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MarketView

NZ Investment Transactions Monitor

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Half year to July 2009

SUMMARY

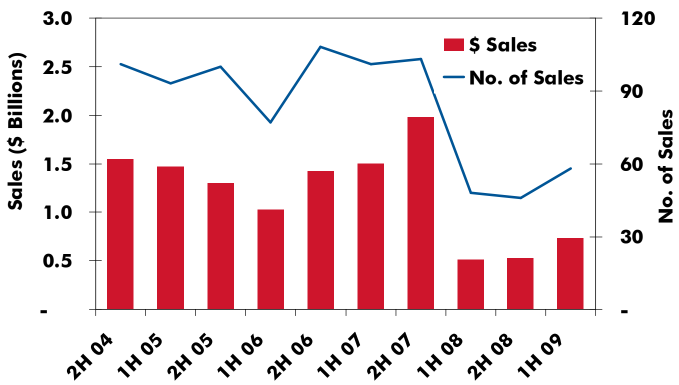
- Sales are up 39% in the first half of 2009
- A resurgence in sales above $20 million
- Syndicates are the second largest purchaser type after privates
- Owner occupiers are actively entering into sale and lease backs
- LPTs and managed funds contribute nearly half of the sales value
- A net outflow of foreign funds over the last 3 six month periods

Our analysis of sales covers transactions over $5 million in the Auckland, Wellington and Christchurch regions for the various non residential investment property types. It covers both overall sales value as well as a more detailed breakdown of activity by vendor and purchaser types, property sector, and price stratum.

The downturn in the property market has been reflected in a number of market variables with total transaction values being one of the more prominent indicators of the dramatic reversal of market fortunes. Following the trough in transactions during 2008, the first half of 2009 has been more positive and saw increased sales activity. This has been commensurate with more certainty regarding the international and domestic economic and monetary context which has resulted in greater investor confidence notwithstanding the softening market fundamentals.

In the first half of 2009 (for sales above $5 million each), sales totaled $736 million in the 3 major centres in New Zealand. This is up 39% from the second half of 2008, but is down from the half yearly average over the previous 5 years of $1.26 billion. It should also be noted that while the value of sales in 2008 was substantially lower than in recent years, it remained comparable to the early 2000s.

Six Monthly Total Investment Sales Values ($5 Million+)



AUCKLAND

Auckland experienced a pick up in total sales values in the first half of 2009, increasing from $381 million in the previous six months to $456 million. The value of sales in Auckland historically makes up around three quarters of the combined value in the three major cities, so therefore has a large bearing on nationwide trends.

The largest transaction in the first half of 2009 was the sale of the Forsyth Barr Tower in Shortland Street for $41.5 million to Robt Jones Holdings Ltd. Built in 1986, the tower has a net lettable area of 11,773 sqm. The building forms part of the Shortland Centre, adjoining

	1H 2009		2H 2008		Six month average over 5 years	
	Total Value	No. Sales	Total Value	Total Value	Volume	No. Sales
Auckland	$456m	40	$381m	31	$962m	65
Wellington	$195m	11	$86m	10	$231m	16
Christchurch	$85m	7	$64m	5	$70m	7
TOTAL	$736m	58	$531m	46	$1,264m	88

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the Gosling Chapman building at ground and podium level. The next largest sale was the sale and lease back of the Fletcher Building head office at 810 Great South Road for $36 million. The property was sold by Fletcher Building to Tauranga developer Carrus Corporation. Activity is expected to increase in the second half of the year with a number of larger deals in the pipeline.

WELLINGTON

The Wellington market has shown the most improvement in the first half of 2009, with the total value of sales more than doubling from $86 million to $195 million. However this comes after 2008 being a poor year for Wellington, which saw it having the largest fall in sales from 2007 to 2008 out of all centres. With total sales values doubling, the number of sales has remained steady as the sales that have taken place have been larger.

The largest recorded sale in Wellington was the sale of Maritime Tower at 10 Customhouse Quay for $62 million. The 10,740 sqm building was sold by Valad Property Group to a local private investor. This sale was also the largest sale in the three major centres. The next largest sale in the capital city was the sale of BP House on Customhouse Quay for $26.3 million. It was sold by Kiwi Income Property Trust to a private investor.

CHRISTCHURCH

Sales in the first half of 2009 are up from $64 million to $85 million. Christchurch is the only city where sales are currently higher than the 5 year average ($70 million). The largest sale was the sale of the Moorhouse Central shopping centre for $21.5 million. It was purchased by a syndicate of investors. The property is anchored by a Countdown supermarket. Although Christchurch followed the falling sales trend of Auckland and Wellington during the recent downturn, total transaction values had been more resilient.

DETAILED SALES ANALYSIS

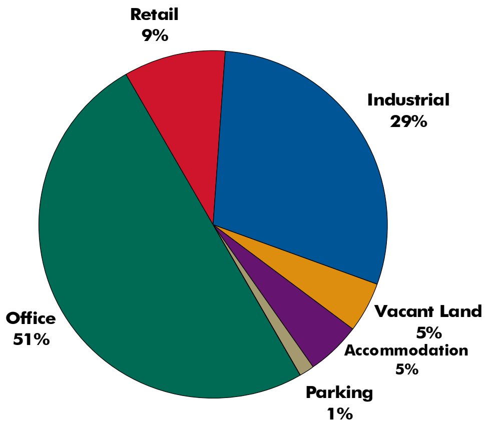
PRICE STRATUM

Compared to 2008, sales have picked up slightly across all price brackets, however the largest resurgence has been in sales above $20 million. There were 9 sales above $20 million in the first half of 2009, the same number as in the whole of 2008. However, around half of the 58 sales were in the $5 million to $10 million price bracket.

PROPERTY SECTOR

The core sectors of business activities; office, retail, and industrial make up the majority (89%) of sales in 2009. The office sector had the most sales above $5 million, accounting for 51% of the total value. Properties are classified into sectors by their use upon sale.

Sales By Property Sector



PURCHASER & VENDOR TYPE PROFILES

The majority of the active purchasers in the market in 2009 have been private with the remaining transactions spread over syndicates, corporations, government, trustees and religious groups. The increase in offerings from syndicates has seen them increase their market share of total sales.

The listed property sector (LPT) has made no purchases above $5 million in the first half of the year and has been

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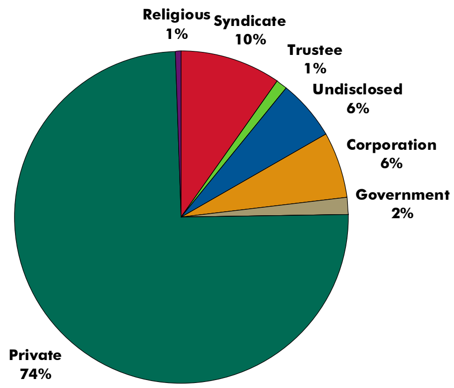
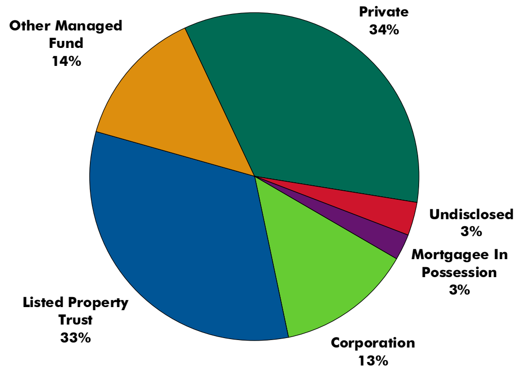
disposing assets in the aim of reducing gearing levels. Not surprisingly they make up 33% of all vendors in terms of total sales value, only slightly less than the largest group; private vendors (34%). LPTs also include those from outside of New Zealand. Adding the sales from LPT's together with other managed funds, institutional vendors account for nearly half of the total sales value in 2009.

Purchaser Ownership Type



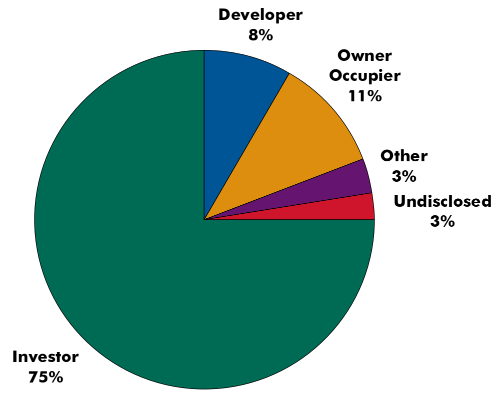
Vendor Ownership Type



PURCHASER & VENDOR PURPOSE PROFILES

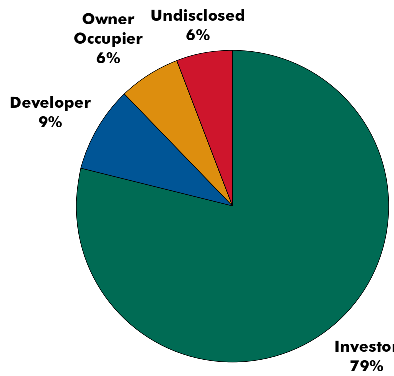
We also classify each party of the sale according to the nature or purpose of their activity. Investor sellers account for 75% of the total transaction value. This is lower than in 2008 but remains high, with investors accounting for approximately 60% of sales historically. Compared to 2008, the notable change has been increased sales by owner occupiers, who have been entering into sale and lease back agreements to free up capital and inject it into their core business operations.

Vendor Purpose Type



Investor purchasers account for 79% of sales value. Developers and owner occupiers are not totally out of the purchaser market and their purchases account for 9% and 6% respectively of the total sales value. This still makes owner occupiers net sellers. The undisclosed portion of 6% are sales for which information could not be obtained.

Purchaser Purpose Type



LOCAL/FOREIGN VENDORS & PURCHASERS

Foreign buyers have continued to stay away from New Zealand property in 2009 accounting for only 7% of the total sales value. Historically, foreign purchasers have accounted for around 20%. Compounding this, foreign vendors have also been active sellers, with 25% of sales being from foreign owners. This is much higher than the historic average of around 15%. The resultant trend is a net

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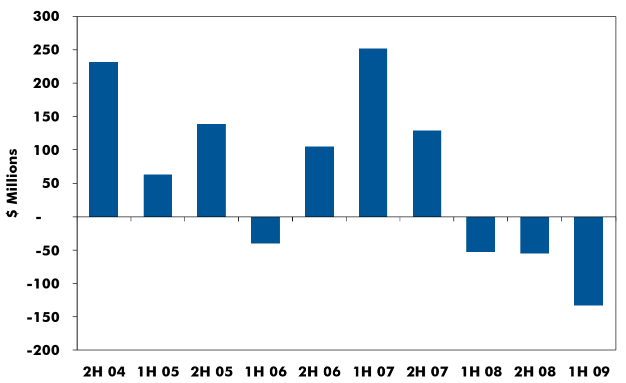
outflow of foreign funds. There has been 3 consecutive six month periods in which there has been a net outflow of foreign money in property. The net outflow of funds in the first half of 2006 was due to two larger properties being sold by foreign investors to local investors. The majority of foreign vendors are currently Australian.

Net Inflow of Foreign Funds into NZ Property



CONCLUSION

2008 was the year when transactional volumes came crashing back to reality as the exceptional market conditions in the years prior could not be sustained. While much has been written about this change in fortune and we can't ignore it, we should be placing more emphasis on current and future trends. For the first half of 2009, the increased transaction volumes are an indication that the market is moving out of the trough. This trend has been evident in all three major centres and transaction levels compare favorably with those seen in the early 2000s.

Continued transaction activity is expected to occur in the second half of the year with the sale of some large assets in the pipeline. Some investors will also continue to dispose of property in order to improve their balance sheet strength and there is still a flow of distressed assets to enter the market. With more certainty in the market, buyer confidence has also improved. This, in combination with positive gearing opportunities is prompting some of the capital that has been waiting in the sidelines to re-enter the purchaser market.

PLEASE NOTE This report covers the sale of physical assets and excludes the purchase of equity stakes in holding companies.

Due to the complexity and confidentiality of large transactions, details of transactions will often surface months after they take place, therefore transaction details will be historically adjusted when new details surface.

For our analysis, transaction date reflects the unconditional date announced by the parties concerned.

All detailed sales analysis is based on total sales values, apart from analysis of price stratum, which is based on sales numbers.

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