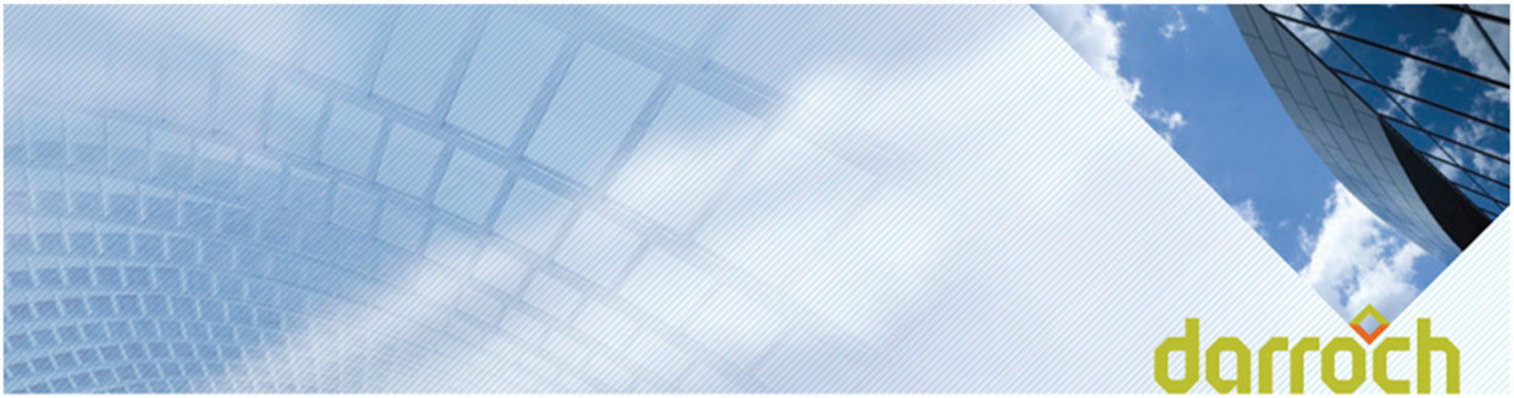


4th Quarter 2009

Renewed Investor Interest in Auckland Retail

➲ Surprise Turnaround in Market Yields

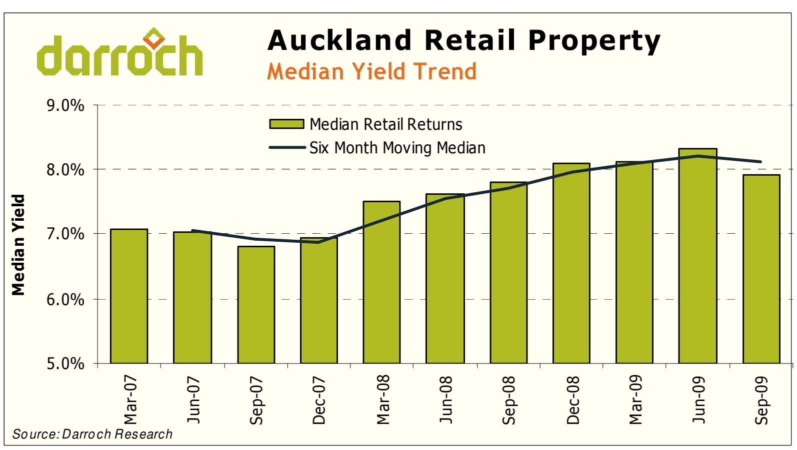
Investors in Auckland retail property shook-off any lingering uncertainties that the market might hold by delving into retail investments with renewed vigour. In our latest Commercial Investment Returns (CIR) analysis, retail yields in Q3 2009 fell below 8.0% for the first time since Q3 2008. News of the economy creeping out of recession, favourable commercial interest rates and the influence of overseas investors all played a part. The result sends a signal that risk appetite is returning to retail property.

Yields in the Auckland retail sector have changed direction for the first time since 2007

According to Darroch's CIR analysis for Q3 2009, the median yield for Auckland retail property dropped a surprising 40 base points from 8.32% (6 months ending June 2009) to 7.91% (6 months ending September 2009). The analysis is based entirely on tenanted market sales.

Our Q3 result excludes most transactions in the sell down of the Lincoln Centre, Henderson (in July) where 16 commercial units were predominantly sold to Asian investors at 5% to 6% yields. If included in our analysis, our figures would have to be revised down towards a 7.5% median yield.

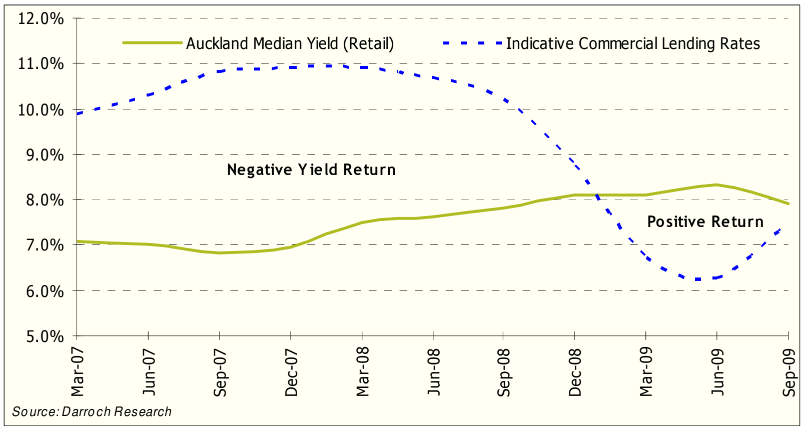
Overseas investors from Asia have been quite active in the retail investment market this year. Many who purchased in early 2009 achieved a currency gain as the NZD tracked up in Q2 and Q3 and helped offset purchases at low yields. In hindsight, this made them more competitive than typical Kiwi buyers. Running a currency risk can be a double-edged sword; unless one sells at the peak and repatriates those funds, maximum gains are not achieved. Capital erosion occurs if the NZD drops and/or borrowing (mortgage) rates begin to rise.



Retail yields have firmed for the first time since late 2007

- The median yield for the 6 months ending Sept 09 is 7.91%
- 3 months earlier the median yield was 8.32%
- In Sept 2008 the median yield was 7.80%

Favourable commercial lending rates have assisted in reviving interest in commercial property. Since January 2009, Auckland retail and industrial property has been operating in a positive yield gap environment; typical income returns exceed typical borrowing costs. But this gap is closing fast given commercial lending rates are rising sharply. For investors seeking attractive medium and long term rates, it is possible that the horse has already bolted. Commercial lending rates were at their trough in May/June (6.0% to 7.0%) but have risen sharply in the past three months. Banks/lenders are now factoring in higher risk margins with two year rates closer to 8.0% and 9.0%, and we are aware that they are very concerned about the impact of this on returns and value. We anticipate rising interest rates to generate caution amongst investors.



For Darroch's full CIR analysis, visit www.Darroch.co.nz/research. The Darroch website contains a chronological record of all Darroch reports released over the past few years.