

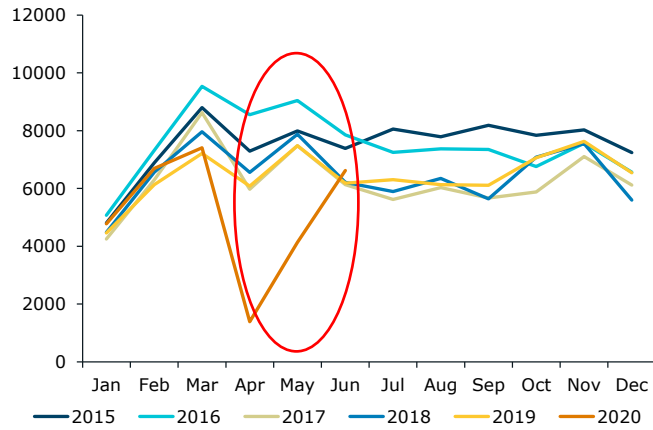
New Zealand Property Focus

Turn of the tide



Housing market bounce

Sales staged a comeback in June



Source: REINZ

Policies providing support

Cushioning and delaying the blow

Wage subsidies, mortgage relief and low mortgage rates are supporting cash flow and the housing market.

Impacts of the downturn on the labour market will bite later this year, with impacts delayed due to fiscal support.



But the tide will turn

Housing not immune to the downturn









Housing is a bellwether of the domestic economic cycle.

Firm profits will be lower, partly reflecting a lack of international visitors and grim global outlook.

These factors will weigh on house prices, sales, home building and spending.

Cross-currents have shifted

Outlook hinges on how these evolve

-  Net migration is weak.
-  Unemployment is rising.
-  Confidence is fragile.
-  Appetite for credit has reduced.
-  Banks are wary about risks.
-  Expectations have shifted.

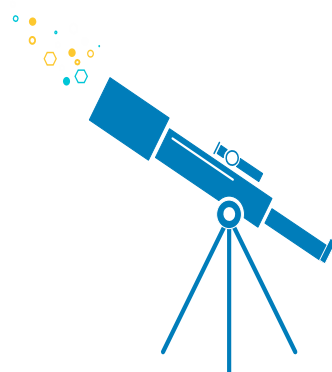
House prices may fall

But impact to be seen later

We see house prices falling 5-10%, with brunt of the impact later in the year.

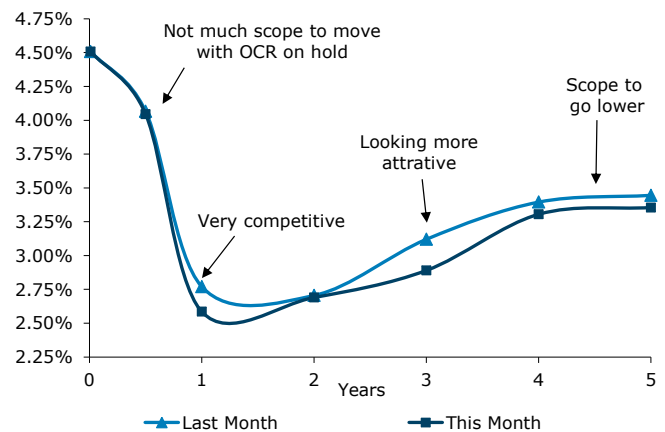
This fall is later and a little smaller than previously assumed, but is subject to a lot of uncertainty.

GDP outlook remains weak and uncertain.



Mortgage rates to stay low

One to three year rates look attractive



Source: interest.co.nz, ANZ Research

This is not personal advice. It does not consider your objectives or circumstances. Please refer to the [Important Notice](#).



Contact

Liz Kendall, David Croy
or Sharon Zollner for
more details.

See [page 12](#).

INSIDE

At a glance	2
Housing Market Overview	4
Regional Housing Market Indicators	5
Feature Article: Turn of the tide	6
Mortgage Borrowing Strategy	10
Weekly Mortgage Repayment Table	11
Mortgage Rate Forecasts	11
Economic Forecasts	11
Important Notice	13

ISSN 2624-0629

Publication date: 21 July 2020

Summary

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

Housing market overview

Albeit with wide regional disparities, the housing market staged a rebound in June, partly driven by pent-up demand for sales, and a post-lockdown bounce in spending across the broader economy. Cash-flow relief has also been a big driver, supported by lower mortgage rates, mortgage deferment schemes, and wage subsidies (which have cushioned incomes and delayed job losses). Nonetheless, appetite for credit has reduced. Banks are also wary about risks and credit conditions have tightened. See [Housing Market Overview](#) for more.

Feature Article: Turn of the tide

The COVID-19 crisis has seen trends in the housing market shift. There are offsetting forces, and the crosscurrents are highly uncertain. Currently, the market is supported – but this support may start to wane, particularly later this year. We are wary that a number of factors could weigh in time: a tip in the balance between demand and supply, rising unemployment, caution towards debt, and tighter credit conditions. We see house prices falling 5-10%, but the outlook is highly uncertain. It will hinge on the global COVID-19 situation, economic conditions, migration flows, policy choices, and household attitudes. See [Feature Article: Turn of the tide](#) for more.

Trends in the housing market have changed since before COVID

	Pre-COVID trend	Outlook	Direction for house prices
Demand vs supply	↑	↓	↓
New building	↑	↓	→↑
Migration	→	↓↓	↓↓
Serviceability	→	↓↑	↓
Mortgage rates	→	↓	↑
Unemployment	↓	↑↑	↓↓
Income support	→	↑	↑
Export receipts	↑	↓	↓
Confidence	→	↓	↓
Credit conditions	↓	↓↑	↓
Bank funding ease	↓	↑	↑
Credit supply	↓	↓	↓
Credit appetite	↑	↓	↓
House prices	→	↓	↓

Mortgage borrowing strategy

Home loan rates have dropped a little further over the past month as competition has intensified. The average 3-year fixed rate has fallen below 3% for the first time in decades, following earlier moves seen in 1-year and 2-year fixed rates. Although we see scope for further falls in fixed rates, the pace of further declines will likely slow now that the OCR is at its effective low point of 0.25% and global interest rates have stabilised. It is hard to go past the 1-year right now, but 2-year and 3-year rates look attractive and it makes sense to stagger the expiry of fixed terms. See [Mortgage Borrowing Strategy](#) for more.



Housing market overview

Summary

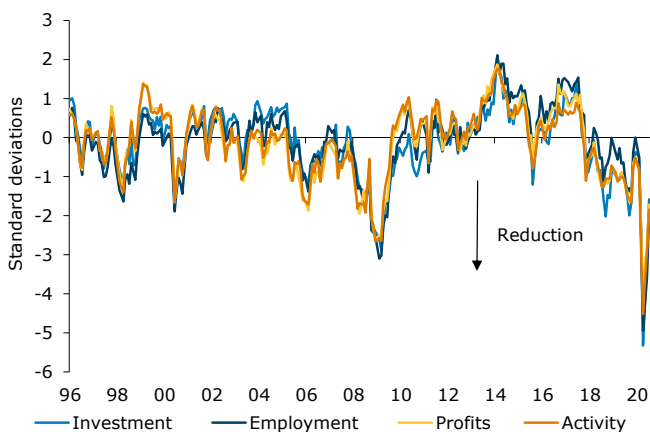
Albeit with wide regional disparities, the housing market staged a rebound in June, partly driven by pent-up demand for sales, and a post-lockdown bounce in spending across the broader economy. Cash-flow relief has also been a big driver, supported by lower mortgage rates, mortgage deferment schemes, and wage subsidies (which have cushioned incomes and delayed job losses). Nonetheless, appetite for credit has reduced, with households looking to shore up their financial positions. Banks are also wary about risks and credit conditions have tightened.

The economy has seen a bounce in activity

Since the end of lockdown, economic activity and spending have rebounded. This boost has been driven by pent-up demand and an increase in involuntary savings, after people were unable to spend in lockdown. Lower mortgage rates, wage subsidies, income relief payments and mortgage deferment schemes are also providing cash-flow relief for households, supporting the post-lockdown spend-up. Seasonally strong domestic tourism through the winter months is also providing a temporary economic boon, at a time when many New Zealanders would otherwise be travelling overseas to warmer climates.

Firms' sentiment about the outlook has improved in recent months, although there is still wariness about earnings prospects. Job losses are occurring, with more expected, and investment is being pulled back (figure 1).

Figure 1. ANZ Business Outlook expectations and intentions (deviation from average)



Source: ANZ Research

Although the bounce in spending and sentiment has been vigorous, the outlook for the economy is uncertain and grim. GDP could be 5-12% lower this year, depending on a range of factors. The economy still needs considerable support from the RBNZ and

Government. A lower exchange rate would also help. The RBNZ needs to keep monetary conditions easy, and the Government needs a targeted, considered response. We continue to expect that QE will be expanded in August.

The extent of underlying economic weakness will not become apparent until later this year. With the risk that economic news deteriorates into 2021, the possibility that the RBNZ could deploy a negative OCR down the track can't be ruled out.

The housing market has rebounded

The post-lockdown bounce in economic activity has been evident in the housing market too. There was a surge in sales in June, after buyers had to delay their purchases on account of lockdown. Sales have now returned to levels prevailing pre-COVID (figure 2) and inventory levels are recovering, albeit a little more slowly. The flurry of sales has supported prices, which were up 1% m/m in June, recovering falls seen in April and May, to be up 0.2% over the quarter (8.7% y/y).

Figure 2. House sales and prices



Source: REINZ

Significant regional variation is evident, with tourism-dependent regions seeing price declines (particularly Central Otago), while other regions (especially Hawke's Bay) saw increases (see table). The housing market continues to be affected by volatility following lockdown, and will have disrupted seasonal patterns. Some of the recent resurgence may reflect noise, making recent figures a little difficult to interpret.

Driven by temporary supports

Like the bounce in spending, the recent rebound in the housing market has been partly driven by policy supports, including wage subsidies, lower interest rates, and mortgage deferment schemes. For some in a good employment position, low mortgage rates have provided an opportunity to enter the market. The share of new lending going to first home buyers has



Housing market overview

been steady. Some investors will also be purchasing in search of return, as interest rates are very low.

However, most supportive factors are providing only a temporary reprieve: mortgage deferment and the uptake of interest-only payments serve to increase debt burdens in the longer run, and defer difficult decisions. The wage subsidy extension is due to expire in September and income relief payments in October. Although fiscal policy will remain stimulatory, widespread income support to avoid job losses is not sustainable. Some job losses have been deferred, not avoided. Income relief payments are providing supplementary support for those who have lost their jobs, and will expire at the end of October.

We are likely to see some **further downward pressure** on mortgage rates as QE bubbles through the market (See our [Mortgage Borrowing Strategy](#) for more details). But that won't be enough to offset the underlying shifts that have taken place, which will lead to a weaker housing pulse in time (see [Feature Article: Turn of the tide](#)).

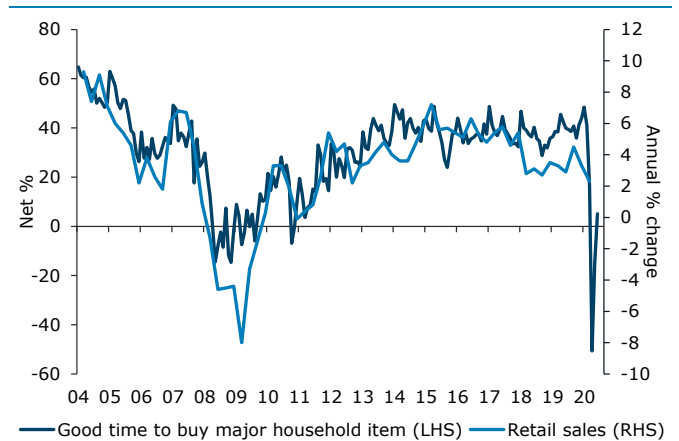
Households are cautious

Although house sales have rebounded, households are conscious of their financial positions. Sentiment has improved, buoyed by our elimination of COVID-19, cash flow relief, and the cash squirreled away during lockdown. But households are wary about buying big ticket items. According to our ANZ Consumer Confidence survey, the quantity of households who consider it a good time to purchase a major household item remains at recessionary levels (figure 3).

Although lower mortgage rates make borrowing cheaper, banks report that households are wary about

taking on more debt too, with demand for credit having reduced. This sense of caution is likely to intensify as the crisis impacts on the labour market and weaker incomes are realised.

Figure 3. ANZ Consumer Confidence "Good time to buy a major household item" and retail sales



Source: Statistics NZ, Roy Morgan, ANZ Research

Banks are wary about risks

Banks are conscious of risks too, and this is weighing on lending decisions. Banks report that credit standards have tightened over the past three months (see [Feature Article: Turn of the tide](#)).

New lending with lower equity (less than 20%) has ticked up only slightly, likely reflecting mortgage relief, with households and banks otherwise cautious about riskier loans. The LVR changes were a requirement to allow the mortgage relief scheme to work as intended, rather than an intended meaningful change in market conditions.

Housing market indicators for June 2020 (based on seasonally adjusted REINZ data)

	Median house price			House price index		# of monthly sales	Monthly % change	Average days to sell
	Level	Annual % change	3-mth % change	Annual % change	3-mth % change			
Northland	\$537,523	10.5	-6.1	9.9	1.3	177	+79%	66
Auckland	\$922,926	9.1	1.5	7.8	-0.1	2,045	+110%	52
Waikato	\$620,285	17.2	-2.3	8.5	-0.7	744	+127%	53
Bay of Plenty	\$642,966	8.6	-6.1	8.9	2.7	450	+102%	73
Gisborne	\$438,164	28.9	2.6	--	--	53	+66%	40
Hawke's Bay	\$577,345	18.6	13.8	17.8	2.2	228	+63%	34
Manawatu-Wanganui	\$425,728	15.6	-3.4	19.4	1.5	382	+65%	29
Taranaki	\$429,406	11.9	-0.7	11.0	-0.1	172	+50%	37
Wellington	\$684,495	10.4	1.9	10.8	0.9	725	+54%	33
Tasman, Nelson & Marlborough	\$580,000	9.4	0.9	--	--	220	+67%	34
Canterbury	\$472,203	5.5	-1.5	5.2	0.1	978	+96%	41
Otago	\$562,408	21.9	-5.9	6.1	-2.1	419	+112%	33
West Coast	\$220,636	15.4	-5.0	8.0	0.5	58	+127%	85
Southland	\$346,631	19.5	-2.5	12.3	1.4	209	+155%	32
New Zealand	\$635,344	9.3	-0.5	8.7	0.2	6,851	+134%	44



Feature Article: Turn of the tide

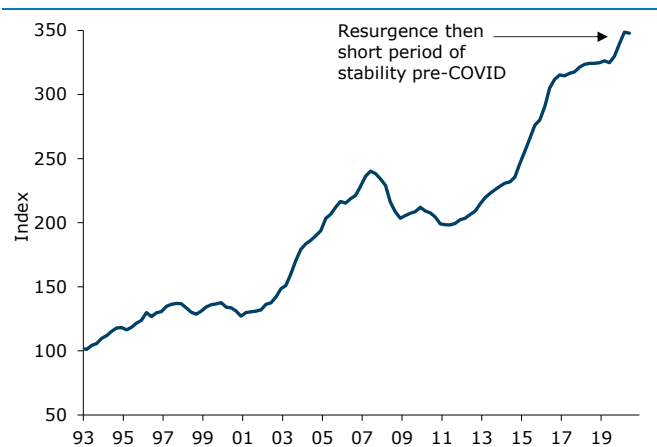
Summary

The COVID-19 crisis has seen trends in the housing market shift. There are offsetting forces, and the crosscurrents are highly uncertain. Currently, the market is supported – but some of these supports are set to wane, particularly later this year. We are wary that a number of factors could weigh in time: a tip in the balance between demand and supply, rising unemployment, caution towards debt, and tighter credit conditions. We see house prices falling 5-10%, but the outlook is highly uncertain. It will hinge on the global COVID-19 situation, economic conditions, migration flows, policy choices, and household attitudes.

Look forward, not back

Before the COVID-19 crisis, the housing market had experienced a resurgence through the second half of 2019, supported by lower interest rates. But it looked to be entering a phase of relative stability in 2020 (figure 1).

Figure 1. Real house prices



Source: REINZ

Since the COVID-19 crisis hit, a number of underlying trends have changed, summarised in table 1. These changes have significant implications for the market from here. The outlook for these factors is highly uncertain, and as a result, so too is the outlook for house prices.

Mortgage rates have fallen further

One theme that has become increasingly relevant is the move towards lower mortgage rates. Falling mortgage rates are a key support for the housing market right here and now.

Mortgage rates have fallen further over the past month, with even more downward pressure expected as the impacts of QE flow through the market (see our [Mortgage Borrowing Strategy](#) and [mortgage rate forecasts](#)), which will provide continued support to the housing market. In fact, there are reasons to think that falls in interest rates have even larger effects on the housing market when interest rates are already low.

A low interest rate environment can also make asset prices more volatile, which means there is more scope for a correction should underlying conditions change. This means that if the tide turns for the housing market as we expect, the outcome could be quite marked. Check out our [January Property Focus](#) for more details on how this works.

Lower mortgage rates will certainly limit the downside for the housing market and provide financial relief for households who may start to experience difficulty. However, we do not think it will be enough to work against emerging headwinds to the extent required to prevent a meaningful fall in house prices.

Table 1. Trends in the housing market have changed since before COVID

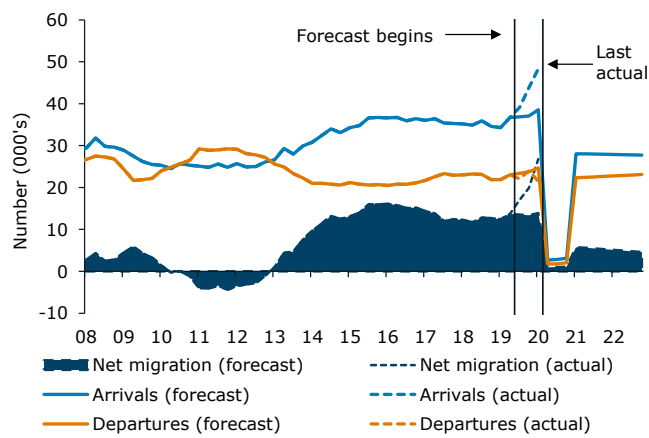
	Pre-COVID trend	Outlook	Direction for house prices
Demand vs supply	↑	↓	↓
New building	↑	↓	→↑
Migration	→	↓↓	↓↓
Serviceability	→	↓↑	↓
Mortgage rates	→	↓	↑
Unemployment	↓	↑↑	↓↓
Income support	→	↑	↑
Export receipts	↑	↓	↓
Confidence	→	↓	↓
Credit conditions	↓	↓↑	↓
Bank funding ease	↓	↑	↑
Credit supply	↓	↓	↓
Credit appetite	↑	↓	↓
House prices	→	↓	↓



Migration is weak

The **outlook for migration** is very uncertain but looks set to be weak. There is a queue of kiwis returning home (many from short trips away) and a second queue of visa holders waiting to come in. But quarantine is a choke-point and it is unclear how long the queue will last. New Zealanders are not leaving as they usually would, while international arrivals are also very low and are likely to remain so for some time (figure 2). Relative to history, migration is weak on net, and expected to remain so.

Figure 2. Net migration outlook (quarterly)



Source: Statistics NZ, ANZ Research

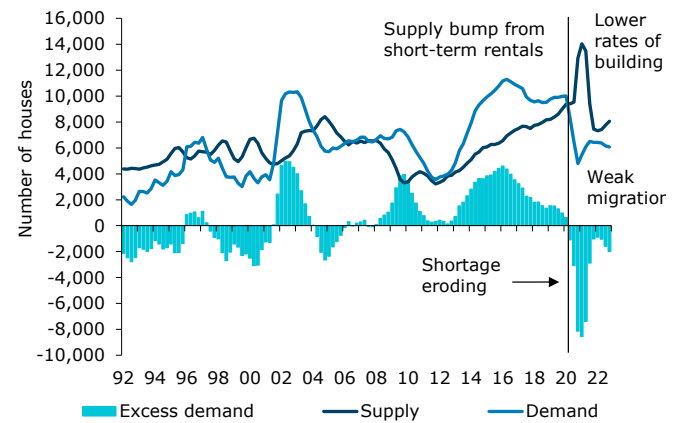
How long this goes on for – and the extent of the impact on the housing market – is a question of how long the border remains closed. The outlook from here is highly uncertain, depending on COVID-19 developments globally. If a vaccine can be developed, population flows will resume, but without this catalyst for change, migration is likely to remain very weak. And even then, it’s jobs that attract migrants, and we expect the unemployment rate to remain elevated for some time.

Demand-supply balance has shifted

Previously, pent-up demand for houses had been building due to scandalously tight supply conditions. But our housing shortage is now eroding (figure 3) due to an influx of short-term rental properties moving into the long-term market, as short-term demand from international visitors is now lacking. See our **June Property Focus** for more details.

This tip in the balance between demand and supply is consistent with lower house prices, and realignment of expectations. This may be particularly evident as new home builds become available. Record-high rates of building have been occurring on the expectation of continued strong population growth, but new supply will take pressure off the market as these builds come on stream, dampening prices.

Figure 3. Housing supply-demand balance

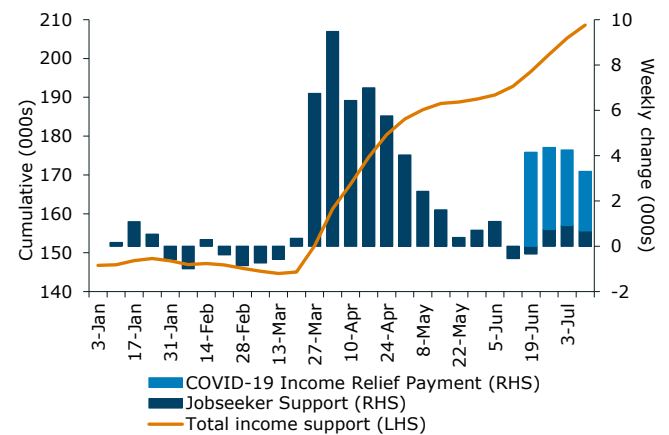


Source: Statistics NZ, ANZ Research

Unemployment is rising

Unemployment is set to rise rapidly. Job losses are already happening, with increased reliance on jobseeker and income relief payments clearly evident (figure 4).

Figure 4. Jobseeker support and income relief



Source: Ministry of Social Development

Some job losses have been delayed, with \$14.3bn in wage subsidies allowing firms to hold onto employees in the face of sharp revenue losses. For some businesses, the subsidy has kicked the can down the road, and they will still need to shed workers in time.

The wage subsidy scheme will end in September, and we do not expect it will be extended – it is simply too expensive. At that point, government policy is expected to pivot towards supporting the economic recovery, filling the gap in demand, and redeploying workers where they are needed. We expect that unemployment will peak at 10%, but we may not see the peak in unemployment until later this year.

For those directly affected, job losses will make it harder to service debts or buy property. Business owners are ultimately households too, and those with



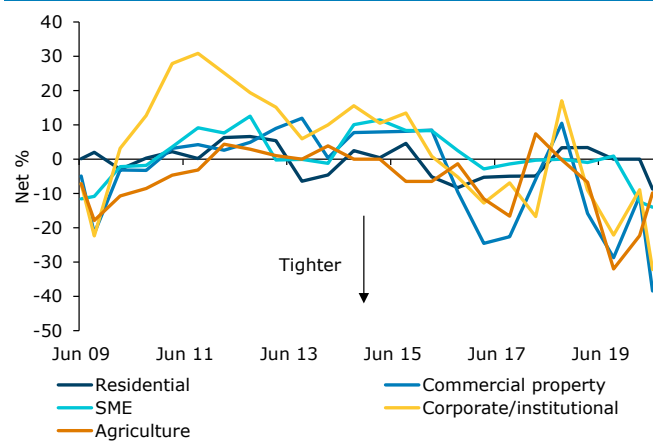
struggling firms will be in a similar position. Some households are already experiencing hardship and the incidence of this will increase.

Rising unemployment will also weigh on consumer confidence. Households' wariness about large purchases and taking on debt will only increase (see [Housing Market Overview](#)). All of that will weigh on willingness and ability to pay in the housing market, dampening prices, and potentially leading to a negative feedback loop between house prices, confidence and credit demand.

Credit conditions may tighten further

Banks are wary about lending decisions and credit conditions have tightened (figure 5), though residential mortgage lending has been the least affected segment so far.

Figure 5. Credit availability reported by banks

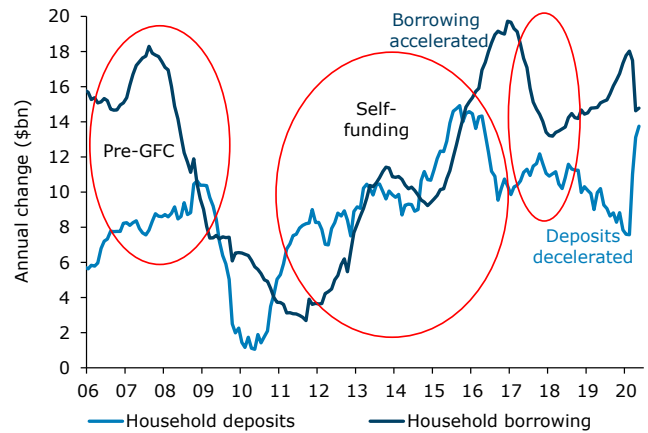


Source: RBNZ Credit Conditions Survey
Note: Chart shows % of respondents reporting an easing in conditions less % of respondents reporting a tightening.

Weakness in credit demand is the dominant factor in the residential lending market so far, according to the RBNZ Credit Conditions Surveys, with a tightening in lending decisions a secondary factor.

Providing some relief is the fact that funding positions for banks are very easy at the moment (figure 6). This has been driven largely by a temporary surge in deposits, as a result of wage subsidy payments hitting the banking system. This surge of deposits has been an easy way to fund new lending. Prior to the COVID-19 crisis, widening funding gaps looked like an emerging headwind, but this issue has been resolved, at least for now. The risk is that deposit growth pares back following the wage subsidy flurry, which could make banks more cautious in their lending in time. However, QE also makes funding relatively easy and cheap for banks by providing cash (see [here](#) for details), so it is unlikely that funding concerns are a significant risk in the near future.

Figure 6. Banks' funding gaps



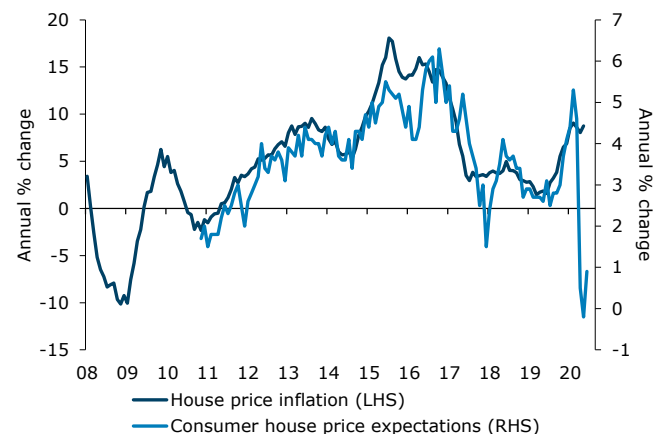
Source: RBNZ, ANZ Research

According to the RBNZ Credit Conditions Survey, the biggest factors contributing to the recent tightening in lending standards are banks' perceptions of risk, and their tolerance for risk. More tightening in credit conditions is expected over the next six months, though this may or may not occur, depending on how economic conditions play out and perceptions of risk evolve. Tighter credit conditions limit households' ability to pay in the housing market and will prevent some purchases from happening at all, meaning a tightening in lending standards from here has the potential to weigh on house prices, if it happens. Lenders' attitudes towards risk may be impacted even further if house prices start to fall, which could further exacerbate any tightening in conditions. At an extreme, this too can lead to an ugly feedback loop between house prices and credit supply.

Expectations have shifted

As trends in the housing market have shifted, expectations have too. And even though consumer confidence has improved, consumer house price expectations remain weak (figure 7).

Figure 7. House price inflation: expectations and reality



Source: REINZ, Roy Morgan, ANZ Research



Feature Article: Turn of the tide

House price expectations are not perfect indicators of reality, but they are part of the bargaining process for buyers and sellers. In this way, expectations can become self-fulfilling – and that means expectations don't ever deviate too far from actual for long.

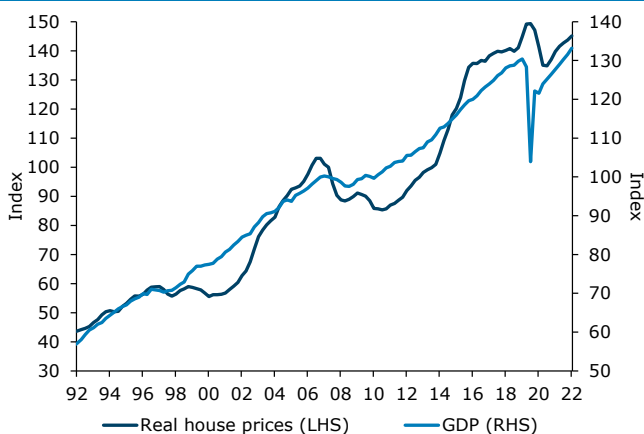
For the current gap to close, expectations and/or house prices will need to adjust, and we think a weaker realised pulse for house prices will be at least part of the story. Changes in expectations can have quite dramatic effects, since house prices are an asset price. If house prices start to fall, some who did not expect it to happen, will likely adjust their expectations lower. The resulting impacts on house prices from these sorts of shifts in expectations can be particularly large for house prices in a low interest rate environment. See our [January Property Focus](#).

We see house prices lower, later

With underlying trends in the housing market having shifted, we expect that the tide will turn and house prices will fall eventually. The outlook is highly uncertain, but we see house prices 5-10% lower (figure 8), with some regions [particularly vulnerable](#) to falls.

This fall is now expected to occur a little later, with the brunt of the impact occurring at the end of this year and into next, once the labour market situation becomes clearer and noise in the data subsides.

Figure 8. Real house prices and GDP



Source: Statistics NZ, REINZ, ANZ Research

This is a smaller fall than we previously feared, with a less aggressive subsequent rebound. We aren't ruling out a larger fall; there are clearly significant downside risks. But we are now more comfortable that stimulus is providing support, and a bigger drop may be avoidable.

Our central view still fundamentally rests on the observation that trends in the housing market have dramatically changed, and that this will weigh on prices. But we now assume more of an offsetting impact from policy supports. Temporary boosts to cash

flow like the wage subsidy and mortgage deferment schemes will end, but house prices tend to be quite persistent, so this boost will linger. Meanwhile, low (and potentially even lower) interest rates will be with us for a while yet, especially given our expectation that QE will increase to [\\$90bn at the August MPS](#).

Should the housing market deteriorate more than we currently expect, we think the RBNZ will pull out all stops to shore up the outlook. In fact, we cannot rule out the RBNZ deploying a [negative OCR](#) if the outlook was deemed bad enough and the associated risks worth taking.

A negative OCR could unhelpfully impair credit supply. However, such a tightening would potentially be concentrated in riskier sectors, like business and commercial property lending. This could be bad for investment but not necessarily such a headwind for the residential property market. A negative OCR would lower mortgage rates and boost asset prices, which would likely lead to net positive impacts on the housing market if deployed, providing eventual support in the event of a sharper correction.

Implications for building and spending

Our expectation that we may see a smaller house price fall than previously assumed will mean consumption may be slightly stronger than otherwise, but still weak. House prices affect household spending through impacts on net worth, confidence, and durables purchases associated with house sales. Spending is expected to be tempered by these effects in the period ahead.

More striking is the impact that a weaker housing market could have on new home building and renovations, both of which tend to be spurred by developments in the existing property market. New home building is expected to drop – potentially quite sharply – from its recent highs. The extent of this impact is highly uncertain, depending on how housing market and other domestic economic developments evolve, and the degree to which new home building by the Government takes up some of the slack.

Reflecting this weak outlook, confidence and profitability expectations amongst builders are very poor. For these firms, and those in the retail sector, the outlook for the housing market will have a significant bearing on profitability. And with housing a bellwether of the domestic cycle, other industries will not be immune should the housing market take a significant hit.

We continue to expect that GDP will contract 7-9% this year. However, the outlook remains highly uncertain, and a better house price outlook tempers some of the downside risk we see around this forecast.



Mortgage borrowing strategy

This is not personal advice. The opinions and research contained in this document are provided for information only, are intended to be general in nature and do not take into account your financial situation or goals.

Summary

Home loan rates have dropped a little further over the past month as competition has intensified. As a result, the average 3-year fixed rate has fallen below 3% for the first time in decades, following earlier moves seen in 1-year and 2-year fixed rates. Floating and 6-month rates have not changed materially. Although we see scope for further falls in fixed rates, the pace of further declines will likely slow now that the OCR is at its current effective low point of 0.25% and global interest rates have stabilised. It is hard to go past the 1-year right now, but 2-year and 3-year rates look attractive and it makes sense to stagger the expiry of fixed terms.

Our view

Intensifying competition in the home loan market has seen fixed rates fall a little further this month. The average floating rate is unchanged, but all fixed rates are lower, even if only slightly. Of note, 1-year and 3-year rates are down around 0.2%, taking the 3-year rate below 3% for the first time in decades.

Rates for most terms fell sharply in May and June, but the pace of the decline has slowed. This is largely because wholesale interest rates out to around 5 years fell sharply as the COVID-19 crisis hit, but have now stabilised. Most interest rates (policy rates, wholesale rates and mortgage rates) remain near all-time lows here and abroad, and the outlook is for them to be fairly stable rather than move materially lower.

We do see scope for further mild, gradual declines in both wholesale rates and mortgage rates, but the emphasis should be on "mild" and "gradual" rather than "decline". As such, we think readers should work on the basis that the bulk of the fall in mortgage rates has now occurred. Indeed, while the RBNZ's Quantitative Easing (QE) programme is ongoing and remains focussed on keeping the term structure of interest rates low and flat, most of the impact has already occurred and further falls from here depend on how the economy performs. At the very short end, with the OCR on hold until at least March 2021, there is not much scope for the floating rate to move unless we see a further intensification in competition.

With many rates at all-time lows, it is, by definition, now more attractive than ever to borrow and to fix. In that regard, our preferred terms are the 1-year, 2-year and 3-year rates, or some combination of all three. We see limited appeal in more expensive 4-5-year rates because they cost more and because, if anything, the risk is that they fall as QE continues.

The question then becomes, what sort of mix makes sense? The 1-year rate is the lowest and makes more sense if you think rates will keep falling. However, they might not fall. Conversely, the 3-year gives you more certainty, but it is slightly more expensive.

Breakeven analysis can help to compare the options. Right now, breakevens start to rise beyond a 1-year horizon. For example; the 1-year breakeven rate in 1 year's time is 2.80%. Thus if the choice is between 1-year at 2.59% or 2-years at 2.69%, you'd be financially better off selecting the 1-year and re-fixing for another year in a year if you thought the 1-year would likely be below 2.80% in a year. Because we tend to think rates are biased to hold steady or go slightly lower, we would be tending to lean more towards the 1-year than the 3-year, but there isn't much in it given the small differences.

Figure 1. Carded special mortgage rates[^]

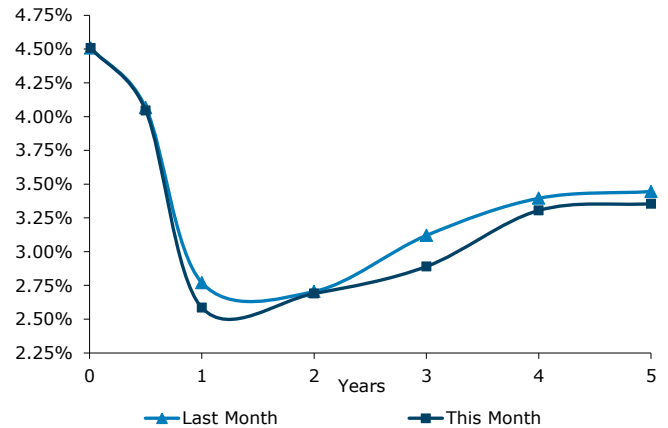


Table 1. Special Mortgage Rates

Term	Current	Breakevens for 20%+ equity borrowers			
		in 6mths	in 1yr	in 18mths	in 2 yrs
Floating	4.51%				
6 months	4.05%	1.13%	2.74%	2.85%	3.19%
1 year	2.59%	1.93%	2.80%	3.02%	3.29%
2 years	2.69%	2.48%	3.04%	3.44%	3.92%
3 years	2.89%	2.94%	3.55%	3.68%	3.80%
4 years	3.31%	3.24%	3.55%		
5 years	3.36%	#Average of "big four" banks			

Table 2. Standard Mortgage Rates

Term	Current	Breakevens for standard mortgage rates*			
		in 6mths	in 1yr	in 18mths	in 2 yrs
Floating	4.51%				
6 months	4.20%	2.43%	3.37%	3.33%	4.04%
1 year	3.31%	2.90%	3.35%	3.69%	4.19%
2 years	3.33%	3.29%	3.77%	4.10%	4.51%
3 years	3.62%	3.70%	4.12%	4.27%	4.44%
4 years	3.92%	3.93%	4.17%		
5 years	4.00%	#Average of "big four" banks			

[^] Average of carded rates from ANZ, ASB, BNZ and Westpac.

Source: interest.co.nz, ANZ Research



Key forecasts

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

Mortgage Size (\$'000)	Mortgage Rate (%)													
	2.50	2.75	3.00	3.25	3.50	3.75	4.00	4.25	4.50	4.75	5.00	5.25	5.50	5.75
200	103	106	109	112	115	119	122	125	128	131	135	138	142	145
250	155	160	164	169	173	178	183	187	192	197	202	207	212	218
300	207	213	219	225	231	237	243	250	256	263	270	276	283	290
350	259	266	273	281	289	296	304	312	320	329	337	345	354	363
400	310	319	328	337	346	356	365	375	385	394	404	415	425	435
450	362	372	383	393	404	415	426	437	449	460	472	484	496	508
500	414	426	437	450	462	474	487	500	513	526	539	553	566	580
550	466	479	492	506	520	534	548	562	577	592	607	622	637	653
600	517	532	547	562	577	593	609	625	641	657	674	691	708	725
650	569	585	601	618	635	652	669	687	705	723	741	760	779	798
700	621	638	656	674	693	711	730	750	769	789	809	829	850	870
750	673	692	711	730	750	771	791	812	833	854	876	898	920	943
800	724	745	766	787	808	830	852	874	897	920	944	967	991	1,015
850	776	798	820	843	866	889	913	937	961	986	1,011	1,036	1,062	1,088
900	828	851	875	899	924	948	974	999	1,025	1,052	1,078	1,105	1,133	1,160
950	879	904	930	955	981	1,008	1,035	1,062	1,089	1,117	1,146	1,174	1,204	1,233
1000	931	958	984	1,011	1,039	1,067	1,095	1,124	1,154	1,183	1,213	1,244	1,274	1,306

Mortgage rate forecasts

Interest rates	Actual				Forecasts						
	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	
Floating Mortgage Rate	5.5	5.5	4.8	4.5	4.4	4.3	4.1	4.0	4.0	4.0	
1-Yr Fixed Mortgage Rate	4.4	4.3	4.0	2.8	2.6	2.6	2.6	2.6	2.6	2.6	
2-Yr Fixed Mortgage Rate	4.5	4.4	4.2	2.7	2.7	2.8	2.8	2.8	2.8	2.9	
5-Yr Fixed Mortgage Rate	5.0	4.9	4.8	3.4	3.3	3.3	3.1	3.2	3.2	3.2	

Source: RBNZ, ANZ Research

Economic forecasts

Economic indicators	Actual				Forecasts						
	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	
GDP (Ann % Chg)	2.4	1.8	-0.2	-19.3	-5.9	-6.8	-3.4	20.4	3.5	5.1	
CPI Inflation (Annual % Chg)	1.5	1.9	2.5	1.5(a)	1.3	0.9	0.5	1.1	0.8	0.6	
Unemployment Rate (%)	4.1	4.0	4.2	7.6	10.0	9.7	9.3	9.2	8.9	8.4	
House Prices (Quarter % Chg)	1.6	3.2	3.3	0.2(a)	-1.0	-4.0	-4.0	0.0	2.0	2.0	
House Prices (Annual % Chg)	2.5	5.3	8.2	8.5(a)	5.7	-1.6	-8.6	-8.8	-6.0	-0.1	

Interest rates	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
	Official Cash Rate	1.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25
90-Day Bank Bill Rate	1.29	0.49	0.30	0.31	0.31	0.31	0.31	0.31	0.31
LSAP (\$bn)		33	60	90	90	90	90	90	90

Source: ANZ Research, Statistics NZ, RBNZ, REINZ



Contact us

Meet the team

We welcome your questions and feedback. Click [here](#) for more information about our team.



Sharon Zollner
Chief Economist

Follow Sharon on Twitter
[@sharon_zollner](#)

Telephone: +64 27 664 3554
Email: sharon.zollner@anz.com

General enquiries:
research@anz.com

Follow ANZ Research
[@ANZ_Research](#) (global)



David Croy
Senior Strategist

Market developments, interest rates, FX, unconventional monetary policy, liaison with market participants.

Telephone: +64 4 576 1022
Email: david.croy@anz.com



Susan Kilsby
Agricultural Economist

Primary industry developments and outlook, structural change and regulation, liaison with industry.

Telephone: +64 21 633 469
Email: susan.kilsby@anz.com



Liz Kendall
Senior Economist

Research co-ordinator, publication strategy, property market analysis, monetary and prudential policy.

Telephone: +64 27 240 9969
Email: elizabeth.kendall@anz.com



Miles Workman
Senior Economist

Macroeconomic forecast co-ordinator, fiscal policy, economic risk assessment and credit developments.

Telephone: +64 21 661 792
Email: miles.workman@anz.com



Kyle Uerata
Economic Statistician

Economic statistics, ANZ proprietary data (including ANZ Business Outlook), data capability and infrastructure.

Telephone: +64 21 633 894
Email: kyle.uerata@anz.com



Natalie Denne
PA / Desktop Publisher

Business management, general enquiries, mailing lists, publications, chief economist's diary.

Telephone: +64 21 253 6808
Email: natalie.denne@anz.com



Important notice

This document is intended for ANZ's Institutional, Markets and Private Banking clients. It should not be forwarded, copied or distributed. The information in this document is general in nature, and does not constitute personal financial product advice or take into account your objectives, financial situation or needs.

This document may be restricted by law in certain jurisdictions. Persons who receive this document must inform themselves about and observe all relevant restrictions.

Disclaimer for all jurisdictions: This document is prepared and distributed in your country/region by either: Australia and New Zealand Banking Group Limited (ABN11 005 357 522) (**ANZ**); or its relevant subsidiary or branch (each, an **Affiliate**), as appropriate or as set out below.

This document is distributed on the basis that it is only for the information of the specified recipient or permitted user of the relevant website (**recipients**).

This document is solely for informational purposes and nothing contained within is intended to be an invitation, solicitation or offer by ANZ to sell, or buy, receive or provide any product or service, or to participate in a particular trading strategy.

Distribution of this document to you is only as may be permissible by the laws of your jurisdiction, and is not directed to or intended for distribution or use by recipients resident or located in jurisdictions where its use or distribution would be contrary to those laws or regulations, or in jurisdictions where ANZ would be subject to additional licensing or registration requirements. Further, the products and services mentioned in this document may not be available in all countries.

ANZ in no way provides any financial, legal, taxation or investment advice to you in connection with any product or service discussed in this document. Before making any investment decision, recipients should seek independent financial, legal, tax and other relevant advice having regard to their particular circumstances.

Whilst care has been taken in the preparation of this document and the information contained within is believed to be accurate, ANZ does not represent or warrant the accuracy or completeness of the information. Further, ANZ does not accept any responsibility to inform you of any matter that subsequently comes to its notice, which may affect the accuracy of the information in this document.

Preparation of this document and the opinions expressed in it may involve material elements of subjective judgement and analysis. Unless specifically stated otherwise: they are current on the date of this document and are subject to change without notice; and, all price information is indicative only. Any opinions expressed in this document are subject to change at any time without notice.

ANZ does not guarantee the performance of any product mentioned in this document. All investments entail a risk and may result in both profits and losses. Past performance is not necessarily an indicator of future performance. The products and services described in this document may not be suitable for all investors, and transacting in these products or services may be considered risky.

ANZ expressly disclaims any responsibility and shall not be liable for any loss, damage, claim, liability, proceedings, cost or expense (Liability) arising directly or indirectly and whether in tort (including negligence), contract, equity or otherwise out of or in connection with this document to the extent permissible under relevant law. Please note, the contents of this document have not been reviewed by any regulatory body or authority in any jurisdiction.

ANZ and its Affiliates may have an interest in the subject matter of this document. They may receive fees from customers for dealing in the products or services described in this document, and their staff and introducers of business may share in such fees or remuneration that may be influenced by total sales, at all times received and/or apportioned in accordance with local regulatory requirements. Further, they or their customers may have or have had interests or long or short positions in the products or services described in this document, and may at any time make purchases and/or sales in them as principal or agent, as well as act (or have acted) as a market maker in such products. This document is published in accordance with ANZ's policies on conflicts of interest and ANZ maintains appropriate information barriers to control the flow of information between businesses within it and its Affiliates.

Your ANZ point of contact can assist with any questions about this document including for further information on these disclosures of interest.

Country/region specific information: Unless stated otherwise, this document is distributed by Australia and New Zealand Banking Group Limited (**ANZ**).

Australia. ANZ holds an Australian Financial Services licence no. 234527. For a copy of ANZ's Financial Services Guide please [click here](#) or request from your ANZ point of contact.

Brazil, Brunei, India, Japan, Kuwait, Malaysia, Switzerland, Taiwan. This document is distributed in each of these jurisdictions by ANZ on a cross-border basis.

European Economic Area (EEA): United Kingdom. ANZ is authorised in the United Kingdom by the Prudential Regulation Authority (**PRA**) and is subject to regulation by the Financial Conduct Authority (**FCA**) and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request. This document is distributed in the United Kingdom by Australia and New Zealand Banking Group Limited ANZ solely for the information of persons who would come within the FCA definition of "eligible counterparty" or "professional client". It is not intended for and must not be distributed to any person who would come within the FCA definition of "retail client". Nothing here excludes or restricts any duty or liability to a customer which ANZ may have under the UK Financial Services and Markets Act 2000 or under the regulatory system as defined in the Rules of the Prudential Regulation Authority (**PRA**) and the FCA. ANZ is authorised in the United Kingdom by the PRA and is subject to regulation by the FCA and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request.

Fiji. For Fiji regulatory purposes, this document and any views and recommendations are not to be deemed as investment advice. Fiji investors must seek licensed professional advice should they wish to make any investment in relation to this document.

Hong Kong. This publication is issued or distributed in Hong Kong by the Hong Kong branch of ANZ, which is registered at the Hong Kong Monetary Authority to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities. The contents of this publication have not been reviewed by any regulatory authority in Hong Kong.

India. If this document is received in India, only you (the specified recipient) may print it provided that before doing so, you specify on it your name and place of printing.

Myanmar. This publication is intended to be general and part of ANZ's customer service and marketing activities when implementing its functions as a licensed bank. This publication is not Securities Investment Advice (as that term is defined in the Myanmar Securities Transaction Law 2013).

New Zealand. This document is intended to be of a general nature, does not take into account your financial situation or goals, and is not a personalised adviser service under the Financial Advisers Act 2008 (**FAA**).



Important notice

Oman. ANZ neither has a registered business presence nor a representative office in Oman and does not undertake banking business or provide financial services in Oman. Consequently ANZ is not regulated by either the Central Bank of Oman or Oman's Capital Market Authority. The information contained in this document is for discussion purposes only and neither constitutes an offer of securities in Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 4/74) or the Capital Market Law of Oman (Royal Decree 80/98), nor does it constitute an offer to sell, or the solicitation of any offer to buy non-Omani securities in Oman as contemplated by Article 139 of the Executive Regulations to the Capital Market Law (issued vide CMA Decision 1/2009). ANZ does not solicit business in Oman and the only circumstances in which ANZ sends information or material describing financial products or financial services to recipients in Oman, is where such information or material has been requested from ANZ and the recipient understands, acknowledges and agrees that this document has not been approved by the CBO, the CMA or any other regulatory body or authority in Oman. ANZ does not market, offer, sell or distribute any financial or investment products or services in Oman and no subscription to any securities, products or financial services may or will be consummated within Oman. Nothing contained in this document is intended to constitute Omani investment, legal, tax, accounting or other professional advice.

People's Republic of China (PRC). This document may be distributed by either ANZ or Australia and New Zealand Bank (China) Company Limited (**ANZ China**). Recipients must comply with all applicable laws and regulations of PRC, including any prohibitions on speculative transactions and CNY/CNH arbitrage trading. If this document is distributed by ANZ or an Affiliate (other than ANZ China), the following statement and the text below is applicable: No action has been taken by ANZ or any affiliate which would permit a public offering of any products or services of such an entity or distribution or re-distribution of this document in the PRC. Accordingly, the products and services of such entities are not being offered or sold within the PRC by means of this document or any other document. This document may not be distributed, re-distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations. If and when the material accompanying this document relates to the products and/or services of ANZ China, the following statement and the text below is applicable: This document is distributed by ANZ China in the Mainland of the PRC.

Qatar. This document has not been, and will not be:

- lodged or registered with, or reviewed or approved by, the Qatar Central Bank (**QCB**), the Qatar Financial Centre (**QFC**) Authority, QFC Regulatory Authority or any other authority in the State of Qatar (**Qatar**); or
- authorised or licensed for distribution in Qatar,

and the information contained in this document does not, and is not intended to, constitute a public offer or other invitation in respect of securities in Qatar or the QFC. The financial products or services described in this document have not been, and will not be:

- registered with the QCB, QFC Authority, QFC Regulatory Authority or any other governmental authority in Qatar; or
- authorised or licensed for offering, marketing, issue or sale, directly or indirectly, in Qatar.

Accordingly, the financial products or services described in this document are not being, and will not be, offered, issued or sold in Qatar, and this document is not being, and will not be, distributed in Qatar. The offering, marketing, issue and sale of the financial products or services described in this document and distribution of this document is being made in, and is subject to the laws, regulations and rules of, jurisdictions outside of Qatar and the QFC. Recipients of this document must abide by this restriction and not distribute this document in breach of this restriction. This document is being sent/issued to a limited number of institutional and/or sophisticated investors (i) upon their request and confirmation that they understand the statements above; and (ii) on the condition that it will not be provided to any person other than the original recipient, and is not for general circulation and may not be reproduced or used for any other purpose.

Singapore. This document is distributed in Singapore by the Singapore branch of ANZ solely for the information of "accredited investors", "expert investors" or (as the case may be) "institutional investors" (each term as defined in the Securities and Futures Act Cap. 289 of Singapore). ANZ is licensed in Singapore under the Banking Act Cap. 19 of Singapore and is exempted from holding a financial adviser's licence under Section 23(1)(a) of the Financial Advisers Act Cap. 100 of Singapore.

United Arab Emirates (UAE). This document is distributed in the UAE or the Dubai International Financial Centre (**DIFC**) (as applicable) by ANZ. This document does not, and is not intended to constitute: (a) an offer of securities anywhere in the UAE; (b) the carrying on or engagement in banking, financial and/or investment consultation business in the UAE under the rules and regulations made by the Central Bank of the UAE, the Emirates Securities and Commodities Authority or the UAE Ministry of Economy; (c) an offer of securities within the meaning of the Dubai International Financial Centre Markets Law (DIFCML) No. 12 of 2004; and (d) a financial promotion, as defined under the DIFCML No. 1 of 200. ANZ DIFC Branch is regulated by the Dubai Financial Services Authority (**DFSA**) ANZ DIFC Branch is regulated by the Dubai Financial Services Authority (**DFSA**). The financial products or services described in this document are only available to persons who qualify as "Professional Clients" or "Market Counterparty" in accordance with the provisions of the DFSA rules. In addition, ANZ has a representative office (**ANZ Representative Office**) in Abu Dhabi regulated by the Central Bank of the UAE. The ANZ Representative Office is not permitted by the Central Bank of the UAE to provide any banking services to clients in the UAE.

United States. Except where this is a FX-related document, this document is distributed in the United States by ANZ Securities, Inc. (**ANZ SI**) which is a member of the Financial Regulatory Authority (**FINRA**) (www.finra.org) and registered with the SEC. ANZSI's address is 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 9160 Fax: +1 212 801 9163). ANZSI accepts responsibility for its content. Information on any securities referred to in this document may be obtained from ANZSI upon request. This document or material is intended for institutional use only – not retail. If you are an institutional customer wishing to effect transactions in any securities referred to in this document you must contact ANZSI, not its affiliates. ANZSI is authorised as a broker-dealer only for institutional customers, not for US Persons (as "US person" is defined in Regulation S under the US Securities Act of 1933, as amended) who are individuals. If you have registered to use this website or have otherwise received this document and are a US Person who is an individual: to avoid loss, you should cease to use this website by unsubscribing or should notify the sender and you should not act on the contents of this document in any way. Non-U.S. analysts: Non-U.S. analysts may not be associated persons of ANZSI and therefore may not be subject to FINRA Rule 2242 restrictions on communications with the subject company, public appearances and trading securities held by the analysts. Where this is an FX-related document, it is distributed in the United States by ANZ's New York Branch, which is also located at 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 916 0 Fax: +1 212 801 9163).

Vietnam. This document is distributed in Vietnam by ANZ or ANZ Bank (Vietnam) Limited, a subsidiary of ANZ.

This document has been prepared by ANZ Bank New Zealand Limited, Level 26, 23-29 Albert Street, Auckland 1010, New Zealand, Ph 64 9 357 4094, e-mail nzeconomics@anz.com, <http://www.anz.co.nz>