

# Economic Note

REINZ Housing data – November 2021

13 December 2021

## Shifting through the gears

- November data allow more confidence in the fact the housing market has turned
- Housing supply is now, finally, rising to meet demand
- Supporting our forecasts for a sharp slowing in house price inflation next year

REINZ Housing Data	Nov-21	Month ago	Year ago
<b>National</b>			
Sales (s.a % mom)	-4.0%	28.5%	2.4%
House price index (% mom)	1.3%	2.5%	3.4%
House price index (% yoy)	27.2%	29.7%	16.0%
Days to Sell (s.a)	31.7	36.3	31.7
<b>Auckland</b>			
Sales (s.a % mom)	0.3%	90.5%	10.6%
House price index (% mom)	2.2%	3.7%	2.1%
House price index (% yoy)	25.8%	25.5%	16.3%
<b>Wellington</b>			
Sales (s.a % mom)	0.2%	4.0%	-0.4%
House price index (% mom)	-1.7%	1.7%	5.6%
House price index (% yoy)	21.7%	30.8%	21.6%
<b>Canterbury</b>			
Sales (s.a % mom)	-5.4%	23.0%	6.5%
House price index (% mom)	2.6%	2.4%	2.3%
House price index (% yoy)	38.1%	37.9%	9.7%

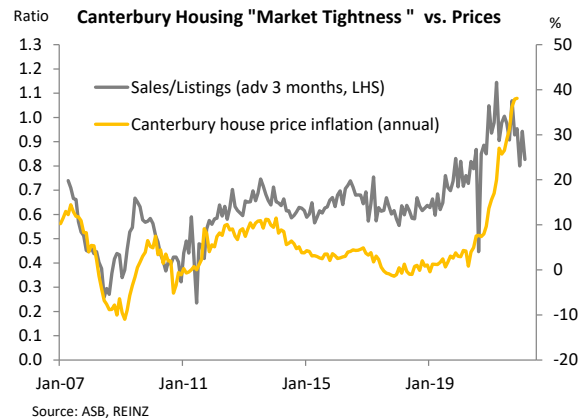
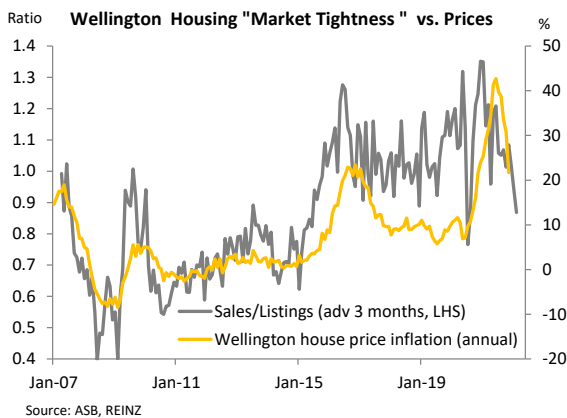
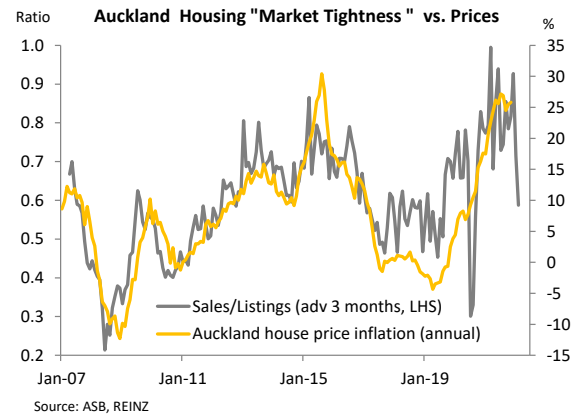
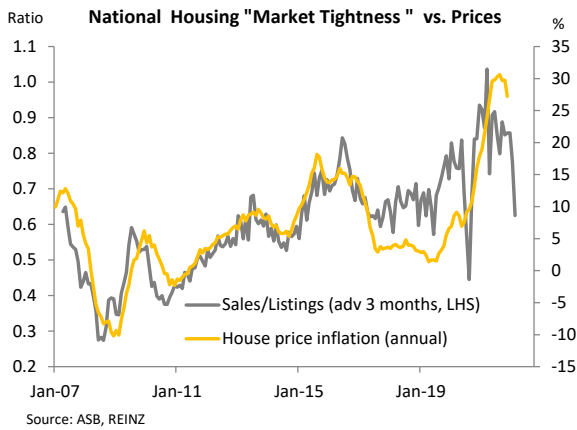
### Quick thoughts

November REINZ housing data confirmed momentum in the housing market has turned. The deceleration so far has been gentle, but the test will be how things holds up over summer and autumn as folk roll onto higher mortgage rates. Indeed, just how much of a braking effect higher mortgage rates have on the market will be one of the key swing factors for the 2022 economic and interest rate outlook. Our recently [updated forecasts](#) allow for small falls in house prices over the second half of next year.

National house price growth cooled to 1.3% for the November month (s.a., REINZ HPI). That was even with strong showings from Auckland (+2.2%), Waikato (1.7%), and Northland (+2.7%) thanks to the less-restrictive alert settings in those regions. This cooling meant that annual house price inflation throttled back to 27%, having held at a record 30% for six straight months.

Notably, indicators of market tightness point to excess demand pressures continuing to slowly drain out of the market. This should slow house price inflation further over coming months. Housing turnover has been slowing since the start of the year and this continued in November with house sales down a further 4% for the month (s.a). Importantly, this means that growth in new listings is now outpacing growth in sales, allowing unsold inventory to rise off extremely low levels.

The ratio of sales/listings has been an excellent indicator of housing market tightness and hence house price inflation through the boom phase of the cycle (charts below). With the ratio now, finally, indicative of a normalising in excess demand we're now more convinced that we'll see a sustained cooling in house price inflation next year.



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