



Media Release
January 27, 2009

TENANTS DEMAND LARGER, QUALITY RENTALS WHILE NERVOUS LANDLORDS CONSIDER TAX CHANGES

Vacancy rates are down, rents are up and demand is up, especially for larger and newer properties First National Group's latest quarterly property management survey shows.

However, signs of nervousness from investors worried about the Government's tax proposals are being reported by some of the larger offices, as highly leveraged landlords consider selling.

First National General Manager John Stewart said the swing of the pendulum toward an undersupply of rental properties was the most marked change in the past nine months.

"Tenants seemed to be reacting favourably to the Government's 2009 drive to upgrade home insulation by seeking modern or modernised homes.

"While the pressure on larger homes is pronounced in a number of areas at present, it's too early to confirm whether that is just part of the annual holiday home rental bulge, families shifting to a new area or if it is a reflection of a larger group of people who are not able to or do not wish to purchase.

"Time will doubtless confirm the nature of the pressures behind the apparent trend."

Supply versus demand

Overall vacancy rates have halved since the middle of winter, and a quarter of offices reported occupancy rates of around 99%.

The majority of property management agencies (54%) reported undersupply compared with demand, 17% reported oversupply, 25% reported supply/demand balance about right.

Areas of high demand from tenants included south Auckland, northern Wellington, northwest Christchurch, and, to be expected at this time of year, the coastal towns of Waihi, Coromandel, Waiheke Island, Nelson, Motueka and Blenheim.

Trends

Higher quality homes were in demand overall, with "cheap and cheerful" rentals in excess supply.

Investor activity was up in 21% of offices. Nervousness over potential property tax changes was noted in investors in Marlborough, Wellington and Christchurch.

Rents

Rent increases in at least one sector of the market were reported by 33% of offices mainly for properties with at least 4brms, possibly reflecting seasonal demand for holiday home rentals.



Properties with two bedrooms were in lowest demand, and the majority of offices reported rents for these were either static or dropping.

Rents for 3brm properties were generally static or rising slightly.

Houses with four or more bedrooms were in highest demand, sustaining rent increases of between \$10 per week and 7% of weekly payments.

Summary:

- First National's occupancy rates are up with the average vacancy rate dropping to 3.0%, from an annual high of 6.3% last July, and 4.9% last October.
- Increases in rent varied between \$10pw to 7% of weekly rent.
- Properties with 2brms were in least demand with 21% of offices reporting rental drops of up to 5%.
- 46% of offices surveyed described rents as static overall, 21% said rents were dropping and 33% reported rises in at least one sector.

Note:

First National Group is New Zealand's third largest real estate brand with 70 offices throughout the country from Kaitaia to Invercargill. The network manages more than 6500 properties on behalf of landlords. This survey takes a snapshot of changes in property demand, rents and vacancy rates at First National Group offices since October 2009.