

REINZ Housing Market Report: March 2008

Key points

- > House sales collapsed in March to their lowest levels since 1991, while the median house price rose.
- > Considerable caution must be taken in interpreting the results considering the timing of Easter, and changes in the mix of properties sold.
- > Stepping back, the housing market remains weak.

Assessment

Monthly house sales collapsed in March. Like with the Barfoot and Thompson data released last week, the number of house sales collapsed in March. In seasonally adjusted terms, house sales fell a whopping 30.7 percent, and are down 53.3 percent on a year ago. The effect of Easter falling in March (fewer days) this year would have biased the number downwards. However, even accounting for this, the underlying house sales number was still weak. In fact, it is the lowest since 1991. Considering the total stock of houses has risen in this time, this makes the March sales figure even weaker.

But the median house price rose and days to sell fell. The median sale price rose by a surprising \$11,500 over the month to \$349,500. This takes annual house price growth to 1.6 percent, from 0.7 percent previously. The seasonally adjusted number of days to sell a house fell to 42 days, from 45 days in February. The composition of the figures makes interpretation quite difficult. It may well be a case that good properties are continuing to attract buyers (quality sells), while the growing stock of unsold homes has yet to be reflected in the reported data.

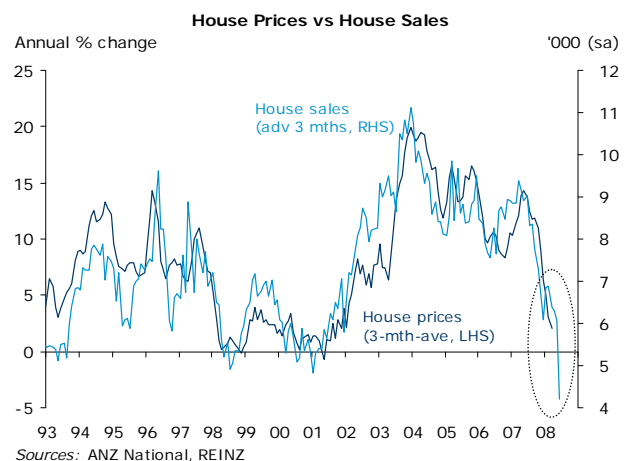
We also suspect that the median house price has been biased by the exceptionally low sales figure in the month. In fact, REINZ state that *"sales in the New Zealand residential property market dropped to unprecedented levels in March, but with an especially noticeable drop in under \$400,000 properties, leading to a perverse increase in the national median selling price for the month"*. Compared with February, properties valued under \$400,000 fell 23.2 percent (unadjusted). However, the remainder of properties fell by only 12.4 percent.

Stepping back, there is nothing in today's report that alters our assessment that the housing market is very weak. We doubt the increase in the median house price this month will be sustained, particularly with the Barfoot data showing an increasing number of properties on the market. With demand still weak and inventory levels showing close to 12 months worth of supply (based on Barfoot data), prices still have to adjust downwards in order for the market to clear.

	Median House Price		House Sales		Median Days to Sell	
	\$'000	YoY	s.a.	YoY	act.	s.a.
Mar-07	344	13.7	9020	9.5	27	28
Apr-07	349	14.4	8322	8.2	28	29
May-07	350	14.8	8343	-3.7	30	29
Jun-07	348	12.1	7772	-11.3	30	29
Jul-07	345	10.4	7302	-14.2	31	31
Aug-07	350	12.9	6677	-25.3	33	33
Sep-07	352	12.3	6079	-31.9	32	34
Oct-07	350	8.0	6867	-22.6	34	37
Nov-07	352	6.7	6896	-21.6	36	39
Dec-07	345	4.5	6372	-32.1	36	40
Jan-08	340	4.0	6307	-31.5	49	40
Feb-08	338	0.7	6068	-32.1	50	45
Mar-08	349	1.6	4203	-53.3	40	42

Implications

For the Reserve Bank it remains a case of watching and waiting to see how the weakness in the housing market spills over into lower inflationary pressures. We suspect that once house prices fall in a sustained manner, components of the CPI (such as construction prices) will also begin to subside. In the meantime, the Q1 CPI release next Tuesday will remain the major focus.



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