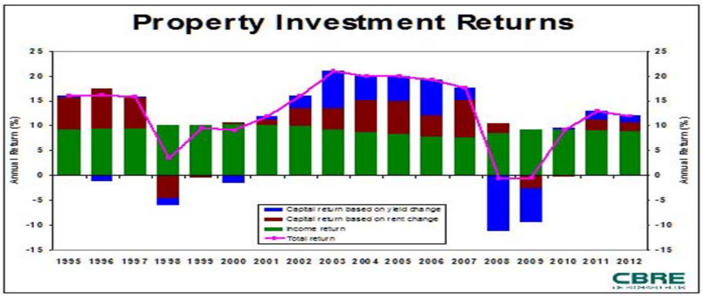
2009 PROPERTY MARKET REVIEW

For over a quarter of a century:

We are pleased to welcome you to our 2009 Property Market Review. It is now nearly 27 years since our first property investment offering.
We trust that our continuing business progress is consequent upon the fact that the properties we have brought to you for investment have stood the test of time.
We know that commercial property as an investment class has out performed all other investments over this period. We also know that our specific property portfolio has delivered income that has on its own (not counting capital appreciation) been above the total returns from other options. And long may that continue.

While all others are falling:

During the year under review there has been a noticeable decline in the growth rate (and in some cases values) for commercial investment property.
This graph (source CBRE) plots the total returns from property over recent years and projects it to 2012. the green (lower section of each bar) is the income. You will notice this is always positive, and that's why we invest in a portfolio of property investments. The graph does show 2 years (2008/9) where the total line drops to "0" or a bit below, then recovers strongly.



Compare this to the returns your Guideline Portfolio and have received on other investments and you'll appreciate the power that lies in your property portfolio.
According to the Eriksen Superfund Survey to Dec 2008 over the last 12 months, "growth funds returned -23.8% (-16.7%), balanced funds returned -15.1% (-9.9%), while conservative funds returned -1.0% (-0.7%) after tax, expenses and fees were deducted (the previous quarter's rolling twelve months are shown in brackets). With the benchmark at 5.3%, cash has been the place to be although this may change over the next year as interest rates continue to fall."

Balanced funds returns over:	1	2	3	4	5	yrs.
	-15.10%	-6.80%	-1.40%	1.30%	2.50	pa.

Economic Impact on Property:

Whilst nothing has happened to challenge our oft stated view;

"Success in property investment is largely about hanging on when others have let go"

It would, however, be silly for us to believe that property can totally insulate itself from what is going on elsewhere.
There has been, as best we can detect, a minor value drop in tenanted reasonably well located property. On the other hand vacant, development property and bare land has been savagely hit.
With leased properties, the income generally continues to flow. Again though, we do need to be aware that the very tight business environment can only lead to fewer new tenants and in some cases those we have are having difficulties in meeting their rental commitments.
So, as in previous recessionary periods, we must attempt to retain tenants even if the terms and rents are not all we would want. Vacancies are taking longer to re-tenant. Better to accept modified incomes than none at all, and ride the storm out whilst waiting for better times.

Better Times.....When??

Well, after 2 years of declining market conditions, we do need to start believing the glass is half full.
On the global scene;
McKinseys Global Survey Results
" Executives are slightly more positive about the bigger economic picture than they were six weeks ago, and some see hope for their companies toward the end of 2009. Strong majorities support international coordination of responses to the crisis and say protectionism would harm their nations' economies." April 2009
And closer to home;
"BNZ Confidence Survey has revealed a substantial improvement in sentiment over the past month. A net 27% of respondents feel the economy will improve over the coming year. This is well up from balanced expectations in April and a net 23% pessimistic in March. It is also the equal highest reading on record – though we interpret this more as a sigh of relief lift in confidence rather than an indicator of strong economic activity levels in the near future. In many industries respondents have noted some small improvement in orders recently and in residential real estate buyer enquiry is strong with listings in increasingly short supply."
Even on the housing front we might have reason for confidence;
"The strength of our year-ahead forecasts for residential building activity is that they are based on leading indicator analysis of how the key drivers will impact including interest rates, net migration/population growth, new housing affordability (i.e. how does the cost of new housing stack up relative to existing house prices), and the impact of changes in banks' lending criteria." Strategic Risk Analysis Ltd.

The benefits of investment property:

When compared to other investment classes these are some of the reasons we believe our property investing clients have compared so well.
Low correlation to other investments, producing stable income streams when other forms of investment are not,
Constant higher levels of income,
Hedge against inflation, ensuring both your capital value and income grows over time,
These are some of the rewards obtained only through sound property investment.

Some of Our Property Statistics:

Over the last twelve months our activity has included:

Rent reviews for 27 tenancies (with 11 increases)
0 rental reductions
0 reviews incomplete at this time
7 new leases
5 re-negotiated expiry's
68 total tenancies
6 vacancies 31/3/09 *(5 newly created by subdivision of existing properties).*

Liquidity - has always been a Guideline strength:

Would freeing up some of the capital you have tied up suit your purposes? Whilst we are not suggesting selling is generally appropriate, from time to time investors objectives do change and we are here to help in those occasions.
Contact details for resales and investment are;
Ph: 07 5784 807, e-mail; property@guideline.co.nz

Best Wishes from
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