

Home Truths

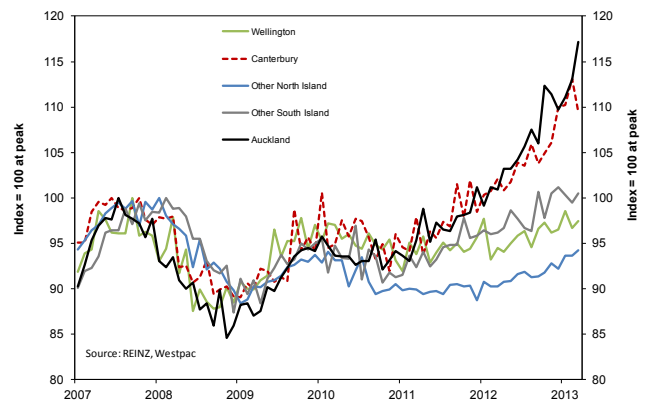
Monthly analysis of New Zealand's housing market



April 2013

The New Zealand housing market powered to a fresh set of highs in March. This week's Real Estate Institute of New Zealand (REINZ) data showed that the seasonally adjusted number of house sales reached its highest level since July 2007. The Institute's house price index (the most up-to-date reliable measure of house prices) rose to a new all-time high, and now stands 8.6% higher than a year ago. The median sale price (a less reliable gauge of house prices) hit \$400,000 for the first time ever. Barfoot and Thompson (Auckland's largest real estate agency) has available listings equal to only 3.4 month's worth of sales - apart from December last year, that's the lowest number since 2003.

REINZ regional house price indexes (seasonally adjusted by Westpac)



REINZ housing data			
	Mar-13	Feb-13	Mar-12
House sales, number, s.a.	6875	6737	5923
Mth % chg	2.0	-0.4	-2.3
Ann % chg	10.9	7.5	25.3
Days to sell, sa	33.3	32.5	37.6
House Price Index (s.a.)	3611.9	3568.8	3324.4
Mth % chg	1.2	0.6	0.7
Ann % chg	8.6	8.1	4.2

Dominick Stephens
Chief Economist
(09) 336 3671

There was a front-page article in the New Zealand Herald recently suggesting that the Auckland market may be slowing. This was based on Quotable Value's (QV) monthly house price index, which registered only a small gain in Auckland prices in its March report. Given that Auckland has been one of the two strongest regions in recent times, this has important implications for the national market. Could the house price upturn be petering out already?

The answer is a resounding "no". Any slowdown in the Auckland market was a transient blip at best, and has long-since passed. QV's monthly data is a very reliable gauge of house prices, because it adjusts for the quality of houses that sell. But the information is dated because QV registers house sales only upon settlement of the transactions. By contrast, REINZ registers a sale when the sale and purchase agreement goes unconditional - two or three months before QV. Indeed, REINZ did register a dip lower in Auckland prices over November and December last year (see chart below). But since then, the REINZ index of Auckland prices have returned to its "hockey stick trend." QV confirms that this brief dip was real. But the dip has long since passed. The Auckland market is still booming.

Meanwhile, most other regions of New Zealand have continued to register a gentle acceleration in the pace of house price inflation, in line with our long-held view that the stronger housing market would eventually spread across the whole of New Zealand.

Contact Details

Dominick Stephens , Chief Economist	Ph: (64-9) 336 5671	dominick_stephens@westpac.co.nz
Michael Gordon , Senior Economist	Ph: (64-9) 336 5670	michael_gordon@westpac.co.nz
Felix Delbrück , Senior Economist	Ph: (64-9) 336 5668	felix_delbruck@westpac.co.nz
Nathan Penny , Economist	Ph: (64-9) 336 5669	nathan_penny@westpac.co.nz

This information has been prepared by Westpac Institutional Bank, a division of Westpac Banking Corporation, ABN 33 007 457 141 incorporated in Australia ("Westpac") and is current as at [29 January 2013]. It is subject to change without notice but Westpac is not obliged to update or correct it. Recipients should not forward or reproduce (in whole or part) this information unless Westpac consents however Westpac accepts no liability for the actions of third parties in this respect. This information does not constitute investment advice or an offer to subscribe for any financial instrument or to enter into a legally binding contract. It has been prepared without taking account of your personal objectives, financial situation or needs. You should seek your own independent legal and/or financial advice before proceeding with any investment decision. Any forecasts given are predictive only and past performance is not a reliable indicator of future performance and may be affected by known or unknown risks and uncertainties. Except to the extent that such liability under any law cannot be excluded, Westpac makes no representation or warranty, express or implied, and does not assume any responsibility or liability for this information or any errors or omissions to it.

The distribution and use of this information may be restricted by law in certain jurisdictions. Persons who receive this information should inform themselves about them and observe any such restrictions:

If you are reading this in New Zealand: Westpac's current disclosure statement for the New Zealand division of Westpac Banking Corporation ABN 33 007 457 141 or Westpac New Zealand Limited can be obtained from any branch of Westpac New Zealand Limited or free of charge, at the internet address www.westpac.co.nz. Westpac Institutional Bank products and services are provided by either Westpac Banking Corporation ABN 33 007 457 141 incorporated in Australia (New Zealand division) or Westpac New Zealand Limited. For further information please refer to the Product Disclosure Statement (available from your Relationship Manager) for any product for which a Product Disclosure Statement is required, or applicable customer agreement. Download the Westpac NZ QFE Group Financial Advisers Act 2008 Disclosure Statement. <http://www.westpac.co.nz/assets/Who-we-are/About-Westpac-NZ/QFE-Group-Financial-Advisers-Act-Disclosure-Statement.pdf>

If you are reading this in the United Kingdom: Westpac Banking Corporation is registered in England as a branch (branch number BR000106) and is authorised and regulated by The Financial Services Authority. Westpac Europe Limited is a company registered in England (number 05660023) and is authorised and regulated by The Financial Services Authority. This communication is directed at a) persons who have professional experience in matters relating to investments falling within Article 19(1) of the Financial Services Act 2000 (Financial Promotion) Order 2005 or (b) high net worth entities, and other persons to whom it may otherwise be lawfully communicated, falling within Article 49(1) of the Order (all such persons together being referred to as "relevant persons"). The investments to which this document relates are only available to and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such investments will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely upon this document or any of its contents. In the same way, the information contained in this document is intended for "eligible counterparties" and "professional clients" as defined by the rules of the Financial Services Authority and is not intended for "retail clients". With this in mind, Westpac expressly prohibits you from passing on this document to any third party. In particular this communication and any copy of it may not be taken, transmitted or distributed, directly or indirectly into any restricted jurisdiction.

If you are reading this in Australia: This document is provided to you solely for your own use and in your capacity as a wholesale client of Westpac. Australian customers can obtain Westpac's financial services guide by calling 132 032, visiting www.westpac.com.au or visiting any Westpac Branch.

If you are reading this in Singapore: This document is provided to you solely for your own use and in your capacity as a wholesale client of Westpac. Westpac Singapore Branch holds a wholesale banking licence and is subject to supervision by the Monetary Authority of Singapore. Westpac Hong Kong Branch holds a banking licence and is subject to supervision by the Hong Kong Monetary Authority. Westpac Shanghai and Beijing Branches hold banking licenses and are subject to supervision by the China Regulatory Banking Commission.

If you are reading this in the United States: Westpac operates in the United States of America as a federally licensed branch, regulated by the Office of the Comptroller of the Currency. Westpac is also registered with the US Commodity Futures Trading Commission ("CFTC") as a Swap Dealer, but is neither registered as, or affiliated with, a Futures Commission Merchant registered with the US CFTC. Westpac Capital Markets, LLC ("WCM"), a wholly-owned subsidiary of Westpac, is a broker-dealer registered under the U.S. Securities Exchange Act of 1934 ("the Exchange Act") and member of the Financial Industry Regulatory Authority ("FINRA"). If this report is distributed in the United States, such distribution is done under Rule 15a-6 of the Exchange Act by WCM, which accepts responsibility for its content. All disclaimers set out with respect to Westpac apply equally to WCM.