



News Release

14 August 2009

REINZ Monthly Housing Price Index

The REINZ Monthly Housing Price Index increased by 1.0 percent to 3134.1 in the July month. In the 3 months to July, housing prices increased by 2.2 percent. Compared to 12 months earlier, the REINZ Housing Price Index increased by 0.9 percent, the first annual increase since March 2008. Housing prices are 7.3 percent below their November 2007 peak.

The regional indexes show different trends: In the Auckland region, housing prices in July were 3.6 percent above those in July 2008. Housing prices in Wellington (up 4 percent) and Christchurch (up 0.6 percent) were also above year earlier levels. By contrast, housing prices in Other North Island (down 4.2 percent) and other South Island (down 1.6 percent) suburbs were below year earlier levels.

The REINZ Monthly Residential Section Price Index increased by 1.6 percent in the July month, but has eased by 1.8 percent in the 3 months to July. Residential section prices are approximately 20 percent lower than the same month last year.

Further details on the REINZ Monthly Housing Price Index

The REINZ Monthly Housing Price Index is put together using a technique known as stratification; basically it is an average of sale prices for common groups.

The approach used to calculate the REINZ Housing Price Index is very similar to that outlined in the Reserve Bank of New Zealand discussion paper “Developing stratified housing price measures for New Zealand” (see www.rbnz.govt.nz). However, as a further improvement the REINZ housing price index is now calculated using sales for all transactions (rather than the median price for each suburb) within the stratum. The resultant measure will provide an even more accurate reading of housing price trends.

How stratification works:

- Dwelling sales from approximately 1800 New Zealand suburbs are ranked according to their median sales price over the relevant comparison period (currently January 2005 - June 2009).

- The suburbs are allocated into ten different groups (or strata). Suburbs accounting for 10 percent of the lowest sales by price are grouped into stratum 1; suburbs with 10 percent of the most expensive sales price are in stratum 10. The allocation of suburbs to each stratum is fixed over the comparison period.
- Using sales data for the individual transactions within the stratum, a median sales price is derived.
- The median sales price for each stratum is averaged to produce a housing price measure from which the housing price index is derived.

The REINZ Monthly Housing Price Index is based on a value of 1000 in January 1992, the first month for which electronic information is available. Changes in the index represent movements in housing prices, where the mix of sales between the groups is held constant and are more likely to reflect genuine property price movements.

Monthly movements in the REINZ Housing Price Index can be volatile, particularly for periods or geographical areas where there are fewer transactions. To aid comparison it may be advisable to convert the monthly data to 3-monthly averages.

The REINZ Monthly Housing Price Index is a new development and further improvements to the methodology and other refinements will be introduced periodically.

Further information on how stratification works is available from the Reserve Bank of New Zealand discussion paper, "Developing stratified housing price measures for New Zealand." (<http://www.rbnz.govt.nz/research/discusspapers/dp2009.html>).

Historical data and additional charts are available on the REINZ Website www.reinz.co.nz.

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