



ANZO PROPERTY GROUP

The networking group for Australian (API) & New Zealand (PINZ) Overseas property professionals in London and the UK

July 2008

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Welcome to the second edition for 2008 of the ANZO Property Groups newsletter. As always, a warm welcome to any of you who have recently made it over to the UK. This quarter's newsletter comes a little later than anticipated with two of our committee members, Sid Kempton and Trinette Giborees, heading back home to NZ. Also given the current state of the UK and European property and financial markets and the resulting restructures of many companies, we are all that much busier these days.

Our Next Event – Thursday 17th July 2008

Our next networking event will be held at the Theodore Bullfrog, 26-30 John Adam Street, WC2N 6HL. Map link below:

<http://www.streetmap.co.uk/newmap.srf?x=530291&y=180547&z=0&sv=WC2N+6HL&st=2&pc=W C2N+6HL&mapp=newmap.srf&searchp=newsearch.srf>

As a result of our survey earlier in the year, we have decided to try something different this quarter with the drinks. For the past couple of years we have had a bar tab running, varying from between £500 and £1,500 each quarter. Due to the increase in the number of members coming along each quarter we have decided to trial a 'subsidised bar'. The finger food will of course be provided free of charge, with beer and wine being £1 each until the tab runs out.

The function room can be found on the 1st floor and can be entered via the main bar, or from its own entrance on John Adam Street just past the main entrance door.

When: July 17th, 2008

Where: Theodore Bullfrog, 26-30 John Adam Street, London WC2N 6HL

Time: 6.00pm

Cost: Drinks £1, free finger food

We hope to see you there and as usual if you have friends who are working in the property industry, or are involved in the property industry in some way (law, finance, etc) please feel free to invite them along.

University Alumni

A few of the ANZO committee attended a function for New Zealand oriented organisations based in London at New Zealand House and had the opportunity to connect with a number of groups flying the flag over here. Of note were the Alumni Associations of the two Universities which produce the bulk of the Property Graduates out of New Zealand. **Auckland University Alumni London Branch** and the fledgling **Massey University Alumni London Branch** would be more than happy to hear from any of their old graduates and so we enclose their contact details below and would encourage you register and let them know you are here.

Massey University
Stephanie Schmid
stephschmid003@hotmail.com

Auckland University
Cecilia Tarrant
cecilia.tarrant@btinternet.com

Or register at www.alumni.auckland.ac.nz

KEA – Kiwi Expat Association

Another organisation of note which holds regular functions for high flying Kiwis is K.E.A (Kiwi Expat Association) and which is free to join, to allow you to keep in the loop and cherry pick events of interest as they are presented. For further details or to register please see their website www.keanewzealand.com or contact uk@keanewzealand.com

The next K.E.A event of interest (and also of interest to our Australian Members) will be the **Tran Tasman Cocktail Reception**. Hosted by Australian Business in association with Kea, the New Zealand Society, Canada-UK Chamber of Commerce and British American Business, this is an opportunity for members and guests to network with New Zealand, Australian, American and Canadian businesses.

Also on the social/networking/boozy horizon is a New Zealand Wine and Beer Evening at the Penthouse of the New Zealand High Commission. With some of the best views of London it is an evening not to be missed. The evening will included an art auction, performances by Ngati Ranana & Guests, finger food throughout and a glass of beer or wine on entry - a cash bar will be in operation thereafter. Tickets £10 register via NZPenthouse@goolemail.com

Member Profiles

Member profiles give a little insight into the background of some of our members. Members are usually chosen at random and asked to give us a little background. This quarter we decided to mix things up a little bit and have a committee member, Jeremy Gray and ANZO member Jay Ridgeway

Jeremy Gray	
Age:	26
Marital Status:	Single
What is your hometown in NZ/Aus?	Auckland
What University did you go to?	Auckland University
What degree did you do?	Bachelor of Property
Where are you living in UK?	Kilburn (it's not as bad as people think!)
How long have you been here?	Nearly 2 years
Who do you work for?	Capital Shopping Centres
What is your job title?	Property Manager
What does that actually mean in plain English?	Not too sure yet – we have been restructured!
How long have you worked for them?	Since October 2006
Is your current job different to what you did back home? Please explain.	Fairly similar to my role back in Auckland, although I was working for a private investor who owned property on Queen Street. The role had a much wider scope than my role in the UK and I was therefore able to diversify my skills.
How many jobs have you had since arriving?	1
Did you go through a recruitment company to get your current job? If so, who was it?	Recruitment – Judd Farris
If it wasn't for a career in property, what was next on your list?	If I wasn't working in property I would spend my evenings playing music in a piano bar. I should perhaps learn to play the piano first.
What are your top two tips for property professionals arriving in the UK?	<ol style="list-style-type: none"> 1. Try and meet people within the industry – you never know when it will work in your favour. 2. Be open minded to all work related opportunities
What is the best country you've been to while you have been in the Northern Hemisphere?	Croatia
Why?	Beautiful crystal water, lovely people, great food. If I could spend the rest of my days over there I probably would.
When was the last time you were back in NZ/Aus?	January 2007
Apart from the weather, what is the biggest difference between the UK and Home?	I have found the biggest difference is the amount of time it takes to get anywhere on the tube.
Apart from the weather, what's the worst part about living in the UK?	Obnoxious people overrate their importance
What's the best part?	The many, many different things there are to do in London
What's your favourite website?	www.stuff.co.nz
And finally the 'Heathrow Injection' question: As a percentage of the weight you were when you first arrived, how much have you gained?	I think I am about the same as when I left NZ

Jay Ridgeway	
Age:	26
Marital Status:	Single
What is your hometown in NZ/Aus?	Sydney
What University did you go to?	University of Technology, Sydney
What degree did you do?	B. Property Economics
Where are you living in UK?	Stockwell/ Brixton
How long have you been here?	Just shy of three years
Who do you work for?	DTZ
What is your job title?	Surveyor – Retail Management
What does that actually mean in plain English?	Day-to-day management of shopping centres and retail parks on behalf of the Landlord.
How long have you worked for them?	Initially did an eight month contract then went for a big stint of trekking about Europe and a few weddings and Christmas back home. Returned again for another seven month contract then was made permanent of which I have been so for a year now.
Is your current job different to what you did back home? Please explain.	Not so much except for the obvious legal differences.
How many jobs have you had since arriving?	One

Did you go through a recruitment company to get your current job? If so, who was it?	Yes – Judd Farris.
If it wasn't for a career in property, what was next on your list?	Professional basketball player.
What are your top two tips for property professionals arriving in the UK?	In terms of a someone on working-holiday visa regardless of whether you intend to stay longer than the length of the visa or not make sure you get your cash flow up to the required threshold before doing big stints of travelling because that can cause problems with obtaining a Highly Skilled Migrant Visa (that is all as long as you don't have sponsorship to fall back on). Get on to the NI rebate and/ or an ISA.
What is the best country you've been to while you have been in the Northern Hemisphere?	Well I don't know about a best country but I can tell you a best place – Bled in Slovenia.
Why?	It is the most picturesque and peaceful town I've been to and yet at the same time you can get the adrenaline pumping with a whole host of adventure sports.
When was the last time you were back in NZ/Aus?	January 2008.
Apart from the weather, what is the biggest difference between the UK and Home?	Personal space – it's virtually non-existent.
Apart from the weather, what's the worst part about living in the UK?	Bad attitude on the streets regardless of age, gender, etc.
What's the best part?	Great hub for travelling.
What's your favourite website?	www.eniar.org and www.nrl.com.au
And finally the 'Heathrow Injection' question: As a percentage of the weight you were when you first arrived, how much have you gained?	I think in my case it's more like a Heathrow Rejection – there was one point where I was down 5kgs but I have managed to almost get that all back.

New Zealand Economy/Housing Overview

Last week was relatively quiet on the domestic front. The major new piece of information (well the picture it is painting is not new) was the National Bank *Business Outlook* for June. Headline business confidence once again nudged higher, with a net 39 percent of firms expecting the economy to deteriorate over the coming 12 months, up from a net 50 percent in May. However, the detail of the survey shows that the underlying economy remains very weak. Own activity expectations, which provide a better indication of actual economic activity, remain in negative territory – the fourth consecutive month this has been the case. Not since 1988 have we seen firms' own activity expectations remain so consistently weak. We've said it before and we'll say it again. When this indicator is negative, the economy is moving backwards.

Other indicators within the survey also make for pretty grim reading. Employment intentions continue to fall, with a net 12 percent expecting labour market conditions to worsen. This is a pretty clear sign of where the unemployment rate is likely to head over this year and next. Investment intentions also fell. Profit expectations did improve slightly, but remain well in negative territory, with a net 19 percent expecting a deterioration over the coming year. Collectively, our composite growth indicator from the survey remains in negative territory. Growth in Q2 now looks to have been weaker than Q1, and we struggle to see where momentum for Q3 will emerge from.

The other data released last week were the Barfoot & Thompson house sales for June and building consents issued for May. The former reported house sales for the Auckland region rising by a seasonally adjusted 15 percent for the month, following a 5 percent fall in May. Given the considerable falls in sales activity over the past year, with sales volumes still down 44 percent on a year ago, a rebound was likely at some stage. However, it is still far too early to say whether the trough has been and gone. The average house price fell 2 percent in the month and is down 2 percent from a year ago. House prices from the Barfoot data show that they are now 7 percent off the early 2007 peak. The more comprehensive REINZ data is expected to be released later this week and we will be looking for similar themes.

The consent data showed a large 45 percent fall in residential consent issuance following the massive 83 percent surge in the previous month. Looking through the volatility, which has been exacerbated by the early Easter this year and a couple of large apartment complexes receiving consent approval in April, consent issuance continues to soften, with the number down 27 percent on a year ago. Further weakness is expected given the thin activity in the housing market at

present, suggesting that the construction sector will remain a considerable drag on economic activity for the remainder of this year.

In one positive development, there are some signs that this reduced activity is resulting in less inflation pressure from this sector. Growth in the value of dwelling consents issued per floor area (a proxy for construction costs) has slowed to just 1 percent (on a three month average basis) compared with a year ago. This is well down from over 10 percent early last year. We will be looking closely at whether this is being reflected in the CPI data to be released next week. Slowing housing-related inflation is required to offset the significant cost-push inflationary forces of high oil and food prices.

Another key area we are watching at present is the rising cost of international credit. Remember, NZ runs a large current account deficit so this carries an explicit cost. Credit gauges have been steadily deteriorating over the past month. The Australian iTraxx series – a cost of credit measure – rose over 40 percent in June alone (although we admit it is still well off its March peak). If international credit markets do not improve (or worse still, deteriorate further) this means financial conditions within the NZ economy will continue to tighten, and at a time when the economy is already heading backwards.

It is one major reason why we have sympathy for the RBNZ beginning to cut rates as soon as the end of this month in order to offset the tightening in financial conditions coming from other areas. However, each day we also glance at oil prices, and when we see prices close to US\$145/bbl (up another 3.6 percent this week) and the inflation rate set to push through 5 percent, it's a hard environment to envisage monetary policy relief. The NZD/AUD is also now firmly in a downtrend, which is great news for manufacturers. No doubt we'll soon be seeing a big boost in the number of holidaymakers from Australia. For now we remain in the September rate cut camp, but as noted last week we believe the odds on a July move are as high as 50 percent. Such is our wariness over areas like the rising cost of credit. The situation on a number of fronts is moving fast.

Australian Economy/Housing Overview

The business environment has become more challenging over the past few months with interest rates in Australia climbing to 12 year highs; the A\$ rising to the highest level in a quarter of a century; and global oil prices reaching all time highs. Together, these will contribute to a sharp slowing in the overall pace of economic growth over the next year.

High interest rates in Australia primarily reflect the aggressive inflation fighting actions of the Reserve Bank of Australia. It has raised the official cash rate on four occasions over the past year – in August, November, February and March – taking the cash rate to 7.25%, the highest in 12 years. The Reserve Bank has been raising interest rates in order to slow the growth of domestic economic activity and to thereby take some steam out of burgeoning price pressures. A range of "partial indicators" of demand such as retail sales, consumer confidence, dwelling construction approvals and credit suggest that a slowdown is now underway.

That might suggest that the Reserve Bank's job is done. Unfortunately, we don't think so. The problem is that inflation has been accelerating since the end of 2005. Over the year to the March quarter this year core inflation rose by 4¼%, the highest pace since the Reserve first began targeting inflation in the early 1990s. We believe inflation will accelerate again over the next six months, to peak in the September quarter at just under 5%. In this environment we believe the Reserve Bank will have no choice but to increase interest rates again later this year.

One of the factors driving global inflationary pressures has been the rising cost of oil. Global oil prices have more than doubled over the year to June 2008, recently reaching over US\$140 per barrel, an all time high. Fuel prices in Australia have closely followed global trends, with retail petrol prices recently reaching a peak of A\$1.70 a litre in some state capitals. While prices will continue to fluctuate, we do not expect any substantive relief going forward. High fuel prices are becoming a feature of our economic environment.

While high fuel prices can be inflationary, they also act as a "tax" on industries and households, reducing spending on other goods and services and reducing growth. The industries most directly affected are transport (passenger and freight), energy, and sections of manufacturing that rely on

petrochemicals, such as plastics, cosmetics and chemical manufacturers. All industries that operate fuel-based machinery are also affected, including agriculture, most manufacturing segments, wholesale and retail distributors, construction and mining. There are also second-round effects through reduced consumer spending.

High interest rates and high commodity prices have lifted the A\$ to the highest level in 25 years, with a recent peak of around US\$0.9650. We now believe the currency will go through parity with the US\$ before year end and remain at very high levels until at least mid 2009. This will present a significant challenge to exporters who do not have the advantage of high commodity prices, and for domestic producers competing against cheaper imported goods and services.

These factors in combination will lead to a significant slowing in economic growth in Australia. In 2008-09 growth in GDP will be around 2.3%, a significant slowdown from the estimated 3.9% in 2007-08. This slowing will not be even across the regions. The resource-heavy states and territories will be insulated in part from the slowing in domestic demand by continued strong investment in mining and related infrastructure. The unfortunate implication is that the brunt of the slowdown will be borne by the regions with relatively smaller mining sectors along the south eastern seaboard. In particular, New South Wales, and to a lesser extent, Victoria, will feel the full effects of the winding back of household spending and the strong headwinds faced by business sectors such as manufacturing, property, tourism, hospitality, retail and financial services. These states could be heading for their weakest economic activity since the recession of the early 1990s. South Australia will fare better, buoyed by continued strong investment associated with the coming boost to mining activity in the centre and north of the state. The bottom line is that the gulf in economic performance between the mining "haves" and "have nots" is set to widen.

Many thanks to Jennifer McKenzie jennifer.mckenzie@anz.com and the rest of the team at ANZ Expat Mortgages who kindly offered to provide us with a quarterly snapshot of the NZ market for each newsletter.

NZ and Australian Dollar Exchange Rate Analysis

NZD/GBP Analysis:

The NZD has strengthened due to the 'carry trade' a phenomenon where traders borrow a low yielding currency such as the Japanese yen at 0.5% which they then invest in high yielding (8.25%) Uridashi bonds denominated in Kiwi dollars. The carry-trade has proven a fantastic investment for those with a higher risk appetite. Not only have investors picked up a healthy 7.75% on the interest differential but as the Kiwi dollar has rocketed higher they have also gained on the appreciating Kiwi dollar.

So what will turnaround the carry-trade? If investors are sufficiently worried about the outlook for the global economy that they reduce their risk appetite and therefore their holdings of riskier assets then the NZD will fall. We saw this last summer after world stock markets fell sharply spurring carry-trade unwinding.

If the Reserve Bank of New Zealand (RBNZ) start cutting interest rates this will make the carry-trade less attractive as the interest differential will narrow. You will also note though that this downward trend in the last three months has mounted an impressive rebound from NZ\$2.41 to NZ\$2.63. This is to a large part due to a clear signal from the RBNZ that interest rates are likely to come down toward the end of the year

The NZ economy bears a striking resemblance to that of the UK at present - falling house prices, rising unemployment and stalling growth. This gloomy NZ outlook has stopped the freefall in GBPNZD for now but in an extremely volatile market this move is so far only a 'correction'. It would be premature to predict the downtrend has 'reversed' and GBPNZD has seen the bottom until GBPNZD breaks above NZ\$2.70 and holds there for at least a week.



AUD/GBP Analysis:

GBPAUD has been in a fairly consistent downward trend since it changed direction at the end of 2006. Once the unexpected spike we saw through the middle of 2007 was over, the downtrend steepened and this exchange rate fell by 20 percent in the ten months from August '07 to June 2008. Sadly, during that slump, the rallies were short lived and shallow but each was greeted with a flurry of hope that the worst was over and higher exchange rates were on the horizon.

Equally sadly, none of that hope bore any truth and the downward path remains relatively intact. However, we have seen a slightly more encouraging picture emerge towards the right hand end of the chart above. A break out above the downward trendline has occurred.

As before, it would be easy to get all excited and assume that we are set for a sustained rally but we run the risk of being utterly disappointed if we do. The correction that the downward path of the last 48 hours confirms is that we will see another test of the A\$2.05 levels in the days ahead. What happens after that is the crucial factor. A bounce from A\$2.05 would suggest that we could indeed see a period of Sterling rally with another test of at least A\$2.10 soon. A break below that A\$2.05 level however would see us back in the downward path and ready for a continuation of the two year long trend.



Many thanks to Sam Stanley sam.stanley@halofinancial.com from Halo Financial who kindly offered to provide us with a bit more of a technical analysis than we are used to on the Pound vs our home country dollars for every newsletter.

Mailing List / Missing Persons

Sean Lenaghan undertakes the role of keeping peoples contact details up to date. Every time a newsletter gets sent out, multiple emails get bounced back. These people then get deleted off the contact list unless we have new contact details. But before we do that, they get one last chance in the 'Missing Persons' section of the newsletter. If you happen to know the new contact details of these people, please let any of the committee members know.

Please remember to email Sean if you change jobs/email addresses so that you are kept up to date. Also, as always, if you know of New Zealanders, Australians, or any other Colonials working within the property industry who would like to be on the mailing list then please get in touch.

Suggestions

We would welcome any comments, suggestions or even articles that people may like to submit. Please contact Jeremy Gray at Jeremy-gray@capshop.co.uk

Website

Our current website, www.ANZOproperty.com although functional, is a far cry from the high tech flashy site we would like it to be. If you know of anyone who is able to help us out with improving the website (either for free or on a paid basis), then please contact Graeme Bolin at Graeme.bolin@cbre.com

Regards

Jeremy Gray

Newsletter Writer for the ANZO Property Group