

# **MEDIA ANALYSIS of LISTED PROPERTY VEHICLES IN NEW ZEALAND**

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## **Abstract**

*The media plays an important part in informing and educating the “market” regarding the performance of different investment vehicles. However, in New Zealand there are doubts about the ability of many members of the media to adequately analyse and report the activities of the listed property sector. This is perceived to be due to a lack of property education and experience on the part of journalists, combined with few truly independent sources of expert opinion. In order to test this proposition an analysis of media reporting of New Zealand listed property vehicles over the last ten years was carried out. Specifically, the twelve conflict of interest categories identified by Sagalyn (1996) were used in a content analysis of media reports to assess the media’s reporting of the existence of agency problems. The findings confirmed perceptions in that most media reports were essentially a rewrite of press releases. Those articles that did contain independent analysis tended to only identify the most obvious agency issues.*

## **Introduction**

The media, particularly via newspaper business pages, are a significant source of current information for property investors. For publicly listed vehicles this source is particularly important as the media not only report on general market conditions and property transactions but also record the values ascribed to vehicles through their stock or unit prices and their performance in terms of profit distributions or value changes.

In addition, information on management strategies or other developments for particular vehicles are often initially released via the news media and may be commented upon by experts or other interested parties.

In the New Zealand property market there is some cynicism regarding the ability of the news media to adequately perform in relation to meaningful and independent analysis of listed property vehicles press releases and other announcements.

This research investigated this issue by selecting agency problems in a listed property vehicle context as a topic of importance then examined media reports to determine the extent to which this issue was recognised and reported upon.

## Literature Review

The aim of this research was to assess the ability of the news media in New Zealand to recognise and comment on issues relevant to listed property vehicle performance.

To do so it was necessary to search the literature for an issue that was both relatively common and important enough to reasonably expect recognition and comment from the media. The topic should also have enough “depth” that different degrees of understanding and analysis by the media could be recognised. The subject chosen was agency problems.

The principal-agent model of Jensen and Meckling (1976) defines an agency relationship as a “contract under which one or more persons (the principal), engage another person (the agent), to perform some service on their behalf which involves delegating some decision making authority to the agent”.

Agency theory postulates that each individual will seek to maximise their own wealth therefore agents (such as managers) will pursue courses of action that may not be in the interests of their principals (such as shareholders). Economists call the conflicts arising from such principal-agent relationships ‘agency problems’ and call the value lost because of such problems ‘agency costs’.

These agency problems are of particular relevance to listed property vehicles<sup>1</sup> (LPV’s) because the nature of real estate as an asset class gives rise to quite specific agency issues. In addition, the majority of New Zealand LPV’s are managed by contracted managers rather than by dedicated employment teams. Agency risk increases when contracted managers manage firms.

Sirmans (1997) in considering U.S. REITs<sup>2</sup> suggests that “unless the market can solve the corporate governance conflicts, some of which are inherent in the REIT structure, the real estate market will continue to be plagued by the boom-bust nature of the REIT market”.

However, agency theory has not been without its critics with a number of serious deficiencies identified. Walker, for example, argued most versions of the principal-agent model are almost impossible to falsify, largely because of the difficulty of rigorous empirical testing (Walker, 1989, cited in Bohren, 1998). Comparing the model to competing theories in sociology and organisational behaviour, Perrow (1986) suggests that the principal-agent model ignores the significant co-operative aspects of social life.

Brennan argues against including self-interest in the definition of rationality in economic theory and criticises the principal-agent model for being a too cynical model of human nature (Brennan, 1998, cited in Bohren, 1998).

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<sup>1</sup> Listed property vehicles include both limited liability companies such as Property for Industry Ltd and property trusts such as Kiwi Income Property Trust.

<sup>2</sup> Real Estate Investment Trusts.

Irrespective of which side of the argument is supported, agency issues have been the subject of widespread discussion and analysis in all areas of business over the last 25 years. In addition, the existence of potential conflicts of interest in a listed property vehicle context should be obvious to all but the most naïve observer. As a result all business journalists should have some understanding and appreciation of the topic.

To provide further depth to the investigation of media reports of agency problems a means of rating the analysis was necessary. A review of the literature review resulted in identification of four generic types of agency problem in prior research (Byrd et al, 1998) as summarised in Table 1 below.

<b>Table 1: Types of Agency Problems</b>	
<b>Problem</b>	<b>Definition</b>
<b>Effort</b>	Managers may have incentives to exert less effort than shareholders expect them to.
<b>Horizon</b>	Managers tend to have shorter horizons for achieving investment results than stockholders have.
<b>Differential Risk Preference</b>	Managers typically have so much of their wealth tied to the on-going viability of the firm that they tend to be more risk averse than shareholders.
<b>Asset Use</b>	Managers can have incentives to misuse corporate assets or to consume excessive perks because they do not bear the full costs of such actions.

Source: Byrd et al, 1998, p.15

Subsequently Sagalyn (1996), in her work on U.S. REIT's, compiled the more comprehensive list outlined in Table 2 below identifying twelve agency problems or conflicts of interest particularly applicable to listed property vehicles (LPV's).

**Table 2: Typology of Listed Property Vehicle Agency Problems**

<b>Allegiance</b>	Agents for the REIT are related parties to the formation transactions in which they have economic interests. Acting upon such interests might mean failure to enforce the terms of agreements <sup>3</sup> underlying the acquisition of REIT portfolio properties from individual partnerships and corporations in which agents either serve or control as general partners. This situation would conflict with the interests of persons acquiring REIT shares, the outcome of which could result in monetary loss to the REIT.
<b>Sponsor Control</b>	Sponsor management has control of the REIT through significant minority ownership <sup>4</sup> , as a result, its interests and those of residual shareholders of the REIT may not be aligned.
<b>Outside Partners</b>	Decisions regarding certain major transactions (such as mortgage refinancing) and the rights of first refusal, first offer, or buy-sell provisions may be dependent upon the approval of “outside partners” whose interests may not be aligned with those of REIT shareholders. Or, the situation may require REIT management to make decisions at a time that is disadvantageous to the REIT.
<b>Over-Compensation</b>	Contracts for services from an affiliated entity are not negotiated at arms’ length; the terms of such transactions may be more than what the REIT would have to pay if priced through competitive market processes <sup>5</sup> . Similarly, if under an advisor or affiliated management situation, fees are tied to some percentage of gross invested assets, the agent has an incentive to increase the size of the REIT (“self-enriched growth”), even though such actions may not be in the best interest of REIT shareholders.
<b>Resource Allocation</b>	Agents for the REIT have ownership interests in property and/or related businesses (such as land held for development, department stores, mall stores) outside the REIT. There is a potential conflict in the duties and responsibilities of agents who might allocate a disproportionate amount of time and effort (“over-management”) to those outside investments to the detriment (competition, loss of profits) of the REIT.
<b>Competitive Affiliates</b>	Affiliates of the REIT have business opportunities or own interests in and perform services (“multiple-hat” service contracts as property managers, leasing agents, acquisition agents, developers and construction supervisors) for other properties that might be competitive with the REIT.
<b>Tie-In-Business</b>	Affiliates may have businesses that sell different types of services (such as insurance and mortgage brokerage) to real estate developers and investment managers. In order to sell such services, the affiliate might offer favourable terms to the REIT.
<b>Self-Dealing</b>	The REIT enters into a transaction (acquisition, disposition, loan, joint venture) with an inside related party (advisor, trustee/director, affiliate) or a related party conducts business as a tenant in REIT property. Potential conflicts exist if the underlying transactions are not conducted at arm’s length and the REIT offers “sweetheart” terms and conditions for lease agreements.
<b>Captivity</b>	Post-offering transactions (acquisitions, dispositions, loans, joint ventures) between the REIT and its sponsors (and affiliates) occur on preferential terms that it could not obtain from other sources (“transaction bias”). As defined herein, the captivity scenario is a special case of self-dealing under the advisor administered REIT format.
<b>Tax Timing</b>	Due to the “built-in-gain” and debt pay-down federal tax liability for sponsors who contributed property to the REIT, agents of the REIT (including interested management and certain members of a board) may have different objectives regarding the appropriate pricing and timing of any sale or refinancing. That is, they may not have an incentive to sell or refinance properties contributed to the REIT, even though such a transaction might otherwise be financially advantageous for the REIT. In addition, the pay-down of debt may be less than what economic consideration would indicate as appropriate.
<b>Expense Preference Behaviour</b>	A generic agency problem in which employees or contractors have little incentive to control costs but, rather gain utility/additional compensation through the self-provision of “perks.”
<b>Malingering</b>	A generic agency problem, the flip side of expense preference behaviour, in which employees have little incentive to maximise performance.

Source: Sagalyn, 1996, ps. 36-37.

<sup>3</sup> Examples include indemnification provisions and the remedy provisions for breaches of representations and warranties.

<sup>4</sup> Minority ownership interests can accrue without equity investment through the granting of “founder shares” or the gifting or earning of shares at attractive prices (possibly prior to IPO). If these are considerable, there may be related hidden conflicts in lower advisor fees or contractual payment for services. The sponsor control situation occurs most frequently when a closely held entity seeks the benefits of going public without giving up control over investment decision making.

<sup>5</sup> Overcompensation is also a potential problem in REIT employment situations, particularly among executive compensation.

The typology in Table 2 was developed by reference to U.S. REITs and because of differences in corporate, tax and real estate law this typology was not directly transferable to the New Zealand context. However, it did provide a checklist that was used as a framework for this study's analysis of media reporting of agency problems within New Zealand LPV's

## Methodology

This analysis was aimed at determining the extent to which the news media recognise and are concerned with agency issues as they affect LPV's, and also to establish the relative importance of the types of agency problems identified.

Any coverage of agency issues in the news media is likely to occur in one of three ways. First, by journalists who have a level of financial expertise, such that they are able to review, interpret and analyse company prospectuses, press releases and financial data themselves. Second, via expert 'guest columns' and third, by journalists canvassing and reporting on the views of outside experts.

For this research, articles about LPV's were identified through the use of an on-line index system, Newzindex<sup>6</sup>, which sets out titles and abstracts of articles in the publications evaluated. The publications searched in the index were *The New Zealand Herald*; *The Dominion*; *The Press*; *The National Business Review* and *The Independent*.

**Table 3: Newzindex Articles by LPV and Media Source**

	Dominion	Independent	National Business Review	New Zealand Herald	The Press	Total
LPV A	10	2	8	15	8	43
LPV B	27	3	19	31	22	102
LPV C	4	3	4	12	6	29
LPV D	6	6	8	21	13	54
LPV E	56	23	53	94	49	275
LPV F	23	10	27	28	16	104
LPV G	10	5	16	28	17	76
LPV H	46	10	41	55	45	197
LPV I	27	9	21	38	44	139
Total	209	71	197	322	220	1,019

<sup>6</sup> Newzindex is New Zealand's most comprehensive reference list to the contents of major business newspapers, journals and magazines published in New Zealand. The Newzindex database contains more than 300,000 records covering 1985 to date and is updated daily. Newzindex has been produced since the early 1980's as a hard copy publication. It was made available on-line in mid - 1985 and has been considerably enhanced and developed since that time.

*The New Zealand Herald*, is the major Auckland daily, and is the most widely circulated daily in New Zealand. *The Dominion* is the major daily from Wellington, New Zealand's capital, and is widely distributed throughout New Zealand. *The Press* is the major Christchurch and South Island daily. *The National Business Review* and *The Independent*, are New Zealand's major business newspapers, both are published weekly.

The Newzindex search yielded 921 articles for the period January 1994 until December 1999 that referred either individually or collectively to the nine LPV's as a key element of the headline or sub-headline. Table 3 shows the breakdown by LPV and source. The number of articles on each company seems to be a function of company size and age. *The Herald* has been the most prolific reporter of listed company news accounting for 31.5% of all articles.

Newzindex however, is only a bibliographic database. It was necessary to utilise a companion database, Newztext, for the full text of articles in *The Dominion*, *The Press*, *The Independent* and *The National Business Review*. Newztext does not have access to articles published in *The New Zealand Herald* and coverage of *The Dominion* and *The Press*, only dates from January 1995 and June 1996 respectively.

Those articles that could not be obtained from Newztext were either obtained from an alternative source,<sup>7</sup> or not at all. Of the 921 abstracts extracted from the Newzindex database, complete articles were obtained for 685 or 74%.

It was decided to include in the study data from the 236 articles for which only an abstract was obtained for two reasons. First, they made up a little over a quarter of all the articles. Second, after reading those articles for which both an abstract and a full article was obtained, it became clear that the abstract gave a very concise and accurate summation of the full article.

The main method used to analyse the articles was a qualitative one. Initially all articles were categorised on the basis of their predominant theme into one of the eleven subject categories below:

*Sector comment*: returns across the property sector; market supply-demand balances; analyst's picks across the sector; market trends and initiatives (eg bulk retail); and city specific market commentary.

*LPV comment*: performance of a specific LPV; general comment on activities (not related to a specific announcement) of a LPV; and comment on LPV philosophy, strategy and direction.

*Capital raising* (not an IPO): announcement of a capital raising; market reaction to; response (take-up); placement/s; note rollover/conversion; and dividend re-investment.

*Initial public offering* (IPO): speculation of; planning towards; announcement of; analysis of; take-up; and initial trading.

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<sup>7</sup> It was possible to obtain access to newspaper clippings on listed property companies and trusts (dating back to late 1996) held in the Wellington office of stockbrokers Deutsche Securities New Zealand Ltd.

*Sale/purchase*: speculation of; intention to; announcement of, completion of; comment on property size, location, tenant, yield etc; and looking for acquisitions.

*Leasing*: new leasing; re-leasing; tenant jumping ship; and general news on the leasing market.

*Development*: speculation of; intention to; announcement of, completion of; comment on property size, location, tenant, yield etc; retail remix; retail expansion; green-fields development; and cinema development.

*Profit result*: profit preview; and detail of a profit announcement and comment on.

*Substantial security holder*: buying and selling of shares in LPV by major security holders.

*Merger*: need for merger; suggestion of merger; announcement of; analysis of and comment on merger; and result of unit holder voting on merger.

*Other*

If an article was considered to have agency problem content or refer to conflict of interest issues it was tagged. All tagged articles were then reviewed and categorised according to the Sagalyn typology outlined in Table 2.

## Results

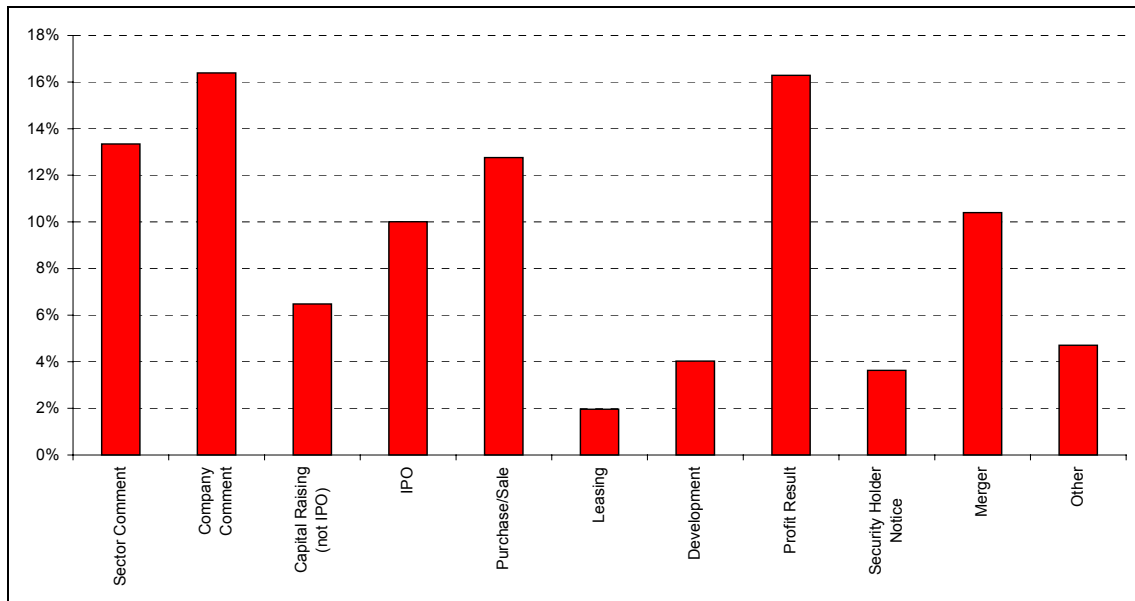
### Media Articles with a Listed Property Focus Categorised by Subject Content

Table 4 shows the articles identified by the Newzindex database categorised according to the predominant subject in each. Figure 1 shows the percentage breakdown by subject category.

**Table 4: Media Articles Categorised by Subject Content**

	Sector Comment	Company Comment	Capital Raising	IPO	Purchase Sale	Leasing	Develop -ment	Profit Result	Security Holder	Merger	Other	Total
LPV A	11	3	0	12	0	0	3	10	2	0	2	43
LPV B	12	27	2	16	7	1	0	14	0	20	3	102
LPV C	4	1	0	21	0	0	0	3	0	0	0	29
LPV D	12	14	0	16	0	9	0	0	0	0	3	54
LPV E	44	29	12	13	59	9	13	33	11	39	13	275
LPV F	13	16	17	5	11	0	0	16	1	24	1	104
LPV G	9	13	0	4	5	0	1	16	2	23	3	76
LPV H	16	34	13	15	31	1	7	56	14	0	10	197
LPV I	15	30	22	0	17	0	17	18	7	0	13	139
<b>Total</b>	136	167	66	102	130	20	41	166	37	106	48	1,019

**Figure 1: Media Articles Categorised by Subject Content**



Articles in which the predominant theme was a *profit announcement* and those making a specific *company comment* occurred most frequently, each accounting for approximately 16% of all news items. More general *property sector comment*, in which the listed vehicle in question figured prominently, accounted for about 13% of all articles as did articles on actual and proposed property *acquisitions and sales*.

Approximately 10.5% of all articles had a *merger*, proposed or actual, as their central theme. Articles speculating on, announcing, analysing and reviewing *initial public offerings* (IPO's) accounted for 10% of the articles. 6.5% of all articles *concerned equity raisings post the IPO*. Four themes each accounted for less than 5% of all articles. These were: articles with a *development* theme, either proposed, announced, speculated on or otherwise (4%), announcements of changes in holdings by key *security holders* (3.6%), articles with a *leasing* theme (2%) and *other un-categorised* themes (4.7%).

No great surprises were thrown up by these results. For example, anyone who closely follows LPV coverage in the print media appreciates the prominent place given to profit announcements. While in many respects such announcements provide very little 'meat' for investors, they do provide journalists with a ready-made story.

It appears that one of the on-going difficulties for those providing press coverage of the listed property sector, is the lack of regular, meaningful news. Consequently many articles seem to be not much more than rewrites of company media releases and/or stock exchange announcements. As a result the vast majority of articles on the listed property



sector reviewed for this study were of a “soft” type. That is, reporting news from other sources, primarily the LPV’s, as opposed to independent analysis or “hard” articles.

This is not a criticism of the media or journalists. It is likely that a similar pattern of ‘soft’ and ‘hard’ coverage would result regardless of the sector considered. A number of factors probably account for this. Chief among them would be limited resources, along with the need, particularly in the case of daily newspapers to provide the consumer with a certain number of ‘news’ items per paper. Soft news items are clearly easier to write than hard ones. As a result it is the weeklies such as the National Business Review and The Independent that are able to have a more ‘hard’ news focus.

### Media Articles with an Agency Problem Theme

In all 61 articles were identified as having an agency problem content or refer to conflicts of interest (6% of the 1,019 as shown in Table 4). These articles were then reviewed and each was categorised according to the Sagalyn typology (see Table 5). Note that there are 67 individual problems detailed in Table 5, when only 61 agency problem articles were identified. This is because a number of articles refer to more than one type of problem.

**Table 5: Agency Problem Articles by Listed Vehicle and Media Source**

	Dominion	Independent	National Business Review	New Zealand Herald	The Press	Total
LPV A	-	-	-	2	-	2
LPV B		-	-	1	2	4
LPV C	1	-	1	4	1	7
LPV D	-	-	-	-	1	1
LPV E	2	2	2	3	1	10
LPV F	-	2	3	3	-	8
LPV G	1	1	2	4	1	9
LPV H	2	2	4	4	1	13
LPV I	2	3	-	2	-	7
<b>Total</b>	9	10	12	23	7	61

Clearly, 6% of all articles is not a lot. An initial reaction might be that for the New Zealand media, agency problems do not loom large. However, the majority of the 1,019 articles analysed for this study can be categorised as ‘soft’ news. That is, reporting on company profit announcements, media releases etc. However, if only ‘hard’ news articles were considered the articles with an agency problem theme would make up a far greater proportion.

How often a particular LPV was the focus of an article with an agency problem theme seemed to depend upon two factors. First, the length of time since the LPV first listed and second, whether or not the LPV had altered the basis of manager compensation.

*The New Zealand Herald* (38%) has been the newspaper most often including articles with an agency problem theme. *The National Business Review* article accounted for 20% and *The Independent* for 16%.

## Agency Problems Identified in the Popular Press

Table 6 shows the sixty seven agency problem focused articles categorised according to Sagalyn's typology.

Sagalyn's typology identified twelve specific problem types, and six of these were identified as clearly applying in a separate analysis of prospectuses of LPV's in New Zealand. However, only three of these agency problems were the subject of comment by the news media in New Zealand during the study period. They were *over compensation* conflicts, *self-dealing* conflicts and *sponsor control* conflicts.

**Table 6: Media Review: Presence of Agency Problem Types**

	Aleg <sup>8</sup>	Sponsor Control	Out. Part <sup>9</sup>	Over Comp	Res. All <sup>10</sup>	Comp. Aff <sup>11</sup>	Tie In Bus	Self Deal	Capt <sup>12</sup>	Tax Timing	Expense Pref.	Malng <sup>13</sup>	Total
LPV A	-	-	-	-	-	-	-	2	-	-	-	-	2
LPV B	-	-	-	4	-	-	-	-	-	-	-	-	4
LPV C	-	3	-	-	-	-	-	7	-	-	-	-	10
LPV D	-	-	-	-	-	-	-	1	-	-	-	-	1
LPV E	-	-	-	10	-	-	-	-	-	-	-	-	10
LPV F	-	1	-	8	-	-	-	-	-	-	-	-	9
LPV G	-	4	-	7	-	-	-	-	-	-	-	-	11
LPV H	-	-	-	10	-	-	-	3	-	-	-	-	13
LPV I	-	-	-	4	-	-	-	3	-	-	-	-	7
<b>Total</b>	0	8	0	43	0	0	0	16	0	0	0	0	67

The agency issue of greatest concern to the media has been that centred on compensation issues, their basis and quantum. Of the sixty-seven agency problem themes identified forty-three or 64% had *over-compensation* as the problem type. Self-dealing conflicts accounted for 24% and sponsor control issues for the remaining 12%.

The factor that was most important in determining how often a particular LPV was the focus of an article with an agency theme, was whether or not the LPV had altered the basis of its manager compensation.

<sup>8</sup> Allegiance

<sup>9</sup> Outside Partners

<sup>10</sup> Resource Allocation

<sup>11</sup> Competitive Affiliates

<sup>12</sup> Captivity

<sup>13</sup> Malingering

The remainder of this paper will look more closely at the three conflict types above and the manner in which they were raised and reported in the media.

### ***I. Sponsor Control***

Only eight of the sixty-seven agency conflicts focused on the issue of sponsor control. The small number makes it difficult to draw anything but the most general conclusions, however a number of identifiable themes did emerge.

First, was a concern that the entities sponsoring LPV's were able to maintain effective control of the LPV's while holding less than a majority of units on issue. The reality is that it is just not in LPV's where sponsor management has control through significant minority ownership where problems can arise. The control issue is far more endemic than that and really relates to management control per se.

### ***II. Over Compensation***

Of the forty-three agency conflicts that had *over-compensation* issues as their key theme, none referred to or suggested that management contracts had not been negotiated at arms' length. Rather, the focus of the *over-compensation* articles was wholly on management fee structure. Two main types of article predominated. First, were those which make general comments, criticisms and observations about the appropriateness or otherwise of a fee structure tied to some percentage of gross invested assets (42% of articles). Second, were those articles that reported management or the LPV's rationale for making changes to the management fee structure (58% of articles).

Looking at the first type of article, a general theme that ran through many was that a management fee structure tied to some percentage of gross invested assets was quite simply flawed.

The managers of LPV's were very much aware of this criticism levelled at them and while management generally acknowledged the potential for conflict, it was often stated as being an issue that had not impacted their decision-making. However, rival LPV's sometimes saw it slightly differently and commented accordingly.

The other key issue coming through the media was the actual level of fees. This criticism was most often directed at LPV's whose management fee had both a gross asset component, but also a bonus component tied to the annual increase in assets.

### **III. Self-Dealing**

It is at the time when the listed vehicle is first floated that the opportunity for *self-dealing* conflict is greatest. This often revolves around the values at which the properties of the sponsoring entity are transferred into the listing vehicle.

Sixteen of the sixty-seven agency conflicts centred on the issue of *self-dealing*. As was the case with *sponsor control*, the small number makes it difficult to draw any broad conclusions. However, a number of identifiable themes did emerge.

First off, was the concern that LPV sponsors used LPV's, primarily as exit vehicles. Coupled with this was concern over the price at which the sponsor properties were to be sold into the float. The price generally determined by valuation rather than by an arms length sales transaction.

However, valuations are not always the main issue, another concern was the retention or acquisition of management or development contracts that may not be in the best interests of the LPV's shareholders. Instances were also highlighted where the managers of LPV's were companies owned by companies that also had interests in the management of some of the LPV's tenants.

## **Conclusions**

This research was a response to the perception that, for a variety of reasons, the general news media in New Zealand did not analyse the listed property sector to any great depth.

This perception was confirmed in that the vast majority of articles on listed property vehicles amounting to largely a rewrite of the vehicles own press releases.

The 6% of media reports (out of a total of 1019) that contained significant independent comment or analysis and thus could be categorised as "hard" stories were generally found in only newspapers

Within these "hard" stories recognition of agency issues or conflicts of interest was a reasonably common theme. However, the depth of analysis was relatively shallow with only three of the twelve categories of agency problems defined by Sagalan identified by the news media. These were *sponsor control* conflicts, *over compensation* conflicts and *self-dealing* conflicts.

Of the remaining nine categories not all may be prevalent in New Zealand LPV's but an analyses of prospectuses revealed at least three more do exist and others are likely.

The agency issue, which was of greatest interest to the media, was the compensation issue. Of the sixty-seven agency themes identified forty-three or 64% had *over-compensation* as the conflict type. Self-dealing conflicts accounted for 24% and sponsor control issues for the remaining 12%.

The dominance, *over-compensation* as the agency issue of most concern is not surprising, as it has been at the forefront of concern surrounding LPV's since the early 1990s. Early in the period investors were seemingly prepared to accept the structure and quantum of LPV management fees, if only because property was seen to be becoming 'hot' again and options were limited. However, as property has failed to perform and as the realisation has grown that it has been LPV managers not the investors who have done best out of it during the 1990s disquiet has grown.

Other agency issues have come in for little attention or been overlooked completely. This may be due to the relatively small size of the investment markets in New Zealand coupled with the relatively poor remuneration of journalists, which may limit the extent to which 'in-house' business experts are likely to be developed and retained in the industry.

An extension to this research would be to survey brokers, analysts and fund managers for their opinions on agency problems within LPV's in New Zealand. However, although their candid views would be of great value, they may have agency problems themselves in discussing LPV's with which they have professional and business relationships.

Another avenue of research is to investigate which, if any, of the various mechanisms available to mitigate agency problems and have been employed by the listed property sector in New Zealand.

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