

MEDIA RELEASE

Record slump for New Zealand House sales

*Drop in house sales volumes exceeds previous record set in 1974;
bargain hunters to lead improvement in 2009*

Auckland, November 18th 2008 – The New Zealand (NZ) property market experienced an unprecedented downturn in house sales in the first half of 2008, according to the latest property overview prepared by Infometrics for leading mortgage insurer QBE Lenders' Mortgage Insurance (QBE LMI).

Findings released from the *QBE LMI Residential Property Overview - New Zealand* today revealed property sales volumes slumped 44.3 per cent when compared to the same period in 2007, exceeding the previous record decline of 39.4 per cent set in the second half of 1974.

The impacts of higher interest rates, economic recession, increases in food and fuel prices and drought pressures affecting the nation's agricultural industry have been attributed as catalysts for the slowdown.

However, despite the 2007/08 sales volume downturn, CEO of QBE LMI, Ian Graham, said "With interest rates on the way down, a pick up in business and consumer confidence, and vendors revising their price expectations, sales volumes are expected to recover from their current low level. More buyers are likely to be drawn back into the market in 2009-2010 in search of housing bargains".

A downward trend in median house prices has developed since 2007 with the Christchurch, Hawke's Bay and Taranaki/Manawatu/Wanganui regions experiencing the worst home value declines over the year to June 2008. Nationally, the average price over the three months to August 2008 was 3.1 per cent lower than a year earlier.

Gareth Kiernan, Infometrics Senior Economist, who prepared the overview on behalf of QBE LMI, noted: "Interestingly, this annual price decline is the first across the country since 2001.



Looking forward, annual growth in the median house price could dip as low as minus 10 per cent in early 2009 and nationally, prices are forecast to fall 5.8 per cent by June 2009.”

Otago/Southland (-9.5 per cent), Northland (-9.1 per cent) and Nelson/Marlborough (-7.6 per cent) are expected to experience the most pronounced fall in house prices to June 2009, while Christchurch (-3.3 per cent) and Hawke’s Bay (-3.2 per cent) will experience the smallest declines.

Turning to the rental market, gross rental yields lifted from a low of 4.3 per cent in May 2007 to 4.7 per cent by August 2008. Rental yields, driven by strong national demand, are currently at their highest in over three years.

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Background on QBE LMI

QBE Lenders’ Mortgage Insurance Limited (QBE LMI), formerly known as PMI Mortgage Insurance Ltd (PMI) is a leading mortgage insurer, credit enhancer and residential property market specialist with over 42 years experience in the Australian market and 20 years in the New Zealand market. The change in name follows the purchase of the company by QBE Insurance Group (QBE) on 23rd October, 2008 (see attached ASX announcement for further information).

Through our proactive approach, innovative products and services, and longstanding knowledge and expertise, QBE LMI has helped its customers to manage and reduce risk. QBE LMI embraces new ways of thinking to provide a variety of credit enhancement products to banks, building societies, credit unions and market funders in Australia and New Zealand, making home ownership possible for many Australians and New Zealanders.