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Foreign investment on the rise

Auckland, NZ (August 15, 2007)

Overseas interest in New Zealand commercial property shows no sign of abating, with foreign buyers having ploughed a record \$1.1 billion into the market in the first seven months of 2007.

At today's CB Richard Ellis annual Market Outlook breakfast in Auckland, the firm's regional Director of Institutional Investment Properties, Rob Sewell said that while New Zealand's overall market share of global investment flows appeared to be low, the trend was for rising foreign investment into the country.

Mr Sewell said investment returns in New Zealand were exceeding those in Australia and this was underpinning continued interest in the market.

"New Zealand is attracting enormous interest due to expectations of steady growth, close proximity to Australia, minimal transaction costs and more importantly, the promise of income returns greater than six per cent," Mr Sewell said.

Whilst the rising cost of debt in New Zealand was placing pressure on yields to rise, Mr Sewell said there was still considerable interest from buyers who could source offshore equity and debt at levels that allowed them to compete.

"Australia is the fourth largest savings pool despite being the 22nd largest economy, and there are fewer opportunities for Australians to invest locally so they must invest offshore," Mr Sewell said.

While New Zealand had received only a small portion of Australian foreign investment, this had the potential to increase, Mr Sewell added.

The recent acquisition by Valad of the Carter Holt Harvey portfolio for over \$300m was an example of the enormous Australian appetite for passive as well as active property investment opportunities.

In addition to Australian buyers, Mr Sewell highlighted that Europeans investors were becoming increasingly interested in New Zealand.

“European investors, especially from Germany, UK and Switzerland, like the sustained growth, stability, perceived upside and the diversity of the Australian and New Zealand markets. Offices are the main sector of interest for these investors, with retail also emerging,” Mr Sewell said.

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