

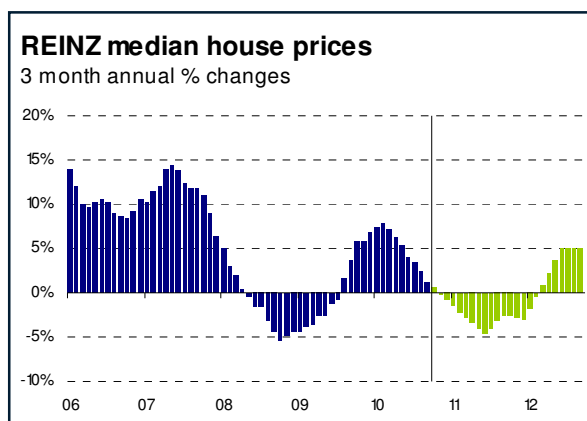
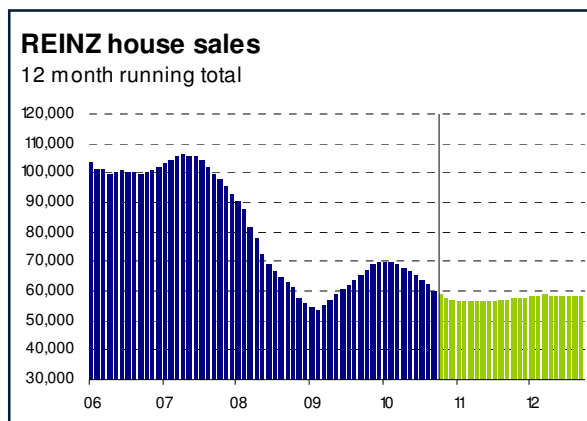


	New Zealand		Auckland	
	Aug 2010	Annual % ch <sup>(1)</sup>	Aug 2010	Annual % ch <sup>(1)</sup>
<b>Number of house sales</b>	4,287	-26.0%	1,487	-24.3%
<b>Median house price</b>	350,000	2.4%	445,000	1.1%
<b>New dwelling consents<sup>(2)</sup></b>	1,229	16.1%	321	45.6%
<b>Apartment consents</b>	36	35.8%	0	40.8%
<b>Non-residential building (\$m)</b>	296	-23.1%	123	-7.9%

<sup>(1)</sup> Average last three months compared to same months previous year <sup>(2)</sup> Including apartment and non-apartment consents  
 Data sources: Real Estate Institute of New Zealand, Statistics New Zealand

## Overview

The New Zealand economy finally produced some good news this month, with September quarter unemployment falling to 6.4%. However, this one bright light is not enough to make up for the raft of negative economic indicators in recent months. House sales and consents have dropped precipitously, economic growth has been weaker than expected, and the recovery in a number of other developed economies has stalled. Overall we still expect the New Zealand economy to crawl out of its current hole, but the weakness in recent data will be sufficient to prevent the Reserve Bank lifting the official cash rate again until March 2011.



## House sales

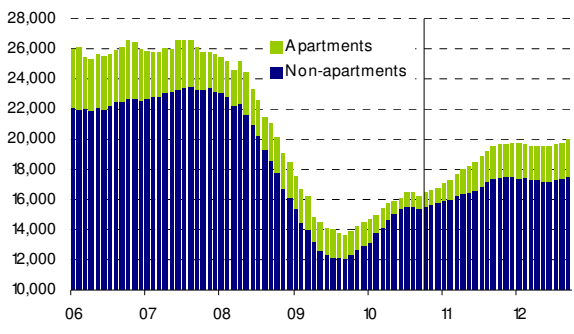
- In the September quarter, house sales dropped 29% from a year earlier – the sharpest decline since January 2009.
- With economic uncertainty elevated, and recent tax changes reducing the attractiveness of property investment, activity in the housing market has retreated.
- With vendors unwilling to sell property for a nominal capital loss and buyers unwilling to pay inflated prices, turnover in the housing market will remain low during the next two years.

## House prices

- According to the REINZ’s stratified house price index, average house prices in September were down 5.5% from their July 2007 peak (seasonally adjusted).
- Quotable Value’s quality-adjusted house price index has also continued to decline, and is 5.3% below its October 2007 peak.
- House prices are expected to soften further over the next year, as the market responds to recent tax changes.

## Dwelling consents

12 month running total

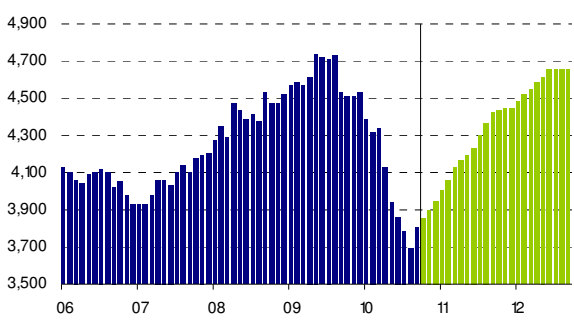


## Dwelling consents

- Non-apartment dwelling consents slumped 16% from June in the September quarter (seasonally adjusted).
- Falling activity in the housing market, tight credit conditions, and uncertainty regarding the economic outlook have taken their toll on residential building.
- Even with rebuilding following the Canterbury earthquake boosting near term activity, tight credit conditions and a stagnant housing market will keep non-apartment building consents historically low.

## Value of non-residential consents

12 month running total, \$m

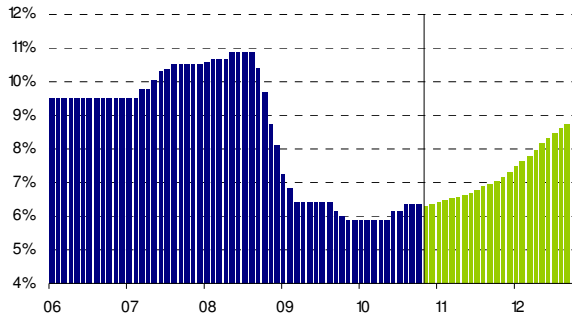


## Non-residential building

- In the September year, the value of non-residential consents declined 16% from a year earlier.
- Only three of the non-residential building types recorded an increase in activity during this period: hospitals and nursing homes (up 96% from a year earlier), shops, restaurants and taverns (up 4.0%), and education buildings (up 0.8%).
- With the New Zealand economy recovering, the value of non-residential building is expected to rise through the next two years. However, tight credit conditions and concerns around profitability will keep building activity low.

## Floating mortgage rates

% per annum

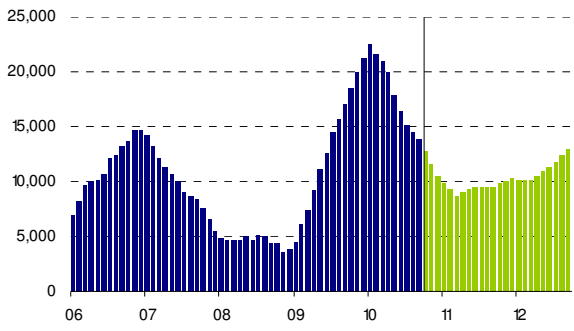


## Interest rates

- Floating and fixed mortgage rates were largely unchanged over the past month.
- The outlook for interest rates has softened in recent weeks, as it has become increasingly likely that the US Fed and Bank of Japan are going to push measures to drive down global interest rates.
- The Reserve Bank is expected to leave the official cash rate at 3% until March 2011. Uncertainty regarding the strength of the domestic recovery and the outlook for global growth will be behind this caution from the Bank.

## Net migration

12 month running total



## Net migration

- The annual net migration inflow shrank to 13,914 people in September.
- Annual permanent departures from New Zealand have climbed to 68,498 people in September – the highest number leaving since September 2009. Even so, departures remain 18% below their November 2008 peak.
- With the New Zealand labour market remaining soft relative to Australia we expect departures to continue rising, driving net migration below 10,000pa by the first quarter of 2011.