



ROTORUA INDUSTRIAL VACANCY SURVEY

The 2009 Rotorua industrial vacancy survey was conducted by Reid and Reynolds Ltd in August 2009. The survey includes showrooms, workshops, offices and warehouses across Rotorua. It does not include self storage facilities.

SUMMARY

The Rotorua industrial vacancy survey highlights vacancy differences between showroom/office and warehouse/workshop space in Eastside, Westside and Main Road locations. Trends over time have been established back to the first survey conducted in 1992.

Since the last survey in August 2008, the overall industrial vacancy rate has increased from 7.0% to 8.2%.

The general lack of demand for industrial properties to lease has caused a drop in market rent levels. Discounted rents to existing tenants and rent holidays for new tenants are becoming more common.

Generally the vacancy rates have increased for both showroom/office space up to 8.4% from 7.3% in 2008, and warehouse/workshop space up to 8.1% from 7.2% in 2008.

The largest majority of industrial space is warehouse and workshop space with just over 472,000m². It is apparent that the vacancy rate for good quality workshop space is almost negligible at 1.9%, and the

vacancy rate for average quality space is at 8.9%. The vacancy rate for poor quality space is 16.1%, reflecting that demand is highest for average and good quality space.

Industrial properties most likely to attract tenants generally have:

- Good location, including prominent street frontage, good vehicle accessibility and proximity to traffic routes for suppliers and customers.
- Well maintained buildings
- Functional layout and design
- High stud clear span workshop space
- Good yard space

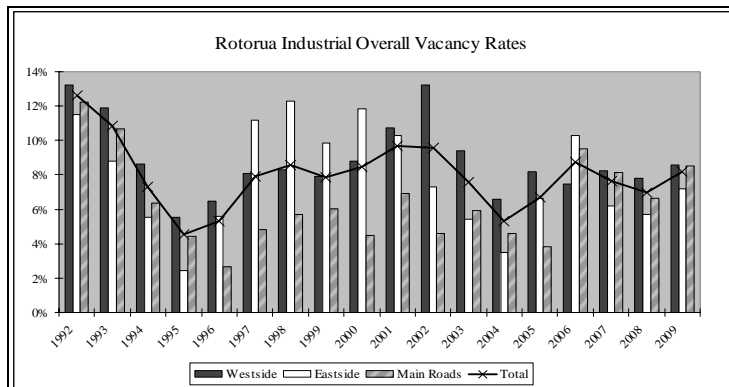
Industrial vacancy levels in Rotorua have increased for the first time in 3 years. Unless demand catches up with supply, we would expect that vacancy rates may well increase further at the next survey in 2010.

LOCATION, LOCATION, LOCATION

The Westside industrial zone comprises approximately half of the total industrial stock in the Rotorua market. The Eastside and main road locations comprising approximately one quarter each. For the last 3 years, the Eastside has recorded the lowest vacancies.

The following table illustrates the change in vacancies over the last 12 months:

	Vacant Space		Vacancy Rate	
	2008	2009	2008	2009
Westside	20,879m ²	22,949m ²	7.8%	8.6%
Eastside	8,741m ²	11,106m ²	5.7%	7.2%
Main Roads	8,441m ²	10,760m ²	6.6%	8.5%



HIGHLIGHTS:

- The vacancy rate for showroom and office space has increased to 8.4% from 7.3% in 2008
- The vacancy rate for warehouse and workshop space has increased to 8.1% from 7.2% in 2007
- The Westside industrial zone comprises approximately half of the total industrial stock in Rotorua
- The largest majority of industrial space is warehouse and workshop space with just over 472,000m²