

## Realestate.co.nz November housing data

### Key Results

- New listings -9% mom, -0.9%yoy
- Total houses available for sale: -1.9% mom, -1.9%yoy (all data seasonally adjusted)

House listings data indicates the Auckland housing market is becoming tighter, while supply in Canterbury is starting to lift.

### Comment

New house listings fell on a seasonally-adjusted basis in November, unwinding some of the increase in the previous month. New house listings were slightly stronger over October, as the timing of the General Election in late September resulted in 'pent up supply' being released onto the market once the election was over. This latest decline in new house listings and fall in supply comes as housing demand remains firm, supported by record high net migration inflows.

Canterbury, however, bucked this trend and recorded an increase in new listings over the month, building on the lifts recorded in previous months. The lift in new house listings is likely to reflect increased housing supply from completed construction with the Canterbury rebuild in full swing. There are tentative indications the balance between supply and demand in Canterbury is shifting and the market is becoming less tight. As supply continues to lift, we can expect to see house price inflation ease in Canterbury.

In contrast, Auckland remains tight and shows no sign of this imbalance easing. 'Weeks of inventory' is a good indication of market tightness (total inventory divided by the current rate of sales). This measure continues to decline in Auckland, falling to 13.7 weeks in November. Auckland housing market pressures had started to ease slightly following the introduction of high-LVR lending limits and 100 basis points of OCR increases by the RBNZ.

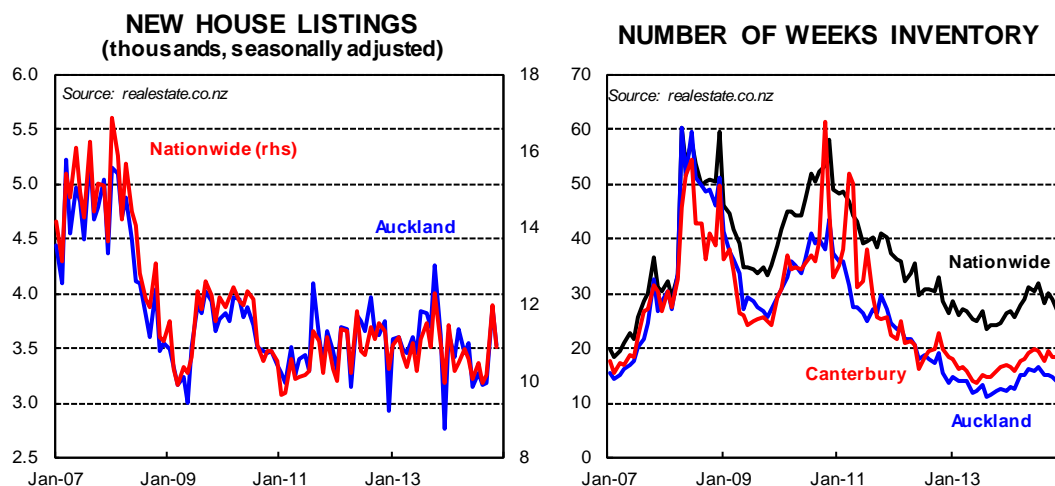
However, in recent months, the trend in weeks of inventory has reversed and conditions in the Auckland market have started to tighten again. During this time, the RBNZ indicated the OCR is on hold for some time and NZ swap interest rates declined. Against the backdrop of an increasingly competitive lending environment, some fixed-term mortgage rates have fallen.

Meanwhile, housing demand remains supported by improving household incomes, increased job security and very strong net migration inflows. Barfoot and Thompson noted strong demand in Auckland over November, with strong auction attendance and very high prices not deterring potential buyers. While the market is not yet as tight as August 2013, the RBNZ will be wary of these recent developments as the housing market enters its seasonal peak.

### Implications

In Canterbury, there are tentative signs the market is starting to ease, with a steady increase in new listings providing a lift in supply. However, the Auckland housing market has started to tighten in recent months, which indicates house price pressures could intensify. Given net migration inflows into Auckland have been outpacing Auckland housing construction, the RBNZ will be very wary of the implications on house prices given they are already very stretched relative to incomes.

We expect the RBNZ will leave the high LVR-lending restrictions in place until Q2-Q3 next year with the potential for further macro-prudential tools to be introduced. At the RBNZ Monetary Policy Statement next week we expect the RBNZ to indicate it will leave the OCR on hold for an extended period, while reiterating its tightening bias.



#### Important Disclosures

This document is published solely for informational purposes. It has been prepared without taking account of your objectives, financial situation, or needs. Before acting on the information in this document, you should consider the appropriateness and suitability of the information, having regard to your objectives, financial situation and needs, and, if necessary seek appropriate professional or financial advice.

We believe that the information in this document is correct and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its compilation, but no representation or warranty, either expressed or implied, is made or provided as to accuracy, reliability or completeness of any statement made in this document. Any opinions, conclusions or recommendations set forth in this document are subject to change without notice and may differ or be contrary to the opinions, conclusions or recommendations expressed elsewhere by ASB Bank Limited. We are under no obligation to, and do not, update or keep current the information contained in this document. Neither ASB nor any person involved in the preparation of this document accepts any liability for any loss or damage arising out of the use of all or any part of this document.

Any valuations, projections and forecasts contained in this document are based on a number of assumptions and estimates and are subject to contingencies and uncertainties. Different assumptions and estimates could result in materially different results. ASB does not represent or warrant that any of these valuations, projections or forecasts, or any of the underlying assumptions or estimates, will be met.