

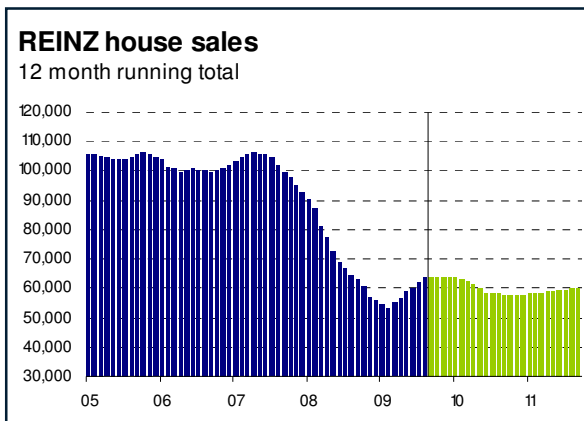


	New Zealand		Auckland	
	Aug 2009	Annual % ch ⁽¹⁾	Aug 2009	Annual % ch ⁽¹⁾
Number of house sales	5,878	37.8%	2,067	44.9%
Median house price	346,750	1.7%	450,000	3.6%
New dwelling consents⁽²⁾	1,195	-15.3%	216	-27.2%
Apartment consents	30	-35.5%	0	-54.2%
Non-residential building (\$m)	384	-1.4%	97	-16.0%

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

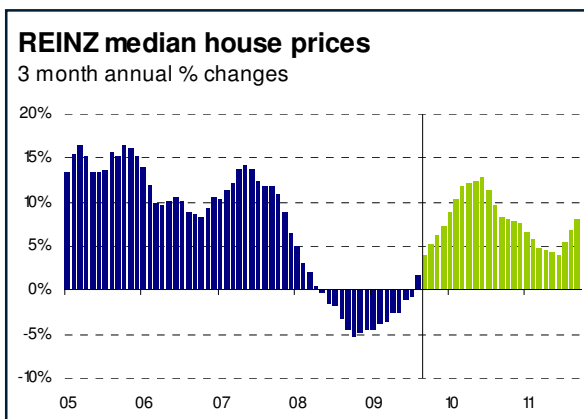
Overview

The outlook for the New Zealand economy continued to improve in September. It has now been confirmed that the recession ended in June, with economic activity rising 0.1% on March (seasonally adjusted). Furthermore, both business and consumer confidence have rebounded sharply in recent months. On the global front, activity has continued to expand with manufacturing levels rising in China, Japan, and the US. However, even with an improving outlook for the New Zealand economy, any recovery in activity is still likely to be tepid in the near term. As a result, the Reserve Bank is still unlikely to lift the official cash rate from its current low level until at least April 2010.



House sales

- House sales in the three months to August rose 38% from a year earlier.
- The sharpest increases in house sales occurred in Manawatu/Wanganui (up 46% from August 2008) and Auckland (up 44%).
- A dearth of new listings and a low build rate will ensure that house sales do not rise much further in the coming months.

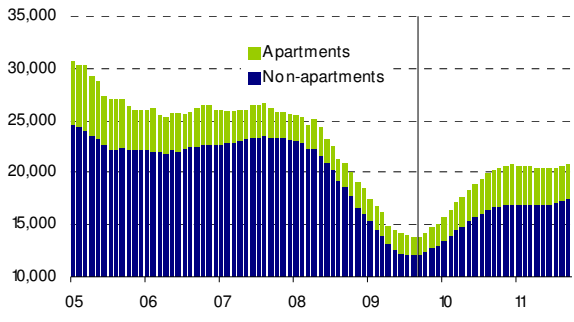


House prices

- According to the REINZ's new stratified house price index, house prices in August rose 2.6% on a year earlier.
- Figures from Quotable Value indicate that quality-adjusted house prices for the three months to August declined 2.8% from August 2008 – the smallest decline since July 2008.
- With the supply of properties on the market remaining highly constrained, we expect house prices to recover sharply over the next year.

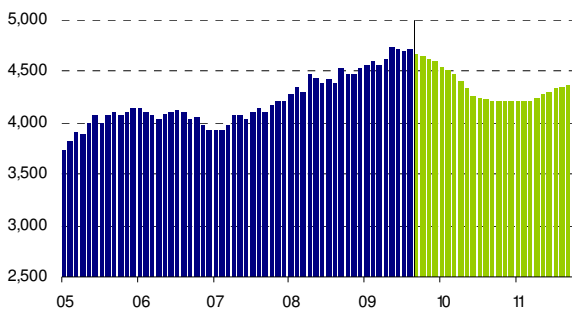
Dwelling consents

12 month running total



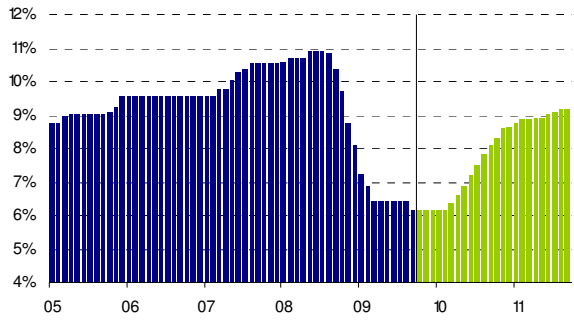
Value of non-residential consents

12 month running total, \$m



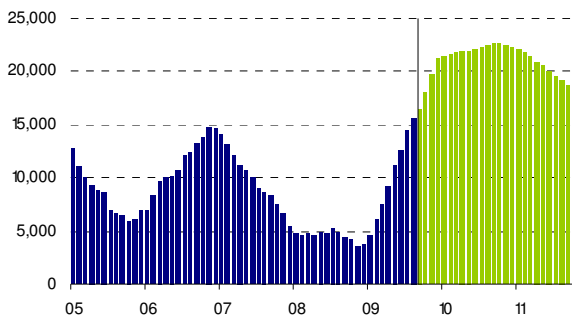
Floating mortgage rates

% per annum



Net migration

12 month running total



Dwelling consents

- The number of non-apartment dwelling consents in August rose 2.9% on July (seasonally adjusted) to its highest level since September 2008. However, consent numbers remain at a historically low level.
- In the three months to August, consent numbers were down 14% from a year earlier. Five of New Zealand's 16 regions recorded an increase in consent numbers – with the largest lift recorded in Marlborough (up 10% from a year earlier).
- Although consent numbers are recovering, financing issues in the industry will keep the build rate low over the next two years.

Non-residential building

- The value of non-residential building for the three months to August fell 1.3% from a year earlier. When large consents (exceeding \$25m) are removed, underlying activity was down 12% from August 2008.
- Private sector activity has continued to fall and is now down 27% from a year earlier.
- The base of non-residential building activity is falling quickly as the recession has hit the commercial and industrial property markets and reduced firms' willingness to invest. Non-residential building activity will weaken over the coming year.

Interest rates

- Floating mortgage rates declined in September, down over 30 basis points. An increase in demand for fixed rate mortgages has been behind the drop in floating rates, as banks have tried to attract people back to shorter-term rates.
- However, fixed mortgage rates have continued to increase. The market is beginning to believe that the RBNZ will lift the official cash rate sooner than the Bank is publicly stating.
- With the New Zealand economy still appearing fragile, we do not expect the Reserve Bank to lift the OCR until April 2010 at the earliest.

Net migration

- Annual net migration rose to 15,642 in August as permanent departure numbers continued to decline.
- Permanent departures to Australia in the three months to August fell by 44% from a year earlier – the sharpest decline since March 2002.
- Although we expect arrival numbers to decline, as New Zealand's labour market remains weak, net migration is still expected to rise to about 20,000pa by the end of 2009.