

# Home Truths

11 October 2018



The latest housing market data from the REINZ and others suggests that the Auckland market has perked up slightly. But on average across New Zealand the market remains steady, characterised by slowly rising prices.

The REINZ and news outlets are emphasising an apparent paucity of sales last month. We are not so sure about that. The REINZ data systematically understates the number of sales in the latest month. This is because not all sales are immediately reported to the REINZ. Late-reported sales are added to the historical record after the data is initially released. For example, a month ago the REINZ reported that there had been 6216 house sales in August. Today that figure was revised to 6324. Today's report of low sales in September will similarly be revised upwards.

After adjusting for this bias in the data and seasonally adjusting, we estimate that house sales dropped 1.3% compared to August 2018, and are 1.8% lower than a year ago. Nothing to get excited about, really.

Home Truths has long had a negative long-run view on the housing market, mainly due to a battery of tax changes and the foreign buyer ban. But two months ago Home Truths predicted that fixed mortgage rates would drop sharply and that the RBNZ would loosen its LVRs. Home Truths predicted that this would stimulate the housing market, leading to a short period of rising prices, perhaps around New Year, before the overall negative trend reasserted itself.

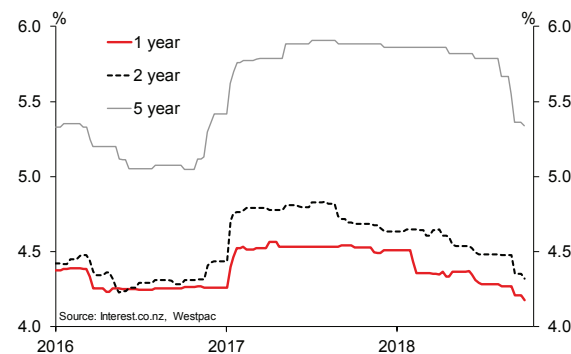
Fixed mortgage rates have indeed fallen sharply, so stage one of that forecast has come to pass. It is early days yet, but we are now turning our eye to whether the drop in fixed mortgage rates is stimulating the housing market. On a nationwide basis there are no real signs of a reaction yet. There was an eclectic mix across the provinces, with some regions seeing rising prices and others seeing falling prices for September. But Auckland is the region that seems to

react most acutely to mortgage rate changes, and in that region there was perhaps a straw in the wind suggesting a market improvement. Auckland's House Price Index rose 0.5% in September, making this the first month in which prices have risen since February 2018.

## REINZ housing data, Westpac seasonal adjustment

	Sep-18	Aug-18	Sep-17
House sales, number, s.a.	6158	6240	5917
Mth % chg	-1.3	2.0	-2.0
Ann % chg	-1.8	4.9	-22.8
Days to sell, sa	38.3	38.2	36.2
House Price Index (s.a.)			
Mth % chg	0.5	0.4	0.6
Ann % chg	4.0	4.1	3.8

Figure 1: Average advertised mortgage rates



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