



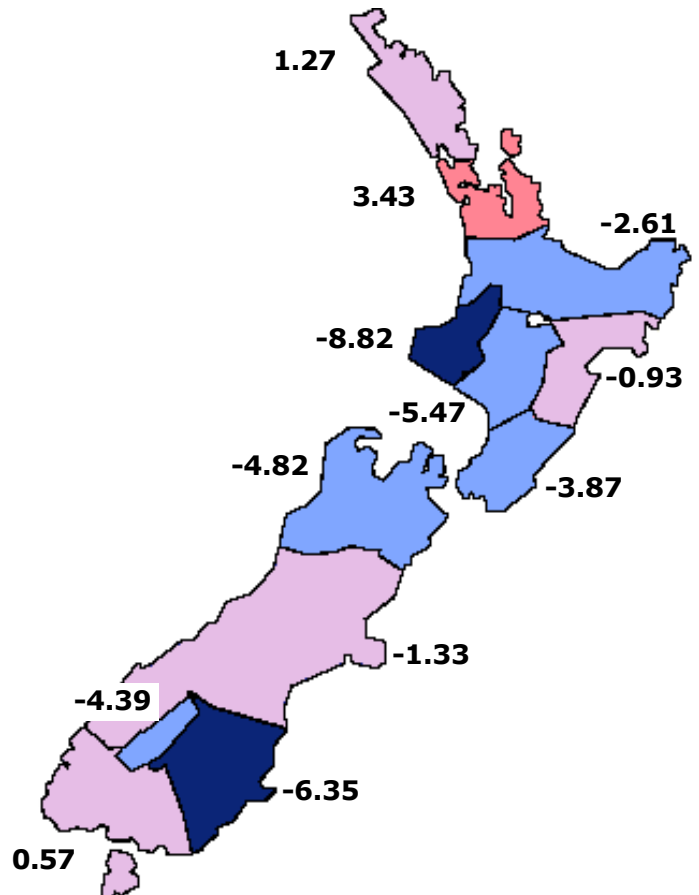
Auckland holds up frail national housing market

- House sales plummeted during the September quarter, down 24% on a year earlier.
- House price inflation has remained firm in the face of falling sales, rising by 12%pa in September.
- Longer term fixed rates (three and five year rates) have fallen on the back of credit market uncertainty.
- The average number of days to sell property remains relatively low at 32 days, up one day on September 2006.
- Annual rental inflation slowed to 5.7% in September from 6.8% in June.

In September, the Mike Pero Mortgages - Infometrics Property Cycle Indicator fell sharply from the June figure of 5.42 (revised), and is now sitting at 0.37. Behind the significant easing in housing market momentum during September was a significant drop in house sales volumes, which were 20% lower than in the June quarter (seasonally adjusted). However, the combination of double-digit house price inflation and a low average number of days to sell property kept housing market momentum positive in September quarter.

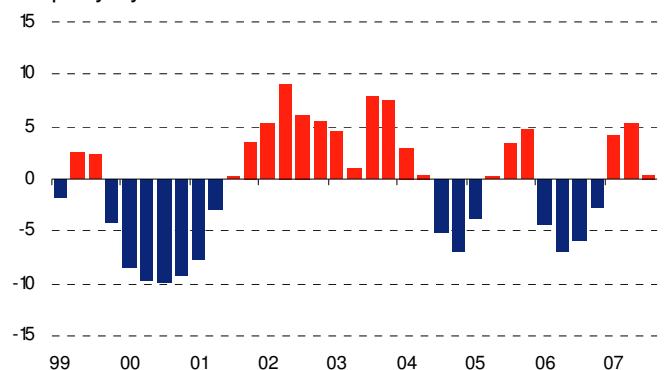
All 12 regions recorded a lower reading than in June. Northland, Auckland, and Southland are the only regions with positive indicator readings. This is a significant turnaround from June, when nine regions recorded a positive indicator reading.

Credit market uncertainty over the September quarter has seen mortgage rates vary significantly, with the three and five year fixed rates falling by around 30 basis points, while floating and one year rates have risen around 25 basis points. With easing net migration and high interest rates cooling the housing market relatively quickly, it is likely that the Indicator will be negative by December.



New Zealand

Property Cycle Indicator



Northland

Momentum in the Northland property market slowed in September with falling house sales (down 14%pa) and a rising average number of days to sell property (53 days). However, market momentum remains positive as a result of hefty house price growth (17%pa). A large dairy payout will not be able to prevent housing market momentum slowing further in December.

Waikato/Bay of Plenty/Gisborne

Momentum in the Waikato/Bay of Plenty/Gisborne market swung into negative territory in September as house sales fell 30%pa and the average number of days to sell property rose to 39. Although current house price growth is strong (12.9%pa) a slowing housing market will see house price growth ease into single figures in Waikato over the December quarter.

Manawatu/Wanganui

An easing in house price growth (from 20%pa in June to 11%pa in September) and a drop in house sales (falling 26%pa) has seen housing market momentum turn decidedly negative in September. Economic indicators are mixed throughout the region, with dairy farms performing strongly, while the regions sheep farmers are suffering. Lower property price growth will keep market momentum negative in December.

Wellington

Momentum in the Wellington property market turned negative for only the second time in the last two years in the September quarter, on the back of a fall in house sales (-19%pa) and a slowdown in house price growth (from 16%pa in June to 13%). The recent pick-up in residential building activity (up 43%pa) will help to further suppress price growth in the Wellington region.

Canterbury/Westland

The property market's momentum slid into negative territory in Canterbury/Westland over the September quarter, as a result of a 24%pa fall in house sales. House price growth remains elevated at 14%pa. A high exchange rate will weigh down exporters in the region, further reducing demand for property over the next six months.

Otago

The Otago property market recorded a 14th straight quarter of negative momentum in September as house sales fell 17%pa. However, it is not all bad news, with house prices rising 8.3%pa, the highest rate since February. Weakness in the world price of lamb will cramp the regions economic growth, leading to continued negative property market momentum over December.

Auckland

The Auckland property market has the highest Indicator reading in the country, thanks to strong house price growth (13%pa) and a low average number of days to sell property (31 days). However, a 24%pa fall in house sales has led to a deceleration in the market's momentum. Further easing in net migration will see momentum in Auckland slow further.

Hawke's Bay

The positive housing market momentum recorded in Hawke's Bay in June only lasted one quarter, as September's Indicator reading turned negative. Although house price growth broke into double-digits for the first time since December 2005 (10%pa), sales fell a massive 27%pa. With lamb prices remaining low in the short term, the Hawke's Bay property market will weaken further.

Taranaki

The property market in Taranaki experienced the worst Indicator reading in the country in September, a result of the collapse in sales volumes (down 28%pa), a high number of average days to sell property (52 days), and a significant reduction in house price growth (from 12%pa in June to 7.0%). Although high milk prices will increase regional income, we do not expect market momentum to improve in December.

Nelson/Marlborough

The upswing in the Nelson/Marlborough housing market over the past year is now over, as momentum swung deep into negative territory. The market has been hit by sizeable falls in house sales (down 22%pa). Recent strong consent activity (up 129%pa) should see market momentum ease further in December.

Central Otago Lakes

The positive housing market momentum recorded in Central Otago Lakes over the first half of 2007 was reversed in September as sales slid 26%pa. House prices are up 7.7%pa, a slight improvement on the 7.5% rise recorded in June. A lack of market activity will keep property market momentum in Central Otago Lakes negative into December.

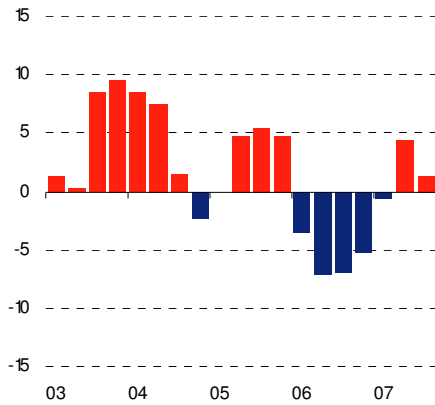
Southland

The Southland property market maintained positive momentum for the fourth straight quarter in September, with prices rising 28%pa and the lowest average days to sell in the country (21 days). However, the national slowdown has begun to affect Southland, with sales falling 19%pa. Further falls in house sales will see market momentum turn negative in December.

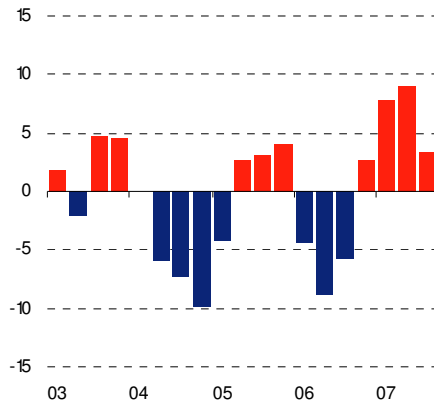
Regional Property Cycle Indicators

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.

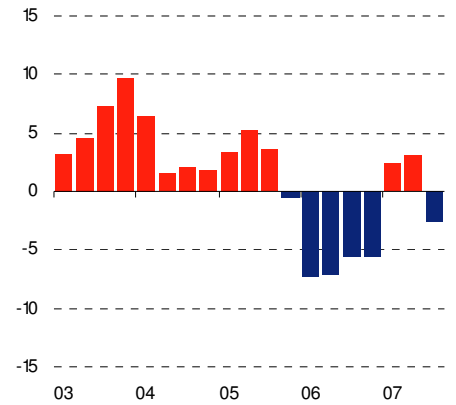
Northland



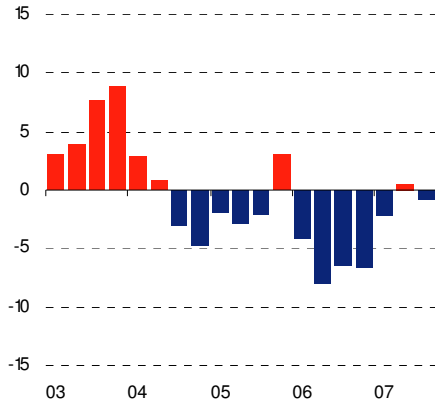
Auckland



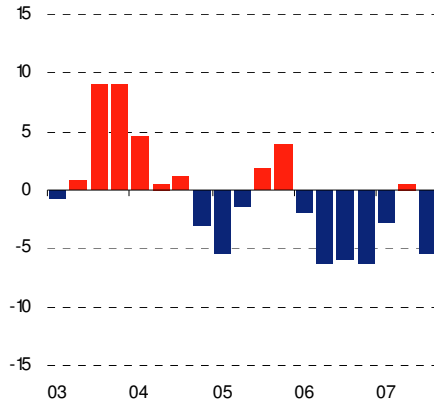
Waikato/BOP/Gisborne



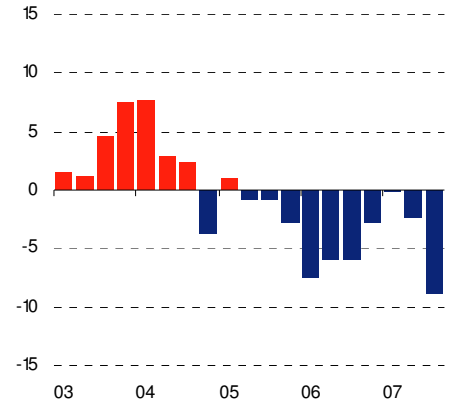
Hawke's Bay



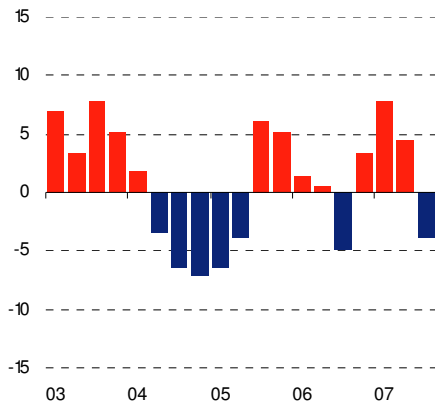
Manawatu/Wanganui



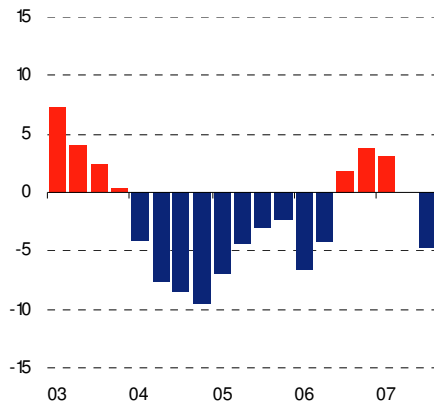
Taranaki



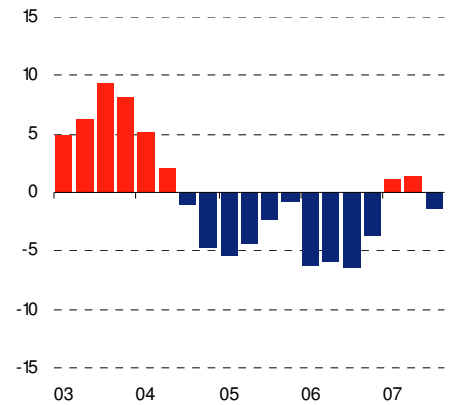
Wellington



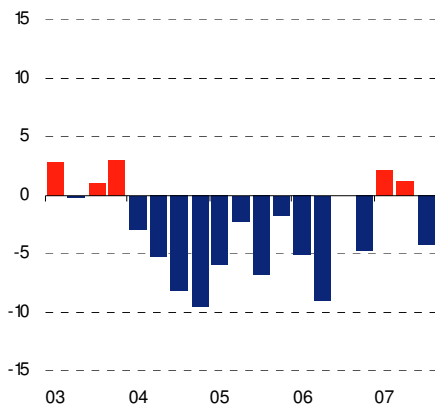
Nelson/Marlborough



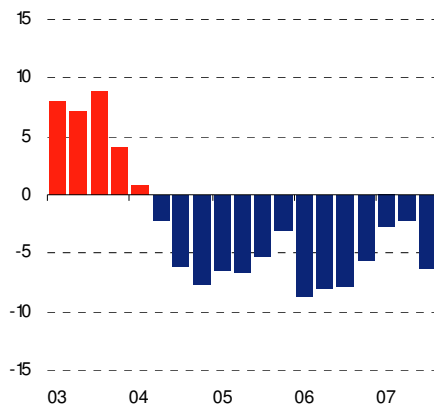
Canterbury/Westland



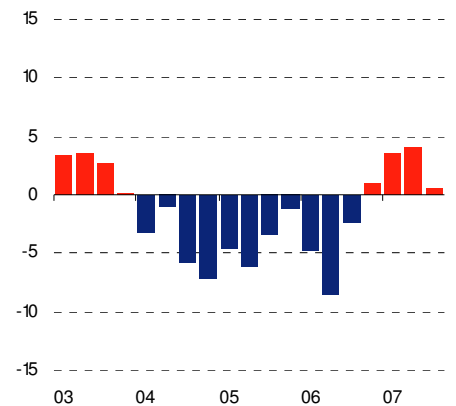
Central Otago Lakes



Otago



Southland



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

Enquiries may be addressed to:
Shelley Magic
Marketing Manager
Mike Pero Mortgages
Ph: +64 3 365 4547
Email: shelley.magic@mikepero.co.nz
Website: www.mikepero.co.nz



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.

Disclaimer

No person should rely on the contents of the report without first obtaining advice from a qualified professional person. This report is made available on the understanding that Infometrics and Mike Pero Mortgages are not responsible for the results of any actions taken on the basis of information in this report, nor for any errors or omissions in its contents.

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

