

Not just yet

The housing market has been running red hot for most of this year, especially in Auckland. But in last month's edition of Home Truths, we argued that a sudden increase in fixed mortgage rates, combined with the Reserve Bank's new mortgage restrictions, would cause the market to cool.

We were very careful to articulate the timing of this putative slowdown:

"The first symptoms of a slowdown would be a small reduction in turnover, a lengthening of the average time to sell, and an increase in the number of properties available on the market. We'd expect those symptoms to emerge around November this year. A couple of months after that, we would expect weaker price action to emerge."

The Real Estate Institute today issued data relating to the month of September – one month before the mortgage restrictions came into force, and two months earlier than our proposal for the start date of the market slowdown. As such, today's data was never going to prove or disprove our proposal.

In the event, the market surged in the month of September. House sales leaped 5.2% in seasonally adjusted terms, to the highest level since 2007. The time taken to sell a house dropped. And the house price index continued on its merry journey higher. Annual house price inflation is still sitting tantalisingly close to double-digits, at 9.8%, but it is no longer accelerating. House price inflation first hit 9.8% in April 2013, and has gone nowhere since.

To some extent, September's data was just a continuation of themes that were firmly established earlier in the year. But we also suspect the market got an extra boost from buyers keen to beat the Reserve Bank's mortgage restrictions. That would certainly match the burst of extra mortgage approvals we observed shortly after the restrictions were announced. This "beat the restrictions" dynamic may spill over into the October data, as some people who were given approval to borrow in September may have taken a little longer to actually buy.

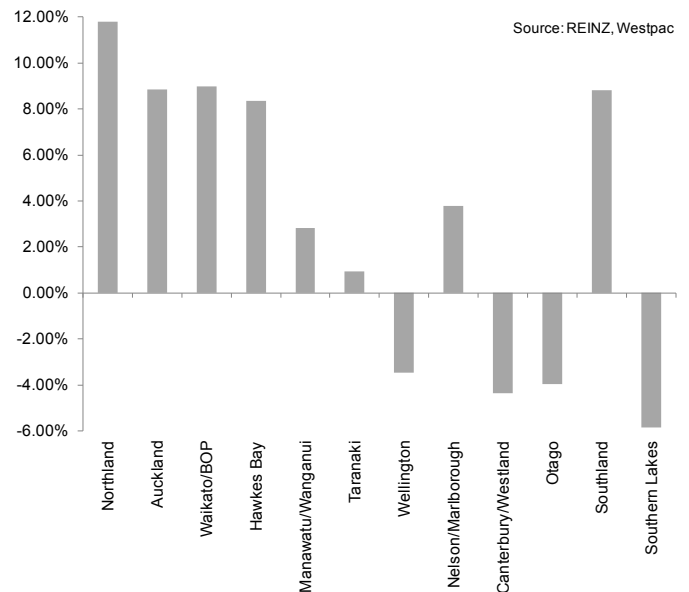
Drilling down into the regional details, there are changes afoot in some markets. First, the Christchurch market is clearly cooling. Over the past three months, seasonally adjusted sales have dropped 4.4% in Canterbury, and the Canterbury price index has fallen 0.9%. There are similar signs that the market is cooling in Dunedin and Wellington.

Meanwhile, market turnover has risen sharply in Northland, Waikato, Bay of Plenty, Hawkes Bay and Southland. This is a sign of rising prices to come for these regions.

REINZ housing data, September 2013

	Sep-13	Aug-13	Sep-12
House sales, number, s.a.	7138	6783	6207
Mth % chg	5.2	-0.5	1.2
Ann % chg	18.9	8.5	8.0
Days to sell, sa	33.6	35.0	35.6
House Price Index (s.a.)	3769.9	3753.7	3432.4
Mth % chg	0.4	1.4	0.2
Ann % chg	9.8	9.5	5.0

Housing market turnover, September quarter compared to June quarter (seasonally adjusted)



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