

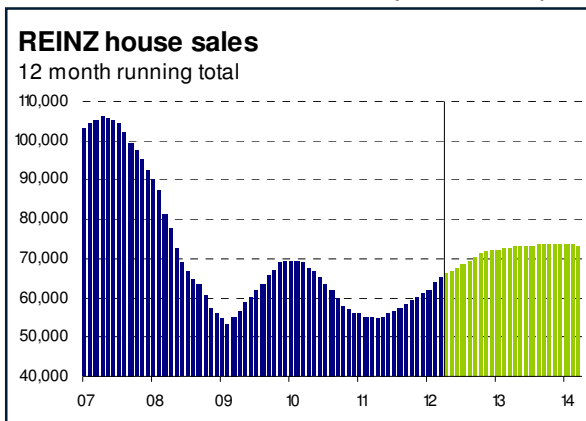


	New Zealand		Auckland	
	Mar 2012	Annual % ch ⁽¹⁾	Mar 2012	Annual % ch ⁽¹⁾
Number of house sales	7,330	29.2%	2,848	23.4%
Median house price	370,000	2.4%	495,200	3.6%
New dwelling consents⁽²⁾	1,559	31.9%	511	23.9%
Apartment consents	165	94.1%	104	-1.5%
Non-residential building (\$m)	299	8.7%	93	-17.1%

⁽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

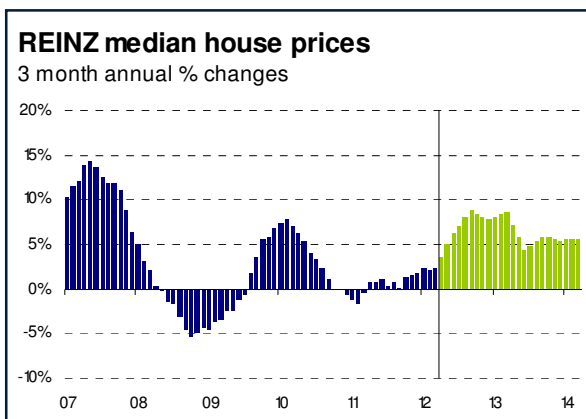
Overview

It has now been confirmed that the New Zealand labour market struggled during the March quarter. The unemployment rate rose, and total hours worked barely increased – staying well below their peak levels from mid-2011. With commodity prices also losing strength, the New Zealand dollar eventually responded to this set of negative indicators by falling significantly, with the TWI currently down 2.6% from its level at the end of April. The sheer weakness of recent economic indicators will have taken the Reserve Bank by surprise. With consumer price inflation still very restrained, bank funding costs remaining elevated, and the Reserve Bank of Australia cutting their cash rate by 50 basis points, we now expect the Reserve Bank to cut the official cash rate by 25 basis points at its June meeting.



House sales

- In the March quarter, house sales rose 11% from December (seasonally adjusted).
- Although the recovery in sales in Auckland has led headlines (up 8.6% from December), sales rose even more rapidly across the rest of the country – up 12% from their December level.
- In the coming year, house sales are expected to rise further, albeit at a more gradual pace. Although sales in Auckland appear to have eased in April, low mortgage rates and a shortage of property in Auckland will see sales increase relatively more strongly in this region in the second half of the year.

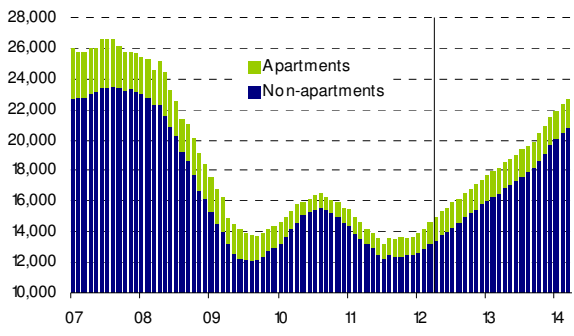


House prices

- According to Quotable Value, house prices in March were down 0.1% from February.
- However, REINZ's stratified house price index tells a different story, with seasonally adjusted house prices rising 1.9% to their highest level since November 2007.
- House prices appear to be recovering overall, with a shortage of property in Auckland the main catalyst for rising prices. We expect prices to rise consistently over the next two years.

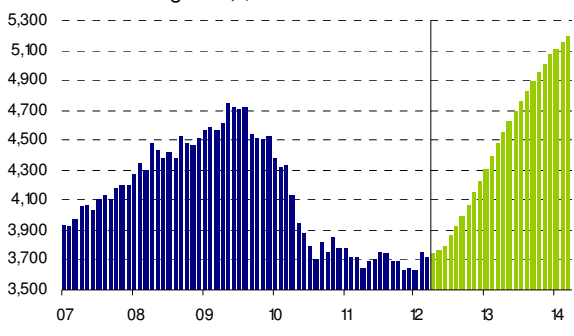
Dwelling consents

12 month running total



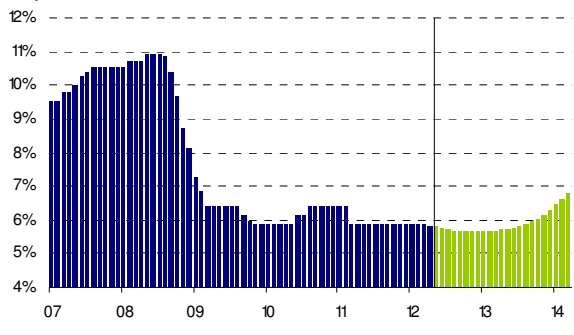
Value of non-residential consents

12 month running total, \$m



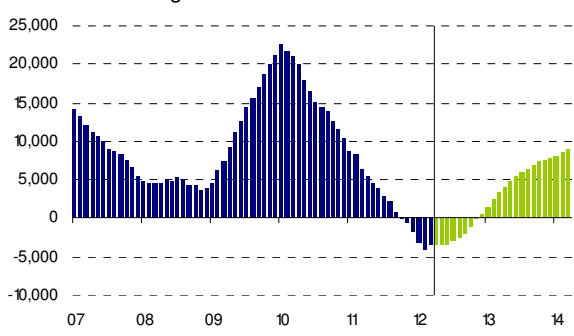
Floating mortgage rates

% per annum



Net migration

12 month running total



Dwelling consents

- Non-apartment dwelling consent numbers rose 12% in March (seasonally adjusted), taking monthly consents to their highest level since June 2010.
- Although Auckland and Canterbury have been the main drivers of rising residential building activity in recent months, consents numbers are now picking up across the country.
- With the rebuild in Christchurch, a shortage of property in Auckland, and consent numbers still 20% below their decade-long average, we expect residential consent numbers to continue rising during the next two years.

Non-residential building

- Non-residential building activity slumped in March, falling to its lowest seasonally adjusted level since April 2011.
- Although public sector building activity has continued to decline, it was a sudden slowdown in the growth of private sector building activity that drove the weak March non-residential building result.
- Although recent uncertainty about the economic recovery in New Zealand will limit non-residential building, a gradual lift in private investment will lift activity from later in 2012.

Interest rates

- Floating mortgage rates were unchanged over April.
- Fixed mortgage rates were also unchanged over April.
- In the past two weeks it has been confirmed that New Zealand is experiencing high unemployment, an elevated New Zealand dollar, falling commodity prices, and upward pressure on bank funding costs. The mix of factors is expected to see the Reserve Bank cut the official cash rate to 2.25% in June, and not begin to lift rates from this low level until June 2013.

Net migration

- In the year to March there was an annual net outflow of 3,383 people from New Zealand.
- Departures to Australia were behind this outflow. Annual departures to Australia rose by 12,331 people during this period, while departures elsewhere fell by 1,106 people in the year to March.
- With the Australian labour market weakening and permanent arrivals beginning to recover, we expect net migration to turn positive again by the end of 2012. By early 2014, improving job opportunities in New Zealand will see net migrant inflows rise above 8,000 people per annum.