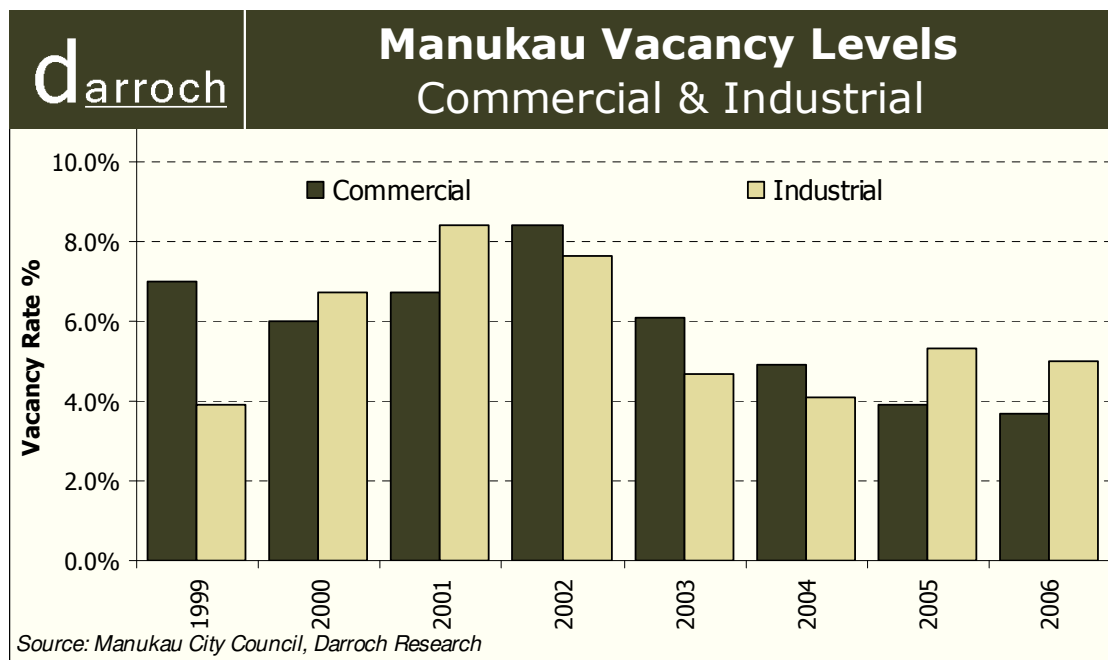


Manukau Vacancy Levels Healthy Despite Slower Economic Growth

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Vacancy levels for commercial & industrial property in Manukau are in a healthy state according to Manukau City Council's 2006 survey. The results come at a time when economic growth has slowed and is forecast to remain slow until late next year. The 2006 survey shows that both property sectors recorded a decline in their respective vacancy levels. Industrial vacancies improved from 5.3% to 5.0% over the last 12 months and commercial vacancies, which includes retail and office space, fell from 3.9% to just 3.7% over the same period. The commercial result is officially the lowest vacancy rate on record in the last decade. Just four years ago the vacancy level was 8.4% and market conditions were much tougher in terms of achieving tenant security and rental growth. The latest result would be welcome news for commercial landlords who weathered that storm and now find themselves in a better cashflow position.



Overall results for industrial property are healthy too, although individually the key precincts recorded varying results. The vacancy rate in Manukau's largest precinct, East Tamaki, has not risen above 4.5% in the last four years and is currently just 3.7%. On the other hand, Manukau Central/Wiri has experienced a steady rise over the last three years and currently sits at 6.4%.

The current slowdown in the New Zealand economy doesn't appear to have impacted on industrial property at this stage although the momentum of growth in preceding years is perhaps starting to slow. Real GDP has fallen from 4-5% in 2004 to under 2% in 2005-06 and is forecast to bottom out at 1.0% in mid 2007. In line with this, some agents and valuers report that the leasing market in the second half of 2006 has softened slightly. Tenants have become more selective on available premises with older style/low stud warehouses now more difficult to lease. Even around the Airport area, some brand new speculative developments remain empty despite their recent completion. At this point in time it is important to state that neither situation is widespread or that either has led to downward pressure on rental levels.

By historic levels, the current vacancy rate is very healthy and there would have to be a protracted period of widespread vacancy before any notable impact on rental levels would arise. The reality is that Manukau is well placed to grow further and cement its position as Auckland's largest industrial location. It already has the biggest concentration of industrial buildings in the country and has a greater supply of industrial zoned land than other Auckland TLA's. Moreover, New Zealand is manufacturing less and importing more and it is expected that with Air and Rail facilities close by, the warehousing/ distribution sector in Manukau will strengthen over the coming years.