



SEPTEMBER 2011

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A LEVEL PLAYING FIELD

SUMMARY

Our monthly *Property Focus* publication provides an independent appraisal of recent developments in the property market. This month we look over the latest ANZ Property Investors' survey.

THE MONTH IN REVIEW

A long drawn-out slog of debt repayment for Western societies is settling in. New Zealand will remain susceptible to adverse swings in the global scene. But at present we suspect the economy has enough momentum to remain a relative growth outperformer across Western economies. This means the temporary deferral of a higher OCR, as opposed to a long delay. Housing-centric indicators remain mixed.

PROPERTY GAUGES

The strengthening in July residential consent issuance will not be enough to avoid a reasonably subdued period of construction activity in the middle of 2011. Prospects for a late 2011 pick-up in residential construction activity remain intact. The real action will be in 2012, which is shaping up to be a very good year for the construction sector, provided increases in construction costs can be contained. With house sales volumes around 24 percent below historical averages as a portion of the housing stock, low mortgage rates on offer, and an improving labour market environment, there is considerable scope for real estate sales to move higher.

ECONOMIC BACKDROP

We are still of the view that the NZ economy looks better than most OECD peers, though we must be mindful of the risks. The risk profile has shifted to no hike in the Official Cash Rate before March 2012. If the global situation continues to deteriorate and "Rome is still burning" by December (and all our work is flagging more problems in Europe), we can put the case that the OCR will not be moving until mid 2012, or later!

MORTGAGE BORROWING STRATEGY

Mortgage rates have held stable for almost 6 months. Floating remains the cheapest rate, and with the next Reserve Bank OCR hike at least 3 months away, it is difficult to argue that there is a strong case for fixing, at least from a cost perspective. As such, we favour remaining on floating. Although the OCR is set to rise in time, this depends crucially on global financial markets stabilising, and on the fallout here in New Zealand being limited. This is a high hurdle. Meanwhile, time is on the borrower's side.

FEATURE ARTICLE – THE 2011 PROPERTY INVESTORS' SURVEY

The ANZ's annual survey of property investors, compiled in conjunction with the NZ Property Investors' Federation, revealed a more conservative outlook than previously. Investors expect more short-term growth in their property value than in past years. Last year's Budget and other regulatory changes through the year have had more of an impact on investors in this year's survey. Landlords are increasingly reviewing business fundamentals as the thrust of their investment decisions and are now less reliant on capital gains, which were the norm in the era prior to the global financial crisis.

THE MONTH IN REVIEW

A long drawn-out slog of debt repayment for Western societies is settling in. New Zealand will remain susceptible to adverse swings in the global scene. But at present we suspect the economy has enough momentum to remain a relative growth outperformer across Western economies. This means the temporary deferral of a higher OCR, as opposed to a long delay. Housing-centric indicators remain mixed.

STATISTICS NZ, BUILDING WORK PUT IN PLACE – JUNE QUARTER

Bottom of the ruck

The 6.6 percent decline in total building work put in place was foreshadowed by weak residential consent issuance. Residential work fell 11.6 percent to its lowest level since early 1993, a full third below its pre-recession peak. Non-residential building work fell 1.4 percent in the quarter, its second quarterly decline. Statistics New Zealand have noted that as demolition work is not included in the consent figures, the relationship between consents and activity has changed. As such, actual levels of construction activity may be higher than that implied by consents over the second half of this year.

STATISTICS NZ, BUILDING CONSENTS – JULY

Turnaround in club memberships

The number of dwelling consents rose 13 percent s.a. in July, with a 6.3 percent increase on an ex-apartment basis. By area, residential consent issuance rose 4.9 percent s.a. Despite the July increase, dwelling consents remain at historically low levels, at about 45 percent below historical averages as a portion of the housing stock. Non-residential consents lifted 22 percent s.a. in value terms, but declined 4.7 percent s.a. in terms of area. Non-residential consent issuance across the various categories was mixed, with 4 seasonally adjusted rises and 7 falls in value. Residential construction costs averaged \$1,464 per square metre in July, up 4.7 percent from a year ago.

RBNZ, MORTGAGE APPROVALS – LATEST AVAILABLE (MID SEPTEMBER)

Points on the board

The number and value of mortgage approvals continue to lift on an annual basis, but have stabilised over the past couple of months. The number of approval is 7 percent higher than a year ago, while the value of mortgage approvals is 27 percent higher than a year earlier.

RBNZ, CREDIT GROWTH – JULY

Relegated to a lower division

Household credit growth remains low. Housing market credit growth remains reasonably subdued at +1.4 percent year-on-year, up from a low of 1.3 percent in May and June. The housing market is not setting the world on fire at the moment.

REINZ, HOUSING DATA – AUGUST

Strong sidestep

Nationwide house sales rose by a seasonally adjusted 5.1 percent in August, which followed a 2.6 percent fall in July. Sales are continuing to trend up, with volumes up 5.4 percent s.a. in the three months to August. Prices tracked sideways, with the REINZ House Price Index broadly unchanged after a 0.2 percent s.a. fall in July. However, prices are starting to gradually trend higher, with prices in the 3 months till August up 0.8 percent on the previous 3 months. The median days to sell, at 40 days, remains well above the mid-30s range that is consistent with more robust price increases.

STATISTICS NZ, NET MIGRATION – AUGUST

Bring back bucks

Net permanent and long-term (PLT) migration staged a net inflow for the first time since February. PLT arrivals rose 0.9 percent s.a. whereas departures fell 3.9 percent s.a. Annual net PLT immigration slowed to 2,867 persons, the lowest net annual inflow since October 2001.

PROPERTY GAUGES

The strengthening in July residential consent issuance will not be enough to avoid a reasonably subdued period of construction activity in the middle of 2011. Prospects for a late 2011 pick-up in residential construction activity remain intact, although we will need to see continued recovery in consent issuance from here on. The real action will be in 2012, which is shaping up to be a very good year for the construction sector, provided increases in construction costs can be contained. With house sales volumes around 24 percent below historical averages as a portion of the housing stock, low mortgage rates on offer, and an improving labour market environment, there is considerable scope for real estate sales (but not prices) to move higher.

We use ten gauges to assess the state of the property market, and for signs that changes are in the wind.

AFFORDABILITY. For new entrants into the housing market, we measure affordability using the ratio of house prices-to-income (adjusted for interest rates), and mortgage payments as a proportion of income.

SERVICEABILITY / INDEBTEDNESS. For existing homeowners, serviceability relates interest payments to income, while indebtedness is measured as the level of debt relative to income.

INTEREST RATES. Interest rates affect both the affordability of new houses and the serviceability of existing mortgage payments.

MIGRATION. A key source of demand for housing.

SUPPLY-DEMAND BALANCE. We use dwelling consents issuance to proxy growth in supply. Demand is derived via the natural growth rate in the population, net migration, and the average household size.

CONSENTS AND HOUSE SALES. These are both key gauges of activity in the property market.

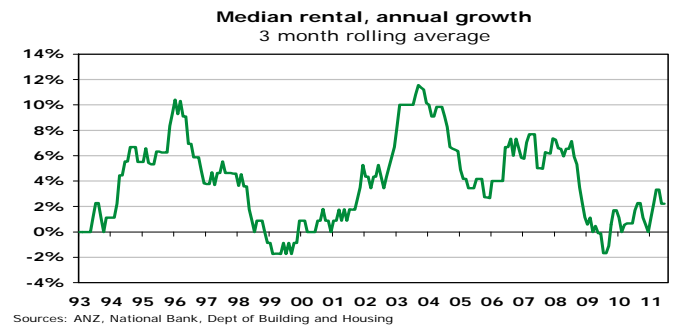
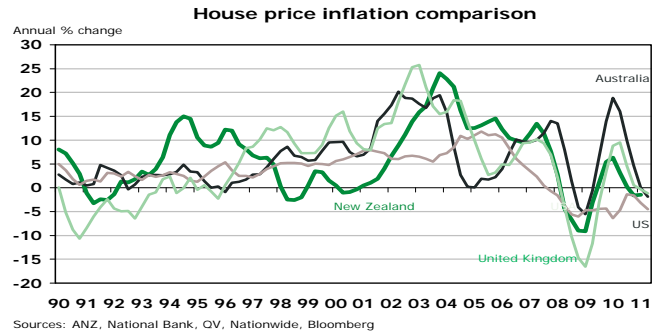
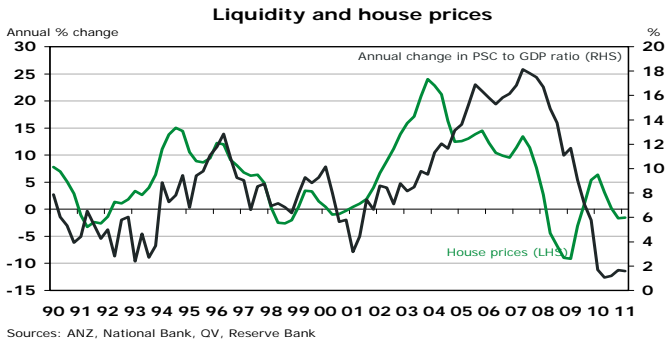
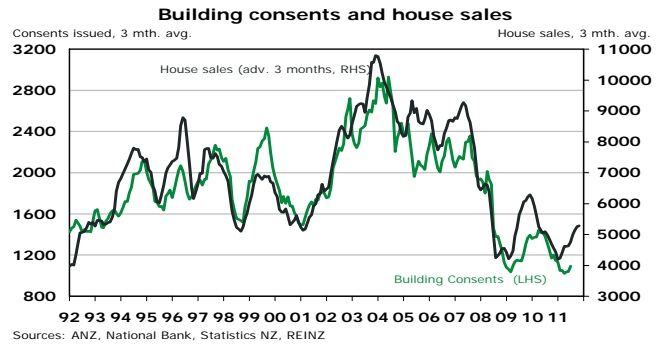
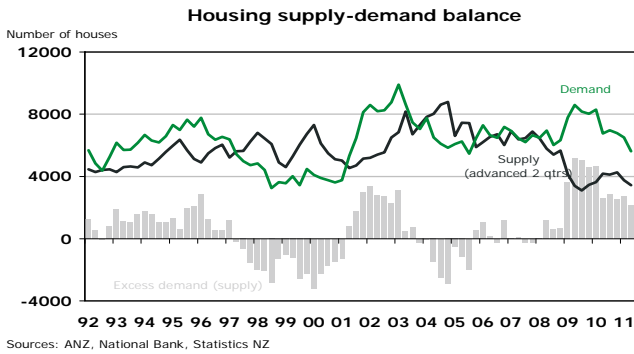
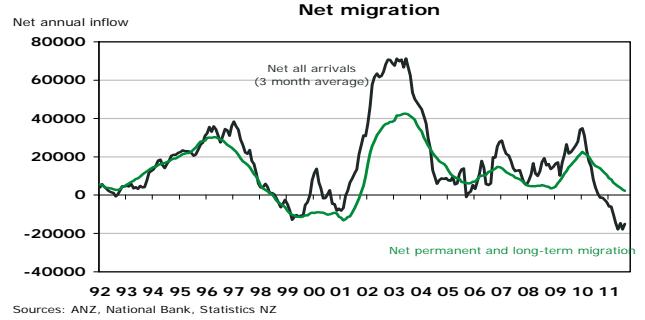
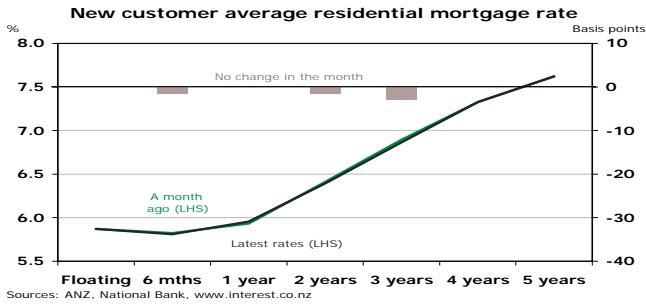
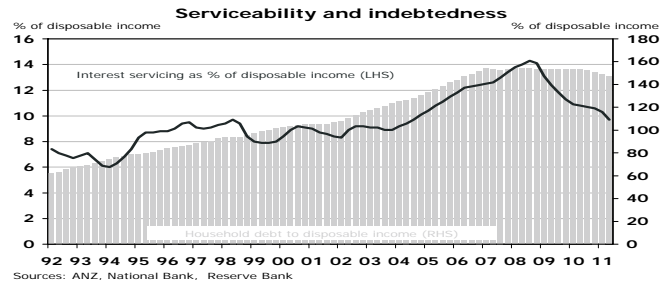
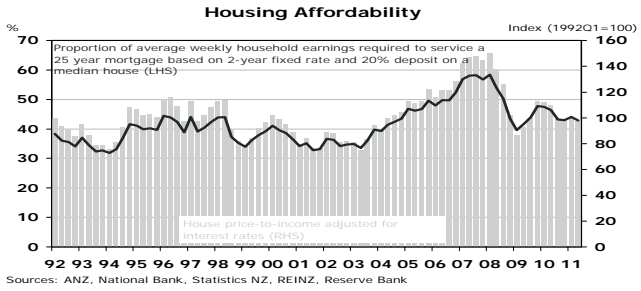
LIQUIDITY. We look at growth in private sector credit relative to GDP to assess the availability of credit in supporting the property market.

GLOBALISATION. We look at relative property price movements between New Zealand, the US, UK and Australia in recognition of the important role that globalisation is playing in NZ's property cycle.

HOUSING SUPPLY. We look at the supply of housing listed on the market, recorded as the number of months needed to clear the housing stock. A high figure indicates that buyers have the upper hand.

RENTAL GROWTH. We look at growth in the median market rent as an indication of whether it is a better time to buy versus rent, and how rental yields are shaping up for the property investor.

Indicator	Level	Direction for prices	Comment
Affordability	Settled	↓	Little change in affordability over the past nine months.
Serviceability / indebtedness	Saved by debt payback	↓	Debt payback still in play.
Interest rates	Same, same	↔/↑	Negligible change in mortgage rates over the month.
Migration	Dwindling	↓	Annual immigration flows nearly at a ten-year low
Supply-demand balance	Regional gaps exist	↔/↑	Lower demand and supply, and a sizable gap persists.
Consents and house sales	Lifting but off low base	↔/↑	Consents may have finally hit rock bottom but remain low.
Liquidity	Not moving	↓	Drop in borrowing, at a time that the economy is slowly expanding.
Globalisation	Worsening	↔/↓	Weakness in many parts of the world.
Housing supply	Ticking up	↔/↑	Months of supply has posted a hesitant rise.
Median rent	Consolidating	↑	Annual growth rate eased a little from a 2½-year high measured two months ago.
On balance	Drifting	↔	Sales are improving, but not prices.



ECONOMIC BACKDROP

The realities of a long-drawn out deleveraging slog are settling in globally: crimped growth, with clear downside near-term risks as well. This represents a stern backdrop for New Zealand, though a record terms of trade, greater connectivity with Asia and strong economic framework mean we are in a stronger position than most.

OUR CORE ECONOMIC VIEW

The global economy is on a knife-edge. Equities are under pressure. Risk appetites are poor. People are seeking safe haven assets such as bonds. There is genuine fear another economic calamity is around the corner. In the past weeks we've seen the announcement of a coordinated approach by the world's major central banks to boost liquidity. The glass half full interpretation would centre on this being proactive stuff from policymakers. The glass half empty version centres on this action being taken because policymakers know the severity of the situation.

There is no quick fix. History tells us never to underestimate policymakers' resolve. **Brace for more concrete steps from policymakers in Europe and the USA**, subject to political constraints. However, there are also key challenges here. Policymakers' arsenals are seriously diluted, and the tools at their disposal lack traction given structural headwinds. The only truly healing process for the global economy is the passage of time. Near-term solutions – liquidity, interest rate cuts, printing money etc merely buy time and avert extreme downside risks.

Back home, **the RBNZ appears very wary of a potential sharp deterioration in the global scene** beyond what has already occurred. As they've been privy to discussions with other central bankers we can assume the RBNZ know more than most.

Key channels to New Zealand include commodity prices, the cost of credit and confidence.

Commodity prices have eased, as is normally the case when global ructions occur, but they remain supported by limited supply and continued strong growth in Asia. Offshore funding costs have risen substantially, and with a net external debt position of 70 percent of GDP, this matters. This is more theoretical than real at present because no actual bank funding is taking place. However, the longer global unease lasts, the greater the potential impact on New Zealand's local borrowing costs. Confidence in New Zealand has proven to be remarkably resilient. We put this down to two factors. New Zealand knuckled down in 2009 and 2010 and faced up to reality. This saw the household savings rate improve (though it is still too low) and net external debt fall from 90 to 70 percent of GDP. The latter is still high but we're making progress. Other nations went for the sugar pill solution and lifted debt levels over that period. Locally we also have the feel-good factor associated with the Rugby World Cup, which is injecting much-needed cash-flow into the economy.

New Zealand's economic framework is responding well in the face of challenges. Monetary policy is still easing in a passive sense, with the effective mortgage rate still falling. The RBNZ is not standing still. Deferring prospective OCR hikes is actually easing policy, for the average interest rate on household borrowing at present is currently 6.2 percent, compared to a floating mortgage rate of 5.7 percent. The New Zealand dollar has receded from overtly extended levels. Both sides of the political spectrum are committed to saving and turning large deficits into surpluses. This involves a long journey but markets and investors like decisive leadership. One of the problems in Europe and the USA at present is that populism is driving decision-making, leaving markets on edge.

When we eye the upcoming data calendar, we can see some real tensions between the global and local scene over the remainder of the year and into 2012. The former is heavily forward looking (i.e. a risk – but a big one), while the latter is more what we know – today.

In this situation, the outlook for the property market and New Zealand economy is going to remain schizophrenic. It's the simple interaction of cyclical support factors (i.e. low interest rates, favourable supply-demand balance) and structural dynamics such as balance sheets. This is not your simple business cycle recovery, nor 5 years of boom and 3 years of sideways cycle for the property market. There are complicated structural forces at work. They will take time to work through, which means a longer period of subdued performance. Policymakers will keep interest rates supportive for longer. We'll continue to like the antidote, but not the poison it's treating.

MORTGAGE BORROWING STRATEGY

SUMMARY

Mortgage rates have held stable for almost 6 months. With global uncertainty likely to delay the timing of RBNZ OCR increases until well into 2012, it is difficult to argue that there is a strong case for fixing, at least from a cost perspective. Floating remains the cheapest rate. As such, we favour remaining on floating. Although the OCR is set to rise in time, this depends crucially on global financial markets stabilising, and on the fallout here in New Zealand being limited. This is a high hurdle. Meanwhile, time is on the borrower's side.

OUR VIEW

Although the Reserve Bank warned in its September *Monetary Policy Statement (MPS)* that “it is likely that the OCR will need to increase”, this is conditional on a stabilisation of the global economy, and on New Zealand escaping reasonably unscathed. Global developments in the two weeks following the MPS have not been encouraging – particularly in Europe, with speculation mounting that Greece may default on some of its debt, or worse still, exit the euro. There has of course also been talk of further bailouts, but these in turn depend on parliamentary support by the member states, and popular opposition is high.

We won't speculate here on how things will unfold in Europe, other than to say that speedy resolution looks unlikely. As such, we expect more uncertainty and volatility, casting a shadow on global growth, and delaying RBNZ rate hikes. Ironically, although an OCR increase will be difficult to swallow for many, it would be better if these conditions are met and the OCR does move higher, for a further deterioration of the global outlook could have a detrimental impact on New Zealand's growth outlook. It's a timely reminder that the credit-centric nature of the 2008 crisis is still with us.

Mortgage rates typically follow the OCR, and what this means for homeowners is that it could be a while before we see floating mortgage rates start to rise. For much of 2011, the RBNZ hinted at the need to take back what it called the “insurance” 50bp OCR cut in March. But it is clear that the RBNZ's focus has shifted from local to global. Indeed, future OCR moves depend strongly on how global developments pan out, and it is no longer clear that the OCR will even rise in 2011. Even if stability returns and the RBNZ do start raising rates in early 2012, the lagged impact of the global slowdown and uncertainty will be felt for some quarters to come. We have also been worried by signs that the Christchurch rebuild is being delayed by insurance issues and ongoing tremors. All of these factors reduce the urgency for hikes. The upshot is that relative to a few months ago, both the pace and the timing of future RBNZ moves are now very uncertain.

As a result, we favour remaining floating for now. Indeed, it is not clear that there is significant economic benefit to be had from fixing now, before the OCR rises. As the table below shows, mortgage rates would have to move up fairly quickly in order to make fixing attractive – yet it is not clear that they will with global uncertainty as high as it is. As such, we favour remaining on floating for a little longer, and waiting to see how things pan out before committing to certainty – noting that fixed rates are all higher than the floating rate.

Some borrowers may be uncomfortable with this – and might prefer to be fixed. This is understandable, and if that is you, just be aware that it does come at a cost. That cost is low for 6, 12 and 18 month terms, but escalates quickly from 2 years and beyond.

Mortgage Rates		Breakevens			
Term	Current	in 6mths	in 1yr	in 18mths	in 2 yrs
Floating	5.74%				
6 months	5.99%	5.91%	6.97%	7.09%	7.74%
1 year	5.95%	6.44%	7.03%	7.42%	7.99%
18 months	6.29%	6.66%	7.27%	7.69%	8.19%
2 years	6.49%	6.93%	7.51%	7.92%	8.41%
3 years	6.99%	7.43%	7.95%	8.22%	8.51%
4 years	7.45%	7.77%	8.14%		
5 years	7.70%				

THE 2011 ANZ PROPERTY INVESTMENT SURVEY

SUMMARY

The ANZ's annual survey of property investors is compiled in conjunction with the NZ Property Investors' Federation. Investors expect more short-term growth in their property value than in past years. Last year's *Budget* and other regulatory changes through the year have had more of an impact on investors in this year's survey. Landlords are increasingly reviewing business fundamentals as the thrust of their investment decision and are now less reliant on capital gains, which were the norm in the era prior to the global financial crisis.

KEY POINTS FROM THE 2011 SURVEY

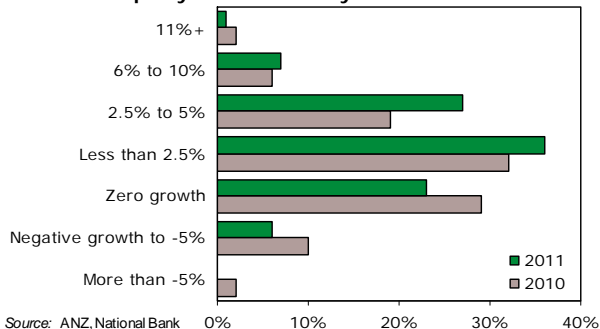
An online survey of 1,806 interviews with New Zealand property investors was carried out in a three week span in July. The survey has been compiled for several years and provides a yardstick for property investor sentiment.

There was no significant change in the average portfolio that investors hold, with small investors still the most prevalent and relatively few full-time investors (with 7 or more properties). Small scale investors (1 to 3 properties) account for nearly two-thirds of all property investors. There was a noticeable shift in the profile of investors. Previously, owning property under a Loss Attributing Qualifying Company (LAQC) was prevalent. But **the survey revealed a switch towards ownership in a Look Through Company (LTC) structure.** A look through company is a replacement tax entity for LAQCs. In essence, income and expenses of a LTC are passed up to shareholders. It is the shareholder that is responsible for paying tax on their share of the LTC's taxable income (rather than the company). They can also make use of any LTC losses, to a certain threshold. Additionally, there has also been a steady rise in investors owning property 'in their own name' since 2009, and a shift away from investing via a family trust. Investors continue to hold the majority of their investment properties in the region that they live.

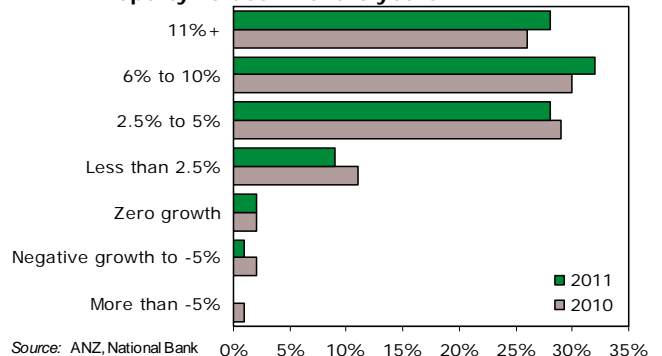
Printed materials are still most widely used source of information to monitor the state of the property market. This is via newspapers, the NZ Property Magazine and material published independently by real estate agents. Using books is another source of information that has been growing over the year. In the online sphere, landlord e-newsletters remain the most frequently used resource, led by the Department of Building and Housing's website.

Over the past two years there has been little change in the proportion of property investors who prefer to use a property manager. Currently 42 percent of investors are actively using a property manager, with another 17 percent considering using one. The survey noted that the top two advantages of using a property manager are geographical location and cost. In regard to how the rental management fee is charged, the preferred method is a percentage of rental income, rather than a fixed fee.

Property values - next year



Property values - next 5 years



Compared to last year's survey, **an increasing proportion of property investors expect their rents to increase faster next year.** Seventy five percent of investors expected positive annual rental growth last year. This proportion has lifted to eighty percent expecting growth in rents over the current year. Increasing rental growth is expected for the survey horizon of five years. The average rate investors expect rents to increase by in the next five years is 6-10 percent.

The **2010 Budget** and other regulatory changes through the year have had more of an impact on investors in 2011 than they did in 2010, with more investors now saying they've changed their investment strategy as a result of the announcements. Last year's Budget appears to be the catalyst for planned rental increases. A quarter of investors increased rentals in 2011, with rises of 2½-5 percent commonplace.

With regard to capital gains, **investors expect more short-term growth in their property value than they did last year.** The largest proportion of respondents (36 percent) thought house prices would rise between 0-2.4 percent over the next year. To put this in context, back in 2007, the largest proportion expected 5 percent. Looking out over the next five years, most respondents (32 percent) thought house prices would increase between 6 and 10 percent. Back in 2007 this figure was 7½ percent. This isn't too dissimilar and suggests that most investors are expecting (or hoping for) a return to the heady, pre-GFC days.

Almost nine out of ten investors intend to hold onto their properties for the longer term. There was also an increase in the number of long-term investors planning to renovate or develop their property. On the flip-side, fewer investors are intending to purchase another property.



Looking forward, over a quarter of all investors view changes in government regulations and tax policy as the biggest issue for property investors. More investors mention the economy, depreciation law changes, and the possibility of a capital gains tax as reasons for not planning to purchase another rental property within the next two years. Fewer investors than in last year's survey think decreasing property values is the biggest risk, looking forward.



Six out of ten property investors hold specialist landlord insurance, which is about the same level as the previous two years. Groups that are less likely to have this type of insurance are full-time investors, those based in Auckland, or younger investors (aged under 40 years). **Almost four out of ten investors say the Canterbury earthquake caused them to examine their insurance cover.** Investors who are more likely to have examined their insurance cover as a result of the earthquakes are more prevalent in Canterbury and other South Island areas.

THE UPSHOT

It's an interesting exercise to compare the current survey with the pulse of the nation in earlier times. We first covered **the annual survey of property investors in this report in March 2007**. In the report we noted that ... *"We concur with the generally optimistic view of property. There have been structural improvements in the economy. Better economic growth on average will underpin income growth, and housing demand. The New Zealand property market is becoming integrated with offshore property markets. Demographic, retirement and migration trends are supportive of some regions in particular. Housing continues to have a considerable tax advantage, although there may well be a slight tightening up going by nuances from the Reserve Bank!"*

One global financial crisis and two devastating earthquakes later **the environment has been turned on its head**. The economy is still making up lost ground, immigration has dried up and tax loopholes have been closed. About the only thing still in play is our integration with the offshore property market, but that's at a time we don't want to be!

A main feature of this and the 2010 survey is that **landlords are increasingly switching to business fundamentals as the thrust of their investment decisions and are now less reliant on capital gains** as a catalyst for property investment. Fewer property investors are losing the LAQC entity as a crutch. Investors are becoming realistic about the rate of capital gain they can expect in the current environment. Gone is the "borrow now and spend later" mentality that prevailed over most of the early and mid 2000s.

Based on some crude metrics, we've calculated that New Zealand house prices remain overvalued by up to 10 percent at the nationwide level. Rather than house prices falling from their current levels, **we expect that the overvaluation will gradually be eroded** by inflation. Further down the track demand for housing will eventually rise. This will be in conjunction with improving employment prospects and an improvement in the New Zealand's economic growth story. The property market will continue to be an avenue for investors, but landlords will have to make the rental income sums work, rather than rely on capital appreciation as the foundation of their investment portfolios.

For further details of the survey, please refer to the September issue of the NZ Property Investor magazine.

Weekly mortgage repayments table (based on 25-year term)

		Mortgage Rate (%)													
		5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50	7.75	8.00	8.25	8.50	8.75	9.00
Mortgage Size (\$'000)	200	290	297	304	311	319	326	333	341	348	356	364	371	379	387
	250	363	371	380	389	398	407	417	426	435	445	455	464	474	484
	300	435	446	456	467	478	489	500	511	522	534	545	557	569	581
	350	508	520	532	545	558	570	583	596	610	623	636	650	664	677
	400	580	594	608	623	637	652	667	682	697	712	727	743	758	774
	450	653	669	684	701	717	733	750	767	784	801	818	836	853	871
	500	725	743	761	778	797	815	833	852	871	890	909	928	948	968
	550	798	817	837	856	876	896	917	937	958	979	1000	1021	1043	1064
	600	870	891	913	934	956	978	1000	1022	1045	1068	1091	1114	1137	1161
	650	943	966	989	1012	1036	1059	1083	1108	1132	1157	1182	1207	1232	1258
	700	1015	1040	1065	1090	1115	1141	1167	1193	1219	1246	1273	1300	1327	1355
	750	1088	1114	1141	1168	1195	1222	1250	1278	1306	1335	1364	1393	1422	1451
	800	1160	1188	1217	1246	1274	1304	1333	1363	1393	1424	1454	1485	1517	1548
	850	1233	1263	1293	1323	1354	1385	1417	1448	1480	1513	1545	1578	1611	1645
	900	1306	1337	1369	1401	1434	1467	1500	1534	1567	1602	1636	1671	1706	1742
950	1378	1411	1445	1479	1513	1548	1583	1619	1655	1691	1727	1764	1801	1838	
1000	1451	1486	1521	1557	1593	1630	1667	1704	1742	1780	1818	1857	1896	1935	

Housing market indicators for August 2011 (based on REINZ data)

	House prices (Ann % change)	3mth % chng	No of sales (s.a.)	Mthly % chng	Avg days to sell (s.a)	Comment
Northland	-2.2	0.7	120	(+5%)	70	Time to sell shortens to nine month low
Auckland	1.9	0.3	1,941	(+4%)	35	The location with the quickest time to sell
Waikato/BOP/Gisborne	-1.1	-0.7	784	(+9%)	55	Number of sales hit a two-year high
Hawke's Bay	-8.0	-3.1	179	(-3%)	46	The weakest 3 month price change in a year
Taranaki	-4.0	-0.9	235	(0%)	53	Sale numbers unchanged despite lift nationally
Manawatu-Whanganui	1.5	-3.1	135	(+23%)	74	By far the strongest rise in sale numbers
Wellington	-8.2	-4.6	607	(+8%)	44	Recorded the largest annual price fall
Nelson-Marlborough	-3.0	-4.0	205	(+3%)	42	Median time to sell cut to a six-month low
Canterbury/Westland	3.1	2.9	739	(+16%)	37	Sale prices up 11 percent since Feb quake
Central Otago Lakes	-3.5	-4.2	92	(+5%)	59	The lift in sales was on a par with the NZ avg
Otago	4.7	3.0	215	(-5%)	42	The strongest annual lift in house prices
Southland	1.4	-0.1	132	(-8%)	37	Reported the weakest number of house sales
NEW ZEALAND	1.4	-0.4	5,398	(+5%)	40	Nationwide sales up but prices track sideways

Key forecasts

Economic indicators	Actual			Forecast						
	Dec 10	Mar 11	Jun 11	Sep 11	Dec 11	Mar 12	Jun 12	Sep 12	Dec 12	Mar 13
GDP (Ann Avg % Chg)	1.7	1.5	1.5f	1.9	2.7	3.3	4.0	4.2	4.0	3.8
CPI Inflation (%)	4.0	4.5	5.3	5.0	3.3	3.1	2.9	2.8	2.7	2.9
Unemployment Rate (%)	6.7	6.5	6.5	6.2	5.9	5.6	5.5	5.3	5.3	5.3

Interest rates	Actual			Forecast (end month)						
	Jul 11	Aug 11	Latest	Dec 11	Mar 12	Jun 12	Sep 12	Dec 12	Mar 13	Jun 13
Official Cash Rate	2.50	2.50	2.50	3.00	3.25	3.50	3.75	4.00	4.50	4.75
90-Day Bank Bill Rate	2.7	2.9	2.8	3.2	3.3	3.7	3.8	4.2	4.3	4.7
Floating Mortgage Rate	6.1	6.1	6.1	6.6	6.8	6.9	7.0	7.1	7.6	7.9
1-Yr Fixed Mortgage Rate	6.0	6.0	6.0	6.1	6.2	6.6	6.7	7.0	7.1	7.5
2-Yr Fixed Mortgage Rate	6.5	6.5	6.5	6.7	6.9	7.0	7.1	7.2	7.4	7.6
5-Yr Fixed Mortgage Rate	7.7	7.7	7.7	7.7	7.8	7.8	7.9	8.0	8.0	8.0

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