



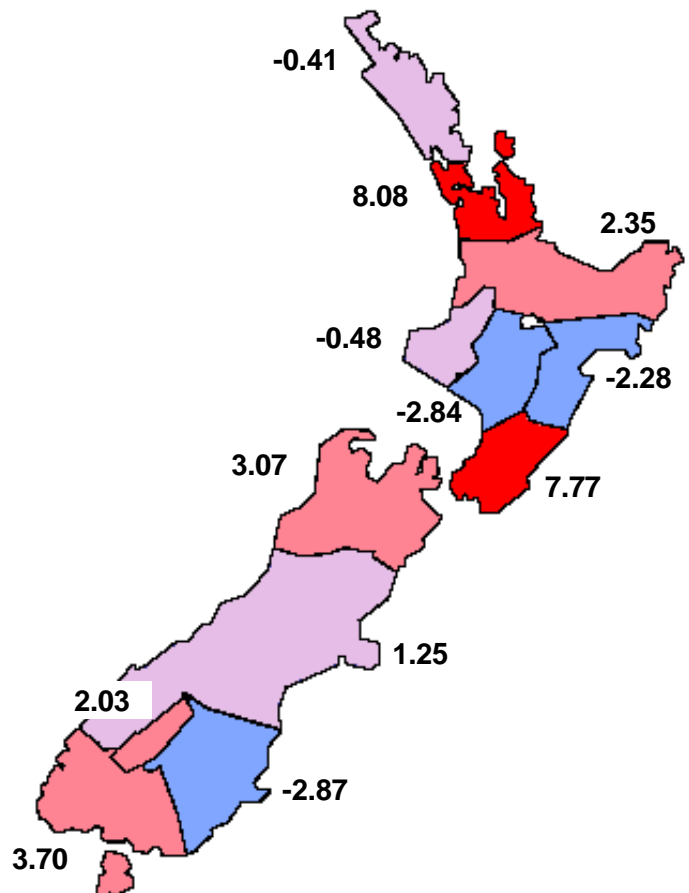
Heading upwards – but for how much longer?

- Houses in March spent six fewer days on the market than in March 2006 – the biggest annual decline in more than three years.
- Sales growth climbed to 15%pa in the March quarter, and has not been stronger since 2003.
- House price inflation completed the trio of buoyant indicators, rising to 12%pa.
- However, there continued to be little evidence of a shortage of rental accommodation, with rental inflation hitting a five-year low of 3.3%pa.
- Fixed mortgage rates rose substantially in March and April, and will reduce buyer demand throughout the rest of this year.

The Mike Pero Mortgages - Infometrics Property Cycle Indicator turned positive in the March quarter, lifting from -2.71 (revised) to +4.24. The three inputs into the Indicator (sales, prices, and days to sell) all started 2007 strongly, although data for the final month of the quarter suggested that sales growth may have reached its peak.

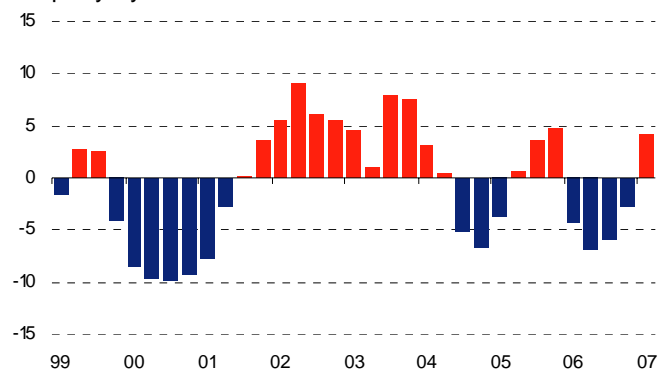
At a regional level, the market's improvement has been broad-based, with all areas except Nelson/Marlborough recording a higher reading than last quarter. The two largest urban areas, Auckland and Wellington, are currently showing the greatest upward momentum.

Fixed mortgage rates for terms two years and over have risen 50-60 basis points since February. The lift has been driven by banks restoring margins to more "normal" levels, as well as some upward drift in wholesale interest rates. Mortgage rates are now at their highest since 1998. The pick-up in the housing market over the early part of this year will fade as higher financing costs negatively affect buyer demand. Nevertheless, at this stage, the market remains well placed to avoid widespread house price falls.



New Zealand

Property Cycle Indicator



Northland

The slowdown in the Northland market all but ended in the March quarter. Sales growth climbed above 10%pa for the first time since 2004, and house price inflation stabilised at 11%pa. However, the region remains vulnerable to high interest rates and rising unemployment, which would quickly highlight the cost of purchasing property in the region.

Waikato/Bay of Plenty/Gisborne

The Waikato/Bay of Plenty/Gisborne market has ended its 15-month slowdown. At 16%pa, sales growth was at its strongest in three years, and house prices and days to sell were also more vibrant. The Waikato market continues to benefit from its proximity to Auckland, but the high exchange rate will negatively affect economic activity.

Manawatu/Wanganui

Sales growth in Manawatu/Wanganui is still well below the national average at 4.2%pa, and is the main factor holding our Indicator for the region in negative territory. House price growth jumped from 15% to 21%pa over the March quarter, but as with the other provincial regions, we expect the effects of the high dollar to become evident later this year.

Wellington

The Wellington market stayed strong in March, with house price inflation hitting 17%pa – its highest rate since mid-2004. Turnover is the fastest in the country aside from Southland, with properties spending an average of 22 days on the market. A shortage of houses for sale in Wellington is likely to hold up price growth over the next few months.

Canterbury/Westland

Our Canterbury/Westland Indicator edged into positive territory in the March quarter. House price inflation was at its fastest in a year (11%pa), and properties spent six days fewer on the market than in early 2006. But slowing sales growth may be an early sign of renewed softness in the Canterbury/Westland market later this year.

Otago

The Otago housing market was full of mixed signals in the March quarter, with price growth slowing, days to sell unchanged from a year ago, and a pick-up in sales growth. The net effect was to push our Indicator for the region to a three-year high, but the improvement lacks robustness. As a result, house price inflation is likely to continue slowing.

Auckland

Momentum in the Auckland property market is at its best since 2002, with sales growth, house price inflation, and days to sell all showing substantial improvement over the March quarter. Net migration has made a weak start to 2007, so it seems unlikely that the burst of activity over the last 3-6 months will continue throughout this year.

Hawke's Bay

Sales growth in Hawke's Bay surged from 2.8% to 28%pa over the March quarter, but the improvement was not matched by house price inflation, which remains the slowest in the country. The strong NZ dollar will undermine horticultural incomes in the region, and is likely to keep the region's property market subdued over the next year.

Taranaki

The Taranaki property market has stabilised following a two-year period of slowing momentum. The most positive result for the March quarter was sales growth of 13%pa, but trends in prices and the average length of time on the market were not as buoyant. We expect price growth in Taranaki to ease further in the second half of 2007.

Nelson/Marlborough

The Nelson/Marlborough market was the only one not to show some acceleration in the March quarter, as house price inflation slipped from 16% to 11%pa. However, houses spent ten days fewer on the market than in March last year, indicating that demand in the region remains good. Marlborough is currently the most positive part of the region.

Central Otago Lakes

Volatility in the Central Otago Lakes property market continued in March, with our Indicator jumping above zero for the first time in more than three years. Although prices are still down on a year ago, sales growth surged from 4.8% to 29%pa and houses spent much less time on the market than a year ago.

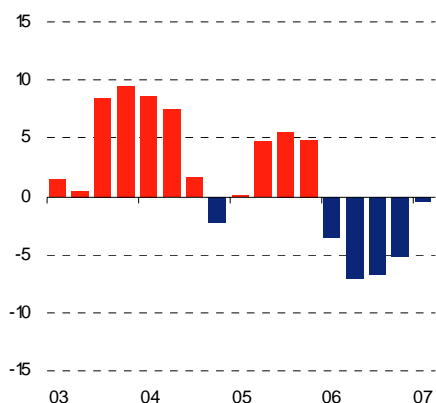
Southland

House price inflation in Southland is now the highest in New Zealand, at 27%pa. The rate of turnover is also the fastest in the country, with houses spending an average of just 17 days on the market. Sales growth has accelerated too, but it remains modest by historical standards, and is preventing a stronger reading for the region's Indicator.

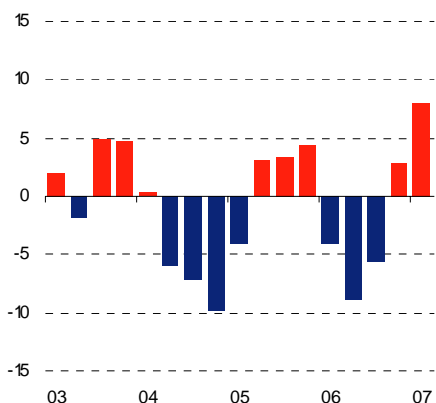
Regional Property Cycle Indicators

Each region's property market is scored between 10 and -10 dependent on where it is in the cycle: 10 is a strong upturn, while -10 is a large slowdown. See the final page for more details on the methodology behind the Indicator.

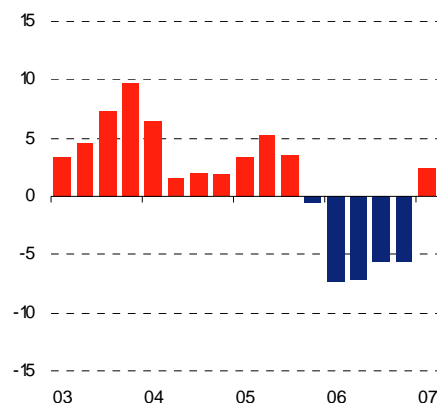
Northland



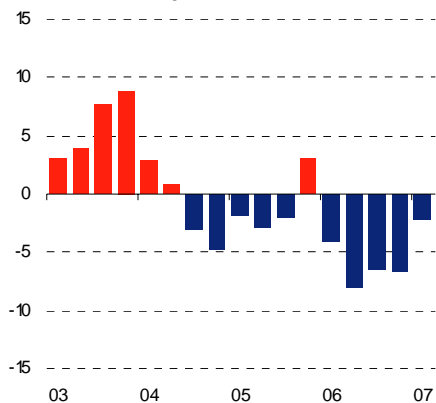
Auckland



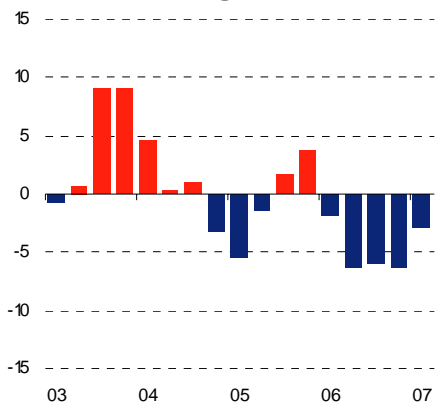
Waikato/BOP/Gisborne



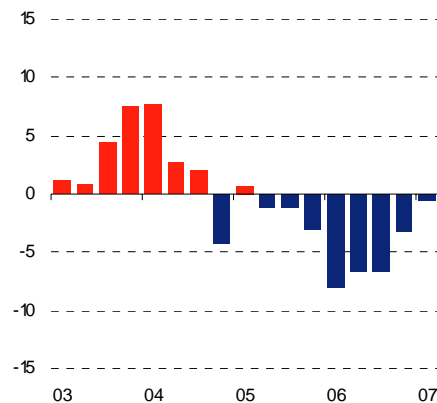
Hawke's Bay



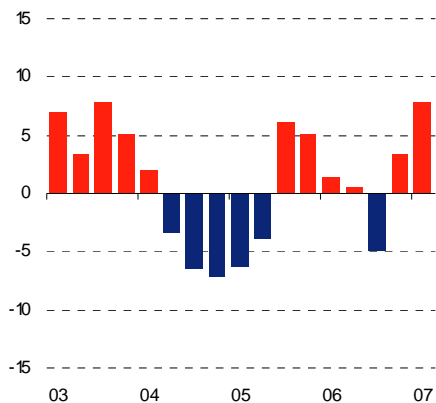
Manawatu/Wanganui



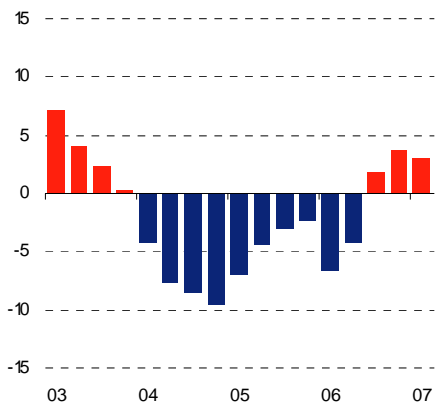
Taranaki



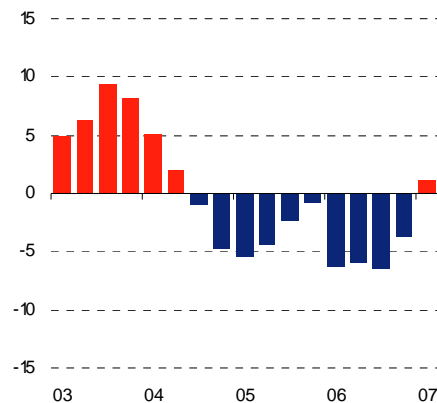
Wellington



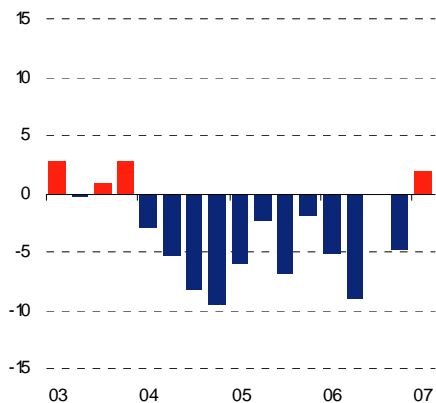
Nelson/Marlborough



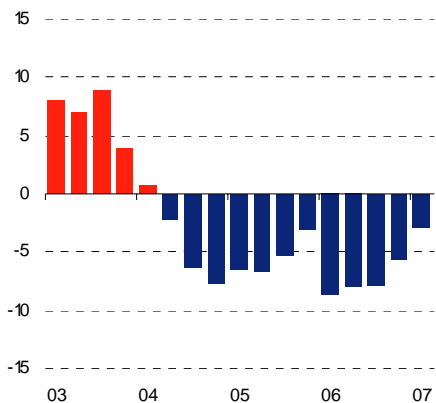
Canterbury/Westland



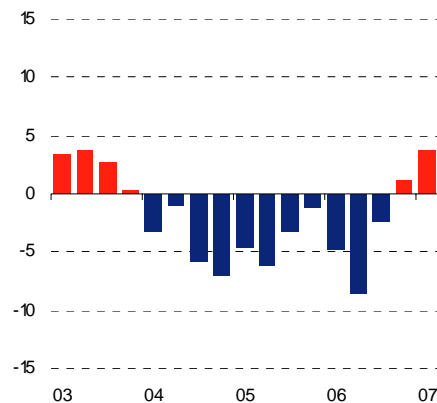
Central Otago Lakes



Otago



Southland



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.

Monthly updates on The Mike Pero Mortgages - Infometrics Property Cycle Indicator are available at www.infometricsproperty.co.nz.

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.

Disclaimer

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

