Question and Answer

Operator

First question comes from the line of Jason Lindsay of First New Zealand Capital.

Jason Lindsay
Jarden Limited, Research Division

John, just a couple of questions from me. Do you intend to continue with the underwritten DRP?

John Dakin

A good question. Look, I think it's very much on a case-by-case basis. I think it's a toll that's worked pretty well for us in terms of the -- on 2 fronts, the cost of that capital and also the application towards the development funding in terms of time. But it's a case-by-case basis. We do think that the market for selling assets is going to be more positive this year than it was last year. So our expectation is that we'll be advancing that program as well.

Jason Lindsay
Jarden Limited, Research Division

Okay, and you commented -- or sorry in the presentation that you've got -- your portfolio is about 2.5% over-rented. I guess, unless -- if you look at the various forecasts, you've got some reasonably bullish forecasts for office and industrial, you know, over the next 2 or 3 years. What rental growth would you expect, contract rental growth would you expect in FY12 on a like-for-like basis?

John Dakin

I think -- look, I'll get Murray to comment on that.

Murray Barclay
Former Project Director of Highbrook Development Limited New Zealand

I think for the next 12 months, the rental growth will probably be fairly much restricted to leases where we have -- we have contracted growth in the leases, either CPI or fixed. And I think looking at the portfolio also, it's a little bit mixed in terms of -- there's obviously the over-rentedness, sort of relates to sort of around and around the airport area. So the airport, obviously, very competitive at the moment in leasing and rentals and things on the industrial side. But then if you look across at Highbrook then actually in the portfolio, we have some under-rentedness. So it's a bit of a mix statement will you?

Jason Lindsay
Jarden Limited, Research Division

And so do you mind just refreshing my memory, what portion of the portfolio would be subject to fixed or CPI type review?

John Dakin

About a third -- a third affects deferred CPI in those said market adjustment.

Jason Lindsay
Jarden Limited, Research Division

Excellent. And sorry, just one other one for Murray, I'm talking about insurance cost going up 60%. What are insurance cost of dollar terms pre that increase?

Murray Barclay
Former Project Director of Highbrook Development Limited New Zealand

It was basically gone from sort of 1.1 to 2.2 overall. So that's all a bit, say, everything considered.

Operator

Your next question comes from the line of Jeremy Simpson of Forsyth Barr.

Jeremy Andrew Simpson
Forsyth Barr Group Ltd., Research Division

With that sort of flat rental outlook, what are your expectations for revaluations over the next 12 months? I mean, I guess you hold out the Mercedes building as evidence. You think a little bit of cap rates but straight on the market rings?

John Dakin

Yes, I think the rental growth is going to be tough. And I think that there shouldn't be no surprise because we've had an economic environment that's had little or no growth for a couple of years. Certainly, I think Murray's comment was right and that we'll continue to see some divergence between the prime assets and the secondary assets. But expectation would be, if you're going to see value upside, it's more a firming of cap rates. And clearly, there's investors out there that are looking at what they can get from any sort of fixed term deposits and comparing it to high quality real estate and seeing that that's a pretty good bet.

Jeremy Andrew Simpson
Forsyth Barr Group Ltd., Research Division

And high quality high pie [ph] yields as well? No doubt.

John Dakin

Yes, definitely.

Jeremy Andrew Simpson
Forsyth Barr Group Ltd., Research Division

And just lastly on the development front, you've mentioned -- well, looking at the recent transactions in the pipeline, they're quite small ticket items, if you know I mean? They're quite small little developments. When do you think -- or what sort of level of interest, some of the larger developments, when we'll be likely to see some of those start to come through again?

John Dakin

Well, I think some of the facilities we have done, like for K-Mart or Ingram Micro are being pretty significant. Some of the other ones, obviously, the Downers and Plytech are pretty small. But our expectations are that we'll see some larger scale. We're having developments coming through in the next while, and we're certainly seeing the inquiry picking up from those types of users.

Operator

The next question comes from the line of Buffy Gill from Goldman Sachs.

Buffy Gill
Goldman Sachs JBWere Pty Ltd, Research Division

Just one question from me. You discussed just the range you gave current tax expectations next year, being between 6% and 12%, is quite a wide range. Can you just give some guidance on why that range is quite wide? And is it perhaps because one end incorporates potential callback of depreciation in the event of asset sold?

Andrew Jonathan Eakin
Chief Financial Officer

No, we haven't forecast anything around to our market depreciation. It's higher -- the first instance is actually higher, simply because of the depreciation going from the buildings. And in terms of being able to give some good guidance this far out in the year, it's difficult because it's very dependent on the number of leasing activity. The greater the number of leasing activity, then quite a significant impact on the tax charge for the year. At this stage, we've guided reasonably broadly at between 6% and 12%. But we expect, as we move through the year, that we'll be able to firm that up a little.

Operator

There are no further questions at this time. Mr. John Dakin, please continue.

John Dakin

Well, look, that draws us to a close in terms of the formal presentation. Management are available for one of more meetings with investors and analysts, and look forward to talking to you all. Thanks very much.