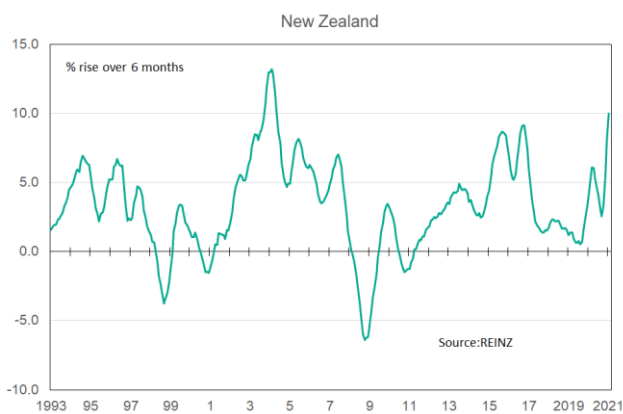
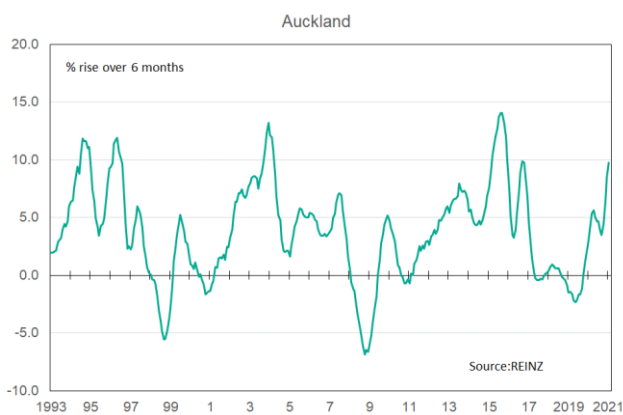


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Auckland

Auckland is our country’s largest city and housing market, and we would expect that the degree of volatility in dwelling prices would naturally be less than for any other region. We won’t do that comparison graph by graph, but it is worth noting that the charts we are using to show six-month price movements look almost the same at a glance for Auckland and for the country overall.



We can see from the first graph that Auckland experienced periods of price decline associated with the Asian Financial Crisis of 1997/98, the flattening of growth over 2001 when interest rates were kept high because of an inflation surge, the Global Financial Crisis of 2008-09, and the after-effects of the false recovery over 2010 and premature tightening of monetary policy.

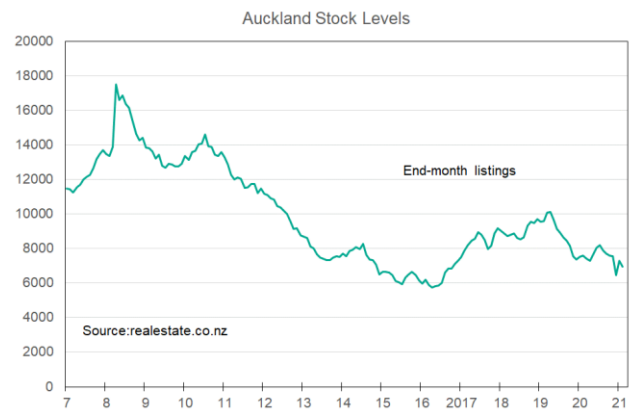
Most recently we can see that the pace of prices growth measured over six-months is the strongest since 2004. History tells us that while such spurts are

not sustained, it is not at all the case that such shock surges in prices precede a period of price decline.

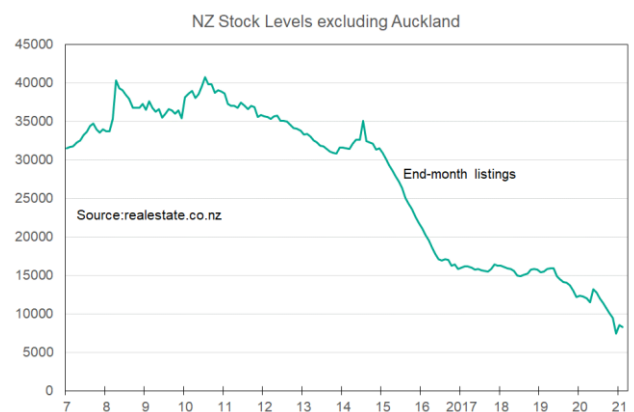
So, for Aucklanders, unless the economy goes into recession in the near future (and that is not our expectation) house prices are extremely unlikely to fall.

Listings Availability

In Auckland there was a structural decline in the number of properties available for purchase on the realestate.co.nz website from 2008 – 2013. The nature of the decline differs from reductions seen in almost all other regions where availability of listings remained reasonable up until around 2015.



From 2012, as regions engaged in a lagged period of strong prices growth following Auckland’s earlier surge, their listings fell away exceptionally rapidly. The next graph shows end-month listings for all New Zealand excluding Auckland.



The listings situation in Auckland is not yet improving, despite the number of new listings received in February lying 30% up from February 2020. The annual



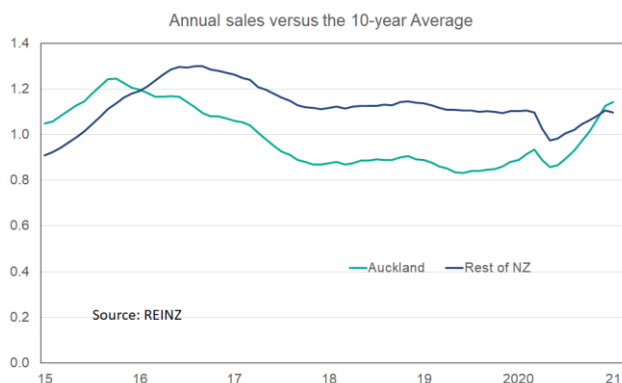
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increase for the month of January was 36%, December 26%, and November 57%. In contrast, outside of Auckland new listings in the past four months have averaged only 3% higher than a year earlier.

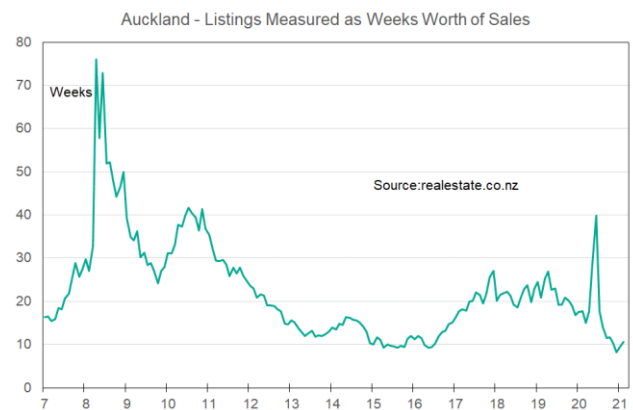
What does it mean if the stock of listings falls away despite a large surge in new listings being received? Sales are very strong.

Dwelling sales in Auckland over the three months to January were ahead by 61% from a year ago whereas the change outside of Auckland was a rise of just 17%. Auckland's residential real estate market has turned around quite substantially since the end of 2019.

One way to see this situation of Auckland now catching up to the rest of the country's strength is by comparing annual sales with average sales for each year in the previous decade. The blue line in the following graph shows this ratio for all of New Zealand excluding Auckland. The green line shows Auckland where we can see a sharp rise in sales over 2021.



Turning back to the availability of listings – one way to get a feel for how tight things might be for buyers is to compare the stock of listings with the recent volume of sales. This ratio can be expressed in terms of the weeks of sales available.



We can see from the graph above that the availability of stock now in Auckland is as poor as was the case when the market was rising very strongly from 2013-2016. This gauge of buyer choice did not substantially improve until imposition of the 40% deposit requirement for investors in July 2016 and the cessation of Auckland's four-year long period of strongly rising house prices.

Might the same thing happen this time around? That seems unlikely given the greater impetus to buy created by mortgage rates now being near 2% lower than in 2016, term deposit rates being 2.5% lower, and Auckland only having been rising strongly for about 15 months compared with four years come mid-2016.

For property buyers in Auckland the situation is one in which as long as one keeps a close eye on the sharply increased number of listings coming through day to day, the chances of purchasing a property are probably a lot better than in the rest of the country where new listings growth is less or entirely absent.