

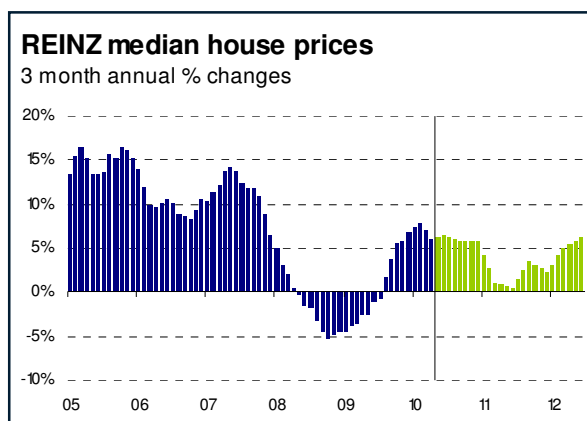
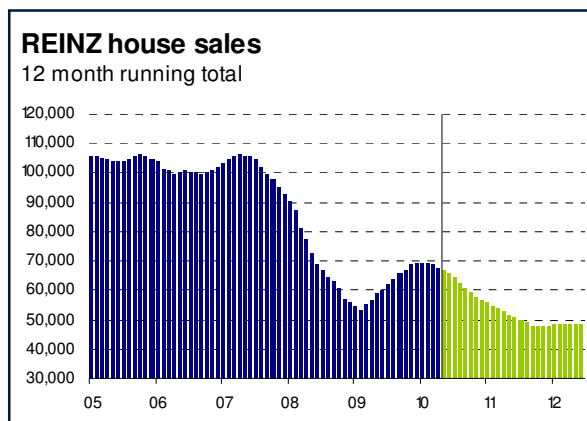


	New Zealand		Auckland	
	Apr 2010	Annual % ch ⁽¹⁾	Apr 2010	Annual % ch ⁽¹⁾
Number of house sales	5,207	-9.6%	1,768	-5.6%
Median house price	356,000	6.1%	470,000	8.3%
New dwelling consents⁽²⁾	1,400	35.4%	306	12.1%
Apartment consents	91	-63.9%	21	-77.9%
Non-residential building (\$m)	327	-20.6%	82	-16.6%

⁽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 sovereign debt crisis in Southern Europe has continued to bubble on, making foreign investors more cautious about risk than usual. Combined with concerns regarding the sustainability of growth in China and the recovery of the labour market in the United States, the general outlook for the global economy has softened. However, global jitters have not been enough to derail confidence in the New Zealand economy. Business and consumer confidence remain elevated, while record high commodity prices are providing a much-needed boost to rural incomes. Overall, we expect the positive domestic outlook to convince the Reserve Bank to lift rates by at least 100 basis points during the second half of 2010.



House sales

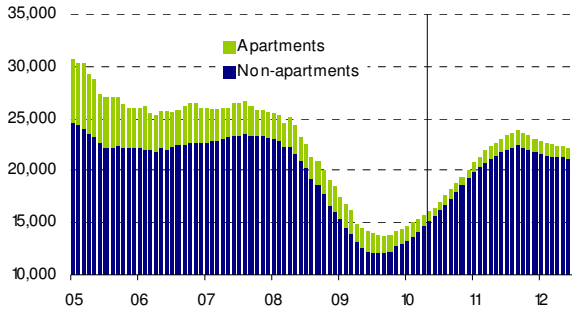
- In the three months to April, house sales dropped 9.6% from a year earlier, the sharpest annual decline since February 2009.
- Sales activity fell in all 11 of New Zealand's regions, with the steepest declines recorded in Manawatu/Wanganui (down 23% from a year earlier) and Canterbury/Westland (down 16%).
- Rising interest rates and changes to the tax treatment of housing will reduce investor demand for property, leading to a decline in house sales volumes.

House prices

- The REINZ's stratified house price index rose 6.2% from a year earlier in April.
- During the three months to April, Quotable Value's quality adjusted house price index rose 6.1% from a year earlier – unchanged from March.
- With recent tax changes reducing the underlying value of property, we expect to see house price growth soften during the next year.

Dwelling consents

12 month running total

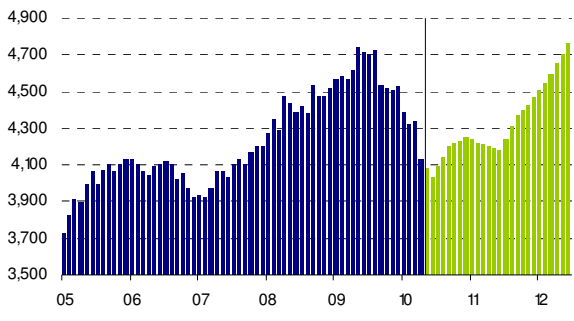


Dwelling consents

- In April, monthly non-apartment building activity rebounded to its highest level in two years (seasonally adjusted).
- Nationally, building activity in the three months to April rose 54% from a year earlier. The most substantial increase was recorded in Nelson, rising 97%.
- Restrictive credit conditions and uncertainty regarding the impact of tax changes in the property industry will ensure that any further recovery in consent values is slow.

Value of non-residential consents

12 month running total, \$m

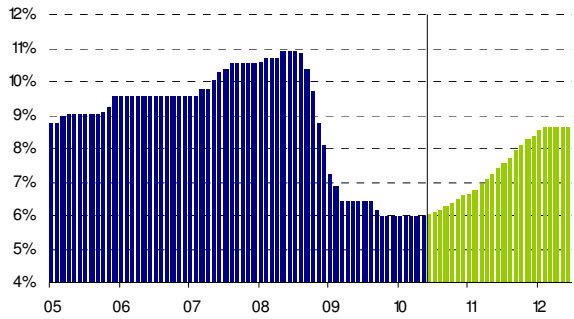


Non-residential building

- In the three months to April, the value of non-residential building activity dropped 21% from a year earlier.
- Both private and public building activity fell during this period, down 27% and 4.4% respectively.
- Tight credit conditions (especially for large-scale projects), combined with spare capacity in many parts of the economy, will ensure that non-residential building activity remains low well into 2011.

Floating mortgage rates

% per annum

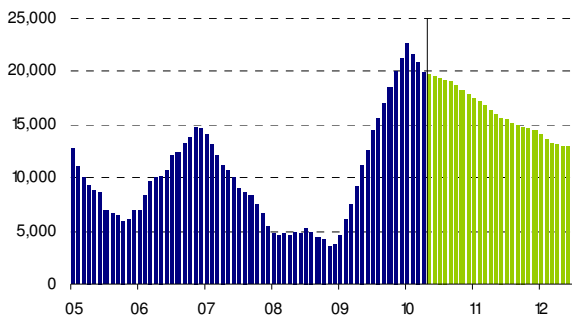


Interest rates

- Floating mortgage rates have remained unchanged at historically low levels in recent months.
- One to three-year fixed mortgage rates increased slightly in May, rising by around 5 basis points.
- The gradual improvement in the New Zealand economy will allow the Reserve Bank to lift the official cash rate by 25 basis points in June, followed by further rate increases over the next 12 months. This will lead to a sharp rise in floating mortgage rates – to over 8% by the second half of 2011.

Net migration

12 month running total



Net migration

- Annual net migration declined to 19,954 people in April, its lowest level since October 2009.
- Departure levels have begun to increase as the outlook for global labour markets has improved.
- With the Australian labour market expected to outperform New Zealand's over the coming year, we anticipate further increases in permanent departures. This trend will see net migration inflows decline through until at least 2012.