

New Zealand commercial property return rises above long-term average

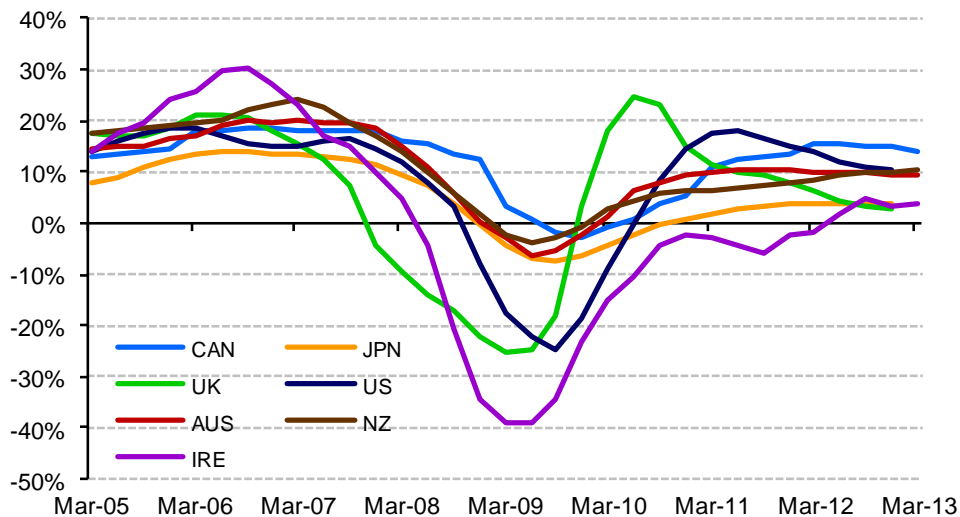
Sydney, 14 May 2013: The Property Council New Zealand/IPD New Zealand All Property Index Q1 results released this morning showed a total return of 10.6% for the year ending March 2013. This was comprised of 7.9% income return and a positive 2.5% capital growth. The March 2013 results represent a higher total return in comparison to the previous quarter's total annual return of 10.1%, and last year's March result of 8.5%.

Over the last 12 months, NZ-REITs outperformed other asset classes achieving an annualised return of 19.2%; with the closest competing asset performance being equities at 14.3%. Taking a longer-term perspective, over the last five years ending March 2013, direct property returned 5.0%, NZ –REITs 6.2%, NZ Bonds 10.3% and Equities -4.5%.

Core international property markets have generally moderated over the last 12 months (refer to Figure 1) in line with a general softening in economic growth in their respective economies. Notably, the New Zealand property investment market has displayed an ongoing improvement in return performance.

Figure 1

Return profiles for selected property markets annual return on quarterly periods, ending March 2013



Note: direct property returns based on global IPD indices.

Source: IPD Research.

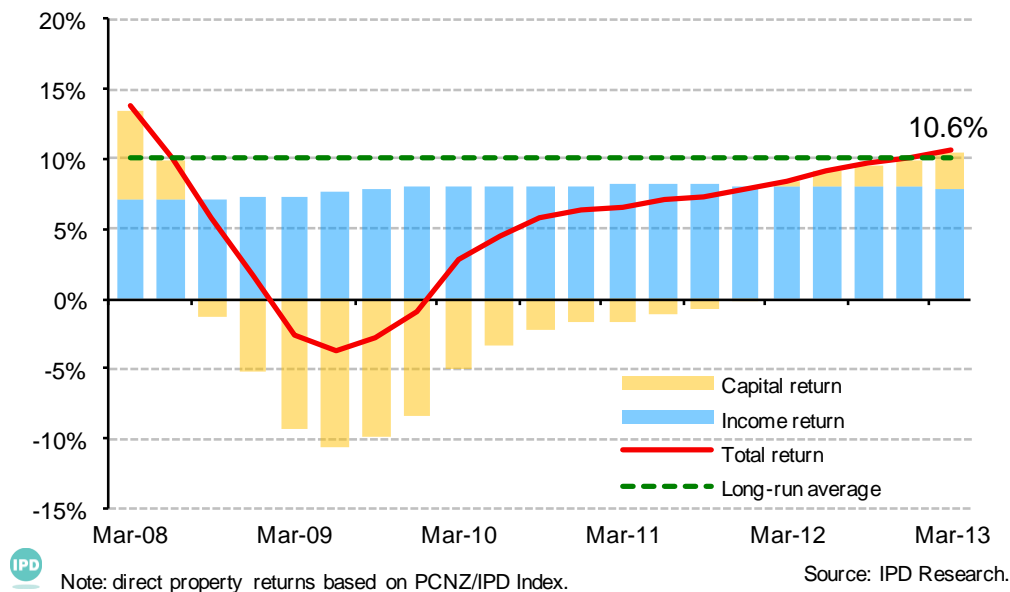
The Property Council New Zealand/IPD New Zealand All Property Index provides a broad measure of returns for commercial property investment in New Zealand. The index database is comprised of property assets from 26 participating funds with a combined asset value of NZ\$11.7 billion



representing 566 investments. Figure 2 below shows the rolling annual total return split by income and capital return, and indicates an improvement in market conditions with total returns moving above the long-run average annual return of 10.1%.

Figure 2

Total return for direct commercial property
rolling annual return on quarterly periods to March 2013



Dr Anthony De Francesco, Managing Director of IPD Australia and New Zealand said, “ the ongoing improvement in the New Zealand investment property market reflects strengthening macroeconomic fundamentals, such economic growth as well as improving capital markets. Property investment returns should continue to rise above the long-run average return throughout the remainder of 2013”.

Property Council’s chief executive Connal Townsend said the results consistently demonstrate that commercial property is a desirable investment option.

“This time last year, New Zealand’s commercial property market experienced its first positive capital growth in three years. Even during the downturn, commercial property held its income return relatively steady.

“Green Star office property stands up well to scrutiny, attracting higher returns than non-rated office property.

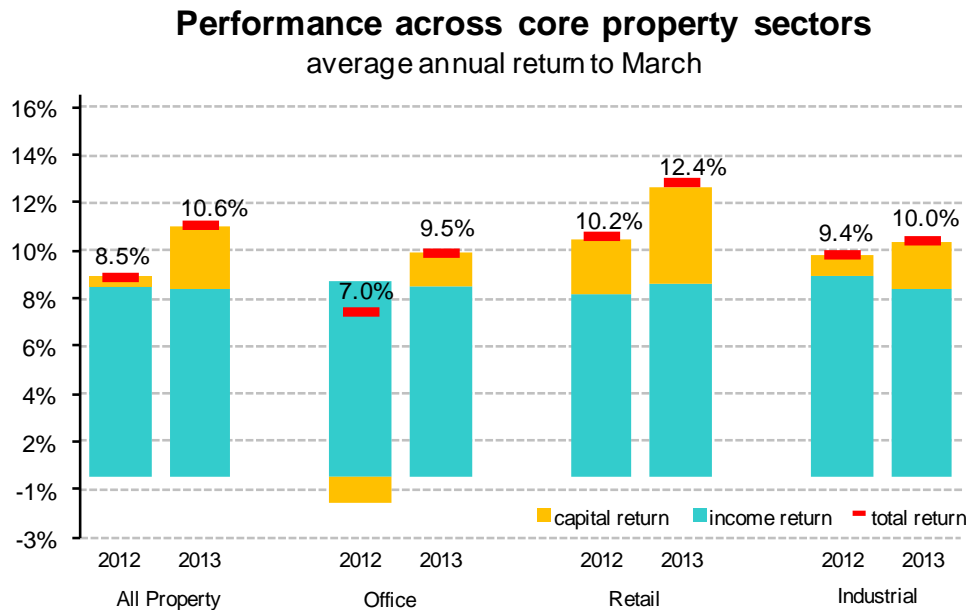
“The general public, KiwiSaver accounts and the Government’s superannuation fund would all benefit from investing more in New Zealand’s commercial property offerings.”

Property sector returns for retail shopping centres, office buildings, and industrial property were 12.4%, 9.5%, and 10.0% respectively.



Figure 3 below compares total returns across property sectors from March 2012 to March 2013. Notably, annual returns for March 2013 increased by 250bps for the office sector, 230bps for the retail sector and 60bps for the industrial sector.

Figure 3



Note: direct property returns based on PCNZ/IPD Index.

Source: IPD Research.

Higher returns for New Zealand Green Star rated office

The Property Council/IPD New Zealand Green Property Investment Index tracks the performance of standing investment office assets that have been awarded a Green Star rating from the New Zealand Green Building Council. The index database currently includes 15 Green buildings valued at NZ\$1.1billion, reflecting c25% of office assets by value in the New Zealand database.

The results for March 2013 reveal that Green Star office buildings achieved a total annual return of 11.0%, 190bps above that of Non-Green Star rated buildings (9.1%). Return outperformance for Green Star office buildings was driven by a positive capital growth component of 3.0% against 1.0% for Non-Green Star buildings.

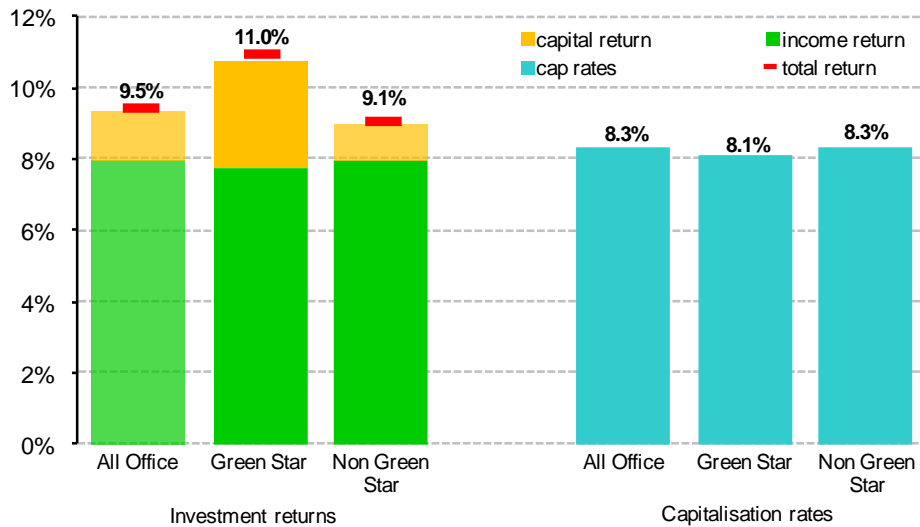
Figure 3 shows average annual total returns to March 2013 spilt by income and capital, and the corresponding average cap rates for rated, non-rated and all office buildings. On average, cap rates for Green Star rated office buildings were 20bps lower; which is consistent with the higher capital growth observed for Green Star rated assets.

Figure 4



New Zealand Green Star Office Market

average annual return to March 2013



Note: direct property returns based on PCNZ/IPD Green Index

Source: NZGBC & IPD Research.

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About IPD

IPD provides real estate benchmarking and portfolio analysis services to clients in over 30 countries around the world. These services incorporate more than 1,500 funds containing nearly 70,000 assets, with a total capital value of over USD 1.4 trillion. Each year, IPD produces more than 120 indices helping real estate market transparency and performance comparisons, as well as nearly 600 benchmarks for client portfolios. IPD is a subsidiary of [MSCI Inc.](http://www.msci.com), a leading provider of investment decision support tools to investors globally, and clients include real estate investors, managers, consultants, lenders and occupiers.

For further information on IPD, please visit www.ipd.com.

About Property Council New Zealand

The voice of commercial property in New Zealand, Property Council is a not-for-profit organisation representing the country's commercial, industrial, retail, property funds and multi-unit residential property owners, managers and investors, including thousands of New Zealanders with retirement savings in listed property trusts, unlisted funds and KiwiSaver. Our 600 member companies, with a multi-billion investment in commercial property, range from leading institutional investors, property trusts and financial organisations to private investors and developers.

For more information, please visit: www.propertynz.co.nz



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