



The Whillans Report

AUCKLAND MARKET UPDATE / 3RD QUARTER 2014

\$250 Million in Land Sales



With unparalleled access to local and offshore developers, investors and construction companies my team has successfully sold 2.6 million square metres of development land in the last twelve

months, proof that we are leading the industry in land sales. Not surprisingly many of these sales were to resident Chinese or Chinese companies entering the market, continuing the capital inflow and the associated liquidity New Zealand is enjoying from this emerging market.

Interestingly the focus of this Chinese driven property boom is residential land with subdivision potential or land suitable for more intensive residential development. In many cases significant premiums are being paid for consented land, creating attractive margins for packaging development opportunities without the development risk.

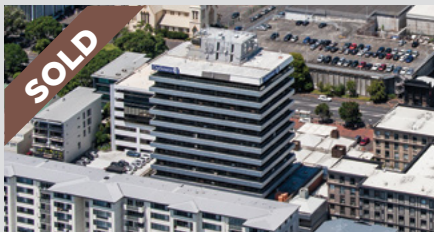
Over the last quarter our completed sales have included three student halls of residence in Central Wellington with 15 year leases to Victoria University and the Wellington Institute of Technology for \$49.4 million.

Other notable sales were Newcall House, 44 Khyber Pass for \$23 million and a four hectare block in the Albany Estate for \$25 million (\$625/psm).

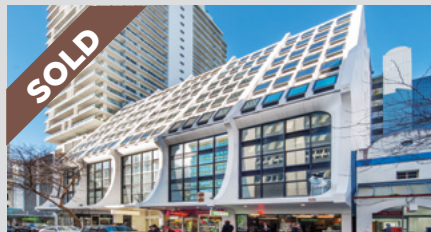
Moving into the last quarter of 2014 my team has never been busier. We are about to launch our final round of marketing campaigns wrapping up what has already proven to have been a stellar year.

Bruce Whillans

Managing Director – WHILLANS REALTY GROUP



Newcall House - \$23 million



10-14 Lorne Street - \$13.58 million



Block B Albany - \$25 million

Market 2014 Second Quarter Update

CBD Commercial

Big drops in the prime and secondary CBD vacancy rate continue to narrow the gap between face and effective rental rates, with noticeable rental lifts achieved across both sectors of the office market. Only 12,000m2 of prime CBD office space remains, equivalent to an area the size of Aotea Square. With the CBD requiring on average 26,000m2 of new prime office space each year to meet demand, the prime office market is headed for a prolonged and

sustainable period of growth. The impact of this growth is reverberating through to the secondary office market where effective rental rates have increased 11.4% in the last year and indicative yields have firmed 48 basis points. With limited supply threats we believe the CBD office market will continue to be the strongest performing asset class in Auckland over the next two years.

Auckland CBD Commercial Market Summary* (CBRE)

	PRIME	SECONDARY	PREV 6MTH TREND
Vacancy	2.1%	11.2%	Decreasing
Effective Rent	\$369.00	\$199.00	Increasing
Yield	7.40%	8.31%	Firming
Incentives*	6.1 mths	8.8 mths	Decreasing

*Based on an indicative new 9 year prime and 6 year secondary lease

Auckland Industrial

Industrial indices remained steady over the second quarter of 2014 with new supply keeping a lid on rental growth, particularly for prime industrial stock. However, rental growth is beginning to pick up in the prime sector, with rents increasing 6% over the last 6 months and 7.3% for the year ending June.

By contrast secondary rentals have enjoyed significant uplift, with rents increasing 10.6% over the last 12 months.

With secondary rentals still below their 2007 peak, room for further rent growth exists over the medium term. Following the de-coupling between prime and secondary industrial yields during the GFC, yields have begun to edge closer as the market re-enters its growth phase. We anticipate the secondary market will continue to lead the charge over coming months with investors drawn by greater opportunities for rental growth, in turn driving yields down at a faster rate than prime industrial.

Auckland Industrial Market Summary* (CBRE)

	PRIME	SECONDARY	PREV 6MTH TREND
Vacancy	2.9%	4.3%	Flat
Effective Rent	\$117.10	\$83.90	Increasing
Yield	7.22%	8.34%	Firming
Land Value	\$525	\$225	Increasing

CBD Prime Retail

Prime CBD retail indices remained flat over the second quarter of 2014, with indicative Queen Street rental rates holding firm at \$2,465/psm, a level which has not changed in over 18 months. Our view on CBD retail remains mixed. While the 'Golden Mile' of lower Queen Street continues to attract higher rental rates and lower yields,

peripheral precincts like Lorne and High Street are struggling to compete with more sought after destinations like Britomart and Ponsonby. Issues around seismic upgrading pose another threat to the CBD retail market with a significant portion of the city's retail stock in older character buildings.

Auckland CBD Prime Retail Market Summary* (CBRE)

	AVERAGE	HIGH	LOW	PREV 6MTH TREND
Rent	\$2,485	\$3,300	\$1,700	Flat
Yield	5.45%	5.00%	6.00%	Flat



Development Site or Safety Deposit Box Brendan Keenan Senior Analyst

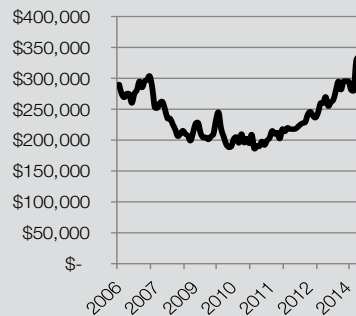


A dozen major CBD development sites have sold in the last 18 months with a total combined value of \$269 million. This level of activity marks a sharp turnaround from the

previous seven year period where we saw the GFC and collapse of mezzanine funding stifle new development and the demand for development land.

With rising inner-city apartment prices supporting new construction and a wave of offshore capital searching for a home, development sites in the CBD and city fringe are being sold to a mix of local and foreign, mainly Chinese investors/developers.

Median Auckland Apartment Value



Underpinned by the performance of the office and apartment markets, CBD land prices have risen markedly with a number of 'landmark' properties achieving \$/psm rates in excess of \$10,000/psm. Despite several high profile sites changing hands, many offshore groups view these holdings as 'safety deposit boxes' and

a means of storing wealth in low maintenance assets that also offer them potential for capital appreciation.

In addition to land sales, we are also seeing a steady increase in the number of residential conversion projects underway in the CBD.

With delivery timetables typically half that of a normal new build, conversion projects are back in vogue.

Residential conversions are also having a positive knock-on-effect in the secondary office market by removing vacant stock and applying downward pressure on incentives. With apartment values only just surpassing their previous 2006 peak and New Zealand's immigration policy firmly entrenched for the next three years, we believe the CBD land market has plenty of steam left in it.

CBD Land Sales

Address	Property	Proposal/Development	(m ²)	Sale Price	\$/psm	Date
5 Howe Street	Ex Chubb Security Site	143 unit <i>Urba Residences</i> under construction.	1,804	\$5,400,000	\$2,993	Feb-13
27 Union Street	SugarTree	Three stage development with 563 apartments.	8,073	\$31,605,078	\$3,915	Jul-13
39 Beach Road	Ex Apex Rental Cars Site	Concept plans for a 15 level tower.	2,167	\$10,700,000	\$4,938	Aug-13
85 Hobson Street	Sky City Convention Centre	Part of <i>SkyCity's</i> proposed International Convention Centre.	1,029	\$10,650,000	\$10,350	Sep-13
51-53 Albert Street	Ex Saffron Tower Site	Resource Consent for 46 level, 154 unit apartment tower.	645	\$6,500,000	\$10,078	Nov-13
53-55 Symonds Street	Carpark	No known consents.	1,138	\$6,350,000	\$5,580	Apr-14
28 Shortland Street	Auckland Star Site	Resource Consent for 26 level tower with 171 carparks.	2,010	\$26,000,000	\$12,935	Apr-14
85-89 Greys Avenue	Carpark	No known consents.	5,223	\$18,000,000	\$3,446	May-14
35 Albert Street	Ex Angus Steak House Site	Resource Consent for 29 level, 225 unit apartment tower.	1,265	\$11,500,000	\$9,091	Aug-14
302-328 Queen Street	St James Theatre	Resource Consent for 39 level tower with 332 apartments.	3,051	\$34,500,000	\$11,307	Aug-14
85 Customs Street	Ex Proposed ANZ Bank Site	Resource Consent for 35,305m ² office tower and 200 car parks.	1,667	\$32,000,000	\$19,196	Aug-14
39-47 Union Street	Ex Xanadu Site	Resource Consent for 182 apartments and 291 carparks.	3,774	\$12,100,000	\$3,206	Sep-14
75 Victoria Street West	Ex Palace Hotel	Resource Consent for 15 level tower.	522	\$7,000,000	\$13,409	Sep-14

CBD Fringe Land Sales

Address	Property	Proposal/Development	(m ²)	Sale Price	\$/psm	Date
74 St Georges Bay Road, Parnell	Mixed Use	Development site purchased by Mansons.	2,205	\$4,600,000	\$2,086	Dec-13
1 Taylors Road, Morningside	Business 4	No known consents.	4,896	\$5,550,000	\$1,134	Dec-13
9-11 Fenton Street, Mt Eden	Mixed Use	37 unit <i>Station- R Apartment</i> building under construction.	1,184	\$2,450,000	\$2,069	May-14
30-40 Enfield Street, Mt Eden	Mixed Use	Ex Orion Health Building and carpark.	3,750	\$7,600,000	\$2,027	Aug-14
99-115 St Georges Bay Road, Parnell	Mixed Use	<i>Source Mondial and Attwoods</i> redevelopment site.	2,585	\$7,750,000	\$2,998	Aug-14
97-115 The Strand, Parnell	Business 5	Consent for 7,800m ² office building.	3,502	\$7,820,000	\$2,233	Aug-14

CBD Conversion Sales

Address	Property	Proposal/Development	(m ²)	Sale Price	\$/psm	Date
15 Hopetoun Street	Ex Baycorp House	Currently being converted into 85 apartments.	6,078	\$16,500,000	\$2,715	Jul-13
103 Symonds Street	Ex Natcoll House	Plans to convert the building into 45 apartments.	3,096	\$10,500,000	\$3,391	Apr-14
8 Hereford Street	Ex Telecom House	Currently being converted into 119 apartments.	15,521	\$47,000,000	\$3,028	Aug-14
10-14 Lorne Street	Ex Crown Institute Building	Plans to refurbish and use for English language school.	5,121	\$13,580,000	\$2,652	Sep-14
44 Khyber Pass Road	Ex Newcall House	Mixed-use scheme being worked up.	9,318	\$23,000,000	\$2,468	Sep-14