

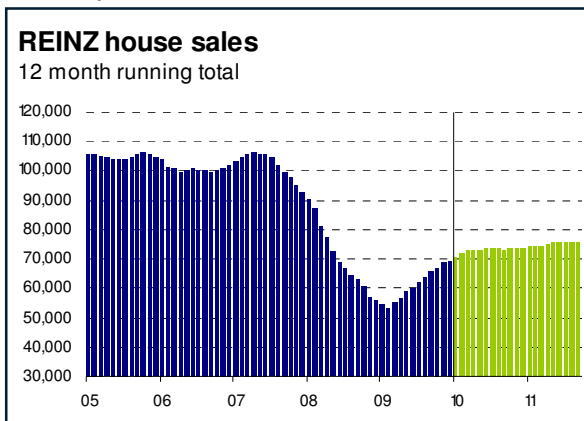


	New Zealand		Auckland	
	Dec 2009	Annual % ch <sup>(1)</sup>	Dec 2009	Annual % ch <sup>(1)</sup>
<b>Number of house sales</b>	4,957	31.1%	1,646	45.9%
<b>Median house price</b>	360,000	6.9%	470,000	7.5%
<b>New dwelling consents<sup>(2)</sup></b>	1,353	23.3%	313	22.5%
<b>Apartment consents</b>	93	-18.5%	44	-2.7%
<b>Non-residential building (\$m)</b>	404	-0.6%	140	4.5%

*(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*

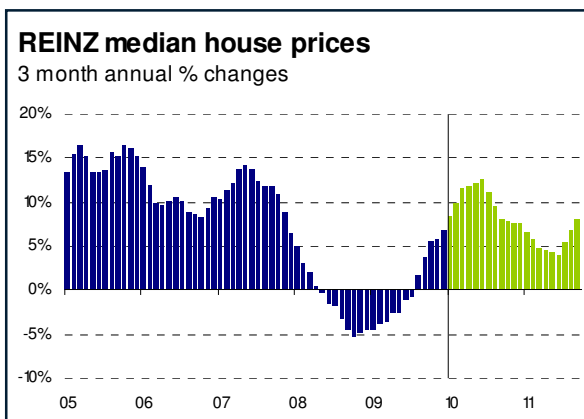
## Overview

Recent events have indicated that the road to economic salvation is far from smooth with concerns regarding the strength of the global recovery coming to the fore during January. Furthermore, with the unemployment rate shooting up to 7.3% in December and economic activity in September still extremely depressed, it appears that the domestic economy is in a softer position than many analysts anticipated. As a result, the Reserve Bank is now expected to hold off on any increase in the official cash rate until June 2010. Even so, recovering commodity prices and rising consumer confidence will see the New Zealand economy pick up momentum during 2010 – forcing the Bank to lift rates quickly over the second half of the year.



### House sales

- House sales in the December quarter rose 31% on a year earlier.
- The most rapid increase in house sales occurred in Auckland, with sales volumes 46% higher than in the December 2008 quarter.
- Vendors appear unwilling to list property at current prices. In conjunction with rising interest rates and a lack of building activity, the low level of listings will ensure that further growth in house sales volumes over 2010 is limited.

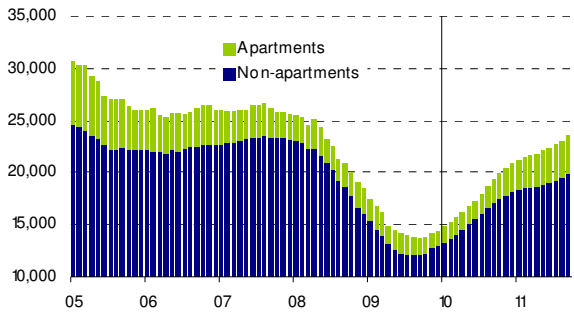


### House prices

- According to REINZ's stratified house price index, house prices in December rose 6.4% on a year earlier.
- Figures from Quotable Value indicate that quality-adjusted house prices in the three months to January rose 4.4% from a year earlier. This was the steepest increase since April 2008.
- A deficit of new building activity and fresh listings will maintain upward pressure on house prices during 2010.

## Dwelling consents

12 month running total

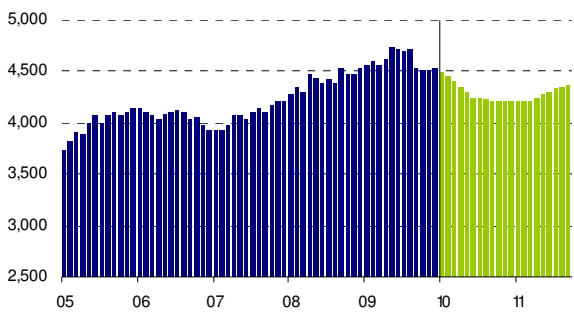


## Dwelling consents

- Non-apartment dwelling consents in the December quarter were 27% higher than in December 2008.
- The rebound in building activity was significantly weaker in the Waikato region, with consents only 8.3% higher than in the December 2008 quarter.
- With house prices recovering and credit availability gradually improving, we would expect to see further growth in residential building activity during the next 18 months.

## Value of non-residential consents

12 month running total, \$m

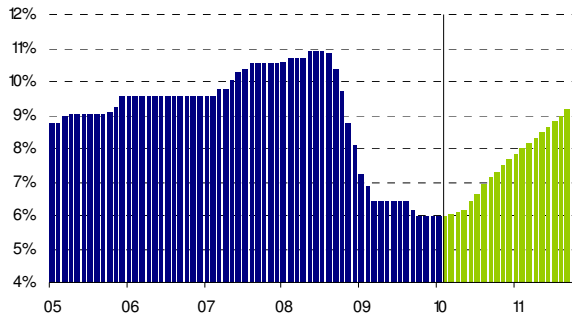


## Non-residential building

- In December, the value of non-residential building consents rebounded to its highest level since May (seasonally adjusted). However, during the December quarter the value of activity was still down 0.6% from a year earlier.
- Canterbury and Waikato recorded much sharper declines in building activity, down 35% and 15% respectively.
- Low profitability and continuing difficulties obtaining credit for large projects will ensure that non-residential building activity declines during 2010.

## Floating mortgage rates

% per annum

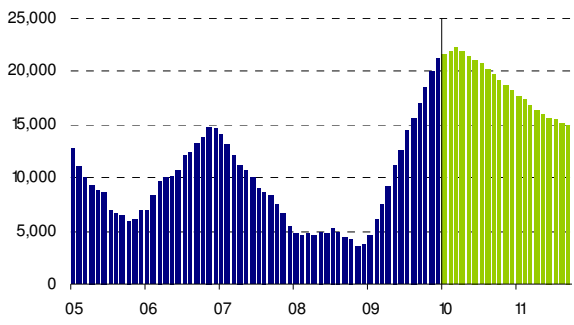


## Interest rates

- Floating mortgage rates remained at a historically low level in January, averaging 6%pa.
- However, 1-2 year fixed mortgage rates continued to climb as banks have been forced to compete for funding at this maturity.
- A worse-than-expected December quarter for the New Zealand labour market will help postpone any lift in the official cash rate by the Reserve Bank until June 2010.

## Net migration

12 month running total



## Net migration

- Annual net migration climbed to 21,253 in December, its highest level since June 2004.
- A sharp drop in permanent departures during the global recession was the primary driver of the increase in net migration. Annual departures fell to their lowest level since November 2004 in December.
- With the New Zealand labour market remaining weak, departure levels are expected to pick up. As a result, net migration inflows will peak during the first quarter of 2010, before gradually declining to 15,000pa in late 2011.