MarketView

NZ Investment Transaction Monitor

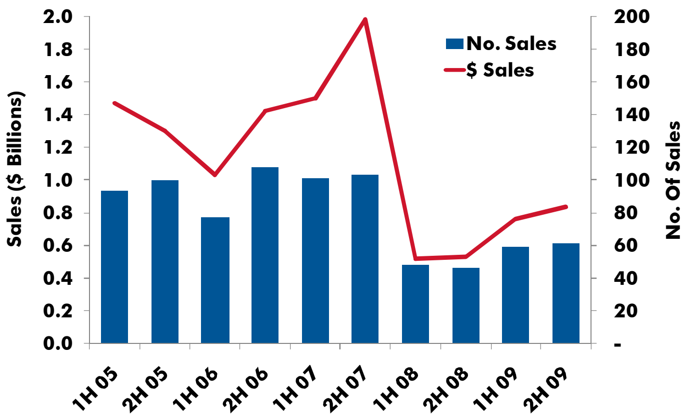
March 2010

SUMMARY – SECOND HALF 2009

- Overall sales volumes improved slightly over the first half of 2009
- Auckland shows the most improvement
- Wellington and Christchurch show falls
- LPTs and managed funds contribute nearly half the sales volume
- A net outflow of foreign funds continues, however this is slowing
- The $20 million plus price bracket still remains active

The downturn in the property market has been reflected in a number of market variables with total transaction volumes being one of the more prominent indicators of the dramatic reversal of market fortunes. 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 volume as well as a more detailed breakdown of activity by vendor and purchaser types, property sector and price stratum.

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



For 2009 (for sales above $5 million each), sales totaled nearly $1.6 billion in the 3 major centres in New Zealand. This is up 50% from 2008. Performance over the second half of 2009 ($834m) surpassed the level in the first half of 2009 ($760m). In the second half of 2009 there were 61 sales, two more than in the first half. Both half yearly results in 2009 have well outperformed 2008. Sales volumes are however still well below the levels seen from 2004 to 2007.

AUCKLAND

The Auckland market is the largest of all sectors so therefore has largest influence on nationwide figures. Auckland experienced a slight pick up in total sales volumes in the second half of 2009, increasing from $480 million in the previous six months to $645 million.

There were nine sales above $20 million. The largest transaction in the second half of 2009 was the sale of Fisher and Paykel's head office and factory in East Tamaki. This sale and lease back of the 14.4 hectare property was to Direct Property. It has been one of the largest industrial sales in recent years.

The next largest sale in the second half of 2009 was the Rialto Centre and adjoining Carlton DFK Tower in Newmarket. The National Property Trust sold it for a combined total of $49 million to a private investor. The complex which is around 70% retail, contains a 7 screen cinema and office. Both of these sales are higher than the largest sale in the first half of 2009 which was the sale of the Forsyth Barr Tower in the CBD for $41.5 million.

	2H 2009		1H 2009		Six month average over 5 years	
	Total Volume	No. Sales	Total Volume	No. Sales	Total Volume	No. Sales
Auckland	$645m	47	$480m	41	$920m	61
Wellington	$164m	12	$195m	11	$215m	15
Christchurch	$25m	2	$85m	7	$67m	7
TOTAL	$834m	61	$760m	59	$1,202m	83

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The $47 million dollar sale of the freehold interest in Beaumont Quarter was the third largest sale in the second half of 2009. This is the residential dominated mixed use development which has been plagued by issues surrounding its leasehold nature.

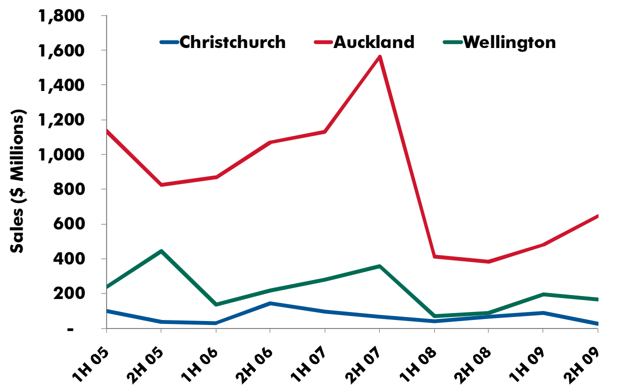
WELLINGTON

In the second half of 2009, despite the number of sales increasing, total sales volumes declined. Sales in the second half totaled $164 million, down from $195 million. The larger total volume of sales in the first half of 2009 is largely due to the sale of Maritime Tower for $62 million, which was the largest sale in the country for 2009. The largest recorded sale in Wellington for the second half of 2009 was the sale of 86 Customhouse Quay for $29.6 million by AMP Capital. The 9,000 sqm plus 1920's character building has anchor government tenants; The Department of Building and Housing and The Ministry of Justice. Sales in 2009 have been much stronger than 2008, where sales reached only $154 million for the entire year.

CHRISTCHURCH

Sales activity for property above $5 million was quiet in the second half of 2009, with only two sales totaling just under $25 million. The sale of the Airways Corporation of New Zealand Building at 20-28 Sir William Pickering Drive was the largest sale at $16.875 million. The only other sale above $5 million was at 233 Cambridge Terrace. The office building sold for $7.775 million in September. The Christchurch market for larger investments is small and historically there has only been a handful of sales above $5 million in each half year period making trends more difficult to see. The first half of 2009 was stronger with seven sales totaling $85 million.

City By City Sales Volumes Comparison

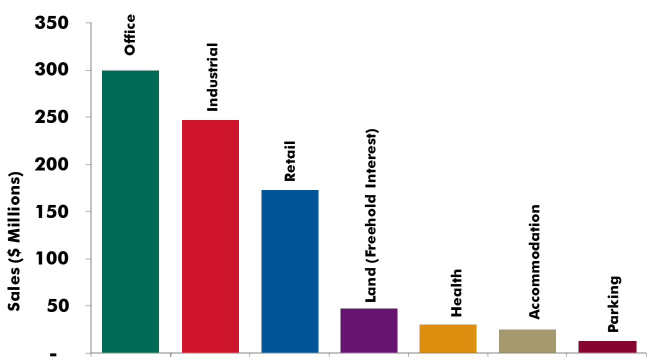


DETAILED SALES ANALYSIS 2H 09

PROPERTY SECTOR

The core sectors of business activities; office, retail, and industrial make up the majority ($719 million or 86%) of sales in the second half of 2009. The office sector had the most sales above $5 million, accounting for $300 million. The trends of the last six months are similar to those historically, with office being the largest sectors, followed by industrial and retail. Properties are classified into sectors by their use upon sale. The Land (Freehold Interest) category is solely the sale of the freehold interest in Beaumont Quarter in Auckland's Freemans Bay.

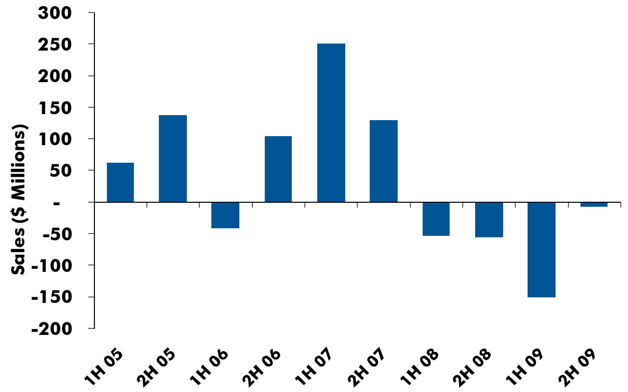
Sales By Property Sector



LOCAL/FOREIGN VENDORS & PURCHASERS

Foreign buyers have continued to stay away from New Zealand property in 2009, only accounting for 12% of the total sales volume. Historically, foreign purchasers have accounted for around 20%. On the other hand 13% of vendors have been foreign, and this has once again resulted in a net outflow of foreign funds. There have been four consecutive six month periods in which there has been a new outflow of foreign money in property, however the latest period shows that this is improving.

Net Inflow of Foreign Funds into NZ Property



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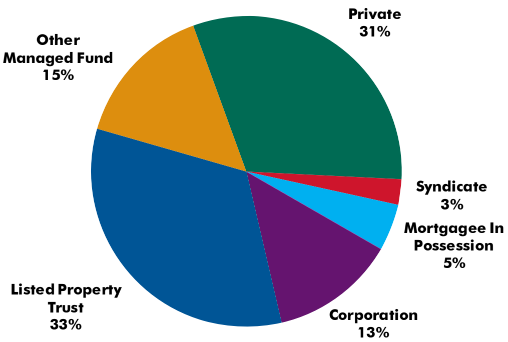
PURCHASER & VENDOR TYPE PROFILES

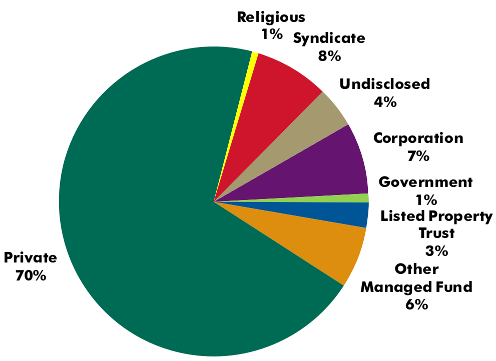
The majority of the active purchasers in the market in the second half of 2009 have been private with the remaining transactions being dominated by syndicates, corporations and other managed funds. The increase in offerings from syndicates has seen them increase their market share of total sales.

There was only one purchase made by a listed property trust (LPT) in 2009 above $5 million. This was Property For Industry's (PFI) purchase of 7-9 Niall Burgess Drive in Mount Wellington, Auckland for $22 million. LPTs in 2009 have been disposing assets in the aim of reducing gearing levels. Not surprisingly they make up 33% of all vendors in terms of total sales volume in the second half of 2009 and they are the largest group of vendors, ahead of privates. Adding the sales from LPTs together with other managed funds, institutional vendors account for nearly half of the total sales volume in the second half of 2009. There has been a slight rise in mortgagee sales, with four above $5 million in the past six months, the most amount recorded in any previous six month period.

Vendor Ownership Type



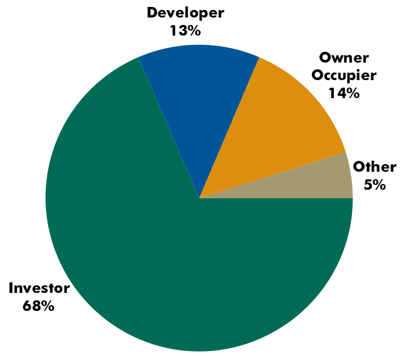
Purchaser Ownership Type



PURCHASER & VENDOR PURPOSE PROFILES

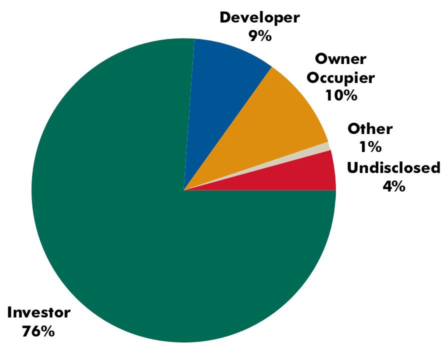
We also classify each party of the sale according to the nature or purpose of their activity. Vendors who have held for the purpose of investment account for 68% of the total transaction volumes and is close to historical levels. Sales by owner occupiers (14%) has made up a decent proportion of sales largely due to the Fisher and Paykel sale and leaseback. Developers and other purposes make up the remaining 18%.

Vendor Purpose Type



For purchasers, investors account for 76% of sales volumes. Owner occupiers make up the next largest sector, however the volume of owner occupiers selling property still outweighs those purchasing property. This has been largely due to the Fisher and Paykel sale and leaseback. Over the past five years there has been only one six month period in 2008 when there were more owner occupier purchasers than sellers. The 9% for developers is largely due to the purchase of the freehold interest in Beaumont Quarter, in which the purchaser will give leasehold owners the opportunity to purchase the freehold interest in their properties.

Purchaser Purpose Type



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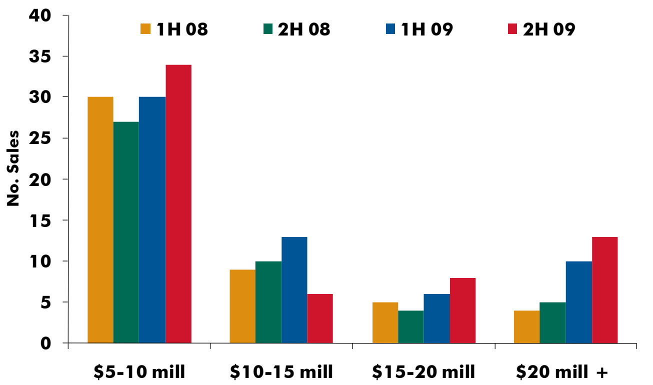
PRICE STRATUM

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 13 sales above $20 million in the second half of 2009 and 23 for the whole of 2009. Like historical trends, the lower $5-$10 million price bracket remains the most active in terms of the number of sales.

Sales By Price Stratum



CONCLUSION

Despite property values continuing to fall in 2009, transaction volumes have increased considerably from 2008. This has put a positive spin on the market as buyers are willing to purchase, however many of the transactions are due to vendors having to sell as a result of the downturn. A large proportion have been institutions wanting to dispose of property in order to improve their balance sheet strength. This trend is set to continue as more institutions have indicated that they will need to do this in 2010. Sales of larger assets are still difficult as indicated by; softening yields for prime offices and some larger shopping centres, and also the lack of concluded sales for a number of properties marketed in 2009. However if these deals do eventuate, then volumes will be well boosted this year. Mortgagee sales are likely to also feature as receivers work through the complexities of some larger properties and portfolios. Lower priced properties are still in great demand by cashed up private individuals who are taking advantage of favorable relative returns.

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 volumes, apart from analysis of price stratum, which is based on sales numbers.

FOR MORE INFORMATION PLEASE CONTACT:

CB Richard Ellis
Research & Consulting

Zoltan Moricz, Senior Director
zoltan.moricz@cbre.co.nz

Craig Wong, Research Analyst
craig.wong@cbre.co.nz

AUCKLAND
Level 14, 21 Queen Street
Auckland 1010
PO Box 2723
Auckland 1140
T 64 9 355 3333
F 64 9 355 3330

WELLINGTON
ASB Bank Tower
Level 12, 2 Hunter Street
Wellington 6011
PO Box 5053
Wellington 6145
T 64 4 499 8899
F 64 4 499 8889

CHRISTCHURCH
PwC Centre
Level 6, 119 Armagh Street
Christchurch 8011
PO Box 13643
Christchurch 8141
T 64 3 374 9889
F 64 3 374 9884

HAMILTON
Cnr Te Rapa Road & Forest Lake Road
Hamilton 3200
PO Box 1330
Hamilton 3240
T 64 7 850 3333
F 64 7 850 3330

SOUTH AUCKLAND
7A Pacific Rise
Mt Wellington
Auckland 1060
PO Box 11 2241 Penrose
Auckland 1060
T 64 9 573 3333
F 64 9 573 3330

NORTH AUCKLAND
Unit 8, 35 Apollo Drive
Mairangi Bay
Auckland 1080
PO Box 33 1080
Takapuna
T 64 9 984 3333
F 64 9 984 3330

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