



Welcome to the first issue of our quarterly newsletter, *The Whillans Report*. As we enter the final weeks of 2010, I would like to share with you

some of our reflections on the market over the past year and where we see the action in 2011.

Although in business only four months, we've already notched up over \$60 million in sales, confirming that our market approach is hitting the spot.

How did we achieve this?

We pride ourselves on the quality and depth of our client base. Having been at the forefront of commercial real estate for 25 years, my network is extensive and it is this tool that gives us the edge to operate so successfully in a niche market.

"This is not the time for big budget advertising campaigns or a scatter gun approach to real estate."

What's more effective in this environment are carefully considered

'off-market' targeted campaigns. Gone are the days when agents could rely on advertising to get the phone to ring. In today's market, agents need to identify the prospects for targeted presentations. Our sales success proves that the demand is there if a property is pitched correctly with quality supporting information.

The current shortage of active institutional investors means that the market for commercial properties over \$30 million is thin. However we have proven with the recent successful tenders of the Penrose Portfolio and the Albany Home Centre (both \$20m plus) that there is no shortage of buyers with the ability to transact at this level.

"In the past if you could find the deal you could find the money, but now it is the people with the money who are getting the deals."

The market is proving that quality investment property, under \$5 million, is still in strong demand, with prices achieved often close to those in pre-recession times.

We are also seeing a real resurgence in interest from the syndicators, focusing on well leased property in the \$10-25 million range. This market is underpinned by the lack of alternative investments for small investors chasing yielding opportunities, in the wake of the returns once provided by finance companies.

Vacant land is still tough. Many of the developers who traditionally picked up this stock are no longer in the game leaving the market awash with opportunity.

Security of tenure and a solid income stream are key right now, and will continue to be the preferred investment class well into 2011.

I trust this first edition of *The Whillans Report* conveys our proven performance and ability in the commercial real estate market.

We look forward to doing business with you soon.

BRUCE WHILLANS
MANAGING DIRECTOR

\$62 million in sales

The Ray White Commercial Auckland office has achieved in excess of \$62 million worth of sales for the first four months of operation in 2010.

Sales include the ground lessor interest (freehold) for the Albany Mitre 10 Home Centre, an industrial complex in Mount Wellington, and a portfolio of industrial properties in Penrose.

This sales success has resulted in our team occupying the position of number one Ray White Commercial office internationally in September.

The team was also number one sales office and number one commercial office internationally for the month of October.

These results reflect our team's focus and professionalism, and we look forward to commanding a greater market share as our business grows. Market conditions are still challenging. However, our results prove that when properties are pitched correctly, the demand is definitely there.

Right: Penrose Industrial Estate



Ray White Commercial



OYSTER

Penrose Portfolio

Comprising the ground lessors' (freehold) interest in 34 separate lots occupied by 16 different ground tenants, the Penrose Industrial Estate represented one of the largest landholdings in the Penrose and Mount Wellington area. The estate was purchased by a local private investor.

Sale Date Oct-10
Land Area 13.9 ha
Lessees 16 tenants
Process 5 Week Tender (Off Market)
Vendor Confidential
Purchaser Confidential

NZ Bakels Site

This ground lessor's interest at 3-5 Industry Road in Penrose, was sold to NZ Bakels, unlocking the freehold interest for the tenant NZ Bakels.

Sale Date Oct-10
Land Area 8,094 sqm
Lessees NZ Bakels
Process 5 Week Tender (Off Market)
Vendor Confidential
Purchaser NZ Bakels

Albany Home Centre

The Albany Home Centre comprised the ground lessor (freehold) interest of a 4.77 hectare bulk retail block in Albany with ground lessee income from a leading NZX listed property trust and significant lessee improvements including a new Mitre 10 Mega Centre.

Sale Date Sep-10
Land Area 4.77 ha
Lessees ING Property Trust
Process 5 week Tender (Off Market)
Vendor Albany Development Corporation Ltd
Purchaser ING Property Trust

Oyster Group

In September 2010, Ray White Commercial orchestrated the sale of the Oyster Management business to Prime Retail, creating one of the largest private property management businesses in New Zealand with over \$500m worth of property under management.

Sale Date Sep-10
Vendor Oyster Property Management
Purchaser Prime Retail

Market Third Quarter Update

CBD Commercial (Q3)

The CBD office market is nearing the bottom of its current easing cycle with flat-lining capital appreciation and only slight deterioration across prime and secondary rentals and vacancy rates. Incentives offered in the office market continue to drive a wedge between face and effective rentals undermining true rental levels, with negligible easing in yields recorded over the first three quarters of 2010.

Industrial (Q3)

Industrial leads the property market, with research suggesting land values, rents and yields have stabilised, with slight gains recorded over the first three quarters of 2010 for prime industrial rentals.

A continued shortage of industrial zoned land across Auckland and the tendency for industrial property to be driven by occupier demand rather than speculative development has underpinned the performance and value of this asset class. This has been reflected in a plateauing of prime yields, land values and

CBD Prime Retail (Q3)

Research suggests prime CBD and CBD fringe rents are recovering from their low experienced in June last year, with rentals only slightly off their 2007 peak. We have seen the market continue to place a premium on high quality low risk investments. This is borne out by the latest sales figures for strata units sold down in the Rialto Centre, which achieved initial yields as sharp as 5.2%.

Uncertainties remain, with the development of the ASB Bank and proposed new ANZ headquarters prolonging the current malaise, potentially increasing the total prime CBD office stock by 10%. As one of the last sectors to follow the general economic recovery, we feel the CBD office market will bottom out in the first half of 2011.

vacancy rates and limited deterioration across the secondary market.

A recent high profile industrial land sale in Penrose achieved dollar per square metre rates in excess of \$370. This further underscored the improving confidence in the Auckland industrial market for well located stock. We anticipate the industrial market will maintain a sustained recovery over 2011 as a shortage of good quality investment stock unhindered by oversupply issues continues to place pressure on this asset class.

Unlike the office market, CBD retail has seen less value erosion with yields showing relatively less expansion over the current crisis and rents holding stable. We anticipate this market will begin to achieve strong results as Auckland emerges from the recession and benefits from the predicted higher retail sales generated through the 2011 Rugby World Cup and from the continued growth in Auckland's cruise ship industry.

CBD Commercial Market Summary*			
	Prime	Secondary	Previous 6 mth trend
Vacancy	10.6%	13.9%	(Easing)
Face Rent \$ sqm	\$359.00	\$212.00	(Easing)
Yield	8.85%	10.04%	(Flat)
Incentives 9/6 Yr Lease	16.40 mths (9 yr)	15.90 mths (6 yr)	(Increasing)

CBD Industrial Market Summary*			
	Prime	Secondary	Previous 6 mth trend
Vacancy	2.8%	6.5%	(Increasing)
Face Rent \$ sqm	\$105.60	\$67.40	(Flat)
Yield	8.43%	10.13%	(Flat)
Land Value \$sqm	\$450	\$200	(Flat)

CBD Prime Retail Market Summary*				
	Med	High	Low	Previous 6 mth trend
Rent	\$2,230	\$3,050	\$1,650	(Increasing)
Yield	6.88%	5.50%	7.88%	(Flat)

*SOURCE: Statistical data in this publication has been sourced and summarised from CB Richard Ellis research and is intended for general guidance only. No responsibility is accepted by CB Richard Ellis or Whillans Realty Group Ltd. for any omissions or errors contained within this report.