



Housing market ends 2007 on a soft note

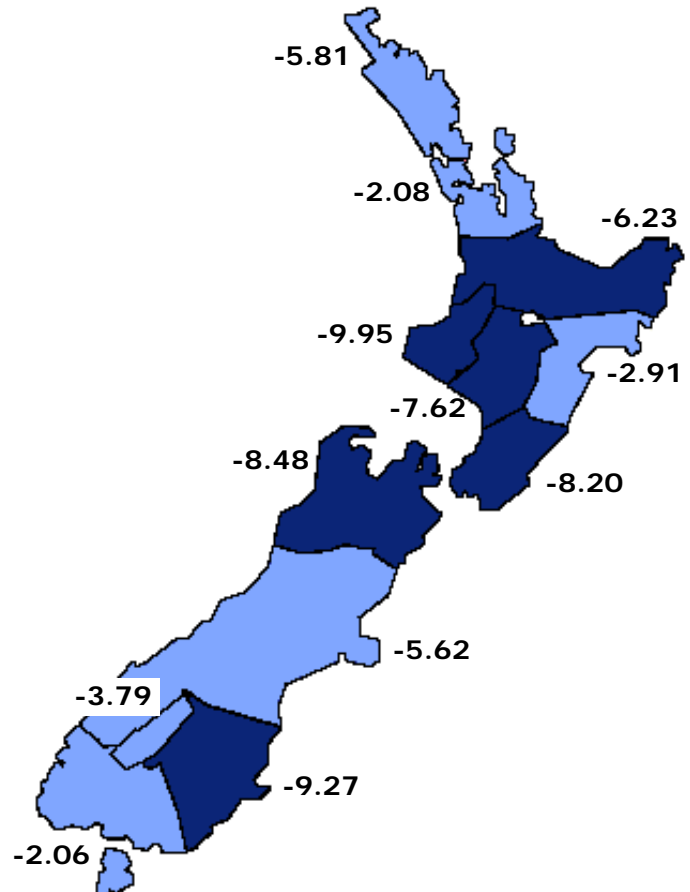
- House sales volumes continue to track around 25% lower than a year ago.
- Properties spent an average of 36 days on the market in November, the worst result for that month since 2001.
- There are early signs of weaker buyer demand affecting property prices, with house price growth dipping to its lowest level in a year.
- Most fixed mortgage rates remain above 9%, and inflation pressures suggest there is little relief in sight.
- Robust tenant demand has kept rental inflation steady at 6.2%pa.

New Zealand's real estate market enters 2008 in the midst of its most widespread slowdown in seven years. The Mike Pero Mortgages - Infometrics Property Cycle Indicator has dipped into negative territory since September, dropping from 0.43 (revised) to -5.22.

All 12 regions are currently showing a reading below -2, for the first time since October 2000. At this stage, the Southland and Auckland housing markets appear least affected by the slowdown that has swept across the country.

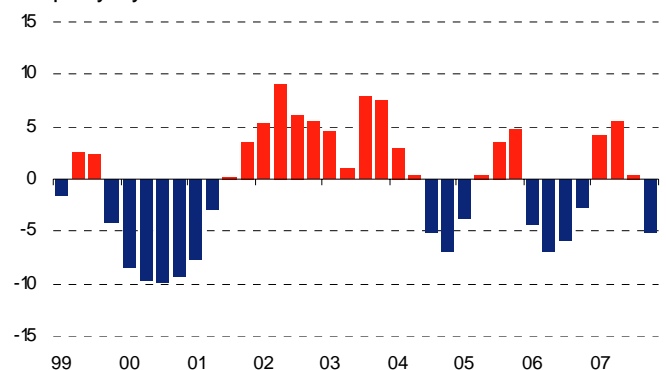
House sales volumes in the three months to November were down 25% on a year ago, and as a result of weaker buyer demand, properties are starting to spend longer on the market. Running at 8.9%pa, nationwide house price inflation has eased from the 14%pa reached in May. Nevertheless, house price growth is yet to experience a drop-off to the extent shown by house sales and the rate of property turnover.

With sales activity reaching its lowest level since 2001, it appears safe to conclude that the housing boom of the last five years is over. The modest slowdowns of 2004 and 2006 are likely to be surpassed during 2008. Underlying inflationary pressures remain strong, and monetary policy will stay tight throughout the coming year. Any suggestion of lower mortgage rates is some way off.



New Zealand

Property Cycle Indicator



The Mike Pero Mortgages - Infometrics Property Cycle Indicator is prepared jointly by Infometrics and Mike Pero Mortgages.

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Understanding The Mike Pero Mortgages - Infometrics Property Cycle Indicator

The Mike Pero Mortgages - Infometrics Property Cycle Indicator is constructed using analysis of changes in house sales, price movements, and days on the market from data provided by the Real Estate Institute of NZ. Each region is assigned a number between 10 and -10 depending on the strength and direction of these three variables. Any figure above zero suggests a region's property market is gaining momentum, and the further above zero, the stronger that momentum. The converse is true for figures below zero.

The Mike Pero Mortgages - Infometrics Property Cycle Indicator may show a region is losing momentum even when house prices are still rising. However, house prices are usually the last variable to change direction when the property cycle turns. Generally, lower sales volumes will be the first sign of a slowdown, followed by properties spending longer on the market, eventually resulting in less upward pressure on house prices. By incorporating all three variables, The Mike Pero Mortgages - Infometrics Property Cycle Indicator attempts to pick up shifts in the market earlier, and provide a signal of possible future movements in house prices.

Mike Pero Mortgages

Mike Pero Mortgages is New Zealand's largest, most trusted mortgage broking company (Colmar Brunton May 2006). Mike Pero Mortgages has been arranging mortgages for New Zealanders since 1991, and has helped more than 60,000 Kiwis achieve home ownership. Mike Pero Mortgages remains independent from the banks, and its brokers pride themselves on providing professional, impartial mortgage advice to their clients.

Infometrics

Infometrics offers a range of economic consulting and forecasting services, and the building and property sector is one of its areas of expertise. Over the past 25 years, Infometrics has built a reputation for rigorous and independent work. The company has economic models and modelling expertise to apply to specific consulting projects. Infometrics presentations are widely regarded as entertaining, thought-provoking, and professional.

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Data on residential property sales and prices is provided by the Real Estate Institute of NZ (www.reinz.org.nz).

