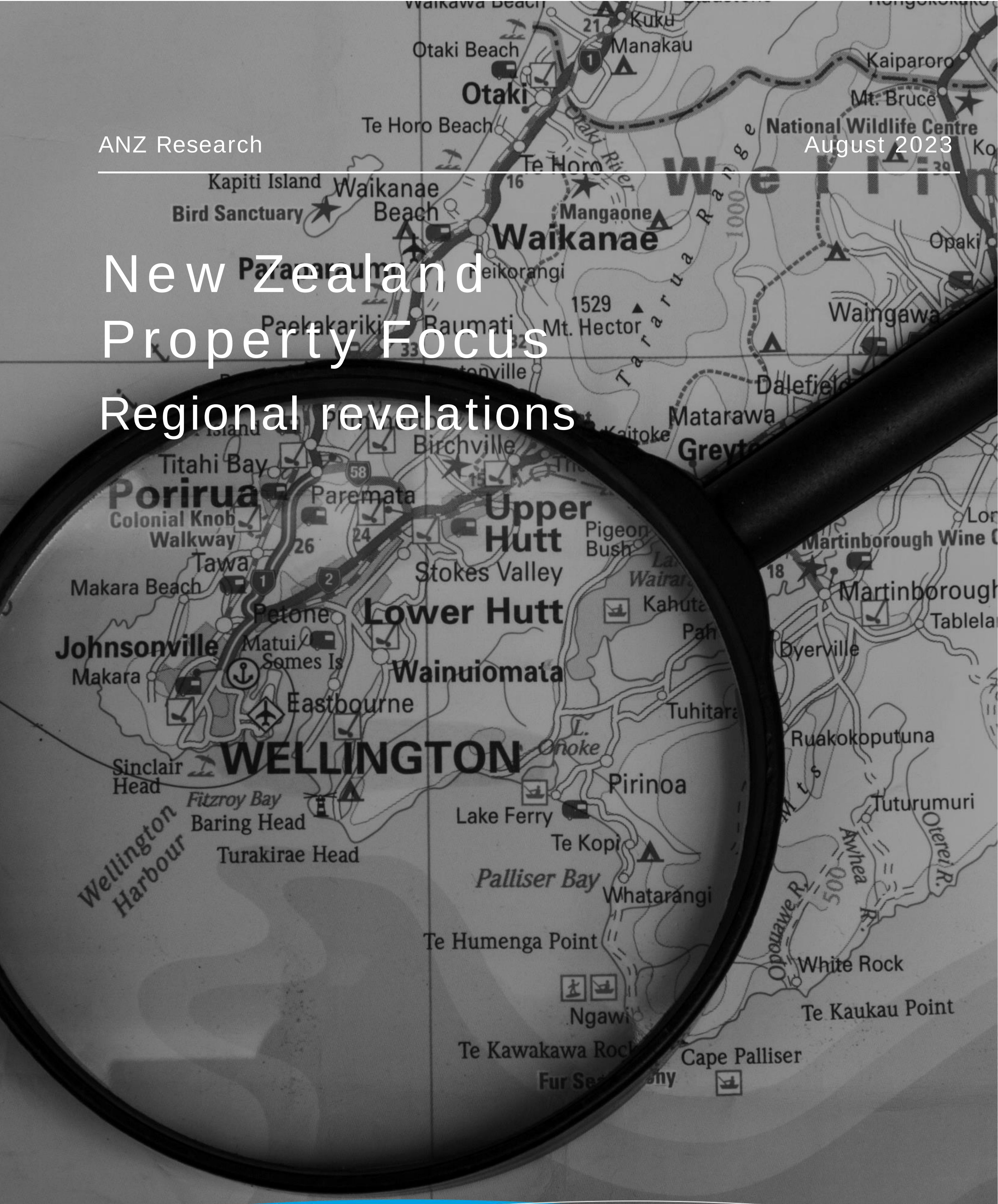
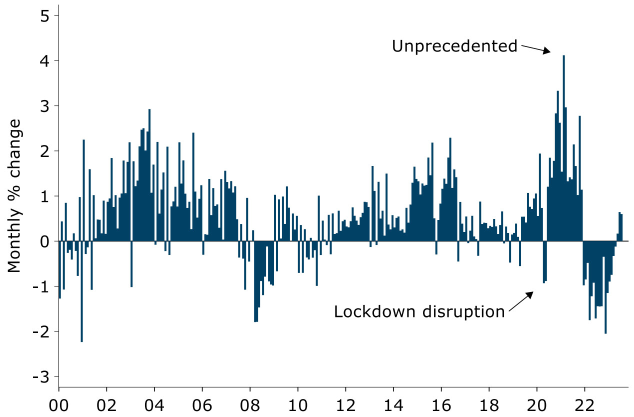
New Zealand Property Focus

Regional revelations

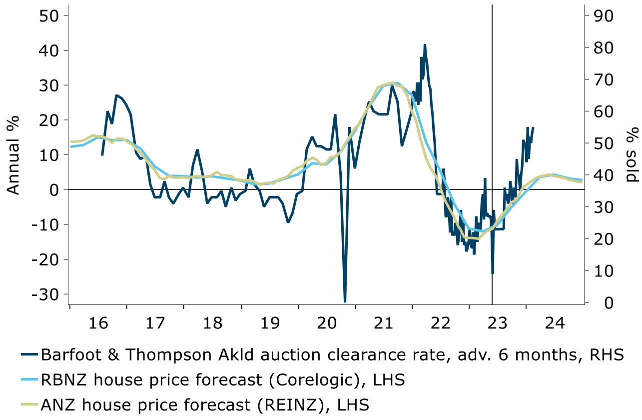


At a glance

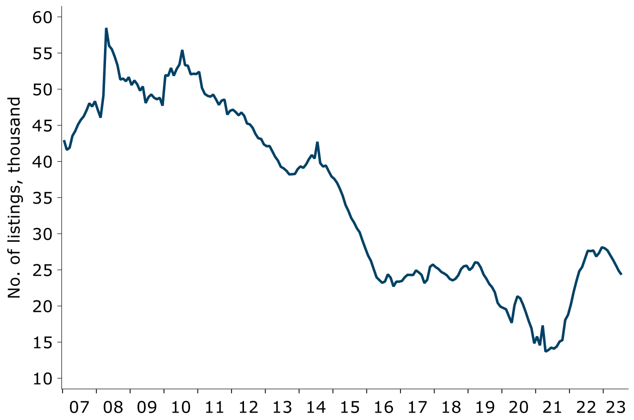
July marked three consecutive months of house price increases



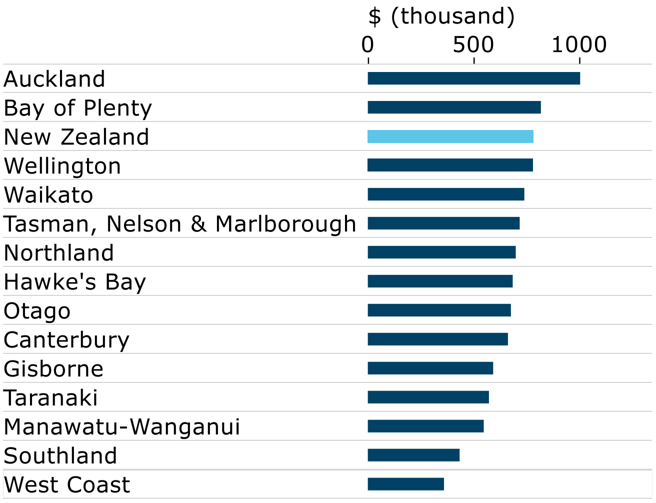
With upside risks to our near-term forecast emerging in some data...



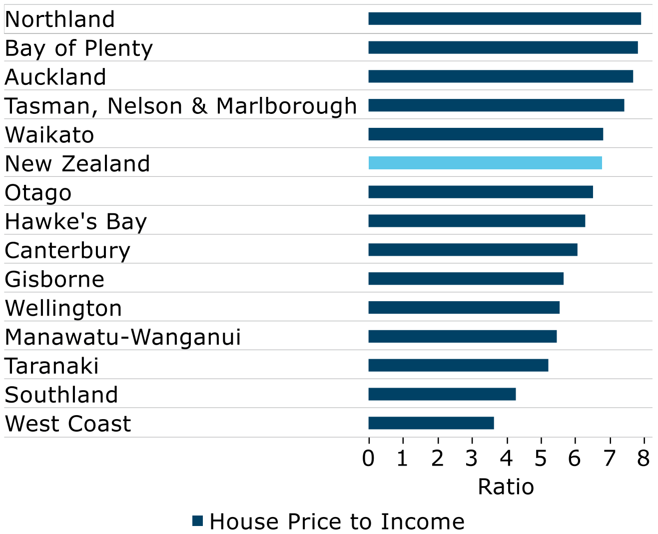
...as inventories moderate.



House prices vary significantly across NZ...



...as does affordability (house prices to incomes)



... but as we note in this month's Feature Article:

- Some regions appear to have a stronger labour market than others, and some are seeing a bit more momentum in retail spending.
- Most regional markets appear to be warming up, but are not running hot by any means.
- Canterbury continues to lead the country in consents per capita. Go Canterbury!
- Housing affordability has improved from the dire levels reached at the peak of the house price cycle, but houses remain 'unaffordable' relative to history. Relative affordability has also evolved between regions.

Source: RBNZ, REINZ, Stats NZ, Barfoot & Thompson, interest.co.nz, CoreLogic, Macrobond, ANZ Research

Contact

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details.

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INSIDE

Confused by acronyms or jargon? See a glossary here.

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Summary

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

Property Focus

Housing data for July provided further confirmation that the house price cycle has turned. And forward indicators suggest prices will continue their upwards momentum in the near term. We continue to pencil in a 3% lift in house prices over the second half of 2023 before growth moderates into 2024 as lingering unaffordability, deteriorating job security, and the prospect of high-for-longer mortgage rates sets in. While there are risks on both sides of our house price forecast, we think the near-term skew is to the upside. That said, it is possible that election-related inertia in the market over coming months makes diagnosing how the risk profile is evolving more difficult than otherwise. See our Property Focus.

Feature Article: Regional revelations

This month we look at housing market developments across 14 key regions. Now that the house price cycle has convincingly turned a corner at the national level, regional over- or under-performance is worth investigating. We evaluate regional house prices, indicators of housing market tightness, key regional economic indicators, and regional measures of housing affordability. Only one region is currently experiencing positive annual house price inflation (clue: it rhymes with 'best' and ends with Coast). And while that region also happens to be experiencing some of the strongest retail spending relative to trend, it's not the region with the lowest unemployment rate (Wellington) nor the region with the highest consents per capita (Canterbury). How does your local market stack up? See this month's Feature Article.

Mortgage Borrowing Strategy

Mortgage rates are a little higher across the curve this month, adding to gains seen in July, taking most rates at most banks to their respective highs for the cycle. But whereas last month we saw bigger moves in short-term fixed rates as wholesale markets shifted to price in a 'higher for longer' profile for the RBNZ, this month we saw a larger rise in long-term fixed rates, which are more sensitive to global interest rates (via that same dynamic in wholesale markets). We still think it is too soon to call an end to the RBNZ's tightening cycle, but wariness about potential impacts of slower growth in China on NZ exporters could push the next hike into early 2024, or indeed see it never delivered, if things start to go off the rails in a major way. But even if the RBNZ is 'done', it's likely to be a long time before they can cut, and that makes us cautious about fixing for a shorter term. Longer terms offer more certainty, but their main advantage right now is that they don't come with the proviso that rates need to fall for it to be cheaper over the long run, as fixing for a shorter term does. We discuss this dynamic via breakevens. See our Mortgage Borrowing Strategy.

Property Focus

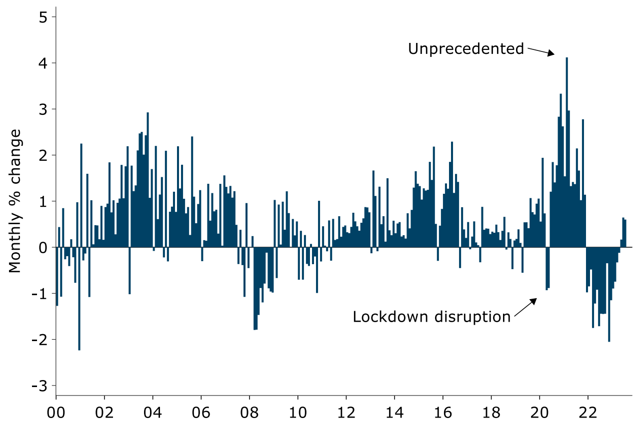
Summary

Housing data for July provided further confirmation that the house price cycle has turned. And forward indicators suggest prices will continue their upwards momentum in the near term. We continue to pencil in a 3% lift in house prices over the second half of 2023 before growth moderates into 2024 as lingering unaffordability, deteriorating job security, and the prospect of high-for-longer mortgage rates sets in. While there are risks on both sides of our house price forecast, we think the near-term skew is to the upside. That said, it is possible that election-related inertia in the market over coming months makes diagnosing how the risk profile is evolving more difficult than otherwise.

The cycle has turned

In July, the REINZ House Price Index (HPI) was 1.4% above April's cycle low (after seasonal adjustment), with 0.6% m/m increases seen in both June and July (figure 1). Annual house price inflation has turned a corner, at -8.9% y/y on a 3-month moving average basis vs -10.6% in June and a low of -14% in February.

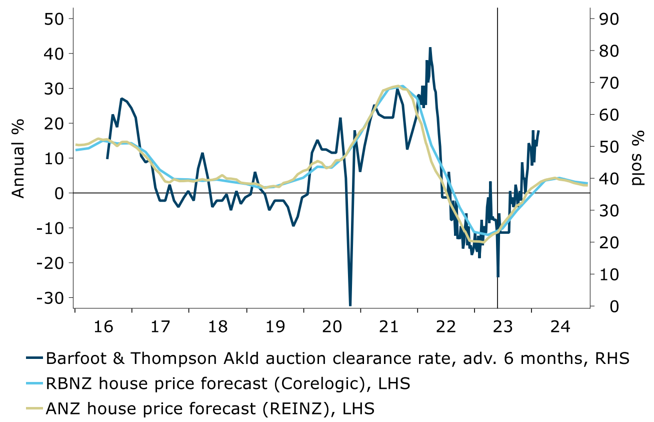
Figure 1. Monthly house price inflation (sa)



Source: REINZ, Macrobond, ANZ Research

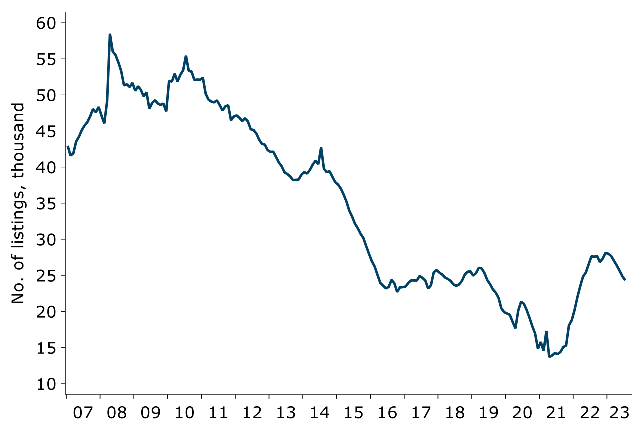
On balance, housing indicators suggest the market remains on a tightening trajectory. Auction clearance rates in Auckland continue to trend higher (signalling some upside risk to both our and the RBNZ's forecast, figure 2), and inventories are trending down despite relatively weak sales (figures 3 and 4). Sales tend to lead prices by three months or so, suggesting our expectation that price momentum will fade a touch towards the end of the year is valid. If new listings remain weak enough to keep inventories on a significant declining trajectory, we could easily be surprised to the upside on prices. But our baseline assumption is that if sales do hold up, sellers will be drawn into the market as they realise that it's become an easier time to sell.

Figure 2. Auction clearance rates vs house price forecast



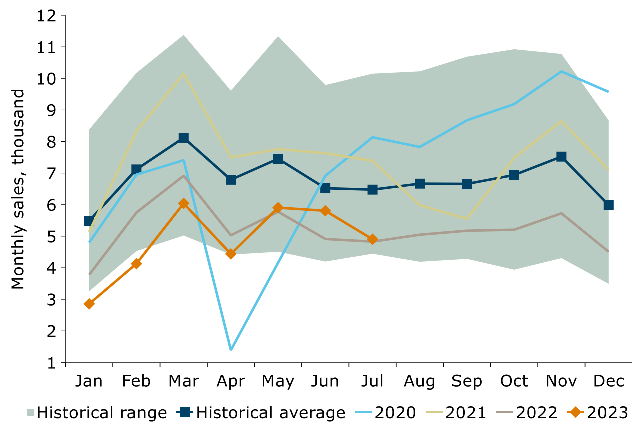
Source: CoreLogic, REINZ, B&T, interest.co.nz, Macrobond, ANZ Research

Figure 3. Number of properties available for sale



Source: realestate.co.nz, Macrobond, ANZ Research

Figure 4. Sales relative to history



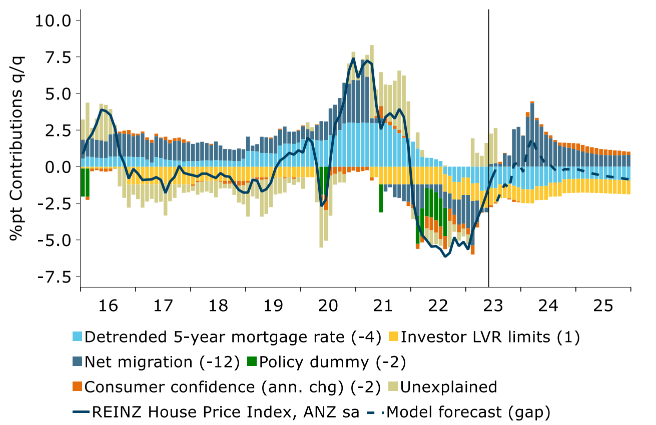
Source: REINZ, Macrobond, ANZ Research

All up, we certainly wouldn't call the housing market strong, but it is does appear to have turned a corner, and it would be imprudent not to acknowledge that risks appear skewed to the upside, at least in the near term. We maintain our forecast that house prices will lift around 3% over the second half of

2023, before moderating as deteriorating job security, lingering unaffordability, and the reality of high-for-longer mortgage rates sets in. But there are so many potential sources of surprise, which are worth touching on.

Government policy. We're not going to speculate on the election result, but insofar as housing goes, it's going to be a big winner or loser on the day. It's clear some party policies would add to housing demand, all else equal. A house price inflation model we presented back in June suggested that the combination of CCCFA changes, bright-line test extension and the change to interest deductibility knocked 3% off quarterly house price inflation for a time (the green 'policy dummy' bars in figure 5 below), and all these policies are 'up for grabs'. But of course, all else is never equal. A sizable boost to housing may also boost household consumption and CPI inflation, necessitating a higher OCR and therefore higher mortgage rates than otherwise. And that could potentially more than contain the upside impacts of policy changes on house prices.

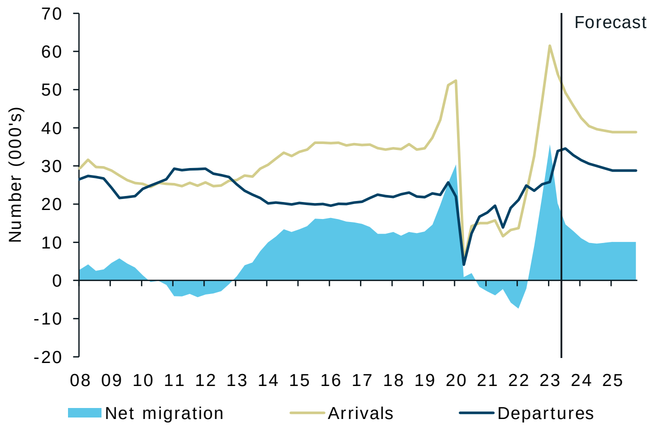
Figure 5. House price inflation model



Source: REINZ, Stats NZ, RBNZ, Roy-Morgan, Macrobond, ANZ Research

Net migration. Net migration is hard to miss in the model above; it historically has had huge impacts on the housing market. This little wild card appears to be behaving itself insofar as recent outturns have been in line with our expectation for a pullback in net inflows from record levels. But migration cycles are tough to predict, and there is still plenty of potential for surprises going forward. And there's plenty of uncertainty about both the timing and the magnitude of any impact on house prices, as it will depend on details of the make-up of migrants (and emigrants) that are hard to get a handle on in a timely fashion. But we're watching closely. Impacts on house prices could be both direct, via house sales, and indirect, via rental yields.

Figure 6. Net migration forecast (quarterly)

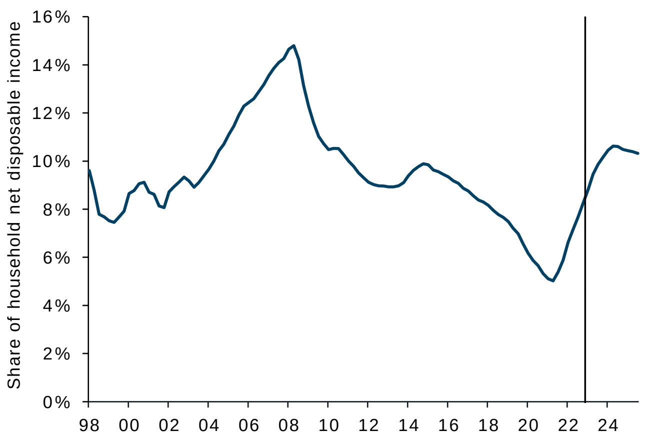


Source: Stats NZ, ANZ Research

The impact of monetary tightening on housing. We've already seen the bulk of the direct impact of higher interest rates on house prices (as higher rates reduce how much someone is willing and able to borrow, and therefore pay, for a house). But the indirect impact that comes with softer-than-otherwise household incomes (as the labour market loosens) is still in its early days. Non-performing loans have ticked up, but aren't currently setting off alarm bells in terms of signalling an impeding uplift in forced house sales. But the outlook is for the labour market to deteriorate further, and that could tip the housing scale more than we (and the RBNZ) currently anticipate.

But this is a two-edged sword. The negative impacts of monetary tightening on the labour market and household balance sheets could be smaller than anticipated. Indeed, prudent lending by banks over the past decade or so (reflecting both wisdom borne of experience and tighter macro prudential settings in the wake of the GFC) suggests there could be more resilience in the system as rates rise compared to the pre-GFC experience (when the OCR peaked at 8.25% and the debt-servicing burden on households was much higher than our current expectation, figure 2).

Figure 7. Household debt servicing burden



Source: Stats NZ, RBNZ, ANZ Research

Property Focus

CPI risks. In a nutshell, if CPI inflation proves persistently strong (whether that's related to a stronger-than-expected housing impulse or something else, such as inflation expectations becoming unanchored), then the OCR would very likely have to go higher than currently generally expected, and that wouldn't be good news for house prices. Conversely, there is a 'we get lucky' scenario, where current high non-tradable (domestic) CPI inflation (which tends to be the sticky kind) slows faster than we anticipate, to the point that the RBNZ can deliver OCR cuts earlier than anticipated. But unfortunately, perhaps more likely is that if we do see a downside inflation surprise, it'll come via a nasty economic shock. And while that may justify a lower OCR, it could also be accompanied by a sharp fall in household income and/or a credit availability shock (eg a global financial shock), and the net impact on the housing market would be unlikely to be favourable.

All in all, while upside risks to our near-term house price forecast appear to be mounting, risks to the medium-term forecast are very much two-sided. The 'we get lucky' scenario is but a wafer-thin layer of pastrami nestled between two very fat slices of bread.

Housing market indicators for July 2023 (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	$686,637	-3.5	1.8	-8.7	2.9	144	+6%	61
Auckland	$1,007,307	-8.9	0.8	-7.3	1.2	1,693	-7%	43
Waikato	$737,942	-9.0	-0.6	-8.9	-1.3	500	-8%	56
Bay of Plenty	$818,010	-7.2	0.8	-6.4	1.0	367	+2%	54
Gisborne	$585,901	-8.6	-0.2	-7.9	-0.5	31	-8%	47
Hawke's Bay	$678,898	-9.2	-0.5	-7.9	-0.5	166	-7%	46
Manawatu-Whanganui	$558,028	-4.2	2.1	-9.0	0.6	214	-18%	55
Taranaki	$582,686	-8.4	-1.3	-4.7	0.5	127	-1%	47
Wellington	$776,880	-8.6	2.9	-10.2	0.6	487	-12%	48
Tasman, Nelson & Marlborough	$727,710	-5.5	0.1			144	-21%	54
Canterbury	$666,625	-2.7	-0.2	-3.4	1.0	868	-5%	38
Otago	$689,640	4.5	0.6	-2.5	0.8	272	-18%	43
West Coast	$343,938	-1.1	2.9	-5.4	-0.8	41	+2%	27
Southland	$433,270	1.1	0.0	-4.2	-0.7	98	-23%	49
New Zealand	$785,942	-4.9	1.4	-6.9	0.6	5,125	-9%	46

Feature Article: Regional revelations

Summary

This month we look at housing market developments across 14 key regions. Now that the house price cycle has convincingly turned a corner at the national level, regional over- or under-performance is worth investigating. We evaluate regional house prices, indicators of housing market tightness, key regional economic indicators, and regional measures of housing affordability. Only one region is currently experiencing positive annual house price inflation (clue: it rhymes with 'best' and ends with Coast). And while that region also happens to be experiencing some of the strongest retail spending relative to trend, it's not the region with the lowest unemployment rate (Wellington) nor the region with the highest consents per capita (Canterbury). How does your local market stack up?

The post-pandemic housing cycle has been wild, with large house price increases followed by sizable (but partial) retracements as monetary conditions have tightened. This experience has been felt across all 14 regions we monitor, but to varying degrees.

We look at the following regional indicators:

- House prices: We look at median sale prices to gauge the housing cycle. This measure of house prices tends to be a lot more volatile than the quality-adjusted House Price Index (HPI), but these data offer a more granular regional breakdown. We compare annual growth on a three-month moving average basis in each region to the nationwide measure.
- Indicators of market tightness:
  - Days to sell: The length of time it takes to sell a property indicates the strength of demand. Larger cities tend to see houses sell more quickly, but deviations in a region from its historical average provide an indicator of the heat in a market at any given time. When houses are selling quickly and days to sell are shrinking, demand is likely heating up (and vice versa).
  - Sales-to-listings: This is a metric of demand relative to supply in the market. When listings are low relative to sales, this can indicate intensifying price pressures. On the other hand, when new properties come online in significant numbers it can take heat out of the market. In some (but not all) regions, this indicator can provide up to a six-month lead on house price momentum.
- New dwelling consents per capita: This indicator covers a few bases: housing demand, pipeline supply, and pipeline regional economic activity.
- Regional economy: The economic performance of each region can have a bearing on how willing people are to purchase a house and how much they can afford. We look at regional labour market data, and how retail trade is tracking relative to trend. If unemployment is low and retail trade is above trend, then business cycle dynamics should go some way towards putting a floor under the housing market.
- Housing affordability indicators:
  - House prices to rents: This measures whether the affordability of owning relative to renting is in normal ranges. When houses are expensive relative to renting, purchasing is less attractive, and rental yields tend to be low – that can dissuade investors.
  - House price to incomes: This measure is pretty self-explanatory. The higher house prices are relative to incomes, the more likely it is that affordability constraints are biting.

We divide New Zealand into the following regions:

- Northland
- Auckland
- Waikato
- Bay of Plenty
- Gisborne
- Hawke's Bay
- Manawatu-Whanganui
- Taranaki
- Wellington
- Tasman, Nelson, Marlborough
- Canterbury
- Otago
- West Coast
- Southland

And finally, we wrap up in the chapter Bringing it all together.

Northland

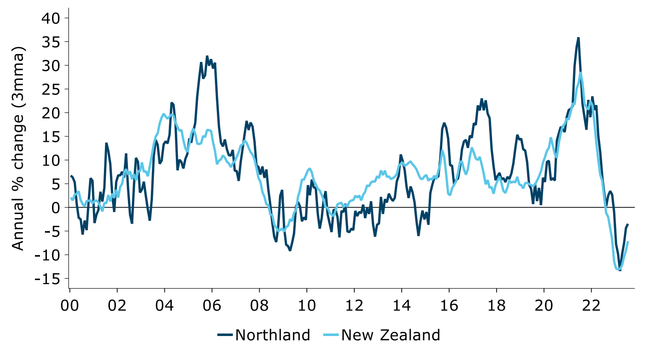
Key statistics

Northland accounted for 2.5% of total NZ house sales in the year to July 2023

Northland	Date	
Median price (sa):		
– Pre-pandemic	Dec-19	$523,246
– Post-pandemic peak	Jan-22	$820,741
– Current	Jul-23	$689,662
Median weekly income	Jun-23	$1,704
Median weekly rent	Jun-23	$537
Unemployment rate	2023Q2	5.5%

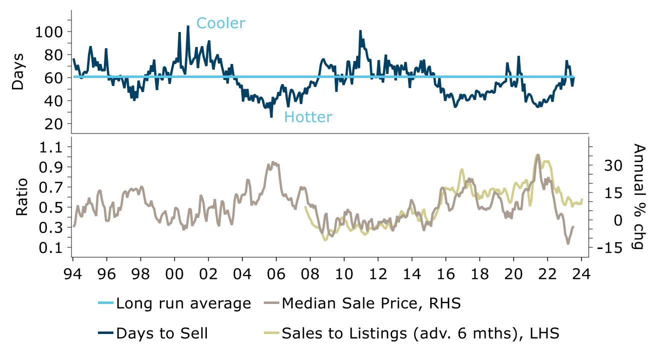
At +36% y/y in June 2021 (3mma), Northland's annual house price inflation peaked higher than the national level (of around 29%). After troughing at a similar time and pace to the national level (-14% in March 2023), annual inflation in Northland is now running ahead of the rest of NZ (-3.5% vs -7%). The market appears on the slightly 'tighter' side of neutral with days to sell close to average but sales to listings holding up. Building consents per capita are below the national average, but close to Northland's historical average. Key Northland economic indicators have softened in recent quarters, with the unemployment rate lifting and nominal retail spending below trend. Meanwhile, affordability has improved when house prices are considered alongside incomes and rents, but these metrics remain high relative to history.

Figure 1. Northland median sale price



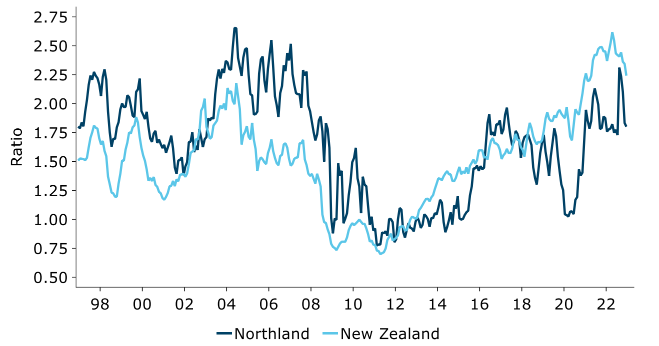
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 2. Northland market tightness



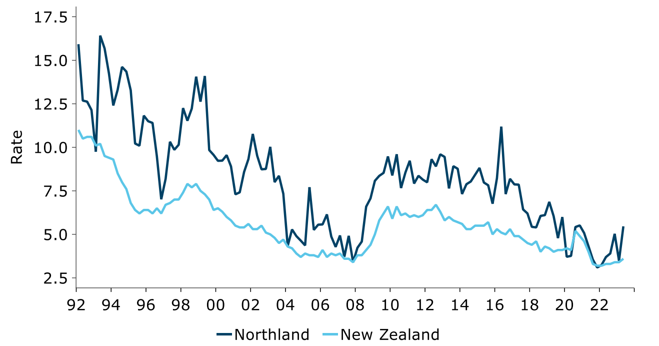
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 3. Northland dwelling consents per 1000 residents



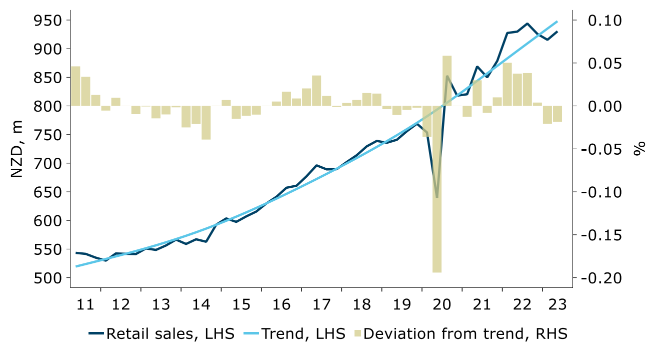
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 4. Northland unemployment rate



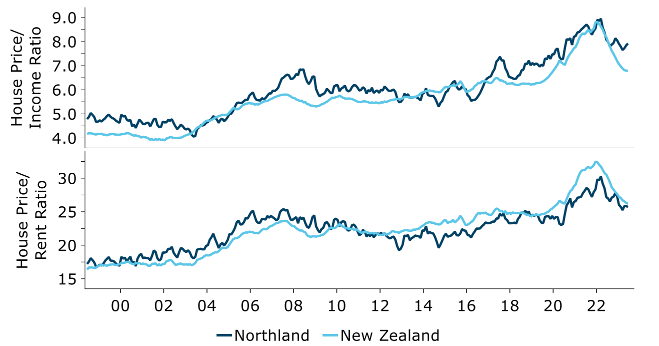
Source: Stats NZ, Macrobond, ANZ Research

Figure 5. Northland retail sales vs trend



Source: Stats NZ, Macrobond, ANZ Research

Figure 6. Northland affordability



Source: REINZ, Stats NZ, Macrobond, ANZ Research

Auckland

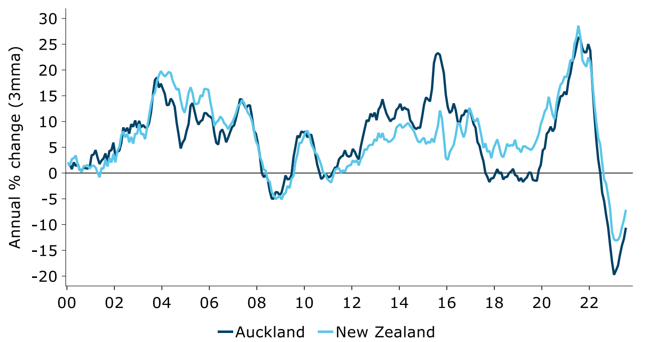
Key statistics

Auckland accounted for 33.5% of total NZ house sales in the year to July 2023

Auckland	Date	
Median price (sa):		
– Pre-pandemic	Dec-19	$874,156
– Post-pandemic peak	Nov-21	$1,258,961
– Current	Jul-23	$1,007,307
Median weekly income	Jun-23	$2,493
Median weekly rent	Jun-23	$639
Unemployment rate	2023Q2	3.6%

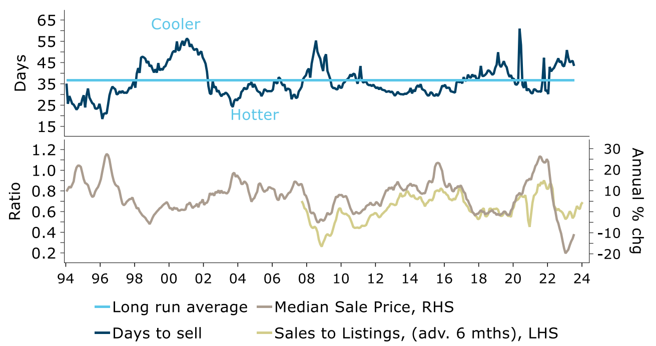
Where the Auckland market goes, the national-level data tends to follow. But troughing at -20% y/y in January 2023, annual house price inflation was weaker in Auckland vs the NZ-wide measure. And at -11% in July 2023, it's still running a bit behind. Days to sell and sales to listings suggest that the market is tightening, but isn't 'hot' by any means. Consents per capita are high but have dropped sharply recently. Key Auckland economic indicators are robust, with unemployment in line with the national level and retail spending close to trend as high inflation offsets weaker volumes. Auckland is the most unaffordable region as measured by house prices and rents to income, but like the rest of New Zealand the recent deterioration has unwound. Further, compared to the national level ratio, the gap in prices relative to incomes has closed a little this cycle.

Figure 7. Auckland median sale price



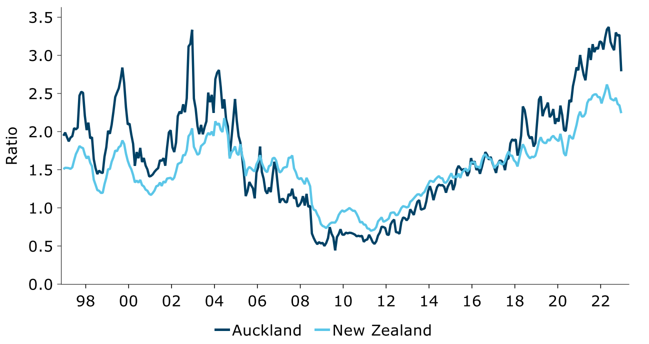
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 8. Auckland market tightness



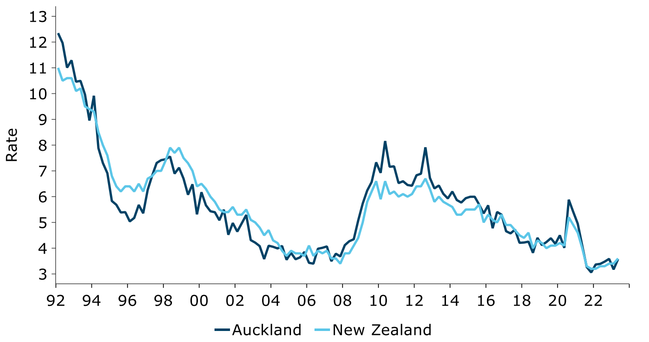
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 9. Auckland dwelling consents per 1000 residents



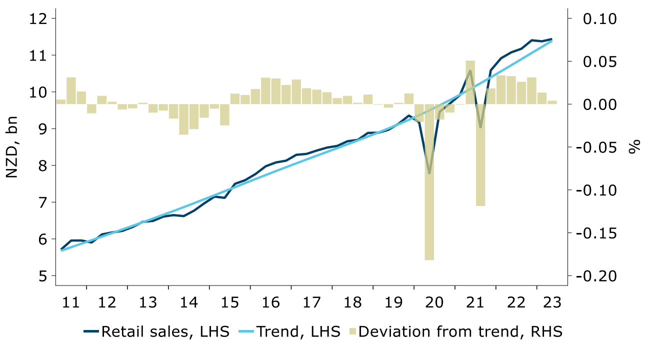
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 10. Auckland unemployment rate



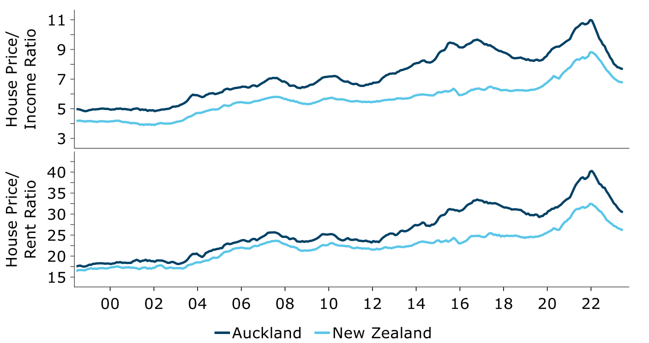
Source: Stats NZ, Macrobond, ANZ Research

Figure 11. Auckland retail sales vs trend



Source: Stats NZ, Macrobond, ANZ Research

Figure 12. Auckland affordability



Source: REINZ, Stats NZ, Macrobond, ANZ Research

Waikato

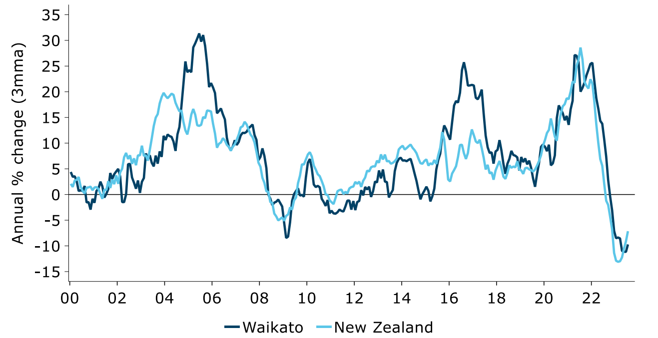
Key statistics

Waikato accounted for 9.4% of total NZ house sales in the year to July 2023

Waikato	Date	
Median price (sa):		
– Pre-pandemic	Dec-19	$568,143
– Post-pandemic peak	Apr-22	$846,205
– Current	Jul-23	$737,942
Median weekly income	Jun-23	$2,080
Median weekly rent	Jun-23	$531
Unemployment rate	2023Q2	4.1%

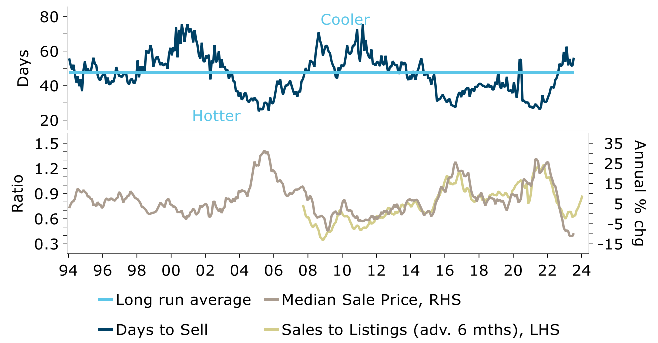
The Waikato price cycle is following the national level cycle pretty closely. Days to sell are bobbing around above the historical average, suggesting the market is 'cool'. However, the sales-to-listings ratio suggests it is on a tightening trajectory. Consents per capita have fallen sharply, currently underperforming the national level, which is unusual for this region. Perhaps squaring that circle, unemployment is above the national level (but is still relatively low), and retail spending is running below trend despite still-high inflation, perhaps reflecting that the region is particularly exposed to the dairy sector income hit. Affordability indicators are not great but have improved in a similar manner to the national measures.

Figure 13. Waikato median sale price



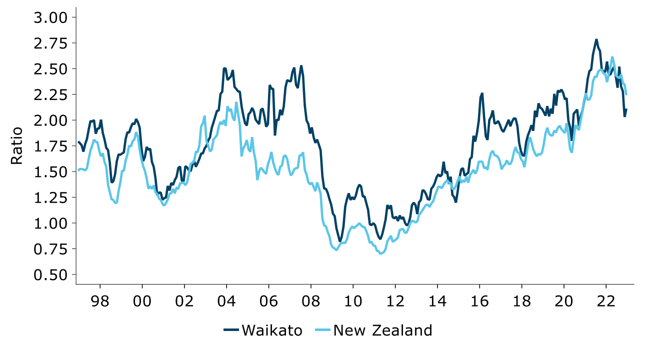
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 14. Waikato market tightness



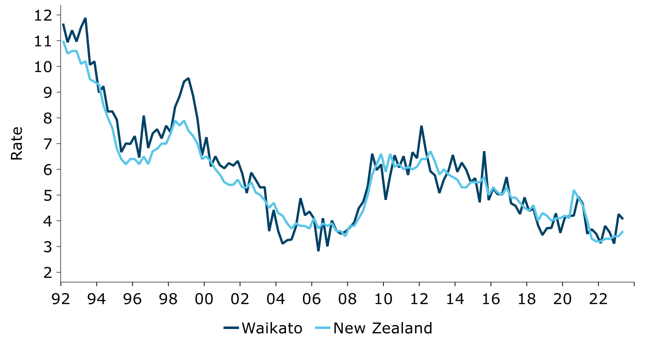
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 15. Waikato dwelling consents per 1000 residents



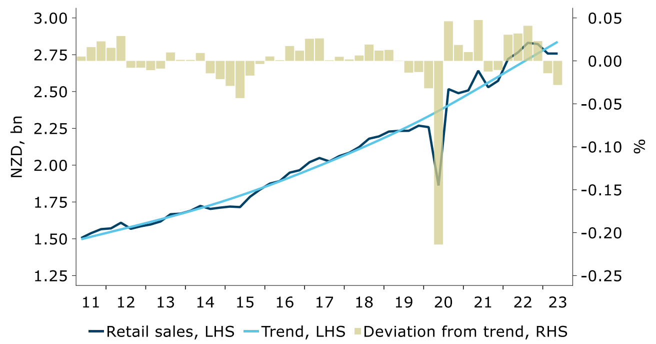
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 16. Waikato unemployment rate



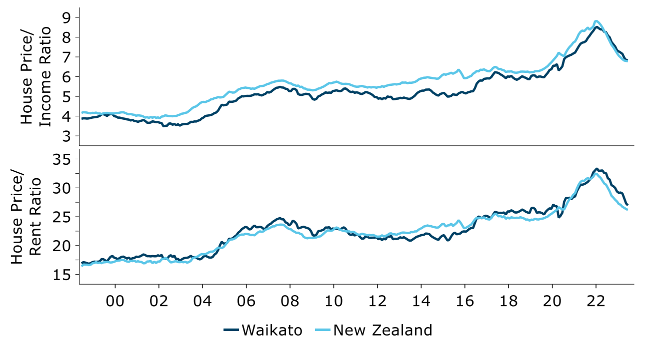
Source: Stats NZ, Macrobond, ANZ Research

Figure 17. Waikato retail sales vs trend



Source: Stats NZ, Macrobond, ANZ Research

Figure 18. Waikato affordability



Source: REINZ, Stats NZ, Macrobond, ANZ Research

Bay of Plenty

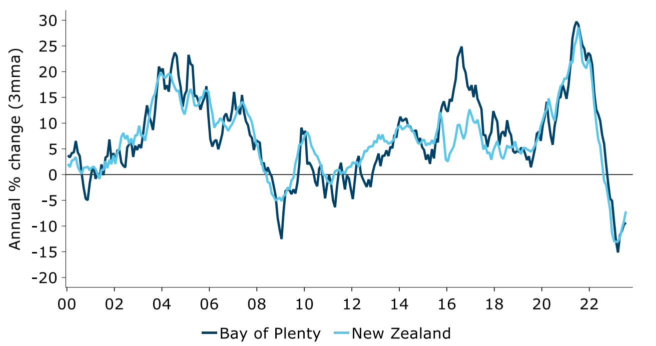
Key statistics

Bay of Plenty accounted for 6.7% of total NZ house sales in the year to July 2023

Bay of Plenty	Date	
Median price (sa):		
– Pre-pandemic	Dec-19	$622,445
– Post-pandemic peak	Feb-22	$943,336
– Current	Jul-23	$818,010
Median weekly income	Jun-23	$2,014
Median weekly rent	Jun-23	$604
Unemployment rate	2023Q2	4.5%

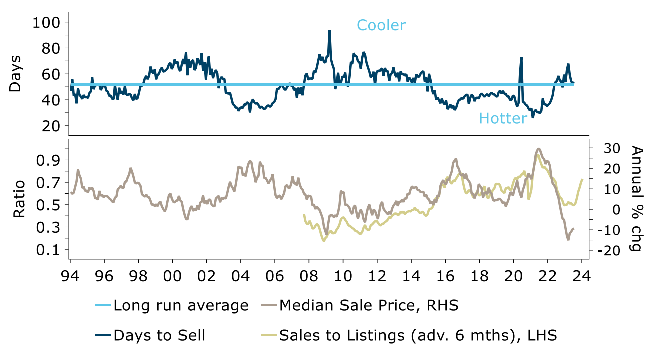
The Bay of Plenty house price cycle has also been hugging the national-level data. Days to sell are in neutral territory, but the ratio of sales to listings suggests the market is tightening. Consents per capita are softening as higher interest rates bite (and are well below the national average). Key economic indicators are weakening, with spending below trend and the unemployment rate lifting. That said, the unemployment gap vs the national level is not outside historical norms. House prices relative to incomes are above the national average, with that gap widening a smidgen, suggesting the Bay of Plenty is a little less affordable compared to the national average in the wake of the recent cycle. Prices to rents are very close to the national average. Both measure point to improving affordability, but certainly not to 'affordable' levels relative to history.

Figure 19. Bay of Plenty median sale price



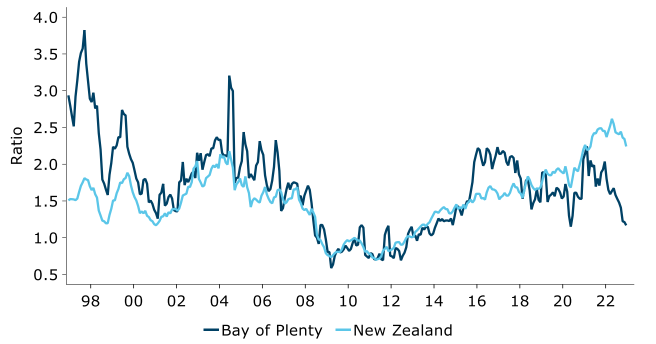
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 20. Bay of Plenty market tightness



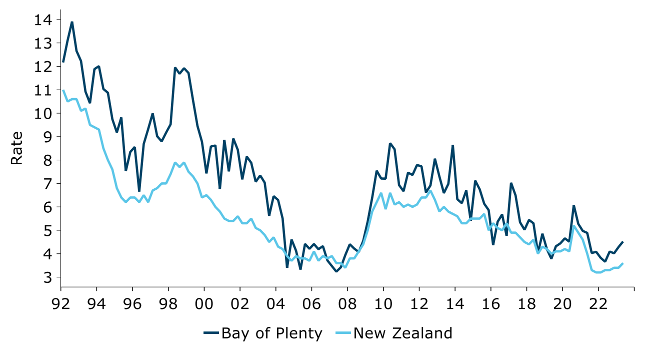
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 21. Bay of Plenty dwelling consents per 1000 residents



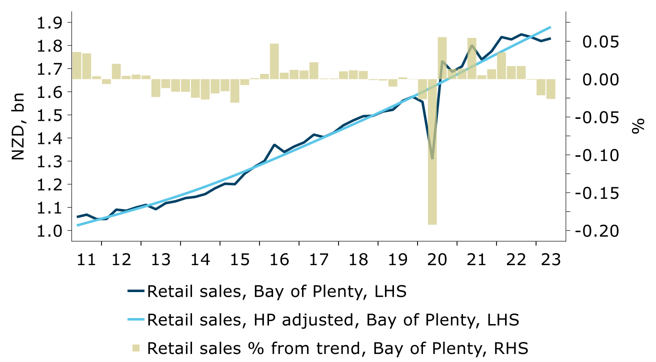
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 22. Bay of Plenty unemployment rate



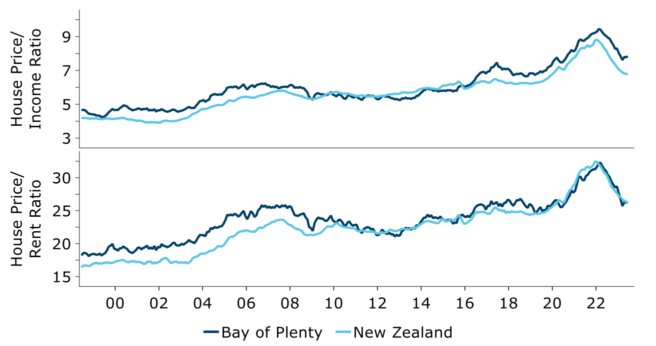
Source: Stats NZ, Macrobond, ANZ Research

Figure 23. Bay of Plenty retail sales vs trend



Source: Stats NZ, Macrobond, ANZ Research

Figure 24. Bay of Plenty affordability



Source: REINZ, Stats NZ, Macrobond, ANZ Research

Gisborne

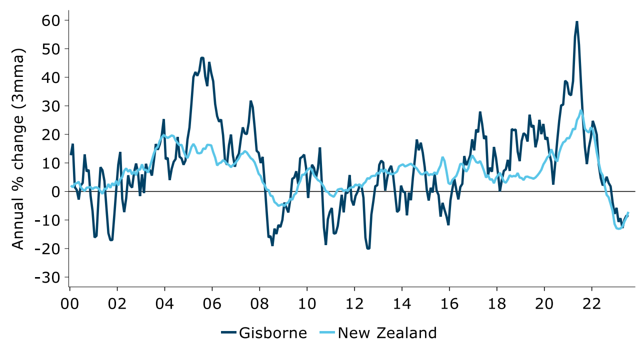
Key statistics

Gisborne accounted for 0.6% of total NZ house sales in the year to July 2023

Gisborne	Date	
Median price (sa):		
– Pre-pandemic	Dec-19	$403,416
– Post-pandemic peak	Feb-22	$691,488
– Current	Jul-23	$585,901
Median weekly income	Jun-23	$2,045
Median weekly rent	Jun-23	$560
Unemployment rate	2023Q2	3.9%

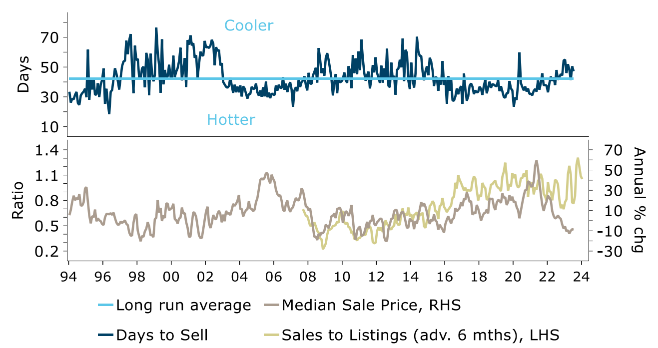
Growth in Gisborne's median house prices tends to be volatile, likely due to changes in the average size and quality of houses being sold (a key limitation of these data) in the context of relatively small sales volumes. It is in this context that we should consider Gisborne's peak house price inflation rate of an absolute whopping 60.0% y/y (3mma) in May 2021. But more recently, the cycle has been following the national trend closely. Days to sell are in the 'cool' zone, but sales relative to listings are trending up (if you look through the volatility). Consents per capita have dropped, but there will likely be a bump as cyclone impacts get picked up in the future. Retail trade certainly reflects cyclone-induced volatility in Q1 and Q2 2023. Affordability measures are a little better than the national level, but still not great relative to history.

Figure 25. Gisborne median sale price



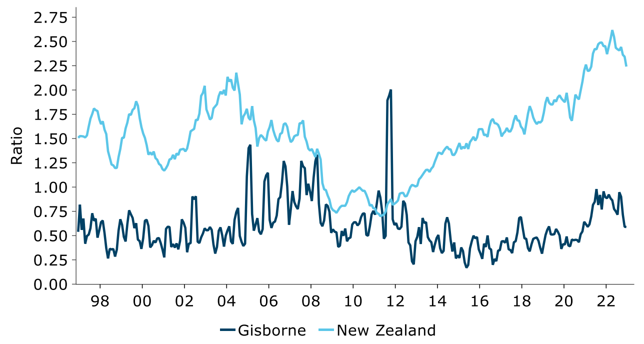
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 26. Gisborne market tightness



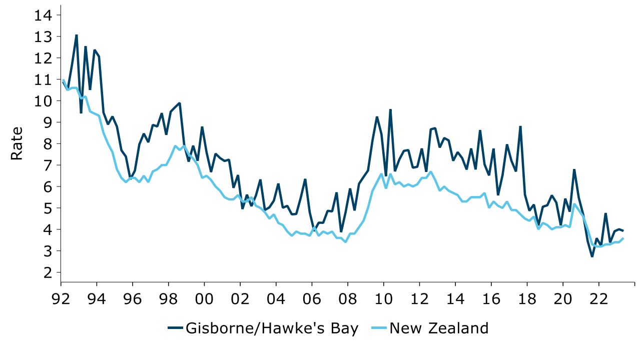
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 27. Gisborne dwelling consents per 1000 residents



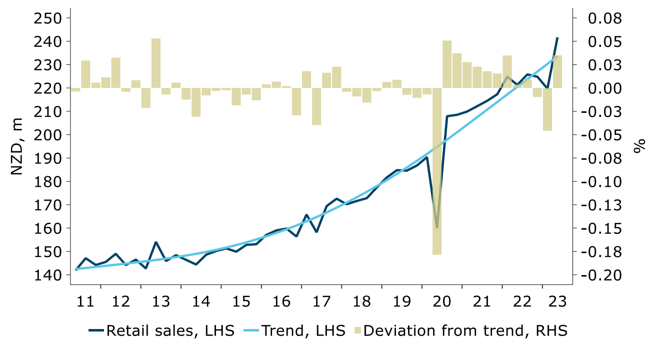
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 28. Gisborne unemployment rate



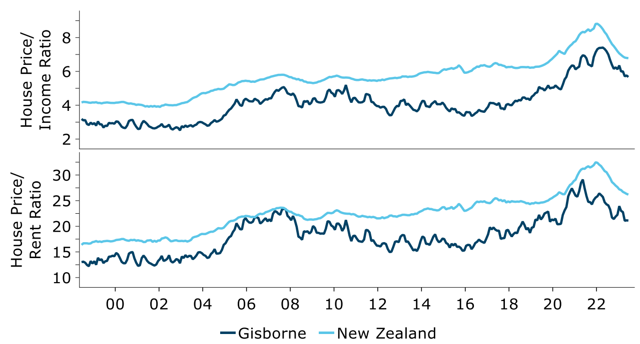
Source: Stats NZ, Macrobond, ANZ Research

Figure 29. Gisborne retail sales vs trend



Source: Stats NZ, Macrobond, ANZ Research

Figure 30. Gisborne affordability



Source: REINZ, Stats NZ, Macrobond, ANZ Research

Hawke's Bay

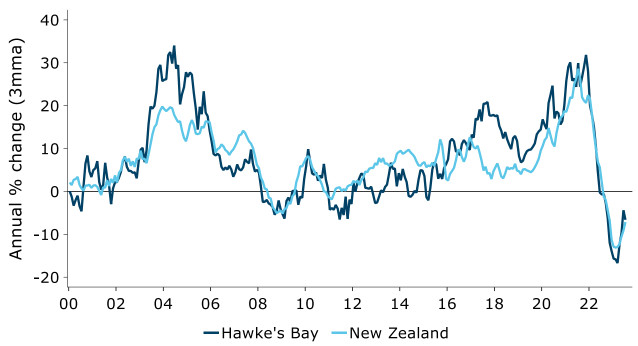
Key statistics

Hawke's Bay accounted for 3.3% of total NZ house sales in the year to July 2023

Hawke's Bay	Date	
Median price (sa):		
– Pre-pandemic	Dec-19	$516,264
– Post-pandemic peak	Nov-21	$808,113
– Current	Jul-23	$678,898
Median weekly income	Jun-23	$2,151
Median weekly rent	Jun-23	$546
Unemployment rate	2023Q2	3.9%

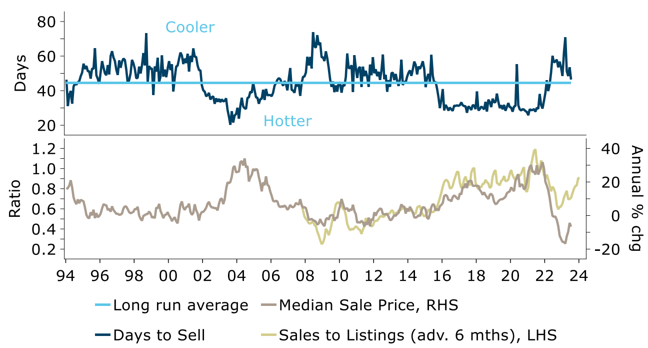
Hawke's Bay's house price cycle has also run close to the national level, with a slightly higher peak but lower trough. Days to sell are in 'cool' territory, but appear to be trending lower as the market tightens (as evidenced by a lifting sales-to-listings ratio). Consents per capita are softening and are well below the national level, but that could change once the cyclone rebuild gathers steam. While the unemployment rate has lifted, it is still very low relative to history. Meanwhile, retail sales are running below trend despite high inflation. Affordability is a little better than the national average, but, like in the rest of New Zealand, housing remains unaffordable relative to history despite the recent improvement.

Figure 31. Hawke's Bay median sale price



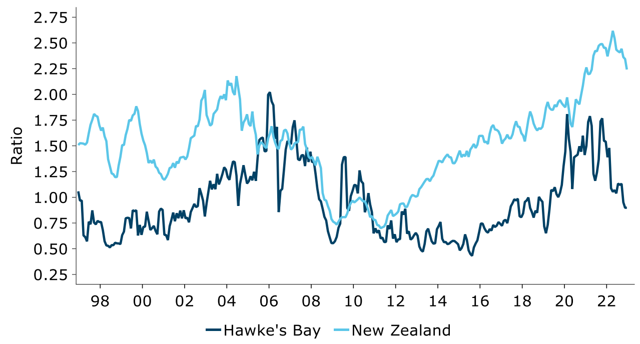
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 32. Hawke's Bay market tightness



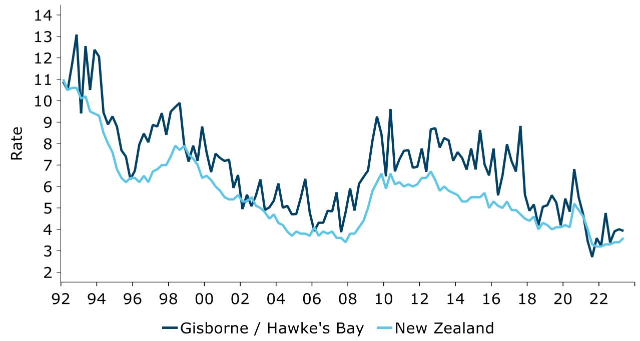
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 33. Hawke's Bay dwelling consents per 1000 residents



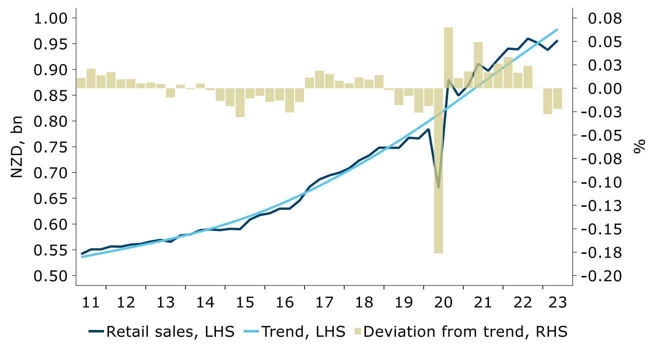
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 34. Hawke's Bay unemployment rate



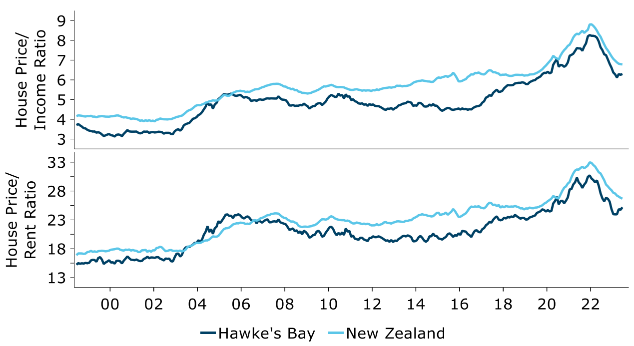
Source: Stats NZ, Macrobond, ANZ Research

Figure 35. Hawke's Bay retail sales vs trend



Source: Stats NZ, Macrobond, ANZ Research

Figure 36. Hawke's Bay affordability



Source: REINZ, Stats NZ, Macrobond, ANZ Research

Manawatu-Whanganui

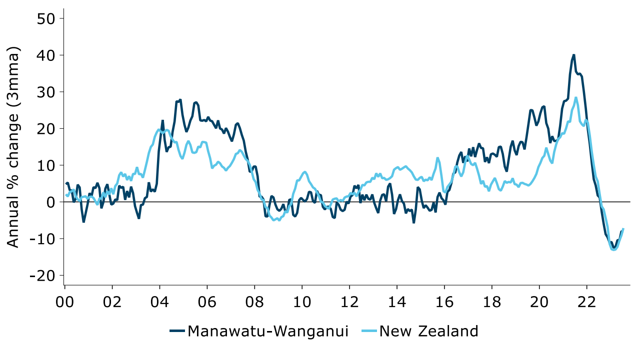
Key statistics

Manawatu-Whanganui accounted for 4.6% of total NZ house sales in the year to July 2023

Manawatu-Whanganui	Date	
Median price (sa):		
– Pre-pandemic	Dec-19	$399,653
– Post-pandemic peak	Dec-21	$637,965
– Current	Jul-23	$558,028
Median weekly income	Jun-23	$1,924
Median weekly rent	Jun-23	$503
Unemployment rate	2023Q2	4.2%

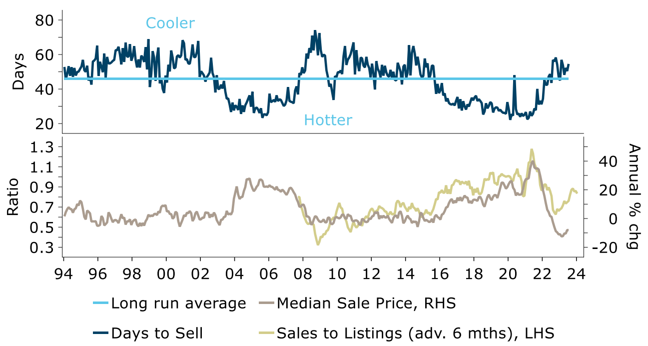
Manawatu-Whanganui experienced one of the more rapid house price cycles, peaking at a stonking 40% y/y in June 2021 (3mma). But this region has not been immune to the slowdown. Interestingly, so far there hasn't been an undershoot in annual house price inflation vs the national level, suggesting price gains relative to the rest of NZ have largely been maintained. Days to sell are in the 'cool' zone, but sales relative to listings are off their lows. Consents per capita are slipping. Key economic indicators are softening, with unemployment lifting and retail sales below trend. Affordability measures are better than most regions, but reflecting the stronger price performance, the gap in the house price to income ratio vs the national level has closed somewhat. That is, compared to the NZ-wide measure, Manawatu-Whanganui is less affordable this side of the cycle.

Figure 37. Manawatu-Whanganui median sale price



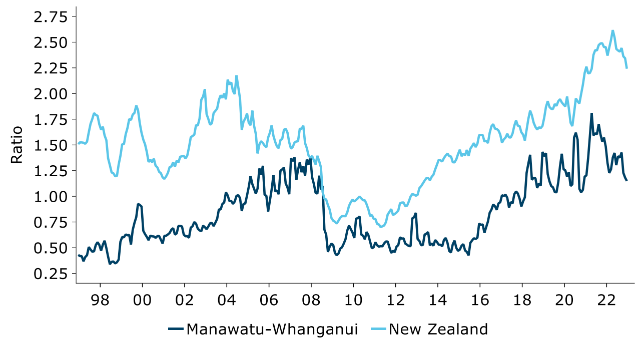
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 38. Manawatu-Whanganui market tightness



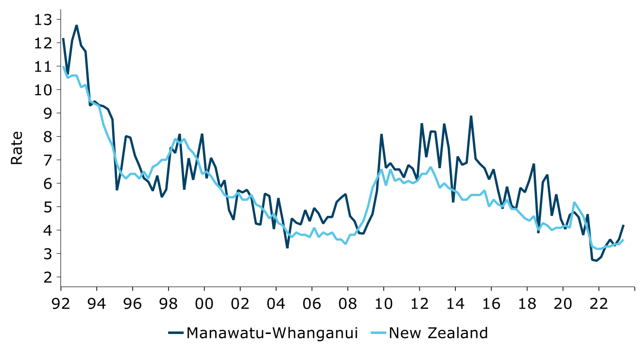
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 39. Manawatu-Whanganui dwelling consents per 1000 residents



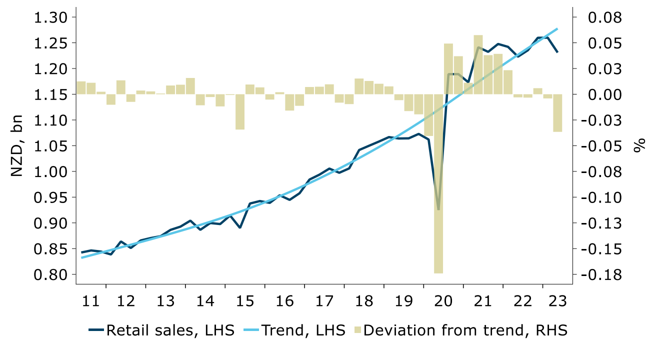
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 40. Manawatu-Whanganui unemployment rate



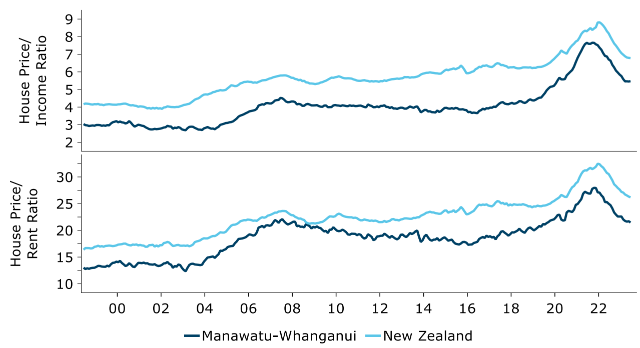
Source: Stats NZ, Macrobond, ANZ Research

Figure 41. Manawatu-Whanganui retail sales vs trend



Source: Stats NZ, Macrobond, ANZ Research

Figure 42. Manawatu-Whanganui affordability



Source: REINZ, Stats NZ, Macrobond, ANZ Research

Taranaki

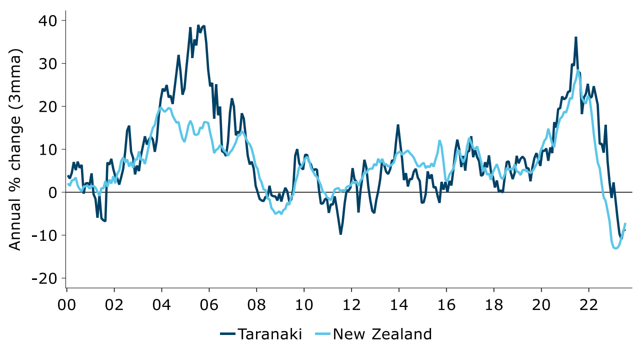
Key statistics

Taranaki accounted for 2.5% of total NZ house sales in the year to July 2023.

Taranaki	Date	
Median price (sa):		
– Pre-pandemic	Dec-19	$411,172
– Post-pandemic peak	Feb-22	$654,428
– Current	Jul-23	$582,686
Median weekly income	Jun-23	$2,091
Median weekly rent	Jun-23	$521
Unemployment rate	2023Q2	5.2%

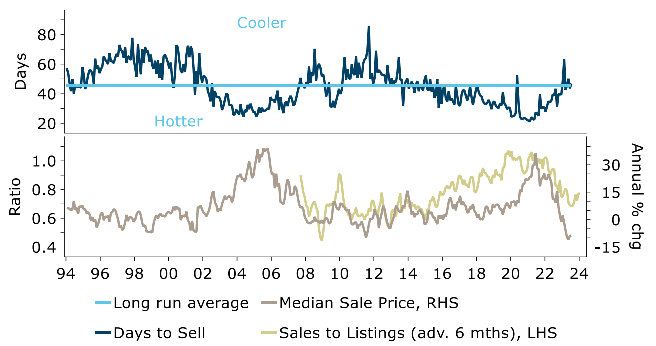
House price inflation peaked a little higher in Taranaki than the national level, and was a little slower to moderate. But moderate it did, with annual inflation at around -9% in July, a smidgen weaker than the national level (-7%). Days to sell are neither hot nor cold right now, and nor is the sales to listings ratio. That is. from a market tightness perspective, Taranaki is looking rather average. Consents per capita have come back a long way from their peak, but with tentative signs of stabilisation near historical levels. Key economic indicators have softened of late, with unemployment picking up a 5-handle and retail spending slipping below trend. Taranaki remains a relatively affordable region according to house prices to rent and house prices to income ratios, but both are still in unaffordable territory compared to history. Further, the income ratio gap has narrowed of late.

Figure 43. Taranaki median sale price



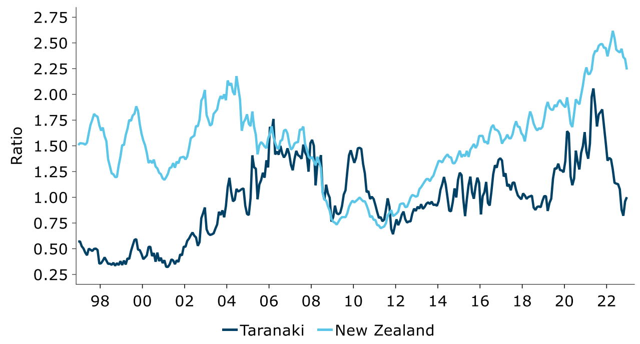
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 44. Taranaki market tightness



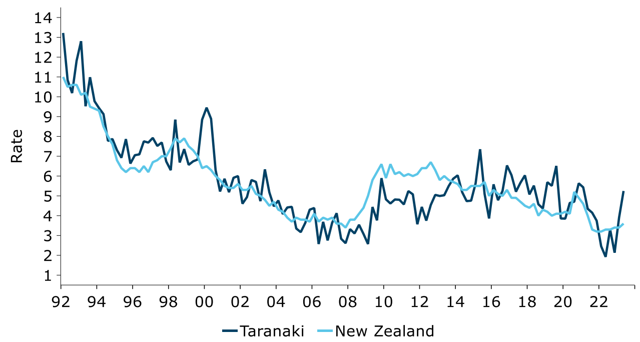
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 45. Taranaki dwelling consents per 1000 residents



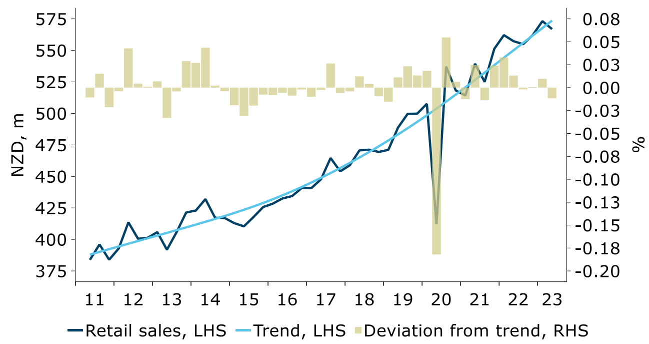
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 46. Taranaki unemployment rate



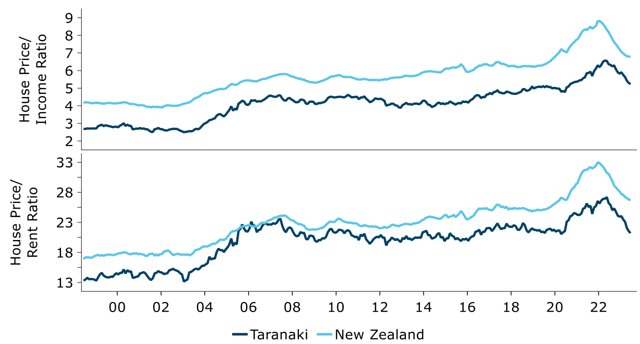
Source: Stats NZ, Macrobond, ANZ Research

Figure 47. Taranaki retail sales vs trend



Source: Stats NZ, Macrobond, ANZ Research

Figure 48. Taranaki affordability



Source: REINZ, Stats NZ, Macrobond, ANZ Research

Wellington

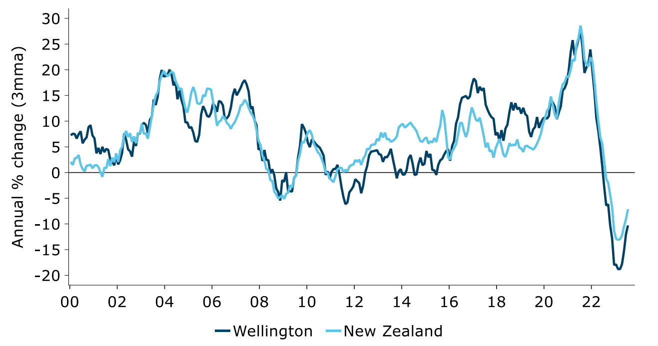
Key statistics

Wellington accounted for 9.6% of total NZ house sales in the year to July 2023

Wellington	Date	
Median price (sa):		
– Pre-pandemic	Dec-19	$669,484
– Post-pandemic peak	Oct-21	$984,933
– Current	Jul-23	$776,880
Median weekly income	Jun-23	$2,711
Median weekly rent	Jun-23	$612
Unemployment rate	2023Q2	2.8%

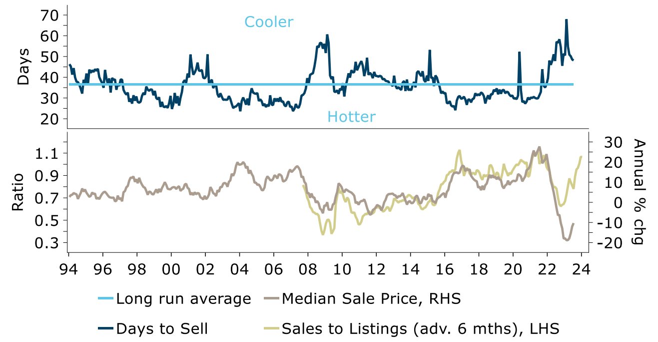
Wellington house price inflation hugged the national average pretty closely through the upswing, but ended up falling further from the peak. Days to sell are elevated, suggesting the market is as cool as a cucumber, but the sales-to-listings ratio suggests the market has tightened by a decent clip in recent months. Consents per capita have been trending up but tend to be quite volatile and are still shy of the national average. Economic indicators are a little mixed. Wellington has the lowest unemployment rate of all the regions, likely reflecting an expansionary Government. But retail spending is running below trend. House prices relative to incomes are lower than the national average, and have fallen by more. House prices to rents are down significantly too. But both measures show affordability still isn't great relative to history.

Figure 49. Wellington median sale price



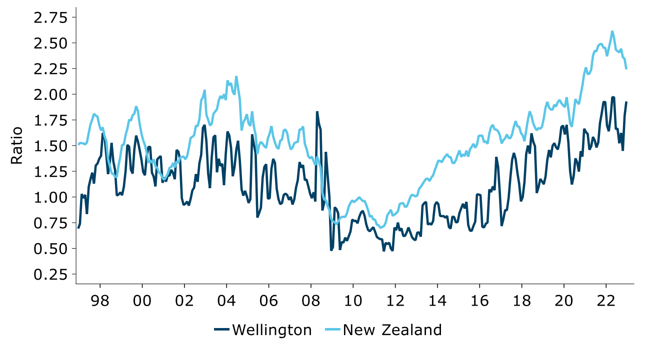
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 50. Wellington market tightness



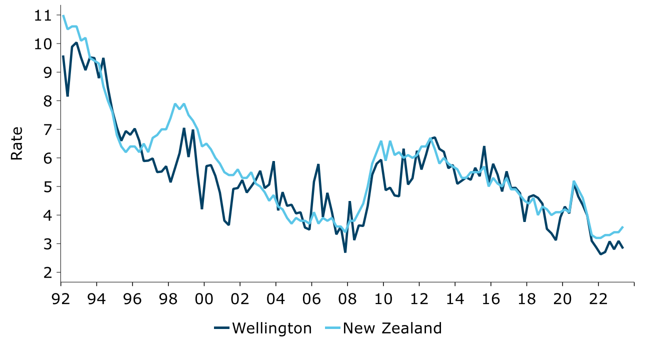
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 51. Wellington dwelling consents per 1000 residents



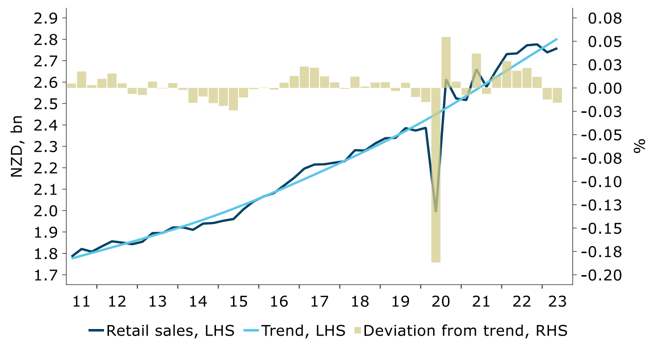
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 52. Wellington unemployment rate



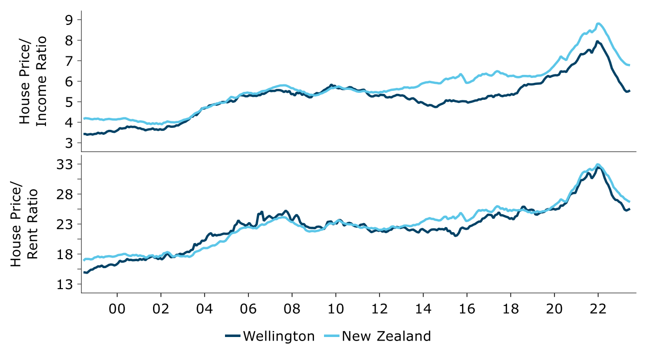
Source: Stats NZ, Macrobond, ANZ Research

Figure 53. Wellington retail sales vs trend



Source: Stats NZ, Macrobond, ANZ Research

Figure 54. Wellington affordability



Source: REINZ, Stats NZ, Macrobond, ANZ Research

Tasman, Nelson and Marlborough

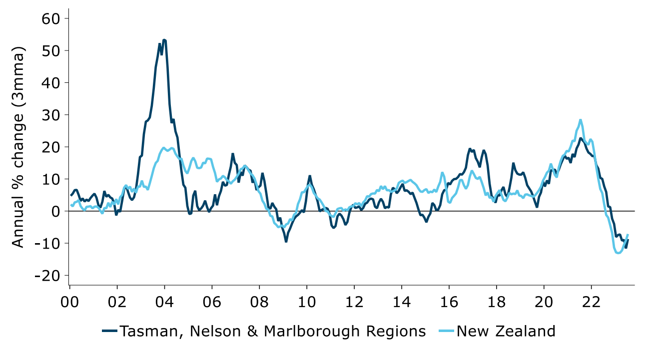
Key statistics

Tasman, Nelson and Marlborough accounted for 3.2% of total NZ house sales in the year to July 2023.

Tasman, Nelson and Marlborough	Date	
Median price (sa):		
– Pre-pandemic	Dec-19	$589,188
– Post-pandemic peak	Jun-22	$810,213
– Current	Jul-23	$727,710
Median weekly income	Jun-23	$1,818
Median weekly rent	Jun-23	$519
Unemployment rate	2023Q2	3.1%

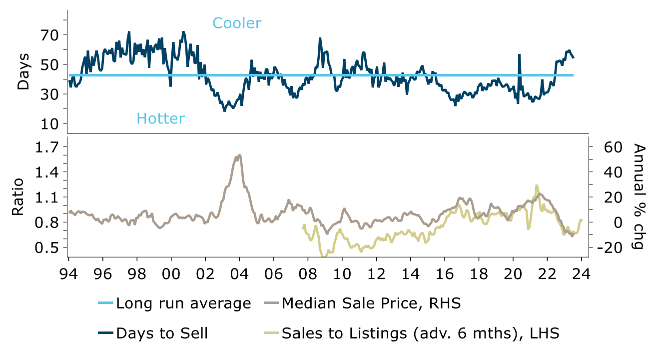
It's been a marginally less nutty house price cycle in Tasman, Nelson and Marlborough (but still nutty in an absolute sense). Annual house price inflation of -9% is little weaker than the national average, but there isn't much in it. Days to sell remain in cool territory, but with some tentative signs that these are falling. The sales-to-listings ratio is up from recent lows, suggesting a tightening trajectory. Consents per capita are volatile but appear to be moving sideways. Regional economic indicators are mixed: the unemployment rate is below the national rate, but retail spending slipped below trend in Q2 2023. From around par at the onset of the pandemic, house prices to incomes are now slightly higher than the national average. House prices to rents are close to the national average. Neither ratio could be called 'affordable'.

Figure 55. Tasman, Nelson, Marlborough median sale price



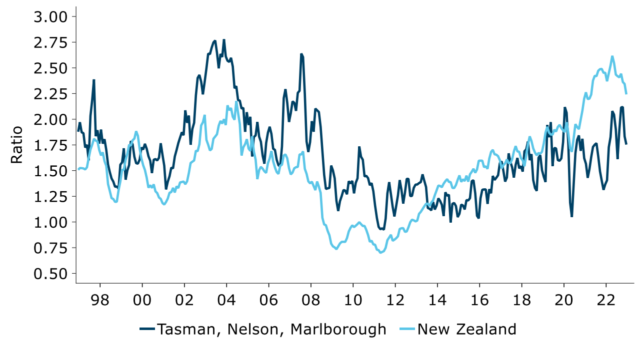
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 56. Tasman, Nelson, Marlborough market tightness



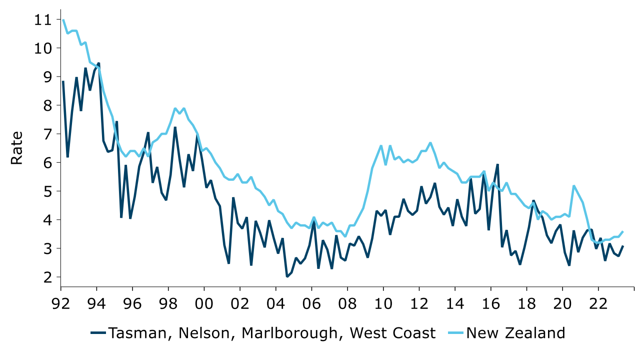
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 57. Tasman, Nelson, Marlborough dwelling consents per 1000 residents



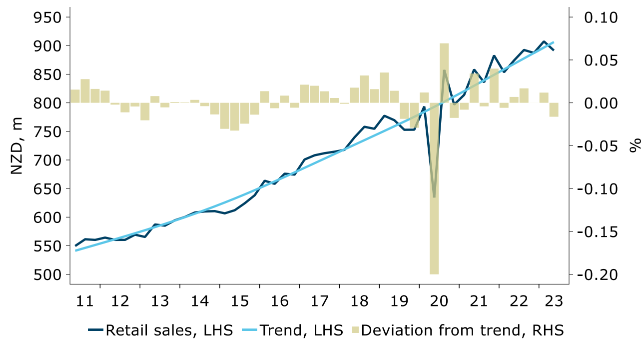
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 58. Tasman, Nelson, Marlborough unemployment rate



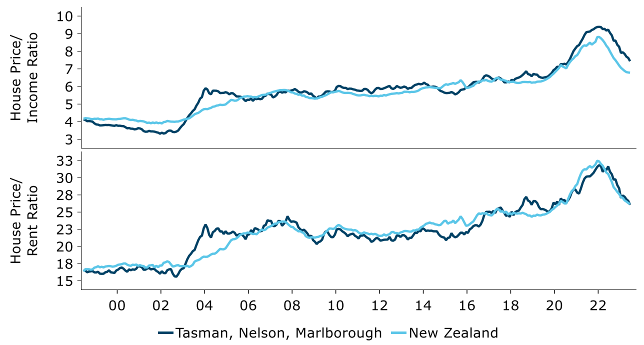
Source: Stats NZ, Macrobond, ANZ Research

Figure 59. Tasman, Nelson, Marlborough retail sales vs trend



Source: Stats NZ, Macrobond, ANZ Research

Figure 60. Tasman, Nelson, Marlborough affordability



Source: REINZ, Stats NZ, Macrobond, ANZ Research

Canterbury

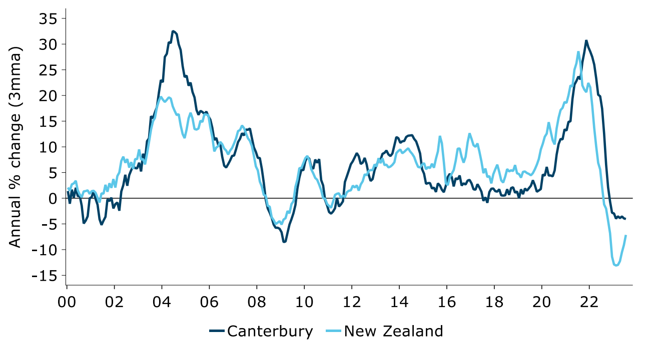
Key statistics

Canterbury accounted for 16.0% of total NZ house sales in the year to July 2023.

Canterbury	Date	
Median price (sa):		
– Pre-pandemic	Dec-19	$454,798
– Post-pandemic peak	Feb-22	$704,450
– Current	Jul-23	$666,625
Median weekly income	Jun-23	$2,096
Median weekly rent	Jun-23	$511
Unemployment rate	2023Q2	2.9%

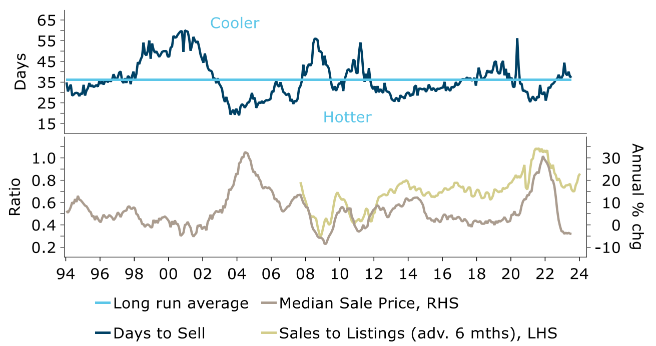
Canterbury came to the house price inflation party a little later than most, but it still ended up making a dramatic acceleration. Running at -4% y/y in July, Canterbury hasn't experienced quite the same 'correction' in prices as the rest of NZ. While 'cool', days to sell are leaning in to kiss the historical average line, and the sales-to-listings ratio is on a tightening trajectory. The experience from the earthquakes means this region really knows how to consent and build houses, and consents per capita suggest that knowledge has been retained. Economic indicators are relatively strong, with low unemployment and above-trend retail spending. Canterbury remains a relatively affordable region to boot, but these metrics haven't improved beyond their pre-pandemic levels. And the gap in the price to income ratio has closed somewhat recently.

Figure 61. Canterbury median sale price



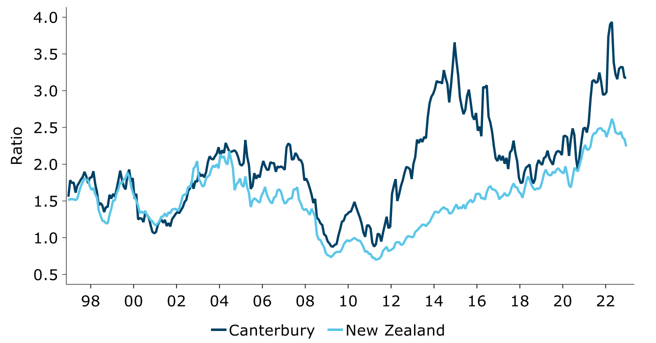
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 62. Canterbury market tightness



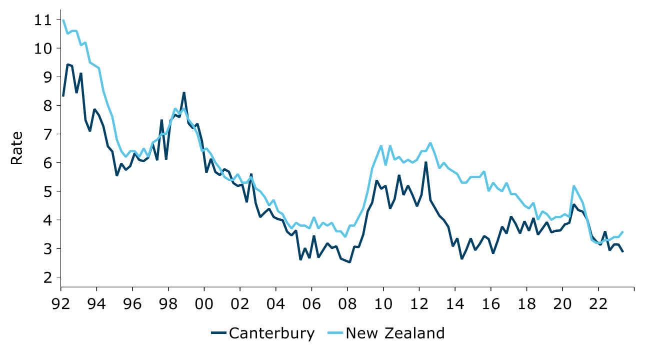
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 63. Canterbury dwelling consents per 1000 residents



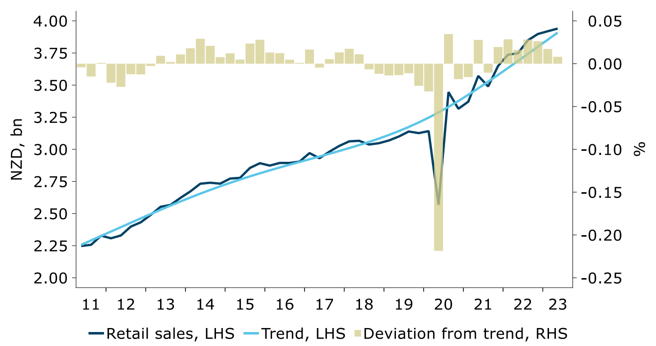
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 64. Canterbury unemployment rate



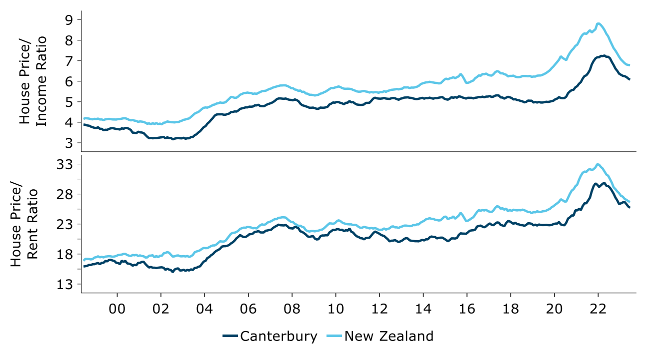
Source: Stats NZ, Macrobond, ANZ Research

Figure 65. Canterbury retail sales vs trend



Source: Stats NZ, Macrobond, ANZ Research

Figure 66. Canterbury affordability



Source: REINZ, Stats NZ, Macrobond, ANZ Research

Otago

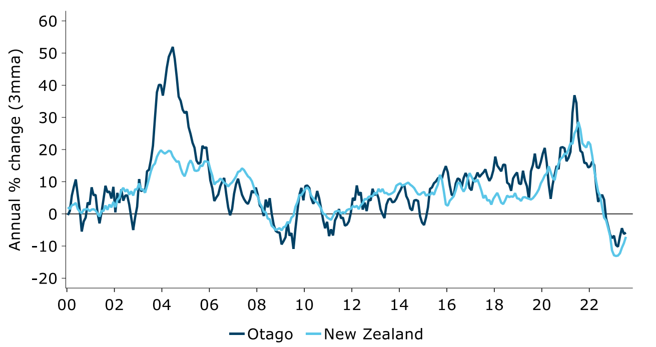
Key statistics

Otago accounted for 5.2% of total NZ house sales in the year to July 2023.

Otago		Date	
Median price (sa):			
–	Pre-pandemic	Dec-19	$538,852
–	Post-pandemic peak	Feb-22	$788,456
–	Current	Jul-23	$689,640
Median weekly income		Jun-23	$1,972
Median weekly rent		Jun-23	$505
Unemployment rate		2023Q2	3.5%

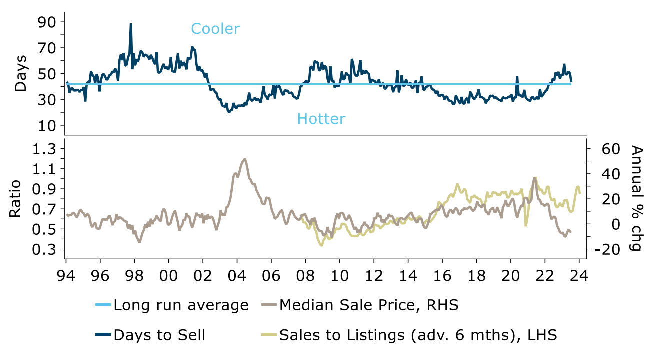
Annual house price inflation isn't far off the national level, at -6% in July. Days to sell are a whisker higher than their historical average, and the sales-to-listings ratio is at an elevated level. This market appears to be heating up following a cold snap. Consents per capita have fallen below the national average, but are prone to volatility. Key economic indicators are solid: the unemployment rate is 0.1ppt below the national rate, and retail spending is above trend, supported by the return of international visitors. House prices relative to incomes are close to the national level, which is a relative deterioration compared to history; this region has tended to be more affordable. House prices to rents are marginally below the national level. Both measures are still too high to say the region is affordable relative to history.

Figure 67. Otago median sale price



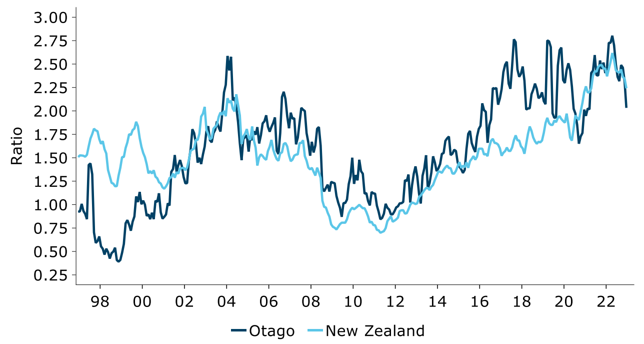
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 68. Otago market tightness



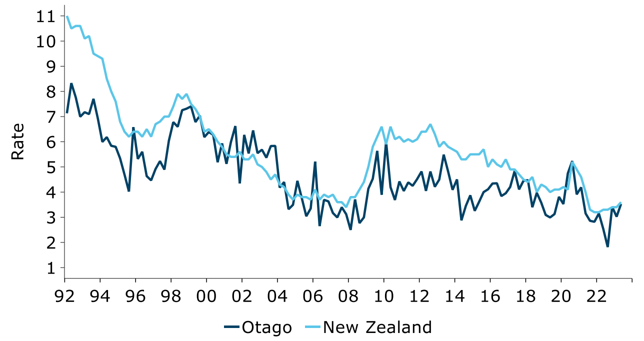
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 69. Otago dwelling consents per 1000 residents



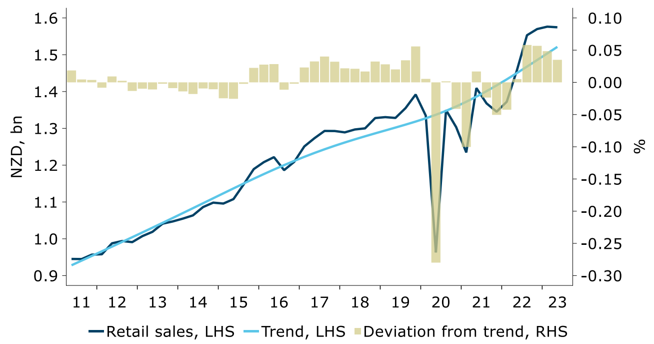
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 70. Otago unemployment rate



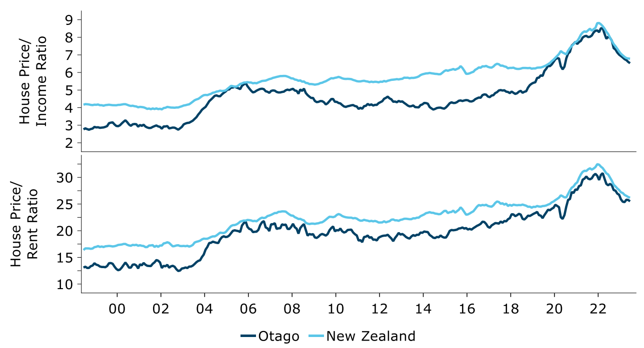
Source: Stats NZ, Macrobond, ANZ Research

Figure 71. Otago retail sales vs trend



Source: Stats NZ, Macrobond, ANZ Research

Figure 72. Otago affordability



Source: REINZ, Stats NZ, Macrobond, ANZ Research

West Coast

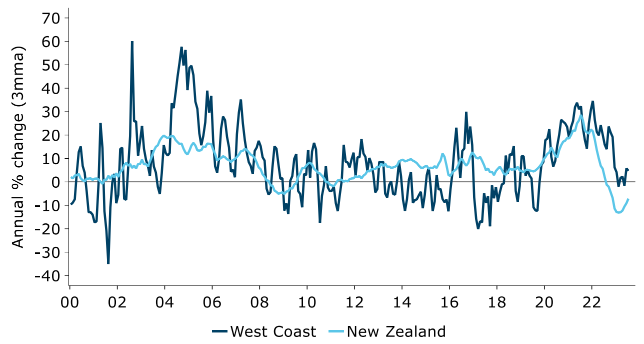
Key statistics

West Coast accounted for 0.7% of total NZ house sales in the year to July 2023.

West Coast	Date	
Median price (sa):		
– Pre-pandemic	Dec-19	$209,953
– Post-pandemic peak	Nov-22	$420,158
– Current	Jul-23	$343,940
Median weekly income	Jun-23	$1,926
Median weekly rent	Jun-23	$375
Unemployment rate	2023Q2	3.1%

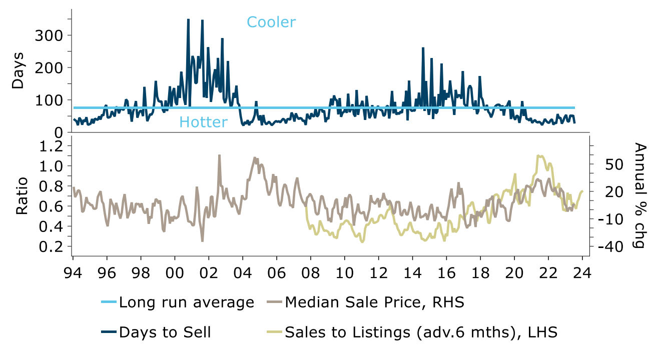
Price growth tends to be volatile on the West Coast, reflecting relatively low turnover and associated variability in the average size and quality of homes being sold. With that caveat out of the way, the West Coast is the only region where annual house price inflation is currently positive (+5% y/y in July on a 3mma basis). The West Coast is also sending the hottest signals, with days to sell a decent clip below average and the sales-to-listing ratio lifting. Consents per capita have plummeted, but unemployment is low and retail spending is above trend. Affordability measures are certainly at the cheaper end of the spectrum, but the gap in the house price to income ratio vs the national level has narrowed slightly with the West Coast not experiencing the same degree of improvement through the slowdown.

Figure 73. West Coast median sale price



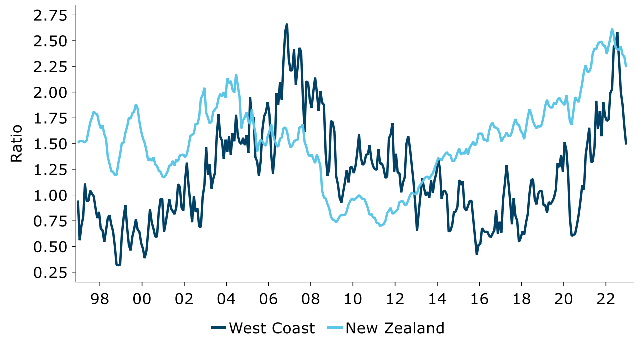
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 74. West Coast market tightness



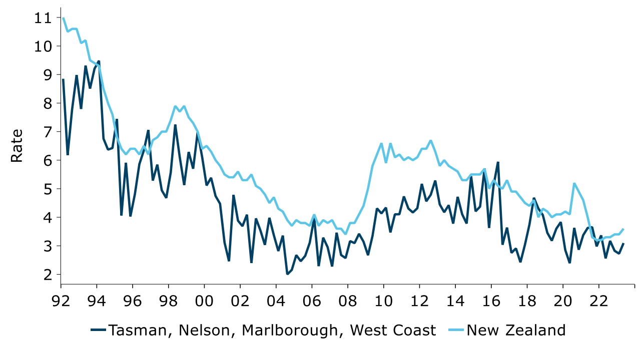
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 75. West Coast dwelling consents per 1000 residents



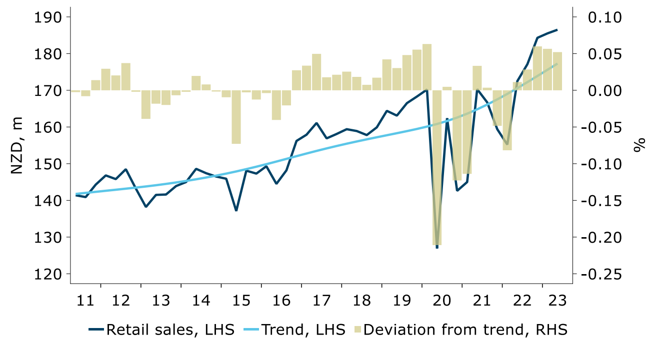
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 76. West Coast unemployment rate



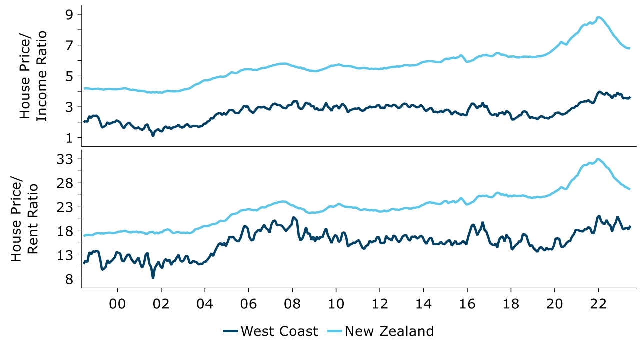
Source: Stats NZ, Macrobond, ANZ Research

Figure 77. West Coast retail sales vs trend



Source: Stats NZ, Macrobond, ANZ Research

Figure 78. West Coast affordability



Source: REINZ, Stats NZ, Macrobond, ANZ Research

Southland

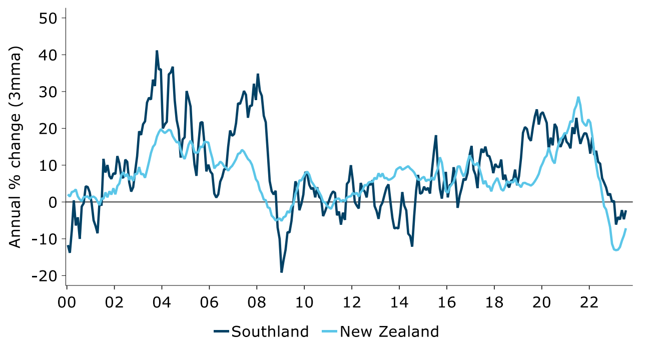
Key statistics

Southland accounted for 2.2% of total NZ house sales in the year to July 2023.

Southland	Date	
Median price (sa):		
– Pre-pandemic	Dec-19	$326,770
– Post-pandemic peak	Feb-22	$478,714
– Current	Jul-23	$433,270
Median weekly income	Jun-23	$1,934
Median weekly rent	Jun-23	$411
Unemployment rate	2023Q2	3.0%

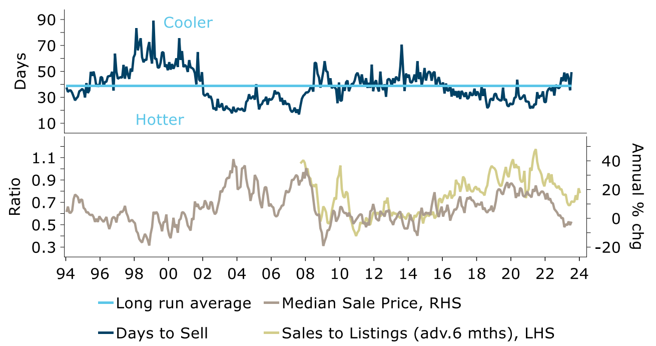
Southland is another region that experienced a slightly more subdued house price cycle in recent years. However, indicators of market tightness are mixed: days to sell appear to have an upward trend, and so too does the sales-to-listing ratio. Consents per capita are a little above average but tentatively falling. Economic indicators are mixed: unemployment is low but retail spending has pulled back below trend. Affordability measures are at the cheaper end of the spectrum relative to the rest of the country, but like the rest of NZ these remain elevated relative to history (despite recent improvement). The gap between the Southland's price to income ratio vs the NZ-wide measure is about where it was pre-pandemic.

Figure 79. Southland median sale price



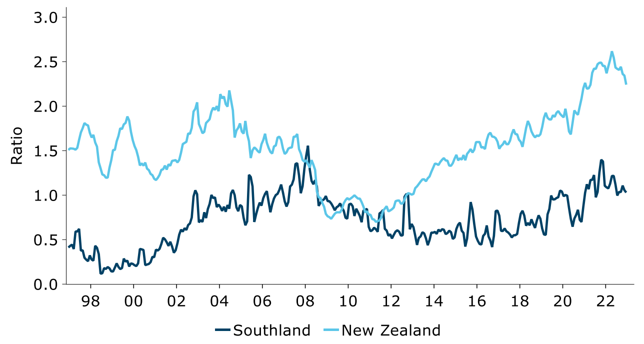
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 80. Southland market tightness



Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 81. Southland dwelling consents per 1000 residents

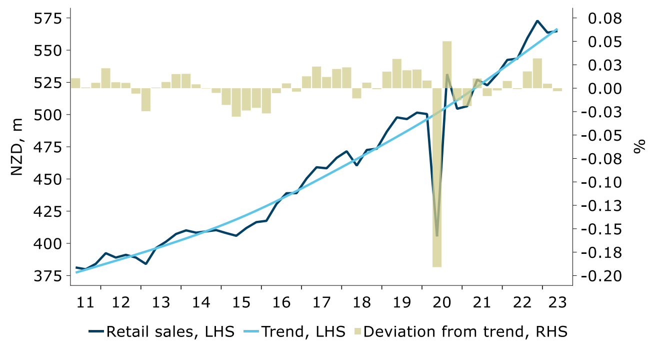


Source: REINZ, Stats NZ, Macrobond, ANZ Research

Figure 82. Southland unemployment rate

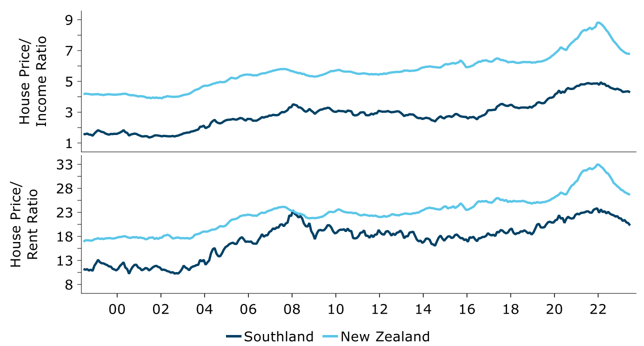
Source: Stats NZ, Macrobond, ANZ Research

Figure 83. Southland retail sales vs trend



Source: Stats NZ, Macrobond, ANZ Research

Figure 84. Southland affordability



Source: REINZ, Stats NZ, Macrobond, ANZ Research

Bringing it all together

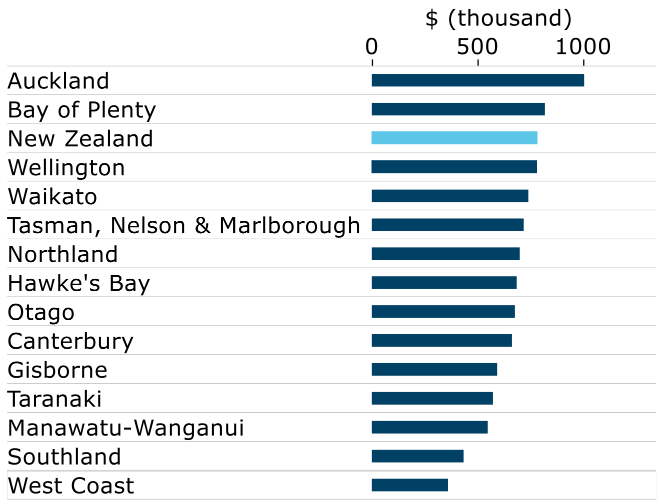
In big picture terms, the experience of all regional housing markets has been much the same in recent years – that's to be expected when the main driver of the cycle has impacted all regions in much the same way. That is, a significant loosening in monetary conditions followed by a rapid tightening. However, regional differences will always exist to some extent, reflecting variances between regions in:

- Population growth and demographics.
- Economic outcomes, which is a function of economic composition (eg exposure to tourism, an expanding Government, or prices for our primary produce).
- Supply and demand imbalances and local planning, eg a region that opens up land for development more quickly will likely have more affordable housing, all else equal.
- Natural and environmental factors. This one will inevitably become more important over time as housing demand pivots away from areas at risk of flooding/rising sea levels.
- Cultural and social factors, such as shifting preferences as a result of increased optionality to work from home in the post-COVID era.
- Expectations for capital gains and 'entry level' pricing. Some regions are more affordable than others, making them more enticing to the likes of first home buyers. For investors, some may see a certain region as providing better opportunities for capital gains than others.

All up, regional divergences occur for a range of reasons, and not all of them are easy to observe. But as figure 85 shows, historical divergence between regions has resulted in some very significant differences in the level of house prices, with the median price in Auckland around three times higher than in the West Coast.

In terms of the tightest market in NZ, that award goes to the West Coast, where days to sell are most convincingly below the historical average, and the sales-to-listing ratio is elevated. Conversely, while indicators of market tightness in most regions suggest things are on a tightening trajectory, that is occurring from 'cool' territory, meaning we'd characterise most markets as 'neutral but warming'. Perhaps unsurprisingly, the West Coast is also the only region where annual house price inflation is positive. We don't forecast house prices at the regional level, but the cycle in all those regions in negative territory does appear to have turned.

Figure 85. Median house price by region

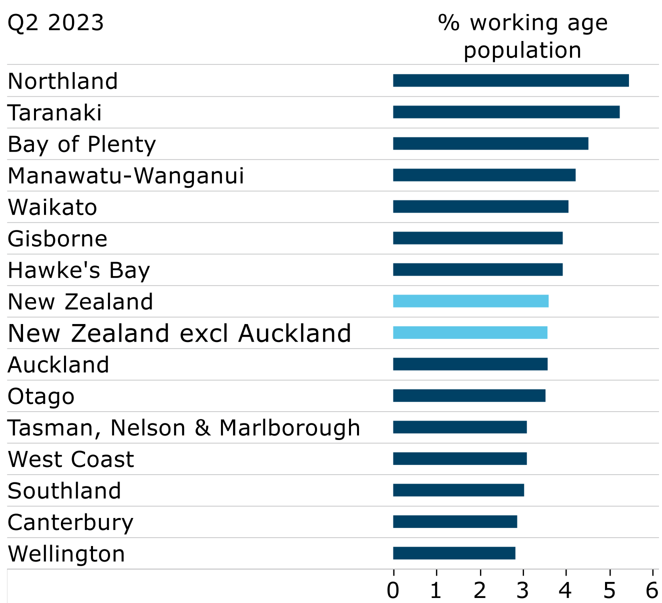


Source: REINZ, Macrobond, ANZ Research

Canterbury is the clear winner when it comes to building activity, with highest consents per capita. Auckland isn't far behind but has fallen rapidly. At 33.5% and 16.0% respectively, these two regions account for almost half of all house sales in New Zealand, so consents per capita here are also a decent gauge of national-level activity.

Regional economy indicators are quite mixed. Wellington's unemployment rate of 2.8% as at Q2 2023 is the lowest, with Canterbury's 2.9% not far behind. At the other end of the spectrum is Northland (5.5%) and Taranaki (5.2%), where both labour markets tend to run on the looser side of the national level (currently 3.6%, figure 86).

Figure 86. Regional unemployment rate



Source: Stats NZ, Macrobond, ANZ Research

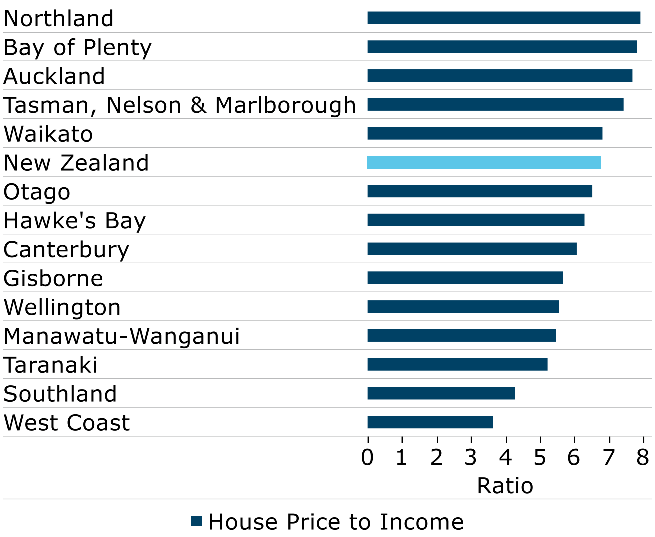
As we are all very well aware, high CPI inflation is a NZ-wide problem, and that's adding to nominal retail spending at a time when volumes are in decline (ie consumers are getting less bang for their buck). While high inflation means nominal spending significantly overstates the 'health' of retail spending at present, the level vs trend still provides some good insight (assuming similar price movements across regions). For example, spending in the West Coast and Otago are running above trend, suggesting the return of international tourists is providing a bump. The main centres of Auckland and Canterbury are also a smidgen above trend, while Wellington is below – this likely reflects regional population growth, where the data isn't as timely as the retail trade survey. But Auckland does tend to get more than its fair share of international migration, and that will be supporting retail spending. These data also illustrate the extent of cyclone disruption in Gisborne, which saw spending contract sharply in Q1 2023, then rebound significantly in Q2.

Lastly, the award for the most affordable region defined by the house price-to-income ratio goes to the West Coast, followed by Southland (figure 87). The least affordable regions are Northland, Bay of Plenty, Auckland, and Tasman/Nelson/Marlborough.

It's important to note that these relative rankings aren't anything new (each region has local factors determining how much someone is willing to pay for a house and how much income households tend to receive). But what is perhaps more meaningful is whether the recent and very wild house price cycle has caused the difference between the regional house price to income ratio and the national level to change. That is, compared to the rest of New Zealand, has a region become more or less affordable since the pandemic?

On that score, Otago has deteriorated, with the gap closing to broadly match the national average. Affordability in Canterbury, Gisborne, and Manawatu-Whanganui has also deteriorated in a relative sense, with the gap in this ratio narrowing towards the national level slightly. The Tasman, Nelson and Marlborough region has gone from about par with the national level to a smidgen less affordable. Meanwhile, Auckland's affordability has improved slightly relative to the national level (while remaining relatively unaffordable in an absolute sense). Other regions are either too volatile to draw strong a conclusion or are pretty close to their pre-pandemic gap vs the national average.

Figure 87. House price to income ratio



Source: REINZ, Macrobond, ANZ Research

Mortgage borrowing strategy

This is not financial advice about any product or service. 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. Please refer to the Important Notice.

Summary

Mortgage rates are a little higher across the curve this month, adding to gains seen in July, taking most rates at most banks to their respective highs for the cycle. But whereas last month we saw bigger moves in short-term fixed rates as wholesale markets shifted to price in a 'higher for longer' profile for the RBNZ, this month we saw a larger rise in long-term fixed rates, which are more sensitive to global interest rates (via that same dynamic in wholesale markets). We still think it is too soon to call an end to the RBNZ's tightening cycle, but wariness about potential impacts of slower growth in China on NZ exporters could push the next hike into early 2024, or indeed see it never delivered, if things start to go off the rails in a major way. But even if the RBNZ is 'done', it's likely to be a long time before they can cut, and that makes us cautious about fixing for a shorter term. Longer terms offer more certainty, but their main advantage right now is that they don't come with the proviso that rates need to fall for it to be cheaper over the long run, as fixing for a shorter term does. We discuss this dynamic via breakevens.

Mortgage rates moved up again in August, adding to rises seen in July (figure 1). With the RBNZ firmly on hold (for now) and global wholesale rates quite a bit higher, it was not surprising to see bigger rises in long-term fixed rates like the 4 and 5yr. As we have noted in past editions of the Property Focus, floating rates, and fixed rates out to around 2 years tend to follow the OCR and market expectations for future policy, but longer-term rates like the 4 and 5 year tend to follow global interest rates. One of the main reasons for this is that offshore participants dominate the local bond market, and given their ability to invest elsewhere, interest rates here need to keep up with their global equivalents in order to engage investors and remain competitive. This makes what's going on globally as important as what the RBNZ says and does, even if these issues seem to be very nuanced and very remote from what's happening on New Zealand high streets.

And on that score, the predominant concern in global bond markets is the high volume of government bonds being issued. That's not just a concern in the US (the world's largest capital market); it's also a concern here and that's putting additional upside pressure on long-term interest rates at a time when they might ordinarily be levelling out, as they have at this point in past interest rate cycles.

Returning to short-end dynamics and the RBNZ – we still think it is too soon to call the end of the rate hike cycle, and we still have a November OCR hike in our forecasts. That could easily get delayed given slowing growth in China (which is manifesting in weaker export commodity prices and fewer tourist arrivals), or even be taken off the table. But our sense is that even if the RBNZ ends up being 'right for the wrong reasons' re no further hikes, they will still need to keep the OCR at its current level for an extended period to be sure the inflation beast is slain. We just don't think the pre-conditions for OCR cuts are in place, with core (and non-tradable) inflation sticky and about triple the RBNZ's 2% target, and the labour market still tight (but slowly easing). That leaves us cautious about counting on mortgage rates falling in the foreseeable future, even with this new hit to the growth outlook. Long-term fixed rates already have an expectation of lower rates built into them (that's why they're lower), and borrowers can take advantage of that.

In that regard, breakevens show that mortgage rates need to fall briskly for it to be cheaper overall to fix for a shorter period and re-fix at expiry, rather than fixing for a longer period. For example, our figures show that the 1yr rate must fall from its current level of 7.24% to 6.55% in a year's time (and then on to 6.14% in 2 years' time) for back-to-back 1yr fixes to be cheaper than fixing for 2 years at 6.89% (or 3 years at 6.64%). That could happen, but as was the case last month, that's a more aggressive fall than we are projecting (based on our wholesale interest rate forecasts).

Getting it right all the time is impossible. Surprises are inevitable. But as we have said in the past, spreading borrowing over several terms can help smooth costs.

Figure 1. Carded special mortgage rates^

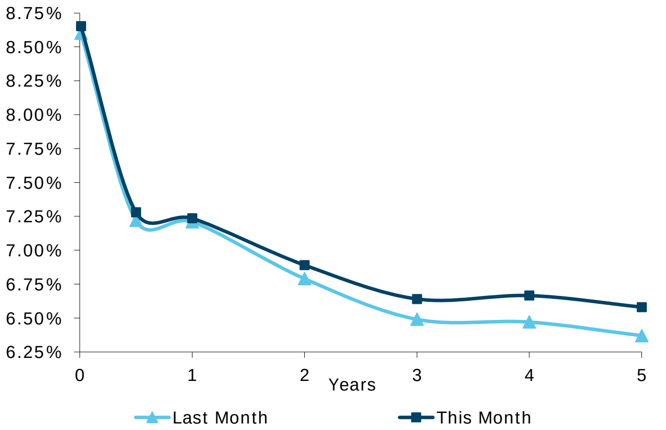


Table 1. Special Mortgage Rates

Term	Current	Breakevens for 20%+ equity borrowers in 6mths	in 1yr	in 18mths	in 2 yrs
Floating	8.65%				
6 months	7.28%	7.19%	6.45%	6.64%	6.27%
1 year	7.24%	6.82%	6.55%	6.45%	6.14%
2 years	6.89%	6.64%	6.34%	6.41%	6.44%
3 years	6.64%	6.55%	6.48%	6.45%	6.37%
4 years	6.67%	6.54%	6.42%		
5 years	6.58%	#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 30-year term)

Mortgage Size ($000)	Mortgage Rate (%)													
	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50	7.75	8.00	8.25	8.50	8.75
200	262	269	277	284	292	299	307	315	323	330	338	347	355	363
250	327	336	346	355	364	374	384	393	403	413	423	433	443	454
300	393	404	415	426	437	449	460	472	484	496	508	520	532	544
350	458	471	484	497	510	524	537	551	564	578	592	606	621	635
400	524	538	553	568	583	598	614	629	645	661	677	693	709	726
450	589	606	622	639	656	673	690	708	726	744	762	780	798	816
500	655	673	691	710	729	748	767	787	806	826	846	866	887	907
550	720	740	760	781	802	823	844	865	887	909	931	953	975	998
600	786	807	830	852	875	897	921	944	968	991	1,015	1,040	1,064	1,089
650	851	875	899	923	947	972	997	1,023	1,048	1,074	1,100	1,126	1,153	1,179
700	917	942	968	994	1,020	1,047	1,074	1,101	1,129	1,157	1,185	1,213	1,241	1,270
750	982	1,009	1,037	1,065	1,093	1,122	1,151	1,180	1,209	1,239	1,269	1,299	1,330	1,361
800	1,048	1,077	1,106	1,136	1,166	1,197	1,227	1,259	1,290	1,322	1,354	1,386	1,419	1,452
850	1,113	1,144	1,175	1,207	1,239	1,271	1,304	1,337	1,371	1,404	1,438	1,473	1,507	1,542
900	1,178	1,211	1,244	1,278	1,312	1,346	1,381	1,416	1,451	1,487	1,523	1,559	1,596	1,633
950	1,244	1,278	1,313	1,349	1,385	1,421	1,458	1,495	1,532	1,570	1,608	1,646	1,685	1,724
1000	1,309	1,346	1,383	1,420	1,458	1,496	1,534	1,573	1,613	1,652	1,692	1,733	1,773	1,814

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

	Actual			Projections						
Interest rates	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Floating Mortgage Rate	7.8	8.0	8.5	8.7	8.9	8.9	8.9	8.9	8.7	8.4
1-Yr Fixed Mortgage Rate	6.4	6.5	6.9	7.4	7.3	7.2	7.0	6.7	6.6	6.6
2-Yr Fixed Mortgage Rate	6.6	6.5	6.5	6.9	7.0	6.9	6.7	6.5	6.4	6.3
3-Yr Fixed Mortgage Rate	6.7	6.6	6.3	6.7	6.8	6.7	6.6	6.4	6.3	6.2
5-Yr Fixed Mortgage Rate	6.8	6.6	6.3	6.7	6.8	6.7	6.6	6.5	6.5	6.5

Source: RBNZ, ANZ Research

Economic forecasts

	Actual			Forecasts						
Economic indicators	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
GDP (Annual % Chg)	6.6	2.3	2.2	1.1	-0.5	0.0	0.1	0.0	0.4	0.9
CPI Inflation (Annual % Chg)	7.2	7.2	6.7	6.0(a)	6.0	5.3	4.9	4.4	3.1	2.7
Unemployment Rate (%)	3.3	3.4	3.4	3.6(a)	3.9	4.2	4.6	4.7	4.8	4.9
House Prices (Quarter % Chg)	-4.3	-3.5	-2.9	-0.3(a)	1.7	1.4	0.5	0.6	0.6	0.6
House Prices (Annual % Chg)	-5.6	-12.8	-13.7	-10.6(a)	-5.0	-0.2	3.4	4.3	3.2	2.3

Interest rates	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Official Cash Rate	4.25	4.75	4.75	5.50	5.75	5.75	5.75	5.75	5.50	5.50
90-Day Bank Bill Rate	4.65	5.23	5.71	5.79	5.90	5.87	5.85	5.68	5.43	5.43
10-Year Bond	4.47	4.20	4.62	4.85	5.00	4.85	4.75	4.75	4.75	4.75

Source: ANZ Research, Statistics NZ, RBNZ, REINZ

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