

Welcome

In 2010 we distributed our inaugural landlord newsletter "By ReQuest" to the landlord network. We have received terrific feedback on the newsletter both via the survey we conducted and landlords who took the opportunity to contact our office directly.

Given that we have many new landlords within the network, we would like to invite any landlord who did not complete the survey to now do so. To complete our landlord survey please follow this link: www.questapartments.co.nz/landlordsurvey

- 75% of respondents wanted to be communicated with by the Quest Corporate Office once per annum.
- 65% of respondents wanted to be communicated with by their Quest Franchisee every quarter.
- The vast majority of respondents felt that their Quest Tenant was performing satisfactorily or better in relation to the terms and conditions of the leasing arrangement.
- A number of you expressed concerns that the commercial expectations from your investment had not been met, but this was predominantly focussed on those complexes where Quest was not involved from the inception of the property.
- Feedback also confirmed that whilst as an overall network we are on track to meeting and in some cases exceeding expectations, on an individual/specific property basis we have some work to do.

From the distribution in 2010, we received survey responses from 20% of the recipients. Key results were:

- Over 50% of landlords had not visited their apartment in over 24 months, with 32% having never seen their apartment.
- Over 90% had their expectations met by the franchisee in relation to rental payment, timeliness, accuracy and method.
- Over 70% felt that the franchisee met the expectations when it came to rent reviews.
- 95% felt that the franchisee met the expectations when it came to maintenance and care of your apartment.
- 85% felt that the franchisee met the expectations when it came to managing the refurbishment of your apartment.
- 85% were either satisfied or very confident in how the Quest Franchisee represents your apartment's interests via the body corporate.

We're also pleased to report that the majority of respondents expressed satisfaction with their involvement in the network. Some specific feedback from landlords included:

It is our objective to ensure that Quest remains the Tenant of choice for serviced apartment owners, and as a network we acknowledge that there is room to improve the quality of our relationship with all of you through better communication channels. The annual survey has proven to be a great opportunity to improve our communication with all of you.

Finally we offer congratulations to Carol & Ted Faulkner who won a voucher for two nights' accommodation to the value of \$500.00 at any Quest location within New Zealand

Stephen Mansfield
CEO, Quest Serviced Apartments New Zealand



Going Forward

In September we opened our 30th operation in New Zealand and Fiji, Quest Albany. We have two new projects due to open in February 2012, Quest on Hobson - Auckland and Quest Hamilton.

As you will be aware, Quest is not directly involved with new or existing properties from an ownership, sales or development perspective. We are purely a tenant company focusing on business operations to meet and exceed guest expectations. However, we can play an important role to ensure that the relationship between landlords and tenants meets your expectations and optimizes your opportunity.

Whilst we aim for a consistent communication format, the reality is that given that the property ownership within the local Quest network is comprised of 40% individual strata titled ownership and the balance of single entity private equity or institutional ownership, there will be some differences in communication and support requirements.

There is no 'one size fits all' solution, but clear communication and improved understanding can assist in avoiding the avoidable and smoothing the path to the future for all of the stakeholders.

With this in mind, the landlord/investor website platform www.investment-apartments.co.nz is going to be upgraded in the near future to provide greater functionality and market exposure so stay tuned.



Changes to body corporate unit titles act

In June 2011, changes were made to the Statutory Act that governs body corporate activities within New Zealand. We at Quest believe that these changes are a significant improvement for the ongoing stakeholders in the unit title property sector.

One of the changes to the Unit Titles Act requires that you must appoint a Proxy for each occasion that it is required. Even though in many cases, our landlords have formally confirmed via the lease, that the tenant has the Proxy, this alone is no longer sufficient. For the purpose of the body corporate, the proxy now effectively expires at the conclusion of the meeting it was assigned for.

Your franchisee or body corporate administrator, prior to each body corporate AGM or EAGM meeting should forward a proxy reaffirmation document that will require your signature and return to the franchisee so they can then present to at the body corp AGM.

The Unit Titles Act also now sets specific limits on the amount that body corporate committees can spend on any one item and is specific as to what must be included in the budget. We recommend committees acquire a copy of The Act and Regulations and familiarise themselves with the new requirements.

Many Quest landlords are absent, not only from a geographical perspective but also due to their desire to not be involved with the daily management of their particular apartment. It is vital that the Quest franchisee has your Proxy to ensure the common area interests are properly and consistently represented at the body corporate.

The Quest franchisee has an intimate knowledge of your building and the goings on at any point in time, they develop an information base combined with the motivation to ensure your property is performing to the highest standard. You should always feel free to contact your franchisee and get their view on how they are going to use the proxy and why.

If have any questions about the changes to the Unit Titles Act or about the Proxy arrangement, please do not hesitate to contact our office via landlords@questapartments.co.nz

The Quest Franchise Arrangement and its impact upon the lease

Over the years our office has been contacted by interested landlords wanting to understand more about how the franchise arrangement works and the relationship between themselves as the landlord and their Tenant as a Quest Franchisee.

Under the franchise agreement, Quest the Franchisor has superior rights in relation to the lease. In other words, if a franchisee is in default and does not make steps to fix the situation, The Quest Franchisor has the rights to step in to protect the sustainability of the business.

The role of our office in the process is to provide the franchisee with technical and business support so they can be effective in managing their obligations under the lease. We also ensure balance is maintained across long lease periods as it is likely your franchisee or tenant will change during that time.

The components within the leasing structure must be sustainable and survive the comings and goings of any landlord, franchisee or tenant and we view our support role as a Franchisor as central to this process.

Under the franchise arrangement the Quest Franchisee has explicit obligations regarding refurbishment, assignment, rent reviews and lease variations, all of which are supported and guided by a various range of Quest Business systems. In each of these components as they relate to the lease the franchisee has the obligation of getting pre approval in writing from the franchisor office.

If you require any further information please don't hesitate to contact Quest Corporate Office.