NEW ZEALAND ECONOMICS
ANZ PROPERTY FOCUS

MAY 2014

INSIDE

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BETWIXT AND BETWEEN

SUMMARY

Our monthly *Property Focus* publication provides an independent appraisal of recent developments in the property market.

THE MONTH IN REVIEW

The property market has slowed in response to rising mortgage interest rates and the LVR speed limits imposed last year. However, the low sales activity has yet to fully translate into a moderation in house price inflation, although the first signs are starting to appear. With rising net immigration and an inadequate inventory of houses keeping prices supported, and the broader economy strong, expect another tap by the Reserve Bank on the real estate market brakes – the OCR.

PROPERTY GAUGES

The Reserve Bank must be taking heart from the slowdown evident in the latest real estate sales data. Sure house prices haven't been reined in as much as they'd like, but with the expectation that another OCR hike is just around the corner, this is just a matter of time. Meanwhile, strong migration gains are doing their darndest to keep the demand-supply imbalance out of kilter.

ECONOMIC BACKDROP

The economy continues to perform strongly though momentum has softened somewhat from the break-neck pace experienced in the second half of 2013. Supportive financial conditions, strong commodity prices, rebuild and construction activity and mammoth migration flows lay the groundwork for solid outlook going forward. With the demand-side of the economy still growing faster than supply, inflation is on the rise and the OCR will move up, though with the Reserve Bank already delivering two rate hikes, and another pending in June, they are close to having a pause.

MORTGAGE BORROWING STRATEGY

ANZ's carded mortgage rates have seen a number of changes in the past month, with the bellwether 2 and 3 year fixed rates falling as competition in the mortgage market heats up, while shorter-dated fixed rates continue to lift in line with a higher OCR. Borrowers with at least 20% equity will find it hard to go past the 2 year fixed rate special of 5.85%, which is back to December levels and now close to the cheapest rate on the curve. Breakeven analysis suggests there is lesser value in fixing for longer terms of 4-5 years, with these rates already higher in anticipation of the RBNZ tightening cycle.

FEATURE ARTICLE: HOUSING DEMAND-SUPPLY BALANCE

The demand and supply for housing in New Zealand is broadly in balance. However, there are clear regional differences. Auckland, Christchurch, Wellington and the Bay of Plenty have a shortage of stock; conversely the rest of New Zealand has a surfeit of supply. While Auckland has a clear housing shortage, updated estimates using last year's Census figures are not as dire as previously thought and help explain, in part, why the rental market has not followed general house price trends and gone ballistic.

THE MONTH IN REVIEW

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STATISTICS NZ, BUILDING CONSENTS – APRIL

A building issue

A 1.5% seasonally adjusted lift in residential consent numbers in April was supported by a further strong climb in apartment issuance. Less encouraging was the 5.2% seasonally adjusted decline in ex-apartment consent issuance. On an annual basis 22,693 consents for new residential dwellings were issued in the 12 months to April. It is not all guns blazing as yet for the regions, with only half of the 16 regions reporting a climb in issuance compared to a year ago. Residential consent issuance in Canterbury continued to hit record highs, with Auckland also firming but remaining below historical averages.

REINZ, HOUSE SALES – APRIL

OCR hikes starting to bite

The number of houses sold plummeted 7.1% in April, with volumes 18% lower since the October 2013 introduction of the high-LVR speed limits. For the first time in six years, every region reported a seasonally adjusted fall in volumes. The median number of days to sell a property eased to 34.3 days in April from 35.5 in March. Lower sales volumes are yet to translate into any noteworthy impact on the pricing side, though the data is somewhat misleading. Even the stratified house price index is impacted by shifts in sales composition, which puts an upward bias on price movements. Prices by this measure rose 0.1%, with annual house price inflation slowing to 8.4% in April.

RBNZ, HOUSEHOLD CREDIT GROWTH – MARCH

Connect four

Mortgage lending increased 0.4% in March, the fourth monthly increase of this magnitude in a row. Annual growth eased to 5.6%, slowing from a peak of 6.0% reached in October, when the Reserve Bank's LVR restrictions were introduced.

STATISTICS NZ, EXTERNAL MIGRATION – APRIL

Better here than there

There was a net migration inflow of 4,080 people in April. The annual inflow is on track to hit 45,000 persons by the end of the year, the highest on record. The latest lift reflects fewer net PLT departures (to be around a quarter lower than the level measured a year ago) with arrival numbers up 13%. As such, the impact on the housing market is likely to be geographically diffused, with Otago, Taranaki, and Wellington experiencing net PLT inflows as well as Canterbury and Auckland. The annual net PLT outflow to Australia is down to 15,934 persons, as opposed to a 34,073 person outflow a year ago. Net PLT migration trends from China (+6,200), India (+6,400) and the UK (+5,900) remain strong.

RBNZ, MORTGAGE APPROVALS – MID-MAY

Recovering from holiday-itis

The number and value of weekly mortgage approvals has returned to levels that prevailed prior to the Easter/ANZAC induced slowdown. After adjusting for seasonality, the average level over April is down on the levels in February and March but above the four preceding months.

STATISTICS NZ, READY-MIXED CONCRETE PRODUCTION – MARCH

Cementing the future

Concrete production – a bellwether for construction work – increased a seasonally adjusted 3.2% in the March quarter, to be 12.7% higher than a year earlier. Leading the regions was a 7.6% rise in Auckland's production, with Canterbury up 2.1%. Higher than average regional rises were evident for the Waikato/BOP, while production was flat in Wellington and fell in Gisborne/Hawke's Bay.

PROPERTY GAUGES

The Reserve Bank must be taking heart from the slowdown evident in the latest real estate sales data. Sure house prices haven't been reined in as much as they'd like, but with the expectation that another OCR hike is just around the corner, this is just a matter of time. Meanwhile, strong migration gains are doing their darndest to keep the demand-supply imbalance out of kilter.

We use ten gauges to assess the state of the property market and look for signs that changes are in the wind.

AFFORDABILITY. For new entrants into the housing market, we measure affordability using the ratio of house prices to income (adjusted for interest rates) and mortgage payments as a proportion of income.

SERVICEABILITY / INDEBTEDNESS. For existing homeowners, serviceability relates interest payments to income, while indebtedness is measured as the level of debt relative to income.

INTEREST RATES. Interest rates affect both the affordability of new houses and the serviceability of existing mortgage payments.

MIGRATION. A key source of demand for housing.

SUPPLY-DEMAND BALANCE. We use dwelling consents issuance to proxy growth in supply. Demand is derived via the natural growth rate in the population, net migration, and the average household size.

CONSENTS AND HOUSE SALES. These are key gauges of activity in the property market.

LIQUIDITY. We look at growth in private sector credit relative to GDP to assess the availability of credit in supporting the property market.

GLOBALISATION. We look at relative property price movements between New Zealand, the US, the UK, and Australia, in recognition of the important role that globalisation plays in NZ's property cycle.

HOUSING SUPPLY. We look at the supply of housing listed on the market, recorded as the number of months needed to clear the housing stock. A high figure indicates that buyers have the upper hand.

RENTAL GROWTH. We look at growth in the median market rent as an indication of whether it is a better time to buy vs rent, and how rental yields are shaping up for the property investor.

Indicator	Level	Direction for prices	Comment
Affordability	No gain, no pain	↔/↓	Mortgage repayments as a proportion of income are at a 4-year high and approaching the 50% level.
Serviceability/ indebtedness	New era	↔/↓	Rising mortgage rates are starting to bite.
Interest rates / RBNZ	Brake tap	↔/↓	Two done but at least one more to come.
Migration	Home on the range	↑	April was the second-highest month on record.
Supply-demand balance	Say ahh	↔/↑	The gap between demand and supply is continuing to widen.
Consents and house sales	Going got tougher	↔	House sales led on the way up, and also on the way down, while building consents are still firming.
Liquidity	Payback	↔	Time for GDP to grow faster than credit lending.
Globalisation	Same hymn book	↔/↓	Australia topping NZ for first time in three years.
Housing supply	Turning tide	↔/↓	A little bit longer to clear the books.
Median rent	Not too shabby	↔/↑	5% for three out of four months.
On balance	**Caught in the headlights**	↔	**The market is yet to feel the wrath of a slowdown, though it has a soggy feel under the bonnet.**

PROPERTY GAUGES

FIGURE 1: HOUSING AFFORDABILITY

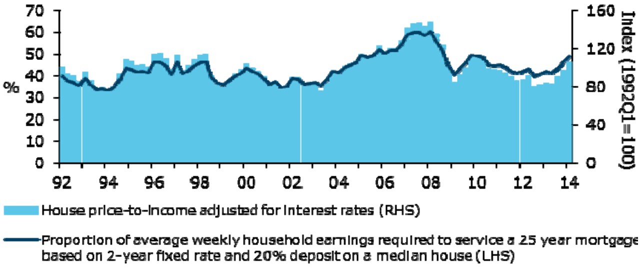


FIGURE 2: SERVICEABILITY AND INDEBTEDNESS

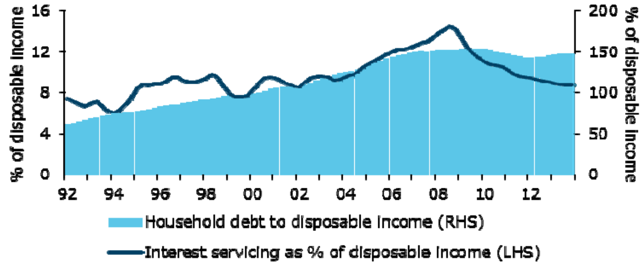


FIGURE 3: NEW CUSTOMER AVERAGE RESIDENTIAL MORTGAGE RATE (<80% LVR)

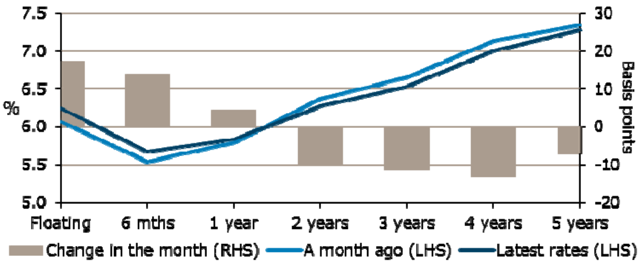


FIGURE 4: NET MIGRATION

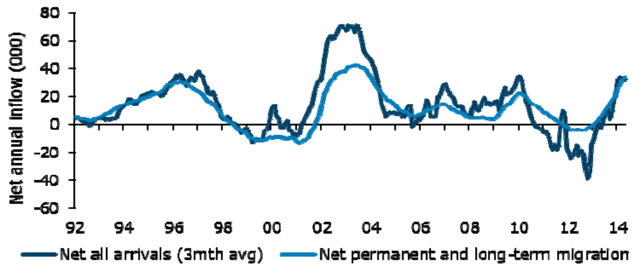


FIGURE 5: HOUSING SUPPLY-DEMAND BALANCE

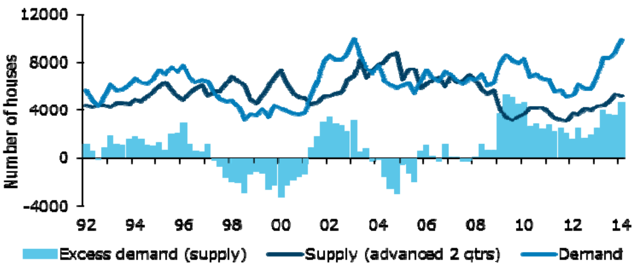


FIGURE 6: BUILDING CONSENTS AND HOUSE SALES

FIGURE 7: LIQUIDITY AND HOUSE PRICES

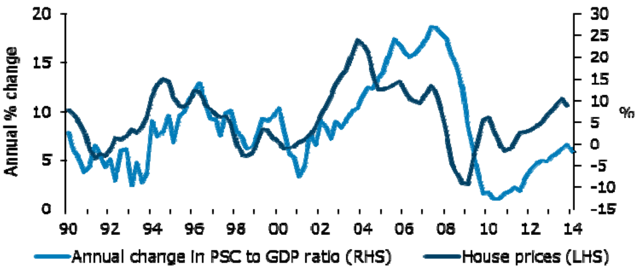


FIGURE 8: HOUSE PRICE INFLATION COMPARISON

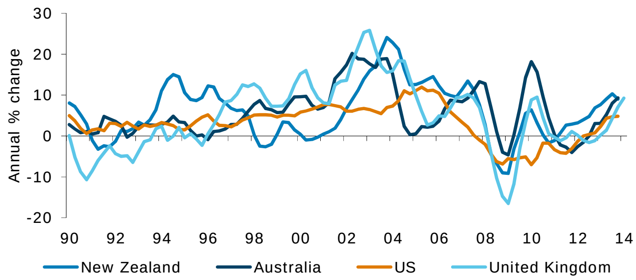


FIGURE 9: HOUSING SUPPLY

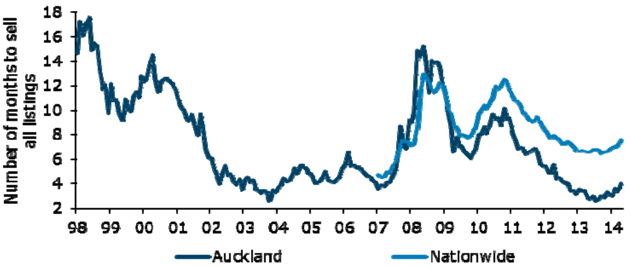
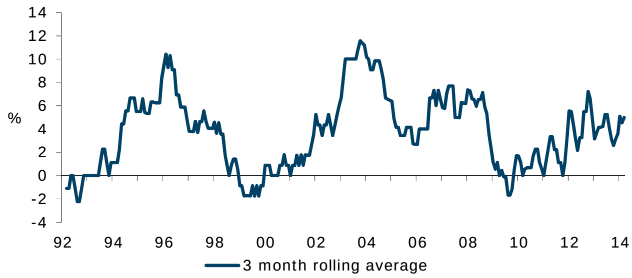


FIGURE 10: MEDIAN RENTAL, ANNUAL GROWTH



Source: Statistics NZ, REINZ, RBNZ, www.interest.co.nz, QVNZ, Nationwide, Bloomberg, Barfoot & Thompson, www.realestate.co.nz, Department of Building and Housing, ANZ

ECONOMIC BACKDROP

SUMMARY

The economy continues to perform strongly though momentum has softened somewhat from the break-neck pace experienced in the second half of 2013. Supportive financial conditions, strong commodity prices, rebuild and construction activity and mammoth migration flows lay the groundwork for solid outlook going forward. With the demand-side of the economy still growing faster than supply, inflation is on the rise and the OCR will move up, though with the Reserve Bank already delivering two rate hikes, and another pending in June, they are close to having a pause.

OVERVIEW

The NZ economy continues to perform strongly, underpinned by supportive financial conditions, recovering construction activity (inspired by a recoil from lows, housing shortages, and a city rebuild) and a 40-year high in the goods terms of trade. Business and consumer confidence have moderated of late but remain elevated. Net migration inflows are strong. Headwinds in the form of an overvalued NZD, contractionary fiscal policy and a leveraged national balance sheet continue to act as headwinds to growth.

There are, however, clear signs that momentum has peaked. Commodity (dairy) prices have eased back, the housing market (house sale volumes) has cooled, and consumer and business confidence have waned. Some of this reflects demand-side measures (LVR restrictions and OCR hikes) while some is being driven by global conditions (dairy prices). And in some sectors it is simply natural to consolidate somewhat after a period of strong growth.

There is still enough petrol in the economy's engine to record 3½-4% growth in 2014 and 3% the following year. Those sort of growth rates are the envy of a lot of developed nations around the globe.

At that pace of growth demand is still outstripping supply; the likes of business demand for labour (think construction workers) drives the unemployment rate down, and wages up. It's a good thing but it comes with a side effect, namely rising inflation.

Encouragingly, the supply side capacity of the economy is on the ascent; we can run faster without generating inflation. This is being driven by uplifts in productivity, capital investment, and rising migration (with around ⅔ of the latter coming from fewer departures). We currently put potential growth at just under 3% per annum.

We expect a further 25 basis point rise in June and place a 50% probability on a move in July, with the OCR to move up further in 2015. The speed of the tightening cycle continues to be heavily influenced by the high NZD (suppressing growth and inflation) and by the fact that a large proportion of borrowing is either floating or fixed up to 1 year, which gives OCR hikes considerable bite.

We expect LVR restrictions to remain in force until 2015. The RBNZ is caught between the proverbial rock and a hard place. The restrictions have worked a treat; had they not been enacted we would likely see interest rates 30 basis points higher. However, such measures cannot be kept in place indefinitely before the law of unintended consequences starts to unfold, so such a mechanism is on borrowed time. That said, we should be careful what we wish for: if they've saved the RBNZ having to hike by 30 basis points, bringing LVR restrictions off carries the reverse implications.

Beyond the obvious issues the economy faces in the near term there are some bigger picture themes to think about. Key secular thematics within our economic assessment include:

- **Consumer restraint** – a necessity given NZ's balance sheet, and a requirement if the building boom is to be accommodated while inflation remains in check. NZ does not have the resources to accommodate both a building and consumption boom.
- **The continued gradual rebalancing of the NZ economy** (despite headwinds such as a high NZD). Those earnings dollars are key to supporting the spending side of the economy.
- **Continued lifts in productivity growth.** With the economy performing well, and spare capacity being absorbed, the trend for productivity growth over the coming years will have a huge influence on the outlook for inflation. We believe the productivity uplift story across the nation is under-recognised.
- **The growing significance of the microeconomic agenda.** With the economy now into a full-blown expansion, our attention is turning to the duration of the upswing, which can be lengthened by getting microeconomic facets right. Things like addressing Auckland's housing woes are micro-centric. The same applies for Christchurch's city rebuild. There are niggly aspects but all up we seem on a reasonable path.

MORTGAGE BORROWING STRATEGY

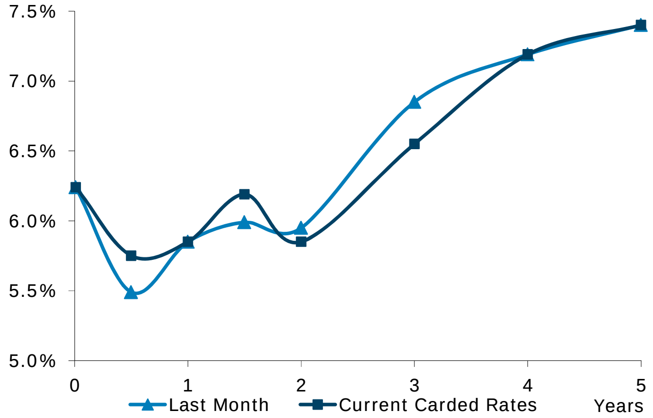
SUMMARY

ANZ's carded mortgage rates have seen a number of changes in the past month, with the bellwether 2 and 3 year fixed rates falling as competition in the mortgage market heats up, while shorter-dated fixed rates continue to lift in line with a higher OCR. Borrowers with at least 20% equity will find it hard to go past the 2 year fixed rate special of 5.85%, which is back to December levels and now close to the cheapest rate on the curve. Breakeven analysis suggests there is lesser value in fixing for longer terms of 4-5 years, with these rates already higher in anticipation of the RBNZ tightening cycle.

OUR VIEW

Borrowers with at least 20% equity will find it hard to look past ANZ's 2 year special at 5.85%, which is 10bps lower than a month ago. This represents a significant discount for this tenor given the upward-sloping wholesale interest rate curve. ANZ's 3 year fixed rate was cut 30bps to 6.55% in May, although breakevens **still favour the 2 year rate** (with the 1 year rate needing to lift above 7.95% in two years' time to be better off fixing for 3 years now – we think that's unlikely. ANZ's 6-month fixed rate increased 26bps to 5.75% in May, and while it remains the cheapest point on the mortgage curve **we see better value in fixing for 2 years** where you benefit from another 18 months of certainty for an additional cost of only 10bps.

ANZ CARDED MORTGAGE RATES



We continue to prefer 6-12 month rates as a proxy for floating (at a discount of 39-49bps to floating) for those borrowers wishing to retain some payment flexibility. However, fixing for shorter terms like 6-12 months opens borrowers up to "rate shock", with the RBNZ expected to lift the OCR by 50bps in the next 6 months and 75-100bps in the next 12 months. OCR hikes are likely to flow through almost one-for-one into the 6-month fixed rate and slightly less into the 1 year rate. **The proposition facing high-LVR borrowers is similar, and we also prefer fixing for 2 years.** Note that fixed rates for high-LVR borrowers are 50bps higher than for those with more than 20% equity, while the floating rate is subject to a low equity fee.

Carded Mortgage Rates		Breakevens for 20%+ equity borrowers			
Term	Current	in 6mths	in 1yr	in 18mths	in 2 yrs
Floating	6.24%				
6 months	5.75%	5.95%	6.87%	4.83%	7.60%
1 year	5.85%	6.41%	5.85%	6.22%	7.95%
18 months	6.19%	5.88%	6.43%	6.91%	8.23%
2 years	5.85%	6.31%	6.90%	7.38%	8.53%
3 years	6.55%	7.06%	7.64%	7.85%	8.43%
4 years	7.19%	7.49%	7.79%		
5 years	7.40%				

Low-Equity Rates		Breakevens for Low equity borrowers			
Term	Current	in 6mths	in 1yr	in 18mths	in 2 yrs
Floating	6.24%*				
6 months	6.25%	6.45%	7.37%	5.33%	8.10%
1 year	6.35%	6.91%	6.35%	6.72%	8.45%
18 months	6.69%	6.38%	6.93%	7.41%	8.73%
2 years	6.35%	6.81%	7.40%	7.88%	9.03%
3 years	7.05%	7.56%	8.14%	8.35%	8.93%
4 years	7.69%	7.99%	8.29%		
5 years	7.90%		*subject to a low equity fee		

Borrowers may be asking; why not fix for longer terms of 4-5 years if the RBNZ is expected to increase the OCR further in coming years? While we encourage borrowers to take advantage of longer-term specials, **the short answer is that longer-term rates already incorporate market expectations for future OCR hikes**, explaining why the mortgage curve is already steep. We have had a preference for fixed over floating for about a year now, but beyond the specials, it is now very much a line call to fix for longer terms at current levels. Of course, **fixing brings certainty, and fixing is as much about risk management as it is about winning every time, so a selection of terms makes sense.** Nonetheless, breakevens show that the 2-year rate will need to rise from 5.85% to 8.43% in three years' time, to make it worthwhile fixing for 5 years now at 7.40%. Such a move is not out of the realms of possibility, but seems unlikely in our view. Specials do of course skew the results, but the upshot is, **the market is "fully priced" for what the Reserve Bank is about to deliver, so the focus should now be on specials, rather than trying to beat the market.**

FEATURE ARTICLE – HOUSING DEMAND-SUPPLY BALANCE

SUMMARY

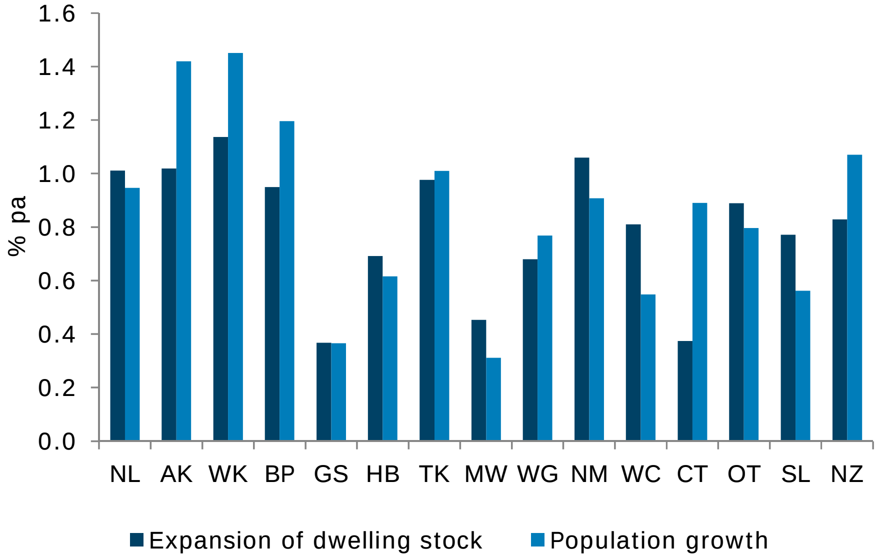
The demand and supply for housing in New Zealand is broadly in balance. However, there are clear regional differences. Auckland, Christchurch, Wellington and the Bay of Plenty have a shortage of stock; conversely the rest of New Zealand has a surfeit of supply. While Auckland has a clear housing shortage, updated estimates using last year's Census figures are not as dire as previously thought and help explain, in part, why the rental market has not followed general house price trends and gone ballistic.

HOUSING SUPPLY AND DEMAND

In this article we update our analysis of regional housing supply and demand balances that last appeared in our August 2012 edition of *Property Focus*. It provides an indication of whether each particular region is supplying enough dwellings to meet the demands posed by the number of households in the region. The provision of housing has important societal implications and the provision of housing and housing affordability are key election issues. There are also wider policy implications, with the housing market a focus of monetary policy and financial stability attention on the part of the RBNZ.

Household formation depends on population growth as well as changes in the number of persons per dwelling, with the latter reflecting societal preferences as well as demographic changes. Partly as a consequence of the ageing of the population structure and smaller family sizes, the number of persons per dwelling has been on a steady downward trend since at least the early 1970s. As a rough rule of thumb we tend to monitor what is happening to the size of the dwelling stock in the region relative to trends in population in the region. In regions where rates of household formation exceed those of dwelling construction, the number of persons per dwelling would tend to go up. The chart below compares respective growth rates in the dwelling stock vs that of the resident population between the 2006 and 2013 census. **Given that the residential construction sector is still recovering from its pre-Global Financial Crisis slump it is not surprising to see that the expansion of the dwelling stock has been more modest than population growth.**

FIGURE 1. POPULATION GROWTH VS NUMBER OF DWELLINGS
(Between 2006 and 2013 Census)



Source: ANZ, Statistics NZ

This, however, has not been a regionally uniform trend. In regions such as **Auckland, the Waikato, Bay of Plenty, Taranaki, Wellington and Canterbury, the construction of dwellings has undershot resident population growth.** In Canterbury, an estimated 20,000 fall in the dwelling stock as a result of the earthquakes resulted in more static growth in dwelling numbers. In other regions, notably Manawatu-Whanganui, Southland and Nelson-Marlborough, growth in the dwelling stock has outpaced that of the resident population.

FEATURE ARTICLE – HOUSING DEMAND-SUPPLY BALANCE

So where do we stand at present? As an illustration, Table 1 provides estimates for March 2014 that were extrapolated from 2013 census data. It shows estimates of the regional demand and supply balance as well as two estimates of the numbers of persons per dwelling for each region: what they were estimated to be in March 2014 and what they would have needed to be such that there was no excess demand or supply. The supply of dwellings is based on the 2013 census numbers for each region, which is then updated using dwelling consent numbers after making adjustments for the time to construct a dwelling and the conversion rates between consent issuance and the completion of a dwelling. The demand for dwellings is based on the resident population in the region and trends in the number of persons per dwelling. Given our estimates are based on a number of assumptions we encourage our readers to concentrate on the general themes implied by our analysis, rather than to focus on the point estimates in the table.

TABLE 1: REGIONAL DEMAND AND SUPPLY BALANCES

Regional excess dwelling demand and (supply) balances (March 2014 year)				
Region	Net balance	% of Stock	Persons per dwelling	
			Now	Balanced
Northland	-970	-1.6	2.62	2.61
Auckland	14,310	3.0	3.05	3.08
Waikato	-2,720	-1.8	2.75	2.73
BOP	3430	3.3	2.69	2.73
Gisborne	-1100	-6.8	2.81	2.75
Hawke's Bay	-1,210	-2.1	2.64	2.62
Taranaki	-1,990	-4.6	2.58	2.53
Manawatu/Whanganui	-4,930	-5.6	2.58	2.52
Wellington	3,020	1.7	2.66	2.68
Nelson/Marlborough	130	0.2	2.47	2.47
West Coast	-1640	-11.8	2.35	2.23
Canterbury	7,581	3.6	2.64	2.67
Otago	-3,720	-4.5	2.53	2.48
Southland	-6,770	-17.7	2.48	2.30
New Zealand	**3,421**	0.2	2.58	2.59

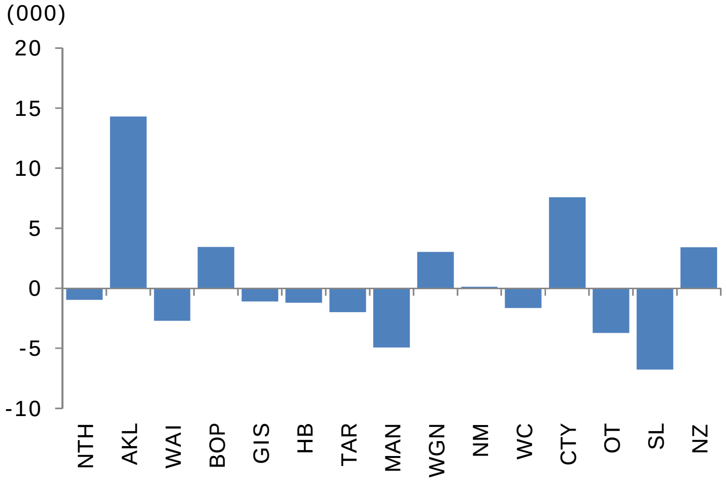
Source: ANZ, Statistics NZ

The table shows that in the March 2014 year, there was an 'excess demand' of around 3,400 dwellings nationwide, equating to approximately 0.2 percent of the nationwide dwelling stock. **Given the margin of error around such estimates, this suggests the nationwide situation is broadly in balance.** It compares to earlier estimates of a nationwide housing shortage of more than 10,000 units, with the lower positive balance largely attributable to lower than expected population numbers provided by the post-enumeration figures from the 2013 Census (104,000 more persons than the provisional census estimates, but still around 125,000 persons lower than suggested by earlier projections). The population shortfall was particularly acute for the Auckland region (around 84,000 persons). **The table highlights still-marked regional differences, with an excess demand situation primarily in Auckland and Canterbury, but also in Wellington and the Bay of Plenty.** In these regions the rate of household formation has clearly exceeded the construction of new dwellings. In contrast, the remaining regions appear to be in an excess supply situation.

A shortage of 14,000 units in Auckland (3 percent of the housing stock) is problematic but far from disaster material, and to some degree partially explains why the rental market has not gone ballistic. Recall, early estimates put the housing shortage in Auckland as high as 30,000 units; revised and updated census figures have cut that by more than half. One of the peculiarities about Auckland's housing issues has been the disconnect between the shortage thesis and lack of movement in dwelling rents. According to the March 2014 CPI, the annual increase in Auckland dwelling rents was 2.3%, not much above that of the 2% nationwide average and half the 4.9% rise in Canterbury. Other motives, including the focus on capital gain, may be behind small movements in rents, but with rental yields in the Auckland residential market (around 4% according to our estimates) already very low in relation to (rising) interest costs, something has to give. Either rents move up more sharply or prices fall.

FEATURE ARTICLE – HOUSING DEMAND-SUPPLY BALANCE

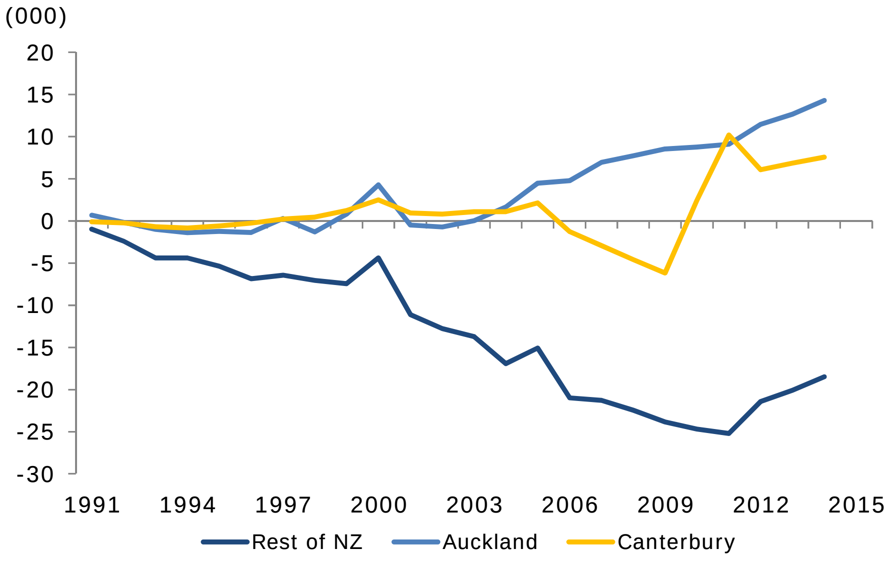
FIGURE 2. REGIONAL HOUSING DEMAND AND SUPPLY BALANCES



Source: ANZ, Statistics NZ

Figure 3 shows our estimates of the cumulative housing and supply balances for Auckland, Canterbury and the remainder of New Zealand over the past 20 years. The impact of the Canterbury earthquakes on that region's balance is apparent. It is also evident that the trends in the net balances for all three areas are now pointing up, so with an improving economy, surfeit supply situations are being eaten away (and this will be assisted by the massive turnaround in emigration; that is, more New Zealanders staying at home).

FIGURE 3. HOUSING BALANCES OVER THE LAST 20 YEARS



Sources: ANZ, Statistics NZ

THE UPSHOT

New Zealand has a housing shortage nationally, but the real issues are region-specific. At the national level, the housing shortage is modest at best. Certainly the economy has experienced a substantial period of under-building since 2008, but this follows the reciprocal in years prior, and ultimately it is the cumulative investment that matters.

While Auckland gathers most attention, it is notable that as a proportion of the housing stock, Canterbury and the Bay of Plenty are facing similar challenges.

KEY FORECASTS

Weekly mortgage repayments table (based on 25-year term)

Mortgage Size ($'000)	Mortgage Rate (%) 5.00	5.25	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50	7.75	8.00	8.25
200	270	276	283	290	297	304	311	319	326	333	341	348	356	364
250	337	345	354	363	371	380	389	398	407	417	426	435	445	455
300	404	415	425	435	446	456	467	478	489	500	511	522	534	545
350	472	484	496	508	520	532	545	558	570	583	596	610	623	636
400	539	553	566	580	594	608	623	637	652	667	682	697	712	727
450	607	622	637	653	669	684	701	717	733	750	767	784	801	818
500	674	691	708	725	743	761	778	797	815	833	852	871	890	909
550	741	760	779	798	817	837	856	876	896	917	937	958	979	1,000
600	809	829	850	870	891	913	934	956	978	1,000	1,022	1,045	1,068	1,091
650	876	898	920	943	966	989	1,012	1,036	1,059	1,083	1,108	1,132	1,157	1,182
700	944	967	991	1,015	1,040	1,065	1,090	1,115	1,141	1,167	1,193	1,219	1,246	1,273
750	1,011	1,036	1,062	1,088	1,114	1,141	1,168	1,195	1,222	1,250	1,278	1,306	1,335	1,364
800	1,078	1,105	1,133	1,160	1,188	1,217	1,246	1,274	1,304	1,333	1,363	1,393	1,424	1,454
850	1,146	1,174	1,204	1,233	1,263	1,293	1,323	1,354	1,385	1,417	1,448	1,480	1,513	1,545
900	1,213	1,244	1,274	1,306	1,337	1,369	1,401	1,434	1,467	1,500	1,534	1,567	1,602	1,636
950	1,281	1,313	1,345	1,378	1,411	1,445	1,479	1,513	1,548	1,583	1,619	1,655	1,691	1,727
1000	1,348	1,382	1,416	1,451	1,486	1,521	1,557	1,593	1,630	1,667	1,704	1,742	1,780	1,818

Housing market indicators for April (based on REINZ data)

	House prices (ann % change)	3mth % chng	No of sales (sa)	Mthly % chng	Avg days to sell (sa)	Comment
Northland	16.8	1.2	147	(-7%)	73	Days to sell has crept up to a 19-month high
Auckland	10.3	3.0	2,250	(-5%)	30	Annual price growth below NZ avg for 1st time since Feb-12
Waikato/BOP/Gisborne	10.5	1.1	794	(0%)	46	The median sale price touched a new record high of $348k
Hawke's Bay	-2.8	2.6	170	(-7%)	55	Weakest annual price growth across the regions
Manawatu-Whanganui	-2.5	-0.6	227	(-1%)	45	Turnaround in days to sell, back to more typical levels
Taranaki	6.6	-4.4	141	(-10%)	53	Median time to sell a house lengthened to a 10-month high
Wellington	3.8	1.5	583	(-5%)	34	The volume of house sold fell to a two- year low
Nelson-Marlborough	10.5	-3.6	195	(-6%)	39	Sale price at 7-month low, with volumes at a 24-month low
Canterbury/Westland	12.1	5.6	778	(-5%)	28	Has been consistently the fastest time to sell since Jan-13
Central Otago Lakes	6.6	-4.7	89	(-18%)	52	Median sales price eased to lowest level in 8 months
Otago	-1.3	-1.0	199	(-9%)	35	The number of houses sold tumbled to a 3-year low
Southland	-2.6	-1.7	120	(-9%)	42	Volume of houses sales eased to a 13-month low
NEW ZEALAND	10.7	1.8	5,602	(-7%)	34	All regions simultaneously reported a drop in house sales

Key forecasts

	Actual			Forecasts						
Economic indicators	**Sep-13**	**Dec-13**	**Mar-14**	**Jun-14**	**Sep-14**	**Dec-14**	**Mar-15**	**Jun-15**	**Sep-15**	**Dec-15**
GDP (Ann Avg % Chg)	2.6	2.7	3.0(f)	3.4	3.5	3.6	3.6	3.4	3.3	3.2
CPI Inflation (Annual % Chg)	1.4	1.6	1.5	1.7	1.4	1.6	1.8	2.1	2.2	2.3
Unemployment Rate (%)	6.1	6.0	6.0	5.7	5.6	5.6	5.5	5.5	5.5	5.5
	Actual			**Forecasts**						
Interest rates (carded)	**Mar-14**	**Apr-14**	**Latest**	**Jun-14**	**Sep-14**	**Dec-14**	**Mar-15**	**Jun-15**	**Sep-15**	**Dec-15**
Official Cash Rate	2.75	3.00	3.00	3.25	3.25	3.50	3.75	3.75	4.00	4.25
90-Day Bank Bill Rate	3.1	3.3	3.4	3.5	3.5	3.9	4.0	4.0	4.4	4.5
Floating Mortgage Rate	5.9	6.1	6.2	6.4	6.4	6.7	6.9	6.9	7.2	7.4
1-Yr Fixed Mortgage Rate	5.7	5.9	5.9	5.9	6.1	6.6	6.7	6.7	6.9	7.0
2-Yr Fixed Mortgage Rate	6.0	6.1	6.3	6.0	6.2	6.5	6.6	6.6	6.9	7.1
5-Yr Fixed Mortgage Rate	7.2	7.4	7.4	7.3	7.4	7.4	7.4	7.4	7.4	7.5

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