

The changing landscape for New Zealand business migrants

Andrew Sayers recently joined Baker Tilly Staples Rodway Waikato. In a former role Andrew was Managing Partner and International Liaison Partner of a large Australasian accounting firm.

More recently, Andrew established his own consultancy business - servicing high net worth individuals and business owners looking to invest in new markets and New Zealand businesses. He is one of three founding Partners of New Zealand Investment and Immigration Partners (NZIIP) and works closely immigration advisors to assist their clients wishing to invest in New Zealand businesses. Andrew talks below about his insights from being part of the NZIIP initiative with both a pre and post COVID-19 lens.

The word unprecedented is one that has embedded itself globally since COVID-19 spread throughout nearly every nation. COVID-19 came at a time when the world's economy was already experiencing many headwinds including Brexit, the US / China trade wars, global warming, and increasing wealth disparity. Many countries are also monitoring China's increasing political, economic and military expansion.

New Zealand's geographical isolation has long been seen as an impediment to economic growth, and a barrier to attracting foreign capital due to its distance from key trading markets. Has COVID-19 changed this perception, and does foreign capital and migration represent a risk or opportunity for our economy?

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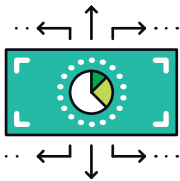
NZIIP have travelled extensively across Asia since 2010 and more recently globally, undertaking the promotion of New Zealand - in particular its investment opportunities through investor visa migration (the high net worth investment permanent residence visa). Over this 10 year period, NZIIP have accumulated a significant database of clients, all of whom have or are interested in investing in New Zealand for migration purposes or otherwise.



An ingredient in the success of NZIIP is the strategic support of New Zealand Government agencies. Due to the longevity (and investment in travel for face to face meetings) of NZIIPs activities, we have established a trusted brand - necessary when dealing with matters as personal as migration and offshore investment. It has taken years to establish this brand, and the lag time between starting NZIIP and generating sufficient business activity was significant.



Since COVID-19, expressions of interest from high net worth individuals to migrate from offshore have increased significantly. New Zealand is seen as an increasingly desirable investment market due to the way we have managed and eliminated community transmission of COVID-19. New Zealand has also maintained strong economic and political relationships with its primary trading partners, something that America and Australia are currently grappling with. Our geographic isolation (which has required a strong export focus) is now seen as an asset, and not an impediment.



Conversely, markets such as Hong Kong, USA and the UK are experiencing increased capital outflows and high net worth emigration (prior to and since COVID-19). Hong Kong is suffering increasing social unrest due to the perception of China's growing influence over Hong Kong's political and legal autonomy. There are many wealthy American citizens who are not aligned to the current leadership, and in the UK Brexit is seen as a significant future economic hurdle. In addition to these existing push factors, all three countries are experiencing the significant economic impacts of COVID-19 (USA and UK through community transmission, and Hong Kong through a near 80% tourism downturn).

As an investment market, New Zealand is not a hard sell. For those looking to migrate under the investor visa, we offer a globally competitive permanent resident status. New Zealand also offers political stability, great lifestyle, quality schools and universities, a strong health sector and we are continually rated as one of top jurisdictions for low levels of corruption and ease of investment.



Joining the Baker Tilly Staples Rodway Waikato team opened new avenues to service the underlying investment focus of existing international clients. This focus includes the agricultural and agri-tech sectors, and property (both residential development and commercial). With the Asian markets, the deep connections the Waikato firm has with the Iwi business community are of value.

New Zealanders have historically taken a cautious view of foreign ownership, particularly those investing in New Zealand's land rich assets, and indeed we are right to be cautious. However, we are an economy that relies on export earnings and foreign capital. Therefore, it is my view that attracting the right capital is not only good for our short term balance sheet, but in the longer term will increase employment, provide access to foreign markets via new distribution channels, and build our knowledge capital to aid and drive the economy forward.

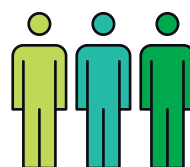
Take the investor migrant community. To gain permanent residence, they are required to invest either \$3M or \$10M in New Zealand productive assets for a period of years (depending on the visa class). However, anecdotally, on average these migrants go on to invest three times this initial requirement in New Zealand, be it expansion capital for existing business, or starting new business operations. Most will lead to new employment and in many cases expertise and skills that strengthen and future proof our economy.

With COVID-19 impacting our economy and the Government's balance sheet significantly, these investors represent part of a recovery solution.

Hong Kong is an interesting case study and a market I have been close to for a number of years. Hong Kong has long been a significant investor in and trading partner of New Zealand. We export nearly \$2B of goods to Hong Kong annually, and Hong Kong is New Zealand's second largest source of foreign capital (around \$10B in 2019, an \$8B increase since 2012).

New Zealand is experiencing significantly increased interest from Hong Kong nationals, particularly since 2019 with the Extradition Bill (now scrapped) and the recent introduction of the national security law. Naturally, this is not limited to New Zealand. There have also been increased enquiries from Hong Kong citizens in the UK, US, Australia and Canada markets. Hong Kong residents want a better living environment, good education for their children, and to be free of an uncertain future.

While the 2018 changes to effectively ban foreign ownership of existing residential property significantly cooled Hong Kong's (and other jurisdictions') appetite in New Zealand as a migration or investment market, the current headwinds there have reignited enquiries. Commonly requested investments include residential property development, agricultural (and agri-tech) assets, commercial property and hotels.



On the immigration front, NZIIP and the New Zealand Government are fielding many more enquiries from Hong Kong nationals, and I know New Zealand's Investor Visa application numbers are up significantly from prior years.

So, what does all this mean? New Zealand has an existing, thriving and productive international investment community. In my experience, these investor migrants become outstanding members of the community, they integrate well, work hard, create new business opportunities and employment. They have a passion and respect for New Zealand and what it has to offer. While it is sad to witness many of the recent events occurring globally, which will give rise to a more challenging market for some New Zealand exporters, I believe it offers a great opportunity for New Zealand to attract the additional foreign capital (both financial and human) to support New Zealand's economic growth in the uncertain future.

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