



New Zealand commercial property returns continue to slide, says IPD

Melbourne, 27th February 2009: IPD has released the Property Council / IPD New Zealand Property Index for the 12 months to December 2008. According to the index, total returns for direct property investment stood at 9.4%, down from 22.4% over 2007.

The primary catalyst for the fall was a decline in capital returns, down to just 2.1% in 2008 compared with 13.7% over the previous 12 month period. Income returns weakened marginally to 7.2%, from 7.7% in 2007.

NZ DIRECT PROPERTY RETURNS

	Income returns	Capital growth	Total Returns
12 months to Dec 08	% pa	% pa	% pa
NZ composite	7.2	2.1	9.4
NZ CBD office	6.8	4.8	11.9
NZ Retail	6.9	-0.1	6.8

Goran Ujdur, Director of IPD Australia and New Zealand, said: “The financial crisis and ensuing recession have dragged the commercial property market into a difficult period marked by falling values and deteriorating property revenues. Like a

growing number of off-shore property markets conditions are likely to get worse before they get better. Risk is being aggressively re-priced.

“Capital growth in the New Zealand retail sector turned negative for the first time in six years, falling to -0.1% compared to 15.8% a year earlier.”

Within the New Zealand CBD office sector, total returns fell to 11.9% compared to 26.2% in 2007. Worst affected were lower grade properties where capital growth flat lined and total returns slid to 7.7% compared to 22.5% in 2007.

An update on the Industrial sector has not been possible in the December 2008 Quarterly Index due to the limited level of new valuation data in the sample. However, the total number of assets in the sample for the entire New Zealand index has increased by more than 20% to 345 assets over the 12 months to December 2008, producing a more accurate and robust indicator of what is happening in the New Zealand direct property market.

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Notes to editors:

IPD is a global information business, dedicated to the objective measurement of commercial real estate performance. As the world's number one provider of real estate performance analysis for funds, investors, managers and occupiers, we offer a full range of services including research, reporting, benchmarking, conferences and indices. We operate in over 20 countries including most of Europe, the US, Canada, South Africa, Australia, New Zealand, South Africa and Japan. Our indices are the basis for the developing commercial property derivatives market, and the most authoritative measures of real estate returns worldwide. For further information visit www.ipd.com

Property Council New Zealand (PCNZ) is New Zealand's property voice, a professional association that represents members who have a vested interest in commercial property. PCNZ actively involves itself with central, local and other government associated bodies, promoting the views, goals and ideas of our members. Membership is broad, including owners,

managers, builders and investors of commercial property in New Zealand. Collectively, members own and manage a \$24 billion commercial property investment in New Zealand. Members are committed to ensuring the continued growth of New Zealand's economy to help create a vibrant commercial property market.

The PCNZ/IPD index now tracks the performance of 345 property investments, with a total capital value of over NZ\$9 billion.

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