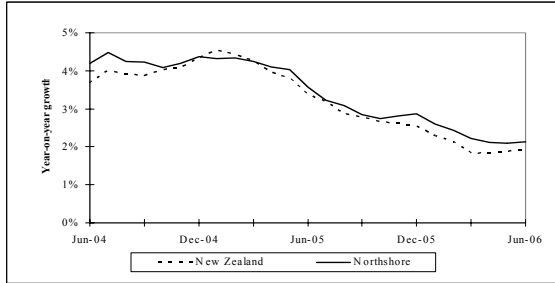


NORTH SHORE ECONOMIC MONITOR

The North Shore Economic Monitor is a monthly publication prepared for Enterprise North Shore. This newsletter contains the latest trends in economic indicators and business confidence.

Economic Growth



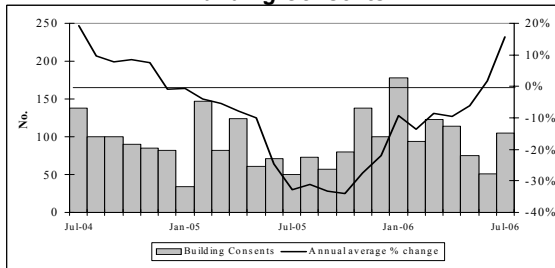
Source: APR Consultants

The APR index of economic growth is constructed from key indicators. The annual average growth rate in North Shore's index for the year ended June 2006 shows that the level of business activity in North Shore's economy has strengthened slightly over the past two months.

Key Indicator Trends

This section of the monitor examines trends in key indicators of North Shore's economic activity. In each case, a bar graph showing actual monthly totals has been overlaid with a line graph, showing the annual average percentage change for each key indicator.

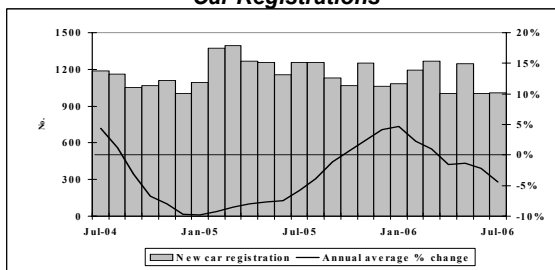
Building Consents



Source: Dept of Statistics Building Surveys and Vitals Section

The level of activity in the local residential building market rebounded strongly in July 2006. There were a total of 105 consents issued for new dwellings during the month, more than double the number issued in June 2006 and in July 2005. The annual average growth rate in the number of new building consents issued in North Shore was 15.8% for the year ended July 2006.

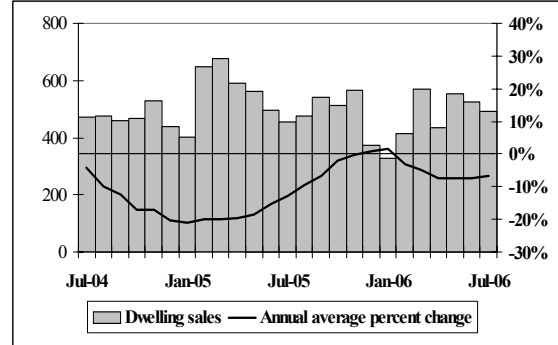
Car Registrations



Source: Land Transport Safety Authority

The monthly number of car registrations recorded in North Shore has stabilised over the past months. There was a total of 1,010 cars (including both new and ex-overseas car types) registered in local postal offices during the month, which was slightly above the 1,003 registrations recorded in June 2006 but less than the 1,257 registrations recorded in July 2005. The annual average growth rate in the number of car registrations in North Shore City was negative 4.4% for the year ended July 2006.

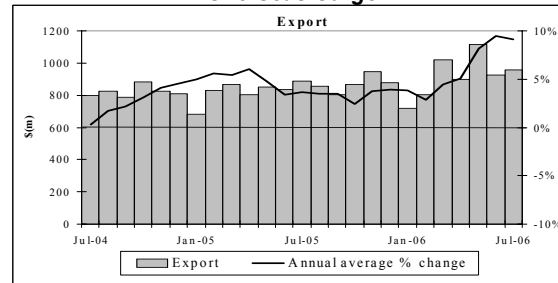
Residential Real Estate Sales



Source: Real Estate Institute of New Zealand

The volume of house sales in July 2006 in North Shore numbered 492, while they numbered 527 in June 2006. The median sale price was \$460,000 in July 2006. Comparatively there were 457 houses sold in July 2005. The annual average growth rate in the number of house sales in North Shore was negative 6.5% for the year ended July 2006.

Overseas Cargo



Source: Statistics New Zealand

The regional export industry was relatively strong in July 2006. There was a total of 191,991 tonnes of cargo conveyed overseas via Auckland's sea and air ports during the month, with a combined value of around \$954.9 million. The value of exports was above the levels of \$925.6 million and \$889.6 million recorded in June 2006 and July 2005 respectively. The annual average growth rate in the value of exports abroad from Auckland was 9.1% for the year ended July 2006.

Summary

The annual average growth rate in North Shore's index for the year ended June 2006 shows that the level of business activity in North Shore's economy has strengthened slightly over the past two months. Annual average growth in the indices for North Shore and the national economy for the year ended June 2006 suggests that a recovery from the recent economic slowdown has begun.

NATIONAL ECONOMIC UPDATE

This section of North Shore Economic Monitor presents current information on recent national business events along with an update on key economic indicators.

NZ Labour Market Remained Tight

The Household Labour Force Survey (HLFS) published by Statistics New Zealand (SNZ) showed that the job market remained very buoyant in the June 2006 quarter. Key indicators including employment, total working hours, participation rate, and unemployment rate, all showed improvements.

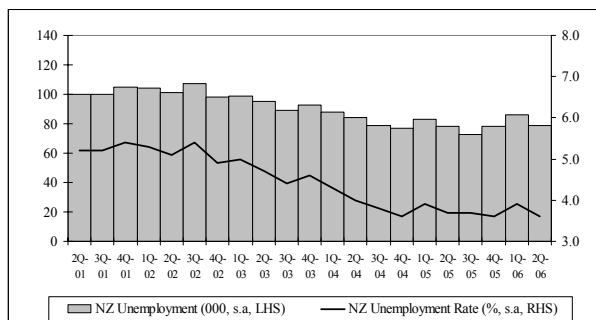
On a seasonally adjusted basis, employment rose by 22,000 (or 1.0%) to reach 2,129,000 over the quarter. This result was much stronger than the 0.1% growth expected by the market. On an annual basis, the number of people employed has increased by 63,000 (or 3.0%) for the year to June 2006. In fact, some 44,000 jobs were created over the first six months of 2006, outnumbering the 31,000 jobs created over 2005.

The quarterly growth was wholly caused by a 1.5% rise in full-time jobs, while part-time employment actually fell by 0.8%. The construction sector, property and business services, along with health and community services were the major sources of jobs. However, the transport and storage industries suffered job losses over the year.

Compared with a fall of 0.6% over the March 2006 quarter, the total number of hours worked per week increased by 1.4% in the June 2006 quarter. The labour force participation rate reached a record high in the survey with an increase of 0.3 percentage points over the quarter to reach 68.8%.

A decline in both male (4,000↓) and female (2,000↓) unemployment contributed to a fall of 7,000 (or 8.5%) in total unemployment over the quarter. This pulled unemployment rate down by 0.3 percentage points to 3.6%: the second lowest rate recorded since the HLFS began.

The unambiguous June 2006 quarter HLFS results reinforce the fact that the Reserve Bank of New Zealand (RBNZ) is unlikely to ease its monetary policy stance in the short term.



Source: Statistics New Zealand

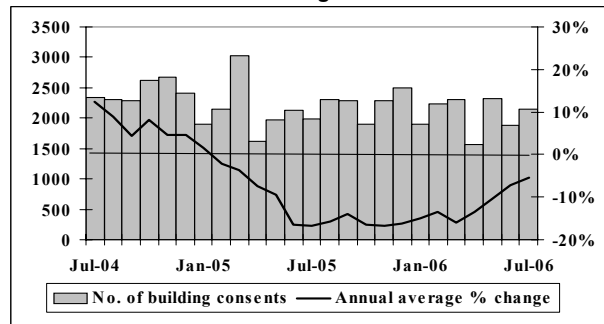
Brief Review of June 2006 Quarter Retail Sales

The latest statistics showed that nominal retail sales (seasonally adjusted) for the June 2006 quarter increased by 0.9% compared to those recorded in the March 2006 quarter. The increase over the quarter was driven by a boost in petrol retailing (up 8.7%) and increased activity in supermarket and grocery store industries (up 2.9%). The largest decrease in sales over the quarter occurred in motor vehicle retailing which decreased by \$63 million. (or 3.1%).

Seasonally adjusted real retail sales actually decreased by 0.5% over the June 2006 quarter. Quarterly percentage increases in supermarket and grocery retailing were outweighed by negative quarterly percentage decreases in fuel and car retailing sectors. Retail growth has slowed considerably. Between the June 2006 and June 2005 quarters the real value of retail sales increased by 0.9% whereas the growth rate between the June 2004 and June 2005 quarters was 5.9%.

Key Indicator Trends

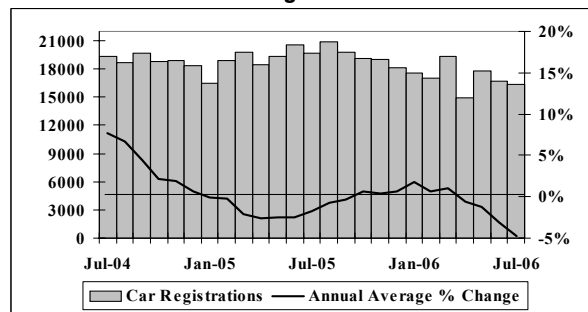
Building Consents



Source: Dept of Statistics Building Surveys and Vitals Section

There were a total of 2,145 consents issued for new dwellings during the month, valued at around \$511.6 million. This was greater than both the 1,883 and 1,992 consents issued in June 2006 and July 2005 respectively. The annual average growth rate in the number of new building consents issued in New Zealand was negative 5.4% for year ended July 2006.

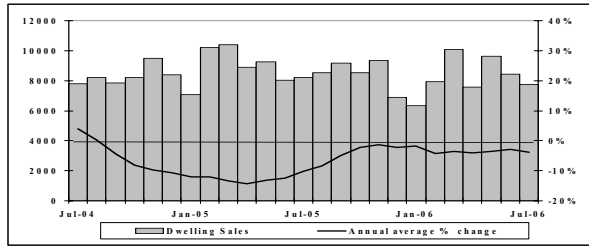
Car Registrations



Source: Land Transport Safety Authority

An easing trend developed in New Zealand car registrations in July 2006. Only 16,307 cars (including both new and ex-overseas car types) were registered during July 2006, the lowest number registered over the past three months. This represented a decrease of 17.2% compared to the number of registrations recorded in July 2005. The annual average growth rate in the number of car registrations recorded in New Zealand was negative 4.8% for the year ended July 2006.

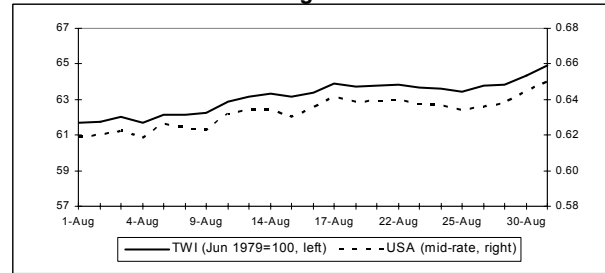
Residential Real Estate Sales



Source: Real Estate Institute of New Zealand

There were 7,771 dwellings sold during July 2006, well below the 8,428 houses sold in June 2006 and 8,213 sales recorded in July 2005. However, the median sale price for New Zealand reached a new high of \$313,000 in July 2006. The annual average growth rate in the volume of New Zealand house sales was negative 3.8% for the year ended July 2006.

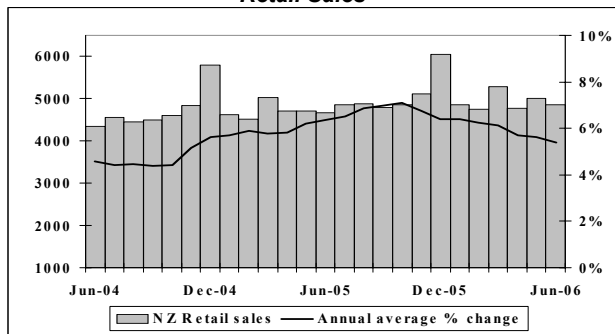
Exchange Rates



Source: Reserve Bank of New Zealand

An upward trend was evident in New Zealand exchange rates in August 2006. Key drivers behind this phenomenon emanated from internal sources (ie., a buoyant labour market) and external sources (ie., a weak US dollar). By the end of the month, NZ \$1.0 dollar was worth around US \$0.65 (the highest level recorded over the past three months), and the Trade-Weighted Index (TWI) stood at 64.9 points.

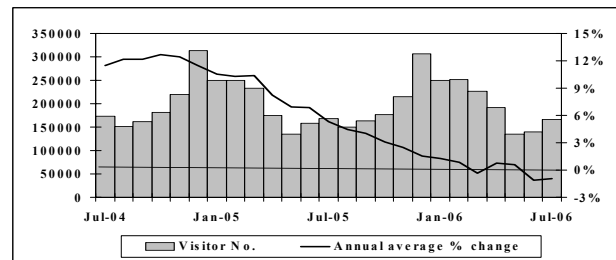
Retail Sales



Source: Business Statistics Section, Statistics New Zealand

While the value of New Zealand retail sales dipped from \$5,011.6 recorded in May 2006 to \$4,863.8 million in June 2006, it increased by \$201.4 million (or 4.3%) compared to June 2005. The annual average growth rate in the value of New Zealand retail sales was 5.4% for the year ended June 2006.

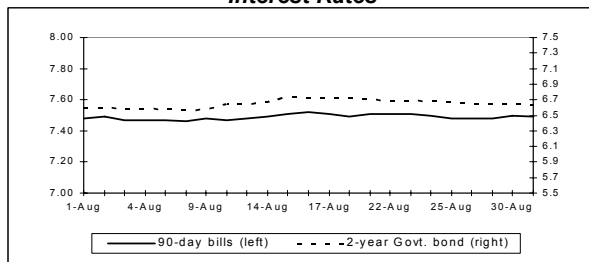
International Arrivals



Source: Statistics New Zealand

International visitor arrivals to New Zealand reached 166,970 in July 2006, well above the 139,891 recorded in the previous month. However, this number was lower than the 168,422 recorded in July 2005. The annual average growth rate in the number of visitor arrivals to New Zealand was negative 0.9% for the year ended July 2006.

Interest Rates



Source: Reserve Bank of New Zealand

The New Zealand wholesale interest rate market was stable during August 2006. However, the strong June 2006 quarter HLFS results saw short-term interest rates increase around 6-7 basis points. By the end of the month, 90-day bill rates stood at 7.49%.

Summary

According to the New Zealand Institute of Economic Research (NZIER), real Gross Domestic Product (GDP) will slow from an annual average growth rate of 2.2% for the year ended March 2006 to 1.5% in the March 2007 year, followed by 1.8% in the year to March 2007. NZIER forecasts real GDP to rebound to 1.8% in the year ended March 2008.

The conversion of the New Zealand economy from being driven by domestic consumption to being export led is dependent on exchange rate depreciation. A relatively high level of interest rates at present is holding up the value of the New Zealand currency. This phenomenon is likely to continue over the second half of 2006 as the RBNZ is unlikely to ease its monetary policy stance in the short term. However, NZIER forecasts that the New Zealand currency will depreciate by 10.0% from its current levels by the March 2008 quarter.

The National Bank's (NB) Business Confidence Survey showed that in August 2006 a net 34% of firms expected that the overall economic conditions will deteriorate over the next 12 months, down from a net 31% of pessimists in July. Farmers were by far the most negative group (-46%) followed by retailers (-38). Firms' optimism about their own level of business activity in 12 months' time has fallen sharply from a net 14.9% in the NB's July 2006 Business Confidence Survey to a net 6.0% in the August 2006 survey.



NORTH SHORE ECONOMIC MONITOR

■ Park land owned by North Shore City Council is among sites being considered for a new high school in Albany. The North Shore City Council and the Education Ministry are holding confidential talks about the site of the new Albany Senior High, which will house about 1,500 students. Two possible sites are being discussed with the Council, the ministry says. One of those sites is land in Rosedale Park leased by the Rosedale Pony Club. Mr Williams fears a precedent would be set for the ministry to be able to use reserve land on the Shore for new schools. A pony club spokeswoman says they cannot comment now. Ministry spokesman Karl Hutton says it hasn't used the Public Works Act to compulsorily acquire land in at least 15 years. Mrs Miles says the ministry has the power to acquire land under the Public Works Act but "good positive negotiations" are continuing. Residents would have the chance to comment on the use of park land for a school because its reserve designation would need to be lifted, Mrs Miles says. Park land owned by North Shore City Council is among sites being considered for a new high school in Albany.

■ People who cannot afford the increasing North Shore City rates rises should consider selling up and moving to a cheaper home, says Shore mayor George Wood. "We must face reality sometimes in life and that is one of the realities some people must face." Mr Wood's comments come as Shore ratepayers face average rates rise of 8 percent over the next 10 years. This year's increase was 9.5 percent. Mr Wood says downsizing is an option for people who can't afford their rates and don't want to postpone paying them until after death or aren't helped by the changes to the rates rebate scheme.

■ High rents and a lack of upgrades are hurting Takapuna's once-premium shopping strip Hurstmere Rd, say retailers. Among those to close recently are O'Neil's Point Irish Pub, Route 66, Kumfs and Parallel Direct Perfume and Sunglasses Shop. Takapuna Community Board chairman Martin Lawes believes more can be done to make Hurstmere Rd an attractive place to shop and do business. Men's clothing store Life For Men owner Scott Donovan agrees that Takapuna is in dire need of a facelift. Mr Donovan opened his first Life For Men store on Hurstmere Rd five years ago before opening his second store across the road a year and a half ago. Clothing store Route 66 owner Todd Male pulled out of Takapuna earlier this year. Mr Male says a combination of low turnover and high rents led him to shut his Takapuna branch. "A lot of 15 to 35 year olds don't shop in Takapuna they shop elsewhere." With the development going on around in other suburbs Takapuna was in danger of becoming a "forgotten shopping district of the North Shore." Takapuna Beach Business Association general manager Brad Clark says on the whole Hurstmere Rd retailers seem to be happy with how their businesses are going.

■ The Hobsonville airbase will remain undeveloped until authorities decide whether to extend Waitakere City's urban limits. The airforce decided to vacate the 167-hectare site in 2000 and Housing New Zealand has already acquired 111ha where it plans to build a mixture of state and residential houses. Waitakere City Council, the body that will handle any resource consents linked to the plan, has asked Auckland Regional Council to shift the limit and a decision is expected by mid-2007. Meanwhile, opposition to the Housing New Zealand proposal is mounting. National MP John Key is among the vocal critics. The concept allows for 500 state houses and 2500 residential properties. "The Council is perfectly happy for the plans to be in the public domain and we believe that they are," Mr Bindoff says. Mr Bindoff says that the Council has kept residents informed of developments in the matter through its monthly newsletter to all households. Further development options include light industry, two schools and a marine industry precinct.

■ North Harbour Stadium's debt burden may have hindered it winning the hosting rights to events in the past, says Councillor Gary Holmes. In August 2006 North Shore City councillors voted to take over \$30 million worth of debts owed by the stadium. Councillors voted to pay off the stadium's \$15m bank loan and write off its \$12.8m debt to the Council. "The Council believes there is no prospect of the stadium trust being able to repay the loans which it has guaranteed. The Council will have now spent \$34 million building North Harbour Stadium compared to Eden Park's \$350m and the proposed \$200m spending in Dunedin," said Gary Holmes. He also said a lease document prevented the stadium from taking on new debt without the council's approval.

■ A new \$2.7m ferry terminal at Birkenhead Point opened in August 2006, providing a smart, modern waiting area and improved services for passengers. To coincide with completion of the new terminal, the Auckland Regional Transport Authority has introduced improved bus feeder services from Birkenhead and Northcote on the weekends, to make it easier to catch the ferry to downtown Auckland. North Shore City's passenger transport manager Dave Stanley says today's opening is another significant step in the evolution of public transport facilities on the Shore. "We're progressively improving bus and ferry infrastructure to the extent that public transport is becoming an acceptable travel option for more and more North Shore residents," said Dave Stanley.

Disclaimer: The North Shore Economic Monitor is produced monthly by APR Consultants for Enterprise North Shore. Although the monitor incorporates the most recent information available, many of the figures are provisional. Accordingly, no liability can be accepted for the accuracy of the material contained herein. Businesses and individuals are advised to seek professional advice before making major business decisions and any decisions based on the information contained in this report are made entirely at their own risk.