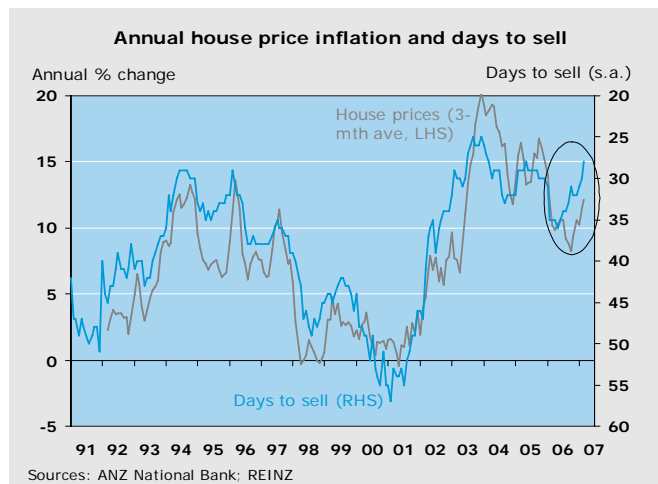
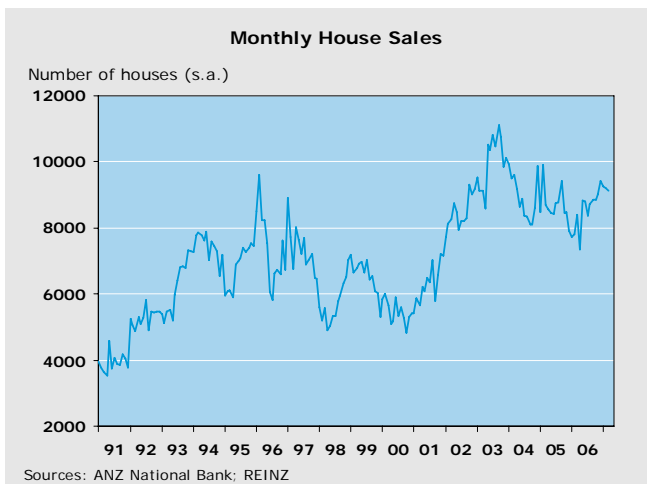


REINZ HOUSE SALES – MARCH 2007

Key points

- As expected, housing market activity in March was very strong.
- Although the number of house sales fell in seasonally adjusted terms, the level remains elevated. The number of days to sell a house is approaching the record lows achieved in 2003 at the peak of the housing cycle.
- A new record median house price was once again recorded, with house prices 13.7 percent higher compared to a year ago.
- The March housing market data may have been biased up by people bringing forward their house purchase decision to avoid higher mortgage rates following the March OCR hike. Despite this, today's data is a continuation of the dataflow that has surprised on the upside.

	March 2007	February 2007	January 2007	December 2006
Median house price	343,500	335,000	327,000	330,000
No. of house sales s.a.	9,105	9,201	9,260	9,419
Median days to sell s.a.	28	30	31	32



Assessment and implications

Another strong month for the housing market. Although the number of house sales fell (in seasonally adjusted terms) by 1.0 percent in March, the level of sales, at over 9,000 (s.a.), remains well above the average of 8,700 over 2005. The number of days to sell a house fell to 28 days (s.a.) in March, down from 30 days in February, and is approaching the record lows achieved at the peak of the housing market in 2003. The median house price posted another record high, at \$343,500, and is up 13.7 percent on 12 months ago. According to the REINZ, much of the growth in the national median price appeared to be driven by strong price growth in Auckland.

Lack of moderation in the housing market will concern the Reserve Bank. The March data may have been biased up due to people bringing forward their house buying decision in an attempt to avoid higher mortgage interest rates following the March OCR hike. But this will be of little comfort to the Reserve Bank. All the housing market indicators continue to point to a buoyant level of activity, and the rise in house prices could further fuel wealth related consumer spending. This will be of concern to the Reserve Bank given the strong February retail spending data.

Today's data is a continuation of the dataflow that has surprised on the upside. Momentum in the housing market will help underpin domestic demand in the near term, with Q1 GDP growth now looking to print solid. Critical to the Reserve Bank is the housing market data relating to April and May to more fully assess the impact that recent increases in fixed mortgage rates are having.

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