Property Investment

A Guide to Buying Your First Investment Property

→ HIGH YIELD

→ CASHFLOW POSITIVE

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Why invest in property?

Predictable income creates confidence

One of the biggest benefits of property investment is creating income that doesn't rely solely on your job.

Property is one of the few investments that can generate regular income through rent, increase over time as rents rise and potentially replace employment income later in life.

That matters because financial confidence changes how you live.

When your money situation feels more stable, you:

- Stress less about bills and unexpected costs
- Feel more confident making career or business decisions
- Can plan holidays, schooling, and future goals with more certainty

For many people, it's not really about "being rich". It's about having options and feeling more in control of life.

Property allows everyday people to build wealth

You don't need to be a millionaire or earn an outrageous salary to invest in property.

One of the reasons property has helped so many ordinary New Zealanders build wealth is leverage.

Banks are often willing to lend 70–90% of the property value over long timeframes like 25–30 years at lower interest rates than most other types of lending.

That means you can control a large asset with a relatively small deposit.

Compared to other investments such as shares or businesses, leverage in property is generally easier to access, more stable and less reactive than things like margin lending or business debt.

So, you don't need to "wait until someday" when you earn more money. If structured properly, property can help you build wealth while still living your life today.

Property creates discipline without relying on motivation

Saving money is hard for a lot of people.

Life gets busy, costs come up and money seems to just disappear. But property helps create financial progress because paying a mortgage isn't something you can easily "skip".

And the burden isn't what you think it might be.

With investment property, tenants help pay down the mortgage, your debt reduces over time, and you're less likely to spend your money impulsively.

The best part ... equity builds in the background.

This is why many people who struggled to save suddenly become long-term asset builders through property. It creates structure and momentum without needing perfect discipline every single month.

In many ways, property works because it supports normal human behaviour instead of fighting against it.

Property can help protect your lifestyle against inflation

Inevitably, over time, the cost-of-living increases - groceries cost more, insurance costs more, rates increase and life just gets more expensive.

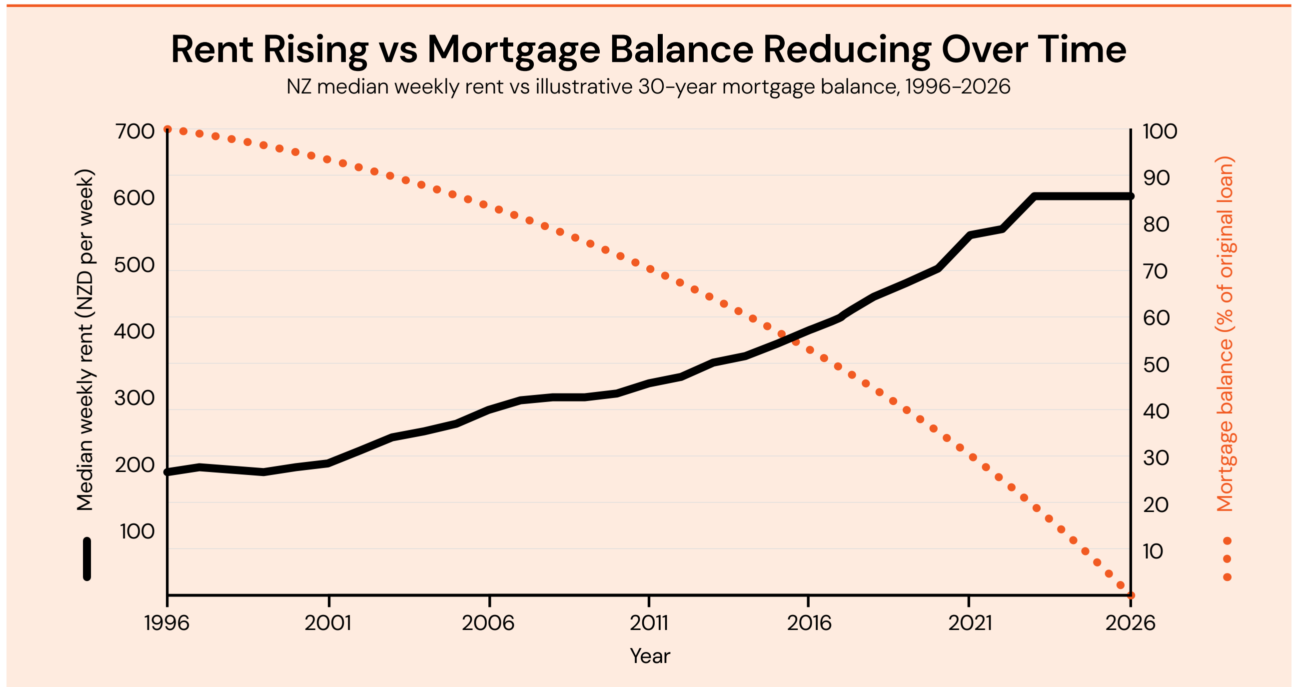
Historically, property has tended to move with inflation because rents generally increase over time and land and building costs rise. But your debt stays fixed while income and asset values change around it.

That can help protect your purchasing power long term.

For many people, this creates:

- More confidence heading toward retirement
- Less fear around rising living costs
- Greater certainty that their income can keep pace with real life

Holding large amounts of cash long term often does the opposite. Inflation slowly reduces what that money can actually buy.



Rent Series: Uses NZ median weekly rent for all residential property types. The data is from Tenancy Services / MBIE rental bond data via Figure.NZ, which records new rental bonds lodged each month. **Mortgage series:** Illustrative 30-year principal-and-interest amortisation, 6% p.a. starting 1996.

Property gives you options later in life

One of the most underrated benefits of property is flexibility. It creates options.

You might:

- Hold it long term for income
- Sell it when it suits your goals
- Refinance to access equity (e.g. to buy a car or boat)
- Use it to help your children into their first home
- Develop it later

Your property strategy can change as your life changes. Kids, business changes, health issues, career shifts, and retirement all affect financial decisions.

Having assets gives you more control and allows you to make strategic decisions instead of constantly reacting to financial pressure.

There's comfort in owning something real

Property is tangible. You can see it and it's something that's easily understood.

For many people, that creates a sense of security that other investments don't always provide.

You're not staring at charts every day wondering what the market is doing. You own a real asset that serves a real purpose. That often creates less financial anxiety, more confidence in long-term plans, and greater peace of mind.

And sometimes that peace of mind is just as valuable as the financial return.

Passive income creates more freedom with your time

Most people eventually realise they don't want to trade time for money forever.

One of the attractions of investment property is that income can continue even when you're not actively working. Unlike a job, the property can still generate income while you sleep, management can be outsourced to Property Managers, and it doesn't require daily effort to keep it operating.

That means you earn an income while having more time with family, greater flexibility around school holidays, the ability to semi-retire or fully retire earlier, and more choice around how you spend your time.

For many people, freedom with time becomes more important than chasing bigger pay cheques.

Property can create long-term family security

A lot of people start investing because they want more for their family.

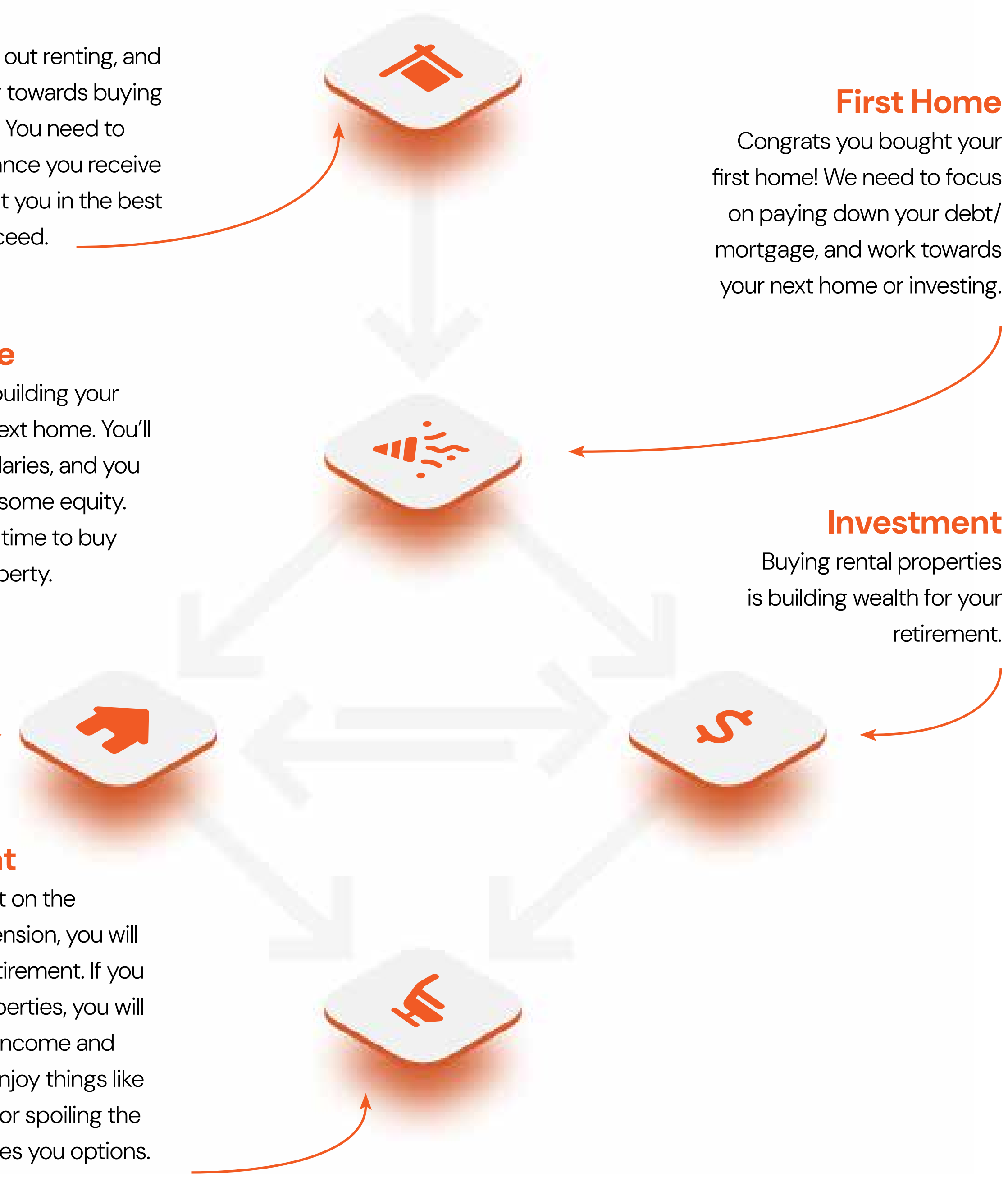
Property can become more than just an investment. It can become a foundation for future generations.

Assets can be passed down, help children get started financially, provide long-term income and reduce financial pressure on future generations.

For many families, that creates a strong sense of purpose. It's not just about improving your own position. It's about creating more choices and stability for the people you care about most.

Follow the path to success

Financial success isn't about luck. It's about having the right plan and the right support behind you. Nest Home Loans has used the below roadmap with thousands of Kiwis who set out to build long-term financial wellbeing.



Rent

Everyone starts out renting, and you are working towards buying your first home! You need to follow the guidance you receive from Nest to put you in the best position to succeed.

First Home

Congrats you bought your first home! We need to focus on paying down your debt/ mortgage, and work towards your next home or investing.

Next Home

You'll often be building your family at your next home. You'll be on higher salaries, and you are building up some equity. This is the ideal time to buy investment property.

Investment

Buying rental properties is building wealth for your retirement.

Retirement

If you are reliant on the Government pension, you will have a frugal retirement. If you have rental properties, you will have a passive income and will be able to enjoy things like overseas travel or spoiling the grandkids. It gives you options.

Property investment starts with mindset

One of the biggest mistakes first-time investors make is approaching buying an investment property like they're buying a home for themselves.

They look for a property that they could picture themselves living in. They focus on things like the kitchen, the layout, whether they'd enjoy living there, or if the area feels "nice". While that thinking makes sense when you're buying your own home, it can create problems when you're investing.

Often properties chosen for emotional reasons come with higher purchase prices, lower rental returns (yields), rental income that struggles to cover ongoing costs which means more out-of-pocket costs and greater financial pressure.

The property might look great... but every month you'll be topping it up from your own income just to keep it afloat.

That's called negative cashflow. While this may be manageable for some experienced investors, for first-time investors especially, it can quickly become a burden. Rising interest rates, unexpected maintenance, vacancies, changes to incomes, illness or injuries, or personal life changes can turn an already tight situation into a financial strain.

An investor mindset shifts the focus away from emotion and towards numbers. Instead of asking, "Would I live here?", the better question becomes, "Does this property make financial sense?"

A strong investment property is typically chosen because:

- The rental income exceeds the property's expenses (Positive Cashflow)
- The rental yield (the annual rental income as a percentage of the property's value) is strong
- There is strong demand from tenants

Focusing on cashflow-positive deals creates breathing room. Positive cashflow helps cover unexpected costs, reduces reliance on personal income, and allows investors to hold their properties through market cycles with less stress. It also puts investors in a stronger position to grow, as surplus cashflow can be saved, reinvested, or used to improve borrowing capacity for future purchases.

The reality is that some of the best-performing investment properties are the ones most people overlook. Sometimes it's the "boring" properties in the unfashionable areas that provide the best returns.

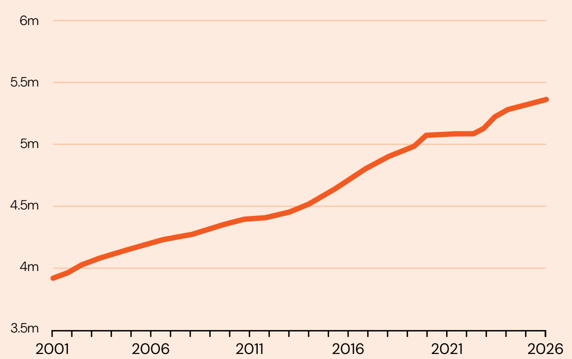
Ultimately, property investment is a financial strategy, not a lifestyle choice. First-time investors who adopt the right mindset early – prioritising cashflow, numbers, and long-term sustainability – give themselves a far higher chance of success. By avoiding emotional purchases and focusing on cashflow-positive properties, investors can build confidence, resilience, and a portfolio that supports their financial goals rather than holding them back.

Drivers for the New Zealand property investment market

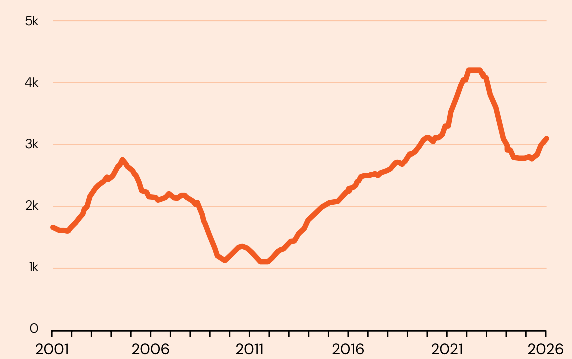
Supply & demand – New Zealand population vs building consents

New Zealand's population growth due to higher migration into New Zealand than there are leaving means that there is a greater long-term demand for housing. And with building consents fluctuating and not staying inline with the population growth, the demand puts pressure on the market forcing rental prices higher.

NZ Population



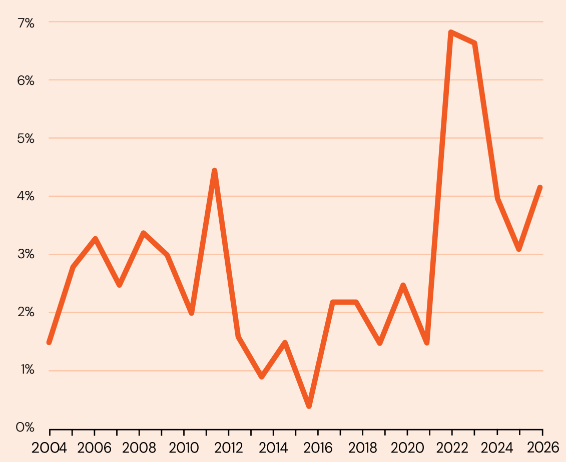
NZ Building Consents



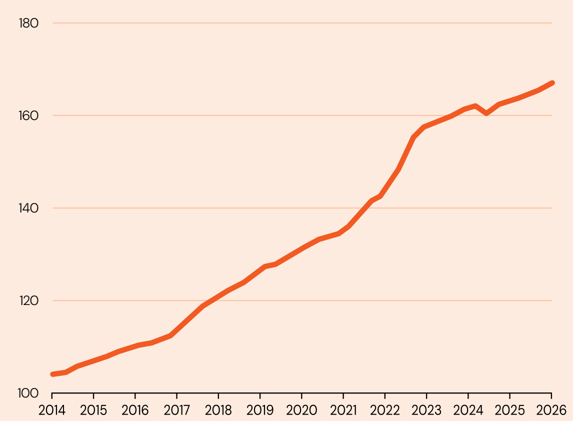
Inflation

Building costs always increase over the long term due to inflation. Therefore the cost to build another house like yours would cost more, driving up house prices and achieving capital gains.

NZ Inflation Rate



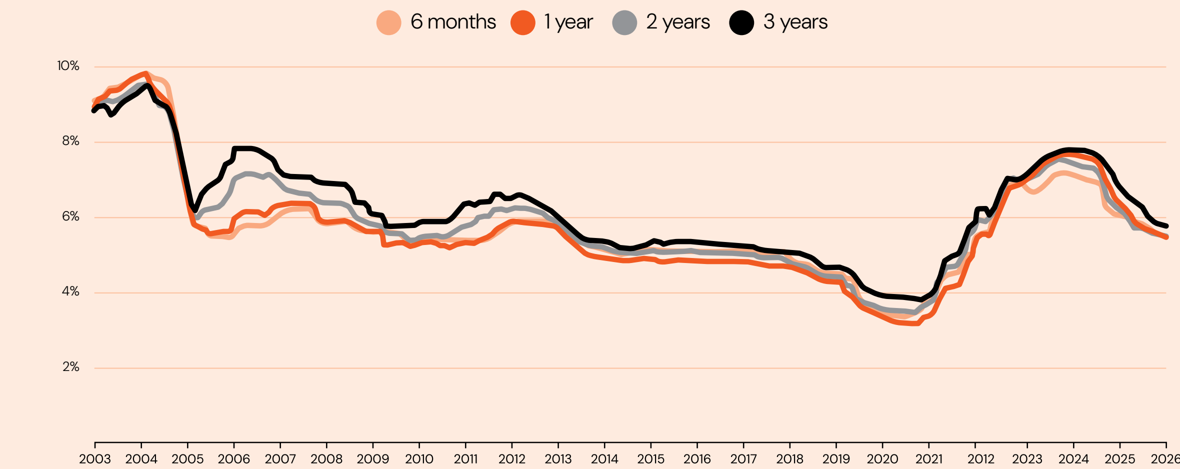
Cordell Construction Costs Index



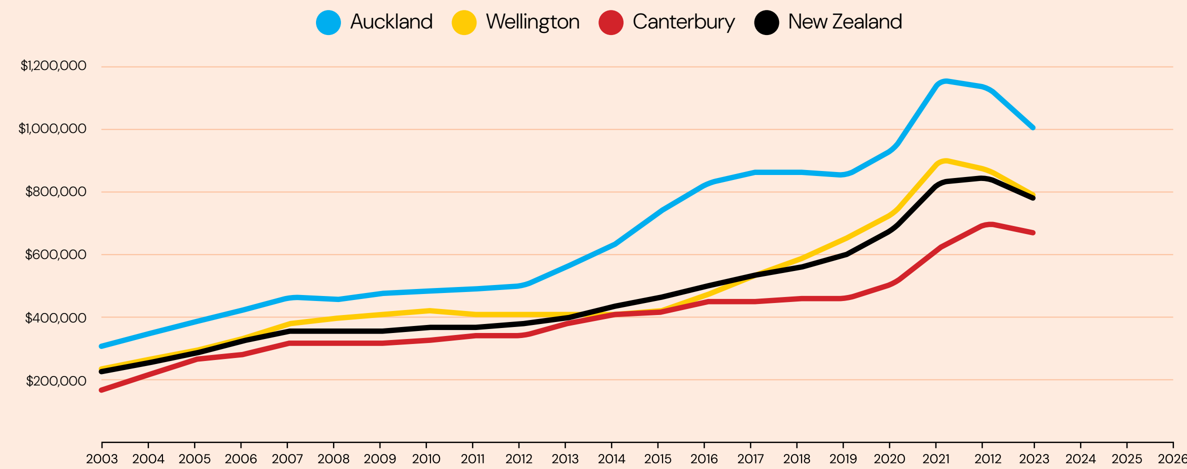
Affordability

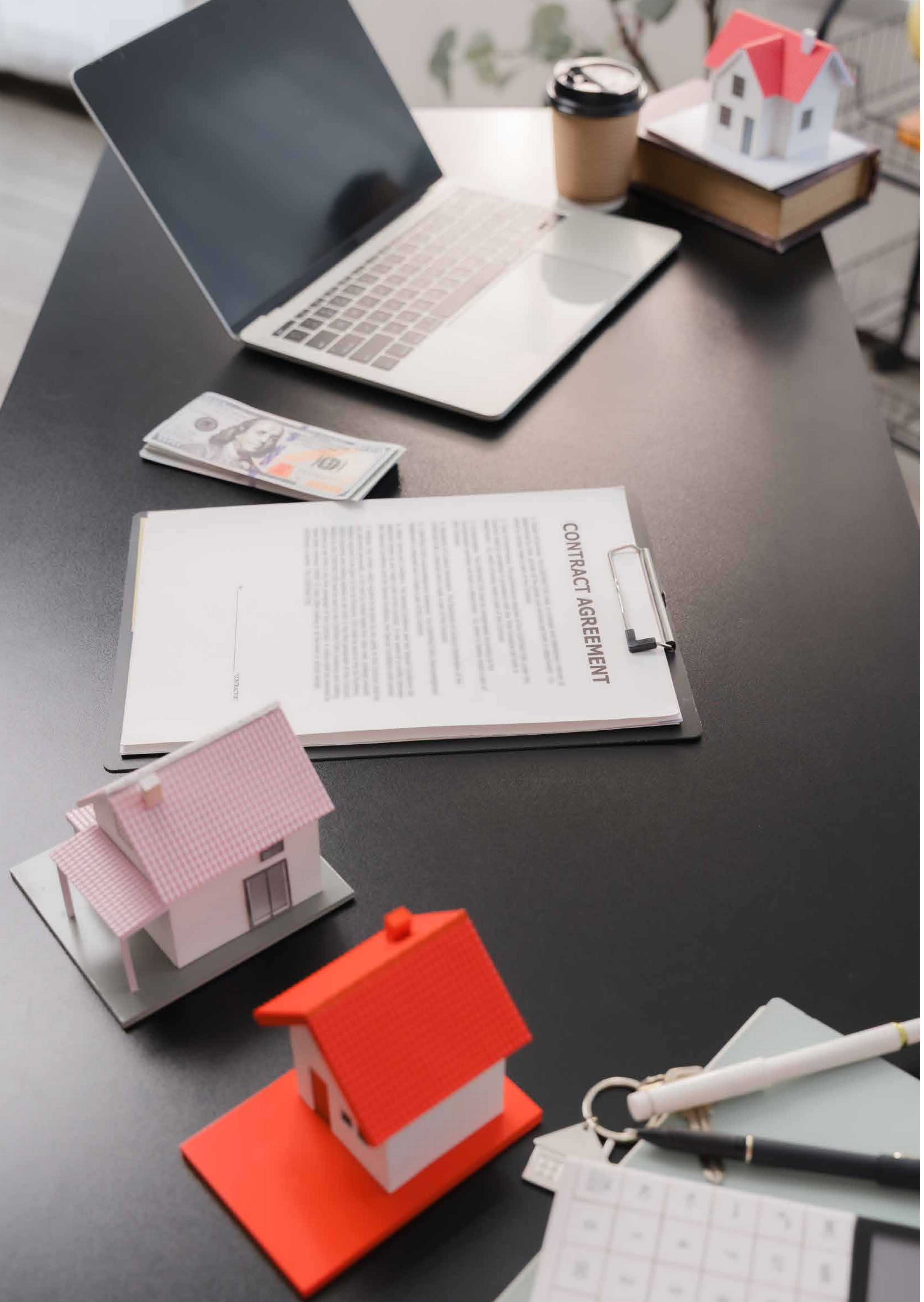
Interest rates have a huge effect on property activity and affordability. When interest rates are low, we see more buyers who can afford higher purchase prices which in turn helps property values to grow.

Residential Mortgage Interest Rates



Median House Prices





The roadmap to buying an investment property

Step 1:
Clarify your goal
What level of passive income do you want? What type of property?

Step 2:
Get lending clarity
Understand how much deposit you have and what your borrowing capacity is to determine your price range.

Step 3:
Run the numbers
What is the gross yield, expected cashflow and the potential risks.

Step 4:
Make an offer with conditions
Common conditions – finance, building report, LIM/title checks.

Step 5:
Complete your due diligence
Confirm the rental income, review the expenses, organise insurance, and put property management in place if required.

Step 6:
Settlement
Once all conditions are satisfied, your broker, solicitor, lender, and other professionals work together to coordinate settlement.

Step 7:
Review and Optimise
Regularly review their portfolio, look after their tenants, maintain their properties, and assess opportunities to improve performance over time.

Moving Day!

Three quick filters before you get attached

Before you fall in love with a property, ask yourself these three questions.

1. Does the rent support an 8%+ gross yield?

As a general rule, we like to see first-time investors targeting properties that can produce an 8% or higher gross yield. This often creates more resilience if interest rates or expenses increase.

2. Will a bank actually lend on it?

A great-looking deal means nothing if it can't be financed. Check the property's condition, construction type, title structure, and lender acceptability before getting too excited.

3. Can you explain the tenant demand in one sentence?

If you can't clearly identify why someone would want to rent the property, that's a warning sign. Strong investments solve a housing need for a specific group of tenants.

If you don't know what any of these terms mean, don't worry, we'll take you through all of them.

Cashflow positive vs negatively geared property

When investing in property, one of the most important concepts to understand is the difference between cashflow positive and negatively geared properties. For first-time investors, it can be the difference between improving your financial position and creating financial pressure.

What does cashflow positive mean?

A cashflow positive property is one where the rental income exceeds all the ongoing costs of owning the property. These costs include mortgage interest, rates, insurance, maintenance, and property management. After expenses, the property puts money in your pocket each week. In simple terms, the investment is making money.

If you don't know what any of these terms mean, don't worry, we'll take you through all of them.

What does negative gearing mean?

A property that is negatively geared is the opposite. The rental income isn't enough to cover the costs, so you need to contribute money from your own income every week or month to hold the property.

Many investors accept this because they're hoping future capital growth will eventually outweigh the losses they're making today.

While it can work in some situations, it relies heavily on rising house prices, stable interest rates, and strong personal income. If any of those change, the property can quickly become a financial burden.

Why we prefer cashflow positive property

Income From Day One

A cashflow positive property starts contributing to your financial position immediately. Instead of costing you money every month, it creates an additional income stream that can be used to reduce debt, build savings, or fund future investments.

Greater Financial Resilience

Life doesn't always go according to plan. Interest rates rise and tenants move out. Positive cashflow provides a buffer when unexpected costs arise, reducing the need to dip into your personal savings or rely on your salary to cover shortfalls.

Faster Wealth Creation

Properties that generate surplus cash don't just pay for themselves, they can also help fund deposits, reduce lending risk, and support the purchase of additional investments. The result is often the ability to grow a portfolio faster and with less financial pressure.

Lower Risk

Cashflow negative investing often depends on capital growth to make the numbers work. If property values stall or decline, you're still left covering the shortfall every month. Cashflow positive properties can continue producing income regardless of whether the market is rising, flat, or falling.

More Choice and Flexibility

Additional income creates options. You may choose to reinvest it, renovate properties, reduce debt, take a family holiday, or simply enjoy greater peace of mind knowing your investments are supporting your lifestyle rather than restricting it.

CASHFLOW QUICK CHECK	PER WEEK	PER YEAR
Rent	$	$
Less: rates/insurance:	$	$
Less: property management (if used):	$	$
Less: mortgage interest (approx):	$	$
= Surplus / Shortfall	$	$

Cashflow positive investing focuses on deals that stack up from day one — allowing investors to build wealth with confidence, not pressure.

Gross yield: the quick test every property investment should pass

When you're looking at investment properties, it's easy to get distracted by things like location, appearance, or what you think the property might be worth in the future.

But as investors, we should start with the numbers.

One of the simplest ways to assess a property is by looking at its gross yield.

What is gross yield?

Gross yield measures how much rental income a property generates compared to its purchase price. In simple terms, it tells you how hard the property is working for the money you've invested.

The formula is straightforward:

Gross Yield (%) =
(Annual Rent ÷ Purchase Price) × 100

Or, if you're looking at weekly rent:

Gross Yield (%) =
(Weekly Rent × 52) ÷ Purchase Price × 100

Here's a simple example

- Weekly rent: $550
- Purchase price: $300,000

($550 × 52) ÷ $300,000 × 100 = 9.5% Gross Yield

That means the property generates rental income equivalent to 9.5% of its purchase price before any expenses are deducted.

Why gross yield matters

Gross yield isn't the final answer to whether an investment is a good one but, but it's the perfect first filter.

It helps you compare investment opportunities quickly, eliminate poor-performing deals early, identify properties with stronger cashflow potential and spot markets where rental demand is high relative to purchase prices

Think of gross yield as the first test an investment property needs to pass. If the yield is low, it's often difficult to create strong cashflow. If the yield is high, the property is more likely to stack up financially.

Why we like 8%+ gross yield for first-time investors

We're strong believers that your investments should support your lifestyle, not become a burden on it. This is why we recommend properties with 8%+ Gross Yield.

For many first-time investors, properties with a gross yield of 8% or higher tend to offer greater financial resilience. You'll be better able to withstand interest rate increases, be more capable of absorbing maintenance costs and vacancies and be more likely to remain cashflow positive.

How to find high-yield opportunities

Where high-yield opportunities often hide

Regional centres with diverse employment

Areas supported by multiple industries tend to have more stable tenant demand and can often deliver stronger yields than major cities.

Affordable properties with strong rental demand

Sometimes smaller homes, units, or townhouses can generate surprisingly strong returns because rents remain high relative to purchase prices.

Properties with simple value-add potential

You don't always need a major renovation. Improvements such as better heating, insulation, ventilation, flooring, or presentation can often increase rental appeal and support higher rents.

Investment property finders

Nest clients have access to specialist Property Finders who focus on sourcing cashflow-positive opportunities.

Often the best deals aren't sourced from online websites like Trademe.co.nz or realestate.co.nz. They're often secured through industry relationships, investor networks and opportunities that exist outside the open market.

That's why Nest partners with two of New Zealand's leading investment property specialists. They're active property investors themselves and have built extensive networks that help uncover opportunities most buyers never see.

In fact, Jeff purchases his own investment properties exclusively through these specialists.

Rather than spending countless hours searching listings and hoping to find a good deal, you'll have access to experienced professionals who understand what makes an investment stack up and can help you identify opportunities that align with your goals.

Funding your first investment: the essentials

Finding the right property is only half the equation. The other half is making sure the finance structure supports your goals both today and in the future.

Many investors assume the biggest hurdle is saving a deposit. In reality, serviceability and loan structure are often just as important.

What to expect

Investor lending rules are different

Deposit requirements for investment properties are typically different from owner-occupied homes and can vary between lenders.

Serviceability matters

Banks want to see that you can comfortably manage the lending, even if interest rates increase. Your income, existing debts, expenses, and rental income all play a role.

Strong cashflow can improve your position

A well-selected cashflow-positive property doesn't just support itself. It can strengthen your overall financial position and potentially improve your ability to invest again in the future.

The building blocks of a strong investment strategy

Get pre-approved first

Pre-approval gives you clarity on your budget and confidence when opportunities arise. It also helps you avoid wasting time looking at properties that don't fit your lending position.

Create financial buffers

Every property will have unexpected costs at some point. Having cash reserves or access to flexible lending can help cover repairs, maintenance, vacancies, or changing market conditions without creating stress.

Structure lending for flexibility

The right loan structure can make a significant difference over time. It can improve cashflow management, provide flexibility as your circumstances change, and support future investment opportunities.

The goal isn't simply to get a loan approved. The goal is to create a lending structure that helps you achieve your long-term goals while still allowing you to live life today.

Mini worksheet

Use the worksheet to screen a deal fast. Then compare it to the case study to see what "breathing room" can look like.

INPUTS	EXAMPLE	YOUR DEAL
Purchase price	$550,000	$
Weekly rent (market)	$900	$
Gross yield	8.5% (approx)	%
Rates + Insurance (weekly equivalent)	$85	$
Property management 8% (weekly)	$72	$
Vacancy allowance (weekly)	$20	$
Mortgage interest (weekly, 5%)	$530	$
Net cashflow (weekly)	**$193 Positive**	$

Page deal analyser (print & use on every property)

If the numbers don't work here (with buffers), don't waste hours on the deal.

Rule of thumb: If it's only "good" because you ignored a cost, it's not good. Add buffers and recheck.

PROPERTY ADDRESS / LINK:	
Asking price:	$
Expected weekly rent:	$ / week
Gross yield:	%
Expenses – Rates:	$
Expenses – Insurance:	$
Expenses – Maintenance:	$
Expenses – Management:	$
Expenses – Body Corporate:	$
Expenses – Mortgage interest estimate:	$ / week
Net cashflow (weekly)	$
Value-add ideas	$
DECISION:	◯ Pass ◯ Investigate ◯ Offer (with conditions)

VALUE ADD-ON IDEAS
$
$
$
$
$
$
$

MORTGAGE INTEREST ESTIMATE CALCULATOR
Loan $:
Interest Rate: %
Interest $: / week

Due diligence checklist

A property can look great on paper, but hidden issues can quickly turn a promising investment into a costly headache.

Put a Due Diligence Clause in every offer you make. This will give you the ability to cancel the agreement should you find any surprises.

Before you go unconditional, take the time to verify the numbers, check the risks, and make sure there are no surprises waiting for you after settlement.

Property & building checks

Get a building report

Pay close attention to moisture issues, roofing, foundations, and any deferred maintenance. Small problems can become very expensive problems.

Confirm insurance is available and affordable

Some properties can be difficult or costly to insure, which can affect both cashflow and lending.

Review the LIM and title

Look for easements, unconsented work, zoning restrictions, flood plains or high risk flood zones, or anything else that could impact future use or value.

Check the body corporate (if applicable)

Understand current levies, planned maintenance, and whether any large expenses are coming down the track.

Rental readiness checks

Validate rental demand

Don't rely on assumptions. Look at comparable rentals, vacancy rates, and local tenant demand. Make sure the area has demonstrated strong rental and occupancy rates in the past.

Obtain a rental appraisal

A local property manager can provide realistic rental expectations based on current market conditions.

Check compliance requirements

Make sure the property meets Healthy Homes standards and has the required insulation and smoke alarms in place. **Scan here:**

Key amenities

Check whether the property is close to key amenities such as supermarkets and public transport. These can really help with rentability.

Property functionality

The overall design and layout of the property is practical and it is a warm and dry environment.

Economic Drivers

Look at the population growth in the area and whether employment levels are stable. This could highlight any potential issues of affordability of rental rates.

Common mistakes to avoid

Most mistakes made in property investment aren't property mistakes, they're cashflow mistakes.

Here are four of the biggest traps we see, and how to avoid them:

Buying based on capital growth alone

Relying on future house price growth isn't a good strategy. Having negative cashflow can become a burden. A better approach is to buy a property that can stand on its own feet and support your long-term goals.

Underestimating the real costs of ownership

Rates, insurance, maintenance, vacancies, compliance, and unexpected repairs all impact your bottom line. If you don't account for them upfront, the numbers can unravel quickly.

Having no lending strategy

The way your lending is structured today can either support or restrict your ability to buy again in the future. Good lending isn't just about getting approved, it's about creating options.

Skipping due diligence

Hidden issues, deferred maintenance, insurance challenges, or compliance problems can turn a promising investment into an expensive lesson. Always verify the numbers before you commit.

Why work with Nest Home Loans?

The whole investment process

Not only do we help you with the mortgage, we give you step by step guidance throughout the entire process.

Our "Deals of the Week"

We'll send good deals straight to your inbox!

Maximum tax deductibility

The mortgage interest (and other expenses) on a rental property is tax deductible. You will have access to our expert property investment accountant who will optimise your taxes.

Legal structure

We'll help you put the right legal entities in place for your entire property portfolio (including your own home). This helps with estate planning, provides some legal protections, and works hand in hand with tax efficiency.

Avoid the "One Bank Trap"

As you grow your portfolio, we help you split your lending across multiple banks. This ensures one bank doesn't have full control over your portfolio and limits your risks from the banks.

We know investment property

We are investors ourselves! And we have guided thousands of Kiwis through the exact same journey

We help you put your investments into "set and forget" mode

We will introduce you to one of New Zealand's leading property management companies, who will look after your tenants and ongoing property maintenance on your behalf.

The Nest Home Loans process

Discovery Call

We start by getting clear on what you're trying to achieve. We'll talk through your goals, your timeframe, and how comfortable you are with risk, so we can build a strategy that fits your situation.

Finance Strategy

We'll help you map out the right lending approach, including pre-approval, your deposit pathway, and a loan structure that not only works today but supports your future plans as well.

Property Finders

We'll put you in contact with the best property finders in NZ. They specialise in finding high cashflow deals, and they will send deals direct to your inbox for you to consider. Consider this your secret weapon.

Investment Deal Review

Before you commit, we'll help you pressure-test the numbers. We'll look at the yield, cashflow, lending suitability, and any potential red flags so you can move forward with confidence.

From Approval to Settlement

Once you're ready to proceed, we'll manage the lending process from start to finish, working closely with the lender, your lawyer, and any other key parties to help keep everything on track.

Next step:

Subscribe to our monthly newsletter for high-yield tips and templates:

nesthomeloans.co.nz/newsletter

hello@nesthomeloans.co.nz

0800 337 426

Examples of strong investments

The below figures are based on actual examples of Nest's clients' first investment properties - photos are illustrative only

INVESTMENT PROPERTY

Masterton. 6 incomes.
2 x 2 Beds + 2 x 1 beds + 2 x studios

Gross Yield	Price
12%	**$995,000**

Rental income	Cashflow Positive
$2,300 pw	**$724 pw**

Rental Income:
$119,600 pa

Cashflow positive:
$37,640 p.a. (~$724/week)

*Figures are based on borrowing 100% of the purchase price – no money down.

Costs:

Management :	$11,960
Rates:	$10,000
Interest:	$50,000
Insurance:	$10,000
Total:	$81,960

INVESTMENT PROPERTY

Tokoroa 3 x 2 bed units

Gross Yield	Price
10.7%	**$700,000**

Rental income	Cashflow Positive
$1,450 pw	**$411 pw**

Rental Income:
$75,400 pa

Cashflow positive:
$21,376 p.a. ($411/week)

*Figures are based on borrowing 100% of the purchase price – no money down.

Costs:

Management :	$4,524
Rates:	$7,500
Interest:	$35,000
Insurance:	$7,000
Total:	$54,024

Common terms

Appraisal/registered valuation
An appraisal is an agent's estimate of value or rent. A registered valuation is a formal assessment completed by a registered Valuer.

Body corporate
The organisation responsible for managing common areas and shared matters in a unit-title development. Owners pay regular levies and sometimes special levies.

Bond
Security against unpaid rent or tenant damage. A general bond can be up to four weeks' rent and must be lodged with Tenancy Services within the required timeframe.

Bright-line test
A tax rule that may make profit from selling residential property within the applicable bright-line period taxable. Other land-sale tax rules may also apply.

Capital gain
The increase in a property's value. The gain remains unrealised until the property is sold.

Cash flow
Rent received minus mortgage payments and property expenses. It is positive when a surplus remains and negative when the owner must contribute money.

Chattels
Removable items supplied with the property, such as appliances, carpets and curtains. Some may qualify for tax depreciation.

Conditional/unconditional offer
A conditional offer depends on requirements such as finance or a building report. An unconditional offer has no outstanding conditions and is normally legally binding once accepted.

Debt-to-income ratio (DTI)
Total qualifying debt divided by annual gross income. Banks must limit the proportion of new lending made at high DTIs.

Deductible expense
A property cost that IRD permits to be deducted from rental income, such as certain rates, insurance, management and repair costs.

Due diligence
Investigating the property, finance, title, building condition, rental market and other risks before becoming unconditionally committed.

Equity
The property's current value minus the debt secured against it.

Fixed/floating interest rate
A fixed rate remains unchanged for an agreed period. A floating rate can change but usually provides greater repayment flexibility.

Gross rental yield
Annual rent divided by the property's price or value. It provides a quick comparison but does not allow for expenses.

Healthy Homes standards
Mandatory minimum rental standards covering heating, insulation, ventilation, moisture and drainage, and draught stopping.

Holding costs
The continuing costs of ownership, including interest, rates, insurance, maintenance, management, levies and vacancies.

Interest deductibility
The ability to claim qualifying interest incurred in earning rental income as a tax deduction, subject to IRD rules.

Interest-only loan
A loan where scheduled payments generally cover only interest for an agreed period, leaving the principal unchanged.

Landlord insurance
Specialist insurance that may cover the building, liability, lost rent and certain tenant-related losses. Cover and exclusions vary between policies.

LIM report
A Land Information Memorandum from the council containing information it holds about the property, including consents, drainage, rates and identified hazards.

Loan-to-value ratio (LVR)
The loan amount divided by the property's value. For example, a $700,000 loan on a $1 million property has a 70% LVR.

Negative gearing
When rental income does not cover deductible property costs. NZ's ring-fencing rules generally prevent residential rental deductions from being offset against salary or wages.

Net rental yield
Annual rent after operating expenses, divided by the property's price or value. It generally excludes mortgage payments and tax.

Positive cash flow
Rental income exceeds all regular expenses and finance payments.

Pre-approval
A lender's conditional indication that it may lend up to a stated amount. Final approval normally depends on the property and satisfaction of all conditions.

Principal-and-interest loan
A loan where repayments cover interest and progressively reduce the amount borrowed.

Property manager
A professional engaged to manage tenants, rent, inspections, maintenance and compliance for a fee.

Record of title
The official record of land ownership and registered interests such as mortgages, easements and covenants. Often called "the title."

Refinancing
Replacing or restructuring lending to change the lender, interest rate, loan terms, security or amount borrowed.

Residential Tenancies Act (RTA)
The principal legislation governing residential landlords and tenants in New Zealand.

Ring-fencing
Rules that generally prevent excess residential rental deductions from being offset against salary, wages or unrelated business income.

Sale and purchase agreement
The legally binding contract recording the purchase price, conditions, chattels and settlement date.

Serviceability/test rate
The lender's assessment of whether the borrower can afford the loan, often calculated using an interest rate above the actual rate.

Settlement Date
The date the purchase funds are paid, legal ownership transfers and the buyer normally receives possession.

Tenancy agreement
The written contract setting out the landlord's and tenant's rights, responsibilities, rent, bond and tenancy type.

Vacancy allowance
An amount included in cash-flow calculations to allow for periods when the property has no paying tenant.

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