

Home Truths

14 December 2018



Home Truths will sign off 2018 with a brief update on the latest housing data.

We have been arguing since August that the housing market is going to experience a temporary and modest pickup, due to a sudden drop in fixed mortgage rates and the RBNZ loosening its LVR mortgage lending restrictions. We expected the pickup to be most apparent in Auckland, with prices in that city anticipated to go from slowly falling to slowly rising.

The latest November data neither confirms nor dismisses our forecast. October data were very strong but November pulled back a bit. Overall, the data have been too volatile to draw any definitive conclusion about whether the housing market is indeed picking up.

House sales, seasonally adjusted by Westpac, fell 8.1% in November. However, that followed a 12.9% increase in October, so it is still fair to say that seasonally adjusted housing market turnover lifted over spring. It is a similar story with the number of days taken to sell a house, which rose slightly in November but is still well lower than it was in winter.

On the prices front it is perhaps possible to discern the vague outline of a housing market upturn emerging from the mists of volatile data. The REINZ house price index (seasonally adjusted by Westpac) rose 0.4% for New Zealand ex-Auckland, with the trend of ongoing strong house price inflation continuing in most regions. In

Auckland, the seasonally adjusted index rose 0.3%. That is the third consecutive month of house price increase for Auckland, so it probably is fair to say that house prices have turned around the country's biggest city.

More data will be required to confirm whether or not the anticipated modest housing market upturn has come to pass. In the meantime, it is worth remembering that Home Truths unambiguously anticipates that this will be a temporary housing market upturn. Later next year changing tax policies will impact the market, and we firmly anticipate that house prices will fall when mortgage rates (eventually) rise.

REINZ housing data, Westpac seasonal adjustment

	Nov-18	Oct-18	Nov-17
House sales, number, s.a.	6482	7054	6463
Mth % chg	-8.1	12.9	6.7
Ann % chg	2.6	19.9	-6.1
Days to sell, sa	37.3	37.1	35.1
House Price Index (s.a.)			
Mth % chg	0.4	0.5	0.7
Ann % chg	3.5	3.8	3.5

Dominick Stephens

Chief Economist (+64 9 336 5671)

Contact the Westpac economics team

Dominick Stephens, Chief Economist +64 9 336 5671

Michael Gordon, Senior Economist +64 9 336 5670

Satish Ranchhod, Senior Economist +64 9 336 5668

Anne Boniface, Senior Economist +64 9 336 5669

Paul Clark, Industry Economist +64 9 336 5656

Any questions email: economics@westpac.co.nz

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