

Low mortgage rates to drive up house prices

August 11, 2009 – The housing market is stabilising after the significant downturn recorded in 2008, and prices could grow by as much as 11 per cent nationally over the coming year according to the *QBE LMI Housing Outlook for New Zealand 2009 report* released today.

The report, prepared by Infometrics for leading mortgage insurer QBE LMI identified that low interest rates, combined with a shortage of new housing, are expected to drive up house prices by 24% over the next three years. Median house prices have climbed to \$339,000 in the June quarter from a low of \$330,000 in March 2009.

The report also shows a strong lift in house sales volumes; up 41% over the June quarter compared to a year earlier. The strong recovery is largely attributed to the downward movement in mortgage rates since mid-2008, which has significantly improved affordability of property for both investors and first home buyers.

Residential property is also taking a significantly shorter amount of time to sell. Across the country, median time on the market has dropped from 58 days in July 2008 to 41 days in June 2009.

CEO of QBE LMI, Ian Graham, said “Housing affordability has improved on a national level and the level of demand amongst buyers has increased. With improved credit conditions and record low interest rates, the motivation for first home buyers and investors to enter the housing market have never been more compelling.”

“With a lack of available finance for developers, a significant shortage of new housing is arising in New Zealand and is expected to continue into 2010. The underlying demand for new houses is sitting at 21,000 per year which is strongly driven by an increase in net migration and a reduction in New Zealanders moving overseas. This undersupply of new dwellings, will contribute to an increase in property prices over the next three years” said Mr Graham.

Please visit www.qbelmi.com on Thursday 13 August 2009 from 2pm Eastern Standard Time to gain access to the QBE LMI Housing Outlook for New Zealand report 2009 as well as a copy of the presentation delivered to attendees of the New Zealand Housing Outlook 2009 seminars.

Background on QBE LMI

QBE LMI provides lenders' mortgage insurance to the lending industry in New Zealand, Australia and Asia.

On 23 October 2008 we became known as QBE LMI when a true homegrown insurance leader, QBE, bought our New Zealand, Australian and Asian operations, creating a powerful combination of experience, relationships and resources:

Now, QBE LMI gives strength to our 25 years' experience in New Zealand and our 40-plus years' experience in Australia - with a new and greater capacity to service our clients. Our financial strength ratings include;

- > Standard & Poor's AA - (Stable Outlook)
- > Moody's Aa3 (Negative Outlook)
- > Fitch AA - (Stable Outlook)

Our parent, the QBE Group is listed on the Australian Stock Exchange and has offices in 45 countries in Asia Pacific, the Americas and Europe, employing over 13,000 staff worldwide.

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