



INFORMATION MEMORANDUM

PERNOD RICARD HOUSE 4 Viaduct Harbour Avenue, Auckland, New Zealand

Every precaution has been taken to establish the accuracy of the material herein.
Prospective purchasers should not confine themselves to the contents but make their own enquires to satisfy themselves on all aspects.



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EXECUTIVE SUMMARY

THE OPPORTUNITY:

Bayleys Real Estate is pleased to offer for sale by invitation Pernod Ricard House. The offer incorporates a fully tenanted, A-grade, modern office building located in the heart of Auckland CBD's premier waterfront precinct.

PROPERTY ADDRESS:

Maritime Square
4 Viaduct Harbour Avenue
Auckland
New Zealand

LEGAL DESCRIPTION:

The property is held in a leasehold title subject to a perpetual lease commencing 1 July 2000.

Certificate of Title	Lot	Deposited Plan	Land Area (m ²)
131C/27	Pt Lot 5	DP 202680	2,500

SITE AREA:

2,500 m² (more or less)

LAND TENURE:

Leasehold

GROUND LEASE:

The property is to be sold subject to a ground lease commencing on 1 July 2000 to Viaduct Harbour Holdings Limited. The lease has an initial term of 20 years with perpetual rights of renewal for further periods of 20 years, with a current rent payable of \$400,000 per annum plus GST.

NET LETTABLE AREA:

Use	Area (m ²)
Office	6,859.9
Deck	61.0
Basement storage	448.3
TOTAL	7,369.2

PROPERTY DESCRIPTION:

Pernod Ricard House is a fully tenanted, modern, seven-level commercial office building constructed in 2000. Six floors are office accommodation with the basement level providing storage and car parking for 68 vehicles. The building forms part of the Maritime Square office development.

ZONING:

The property is located within the Viaduct Basin Precinct of the Auckland City Operative District Plan 2004 within the Central Area Section.



TENANCY DETAILS:

The tenants in Pernod Ricard House are Pernod Ricard New Zealand, Bayleys Real Estate, The New Zealand Institute and Cottisloe Holdings Limited, operating as Cook Executive Recruitment. The property is fully tenanted with a remaining weighted average lease term of 7.17 years as of 31 January 2009 (by income).

TOTAL NET RENTAL:

\$2,708,405.60 per annum plus GST

SALE PROCESS:

Sale by Invitation closing 4pm Thursday 30th April 2009

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THE OPPORTUNITY

Bayleys Real Estate is please to offer for sale by invitation Pernod Ricard House. The property is located in the heart of Auckland CBD's premier waterfront precinct, the Viaduct Precinct. The Viaduct Harbour area has developed over recent years with a mix of offices, apartments and retail outlets, to become a vibrant, people friendly area incorporating restaurants, bars and the area's rich maritime history, making it an exciting and interesting place to work.

This offer is a compelling opportunity to acquire the leasehold interest in an A grade investment property, which is fully tenanted with long-term leases to four well established prime tenants. The remaining average weighted lease term is 7.17 years (by income, as of 31 January 2009), which will provide the investor with an initial net rental income of \$2,708,405.60 per annum plus GST.

The precinct within which the property sits has developed to incorporate a high level of premium office accommodation, which has in turn, served to attract a number of international tenants including KPMG, Vodafone, Microsoft, HP and Air New Zealand.





As a result of this high international interest, vacancy in the Viaduct Precinct is supremely low at 4.1%. Further development potential within the precinct is limited and development sites have filled quickly, which will help to protect vacancy rates in the Viaduct Precinct.

The location of the Pernod Ricard House is further enhanced by its proximity to the motorway network, from the North along Fanshawe Street and from the South and West from Nelson and Hobson Streets.

The building was completed in 2000, as part of the Maritime Square development and provides tenants with landscaped grounds adjacent to Lighter Quay and the Viaduct Harbour. The architects were Walker Co-partnership and the construction was undertaken by Mainzeal.

This combination of premium location, ease of accessibility, quality of premises as well as there being long term leases to quality tenants in place, provides interested purchasers with a rare and unequalled investment opportunity.

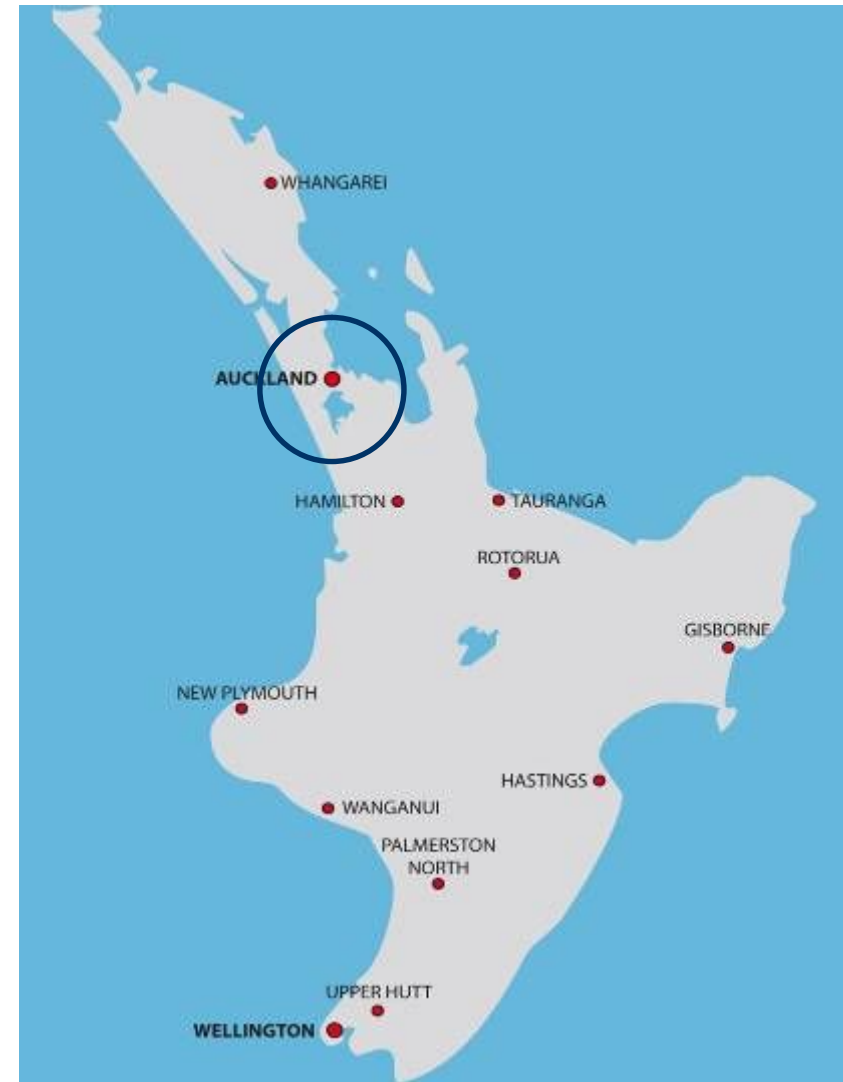


LOCATION

Pernod Ricard House is located in Auckland City's Viaduct Harbour, a waterfront Central Business District precinct developed over the last 20 years with a mix of commercial offices, retail and restaurants, residential apartments and hotels. Auckland is New Zealand's largest city with a regional population of approximately 1.4 million. It is also the country's economic and commercial hub.

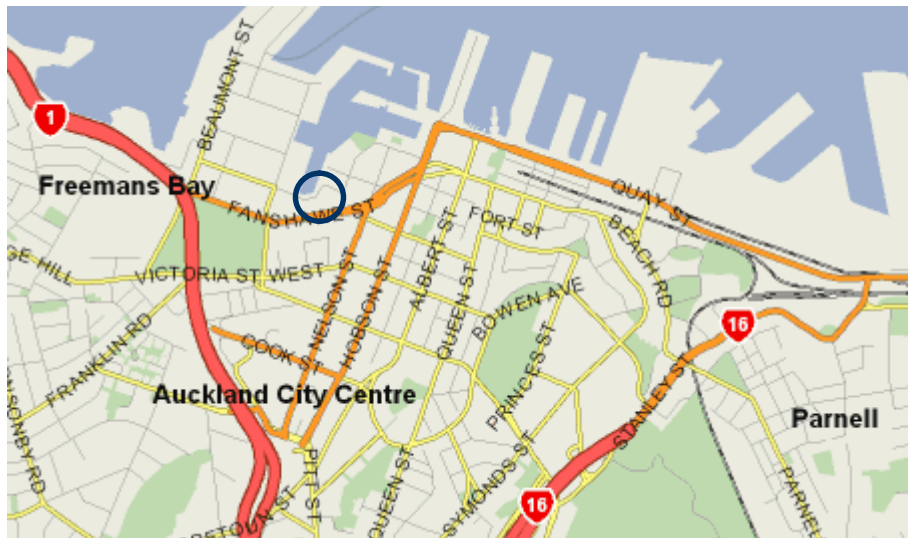
The city houses the New Zealand headquarters of many national and international companies within the CBD, which has expanded significantly in recent years. The increase in floor space has however been absorbed with the overall vacancy rate for CBD office space sitting at under 9% with the figure for prime space recorded at below 1%, according to a survey carried out by *Bayleys Research* in January 2009.

Auckland's Viaduct Harbour is now considered one of the prime locations within the CBD and the growing trend of tenant movement to the waterfront will continue to enhance its popularity. With a vacancy rate of 4.1% and an A to B-grade ratio of 80:20, it is unlikely that the precinct will suffer from major vacancy increases as tenants continue to display their preference for quality premises.





Recent growth has seen numerous office developments arise in the area over the last five years with Maritime Square and the KPMG, Microsoft, Air New Zealand and Vodafone Buildings. Another development currently underway on one of the last remaining development sites in the precinct is NZI House at 1 Fanshawe Street.



Pernod Ricard House is easily accessible via a number of access ways. Access to the Northern Motorway is made simple via Fanshawe Street and to and from the Southern and Western Motorways via nearby Nelson and Hobson Streets.

Alternative transport options are supplied by rail, bus and ferry links, with the city's main transport hub being within easy walking distance to the east.

Maritime Square is located within an area for which local council has set specific objectives in order to ensure the Viaduct Harbour Precinct is maintained as a vibrant, people friendly environment.

THE VIADUCT PRECINCT

AIG (NZI HOUSE)

PERNOD RICARD HOUSE

KPMG

VODAFONE

MICROSOFT & HP

WESTIN LIGHTER QUAY

AIR NZ

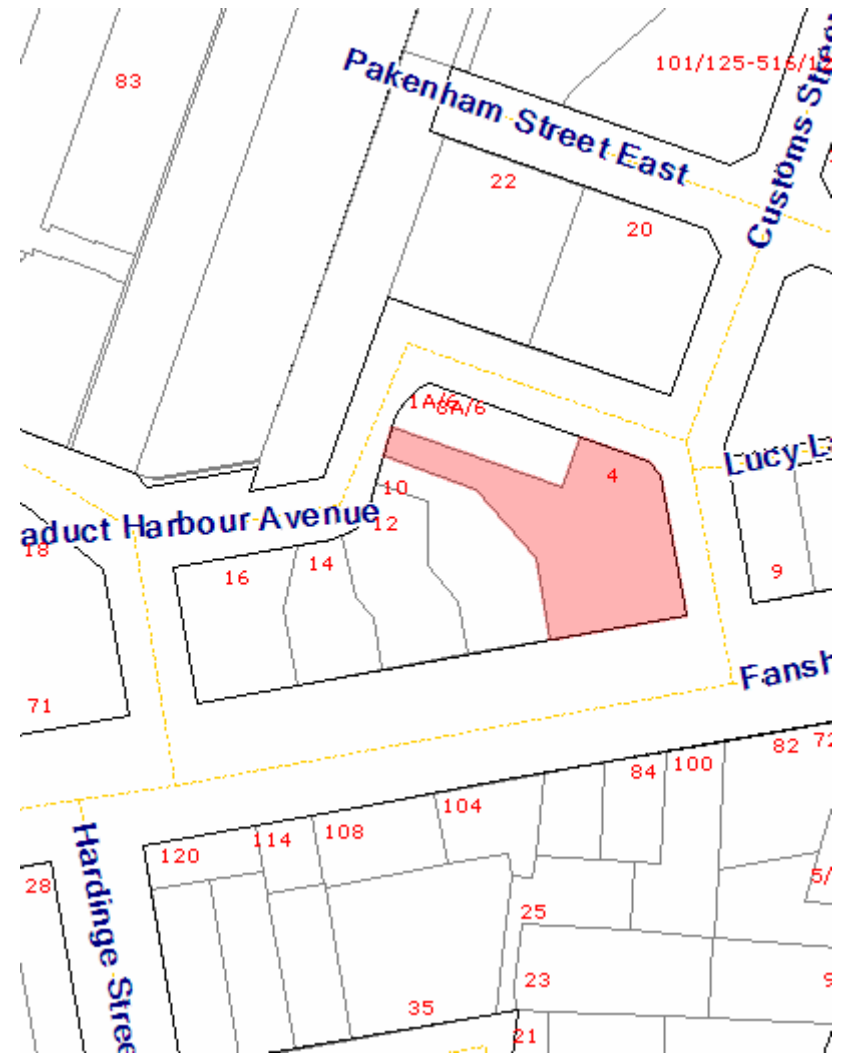


SITE DESCRIPTION

The property occupies an exceptionally located, high profile site of 2,500m².

The site has prominent road frontages to Viaduct Harbour Avenue, Customs Street West and Fanshawe Street, one of Auckland's major arterial routes.

The site is reclaimed land, irregular in shape and generally level in contour.



GROUND LEASE DETAILS

The property is to be sold subject to a perpetually renewable ground lease commencing on 1 July 2000 to Viaduct Harbour Holdings Limited. The lease details are summarised below. Full ground lease documentation will be available during the due diligence process.

HEADLEASE SUMMARY	
Lease	D562615.1L
Lessor	Viaduct Harbour Holdings Limited
Lessee	Goodman Nominee (NZ) Limited
Term	20 years
Commencement	1 July 2000
Renewals	Perpetually renewable terms of 20 years each
Rental	\$400,000 per annum plus GST
Payment Frequency	Quarterly
Review Frequency	Five yearly from the commencement date of the lease

Deed of Covenant

A Deed of Covenant was entered into between the lessee of Lot 5 (4 Viaduct Harbour Avenue) and Lot 6 (6 Viaduct Harbour Avenue) whereby Lot 5 agrees to pay for a share of the ground lease from Lot 6 in recognition of a height restriction on the site (RL 16.5). The ground rent paid as a result of the covenant is recovered in the operating expenses.

A copy of the Deed of Covenant will be made available during the Due Diligence process.

PROPERTY DESCRIPTION



Pernod Ricard House is a modern, seven-level commercial office building constructed in 2000. Six floors are office accommodation with the basement level providing storage and car parking for 68 vehicles. The building forms part of the Maritime Square office development.

The main entry foyer is situated to the east of the building, from Customs Street West, and gives access to the main lift bank providing access to all levels within the building.

The office levels typically have a stud height of 2.7 metres, with the ground floor having a stud height of 3.3 metres. There are suspended ceilings throughout incorporating a mixture of fluorescent lighting, spot lighting and ducted air conditioning.

Services are centrally located on all floors, affording an efficient floor plate and providing maximisation of views and natural light.

Levels two and five benefit from access to decks on the north western building elevation, providing additional tenant amenity and views toward Lighter Basin.

The buildings structure is sound, including concrete foundations, precast concrete flooring and concrete column and beam framing.

OCCUPANCY DETAILS

Pernod Ricard House is to be sold with the benefit of long-term leases as per the following lease summaries. The net rental income is \$2,708,405.60 per annum plus GST. The weighted average lease term remaining is 7.17 years, as of 31 January 2009 (by income).



Tenant	Pernod Ricard New Zealand Ltd										
Premises	L4, L5 and part of L3										
Area (m ²)	3018.3										
Lease Term	Nine years										
Commencement Date	1 November 2006										
Rights of Renewal	One further term of nine years										
Annual Rental	<table> <tr> <td>Premises</td><td>\$931,054.24</td></tr> <tr> <td>Fitout Rent</td><td>\$60,421.00</td></tr> <tr> <td>Signage</td><td>\$21,015.00</td></tr> <tr> <td>Car parks (31)</td><td>\$148,069.11</td></tr> <tr> <td>TOTAL (per annum plus GST)</td><td>\$1,160,559.35</td></tr> </table>	Premises	\$931,054.24	Fitout Rent	\$60,421.00	Signage	\$21,015.00	Car parks (31)	\$148,069.11	TOTAL (per annum plus GST)	\$1,160,559.35
Premises	\$931,054.24										
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Signage	\$21,015.00										
Car parks (31)	\$148,069.11										
TOTAL (per annum plus GST)	\$1,160,559.35										
Rent Reviews	Premises: to CPI, annually on 1 November Carparks, signage and naming rights: to greater of market on 1 November 2010, 2012, 2014 and 2015										
Proportion of OPEX	41.0%										

Tenant	Bayleys Real Estate Ltd								
Premises	Ground, L1 and L2 together with 31 carparks and basement storage								
Area (m ²)	3,795.5								
Lease Term	Nine years								
Commencement Date	1 March 2008								
Rights of Renewal	One further term of six years								
Annual Rental	<table> <tr> <td>Premises</td><td>\$1,172,200.00</td></tr> <tr> <td>Signage</td><td>\$12,000.00</td></tr> <tr> <td>Car parks (31)</td><td>\$138,580.00</td></tr> <tr> <td>TOTAL (per annum plus GST)</td><td>\$1,322,780.00</td></tr> </table>	Premises	\$1,172,200.00	Signage	\$12,000.00	Car parks (31)	\$138,580.00	TOTAL (per annum plus GST)	\$1,322,780.00
Premises	\$1,172,200.00								
Signage	\$12,000.00								
Car parks (31)	\$138,580.00								
TOTAL (per annum plus GST)	\$1,322,780.00								
Rent Reviews	3% increases in 2010, 2011, 2012, 2013. Market reviews in 2014, 2017, 2020								
Proportion of OPEX	51.5%								




Tenant	The New Zealand Institute	
Premises	Part L3	
Area (m ²)	249.8	
Lease Term	Six years	
Commencement Date	12 June 2007	
Rights of Renewal	One further term of six years	
Annual Rental	Premises	\$89,928.00
	Car parks (3)	\$14,820.00
	TOTAL (per annum plus GST)	\$104,748.00
Rent Reviews	To CPI plus 1% on each second anniversary	
Proportion of OPEX	3.4%	

Tenant	Cook Executive Recruitment (Cottisloe Holdings Limited)	
Premises	Part L3	
Area (m ²)	305.6	
Lease Term	Six years	
Commencement Date	1 July 2007	
Rights of Renewal	One further term of six years	
Annual Rental	Premises	\$104,902.00
	Car parks (3)	\$15,416.00
	TOTAL (per annum plus GST)	\$120,318.00
Rent Reviews	To CPI on each anniversary of commencement. Market reviews on renewal	
Proportion of OPEX	4.1%	

OPERATING EXPENSES

The budgeted operating expenses for Pernod Ricard House for the 2009 financial year are \$1,182,844 and are fully recoverable from the tenants. A full schedule of the budgeted operating expenses will be available during the due diligence process.





TENANT PROFILES

PERNOD RICARD NEW ZEALAND LIMITED

New Zealand's leading winemaker, Pernod Ricard NZ represents the culmination of many pioneering New Zealand wineries and brands joined together, including Montana, Stoneleigh, Church Road and Corbans Wines. Pernod Ricard are the number one selling New Zealand wine company in both the domestic and export markets.

With a diverse grape resource spread throughout Gisborne, Hawke's Bay, North Canterbury and Marlborough, the company produces a matchless range of quality wines.

In addition to well known brands such as Montana and Lindauer, the company's extensive portfolio includes popular brands such as Triplebank, Saints, Stoneleigh, Church Road and Deutz.

Pernod Ricard NZ has a staff of 830, which increases to over 1,500 during vintage, spread throughout New Zealand.

For more information, visit www.pernod-ricard-nz.com

BAYLEYS REAL ESTATE LIMITED

Bayleys began in 1973 as a three-person real estate company founded by the late Graham and Pam Bayley and their son, and current executive chairman, John Bayley.

From those small beginnings, Bayleys has grown into one of New Zealand's largest property services companies with a staff of over 1200 and 60 offices throughout New Zealand and in Fiji. In its last financial year, Bayleys negotiated 6,891 unconditional property transactions across all market sectors, with a total gross value in excess of NZ \$6 billion.

Bayleys is New Zealand's largest full-service real estate agency, specialising in marketing residential property, commercial and industrial property, and rural real estate, including farms and lifestyle blocks. Bayleys Real Estate Limited is the company's Auckland-wide franchise with the Central Auckland office specialising in property sales in the eastern and central suburbs of Auckland, including some of New Zealand's most sought after neighbourhoods.

For more information, visit www.bayleys.co.nz



THE NEW ZEALAND INSTITUTE

The New Zealand Institute is a privately funded think-tank that is committed to generating new and creative debate, ideas, and solutions that contribute to building a better and more prosperous New Zealand for all New Zealanders.

The Institute produces creative, provocative and independent thinking, focusing on key issues that have a major impact on New Zealand's economic and social future, and engages with New Zealanders in order to develop solutions to address these issues.

For more information, visit www.nzinstitute.org



COOK EXECUTIVE RECRUITMENT

Cook Executive Recruitment is one of New Zealand's leading senior level executive recruitment and search companies. Since the company's establishment in 1983, Cook have worked with clients to maximise their investment in people with strategies and processes that increase productivity and effectiveness.

The operating philosophy of Cook Executive Recruitment is to remain small and select, operating at middle and senior levels in the executive recruitment field, either through advertised assignments or by the executive search methodology, and through the provision of professional contractors.

For more information, visit www.cookexecutive.co.nz



ZONING

The property is located within the Viaduct Basin Precinct of the Auckland City Operative District Plan 2004 within the Central Area Section.

The Auckland City Council's establishment of the Viaduct Basin Precinct was bound by two objectives;

- i. To reflect the vision that the central area should be a people place, exciting, appealing and distinctive, offering a wide variety of attractions reflecting its unique mix of people

- ii. To encourage the development and use of the Viaduct Harbour in a manner which will, among others, establish a clear identity for the area as a special place of character in Central Auckland, continue to meet the needs of marine related activities and make the harbour edge a better and more attractive place.

Permitted activities in the area include offices, retail, education and food and beverage. The maximum height of a development in the Viaduct Basin Precinct is 16.5 metres with a floor area ratio of 3.5:1.



PROPERTY STRENGTHS

- Premium A Grade commercial investment property
- Prominent road frontage in Auckland CBD's premier waterfront precinct
- Viaduct Precinct attracts leading international and national companies
- Fully tenanted with four long-term leases
- Net rental income of \$2,708,406 per annum plus GST with predetermined income growth linked to CPI
- Well established international affiliated and national tenants
- Well linked to city's motorway system
- Proximity to Auckland's CBD core and major transport hub
- Secure car parking for 68 vehicles
- Over 7,300 m² of lettable area
- High quality building within a well established office development
- Position offers views and proximity to Viaduct and Lighter Quays
- High exposure and accessibility to site
- City is supported by advanced infrastructure and distribution systems



MARKET RESEARCH

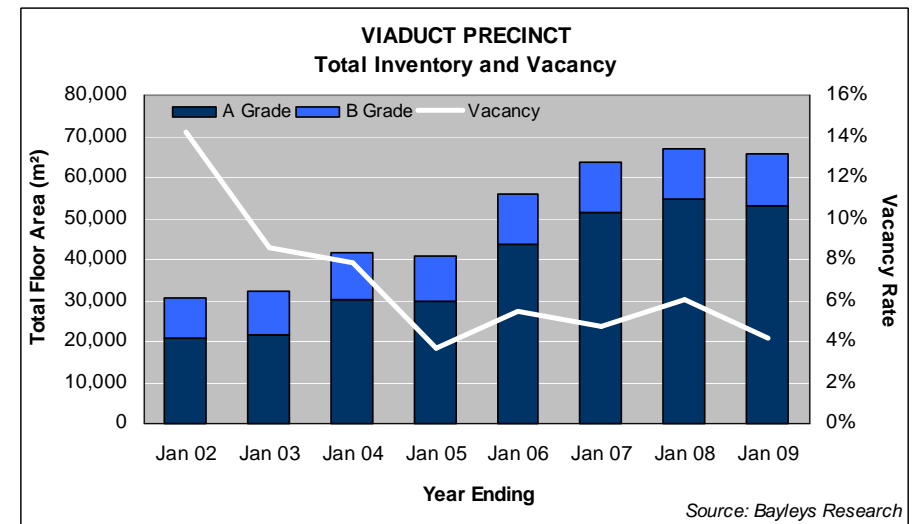
VIADUCT A THRIVING COMMERCIAL PRECINCT

The Viaduct Precinct has a long and varied history, having been used for a range of commercial and industrial activities, including timber milling, boat building and port cargo handling. More recently it was home to Auckland City's fish and produce markets. These particular activities have since moved on and the area has become more people friendly with a focus on commercial and recreational activities.

A major driving factor for the change in direction for the Viaduct Precinct was the America's Cup Regatta, held in Auckland in 2000. The sporting event prompted the redevelopment of much of the waterfront area to incorporate bars, restaurants and apartments, securing the area's reputation as a high-end, multi faceted precinct.

This redevelopment in turn attracted an increasing number of commercial developers looking to capitalise on the growing area. Since the initial commercial development commenced in 1996, a significant amount of commercial floor space has been added to the Viaduct Precinct's inventory, which now totals almost 68,000 m². This is an increase of almost 36,000 m² over the last five years. The ratio of A-grade to B-grade space in the precinct has increased as well over the six years to July 2008. In 2003 the

ratio was 70:30. The latest *Bayleys Research* commercial office survey shows that the A- to B-grade space ratio in the Viaduct Precinct is 80:20.



The increasing volume of high grade space has assisted in attracting many leading national and international corporate organisations including Vodafone, Microsoft, KPMG, Hewlett Packard and Air New Zealand. Furthermore, the completion of the NZI Centre at 1 Fanshawe Street in late 2009 will add 9,000 m² and yet another prime tenant to the Viaduct Precinct.



There continues to be a high demand for high grade space in the Viaduct Precinct, which has assisted in maintaining the overall vacancy rate below 6% since January 2005. The latest precinct survey saw the vacancy rate decline even further to 4.1%, as newly refurbished space was filled by well known national tenants.

Further development potential in the Viaduct Precinct is severely limited, as most suitable sites have been developed. Auckland Regional Holdings' development plans for the Tank Farm, west of the Viaduct Precinct, have been deferred for several years as a result of funding issues. This is likely to protect the Viaduct Precinct as Auckland CBD's premier waterfront precinct and help to maintain its low office vacancy.



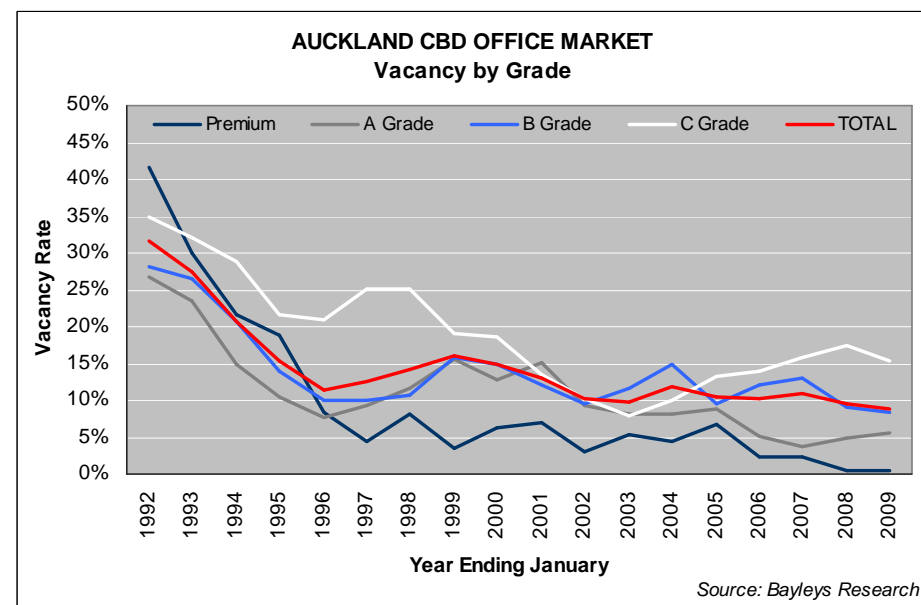


AUCKLAND CBD VACANCY STILL HISTORICALLY LOW

Overall vacancy in Auckland's central business district declined over 2008, according to *Bayleys Research's* latest commercial office survey, which is a surprising result given the current state of the property market. Vacancy in the CBD is currently 8.8%, down from 9.6% in January 2008. This overall decrease would be a result of pent up demand for space early in 2008, which saw the uptake of new space that came online as well as newly refurbished space.

Precincts within the CBD which showed the largest decreases in vacancy were Britomart, which dropped by 4.8 percentage points to 11.4% and Quay Park where the vacancy rate is now less than 3%. Leasing activity in Britomart included Westpac moving into stage one of their newly appointed premises as part of Cooper and Co's overall Britomart development. In Quay Park, the smallest of the CBD precincts, BNZ and GE moved into pre-committed space, completed by TCL Manson, adding 26,000m² of fully

tenanted A-grade space to the survey. The Viaduct Harbour area continues to be popular with tenants, reflected in its vacancy rate of just over 4%.



RETURNS RETURNING TO LONG-TERM TRENDS

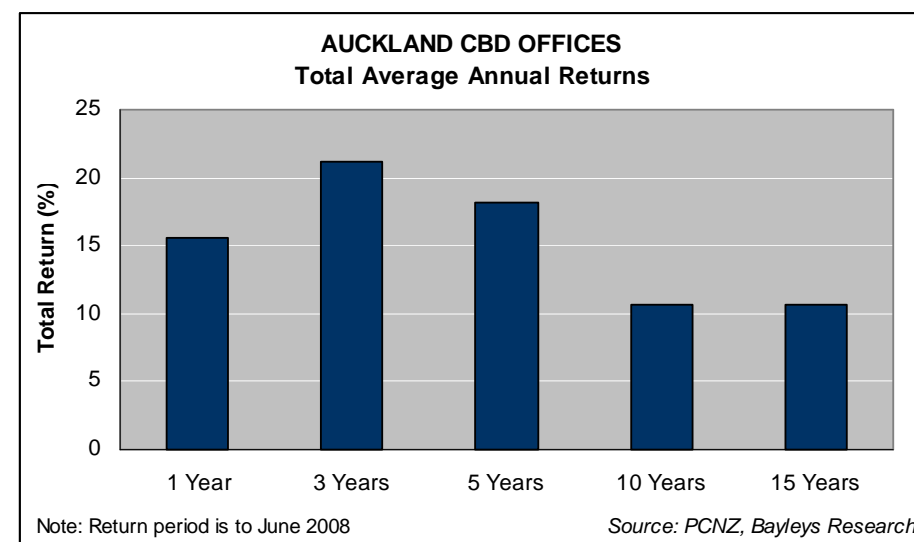
Annual total returns on Auckland CBD offices have topped the list as the highest performing property sector in New Zealand in terms of total returns, according to the Property Council of New Zealand's (PCNZ) Investment Performance Index. The PCNZ calculates the total returns derived from all classes of commercial and industrial premises by combining the income and capital returns calculated from valuations of a portfolio of over 315 institutionally owned properties with a combined value of in excess of \$7.56 billion dollars.

NEW ZEALAND PROPERTY RETURNS Year Ending September 2008			
	Income Return	Capital Return	Total Return
Auckland CBD Office	6.72%	6.17%	12.89%
New Zealand CBD Office	6.81%	5.93%	12.74%
New Zealand Other Retail	7.42%	5.29%	12.71%
Wellington CBD Office	6.89%	5.79%	12.68%
Auckland Non CBD Office	8.10%	2.73%	10.82%
New Zealand Retail	6.88%	1.89%	8.77%
New Zealand Industrial	8.14%	0.23%	8.36%
Auckland Industrial	8.12%	-0.09%	8.03%
New Zealand Shopping Centres	6.69%	1.30%	7.99%

Source: PCNZ, Bayleys Research

The total return generated for Auckland CBD offices for the year ending September 2008 was 12.89%, comprising an income return of 6.72% and

capital gains of 6.17%. While these returns are lower than those experienced in the office market in recent years, we can see from the graph below that, as a result of recent market correction, property returns are returning to their long-term average of around 11% per annum.



Between 2003 and 2008 a rapidly expanding economy and strong property market fundamentals ensured buyers were lining up to invest in the commercial market, pushing yields lower and lower, resulting in capital gains of well over 15%, pricing plenty of purchasers out of the market.



Economic retraction in 2008 however, triggered a market correction and reprieve has come to investors in the form of softening yields and rapidly declining interest rates. This has reintroduced a positive yield gap and increased the viability of potential investments. Recently investors have been borrowing credit at rates higher than the income returned from the property, relying on investment returns in the form of rental and capital increases.

While vacancies are expected to increase across the general office market, the Viaduct Precinct, due to office quality, tenant quality and the prime, sought-after location, will be largely insulated from this, which will be most prevalent in secondary buildings and locations.



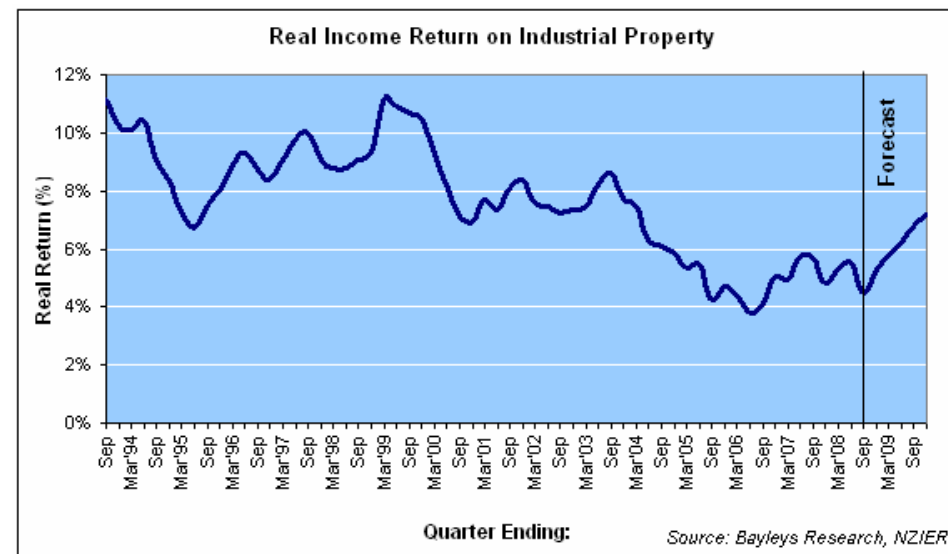


INVESTING IN NEW ZEALAND – KEY POINTS

WHY THE INTERNATIONAL BUYER IS FOCUSING ON NEW ZEALAND

High Real Returns

New Zealand property yields (rental income returns on the purchase price) are among the more attractive and obtainable anywhere in the world. The real return is the median yield less the rate of inflation (the headline CPI) for the quarter and shows the true position after the erosive effects of inflation. The current inflation rate is at 3.4%, which while slightly above the RBNZ's target band of 1% – 3% is significantly lower than it has been over the last 12 months. The downward pressure on inflation has been brought about by decreases in food prices as a result of the fall in dairy product prices and other primary products, along with decreasing fuel costs and home loan mortgage rates. With the current level of inflation, the real return based on the industrial median yield for the September 2008 quarter is approximately 5.0%, and with an indicative commercial yield, around 37.5%. Both are showing good pre-tax returns for property investment and it is forecast to improve as inflation continues to fall and yields soften further over the course of the year.



Straight Forward Land Title System

New Zealand has an easily understood land title system based on the Torrens system of Land Registration. The Land Transfer Act 1952 provides for a public register of land and transactions may be conducted in reliance on the register.



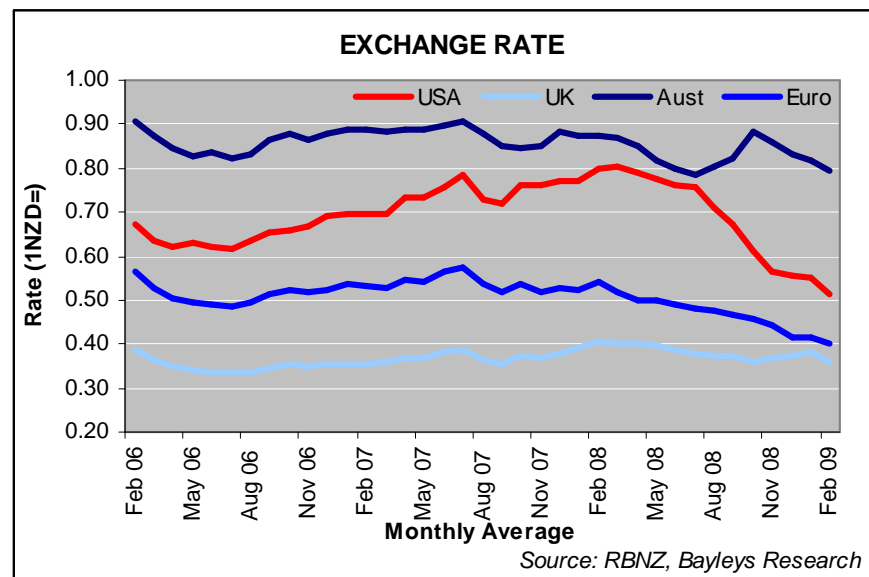
Diversification Opportunity

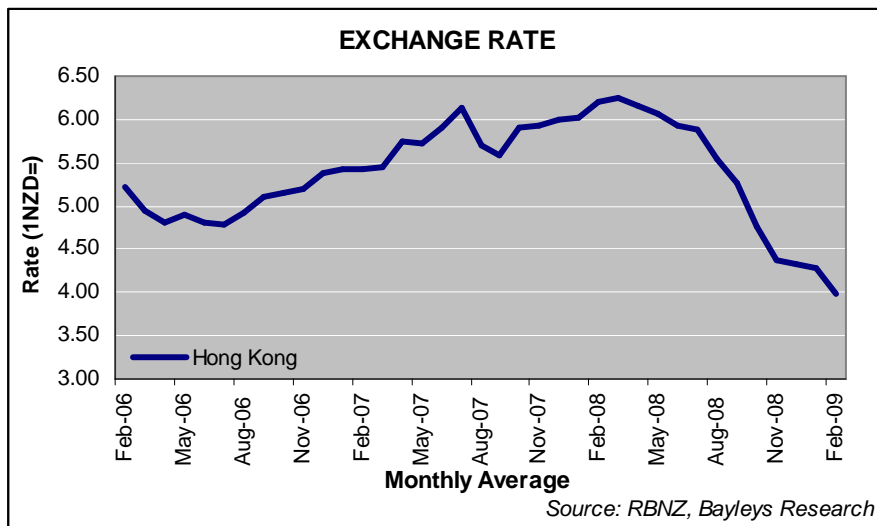
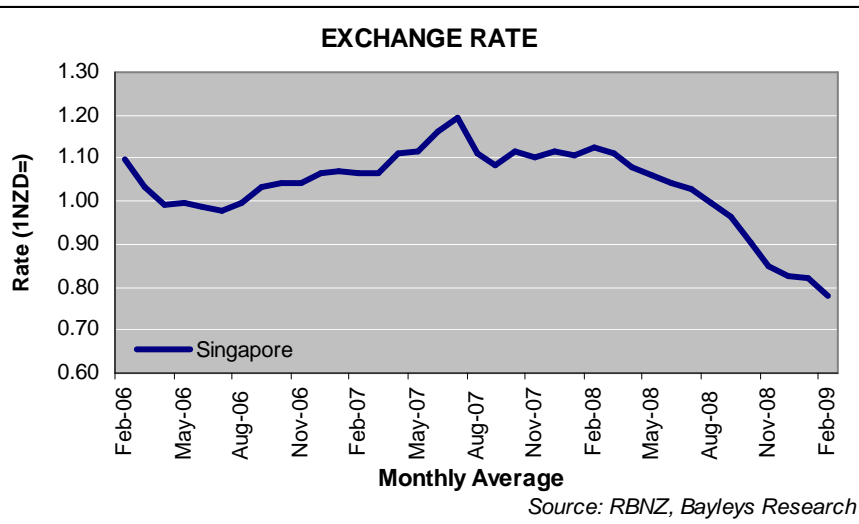
With its well developed legal and trading systems, New Zealand provides a strong diversification option for property investors internationally in a balanced rural and manufacturing economy, in which many major international corporates are already invested.

Exchange Rate

The high NZ dollar through 2007 and the first half of 2008 placed pressure on New Zealand exporters. In recent months, however, the dollar has weakened as a result of sharp reductions in the OCR. Following these OCR reductions, along with further predicted reductions, it is likely that the New Zealand dollar will continue to decline over the short to medium term future. The New Zealand dollar is currently trading around 56.5 cents against the United States Dollar, down from the September average of 67.5 cents, and 86.0 cents against the Australian Dollar. On a Trade Weighted Index (TWI) basis, the New Zealand dollar is around 57.

The recent swings in the value of the New Zealand currency point towards further volatility in the short to medium term. As long as the Reserve Bank maintains a high interest rate environment, relative to our major trading partners, we envisage the exchange rate to remain above its long term average.





NEW ZEALAND DOLLAR EXCHANGE RATES						
Monthly Average	USA	UK	Aust	Euro	Hong Kong	Singapore
Feb 2006	0.6731	0.3849	0.9076	0.5632	5.2231	1.0965
Mar 2006	0.6364	0.3647	0.8741	0.5293	4.9378	1.0318
Apr 2006	0.6204	0.3515	0.8446	0.5057	4.8120	0.9933
May 2006	0.6314	0.3384	0.8274	0.4950	4.8961	0.9954
Jun 2006	0.6190	0.3359	0.8371	0.4892	4.8061	0.9854
Jul 2006	0.6168	0.3345	0.8215	0.4860	4.7948	0.9769
Aug 2006	0.6329	0.3346	0.8296	0.4943	4.9215	0.9972
Sep 2006	0.6547	0.3469	0.8655	0.5140	5.0952	1.0344
Oct 2006	0.6604	0.3523	0.8776	0.5234	5.1416	1.0422
Nov 2006	0.6689	0.3502	0.8661	0.5197	5.2053	1.0407
Dec 2006	0.6918	0.3523	0.8805	0.5237	5.3774	1.0657
Jan 2007	0.6953	0.3550	0.8883	0.5353	5.4238	1.0694
Feb 2007	0.6939	0.3542	0.8865	0.5303	5.4203	1.0643
Mar 2007	0.6982	0.3585	0.8815	0.5271	5.4552	1.0647
Apr 2007	0.7347	0.3697	0.8880	0.5440	5.7418	1.1132
May 2007	0.7325	0.3692	0.8885	0.5419	5.7283	1.1156
Jun 2007	0.7559	0.3806	0.8980	0.5634	5.9065	1.1618
Jul 2007	0.7858	0.3864	0.9065	0.5729	6.1443	1.1918
Aug 2007	0.7285	0.3622	0.8766	0.5347	5.6941	1.1089
Sep 2007	0.7171	0.3554	0.8492	0.5162	5.5821	1.0848
Oct 2007	0.7606	0.3722	0.8464	0.5348	5.8992	1.1160
Nov 2007	0.7624	0.3681	0.8499	0.5197	5.9288	1.1037
Dec 2007	0.7686	0.3801	0.8811	0.5276	5.9929	1.1140
Jan 2008	0.7718	0.3921	0.8758	0.5244	6.0243	1.1049
Feb 2008	0.7968	0.4057	0.8733	0.5402	6.2126	1.1246
Mar 2008	0.8027	0.4007	0.8669	0.5176	6.2463	1.1116
Apr 2008	0.7900	0.3989	0.8500	0.5012	6.1549	1.0786
May 2008	0.7769	0.3951	0.8188	0.4992	6.0585	1.0611
Jun 2008	0.7607	0.3870	0.7997	0.4888	5.9392	1.0408
Jul 2008	0.7553	0.3798	0.7848	0.4791	5.8915	1.0266
Aug 2008	0.7102	0.3753	0.8031	0.4739	5.5450	0.9960
Sep 2008	0.6748	0.3749	0.8224	0.4689	5.2562	0.9640
Oct 2008	0.6137	0.3604	0.8809	0.4587	4.7625	0.9038
Nov 2008	0.5651	0.3686	0.8600	0.4442	4.3801	0.8505
Dec 2008	0.5569	0.3735	0.8320	0.4146	4.3163	0.8248
Jan 2009	0.5526	0.3816	0.8154	0.4161	4.2864	0.8231
Feb 2009	0.5151	0.3576	0.7938	0.4022	3.9937	0.7811

Source: RBNZ, Reuters



Political Stability

New Zealand is a constitutional monarchy with a relatively stable, democratically elected parliamentary government.

Corruption-Free, “Clean Green” Image

New Zealand has a legal system similar to that of Great Britain, Australia and Canada. It does not have the added complication of separate state and federal laws. The judiciary is completely independent of Parliament. The political and legal systems are free from corruption and there is no civil unrest. The attractiveness of New Zealand as a place to live and work is becoming a key factor in sparking international investor interest. As many countries experience internal economic strife and uncertainty, investors are looking to New Zealand as a safe haven for both investment and lifestyle.

Welcoming Foreign Investment Policy

Foreign investors wishing to acquire commercial property in New Zealand can freely do so without the approval of the Overseas Investment Office

(OIO) for most classes of property. For those properties requiring OIO approval, obtaining this approval has historically not been difficult to obtain.

There are no exchange controls effecting remittances to and from New Zealand. A free flow of capital in and out of the country is permitted.

No Stamp Duty or Capital Gains Tax

A passive offshore investor does not pay any stamp duty on purchase or capital gains tax in New Zealand on any profit made on the sale of a property.

Economic Growth

The economic forecasts for New Zealand are positive. Forecasted key indicators suggest a stable and growing economy.



INVESTMENT MARKET IN NEW ZEALAND

The Reserve Bank of New Zealand (RBNZ) reduced the Official Cash Rate (OCR) by a further 150 basis points from 5.0% to 3.5% at the most recent January 2009 review. This follows a 150 basis point cut in December 2008 and a 100 basis point cut at the October 2008 review, further displaying the RBNZ swift and aggressive monetary policy loosening scheme.

Reserve Bank Governor Alan Bollard commented that “the news coming from our trading partners is very negative. The global economy is now in recession and the outlook for international growth has been marked down considerably since our December Monetary Policy Statement.

“Globally, there has been considerable policy stimulus put in place and we expect this to help bring about a recovery in growth over time. However, there remains huge uncertainty about the timing and strength of a recovery”.

“The extent of the decline in global growth prospects and the ongoing uncertainty has played a large part in today’s decision. We now expect the impact on New Zealand of these developments to be greater than we did in December, as a result of a more negative outlook for the terms of trade and exports, and tighter credit conditions”.

“Inflation pressures are abating. We have confidence that annual inflation will be comfortably inside the target band of 1 to 3 percent over the medium term”.

“Given this backdrop it is appropriate to take the OCR to a more stimulatory position and to deliver this reduction quickly”.

“Today’s decision brings the cumulative reduction in the OCR since July 2008 to 4.75 percentage points. Lower interest rates will have a positive impact on growth, alongside a lower exchange rate and fiscal stimulus, provided firms and households do not unnecessarily contract their spending”.

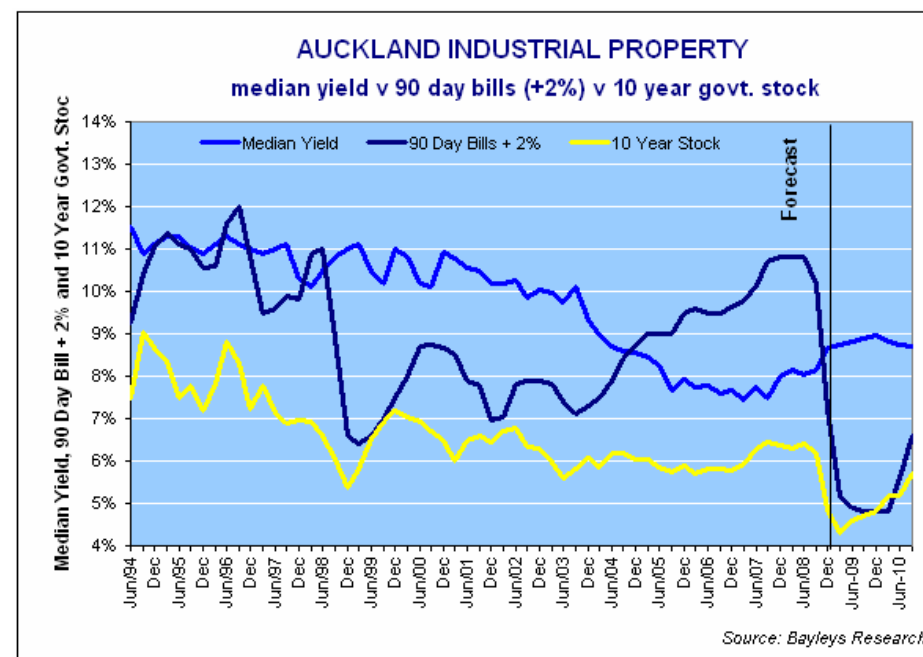
“To ensure the response we are seeking, we expect financial institutions to play their part in the economic adjustment process by passing on lower wholesale interest rates to their Customers. This will help New Zealand respond flexibly”.

“Further movements in the OCR will be assessed against emerging developments in the global and domestic economies and the response to policy changes already in place. We would expect any further reductions to be smaller than those seen recently”.



From Alan Bollards comments, it seems that further softening of monetary policy is highly possible, but that the RBNZ feel they are in a position to more comfortably ride out the economic recession and therefore, subsequent reductions will likely be smaller in magnitude. The reduction came with the warning to banks not to become overly cautious and likewise to households. Alan Bollard warned against the risk of defeatism and that sound business opportunities should be pursued in order for New Zealand to be prepared for recovery.

Bayleys Research forecasts the median yield to soften further, with secondary yields showing the greatest increases. Premium prices have become harder to achieve due to reduced demand brought about by tighter criteria for bank finance and certain classes of buyer no longer being so active in the investment market. Interest rates are continuing to decline, with most retail banks now passing on the OCR reductions to their Customers. Forecasts are for the OCR to reduce further, which should flow through to retail lending rates.



The median investment property yield is compared with movements in borrowing rates in the graph above. It shows the indicative median yield on industrial investment property in Auckland currently at 8.64% representing a yield gap of 1.43% for industrial property. This increasing yield gap has evolved following the sharp reduction in lending interest rates and continually softening yields, as property investors continue to display risk aversion. As we see further reductions in interest rates and softening yields, this positive gap should continue to increase throughout 2009.



NEW ZEALAND INTEREST RATE FORECASTS			
QUARTER	90-DAY BANK BILLS	10 YR GOVT STOCK	FIRST MORTGAGE (4 largest banks)
September 2006	7.5%	5.8%	9.5%
September 2007	8.7%	6.4%	10.5%
September 2008	8.2%	6.2%	10.7%
September 2009 (f)	5.3%	5.8%	7.0%
September 2010 (f)	6.9%	6.6%	8.8%
September 2011 (f)	7.7%	6.7%	9.6%

Source: NZIER, Bayleys Research

INTERNATIONAL INTEREST RATES										
End of calendar year	2004	2005	2006	2007	2008 f	2009 f	2010 f	2011 f	2012 f	2013 f
Short term rates (1)										
US	2.2	4.0	4.9	3.3	0.8	1.3	2.2	2.4	2.5	2.6
Japan	0.1	0.1	0.5	0.8	0.7	0.7	1.1	1.2	1.2	1.3
Euro-zone (3)	2.2	2.5	3.7	4.7	4.4	2.9	3.8	4.0	4.0	4.0
UK	4.8	4.6	5.3	6.0	3.5	3.0	4.4	4.6	4.7	4.7
Australia	5.4	5.7	6.4	7.2	5.8	5.3	5.5	5.6	5.6	5.7
GDP weighted average	2.0	2.9	3.8	3.4	2.5	2.2	2.6	2.8	2.9	2.9
Long term rates (2)										
US	4.2	4.4	4.7	4.2	3.8	4.1	4.7	4.9	5.0	5.1
Japan	1.4	1.5	1.7	1.5	1.4	1.5	1.9	2.0	2.4	2.8
Germany	3.7	3.3	4.0	4.3	3.7	3.9	4.4	4.5	4.6	4.6
UK	4.5	4.1	4.7	4.6	4.3	4.2	4.6	4.9	4.9	4.8
Australia	5.3	5.2	5.6	6.3	5.2	5.4	5.6	5.6	5.6	5.9
GDP weighted average	3.5	3.5	3.9	3.8	3.6	3.8	4.3	4.4	4.4	4.4
Notes: (1) US (3 month Treasury bill), Japan (3 month certificate of deposit), Euro-zone (3 month Euro rate), UK (3 month interbank rate), Australia (90 day bank bill) (2) 10 year government bond yields (3) The euro-zone (EA15) consists of 15 Member States: Belgium, Germany, Ireland, Greece, Spain, Cyprus, Malta France, Italy, Luxembourg, the Netherlands, Austria, Portugal, Finland and Slovenia.										

Source: Consensus Forecasts, NZIER estimates and forecasts



NEW ZEALAND ECONOMIC OUTLOOK

New Zealand Institute of Economic Research: Quarterly Predictions –
December 2008

EXECUTIVE SUMMARY

Real GDP

The annual average growth in real GDP in the year to June 2008 was 1.3%, down from 3.1% the previous June year.

Real GDP outlook

We forecast growth of -0.1% in the March 2009 year. The bounce back will be more gradual than we forecast three months ago, at 1.6% growth in the March 2010 year and between 3.3% and 3.9% over the subsequent three years to 2013.

Private consumption

Real private consumption will contract 0.1% in the March 2009 year, compared with 3.3% growth in the previous March year. Real private consumption will resume growing thereafter, reaching 3.3% annual growth by March 2013.

Investment

We forecast reductions in the volume of house construction in the March 2009 and 2010 years by 13.5% and 4.9%. Non-residential investment will grow modestly by 2.2% in the March 2009 year and decline by 1.7% in the March 2010 year.

Exports

The volume of goods and services exports is expected to grow by 0.7% in the March 2009 year and by between 3.1% and 3.6% in subsequent years of our forecast period.

Imports

The volume of goods and services imports will grow in the March 2009 year by only 0.9%. Growth will recover to 1.2% in 2010 and 5.3% by 2013.

Balance of payments

There will be little movement in the current account balance in nominal terms over the next few years. As a percentage of GDP it will improve from 8.4% in June 2008 to 6.8% in March 2013.



Inflation

Annual consumer price inflation gained momentum, increasing to 5.1% in the September 2008 year. We expect inflation to remain outside the Reserve Bank's 1% to 3% target range until at least late 2009.

Interest rates

We expect the Reserve Bank to reduce the OCR by up to 1.50 percentage points in two cuts in December and early 2009, but the easing cycle will be short-lived due to persistent inflation expectations.

Currency

The value of the New Zealand dollar has weakened considerably over the last few months, especially against the Japanese yen and the US dollar. While significant further weakening of the currency is unlikely, it will continue to exhibit short-term volatility.

Profits

Profits are expected to decline in the March 2009 year for both agricultural and non-agricultural sectors. Growth in profits will be subdued over the next five years, relative to the March 2008 year.

International

On a trade weighted basis, our trading partners' GDP growth is expected to average 3.3% in the 2008 calendar year, which is below the 4.7% of 2007 but still reasonably strong. 2008 is expected to be a more inflationary year than 2007 globally, with a trade-weighted inflation rate of 4.7% compared with 2.6% in 2007.

SUMMARY OF MEDIUM TERM PROSPECTS												
MARCH YEAR	2004	2005	2006	2007	2008	2009 f	2010 f	2011 f	2012 f	2013 f		
Economic activity												
Population, millions	4.1	4.1	4.2	4.2	4.3	4.3	4.3	4.4	4.4	4.5		
Population growth, apc	1.6	1.2	1.2	1.1	1.0	0.9	1.0	1.0	1.0	1.1		
Retail sales, real aapc	6.2	6.8	5.6	4.9	3.4	-0.3	2.6	3.6	4.0	4.3		
Housing investment, real, aapc	15.0	2.9	-5.2	-2.7	3.8	-13.5	-4.9	1.8	3.8	3.3		
Other investment, real, aapc	12.4	11.8	8.3	-1.6	4.4	2.2	-1.7	3.7	5.2	5.8		
Exports, real aapc	0.9	4.6	0.0	3.1	2.3	0.7	3.1	3.6	3.3	3.3		
Imports, real, aapc	12.7	12.5	4.2	-1.6	9.7	0.9	1.2	3.8	4.7	5.3		
Expenditure on GDP, \$ billions	140	150	157	165	178	185	192	200	210	220		
Expenditure on GDP, real, aapc	4.0	3.8	2.9	2.5	2.4	-0.1	1.6	3.3	3.7	3.9		
Real GDP per person, apc	2.3	2.6	1.7	1.4	1.4	-1.0	0.6	2.2	2.7	2.7		
Current account balance, \$ millions	-6,718	-10,267	-14,593	-13,785	-14,211	-13,881	-13,776	-14,246	-14,626	-15,011		
Current account balance, % of GDP	-4.8	-6.8	-9.3	-8.3	-8.0	-7.5	-7.2	-7.1	-7.0	-6.8		
GDP, US\$ billions	85.8	101.1	108.7	108.6	135.0	120.6	109.3	125.9	140.8	153.6		
GDP per person, US\$	21,215	24,639	26,196	25,861	31,809	28,163	25,263	28,833	31,924	34,462		
Prices												
Consumers price index, apc	1.5	2.8	3.3	2.5	3.4	4.1	3.1	2.6	2.7	2.8		
Producers output price index, apc	0.9	3.1	3.9	3.1	6.1	9.0	1.9	2.4	2.6	2.6		
Labour market												
Average hourly earnings, \$	18.5	19.1	19.9	21.0	22.0	23.0	23.9	24.8	25.7	26.6		
Average hourly earnings, aapc	3.2	3.1	3.9	5.3	4.1	5.1	4.1	3.7	3.3	3.2		
Persons employed, 000s	1,988	2,055	2,108	2,144	2,139	2,157	2,166	2,209	2,258	2,307		
Persons employed, apc	3.1	3.4	2.6	1.7	-0.2	0.9	0.4	2.0	2.2	2.2		
Persons unemployed, 000s	95	90	95	94	92	120	129	129	128	121		
Persons unemployed, % of labour force, sa	4.1	3.8	3.9	3.7	3.7	4.9	5.3	5.2	5.0	4.6		
Government (2)												
Operating balance, \$ millions	7,150	7,590	11,470	8,020	2,380	2,270	1,160	750	620	810		
Operating balance, % of GDP	5.0	5.0	7.2	4.8	1.3	1.2	0.6	0.4	0.3	0.4		
Gross core Crown debt, \$ billions	34.0	32.1	31.1	30.7	31.4	31.7	33.3	41.9	45.7	49.5		
Gross core Crown debt, % of GDP	23.9	21.2	19.6	18.2	17.5	17.0	17.2	20.7	21.7	22.5		
Financial indicators												
Exchange rate (trade weighted) index (3)	63.6	67.1	70.1	65.6	71.6	63.1	60.0	64.1	66.1	66.9		
USD/NZD (4)	0.675	0.716	0.666	0.696	0.790	0.560	0.590	0.645	0.695	0.700		
AUD/NZD (4)	0.881	0.922	0.899	0.885	0.872	0.860	0.850	0.850	0.848	0.845		
90 day bank bill yield (4)	5.5	6.9	7.6	7.8	8.8	5.4	6.5	7.5	7.6	7.6		
10 year gov't stock yield (4)	5.9	6.0	5.7	5.9	6.3	5.8	6.2	6.7	6.7	6.7		
Notes:	<p>(1) Slight discrepancies can occur due to rounding.</p> <p>(2) Generally accepted accounting practice (GAAP) based measure of the difference between current revenue and expenditure.</p> <p>(3) Average level for the year to March.</p> <p>(4) Average level for the March quarter.</p> <p>The forecasts and estimates presented above should be regarded as indicative.</p> <p>apc = annual percent change, aapc = annual average percent change, sa = seasonally adjusted</p>											
Source:	Reserve Bank of New Zealand, Statistics New Zealand, New Zealand Treasury, NZIER estimates and forecasts											