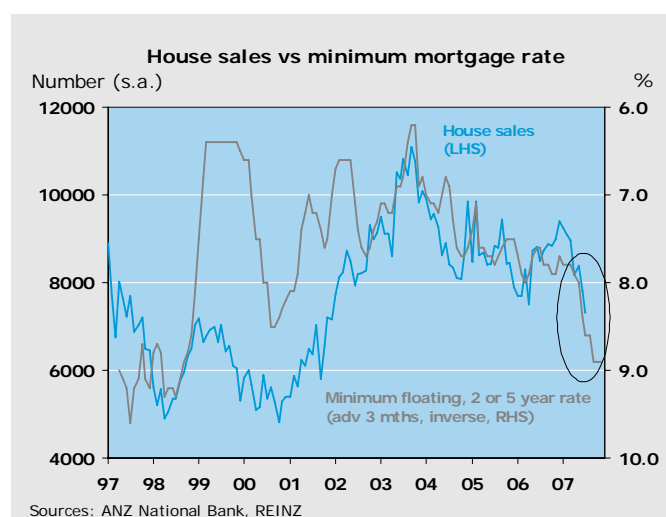


## REINZ HOUSE SALES – JULY 2007

Key points

- Some comfort for the Reserve Bank with housing activity softening.
- Median house prices fell compared to the previous month, and on an annual basis continue to ease – taking annual growth to 10.2 percent.
- House sales fell to their lowest July level since 2001 and the median number of days to sell rose, suggesting the housing market is starting to moderate in the face of higher interest rates.
- We expect the housing market to continue easing over the months ahead.
- However, with inflation trends more broad than the housing market, the Reserve Bank also needs to see such moderation as sustained and for it to filter across to other areas of the economy.

	Median House Price		House Sales (sa)		Median Days to Sell	
	\$'000	YoY	s.a.	YoY	act.	s.a.
Jul-06	313	11.8%	8512	-4.5%	35	34
Aug-06	310	6.9%	8729	-0.3%	33	34
Sep-06	313	7.9%	8871	-5.6%	31	33
Oct-06	324	9.8%	8831	4.0%	29	31
Nov-06	330	10.0%	8996	6.8%	29	32
Dec-06	330	11.9%	9395	19.4%	29	32
Jan-07	327	9.0%	9228	19.0%	38	31
Feb-07	335	13.6%	9109	18.0%	32	30
Mar-07	344	13.7%	8973	8.9%	27	28
Apr-07	349	14.4%	8161	8.2%	28	28
May-07	350	14.8%	8395	-3.7%	30	29
Jun-07	348	12.1%	7808	-11.3%	30	29
<b>Jul-07</b>	<b>345</b>	<b>10.2%</b>	<b>7325</b>	<b>-14.3%</b>	<b>31</b>	<b>30</b>

Assessment and implications

**The housing market is showing further signs of easing, indicating that it has finally turned in the face of higher interest rates.** Seasonally adjusted house sales fell 6.2 percent in July, following a 7.0 percent fall in the previous month (though changes to the reporting process by REINZ complicated the interpretation of the June number). Compared to a year ago, house sales are down 14.3 percent and is the lowest level of sales for a July month since 2001. The median number of days to sell a house increased to 31 days (30 days in seasonally adjusted terms), although this is still low by historical standards. Median house prices fell \$2,500 to \$345,000 – the second consecutive monthly fall. House price growth has eased from its recent high of 14.8 percent in May to 10.2 percent in July. On a regional basis, six of the 12 regions recorded median house price falls in the month with the Waikato and Bay of Plenty regions leading the way.

**We expect further softness for the housing market going forward.** A tight labour market will continue to provide a base level of support for the housing market. However, with net migration easing and the four OCR increases by the Reserve Bank this year taking fixed mortgage rates to 9 percent, we expect further moderation in the housing market over the months ahead.

**The Reserve Bank will take some comfort from today's housing data.** All the indicators in the July housing market data are moving in the right direction for the Reserve Bank. However, it is still too early to be confident that the housing market is starting to slow in a sustained manner. The housing market has shown it can bounce back quickly after a lull in activity. This morning's employment report showed a much tighter than expected labour market reinforcing the vigilance still required by the Reserve Bank. For now, despite easing housing market activity, the bias for interest rates remains skewed to the upside and any easing in monetary policy is still a long way off.

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