



# Small Print

WINTER 2007

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# TRANSFORMING OHAKUNE INTO A WORLD CLASS RESORT

## RIVERSTONE PREMIUM LODGES

Ernie Uganecz has been a salesman all of his life and he'll use a story or a metaphor to communicate an idea wherever he can.

Rhetorical metaphors – remember, you learned about them at school.

They pop up constantly. There's 'going forward' – from rugby; 'belly-up' – a dead sheep comes to mind; 'walk the talk' – Hamlet; 'guerilla' marketing – a military offensive; 'hitting a home run' is a supreme compliment; and 'down the gurgler' – well, that speaks for itself.

They compress and expand an idea in the same breath by transferring images from one domain of reality to another.

Ernie Uganecz's journey through life from Canada to New Zealand looks like a metaphor for the history of an agreeable life. He first arrived here in 1966, returned to North America with his New Zealand wife, and came back permanently in 1988 to help set up Sovereign Insurance.

He describes it thus: Phase One – get your education; Phase Two – apply it; Phase Three – do as you please.

That's what he's doing now as a senior partner in Paddock Development Trust, a trust established to develop Riverstone Premium Lodges in the heart of Ohakune.

Property development is a 'first' for Ernie, but not another key member of the project team, Tony Eastland, the founder and CEO of Kew Construction Ltd.

"Ernie does the promoting," Tony says. "I'm responsible for the behind-the-scenes operations."

Usually it's the other way round as far as age and experience go, for the larger-than-life Ernie has been-there-and-done-that; and Tony, who has a degree in construction management, is embarking on a similar kind of journey. He has been a project manager on many building sites here and overseas.

Ernie acknowledges that there is a risk factor in every new business venture, but thinks that people are affected more by what appears to be a risk rather than the risk itself. He doesn't regard himself as a risk taker. He'd have had a few takers on that when he helped launch Sovereign Insurance in January 1989. The after-effects of the sharemarket crash of '87 were still reverberating around the country's boardrooms.

"I knew what I was doing," he says. "I had sold business door-to-door in Canada. I had managed insurance companies in Boston and Asia. I had a vision for Sovereign that was achievable. I was prepared to put everything on the line and go for it."

As he did.

He sold out 10 years later.

And moved to Phase Three.





Kerry Knight



## OPINION

# HOUSING MARKET

The Paddock Development Trust acquired the six acre Ohakune site in 2001, and decided to develop it two years ago.

With that came a remarkable piece of luck.

They stumbled, says Tony, on another Canadian [Doug Leighton, of Boffa Miskell, urban designers] living in Auckland who helped design the concepts for the Whistler and Banff ski resorts in Canada, both world-renowned alpine destinations. He did the same for Paddock Development Trust at Ohakune, then brought Hulena Architects into the picture.

A serious skier like Ernie, Doug has a deep personal and professional understanding of the aesthetics and functions of a mountain resort. Hulena has a world class architectural practice. "I genuinely believe you couldn't put a better design team together for a project like this anywhere in the world," says Ernie.

There will be 62 alpine-type dwellings on the site featuring duplex and terraced-type lodges. They will be maintained by an on-site manager, right down to renting them out at the owner's request and supervising tenant obligations. "Entirely hassle-free," as Tony puts it.

Prices – ballpark at this stage – will be around \$400,000.

Getting this far, they say, has been made easier by Knight Coldicutt McMahon Butterworth's legal support. They had a word-of-mouth introduction and knew after the first meeting they were in the right place.

"Every legal permutation, every option and possibility was covered, directly, in detail, and succinctly," Ernie says. His view is that it pays to get the best counsel available. "We did that at Sovereign – and look at the outcome."

Eighteen of the 62 dwellings have been spoken for already, several via an onsite sign featuring the Riverstone website [www.riverstonelodges.co.nz/home.php](http://www.riverstonelodges.co.nz/home.php)

They expect sales to gather pace during the ski season when skiers from all over the North Island see that they can acquire accommodation on a par with the best in the world. "We're also giving each buyer a lifetime ski pass to Turoa," says Ernie. "How can they resist that?"

Construction is due to start in September/October 2007, and will take some 18 months to complete.

"Riverstone will redefine Ohakune's image," Ernie says. "People won't be looking for a pie and a few beers after a day on the mountain when we're finished. They'll be looking for the very best – of everything."

It is true - the easiest money that we can earn comes from house price increases. It is also true that when demand increases, prices firm. When interest rates become unaffordable, people stop purchasing and even have to sell. Presumably prices fall if interest rates increase too much.

The Reserve Bank seems to think that the housing market is an indicator of our economy - if it gets too hot the economy must be cooled by increasing interest rates. This affects the exchange rate - it also rises. The prices of imported goods should fall. They don't. So whilst the statements are true, they are inconsistent and make little sense when considered in totality.

What is really happening with the housing market? The top end has gone crazy. There is an abundance of wealth and purchasers are prepared to buy unconditionally at prices of \$7.5 million plus. Many on-sell within a year at profits of \$1 million to \$2 million.

The abundance of wealthy people can withstand a slow down. Consider that it is the wealthy sector that employs most of our workforce, and significant staff cutbacks are unlikely. Employees facing interest rate rises demand wage adjustments to cover increased mortgage repayments. In an economy of low unemployment, employers tend to oblige which, in turn, will affect the inflation rate. The Reserve Bank then increases interest rates to slow inflation. Interest rates rise and employees ask for more wages. Hence the spiral!

In reality, the only way that house prices will fall is for a recession to start as a result of whispers - we talk ourselves into a slowing of the economy.

There are outside factors such as the American and Australian housing slow downs. But do they actually affect us? New Zealand has, in the past, followed international downturns fairly quickly. There is a lag in bad news in the American housing market filtering to us, and currently it appears that America and Australia can cool without affecting New Zealand.

The seven-year theory is fairly convincing when considering past patterns of economic slow down. Look back to 1973 (the year of the oil shock) and observe in seven-year intervals. The stock market crash of '87 fits the cycle. Why? Who knows. Maybe the seven year theory or maybe the gravitational pull of the moon?

My opinion is that you should buy that extra house or upgrade if you are confident and secure in your employment and income, and if another 1% or so per annum on your mortgage interest payments is not going to cause you distress.

# WELLINGTON COLUMN

## A YEAR IN REVIEW

It's a fraction over one year since I made the long journey from Prince's Wharf to Wellington City to open our new branch office. A lot has changed since then, yet everything remains the same.

Our Wellington clients are doing well. There's a certain building site in Cuba Street that has been sprouting like a mushroom. Rumour has it that we could be settling on-sales ahead of schedule (yes Aucklanders - ahead of schedule). Another of our clients is testing his influence... if the firm can open for business in Wellington, surely it can go to the Cook Islands, where he has a number of interesting projects.

There are a couple of sites at the Parliament end of town where our clients will assist in resolving the premium office space shortage. In this case we have been able to introduce a significant Wellington trust

to one of our Auckland clients. Together it is looking like they will make a significant impact on the Wellington market.

Another new client is a large international charity with considerable property interests, both as landlord and as tenant. We are working with them to streamline their property interests with a view to greater efficiency without losing their fundamental ethic.

We are extremely grateful for the support of our clients during our first year in Wellington and look forward to strengthening these relationships as well as building new ones. Whilst the office is closer to New Zealand's centre of influence, we remain absolutely positively Knight Coldicutt McMahan Butterworth.

*Ronette Druskovich - Wellington Managing Associate  
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## New Zealand Property Group

Launched in 2001, the New Zealand Property Group (NZPG) is a registered Society that actively represents the interests of a group of property developers and investors who will make an estimated \$6 billion contribution to the New Zealand economy over the next three years. Not to mention the positive impact on employment and associated flow of work to contractors.

The NZPG advocates, lobbies and provides a public voice for its members on development issues that many developers experience independently,

but which such a substantial collective can add weight to. The NZPG has recently made a submission on the officials' issue paper regarding changing the definitions of associated persons, which will have wide-ranging and significant implications for many taxpayers if the Government brings in the new legislation later this year. Other issues on the table are council development levies, leaky buildings and speed of resource consent process.

If you are interested in the above topics, or any other relevant topics that you encounter as a developer, contact Kim Murdoch, NZPG co-ordinator, tel. 09 306 1122, email kim@kclaw.co.nz.

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9.75%<sup>\*</sup>  
%pa

(Actual pre-tax dividend return for the quarter ended 31 March 2007 on an issue price of \$1.05)



## KNIGHT WATCH

### WHARF JUMP

#### YOU'RE SAFE UNTIL SUMMER

The firm's fourth annual Wharf Jump proved a big success, and raised a significant stir among industry professionals when photos were published recently in *NZ Lawyer*. The relief on the participants' faces as they surfaced from the depths of Prince's Wharf murky waters was apparent. We want to give our favoured clients and contacts the opportunity to be in the front row for the next big leap. You're safe until the weather gets warmer, but do join us (KCMB partner participation compulsory). Not for the faint hearted!



### FAREWELLS

**Helen Holland** has left the partnership to practise as a barrister from 14 May 2007. Helen was with the firm for fifteen years, becoming a partner in 1999. She has been an integral part of the firm's development, contributing in countless ways. We extend our congratulations to her on taking this next important step in her career. Howard Thompson has taken over as Litigation Team Leader.

**Jenny Butler**, our financial controller, is moving to Wellington but before she settles in the windy city she is heading for Europe with her husband. Jenny was with the firm for nine years as a valued member of our management team, efficiently overseeing the financial affairs of the firm. Happy travels and a safe move to Wellington Jenny.

**Lydia Shao** left the firm in April 2007 to spend time with her two young children. Lydia was with us for seventeen years, laterly focusing on working with our Asian clientele. We hope that Lydia enjoys her break ... but suspect that it won't be for long. She's a lady on the move.

### SURF'S UP

#### PROFILE OF MICHAEL ALEXANDER, COMMERCIAL PARTNER

If you have a spare hour or more, mention the words surfing and West Coast beaches to Mike and you're not likely to get a word in for the duration. It won't therefore come as any surprise to know that Mike lives on Muriwai Beach on the West Coast of Auckland with his family. He completed a commerce and law degree at Otago University where Mike reckons the surf is pretty good too. Most of his career to date has been in finance and commercial law with a national law firm, Mike also lived in the Cook Islands for a few years, allegedly to practise law, but more likely to experience the surf of the Pacific Islands. He was General Manager and director of a multi-national fiduciary services group headquartered in Singapore, and was responsible for successfully growing the New Zealand operations. These days Mike practises in the area of corporate advisory services, securities, mergers and acquisitions and commercial property and structuring of investments. Mike is a member of the Institute of Directors and the New Zealand Pacific Business Council. However, on a fine day you are more likely to find him on his mobile rather than in his office as he heads for the surf.



Board Meeting – Michael Alexander and Tony Eastland of KEW Construction Ltd

This newsletter is sent to all clients on our mailing list. If we have your name or address incorrect, we would appreciate advice from you, so that we can update our records.