, so have had a boom recently. No shortage of tenants there.
- We own rental homes mainly in Manukau/ Weymouth but also Massey. Our LVR is about 43%. The banks currently don't seem to favour us as cashflow, on a % basis doesn't work out. I only have 1 tenant who needs help to pay bills etc ( she is behind in rent ) the others have mostly been with us, happily for over 5 years. I am finding the Insulation levels and changes a challenge even though the houses are mostly built early 2000's and have good insulation passed by inspectors but currently inadequate . One tenant can't afford to turn on a 5kw heat pump so child has been to doctor several times this winter. Insulation can be a warm house or a fridge. I happily planned to install Heat Pumps as they also Heating - Cooling - Dehumidifying - Fan. Had a tenant drying clothes in bathroom. The lounge had water dripping from ceiling all doors and windows closed. This was in a brick and tile house built 2002 fully refurbished with a new kitchen and new carpets and repainted throughout. They are getting a heat pump. The 90 day vacant possession rule change I see as more work for the tenancy tribunal as these tenants are causing issues and landlord wants to be kind and ask them to go politely. This change means they go to Tribunal and have the issues formalized and makes it near impossible for them to find another rental after a credit check. No shortage of potential Tenants in good houses paying above market rents when they move in. Unfortunately for me, Rent increases don't keep up with market rent even though I think the annual increase is high.( 4 to 5% ). Long term I think being a landlord is great with good returns. You need to like working with people and know how to maintain your properties.
- As you know, our sector has the go slows. The good news for vendors is the continuing low numbers of houses for sale. The sign of a falling market is a flood to market – in December 2008 there were 2,455 listings on the North Shore and today there are just 1,467 properties for sale compared to 1,907 in the same month last year.
- We are property investors. We have found Auckland exciting to invest in and are in a position where we are enjoying capital gains to pad out our retirement plans. Properties are returning a good yield on investment and we plan to hold them as long as possible to leverage future purchases. We have recently purchased in Napier and are very pleased with recent market growth however historically this is not sustainable growth and we would expect the market to level off.
- Residential rental. Tasman. Having had a good (historical) return from older properties we have sold these older properties to owner occupiers and are consolidating into much fewer new build houses, which automatically meet all the recent insulation, heating, moisture upgrades to the Tenancies Act. Not as profitable but better long term. Re the further changes being considered, we are totally opposed to tenants being legally permitted to have pets.
- Residential real estate investment through rental properties in the regions. There are good buys around but it takes a bit of work and patience to find them.

- Residential development and building in Auckland. The new home market is very price sensitive. Anything below $650k gets snapped up within days. The challenge is finding land cheap enough in a decent location to meet this demand.
- Long-term buy and hold residential & commercial property investment. We have found access to credit more difficult over the last year compared previous years. We have owned properties in both Christchurch and Wellington for years but these are still tricky when it comes to insurance, especially when it comes to reviewing our policies and premiums and changing providers.
- I own one house in Hamilton, with reliable tenants, it is managed by a property manager. I am currently building a house in Auckland, this construction is a nightmare, due to the original developer being liquidated soon after purchase, and due to the current builder dragging their feet in getting the house built (supposed to be a Master Builder but is being very problematic) so that's all I can comment on from. Building a house while based overseas was not a wise move on my part.
- Real Estate in Nelson. The market is very active, hard to get first homes under $500k, houses $600k to $900k sell well and within a couple of weeks, if priced well with multiple offers. The higher end can take a little longer, but plenty of choice there also. And plenty of buyers. People are moving to Nelson from all over NZ and a lot of English and South Africans. Also families moving to Nelson then the main income earner flying over to Wellington to work a few days a week. The main trend I see is that like you, we work from home with our own brand, my wife was the top agent for a big brand, got sick of the corporate stuff and meetings about meetings, and the huge outdated rates that are charged, the internet is the biggest game changer in real estate, there is no need to rent downtown office space. We can market in the Property Press, our own website, Trade Me which is by far the most effective place to market your property, and we get a huge response out of Face Book with a boosted add costing $5.00 . With that we can reach over 1000 people depending on the property, no need for massive expensive adds in a paper ( which really is only a way to get the vendor to pay to promote our brand.
- Rental properties in Dunedin & Mosgiel. Property prices have been going gangbusters in Dunedin. Rent is following suit. This makes it very hard going for new buyers and young families needing more space. Renters have a very hard time. They're scared of losing their home, because to get another will cost them perhaps 30-50% more rent. Just announced (maybe $500pa) power increases here due to infrastructure ballsups will put them under more financial pressure next year. Pressure on housing and rent will increase as the hospital rebuild and some other local projects (swimming pool, 380 unit retirement home etc.) bring in workers. The government has made matters much worse. The previous cordial relationship between us and our tenants (working through and solving problems, and providing above average care if needed by tenants with difficulties) is now receding in the face of the possibility of risks rising from lack of protection from malicious or mischievous tenants, punitive judgements enforced by the tenancy tribunal and the proposed inability to move problem tenants on. The risk must now be managed partly by being very selective when choosing tenants. "No tenant" is now preferable to "bad tenant". We used to give edge cases (broke, old, scary, disabled, mental problems, single mothers) a break, and we have had some very successful relationships with those tenants; but no more. It's very sad for those people at the edge; they join a swiftly expanding group of homeless. Anecdotally, landlords have been moving their existing edge cases on to beat the legislation putting them (landlords) in an impossible position of having to put up with bad tenants forever. Historically we have charged rent that usually lags the market rent by a year or three but we now feel that we must start to bring all rents up to market rent because should the government (as proposed) cap rent rises, we may never keep up without changing the tenant - oops - can't change the tenant either. We hate increasing rent. It's very personal to tenants. The last time I was letting a 2-bed flat there was a queue 30 long - all desperate to take it.
- Residential real estate. Wellington. Market is still firm, but buyers are nervous about any issues... compliance problems, maintenance, healthy homes stuff, leaks etc. First home buyers are still chasing affordability but they can only buy things that are neat and tidy, so these go for huge money.
- Property investment and previously small developments. My Christchurch location means I probably have a different view on trends and challengers, to the rest of the country's property investors/developers. I believe the Christchurch property market is very challenging at present – we have overbuilt as a result of the earthquakes, especially on the edges of Christchurch. Post-earthquakes it was easier and quicker to do green field developments than deal with brown field developments in existing suburbs. Hence we have a donut effect, the very thing pre EQs the Council

was trying to avoid. The result is new developments in the CBD, especially hospitality and retail, are struggling. The goal of having 25k people living in the CBD by 2030 seems unobtainable, (currently I believe we are back to pre- EQ levels of around 6000) especially as what is being built in the inner city is mostly at the bottom end of the property market. xx are already unable to sell what has been built. The result of all of this is flat sale prices for at least the last 4 years, and flat or declining rental prices especially in areas of over-supply such as the CBD. So my challenge is to keep my rentals rented, for at least what they were 4 years ago while I absorb dramatic increases in insurance, rates and compliance costs.

**Retail**

- Boutique gift store selling locally grown and produced foods from the area, also kitchenware, dinnerware merchandise, locally produced organic toiletries and skincare. Our customer ranges from local to national to international, we have luxury retreats which attract people from all over the show...this weekend we have 1 retreat not booked at this time on a Friday afternoon. We haven't experienced a quiet winter for the last couple of years, nothing like it was 4-5 years ago. People are spending like there is no tomorrow. I keep busting records, customers know to come here for something uniquely different or locally produced, great service and a great experience.
- High end Appliance import and Retail – National exposure. After a very quiet winter we are noticing that the last 8 weeks have been much better. Less pressure on margins and more interest in larger purchases. Christchurch now in "post-earthquake" mode and sales much harder but rest of country buoyant. The opposition, who tend to operate at a market level with price points below ours, are all struggling to maintain sales at the cost of margin. Our supply partners report that we are trading ahead of the market.
- Importing/wholesale/fashion Auckland. Trends and challenges are many! Digital change meaning online store growth is much more important targeting younger consumers. Overseas online store competitors penetrating NZ marketplace (Amazon). Decline of print advertising and rise of social media advertising. Not enough stores to sell to in some sectors – e.g. intimate apparel. Growth of store chains from Australia. Payment problems with some retail stores. Increasing age of traditional store owners. Unreliable or poor business management is common. Price-sensitive consumer accustomed to lower online pricing, with Dept stores discounting more to incentivise purchases. Growing margin pressure from suppliers on wholesalers and retailers. International and local brand competition. Rising commercial rents by greedy landlords.
- Hair salon, Wellington. After about 18 months of staffing issues (we were lucky in that we were finding them) we now have a great team (I am touching wood while typing this). The pool out there is pretty limited. Our costs seem to keep increasing and realising we are fairly close to the top of the pricing scale we are reluctant to increase ours any further. We were getting a reasonable stream of new clients but these have slowed a little in recent months. Interestingly when we run promotions via social media we do get a good response but have seen an increase in "no shows". Overall our slow days are not as slow and our busier days not as busy. We would expect as our new stylist builds their client base our turnover will increase. We are sure there are opportunities however a lot of effort needs to go in to make these work. To be realistic it is an industry like many in NZ where there are just too many players saturating the market. If the economy doesn't pick up I am thinking it will become a game of last man standing.
- Cosmetic Medicine. As well as my own experience I hear from many patients on how they are doing. After 5+ years of 20%ish growth year on year things have plateaued this year. Whether this is due to consumer sentiment or the effects of a large influx of the Australian chain clinics is hard to say. A lot of investment is going on in this sector (the new clinics are all franchises). We shall see how it goes for everyone. Obviously I am responding. Patients are still doing the basics but not so many are doing the $2-3,000 treatments. This usually happens around tax time but is more general H2 2019. Local Auckland retail and local hairdressers tell me they are down on takings this year. Retail sales figures still going up. Would like to see the breakdown as to where everyone is spending. Bunnings and Harvey Normans always seem busy, local shops not so much. Are the larger overseas companies with their economies of scale outcompeting locals on price and range?
- Import/Wholesale (office products). Overall the office products market is not growing significantly. At the retail level it is low single digit growth at best. Some specific products/sub-sectors are growing. We are growing at a reasonable rate as we bring in new brands and products to supply our retail

customers. As an importer, USD FX has hit us this year. We were working on high 60's at year end but obviously we are not there. Hiring (lower level warehouse and customer service staff) is an issue. Hard to find good staff and travel in Auckland is a major consideration for prospective employees i.e. they need to work close to home especially if they have young children. We need to move to a new warehouse DC but finding anything to buy or lease is extremely tough. Price and yields on industrial/commercial space are crazy!

- Import and distribution business. Same problem is now flowing into local price increases. This is ok for us so far but retailers are struggling. Have had more bad debts in the past year than we have in the last 5 years combined!

### Storage, Transport and Logistics

- I work in the self-storage industry; all our locations are spread over Auckland. The industry is closely aligned with the property industry and now that that is finally picking up a little our demand is increasing as well. Pricing is becoming a more sensitive subject; we have applied annual price increases for quite some time now, but we are in-depth considering our strategy for next year which might well result in no price increases for a large portion of our branches and unit sizes. (Except central city and some odd sizes here and there for alignment purposes).
- I have a small storage facility in Christchurch. Occupancy 100% as of today. The demand seems good and storage seems expensive. Was a dip in demand about three years ago. Post rebuild I think. Now demand seems good. It appears people are prepared to pay for good quality well-presented units. Furthermore as an owner I don't have to put up with a whole lot of well-intentioned but poor legislation (RTA).
- Transport. We employ over 100 staff, operate up to 70 heavy commercial vehicle both inter and intra island with a heavy bias towards fast moving consumer goods and building products. We see significant growth potential in Hawkes Bay with the recent float of the Napier Port and burgeoning viticulture and horticulture exports. We also believe that Napier Port as a public company will want to emulate the success of Tauranga Port. There is strong activity in all the markets we serve. However, as it has been ever since deregulation, the road transport industry is very competitive with constant pressure on gross margin. Ever increasing regulation (health + Safety / compliance etc add much cost, directly + indirectly) which is very difficult to recover.
- We're a local transport company in Auckland, cartage of all Import and Export product from containers to parcels, Airfreight and Sea freight. Finding good reliable staff extremely difficult (drivers mainly). Many of our customers are in negative mode and not expanding, they talk of extra costs and no result, e.g. Regional fuel tax and so forth. What we have noticed this season is not being extremely busy leading up to Christmas. October has been our busiest month for many years, not so this year. (Actually makes it easier to service our customers). In saying that, May is usually our quietest month, that was not the case either, the average monthly movements have levelled out this entire year. Traffic congestion is our biggest cost and appears to be no light at the end of that tunnel, more like it will deteriorate even further. The other negative is the Ports of Auckland, they have been an absolute nightmare getting cargo on and off there. They would be down 20% re their service standard. They are looking to go fully automated straddles in February, hopefully we will see improvements with that. Whereas Port of Tauranga's service is outstanding and they resource up (or down) pretty much immediately when they have volume fluctuations.
- I am in transport service industry and really feel the pinch at the moment. My revenues are affected big time and have lost plenty customers as well. I am based in Auckland
- I'm in the storage business in Christchurch. Have had our best winter for some time. And had 100% occupancy at one site recently. Currently running in high 90s. So that side of business is very positive
- Transport and Warehousing. Operates throughout country, primarily through Ports. Demand. Volume is increasing (Horticulture, Meat, Dairy and other Primary Products for export). Difficult to plan for, forecasting by customers is poor or non-existent. Our efficient operations require integration of the various customer transport needs, yet these customers are not planned – most freight in an ad-hoc responsive manner. Most customers are operating in a very unplanned and volatile way. Just in time and overnight deliveries are no longer the preserve of FMCG. Now manufacturing, construction etc want to reduce inventory with responsive overnight freight. This creates growing magnitude of chaos and risk to those entities relying on the goods to arrive. There are ongoing expectations of cost reduction as volumes increase. However as volumes increase across a limited

(seasonal) portion of the year, there are few chances to create greater efficiencies, more likely that the cost to execute per item increases with greater volume. Customers cannot understand that more volume could lead to higher prices! Supply. Struggling to maintain labour (especially Heavy Truck Drivers and Warehousing Store persons). Cost of labour increasing constantly due to shortage. Higher hourly wage reduces individual's desire to work longer hours (more looking for work/life balance). Compliance expectations are increasing (with spotlight on NZTA) but enforcement is underfunded and not all non-compliant operators are caught / discouraged. Ports. Port Future Study / Upper North Island Supply Chain Strategy demonstrate that all is not well for the movement of freight across Ports. We are seeing more importers enquire about moving Import Cargo away from Auckland / Tauranga to Napier due to growing congestion and fear that their Christmas imports may not become available until next year. Yet there is a lack of storage / warehousing in the Lower North Island to make a significant difference.

- Self-Storage Industry. Auckland wide. Continual year on year growth due to lack of house demand, following housing new builds, our usual stores which perform well year on year since GFC are not generating enough enquiries resulting in lower move in clients. Our add on packages aren't moving at higher rates than previous years, these being packaging and insurance.
- Trucks and Trailers. We sell, service and repair including parts sales. After boom years in 2015 & 2016 our sales dropped sharply but now are gradually starting to lift. Mainly due to new models & given debt capital is cheaper. The parts and servicing business is our bread & butter & continues to do well. Although collections from our customers is a challenge. Even our loyal ones.

## Taranaki

- I work for the telecommunications sector and have a lot of work with Oil and Gas customers, among others. Generally I think things are humming along quite nicely here. Our part of the business has tripled in size in the last 4 years, although much of that has to do with management. Taranaki had a bit of a lull when the COL government suddenly changed the rules for the Oil and Gas industry, but it's since picked up again with the realisation that the demand for gas is still there and unlikely to go away anytime soon, plus the stakeholders need to make the most of the permits they have in hand. Austrian oil giant, OMV, is investing heavily ATM, but if their drilling campaigns fail to yield results, we might be in trouble. Otherwise dairy is a big one here, but not sure what the current status is on that front. Tourism is getting bigger in Taranaki, but probably not that large in terms of $$ just yet...plenty of potential still. Domestic properties look to be selling really fast, which must be pushing up prices, plenty of buyers from Auckland. I think New Plymouth has fallen behind other regional cities like Napier for example, in terms of property prices, so starting to see a correction. The high street looks a bit depressed, but I don't think this place has ever been renowned for its shopping...probably a reflection of the shift towards e-commerce and people tend to go to the larger centres for their big spend ups. Hopefully the loss of Jetstar doesn't impact us much. Generally healthy here I think, I'm not hearing people complaining about a lack of jobs or money. Taranaki tends to be a bit of a micro economy due to the Oil and Gas, often bucking the trends elsewhere, good or bad.

## Tourism

- I operate 3 businesses – small, niche tourism (mostly luxury sector). Sales for transportation / guiding (70% American clientele), is up 35% on same time last year. A lot of this is organic growth, and a new key account for the year, but generally high-end tourism looks and feels busier, and seasonality challenges of the past are appearing to be more spread into the traditionally quieter months of September / October and April / May. Just tends to be June / July / August that the place is quiet, but seeing growth of more Asian / Arab countries coming in those quieter months. I also have holiday homes / accommodation under management. This is down about 30% on same time last year. I put it entirely down to the impact of Airbnb and mass oversupply of choice now in the market. So on balance I would say from my perspective that tourism numbers are tracking neutral, or slightly up, going by my two main indicators which just about cancel each other out. No real science to it as I am as I say very niche, but I believe the top tier (1-5% of net-worthers) are still coming to NZ in big numbers and still spending with confidence.
- We are small tourism company doing a mixture of scenic flights and commercial work. The weather is the main disrupter. Activity for Milford is down 30% due weather for October to November. This

has also affected the boat cruises as avalanche hazard has lasted longer than previous years by a month. There is also ash from Aussie increasing the avalanche risk for new snow. Actual bookings are normal, there is a chance, from observation that the flight shame is discouraging some but encouraging others. I have asked a few tourists if they have a conscience about flying, the replies have been, "better do it while we still can" or "we want to go see the glaciers before their gone". I assume the trend will start where travel is planned sooner than later because "the end is nigh" prophecies. If governments start talking of limiting air travel we may even see a spike from those countries.

- Importing furniture, fittings and equipment for hotels, primarily upgrades/refurbishments as opposed to new builds. Based in Auckland. A lot of activity in the new build space, but money remains tighter for refurbishments. With Chinese tourist numbers plateauing, hotel operators are starting to be more cautious about spending money on upgrades. In one case, a hotel upgrade budget has been cut by 70% by its overseas owner, reducing our revenue. Another trend in the new build sector is the delays in commencement of new builds due to tenders to construct exceed the developers budget. Another hotel developer with big hotel build plans are insisting on suppliers carrying more risk, in our case supply and install, where our model has been supply only. Challenges = Chinese supply chain. With the US trade war, our traditional suppliers are suffering from light workloads with large fixed overheads. Resulting in them cutting corners to reduce cost, or relocating to the likes of Viet Nam or just closing outright. /NZ Exchange rate squeezing our margins. Delays in projects commencing making cash flow very lumpy. Opportunities = Village FF&E supply, Institutional Accommodation e.g. Universities, our China sourced product offerings to existing customers.
- I am an airline pilot. Mostly domestic. Loads are still good. Just wondering if peoples enthusiasm for all things green will morph into reduced demand for air travel. My personal opinion is that it probably will not. Everyone cares about the environment to the point where it may impact their standard of living. Its far easier to blame someone else (farmers at the moment). People are still very price sensitive with air travel and being on time also important.
- I am an international pilot. Aviation is a business that rides other businesses, if the world economy is doing well, we are doing well. Obviously the current Hong Kong political climate is having a major impact however this is hopefully temporary. Although I said that 6 months ago. If businesses across the board are doing well, the managers and staff are travelling to meetings around the world, and shipping products around the world. That is our bread and butter.
- B&B / accommodation in Golden Bay. Several things are happening here: Downturn in tourism – we are seeing this possibly more as a result of two local effects. End of after-effects of the Kaikoura earthquake (which pushed tourist traffic our way instead of down the east coast of the South Island). The problems of the Takaka Hill – more than a year later it is still not fixed and the prospect of delays due to a 15 minute traffic light cycle deters many tourists. A massive upturn in Airbnb – in fact we have joined the trend, making part of our operation Airbnb, but most baches in our area are now operating as Airbnb rentals. Odd things happening with rural coastal properties. General weakness in the market (= low demand and turnover compared with the past) due to fears about global warming and sea level rise (also tsunamis). But when properties do sell, the prices they get can be astronomical – well above valuation – go figure!
- Hunting and Fishing, like booze and cigarettes and gambling, even when things get tough people (well blokes) still manage to find the cash for their recreational pursuits (especially hunting and fishing) and so while the price of petrol has had quite a major effect upon outdoor pursuits, along with younger people having so many alternative options for entertainment now, income overall is relatively stable – although still influenced by weather patterns.
- Airbnb Wanaka. We probably have an annual occupancy rate of 50%. This would be much higher if we accepted 1 night stays but we don't. We are happy with the business and look to it as bonus income, not something we rely on. The challenges ahead I think for most tourist businesses here revolve around : lack of infrastructure in Wanaka - small central hub with limited parking, b)"Green" tourists cutting back on flights, c) holiday costs rising as local providers - petrol, cafes, bars increase costs e.g. 91 petrol today $ 2.50 and d) local pushback to freedom campers who are as popular as Shane Jones in these parts!

## Wealth Management

- Wealth Management. Christchurch. We are seeing a groundswell of potential/new clients due to two main drivers: term deposit levels falling through the ostensibly psychological 3% barrier, and the beginning of retirement of the baby boomers. We need to be very forthright with our forecast returns, reiterating that we are unlikely to achieve past results in the future. Biggest challenges are a mature business cycle, trade concerns/protectionist policies and very low interest rates for income generation.
- Financial services (Funds Management) Wellington. Industry benefiting from 12 years of growth off the back of KiwiSaver; PIE tax equalisation with direct investment; equity market growth; finance sector funding collapse; structurally low term deposit rates. Some signs with the latter that TD investors reaching a tipping point of capitulation. Wellington largely dead, with growth favouring Auckland. Regulatory moat grows each year, making it difficult for new players. Digital expectations growing, creating further moats, but also starting to see more 'modular' model approaches, with organisations prepared to select fintech solutions as add-ons under outsourcing or licensing.
- Financial Advice business. Christchurch. Mortgage side is busy with the low interest rates, investments are tricky given low income returns and the risk of a correction.
- Family Investment Office. Good (very) calendar YTD but increased volatility and increased risks going forward. Next year looks like returns will be more moderate but still with increased volatility.
- Financial services – investment advisor. Auckland. Our sector at the moment : a. Trends - consolidation due to regulation and licensing i.e. Smaller operators retiring or joining the larger houses – overall though the "advice" business is shrinking. b. Challenges: finding good staff/decent advisers to meet our growth aspirations, heavier regulation and compliance. c. Opportunities – huge opportunities for our firm to grow – small, staff owned, flexible, good culture - people need quality advice whether they be small or large. d. Client desires – "income" in this low interest rate environment; quality investment advice.
- Investing (globally). The USA is still doing quite ok. NZ does not have many good investment candidates simply because of the market size and the few decent ones (less than 10 on my criteria) are not cheap (think AIA, POT, MFT, FPH, EBO). HK seems to be cheapest market right now, if you can look past the riots and find companies that have been sold down but actually don't do a lot of business in HK itself. In conversations, I am also beginning to see (anecdotally) more young people taking an interest in the stock market. The only challenge is they also have the home bias that many investors are guilty of, and therefore do not think much beyond NZ.
- Fund management and investment advice. Auckland. The funds management/financial advice industry is booming at the moment. Sky high margins, very strong growth, a very friendly regulator etc. Having moved back to NZ recently from overseas, it is clear that the global trends that have pressured asset management and financial advice have not yet hit NZ. Fees are incredibly high here (egregious performance fee structures in many cases), conflicts abound and there are some pretty shonky practices (certainly relative to Europe and the US). There is currently little pressure from disruptive low cost providers, although we have had a couple of entrants (e.g. Simplicity) on the funds management side. KiwiSaver, booming property prices, low term deposit rates and a record NZ stock market are driving this. Overseas, we have seen significant margin compression due to the growth of indexing/passive, robo-advisors, regulatory etc. In many developed markets, commission payments to financial advisers from fund managers have been banned due to the conflicts and the advice model has moved toward fee for service. Many of the big players now focus on that in NZ, but most 'advisers' still rely on retrocession payments from the funds they advise clients to buy etc. I have been surprised that the regulator continues to allow this…
- I'm retired so not in the thick of things anymore. The major panic I come across are fellow retirees worried about eating thru their capital. I wonder what the economic effects of this will be if the low interest rate regime continues in the longer term?
- Investment Management. Christchurch. A lot of people looking for an alternative to their term deposits, concerning that they have waited this long and late in the cycle.
- I am Retired – on Waiheke Island. In my sector I see people who have unplanned income (i.e. superannuation) which they are tending to use for travel. I also believe there is a feeling amongst my contemporaries that we have no obligation to pass on an inheritance as the current millennial generation are making no effort to save for their future

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