

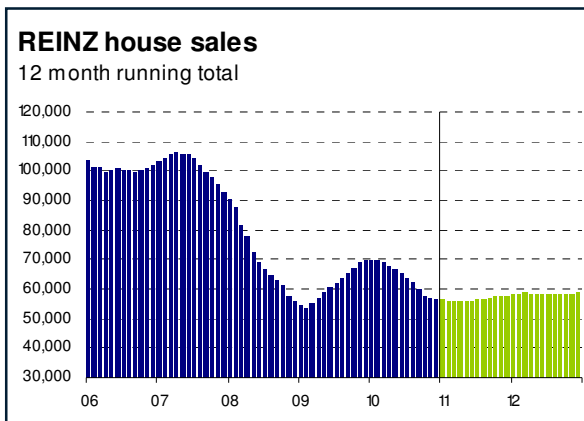


	New Zealand		Auckland	
	Nov 2010	Annual % ch ⁽¹⁾	Nov 2010	Annual % ch ⁽¹⁾
Number of house sales	5,138	-28.2%	1,789	-26.9%
Median house price	360,000	0.0%	477,000	0.5%
New dwelling consents⁽²⁾	1,470	-11.5%	362	-9.8%
Apartment consents	226	3.3%	88	-35.3%
Non-residential building (\$m)	479	14.5%	245	12.2%

⁽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

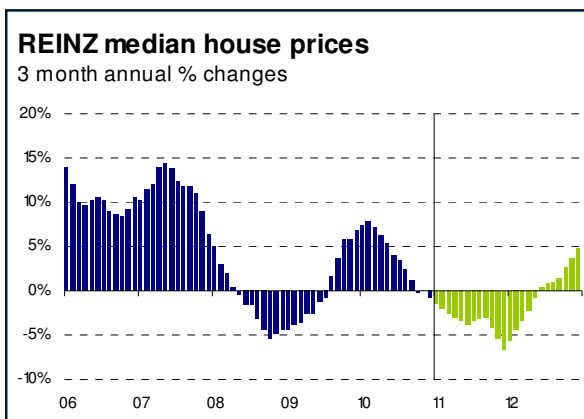
Overview

The New Zealand economy has struggled over the second half of 2010. Early indications of retail spending in December were disappointing, with households unwilling to spend in the face of economic uncertainty and falling house prices. Similarly, NZIER's Quarterly Survey of Business Opinion indicated that firms' margins remain tight, and even though sales activity is beginning to improve it remains at a low level. With economic activity and inflationary pressures weak, the Reserve Bank will feel comfortable leaving the official cash rate at its current low level of 3%. Once signs of economic strength begin to return, the Bank will increase the official cash rate. However, this is not expected to occur until June at the earliest.



House sales

- In December, monthly house sales rose to their highest level since May 2010 (seasonally adjusted). Even so, sales volumes remain historically low.
- With the economy treading water over the second half of 2010, and investor demand for property weak, the housing market has moved sideways in recent months.
- Although house sales are expected to rise slightly from their current levels, continuing economic uncertainty and a dearth of investor interest will ensure that sales volumes remain low.

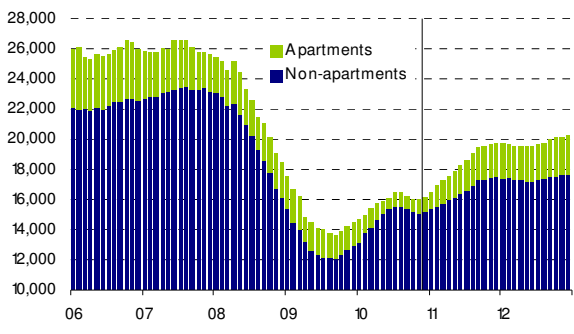


House prices

- According to REINZ's stratified house price index, the average house price in the December quarter was down 2.3% from a year earlier.
- Quotable Value's quality-adjusted house price index has also fallen from its level a year earlier, down 0.9% from December 2009.
- With last years tax changes lowering the underlying value of property and investor sentiment poor, we expect house prices to decline throughout 2011.

Dwelling consents

12 month running total

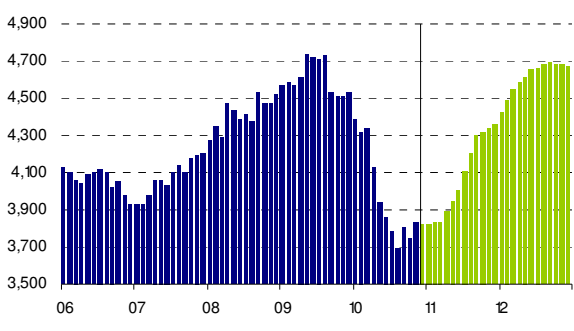


Dwelling consents

- Monthly non-apartment dwelling consent numbers continued to fall in November, reaching their lowest seasonally adjusted level since June 2009.
- Uncertainty regarding both the economic environment and house prices, combined with tight credit conditions, has seen residential building activity fall sharply in recent months.
- Consent approvals are expected to remain low in the near term, as house prices decline and households remain unwilling to invest in property.

Value of non-residential consents

12 month running total, \$m

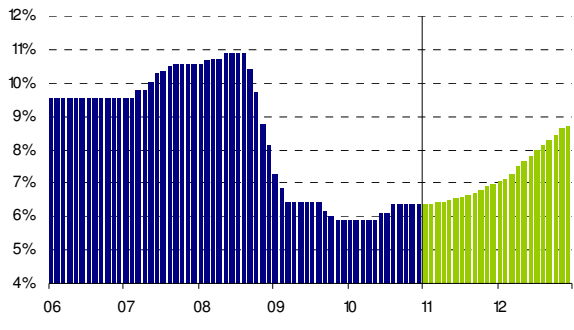


Non-residential building

- In the three months to November, the value of non-residential consents rose 15% from a year earlier – the sharpest increase since April 2008.
- A sharp lift in private sector building investment was the main driver of this increase, rising by 23% from a year earlier. However, public sector consent values also rose – up 3.7% from November 2009.
- Non-residential consent values are expected to climb towards their 2008/09 levels over the next two years, as the New Zealand economy recovers.

Floating mortgage rates

% per annum

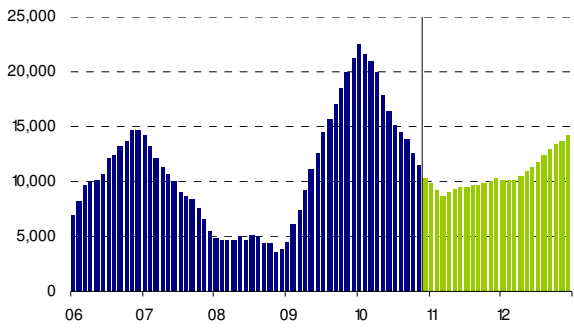


Interest rates

- Floating mortgage rates have remained unchanged over the past month.
- Fixed mortgage rates have remained broadly unchanged, outside of a temporary 30 basis point cut in Kiwibank's floating rate.
- With the economic recovery disappointing through the second half of 2010, there is little pressure on the Reserve Bank to lift rates. As a result, we do not expect the official cash rate to increase until June 2011.

Net migration

12 month running total



Net migration

- The annual net migration inflow shrank to 11,519 people in November.
- Annual permanent departures have continued to climb. The relatively strong Australian labour market will have been a major driver of this move, with a 5.1% increase in departures to Australia.
- A slight moderation in arrivals to New Zealand, combined with further increases in permanent departures, will see net migration inflows continue to narrow throughout much of 2011.