PEAK LIVING

THE CHANGING ECONOMICS OF RESIDENTIAL PROPERTY AND THE RISE OF RETIREMENT VILLAGE LINKED INVESTMENT ALTERNATIVES

New Zealand's residential property investment model is under pressure. Net yields have fallen, compliance obligations have intensified, and public sentiment toward landlords has cooled. This article examines the residential property market and compares with other property backed investments including a new retirement village linked alternative.

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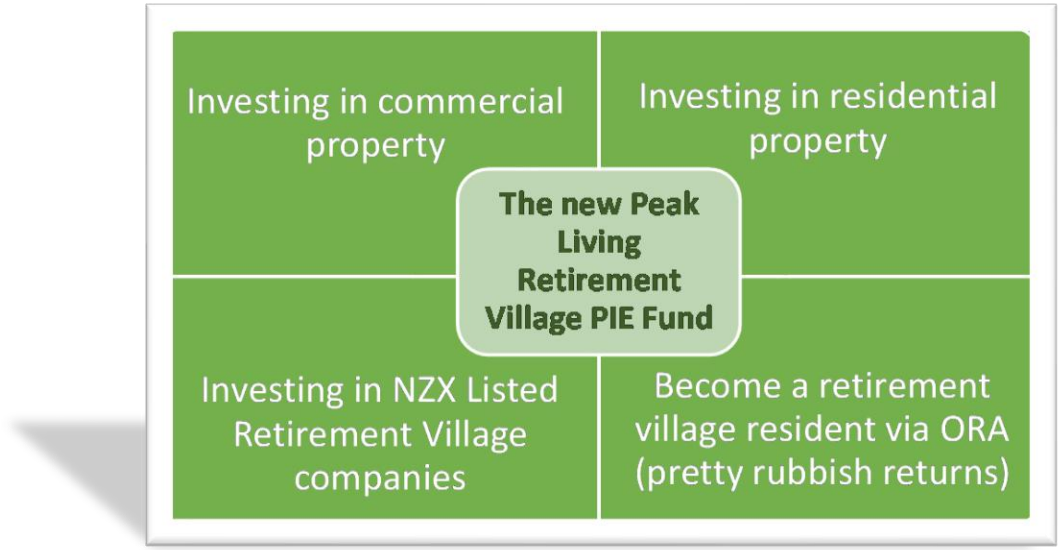
Why Be a Landlord? The Changing Economics of Residential Property

New Zealand's residential property investment model is under pressure. Net yields have fallen, compliance obligations have intensified and public sentiment toward landlords has cooled. At the same time professionally managed alternatives including NZX listed property and retirement village operators, offer liquid exposure but remain subject to equity market volatility.

And the Rise of Retirement Linked Investment Alternatives

A third pathway is now emerging and that is retirement-linked, property-backed wholesale investment vehicles such as the Peak Living Blenheim Retirement Village PIE Fund. This fund provides exposure to retirement village economics without the operational burden of being a landlord and without the sentiment driven swings of listed equities.

This article examines why residential property investment persists, how its traditional advantages are eroding and how alternatives like Peak Living's new Fund are reshaping the investment landscape for investors as an alternative property investment class.



The Traditional Appeal of Residential Property

Despite mounting headwinds, residential property retains several enduring attractions that continue to draw investors.

- **Leverage** — Banks routinely lend 60–80% against residential property, enabling investors to amplify returns (and losses) in ways few other asset classes allow.
- **Control** — Investors can renovate, re-tenant, refinance or sell at will. This sense of agency, that is a feeling of control over your own actions and their outcomes, is psychologically powerful.
- **Cultural familiarity** — Property has long been synonymous with wealth in New Zealand creating a comfort level unmatched by financial instruments.
- **Tangible security** — A physical asset feels less abstract and therefore less risky.
- **Long-term capital growth** — Housing has historically appreciated over decades anchoring investor expectations even when current conditions differ.

These factors explain why residential property remains part of the national psyche. But they no longer outweigh the structural challenges facing landlords today.

Is the Landlord Model Breaking Down?

The economics and social dynamics of residential property investment are shifting.

- **Regulatory burden —** Healthy Homes standards, insulation, heating, moisture control and tenancy law changes have increased compliance costs.
- **Social sentiment —** Landlords are increasingly framed as contributors to housing affordability issues creating political and reputational risk.
- **Low net yields —** After rates, insurance, maintenance and compliance, many rentals yield less than 2% net.
- **Interest deductibility restrictions —** Tax settings have materially reduced the attractiveness of leveraged investment.
- **Concentration risk —** One house, one suburb, one tenant is a fragile risk profile compared with diversified alternatives.

The result is a model that offers control and leverage but delivers diminishing financial reward and rising complexity.

How Listed Property and Retirement Village Shares Compare

NZX-listed property and retirement village operators provide professionally managed exposure with daily liquidity. They offer:

- Dividend yields typically in the 2–4% range
- Long-term performance supported by demographic tailwinds
- Diversification across multiple villages and operators

However, they remain subject to equity-market cycles, interest-rate sensitivity and investor sentiment. Importantly, share prices do not move directly with retirement village entry prices meaning they do not hedge future ORA costs.

The Emergence of Retirement Linked and Property Backed Funds

The Peak Living Blenheim Retirement Village PIE Fund introduces a new investment pathway that addresses the weaknesses of both residential property and listed equities.

Return Profile

The fund targets 7–12.5% p.a. combining:

- 7–9% interest charged to the developer during construction
- With low risk term deposit for unutilised funds
- Add to this capital appreciation linked to actual ORA entry prices
- PIE tax efficiency capping tax at 28%

Risk Profile

The fund carries construction and subordinated lending risk mitigated by:

- Registered Quantity Surveyor oversight
- Mandatory ORA proceeds sweep
- Second-ranking mortgage and general security behind the village statutory supervisor requirements
- Strict covenants preventing distributions, additional debt or budget changes
- Crowned-owned Public Trust as trustee and custodian

Liquidity

- No withdrawals during construction
- But there is an intention for a secondary market for unit transfers
- Full liquidity once ORA sales stabilise
- Plan to transition to a retail investor offering once the village development has completed early stages.

Tax Efficiency

PIE status materially improves net returns for high-income investors compared with rental income taxed at up to 39%.

Demographic Alignment and other cool stuff

Blenheim is the first village development planned. A further two are planned soon after for the South Island. Blenheim offers strong fundamentals with:

- 23.9% of residents aged 65+ (vs 16.4% nationally)
- Low retirement village penetration
- 10-year property price CAGR of 8.57%*
- Blenheim averages 2,500 sunshine hours per year, typically the highest in NZ. Sauvignon Blanc capital of the world, flat topography and Sounds on the doorstep.

* McKnight E. 2025, Opes Partners, "How is the Marlborough property market going?" Property Market, viewed 20th January 2026, https://www.opespartners.co.nz/property-markets/marlborough

Retirement Linked Capital Appreciation

No other investment in New Zealand provides a direct hedge against future retirement village entry costs.

"Unit value moves with the village's average entry price, creating a retirement-linked capital appreciation mechanism."

So Why Be a Landlord Today?

The honest answer is mostly for leverage, control and habit and not because it is the superior financial choice.

For wholesale investors who value:

- Passive returns
- Tax efficiency
- Demographic-driven growth
- Professional independent and crown lead governance
- Retirement aligned capital appreciation

The Peak Living Blenheim Retirement Village PIE Fund represents a credible and modern alternative to the traditional landlord model.

It does not replace residential property or NZX shares but it fills the gap between them as a targeted, retirement-linked and property-backed investment with professional governance and predictable mechanics.

Comparing the Three Investment Pathways

Investment Type	Strengths	Weaknesses
Residential Property	Control, leverage and cultural familiarity despite being single investment concentration.	Low yields, compliance burden, social sentiment about landlords and "P" lab risk as an example.
NZX Property and RV Shares	Liquidity, diversification and professionally managed.	Market volatility, interest rate sensitivity and no ORA/entry price linkage.
Peak Living's Retirement Village PIE Fund	Property backed returns, PIE tax efficiency, ORA linkage, governance and demographic tailwinds.	Construction phase illiquidity and loan subordination risk.

About the Author

Stuart Bilbrough is the CEO at Peak Living Limited. He is a registered financial advisor (FSP1013288). He is also a NZ Chartered accountant and has nearly two decades experience in the New Zealand retirement industry. He was the CFO and then CEO at NZX listed Radius Residential Care and CEO at NZX listed Promisia Healthcare. Subsidiary, Peak Living Funds Management Limited (FSP1013335) is the Fund Manager for the Peak Living Blenheim Retirement Village PIE Fund.

Article Disclaimer

This article reflects the author's personal views and interpretation of current residential property market while comparing to Peak Living's new Fund. It is intended for general information only and should not be relied upon as financial advice, investment guidance, or legal advice. Readers should form their own opinions and seek independent professional advice before making any decisions relating to retirement village living, financial arrangements, or the Peak Living Blenheim Retirement Village PIE Fund investment product.

An investment in the proposed Peak Living Blenheim Retirement Village PIE Fund will only be available to wholesale investors in terms of clause 3(2) or 3(3)(a) of Schedule 1 of the Financial Markets Conduct Act 2013.