

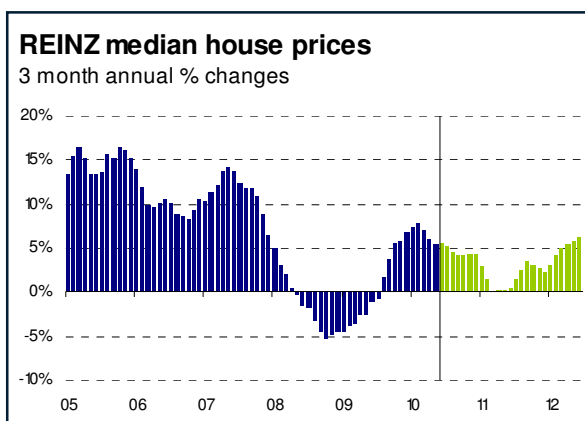
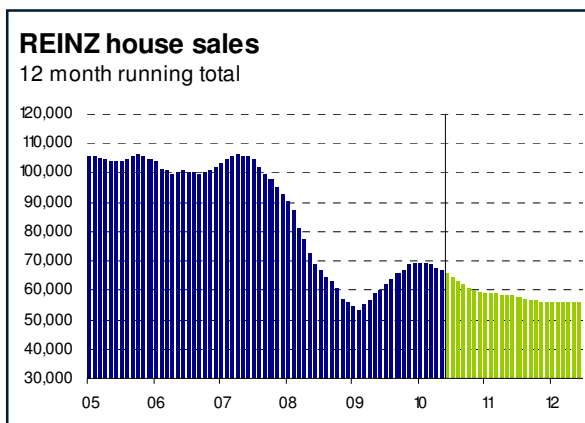


	New Zealand		Auckland	
	May 2010	Annual % ch ⁽¹⁾	May 2010	Annual % ch ⁽¹⁾
Number of house sales	5,206	-13.7%	1,887	-8.5%
Median house price	350,000	5.3%	455,000	6.1%
New dwelling consents⁽²⁾	1,360	27.7%	321	-9.2%
Apartment consents	27	-66.6%	0	-90.3%
Non-residential building (\$m)	289	-28.4%	95	-30.3%

⁽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 domestic recovery has continued to run into major road blocks over the past month. Uncertainty regarding the sustainability of the international recovery continued to take its toll on financial markets, and has finally translated into some slight weakening in commodity prices. The NZIER's Quarterly Survey of Business Opinion was softer than expected – suggesting that activity in the New Zealand economy is still weak. Even so, there are sufficient signs of recovery for the Reserve Bank to continue lifting interest rates. Inflation expectations have been rising, business and consumer confidence remain historically elevated, and commodity prices are still at a high level.



House sales

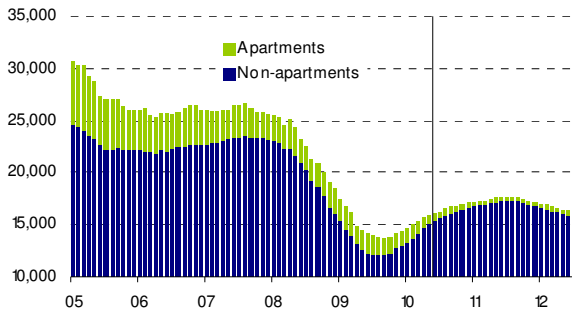
- In the three months to May, house sales declined 14% from a year earlier.
- Sales activity again declined in all 11 of New Zealand's regions. The sharpest drops were recorded in Hawke's Bay (down 24% from a year earlier) and Manawatu/Wanganui (down 23%).
- Rising interest rates and changes to the tax treatment of property will reduce activity in the housing market during the next two years.

House prices

- The REINZ's stratified house price index rose 2.3% from a year earlier in May, the weakest annual rate of growth since July 2009.
- During the June quarter, Quotable Value's quality-adjusted house price index rose 5.2% from a year earlier – the slowest rate of increase since January.
- House price growth will continue to slow as changes to the tax treatment of housing take their toll.

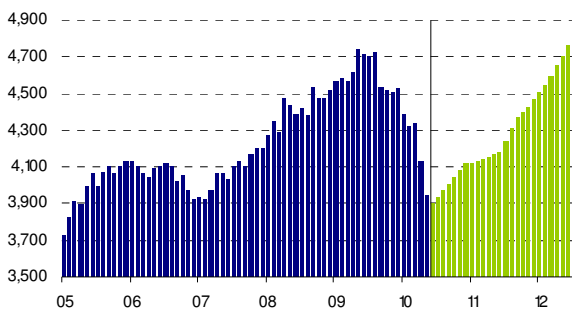
Dwelling consents

12 month running total



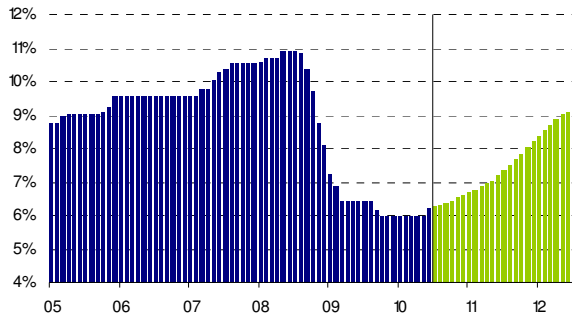
Value of non-residential consents

12 month running total, \$m



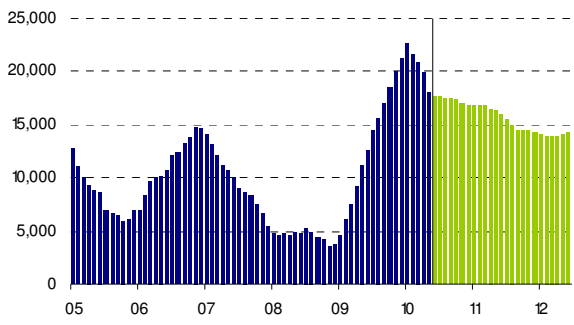
Floating mortgage rates

% per annum



Net migration

12 month running total



Dwelling consents

- In May, residential building activity gave up its recent gains, with monthly non-apartment consent numbers falling 9.5% from April (seasonally adjusted).
- Nationally, activity in the three months to May was up 47% from a year earlier. On a regional basis the largest increase was recorded in Gisborne, with activity up 88% from May 2009.
- Tight credit conditions, weak house price growth, and poor sentiment in the property sector will ensure that residential building activity remains weak during the next two years.

Non-residential building

- In the three months to May, the value of non-residential building consents fell 28% from a year earlier – the steepest decline since June 1999.
- A \$311m reduction in office and administration consents over this period was the main contributor to the drop in non-residential building activity.
- Tight credit conditions and a lack of appetite for large-scale investment among firms will ensure that non-residential building activity remains low throughout 2010/11.

Interest rates

- Floating mortgage rates rose in June as the Reserve Bank lifted the official cash rate for the first time in three years.
- Longer-term fixed mortgage rates (2–5 years) have fallen by between 20 and 60 basis points over the past month on the back of Kiwibank initiated competition.
- With the New Zealand economy strengthening, the Reserve Bank will continue to remove monetary stimulus by increasing the official cash rate.

Net migration

- Annual net migration declined to 17,967 in May, its lowest level since September 2009.
- Net migrant inflows have reversed sharply in recent months, as permanent arrivals to New Zealand have cooled.
- With the global economy strengthening, we expect permanent departures from New Zealand to pick up over 2010 and 2011. This will see net migration narrow further during the next two years.