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HOUSING MARKET CONTINUES TO GAIN MOMENTUM

The New Zealand housing market looked much brighter last month, following on from the momentum gained in the previous two months, according to the latest *Mike Pero Mortgages-Infometrics Property Cycle Indicator*.

“The growth in house sales has increased rapidly, with 40 per cent more sales occurring over the last three months compared to the same period a year earlier,” says Mike Pero Mortgages Chief Executive Shaun Riley.

“The median house price rose to \$355,000 in October, its highest level on record. This was partially the result of higher quality houses being sold. The REINZs stratified house price measure was still down 3.1% on its November 2007 peak.”

The *Mike Pero Mortgages-Infometrics Property Cycle Indicator* climbed to a positive 7.39 in October, from 6.98 in September. The *Property Cycle Indicator* is a sensitive measure of the housing market and includes three main factors: changes in the number of houses sold; changes in price; and the time taken for houses to sell.

The third measure of the *Property Cycle Indicator*, the time taken for houses to sell, has fallen to their lowest level since September 2007 (seasonally adjusted).

“The average number of days to sell property fell to 31 days in October, two days fewer than in September.

“The two big North Island markets of Auckland and Wellington are showing strong signals and are leading the market according to the *Property Cycle Indicator*,” says Shaun Riley.

Auckland led the country in October with a PCI of 8.79 (from 8.26 in September) and Wellington not far behind with a PCI of 8.28 (from 7.21 in September).

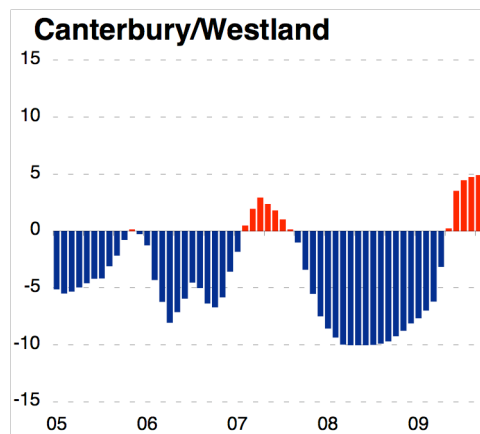
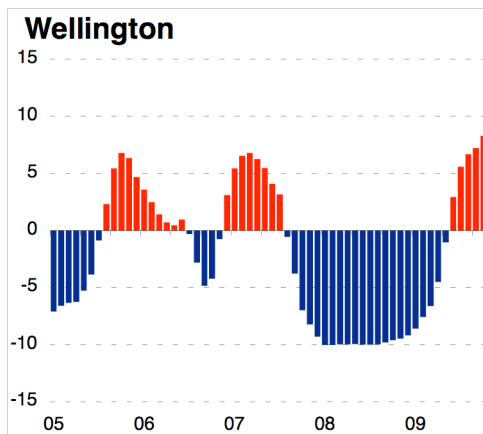
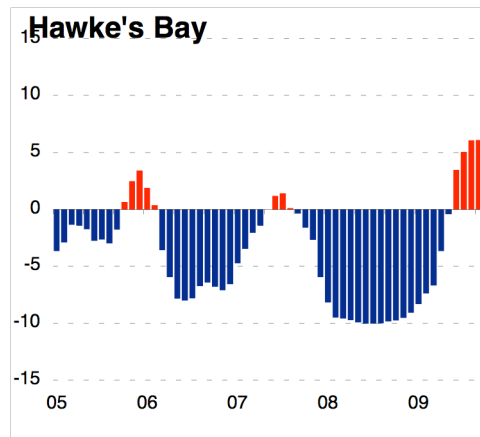
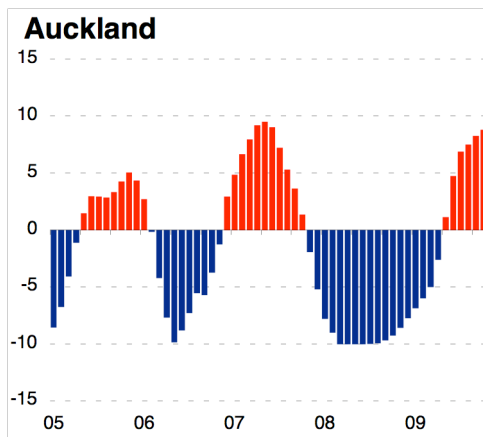
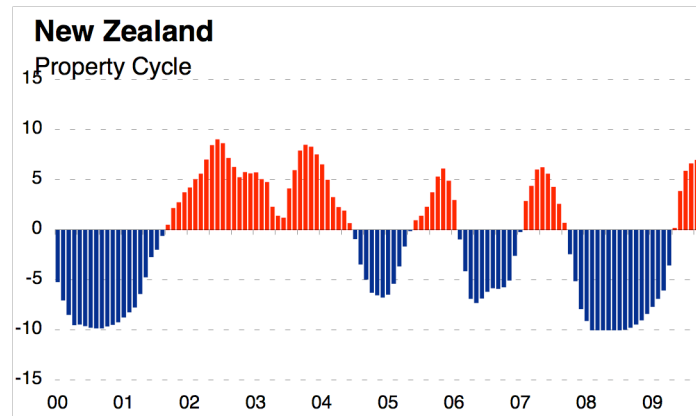
In the South Island the Canterbury/Westland's PCI was 5.04 (edging up from 4.91 in September), Southland's was 2.44 (2.38), and Nelson/Marlborough's was 3.16 (from 3.08). Otago made the biggest gain with a PCI of 3.75, up from 3.16 in September.

Rental inflation remained remarkably weak in September, with average rents in the three months to October unchanged from a year ago.

During October floating mortgage rates eased to 6.0%, which is the lowest average floating mortgage rate since August 1965.

See next page for PCI graphs and background information.

Graphs



Background information

- The Property Cycle Indicator is prepared from an analysis of changes in house sales, price movements, and the time taken for properties to sell
- The monthly data is sourced from the Real Institute of New Zealand
- The Property Cycle Indicator runs from minus-10 to plus-10
- A Property Cycle Indicator value of -10 shows a strong downturn, while +10 shows a strong upturn in the housing market
- Lower sales volumes are usually the first indicator that a market upturn is coming to an end, followed by properties taking longer to sell
- House prices are usually the last variable to change direction
- House prices may still be rising, even though the Property Cycle Index is negative and showing a downturn

By incorporating the three variables, the Property Cycle Indicator gives a much better, and earlier, indication of shifts in the market

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