

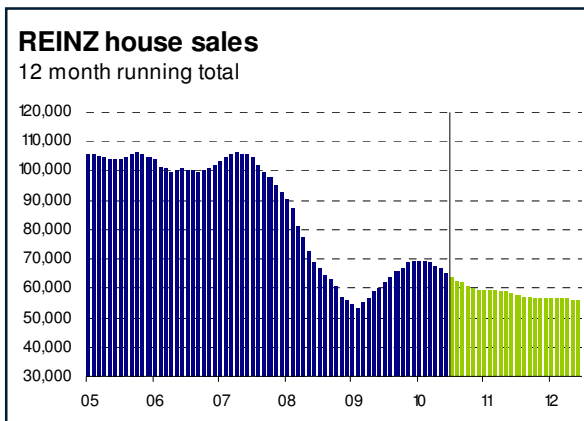


	New Zealand		Auckland	
	Jun 2010	Annual % ch <sup>(1)</sup>	Jun 2010	Annual % ch <sup>(1)</sup>
<b>Number of house sales</b>	4,575	-19.2%	1,645	-14.9%
<b>Median house price</b>	352,500	4.0%	445,000	3.8%
<b>New dwelling consents<sup>(2)</sup></b>	1,373	23.5%	322	2.8%
<b>Apartment consents</b>	57	-71.2%	0	-94.3%
<b>Non-residential building (\$m)</b>	228	-36.0%	102	-33.0%

*(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*

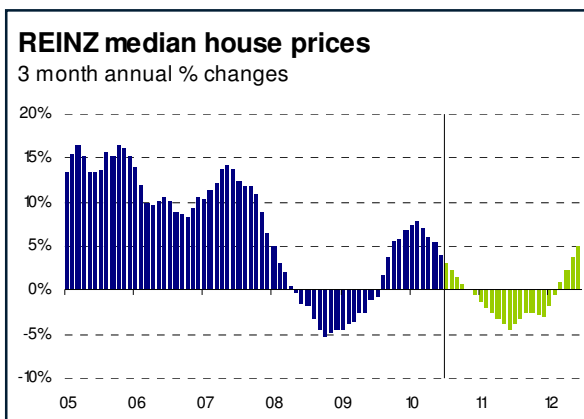
## Overview

The recovery from recession has continued to be patchy, with the NZIER's latest Quarterly Survey of Business Opinion showing that firms have become more nervous about the outlook for the economy. Limited domestic demand, combined with nervousness regarding the sustainability of the global recovery, has led firms to become more cautious until firmer signs of recovery are available. Even so, the general tenor of economic data remains positive. With economic growth gradually accelerating, spare capacity in the economy will be used up, driving up inflationary pressures. The Reserve Bank will be keen to pre-empt these pressures by lifting the official cash rate in September.



### House sales

- In the June quarter house sales dropped 19% from a year earlier – the sharpest fall since February 2009.
- Changes to the tax treatment of property have had a material impact on investor demand, helping drive the sudden decline in house sales.
- With tax changes having lowered the underlying value of property, we expect housing turnover to remain historically weak during the next two years.

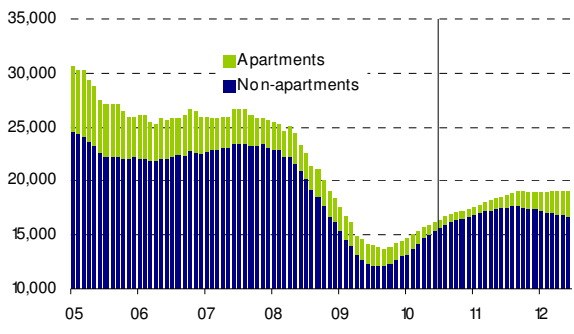


### House prices

- According to the REINZ's stratified house price index, average house prices in the June quarter rose 4.2% from a year earlier.
- Quotable Value's quality-adjusted house price index rose 5.2% for a year earlier. The monthly price index is now at its lowest level since January 2010.
- A lack of investor demand and rising interest rates will put the screws on house prices going forward – with house price growth nonexistent during the next two years.

## Dwelling consents

12 month running total

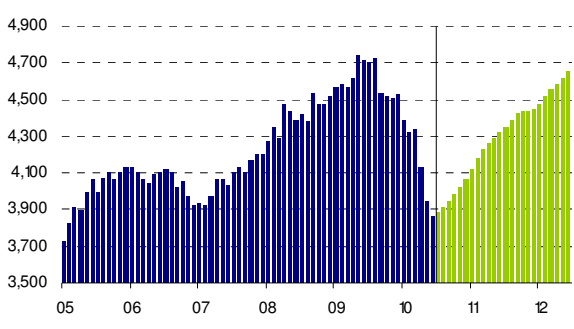


## Dwelling consents

- Non-apartment building consents rose 45% from a year earlier in the June quarter. However, consent numbers remain 31% below their June 2007 level.
- The recovery in residential building activity has been stunted by tight credit conditions and a stuttering housing market.
- With house prices expected to fall, and credit conditions remaining restrictive, non-apartment consent numbers will remain historically low over the next two years.

## Value of non-residential consents

12 month running total, \$m

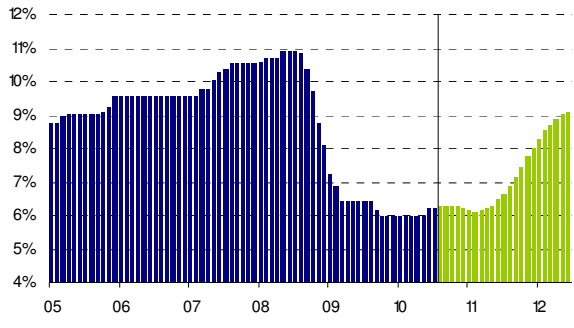


## Non-residential building

- In the June quarter, the value of non-residential building consents fell 36% from a year earlier – the sharpest decline since 1991.
- Private sector consent values dropped a massive 44% during this period. However, public sector consents have also started to give way – falling 13% from a year earlier.
- Tight credit conditions will hold down building activity during the next year, before pent up demand for investment pushes non-residential consent values up. However, there is a significant risk that the recovery will be delayed.

## Floating mortgage rates

% per annum

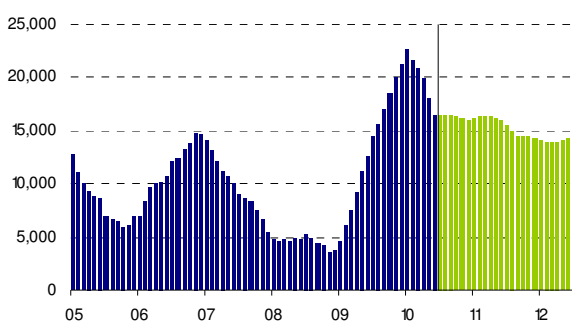


## Interest rates

- During the first week of August, floating mortgage rates were pushed up by between 25 and 30 basis points – a delayed response to the Reserve Bank increasing the OCR at the end of July.
- However, with the growth outlook softening, fixed mortgage rates for between 2 and 5 years have continued to decline.
- The Reserve Bank is expected to increase the OCR in September. However, with the domestic economy recovering slowly, and global growth appearing fragile, the Bank is expected to take a small break from lifting interest rates by December.

## Net migration

12 month running total



## Net migration

- The annual net migration inflow continued to decline in June, falling to 16,504 people.
- A sharp drop in arrivals has been the main factor behind the decline in net migration, with seasonally adjusted arrivals in the June quarter at their lowest level since May 2001.
- Although we do not expect the decline in arrivals to be maintained, a pick up in departures on the back of strengthening global growth will see net migration inflows narrow further.