ANZ Research

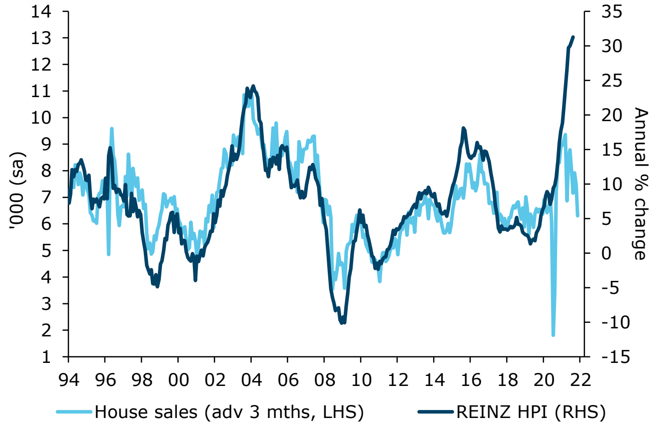
September 2021

New Zealand Property Focus

Rent is due

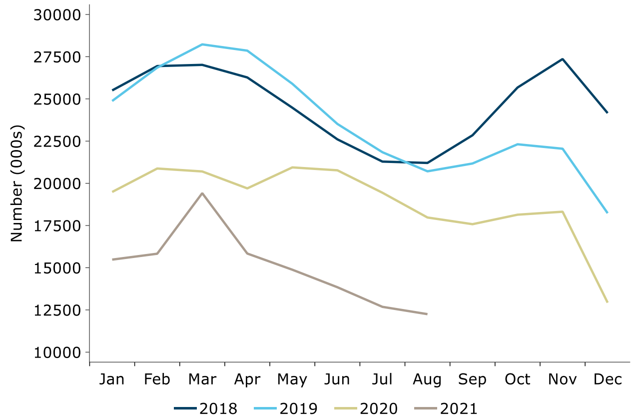
Lockdown volatility is back

But house prices are still rising



Inventories trending lower

Hitting a new low in August



Headwinds are gathering

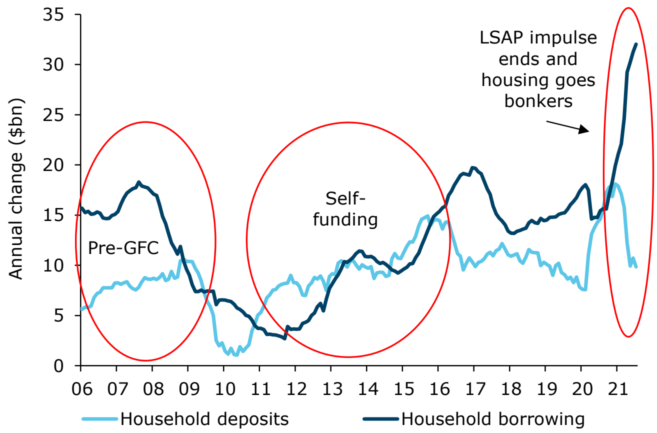
Mortgage rates have lifted in 2021

	1 year	2 year	3 year	5 year
As at December 2020	2.49	2.67	2.76	3.24
2021 low*	2.19	2.58	2.76	3.24
Current	2.79	3.19	3.50	4.29
Rise off lows (bps)	+60	+61	+74	+105

*1 year hit its low in June 2021, 2 year hit its low in May 2021, 3 and 5 year hit their lows in 2020.

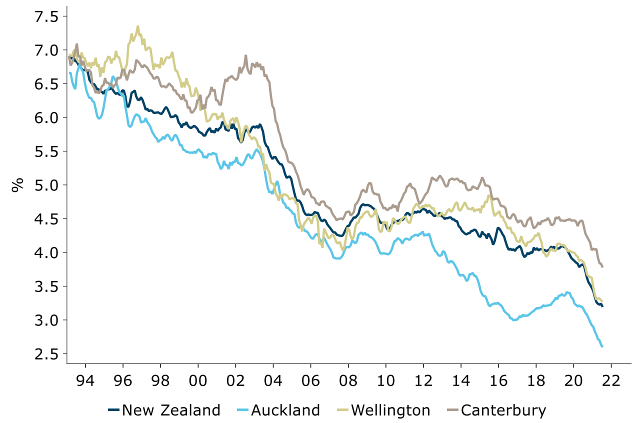
A deposit and credit mismatch

The resulting bank funding gap could impact credit conditions



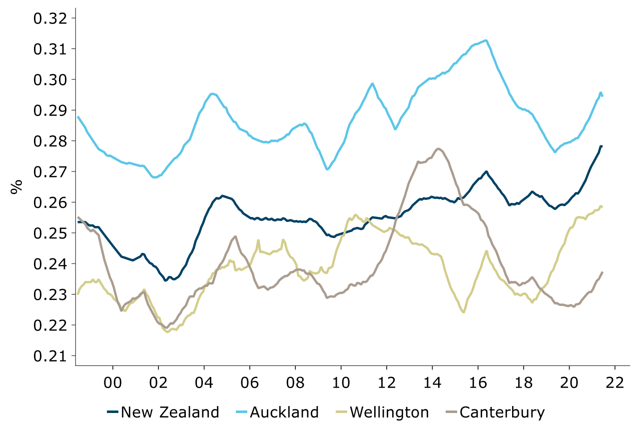
Rental yields have fallen

Following interest rates lower, and reflecting higher house prices



Rent is eating up more income

The dream of home ownership is being eroded from both ends



Source: RBNZ, REINZ, Stats NZ, Macrobond, Bloomberg, ICAP, RealEstate.co.nz, ANZ Research

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Contact

Sharon Zollner, Miles Workman or David Croy for more details.

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INSIDE

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Summary

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

Housing market overview

Lockdown is introducing fresh volatility into the housing data. Extracting signal from the data over coming months won't be easy, and anecdote around housing confidence and demand will be important. Stepping back, the list of housing headwinds continues to lengthen. While a sharp contraction is something of which to be wary, we continue to assume the moderation in house price inflation from its current stratospheric level will be relatively gradual.
See our Market Overview.

Feature Article: Rent is due

Are significant rent rises imminent? House prices have surged (along with debt); policies that favour first-home buyers may be crowding out rental supply; regulatory costs (and risks) for investors have risen; interest rates are rising and landlords can no longer deduct this cost; and rental yields have fallen to very low levels (possibly weighing on the incentive to build more rental properties – at least from a cash flow perspective). It all sounds a bit like a perfect storm, but there are constraints to rent rises. Chiefly, landlords need to balance these forces against tenants' ability to pay. But benefits and wages have risen. Fair to say, the solution to rising rent pressures isn't tighter regulations on landlords, it's more supply of housing generally. See this month's Feature Article.

Mortgage borrowing strategy

Fixed mortgage rates have risen further over the past month, with rises of between 0.20 and 0.28%pts seen in 1 to 5-year rates. These increases are the latest in a series of gradual increases that have come in the wake of a sharp rise in wholesale interest rates, which have, in turn, been driven by expectations of imminent RBNZ OCR increases. This anticipation effect does mean that fixed mortgage rates are unlikely to move up as quickly as the OCR in future, but they are likely to continue edging higher. Fixing now may lessen the impact in the short term, but with longer-term fixed rates now significantly higher already, there's no "quick fix" available. The choices now look to be either pay more now to fix for longer, which brings with it more certainty, or pay less now and fix for a shorter time, but acknowledge that it is likely to cost more later. See our Mortgage Borrowing Strategy.

Housing market overview

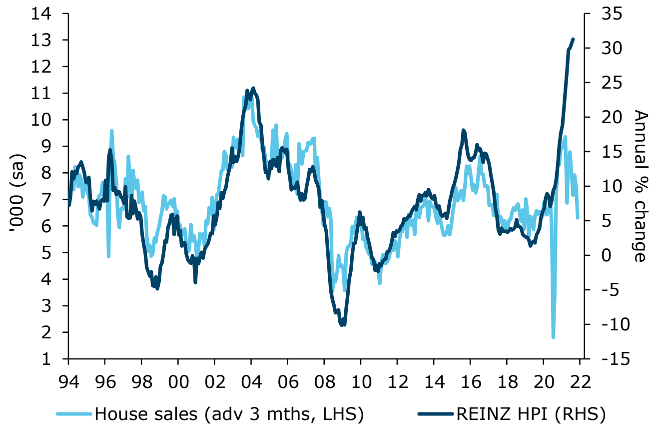
Summary

Lockdown is introducing fresh volatility into the housing data. Extracting signal from the data over coming months won't be easy, and anecdote around housing confidence and demand will be important. Stepping back, the list of housing headwinds continues to lengthen. While a sharp contraction is something of which to be wary, we continue to assume the moderation in house price inflation from its current stratospheric level will be relatively gradual.

Lockdown volatility is back…

Housing data for August showed the beginning of renewed lockdown impacts, with sales falling 15.7% m/m in August. Meanwhile, very weak inventories combined with still-solid demand kept pressure on prices, which were up 1.9% m/m. That saw annual inflation nudge a little higher, and the gap between sales and prices widen even further (figure 1).

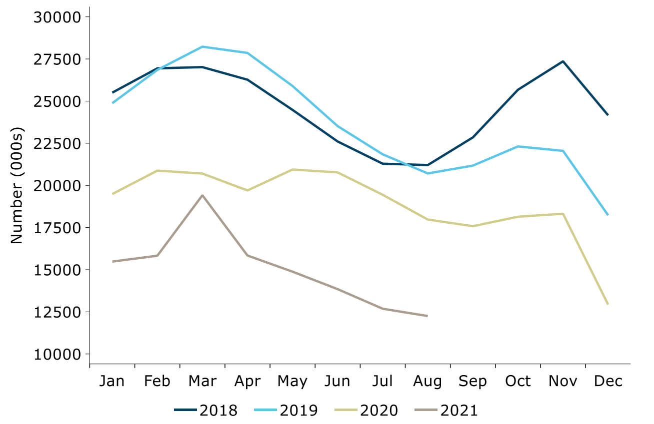
Figure 1. House prices and sales



Source: REINZ, ANZ Research

Properties available for sale became even scarcer in August, and that goes a long way towards explaining very high competition at the (sometimes virtual) open homes. While there're certainly some lockdown impacts weighing on inventories, there is also a very weak trend at play. Part of this is structural (NZ needs more houses), but part of it is likely to be cyclical too, with owners feeling that very strong rates of house price inflation recently are good reason to delay selling. To the extent that this is occurring, prices will be vulnerable to correction if enough owners decide to list their property at the same time. In other words, if enough people are waiting to sell at the peak of the market, then the downswing in prices could end up being sharper for it.

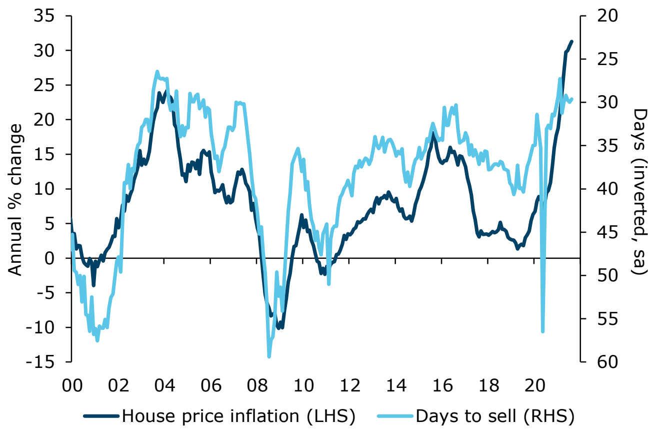
Figure 2. Properties available for sale



Source: Realestate.co.nz, ANZ Research

Days to sell remained tight at 30 in August, suggesting renewed lockdown measures didn't delay August sales much (if at all). However, lockdown impacts are more likely to bite harder from September given the lag between listings and sales. That was certainly the case with the Great Lockdown of 2020, where Alert Level 4 started late March and finished late April. Days to sell didn't peak until May (at 56), but were back to pre-pandemic levels by July (figure 3). Our expectation is that this measure of market tightness will be volatile this time around too.

Figure 3. Days to sell and house prices



Source: REINZ, ANZ Research

Volatility in the housing data is back courtesy of renewed lockdown measures, and it'll be a few months before it subsides (subject to delta and Alert Level changes). Looking through the noise, it is our expectation that the housing market will cool from here, but this will be difficult to gauge in the noisy data. Anecdote will be an important guide.

…but the market is expected to cool

The list of housing headwinds is simply too lengthy to ignore, and by some metrics the cycle looks like it's on borrowed time.

Housing market overview

Table 1 shows fixed mortgage rates have already lifted around 60-105 basis points in 2021, and with steady OCR hikes expected from October, we think there's further to go. That's going to add to what appear to be already-biting affordability constraints.

Table 1. The mortgage curve is higher and steeper in 2021

	1 year	2 year	3 year	5 year
As at December 2020	2.49	2.67	2.76	3.24
2021 low*	2.19	2.58	2.76	3.24
Current	2.79	3.19	3.50	4.29
Rise off lows (bps)	+60	+61	+74	+105

*1 year hit its low in June 2021, 2 year hit its low in May 2021, 3 and 5 year hit their lows in 2020.

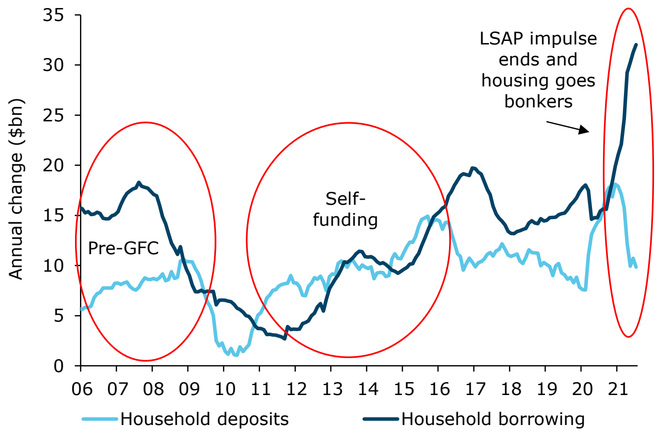
Source: Average of the "big 4" NZ banks

But broader credit conditions look poised to tighten even without OCR hikes. Tighter LVR restrictions for owner occupiers will be implemented from 1 November, with the "speed limit" for lending with an LVR greater than 80% to be reduced from 20% of loans to 10%. We estimate lending taking place in this space has been a little over 11%, so the tighter policy is expected to be binding to some extent, given banks will allow a buffer. And this is on top of already-tighter LVR settings and other housing policies for investors.

But there's even more to the tighter outlook for credit conditions than higher interest rates and policy changes. A significant share of housing credit in NZ is backed by household deposits, so it pays to keep a close eye on how these two things are moving. For example, when deposits and borrowing are more or less growing together, there shouldn't be too much pressure on the banking system to meet credit demand. But a significant and sustained mismatch (a "funding gap") means banks must source funding from elsewhere (such as wholesale markets) and/or adjust deposit and mortgage rates in order to restore balance.

As figure 4 shows, the funding gap has widened significantly over the past year or so. In 2020, the RBNZ introduced its Large Scale Asset Purchase Programme ("quantitative easing"), which has injected more than $50bn into the banking system and resulted in very strong growth in household deposits. From banks' funding perspective, that meant there was ample liquidity in the system to meet credit demand. And for better or worse (perhaps depending what side of the housing divide you sit), that helped grease the wheels for the housing-induced economic recovery that followed. Indeed, as we all know, house price inflation went stratospheric as NZ's structural housing problem (not enough houses) met the gale-force tailwind of low interest rates and ample credit availability. But the LSAP has since ended and the bump to domestic deposits with it. The resulting funding gap is now exceptionally wide, and suggests there's likely to be more to the upcoming credit cycle than just interest rates and policy changes.

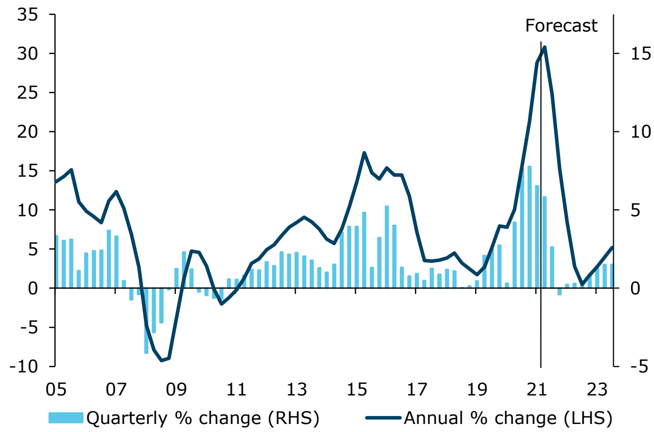
Figure 4. Banks' funding gap



Source: RBNZ, ANZ Research

Add to all of the above the fact that housing supply continues to gradually catch up with demand, and you've got the ingredients for our house price outlook: moderation (figure 5). Let's just hope it's a relatively soft landing.

Figure 5. House price forecast



Source: REINZ, ANZ Research

Housing market overview

Housing market indicators for August 2021 (based on REINZ data seasonally adjusted by ANZ Research)

	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	$680,348	8.9	2.8	26.8	4.7	153	-38%	33
Auckland	$1,204,519	26.3	6.3	28.0	4.9	2,503	-9%	32
Waikato	$781,273	23.7	4.0	33.1	5.6	576	-24%	27
Bay of Plenty	$858,384	26.4	4.1	37.6	5.8	354	-21%	32
Gisborne	$509,684	9.7	-10.0	37.7	4.5	27	-58%	38
Hawke's Bay	$706,773	17.9	-0.6	37.7	4.5	168	-14%	29
Manawatu-Whanganui	$608,051	35.6	3.7	47.3	4.4	241	-28%	27
Taranaki	$577,265	24.3	7.9	29.0	4.5	124	-31%	25
Wellington	$892,336	21.6	2.9	39.3	5.4	594	-12%	34
Tasman, Nelson & Marlborough	$725,973	19.2	2.6			171	-22%	30
Canterbury	$622,605	23.8	5.1	31.1	7.5	861	-18%	28
Otago	$686,013	18.6	0.9	26.3	5.0	344	-10%	31
West Coast	$292,140	18.1	1.3	25.7	3.1	31	-43%	36
Southland	$406,403	8.5	3.3	24.2	2.5	117	-26%	29
New Zealand	**$861,990**	**25.3**	**4.3**	**31.3**	**5.6**	**6,301**	**-16%**	**30**

Feature Article: Rent is due

Summary

Are significant rent rises imminent?

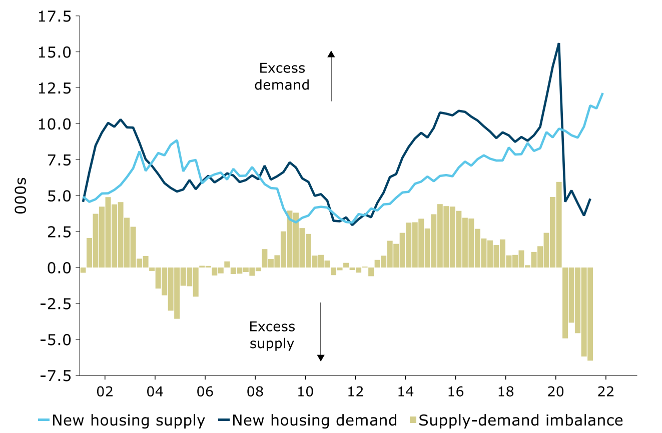
- house prices have surged (along with debt);
- policies that favour first-home buyers may be crowding out rental supply;
- regulatory costs (and risks) for investors have risen;
- interest rates are rising and landlords can no longer deduct this cost; and
- rental yields have fallen to very low levels (possibly weighing on the incentive to build more rental properties – at least from a cash flow perspective).

It all sounds a bit like a perfect storm, but there are constraints to rent rises. Chiefly, landlords need to balance these forces against tenants' ability to pay. But benefits and wages have risen. Fair to say, the solution to rising rent pressures isn't tighter regulations on landlords, it's more supply of housing generally.

What determines rents?

Many of the market fundamentals that determine house prices are also important determinants of rental inflation – chiefly, the balance between the demand and supply of housing. Unfortunately, based on the data we have available it's difficult to pin down a precise number for NZ's housing stock shortfall. Back in May, we estimated this to be around 70,000 houses, while pointing out the rather wide range of possible estimates (depending on key assumptions such as the number of people per dwelling). Updating for recent progress (and new data up until Q2 2021) that same central estimate is now closer to a shortfall of 65,000 houses.

Figure 1. Housing supply-demand imbalance



Source: REINZ, Stats NZ, Macrobond, ANZ Research

While there is considerable uncertainty around these stock estimates, we can at least be confident in whether or not the fundamental imbalance between housing supply and demand is getting better or worse. And with very low levels of net migration constraining new demand for houses, and residential construction going gangbusters (looking through the recent level 4 lockdown) progress towards filling the gap has been nothing short of remarkable (figure 1). In Q2 2021 alone, we estimate the gap narrowed by more than 6,000 houses. Two to three more years of this and we might see some balance return to the housing market.

However, while aggregate housing supply relative to demand is important, it's certainly not the only factor that influences house prices and rents, particularly in the shorter run.

And further to this, house prices and rents don't always move together (Figure 2). Houses are long-lived assets that provide a stream of imputed or actual rents, meaning that house prices capture both current and expected future demand and supply of housing. Relative to rents, house prices are also affected by expectations of population growth, the responsiveness of future housing supply, credit availability, interest rates, and at times animal spirits (commonly being branded at the moment as FOMO).

Figure 2. Median sale price vs median rents

Source: REINZ, MBIE, Macrobond, ANZ Research

Policy settings are an important overlay for rents too, as they can add costs and uncertainty to landlords, and may also directly or indirectly shift the rental supply and demand balance by impacting either new supply and/or how the existing housing stock gets utilised. And these don't have to be policies directly targeted at investors. For example, policies that favour first-home buyers at the cost of investors could result in fewer properties available for rent (as the former sell houses to the latter).

Of course, less supply would generally signal higher prices (rents), and that signal should eventually lead to more construction of rental properties. But as we're all well aware, building supply is highly constrained, and while many investor-targeted policies have carve-outs for new builds, the general direction of policy change in recent years adds considerable uncertainty to the mix. Uncertainty and investment are not the best of friends. Further to this, there is little evidence to suggest that rental yields (more below) are on the incline in an absolute sense (quite the opposite in fact). However, rental yields may still be attractive to some relative to other investments – particularly if investors are anticipating capital gains, which you certainly would if you extrapolate history, though we have significant reservations about that approach with the 30+ year tailwind of falling interest rates now behind us.

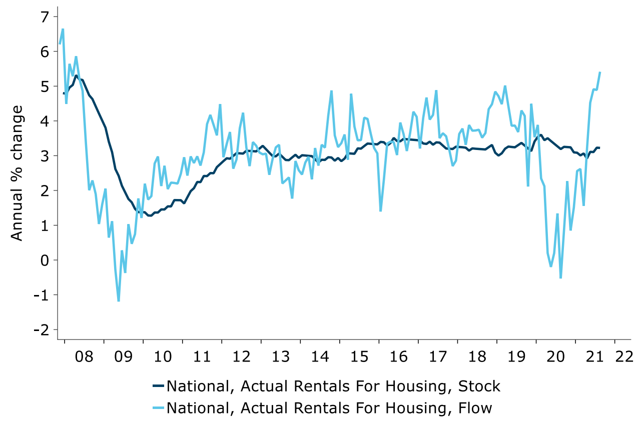
Other policy changes, such as the removal of interest deductibility, increased tenant rights, healthy home standards, while all well-meaning, are not without externalities. For investors these also represent a structural shift in the calculus of property investment.

But even if we were able to isolate and account for all these dynamic forces that put upwards pressure on rents, there's still one very important constraint to rental inflation to consider: the income of renters and therefore their ability to pay. Generally speaking, landlords don't want vacant properties, and therefore price their rental accordingly.

Measuring rental inflation

In addition to median rents shown in figure 2, Statistics NZ produce both a monthly stock and flow rental price index, with the former feeding into CPI inflation. The flow measure captures new tenancies in the reference month, and therefore tends to be more volatile (but this tends to be a leading indicator for the broader direction of the stock of rents). Figure 3 shows economy-wide rental inflation (stock measure) has averaged 3.2% y/y since 2012, peaking at 3.6% y/y in February 2020 just before a rent freeze was introduced (spanning 26 March 2020 to 25 September 2020).

Figure 3. Stock vs flow rents inflation



Source: Stats NZ, Macrobond, ANZ Research

But there's likely more policy noise in these data than the rent freeze. From August 2020, rent increases were limited to once every 12 months (previously once every 180 days), and under some circumstances, tenants are also able to apply to the Tenancy Tribunal if they believe (and have evidence) that they are being charged a lot more rent than similar properties in the area.

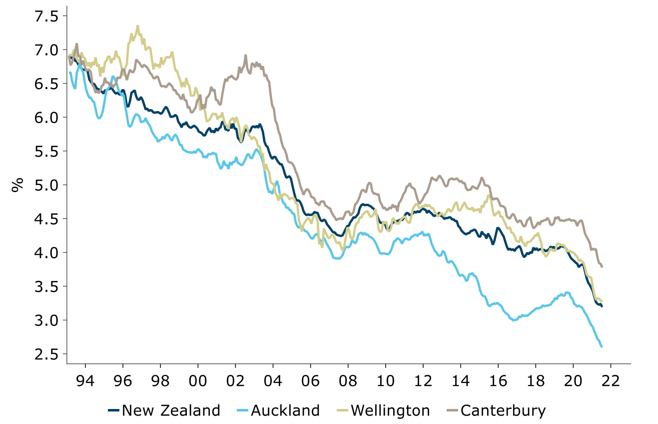
Partly reflecting some of this policy-induced volatility, but also initial COVID-crisis-induced uncertainty (ie expectations that household incomes were about to contract), the flow measure fell sharply in 2020, only to rebound sharply over 2021 after it became clear that fiscal support had limited job losses, with household incomes holding up. The stock measure is now on a gradual accelerating path too, but at this stage not an overly concerning one relative to the past 10 years or so.

Rental yields have fallen

Coming at it from the investor's perspective, rental yields – annual rental returns relative to house prices – are another way to evaluate the market. Rental yields have fallen quite sharply over the past 18 months or so (figure 4), following interest rates lower. As interest rates fall, future benefits associated with home ownership become more attractive (both relative to other investments and due to lower mortgage costs). As a result, house prices tend to rise and rental yields fall (even if rents themselves are unchanged or are increasing). But rental yields don't capture the full story when it comes to an investor's decision to buy a property. The opportunity to add value and/or expectations of capital gains are also relevant. However, capital gains are a non-cash flow benefit that's only realised when the property is sold (possibly with tax to pay), so to the extent that investors have operating costs to cover, rental yields are pretty important.

Feature Article: Rent is due

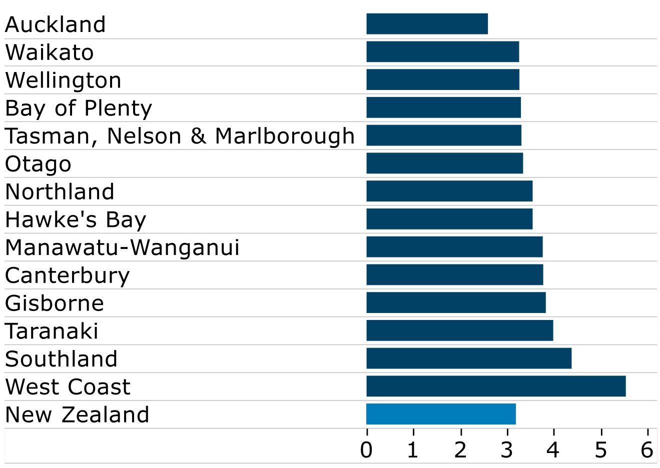
Figure 4. Rental yields



Source: REINZ, MBIE, Macrobond, ANZ Research

Falling yields over the past year have been a broad-based phenomenon. However, at around 2.6% in Auckland vs 5.5% in the West Coast (figure 5), there is considerable regional divergence. But that's to be expected as different regions will likely carry different expectations, with yields lower in areas where house prices are already high relative to incomes, and capital gains might be expected to be higher, and where market liquidity risks are lower. It can take literally years to sell a house in a small town, and houses trade at a discount accordingly.

Figure 5. Rental yields by region as at August 2021



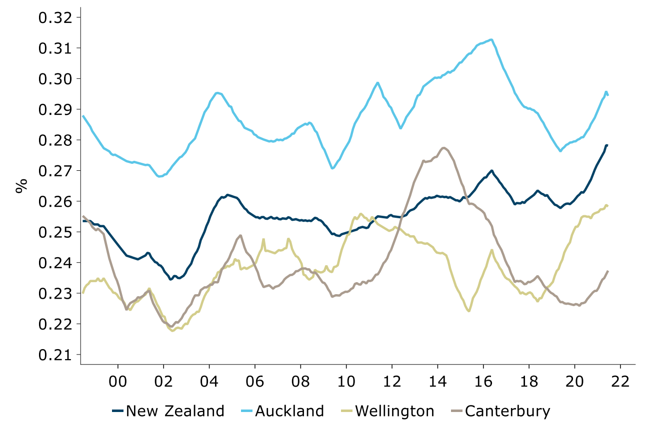
Source: REINZ, MBIE, Macrobond, ANZ Research

Overall, falling rental yields are exactly what one would expect as interest rates fall. But now, with yields very low, construction and land costs very high, and policy seemingly getting tighter by the year, it's not clear that the private sector is well-incentivised to invest in building new rental properties. Indeed, in some regions, given land and construction costs, it's now literally impossible for the market to build "affordable" houses to meet the needs of lower income buyers, and rental yields on new-build properties at that end are also decidedly unappealing. That suggests the Government will need to keep its social housing construction pipeline going at full steam ahead for a long while yet.

A renter's perspective

As at the 2018 census, home ownership rates were at their lowest since the 1950s and just over 1.4 million people were living in rental housing. For these people, based on median rents and income, rental affordability has gone in the wrong direction over the past year or so (figure 6).

Figure 6. Median rents as a share of median income



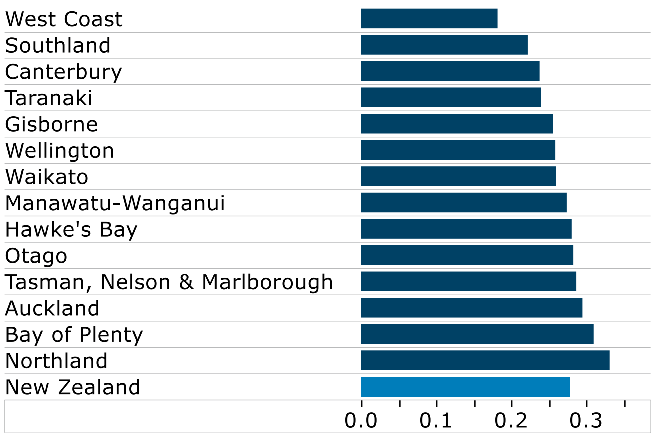
Source: MBIE, Statistics NZ, Macrobond, ANZ Research

But these median measures show only the broad direction of travel. Because the above calculation is based on aggregate income (ie not incomes for the renting cohort only, where we do not have timely data), the above ratios likely understate just how much of a median renter's income goes towards putting a roof over their head. That's because households on lower incomes are much more likely to rent than own their own home.

Further, median figures will never show the full horror story for those living at the margin. There are highly significant negative externalities that accompany rising rental costs, such as overcrowding and homelessness, that a relatively slow-moving median-based calculation is unlikely to capture or highlight. But here's one snapshot: according to this Statistics NZ report, more than 40% of renter households spend more than 30% of their income on housing costs.

Adding more regions to the mix, we can see Auckland's median rent actually isn't the most unaffordable in the country. Northland takes that spot, while the West Coast is the cheapest (figure 7). But again, income distributions will matter a lot.

Figure 7. Median rents to income as at June 2021

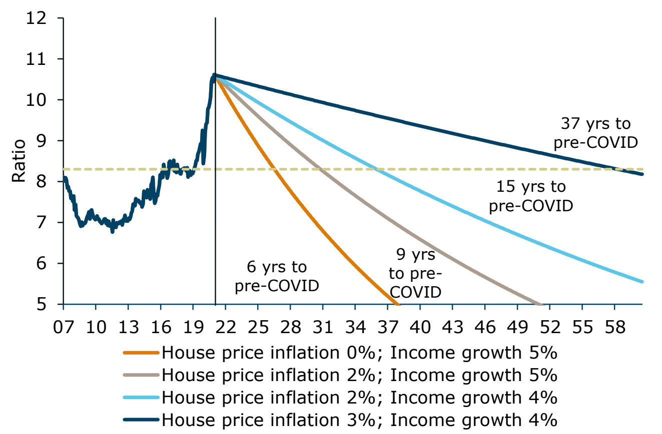


Source: MBIE, Statistics NZ, Macrobond, ANZ Research

The same aforementioned Stats NZ report also shows that housing costs are much lower for those who own their home. However, given how dramatically house prices have risen relative to income, the prospect of a renter eventually switching to home ownership is being eroded from both ends. That is, assuming debt servicing is not an issue, rising house prices are increasing the amount of savings required for deposit at a time when rent is eating up more income.

We presented figure 8 in the July Property Focus. It not only shows how house prices have moved relative to household disposable incomes following the recent house price surge, but also just how lengthy the path may be just to return this measure of affordability to already-elevated pre-pandemic levels (in the absence of outright house price declines).

Figure 8. Median house prices to median annual household disposable incomes.



Source: Stats NZ, ANZ Research

All up, the state of housing affordability in NZ is grim, and has deteriorated dramatically in the past 18 months. While the increase in the cost of renting relative to income has been less dramatic than the rise in the cost of buying a home, both of these factors adversely affect certain cohorts (chiefly lower income earners and younger people) at the benefit of others (capital gains-earning owners, who skew older).

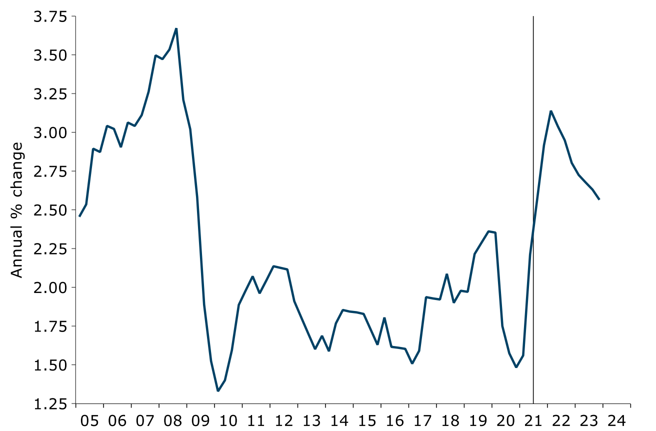
Supply-side policy changes are the key to fixing this, though it can't be denied that there are trade-offs between going all-out on building anything anywhere, and long-term liveability. In some cities, it's really hard. And climate change makes it even harder! But while lower interest rates have obviously contributed in a cyclical sense, it would all be a lot less bonkers if the fundamental housing undersupply problem didn't exist. Long-term migration targets are another factor to consider closely, given our extreme growing pains, but obviously that's a moot point for the moment.

The outlook

As already alluded to, there are many forces at play that make the outlook for the rental market uncertain. Population growth is obviously very weak, and will remain so as long as the borders are closed. Adding to that, the pipeline of new homes coming on stream is seeing the overall housing supply-demand imbalance improve gradually. However, the removal of interest deductibility for investors mean rising interest rates will put more upwards pressure on rents than before. Other policies that favour first-home buyers or add costs and risk to landlords may also lead to higher rents and/or lower rental supply than otherwise. All the while, low rental yields, combined with very high land prices and construction costs, are likely diminishing the incentive to invest in additional rental accommodation – at least at the margin. But that doesn't mean renters don't stand to win from increased housing supply, rather that it just may take longer to benefit them.

But when it comes to the outlook for rental inflation, our expectation is that this can't exceed the pace of household incomes for a sustained period. Our forecast for relatively robust, but not off the chain, wage growth (figure 9), suggests rent inflation is likely to accelerate a little further over the year ahead, but not markedly.

Figure 9. Wage growth forecast



Source: Stats NZ, Macrobond, ANZ Research

Mortgage borrowing strategy

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Summary

Fixed mortgage rates have risen further over the past month, with rises of between 0.20 and 0.28%pts seen in 1 to 5-year rates. These increases are the latest in a series of gradual increases that have come in the wake of a sharp rise in wholesale interest rates, which have, in turn, been driven by expectations of imminent RBNZ OCR increases. This anticipation effect does mean that fixed mortgage rates are unlikely to move up as quickly as the OCR in future, but they are likely to continue edging higher. Fixing now may lessen the impact in the short term, but with longer-term fixed rates now significantly higher already, there's no "quick fix" available. The choices now look to be either pay more now to fix for longer, which brings with it more certainty, or pay less now and fix for a shorter time, but acknowledge that it is likely to cost more later.

Our view

Wholesale interest rates continue to grind higher, and that has, in turn, seen average fixed mortgage rates continue to rise, with the 1yr rate up 0.20%pts on average, and 2 to 5-year fixed rates up between 23 and 28%pts. The average floating rate remains at 4.51%, where it has been for many months.

When we penned this column a month ago, the RBNZ had just opted to hold fire, leaving the OCR unchanged at its August decision. That surprised financial markets on the day. However, the RBNZ's later clarification that they elected not to hike because it would have been a difficult outcome to explain to the public on day 1 of the country's abrupt return to Level 4 lockdown – rather than a dramatic change in their view of the world – saw longer-term interest rates resume their upward trend within a few days.

Subsequent RBNZ speeches and media interviews have hinted at a desire to look through lockdowns and press ahead with OCR hikes, mindful that the economy will likely rebound once things re-open again (even if not with the same gusto as last year). Against that back-drop, 1 to 3-year wholesale interest rates have now climbed to higher levels than those prevailing before the RBNZ's August on-hold decision.

Looking ahead, we expect mortgage rates to continue to grind higher. Wholesale interest rates are already higher in anticipation of OCR hikes, and expectations of tighter policy in other countries. Given that, and the historical tendency for longer-term rates to move up less quickly than the OCR once rate hikes actually begin, upcoming rises in long-term rates (and by extension, mortgage rates) aren't likely to match increases in the OCR. But borrowers would be prudent to plan for some further increase.

The question for borrowers then becomes; what can be done? There are options, but they are not as palatable as they were a few months ago, before 2 to 5-year rates started to rise. At that time, we talked about fixing for longer, but the choice now is much more finely balanced. Fixing now will protect against future rate increases, but it will cost more (with that cost higher for longer terms). Alternatively, fixing for a shorter period like 1 year (currently the cheapest rate) will save money now, but if we are right, and the OCR does go higher, that means paying more later.

Crunching the numbers as we do each month, our breakeven analysis shows that for the 2-year to be cheaper than back-to-back 1-year fixes, you'd need to expect the 1-year rate to rise at least 0.79%pts (from 2.79% to 3.58%). While our forecasts have the OCR rising by more than that over the next year (we expect it to rise by 1.25%pts), the 1-year mortgage rate has already risen by 0.60%pts since June. We don't expect upcoming OCR hikes to be derailed by Delta again, but there is a small risk that they are. A lot still needs to go right for the RBNZ to be able to deliver on the amount of hikes priced into markets, and when the fix-for-shorter-or-longer question is this finely balanced, and mortgage rates already higher, that biases us mildly in favour of shorter. But there isn't much in it, and some people may place a higher value on certainty.

Figure 1. Carded special mortgage rates^

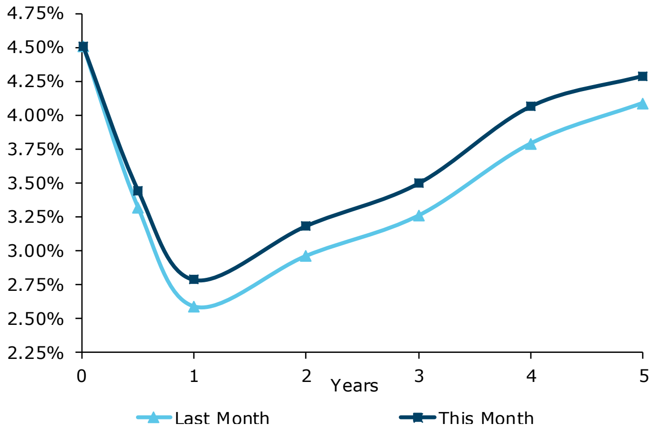

Table 1. Special Mortgage Rates

		Breakevens for 20%+ equity borrowers			
Term	Current	in 6mths	in 1yr	in 18mths	in 2 yrs
Floating	4.51%				
6 months	3.45%	2.13%	3.38%	3.78%	3.97%
1 year	2.79%	2.76%	3.58%	3.87%	4.12%
2 years	3.19%	3.32%	3.85%	4.38%	4.95%
3 years	3.50%	3.84%	4.49%	4.77%	5.03%
4 years	4.07%	4.27%	4.67%		
5 years	4.29%	#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 (%)													
	2.00	2.25	2.50	2.75	3.00	3.25	3.50	3.75	4.00	4.25	4.50	4.75	5.00	5.25
200	196	201	207	213	219	225	231	237	243	250	256	263	270	276
250	244	251	259	266	273	281	289	296	304	312	320	329	337	345
300	293	302	310	319	328	337	346	356	365	375	385	394	404	415
350	342	352	362	372	383	393	404	415	426	437	449	460	472	484
400	391	402	414	426	437	450	462	474	487	500	513	526	539	553
450	440	453	466	479	492	506	520	534	548	562	577	592	607	622
500	489	503	517	532	547	562	577	593	609	625	641	657	674	691
550	538	553	569	585	601	618	635	652	669	687	705	723	741	760
600	587	604	621	638	656	674	693	711	730	750	769	789	809	829
650	635	654	673	692	711	730	750	771	791	812	833	854	876	898
700	684	704	724	745	766	787	808	830	852	874	897	920	944	967
750	733	754	776	798	820	843	866	889	913	937	961	986	1,011	1,036
800	782	805	828	851	875	899	924	948	974	999	1,025	1,052	1,078	1,105
850	831	855	879	904	930	955	981	1,008	1,035	1,062	1,089	1,117	1,146	1,174
900	880	905	931	958	984	1,011	1,039	1,067	1,095	1,124	1,154	1,183	1,213	1,244
950	929	956	983	1,011	1,039	1,068	1,097	1,126	1,156	1,187	1,218	1,249	1,281	1,313
1000	978	1,006	1,035	1,064	1,094	1,124	1,154	1,186	1,217	1,249	1,282	1,315	1,348	1,382

Mortgage rate projections (historic rates are special rates; projections based on ANZ's wholesale rate forecasts)

	Actual			Projections						
Interest rates	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Floating Mortgage Rate	4.5	4.5	4.5	4.5	5.0	5.3	5.5	5.8	5.8	5.8
1-Yr Fixed Mortgage Rate	2.5	2.3	2.2	2.7	3.1	3.5	3.6	3.7	3.7	3.7
2-Yr Fixed Mortgage Rate	2.6	2.6	2.6	3.1	3.5	3.8	3.8	3.8	3.8	3.8
5-Yr Fixed Mortgage Rate	3.0	3.0	3.6	4.0	4.2	4.5	4.6	4.7	4.6	4.6

Source: RBNZ, ANZ Research

Economic forecasts

	Actual			Forecasts						
Economic indicators	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
GDP (Annual % Chg)	0.1	2.9	17.4	-4.2	4.1	2.9	1.2	9.8	2.9	3.4
CPI Inflation (Annual % Chg)	1.4	1.5	3.3	4.2	4.1	3.8	3.0	2.4	2.3	1.9
Unemployment Rate (%)	4.8	4.6	4.0	4.0	4.0	3.9	3.9	3.8	3.8	3.9
House Prices (Quarter % Chg)	7.7	7.8	6.5	5.8	2.6	-0.4	0.2	0.3	0.3	0.8
House Prices (Annual % Chg)	15.6	21.3	28.8	30.8	24.7	15.2	8.4	2.8	0.5	1.7

Interest rates	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Official Cash Rate	0.25	0.25	0.25	0.25	0.75	1.00	1.25	1.50	1.50	1.50
90-Day Bank Bill Rate	0.27	0.35	0.35	0.75	1.04	1.31	1.57	1.65	1.65	1.65
10-Year Bond	0.99	1.81	1.77	1.80	2.00	2.20	2.40	2.50	2.50	2.50

Source: ANZ Research, Statistics NZ, RBNZ, REINZ

Contact us

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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 (maternity leave)
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

Finn Robinson
Economist

Macroeconomic forecasting, economic developments, labour market dynamics, inflation and monetary policy.

Telephone: +64 21 629 553
Email: finn.robinson@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

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