

Economic Note

REINZ Housing data – July 2021

12 August 2021

The Song Remains the Same

- NZ housing boom rumbles on
- But we continue to expect the market to cool
- We expect the RBNZ to lift the OCR next week and for mortgage rates to keep rising

REINZ Housing Data	Jul-21	Month ago	Year ago
National			
Sales (s.a % mom)	-3.6%	7.2%	13.5%
House price index (% mom)	2.3%	1.8%	1.8%
House price index (% yoy)	30.6%	29.9%	9.2%
Days to Sell (s.a)	29.9	29.1	33.1
Auckland			
Sales (s.a % mom)	-4.6%	2.3%	21.2%
House price index (% mom)	3.2%	0.8%	1.6%
House price index (% yoy)	27.7%	25.6%	9.3%
Wellington			
Sales (s.a % mom)	-3.5%	-0.7%	8.9%
House price index (% mom)	1.0%	2.5%	3.1%
House price index (% yoy)	39.9%	42.9%	9.7%
Canterbury			
Sales (s.a % mom)	-8.1%	5.4%	8.7%
House price index (% mom)	3.0%	1.8%	1.2%
House price index (% yoy)	28.7%	26.5%	7.5%

July REINZ data once again demonstrated the resilience of the housing market to the various policy actions taken to slow it.

The pace of (seasonally adjusted) house price gains actually picked up a little in July. The REINZ HPI rose 2.3% over the month, a mild acceleration from the 1.7% average increase of the prior three months. This lifted annual house price inflation to a heady 30.6%, from 30% last month – a fresh record high in the 28 years of REINZ data. Auckland (+3.2%) and Canterbury (+3%) lead the gains, but with another firm showing from Gisborne & Hawke’s Bay (+2.6%).

The market remains starved of supply. New listings of around 9000/month remain decent, but haven’t been enough to keep pace with demand. Realestate.co.nz listings figures also released this week showed unsold inventory at the

lowest level since records began, equivalent to just 6 weeks’ worth of sales. For reference, the 5-year average is 23 weeks.

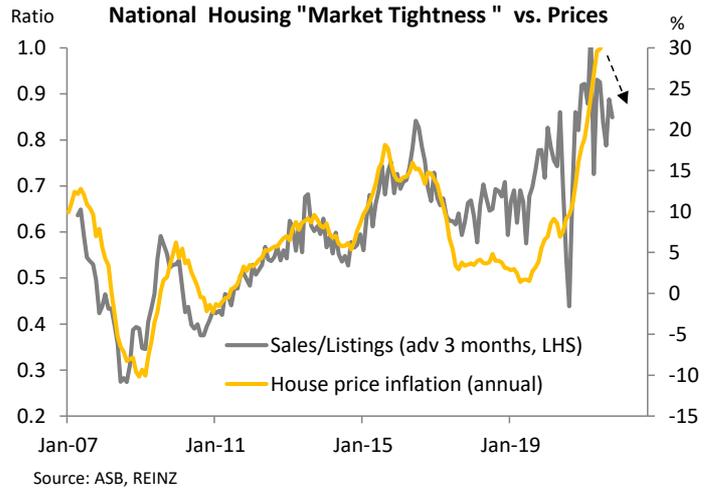
All this being said, there’s (just) enough in the data to keep our expectation of a cooling in housing market intact. It’s just that we’re once again left with the risk the boom stays ‘stronger for longer’ relative to our current forecasts (15% house price inflation by year-end).

Housing activity (i.e. sales growth) has continued to slow. Nationwide sales were down 3.6% in July and, smoothing through the recent month-to-month chop, are running around 10% below the white-hot pace of spring/summer.

We acknowledge part of this might be the market burning itself out, with supply so critically low and affordability clearly stretched. But it should nevertheless resume the slowdown in monthly house price growth.

Similarly, measures of market tightness – like median days to sell a house (up to 30 days from 29, s.a.) and the sales to listing ratio (chart above) – point to a mild easing in the extreme tightness we’ve seen over the past six months.

Finally, and perhaps most importantly, mortgage rates are rising. We [expect this to continue](#) with the Reserve Bank of NZ set to start lifting the Official Cash Rate next week. Today’s data reaffirms the case for higher interest rates.



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