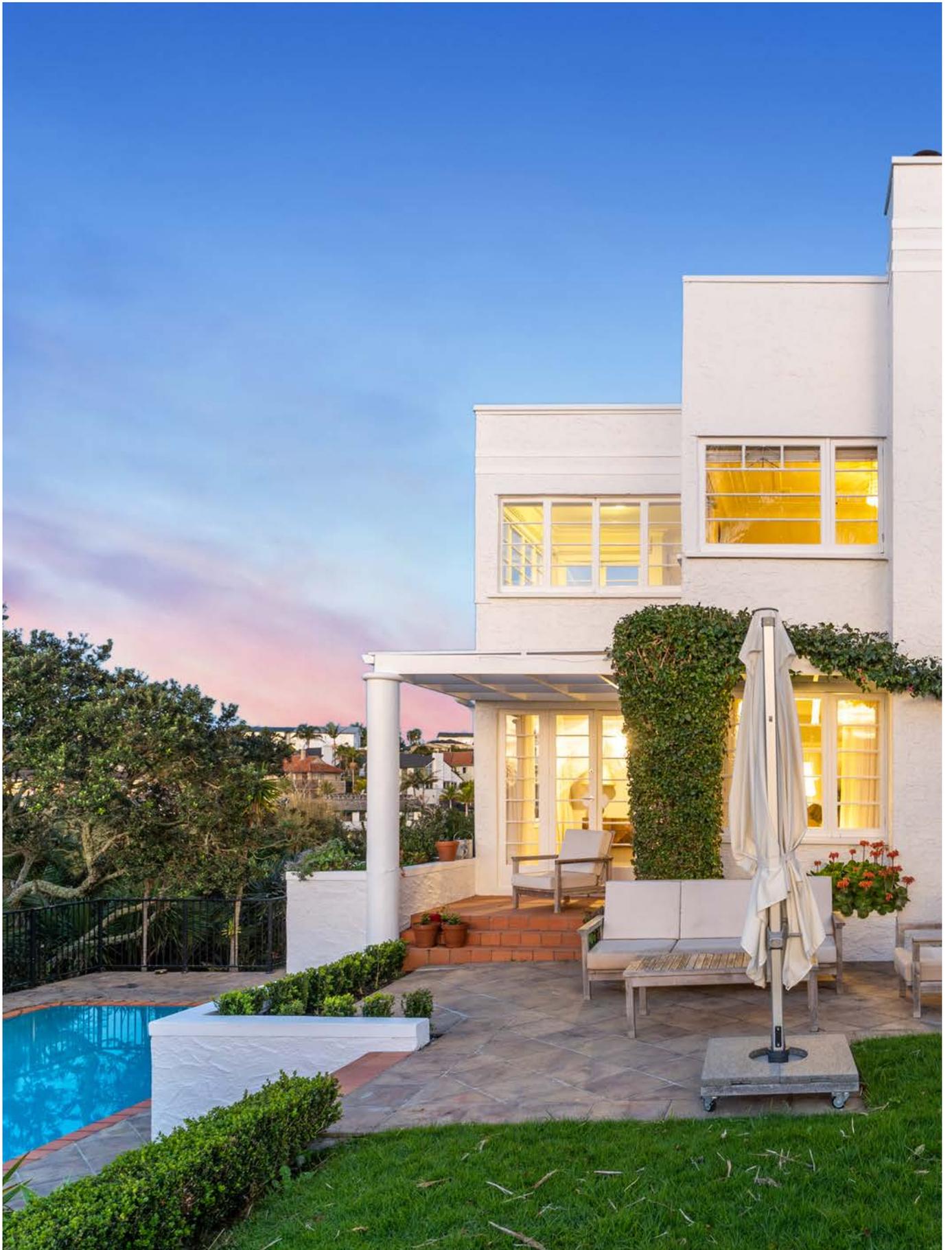


RAY WHITE NOW

AUGUST 2022



Proudly presenting New Zealand property market insights in real-time



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DEAR PROPERTY OWNER,

Welcome to our 54th edition of Ray White Now.

We publish Ray White Now every month and have done so since April 2020, when continued messages were being communicated to the market based on broad observations and opinions. This has again become part of the media landscape, and given, at times, the potential lag period; this can be out of alignment with the market in real-time.

At Ray White, we sell 23.51 per cent of all residential property across New Zealand. In doing so, our listing volumes across July saw Ray White as the year-to-date number one listing agency across New Zealand. This allows us the scope to bring you data in real-time, directly from sales we undertake across our 192 offices in New Zealand.

While changes have quickly occurred in the confidence of buyers and sellers to transact real estate across New Zealand, the ability to borrow money has seen some lowering of barriers over the past month. Rising interest rates are still on the agenda of the Reserve Bank, as announced in their monetary statement this month.

Looking at where the market has come from, it is not a surprise to many that a slowdown had to occur. Some markets have experienced higher increases which changed the average price considerably. Since COVID-19 and post our first lockdown in April 2020, prices have surged an average of 36 per cent during the past two years across New Zealand, but we are now seeing an adjustment.

Since August 2020, the dynamic in housing price increases has never occurred in previous real estate markets in such a short amount of time. Interest rates dropped to record low levels and borrowing was encouraged. This allowed buyers to enter the market and sellers to take a perceived uplift in price. Confidence abounded in the market in New Zealand; property became very much the talking point, and the success of marketing property increased, which delivered higher sale prices and lower days on market.

Fast forward to October 2021, and the Reserve Bank advises the first upward lift in interest rates since 2014. After 25 progressive statements of either stable or lowering interest rates, this was the first time the market had experienced an upward lift. Although this was only 25 basis points, it was enough to indicate that more interest rate rises were expected.

Since then we have experienced seven further interest-rate rises: November 2021, 25 basis points; February 2022, a further 25 basis points; and April, May, July and August 2022, a lift of 50 basis points at each monetary policy statement. This lifted the official cash interest rate to 3.0 basis points from 0.25 basis points only 12 months ago. It may not seem like a high-level increase in terms of quantum, but in real terms the lift has been tenfold, and there are expected further lifts.

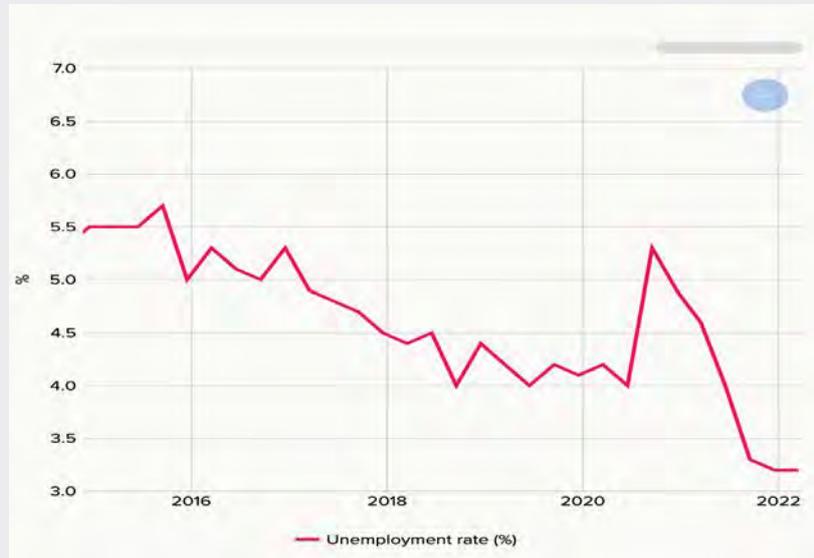
RBNZ | OCR Announcements

Date	OCR
August 17, 2022	3.00
July 13, 2022	2.50
May 25, 2022	2.00
April 13, 2022	1.50
February 23, 2022	1.00
November 24, 2021	0.75
October 6, 2021	0.50
August 18, 2021	0.25

Source: RBNZ.govt.nz

How house prices affect inflation and maximum sustainable employment

Wealth is one driver of household spending, and equity in housing (the difference between what you owe on your mortgage and what the house is worth) represents 55 per cent of household net wealth. A rise in house prices leads to higher household spending, which, in turn, influences economic activity, employment and consumer price inflation. Rising house prices also influence a number of components of the Consumer Price Index more directly, such as the cost of construction and rents. As a result, rising or falling house prices have an impact on general price stability and maximum sustainable employment.



Source: RBNZ.govt.nz

How house prices affect financial stability

When house prices move well above their sustainable levels they can pose a threat to financial stability, leaving the banking system at risk if there is a sudden shock. If house prices rise too far, too fast, that can lead to a sudden correction in prices, which would harm the financial system and slow the broader economy.

In addition, a rise in house prices often comes with increased mortgage lending. Mortgage lending represents 62 per cent of total bank loans. If new lending is high risk, where the house deposit is small or where the amount borrowed is large relative to the person's income, this increases the vulnerability of households and the financial system to future events.

New direction requires us to consider house prices

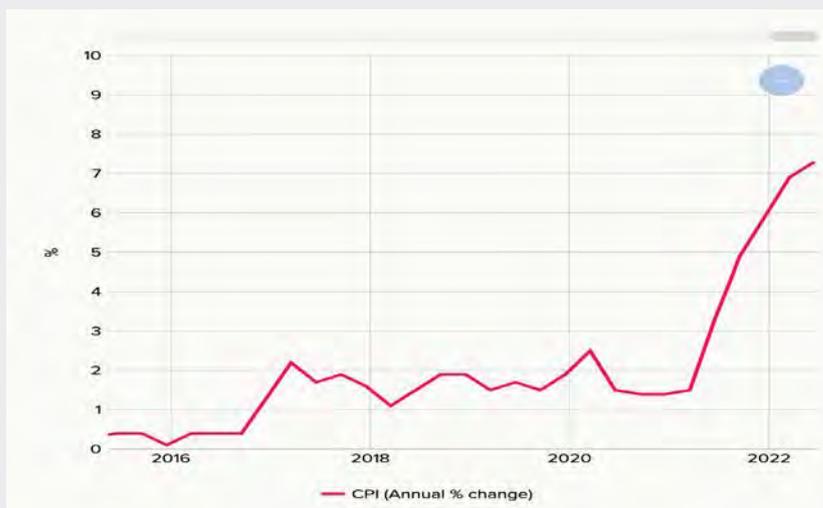
In March 2021, two things happened that made house prices an increased focus for us:

1. The government issued a direction to the Reserve Bank under Section 68B of the Reserve Bank Act in respect of its housing policy objectives. The direction requires us to consider the government's objective of supporting more sustainable house prices when setting financial stability policy, including bank lending rules. The direction also includes how our actions will dampen investor demand for existing housing stock, which would improve affordability for first-home buyers.
2. The Monetary Policy Committee's Remit (or key responsibilities) was amended to require the committee to assess how its decisions on interest rates and other monetary policy instruments affect the government's objective of house price sustainability. This includes how its decisions might affect investor demand for existing housing stock and affordability for first-home buyers.

Although housing prices are considered to be a factor, the rapidly increasing inflation rates due to supply-demand and constraints on goods suddenly saw inflation lift to record levels since inflation rates have been recorded in New Zealand. According to the Reserve Bank, the new record level of 7.3 per cent is unsustainable. These are the highest levels experienced in the last 20 years. Given inflation is an average of prices throughout the economy, it means money is losing value. The Reserve Bank has described the underlying cause as the availability of too much money to purchase goods and demand continuing to outpace supply.

Combine this with price rises in commodities such as oil, inflation is the number one target of the government to reduce back down to its targeted level of between 1 per cent and 3 per cent.

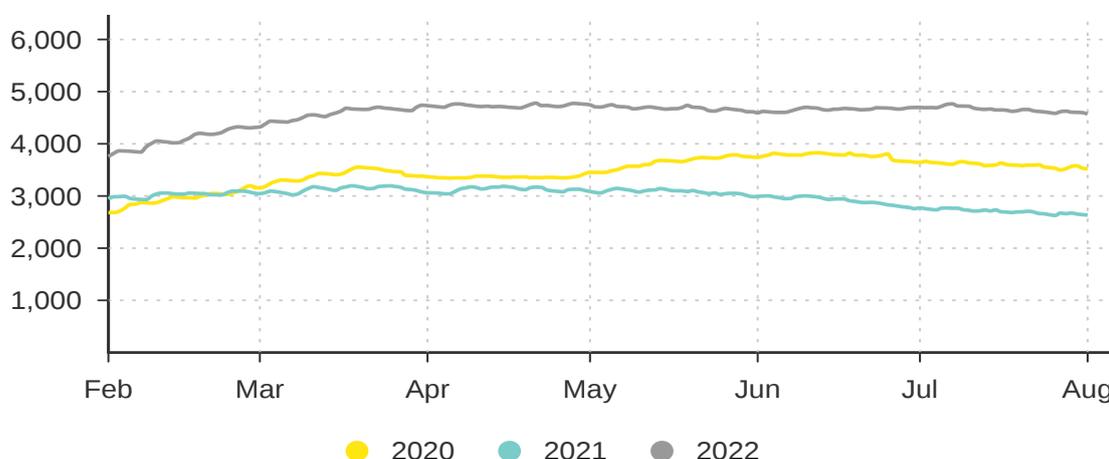
This has had an immediate effect on the real estate market. When past markets may have seen a slowing of various indicators, since February 2022 there has been a quick and considerable decline in the number of sales that have taken place. While there is increasing evidence of falling prices, increasing interest rates, an expectation of high inflation, and concerns around the economy have compounded the real estate market.



Source: RBNZ.govt.nz

Changing sellers' outlooks has resulted in price adjustments to meet buyers' expectations. The supply of property has lifted more than 72 per cent in the last 12 months; emphasised in the previous quarter with an increase of 91 per cent more properties available for purchasers to view. When you add that there are fewer sales in the market, this has meant a record number of properties on the market, being 79.65 per cent higher than the same time last year. Supply has increased and demand has dropped, resulting in fewer sales and sellers realigning their sale price expectations.

Listings on the market



Source: Ray White

The graph on the previous page shows the number of properties currently on the market is 4,613, while at the same time last year, we had 2,634 properties available. This allows purchasers not only to take their time but also to realise there are value comparisons in the market, where 12 months ago there were not.

The market certainly has been different in the last two years. Today we sit in a more normalised market rather than the comparisons of 12 months ago. While it is easy to suggest prices are falling and market supply has increased, pricing prior to the pandemic and stock levels were much more normalised. While prices still have a much higher value than two years ago, the normalisation of stock levels is closer. This is likely to continue across New Zealand; there will be approximately 30,000 properties available for sale with a long-term average inventory of approximately 27 weeks. This would indicate a much more balanced market favouring those seeking value by comparison. Those positively marketing their property can expect reasonable buyer depth to respond to properties considered reasonable value.

How is Ray White New Zealand responding to the market changes? It is more important for us to convey information on the active market and the properties that are in competition to listings coming onto the market. Today, while the buyer is important, most competition comes from similar properties. While factors including location and build quality are high on the preferred wants of buyers, comparison properties and value sit considerably higher given the amount of property on the market.

While auctions continue to be the preferred marketing method, it is more difficult to encourage under-the-hammer sales. We believe that auction provides transparency for buyers to transact, whether that be before the auction, at the auction, or after. While success rates have changed with under hammer results, the auction marketing method is still the most successful. In market conditions that are potentially declining, it remains relevant for sellers to consider.

So, in a rapidly evolving market, conditions are variable. Your local Ray White office has the information that will give you insights into not only the value of your property but the depth of potential buyer interest linked to the successful marketing of your property.

Regards,



Carey Smith
Ray White New Zealand
Chief Executive





LIFTING INVENTORY
LEVELS ARE PROVIDING
BUYERS WITH MORE
CHOICE

**SELLERS WHO ARE
BUYING IN SAME
MARKET TAKE
CONFIDENCE FROM
CURRENT PRICING**

“The residential market has shown consistency over the last month for both buyers and sellers. Positively marketed property is seeing good response rates with first home buyers coming back to the market and also those looking for opportunity to upgrade their current property”

Carl Perkins
Manager, Ray White Wellington City Group

We continue a noticeable increase in new listing activity, allowing purchasers to enter the market with confidence of choice. This has added to the overall portfolio of properties available on the market.

Data provided by realestate.co.nz shows the increase of new property listings has stabilised at approximately 26,358 properties, which is 107.8 per cent ahead of July 2021. In regard to the last three months, there has been a continued lift in new listings, which has seen the total stock available across New Zealand lift by close to 10,000 properties, or just over 40 per cent, in three months.

Available housing stock by region

Region	July 2022	July 2021	Year-on-year
Northland	1,020	470	117.0%
Auckland	10,626	5,809	82.9%
Waikato	2,200	833	164.1%
Bay of Plenty	1,825	676	170.0%
Gisborne	139	60	131.7%
Hawke's Bay	739	253	192.1%
Taranaki	479	220	117.7%
Wellington	1,975	727	171.7%
Nelson & Bays	477	166	187.3%
West Coast	211	137	54.0%
Canterbury	2,587	1,303	98.5%
Otago	668	347	92.5%
Southland	389	219	77.6%
Coromandel	274	150	82.7%
Central Otago / Lakes District	558	356	56.7%
Marlborough	263	161	63.4%
Wairarapa	306	136	125.0%
Central North Island	422	170	148.2%
Manawatu / Wanganui	1,200	490	144.9%
National	26,358	12,684	107.8%

Rising property listings can act as a slight headwind for property value growth.

This creates a more balanced market where buyers have more choice and the opportunity to make decisions compared to other properties available on the market.

The Reserve Bank of New Zealand lifted interest rates in their recent announcement, marking the sixth consecutive rise since October 2021. The next monetary statement and official cash rate review is 5 October 2022. While lending barriers have slowed the buyer depth within the property market, the current inflationary effects are having the most impact on the economy and affordability, with the annual inflation rate being 7.3 per cent.

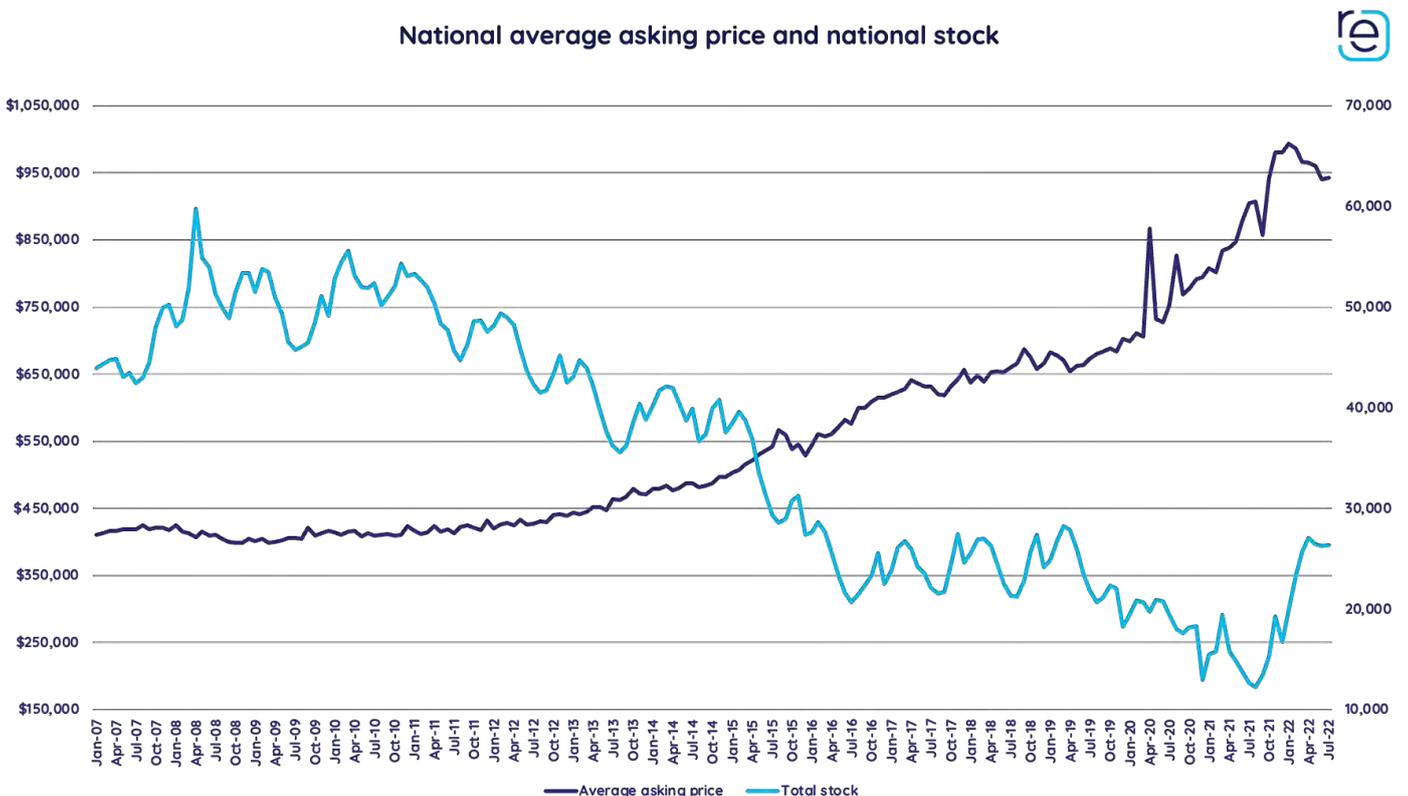
They commented 'However, headwinds are strong. Heightened global economic uncertainty and higher inflation are dampening global and domestic consumer confidence. Asset prices, in particular house prices, have also declined, reflecting in part higher mortgage interest rates and increased supply of housing.'

To put this into perspective, during the past 10 years, the inflation rate has averaged 2.15 per cent, which is in line with the inflation target of 1 – 3 per cent on average over the medium term. It is clear that the rise in inflation impacts everyday life, and the Reserve Bank will take this into account in its monetary statement.

Areas and regions continue to respond differently across New Zealand. While the headline numbers are generally provided on the overall sales, the regions with the highest average increase in asking price were Coromandel, West Coast, Gisborne and Northland

In contrast, the regions with only slight decreases in average asking price were Auckland, Taranaki and the Central North Island. These graphs, however, can be a blessing for both buyers and sellers. An increasing market can indicate a strengthening of prices because of the value in the average sale price. At the same time, potential decreases can result from a market that might have been overinflated, and the buyers have taken pricing levels back to be more realistic.

Many ask the question about when should I buy real estate? What would a property I purchase today look like in five, 10 or 20 years? How many upturns and downturns are there during various cycles, and are there any key underlying trends that show any long-term declines linked to mortgage rates or a more relaxed credit environment? What determines rises in house prices, and what determines falls?



Source: realestate.co.nz

Realestate.co.nz provide a real-time graph which from January 2007 has seen prices more than double over that period of time which shows the long-term prospects of holding property continues to be relevant. CoreLogic provided a recent graph which shows a similar cumulative trend of an average increase of 7.5 per cent over an extended 20 year period. If it is the case that someone is to ask the question when should I purchase property and in what location; while there is some differentiation in the main centres and there are periods where events have occurred which change housing supply across the 20 years, much of the property markets have remained consistent regardless of external factors.

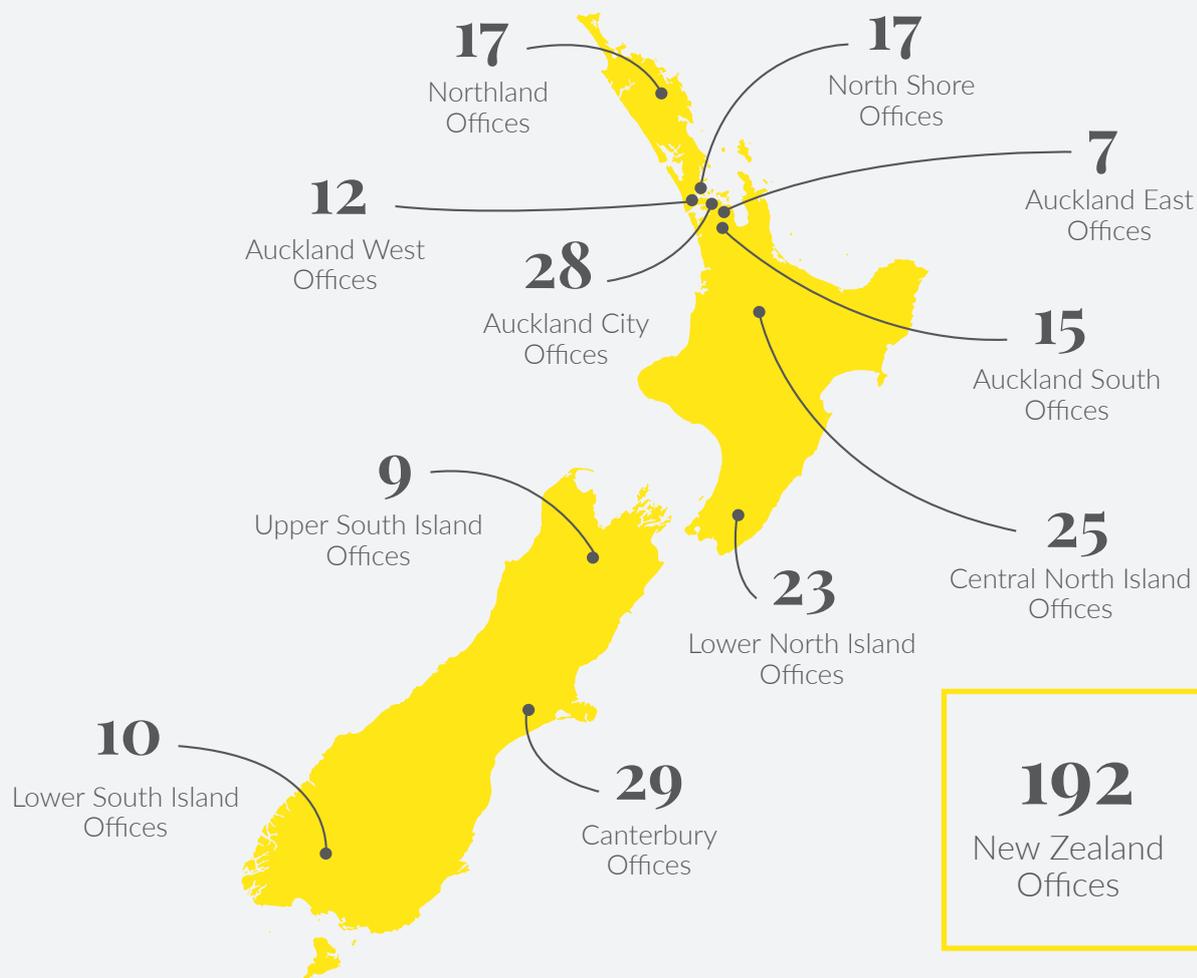
Since 2003, among the main centres, Hamilton has seen the largest increase in average property values, at 330 per cent - followed by Dunedin at 298 per cent, Auckland at 287 per cent, Wellington at 282 per cent, Tauranga at 277 per cent, and Christchurch at 236 per cent. The latter has seen slower growth due to the post-earthquakes surge in new housing supply, but with signs that this supply reaction is slowing down, Christchurch could see outperformance over the coming years (even if that only means smaller falls in the near term).

Another price index guide from CoreLogic shows the annual change in each of the key markets across New Zealand, which at its height is showing Christchurch 19.60 per cent and Dunedin now at 1.3 per cent. The monthly change is a reduction of 1 per cent across most of the markets, with Wellington showing the greatest fall from August 2021 back -0.3 per cent. These indicators clearly show a change in the fiscal and monetary policy measures, which is a key factor in the market going forward. Timing for selling and purchasing in the same market will be consistent. We can give buyers and sellers confidence in supply and the ability to create demand when value is established.



Source: www.corelogic.co.nz/news/

WE'RE IN YOUR NEIGHBOURHOOD

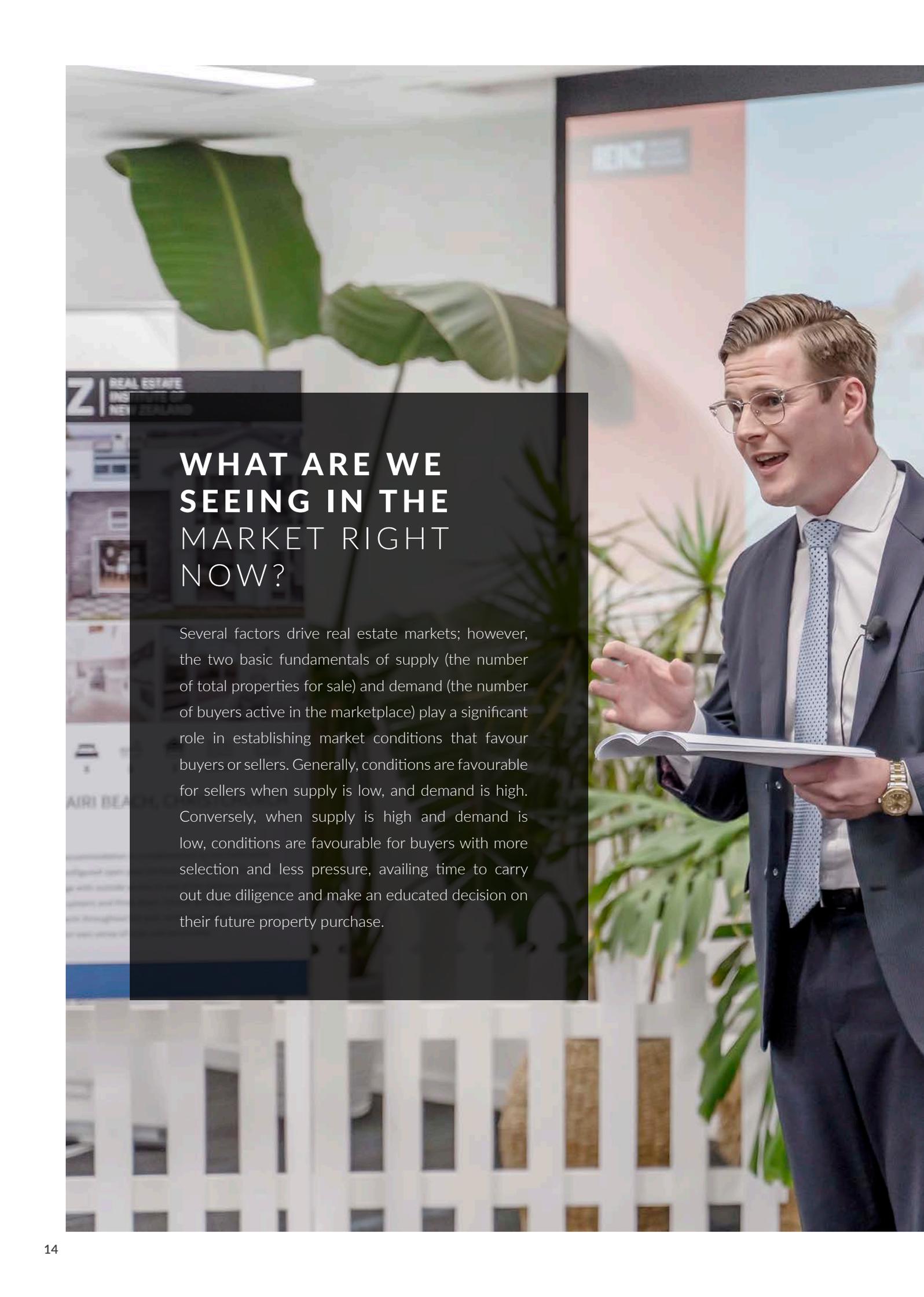


LAST YEAR WE WERE PROUD TO:

- help 22,528 New Zealand families sell their home
- help 1 in 5 New Zealand buyers find their dream home
- have 11,758 local customers rate our service 10/10
- help 61 New Zealanders sell their home every day
- help over 19,600 investors manage their property across New Zealand
- list 1 in every 5 auctions across New Zealand

PROUDLY **RAYWHITE**

Watch this space. New stats coming soon!



WHAT ARE WE SEEING IN THE MARKET RIGHT NOW?

Several factors drive real estate markets; however, the two basic fundamentals of supply (the number of total properties for sale) and demand (the number of buyers active in the marketplace) play a significant role in establishing market conditions that favour buyers or sellers. Generally, conditions are favourable for sellers when supply is low, and demand is high. Conversely, when supply is high and demand is low, conditions are favourable for buyers with more selection and less pressure, availing time to carry out due diligence and make an educated decision on their future property purchase.



SUPPLY

Throughout July, we saw 1,397 'new listings' come onto the market, down year-on-year by 14.97 per cent. This was met by 1,206 sales for July, a decrease of 36.59 per cent. With a total of 4,611 listings on the market in July for buyers to choose from, this is up a significant 74.46 per cent year-on-year.

DEMAND

The initial buyer metric we consider is the number of buyers viewing properties online. Throughout July, we saw 4.086 million views across our Ray White websites, resulting in over 39,323 enquiries.

Ray White New Zealand saw 441 properties scheduled to go to auction in July, down 36.1 per cent when compared to the same period last year. Leading to an all-sold clearance rate of 50.2 per cent with, on average, 2.0 registered bidders and 1.5 active bidders.

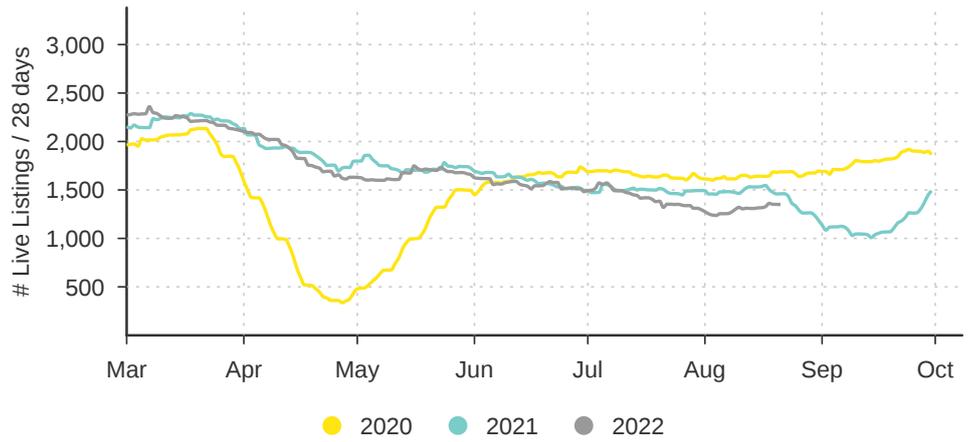
We are seeing quality homes in good locations with multiple bidding registrations and active bidders.

The final consideration we look at when measuring the volume of demand in the market, and arguably the most significant, is the number of people obtaining pre-approval for finance. Pre-approvals are a key indicator of buyer confidence, knowing they have the financial capacity to buy the property. Our partners at Loan Market are still seeing good numbers of pre-approvals across the country, with 2.65 per cent more than this time last year (refer to page 17).

We continue to analyse our numbers across the key buyer metrics, which clearly indicate the market's direction.

LIVE LISTINGS

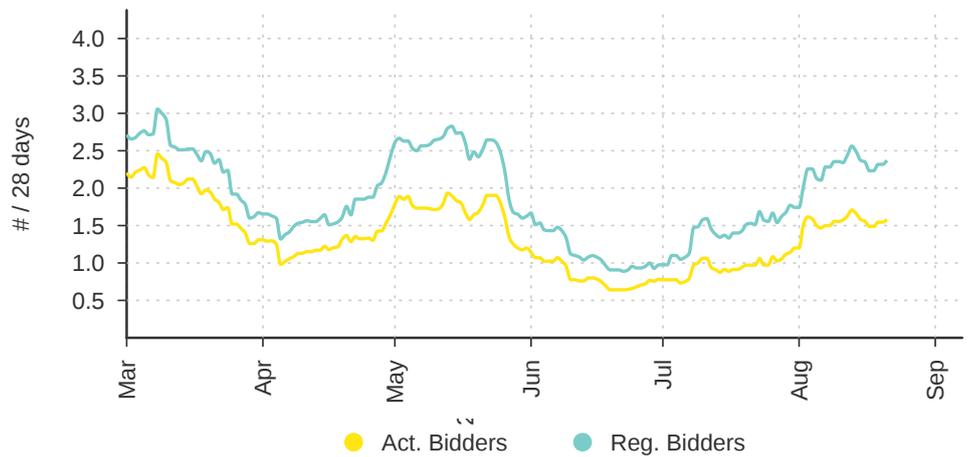
This chart shows the total number of live listings over the 2019, 2020 and 2021 calendar year.



Source: Ray White Online Analytics

BIDDING BY MONTH

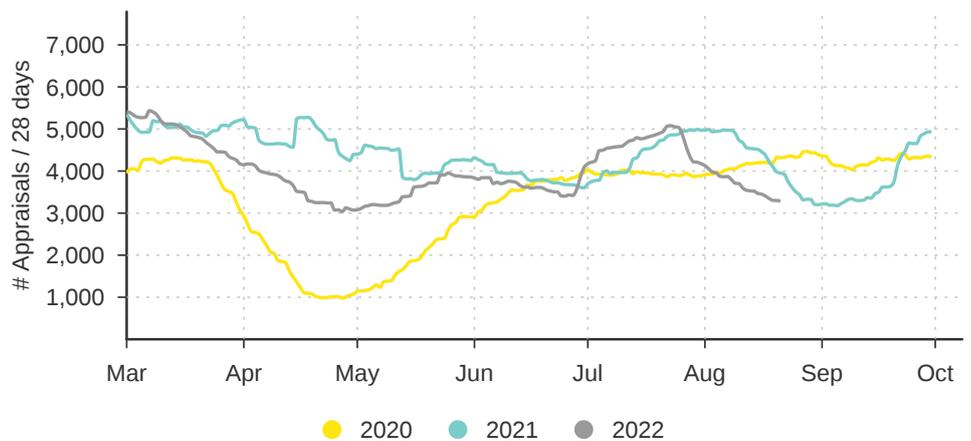
This chart illustrates the average number of registered bidders per auction for the last six months.



Source: Ray White Online Analytics

APPRAISALS

This chart compares the number of appraisals Ray White salespeople have made over the 2019, 2020 and 2021 calendar year.



Source: Ray White Online Analytics

SO WHAT FACTORS CONTRIBUTE TO MARKET SENTIMENT?

Interest rates continue to underpin purchasers' buying power. The OCR currently sits at 3.0 per cent, with the next monetary policy review announcement set for 5 October 2022.

- Interest rates - are a driver of home affordability. Continued rate rises over the next 12 months are expected, with predictions that all mortgage rates will be above 6 per cent over the coming year. This will make rates well over double what they were a year ago.
- Lending environment - a significant market headwind is the changing lending environment. Not only are rates rising, but credit availability has also gotten tougher. Loan-to-value ratios have returned, new Credit Contracts and Consumer Finance Act rules -which make accessing lending harder- are in place, and the Reserve Bank is consulting on debt-to-income ratios.
- Affordability - compared to 2021, the national average asking price is now \$942,961—up 4.2 per cent. Month-on-month, New Zealand's regions saw their prices remain relatively stable.
- Housing supply - Year-on-year, total stock levels were up 107.8 per cent nationally across all regions providing more choice for buyers.
- Net migration - the reopening of borders for New Zealand is likely to allow a resumption in higher levels of migrant arrivals. At the same time, a build-up of New Zealand talent could be looking to move offshore to pursue employment opportunities during 2022 and 2023, having waited patiently for two years for the opportunity.
- Inflation - is currently at a 32 year high of 7.3 per cent. In general, inflation occurs when demand for goods and services in the economy is outpacing supply. This leads to widespread shortages of labour and materials. For example, when lots of people want to build a house, it becomes hard to source materials and construction workers, so building costs increase.

LOAN PRE-APPROVALS

This chart compares the number of loan pre-approvals submitted via Loan Market brokers over the past three years.



Source: Ray White Online Analytics



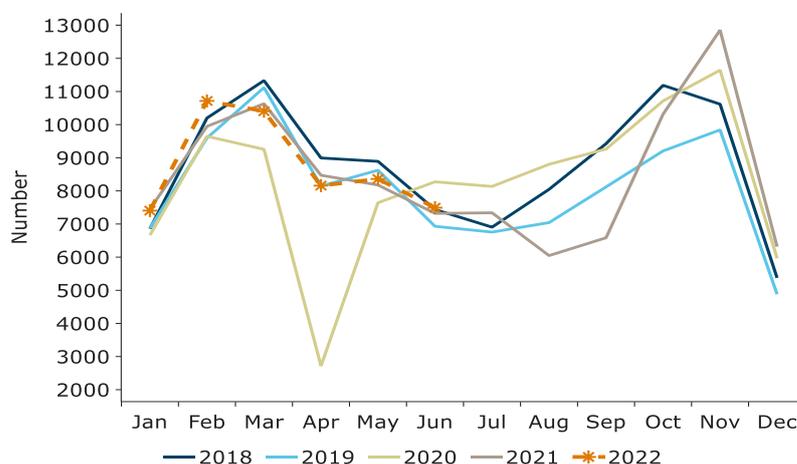
THINKING OF SELLING? WHAT FACTORS SHOULD YOU CONSIDER WHEN TAKING YOUR HOME TO MARKET?

Over recent months, many prospective sellers have been torn when it comes to picking the perfect time to list their property.

Throughout both 2020 and 2021, the traditional seasonality of the market had been artificially influenced by covid restrictions which had constrained both supply and demand for periods of time, to later release the pent up activity on both sides of the transaction. Now, with lockdown restrictions not having the prominence they once did, we have seen the colder months provide subdued listing levels as sellers wait for the perfect conditions to present their property as shown in the below graph extracted from ANZ's property focus.

More recently, we have seen signals that the lending environment may be improving when it comes to access to funding and while the reserve bank has also just raised the OCR by another 50 basis points, many commentators are suggesting that we may be seeing the peak of current retail mortgage rates. What this ultimately means is that buyers can have more confidence around their borrowing, and more importantly repayment capacity over the coming period of time.

Figure 2. New listings each month



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

One of the difficulties that many sellers face when it comes to accepting an offer made on their home is separating the current market value to what the unrealised value of the home may have been six or even 12 months ago. This typically occurs when values are falling, but very seldom does it occur when values are increasing. One of the considerations that is worth accounting for however is what the value may be in the six or twelve months to come - which in some cases could be less than the offer presented today.

Whatever the market conditions, many experts suggest that the optimum time for maximising value on a property is within the first four weeks of the home being listed. There are several reasons behind this, but fundamentally, it is owed to the fact that the property typically receives maximum interest and enquiry earlier on, rather than later in a listing period and buyers have the perception that a home is 'new' to the market, rather than the fact that it has sat around for a period of time.

Exacerbating this theory more recently, the Real Estate Institute of New Zealand published data which suggests that the national median house price had fallen \$40,000 or 4.7% from \$850,000 to \$810,000 between June and July 2022 - while there will be ebbs and flows in various markets, taking a macro-view it can be suggested that the longer it took to sell a home over this period, a prospective seller may have achieved less for their home.

If we analyse these figures over a 30 day period \$40,000 equates to approximately \$1,333 per day. With this being the case, a seller would potentially want to sell their home sooner, rather than later. When it comes to choosing a method of sale, over the past 3 months homes Ray White have listed by private treaty - which is with an asking price or by negotiation etc, has seen a median 'days to sell' of 52. Those properties listed by auction have seen a median 'days to sell' of 38 - a difference of 14 days.

What typically occurs at the beginning of spring is an influx of property to the market with sellers that have delayed decision making during the winter months and this typically adds further fuel to the supply side of the equation. Right now, some owners are taking the approach that being slightly ahead of this rush will provide the competitive advantage when it comes to engaging with active buyers that will be yet to see the full breadth of choice that spring conditions will bring.

Now, as we face a more balanced market and buyers have more choice of property, the burden of compromise shifts toward the seller and due to the fact that the seller cannot.

Choosing the most appropriate method of sale for your market conditions and personal needs remains important. We know the most active purchasers in the market typically inquire on property earlier in their listing period and are attracted to 'fresh' homes coming to the market. This means that most properties generate higher levels of interest in the early days of being for sale, and over time, the level of interest starts to wane. This means that the method of sale chosen should be one that condenses the process into a finite period of time and potentially minimises the need for compromising as much on the price achieved.



HOW DO WE CREATE THE MOST COMPETITION FOR YOUR PROPERTY?

1. MARKETING EXPOSURE

Most innovative marketing real estate business in New Zealand.

Our enviable position comes from an unwavering commitment to marketing and auctions - whether that be safely on-site or in-room.

In July, Ray White New Zealand had 1,397 live listings, down 14.97 per cent on last year, while the number of sales was down 36.59 per cent year on year.

Last month, Ray White New Zealand had 441 properties scheduled to go to auction, leading to an all-sold clearance rate of 50.2 per cent.

AUCTIONS AND EXCLUSIVE LISTINGS

Our approach to the 'method of sale' of your property is aligned with our marketing methods of creating competitive situations between buyers to create the best outcomes for our vendor clients.

We have never lost faith in the value we can bring our vendors in a challenging market through effective marketing. If you choose to sell, we will be suggesting an investment in marketing as we believe it enables us to maximise competition and clearly illustrates your intent to sell and therefore attracts genuine buyers. We appreciate that some people would prefer to sell quietly or off-market. While this is not a normal recommendation, we welcome discussion on all opportunities to take your property to the market.

2. GENERATING BUYER ENQUIRY

Being one of the largest real estate groups in the country has direct advantages for our sellers. Our ability to target the largest pool of buyers within a campaign is a strength that you can be confident will assist us in delivering the best possible result for you. In the current market conditions, it's critical to target the broadest possible audience and to be as efficient as possible in tailoring appropriate messaging to your potential buyers. After all, our focus is to seek out the buyer for your property that will pay more than everyone else.

We do this by having the greatest number of relationships with buyers in the market today. Combine our relationships with our use of technology; we can engage with buyers on a level that will ensure we can find the premium buyer for your property.

In addition to our ability to target broad audiences, Ray White Concierge, our communication specialists, unique to Ray White, can target one of the most influential audiences, our local communities. Our 120 years of real estate

experience enables us to understand that a catalyst for creating competition is leveraging the local community. Our data shows that up to 60 per cent of property purchasers come from neighbours and their friends in some cases.

Ray White Concierge can communicate to property owners in surrounding streets, positioning your property to ensure it is at the centre of our communities' attention. Our dedicated team of 100+ Ray White Concierge specialists, in coordination with our appointed agent, can deliver a layered community communication program including telephone calls, SMS and email, ensuring that the most influential people are alerted early to the sale of your property.

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3. UNRIVALLED BRAND PRESENCE AND MEDIA PROFILE

As Australasia's largest real estate group, we are supported by a dedicated and highly experienced team of newshounds in our PR team who work seven days a week. The team excels at winning "earned media", the exposure that money cannot buy; it must be earned.

Our media exposure dominates all other brands in terms of publicity - which is the sweet spot. Our profile in newspaper advertising and editorials, along with a large number of listings on oneroof.co.nz, realestate.co.nz and trademe.co.nz/property - is also huge.

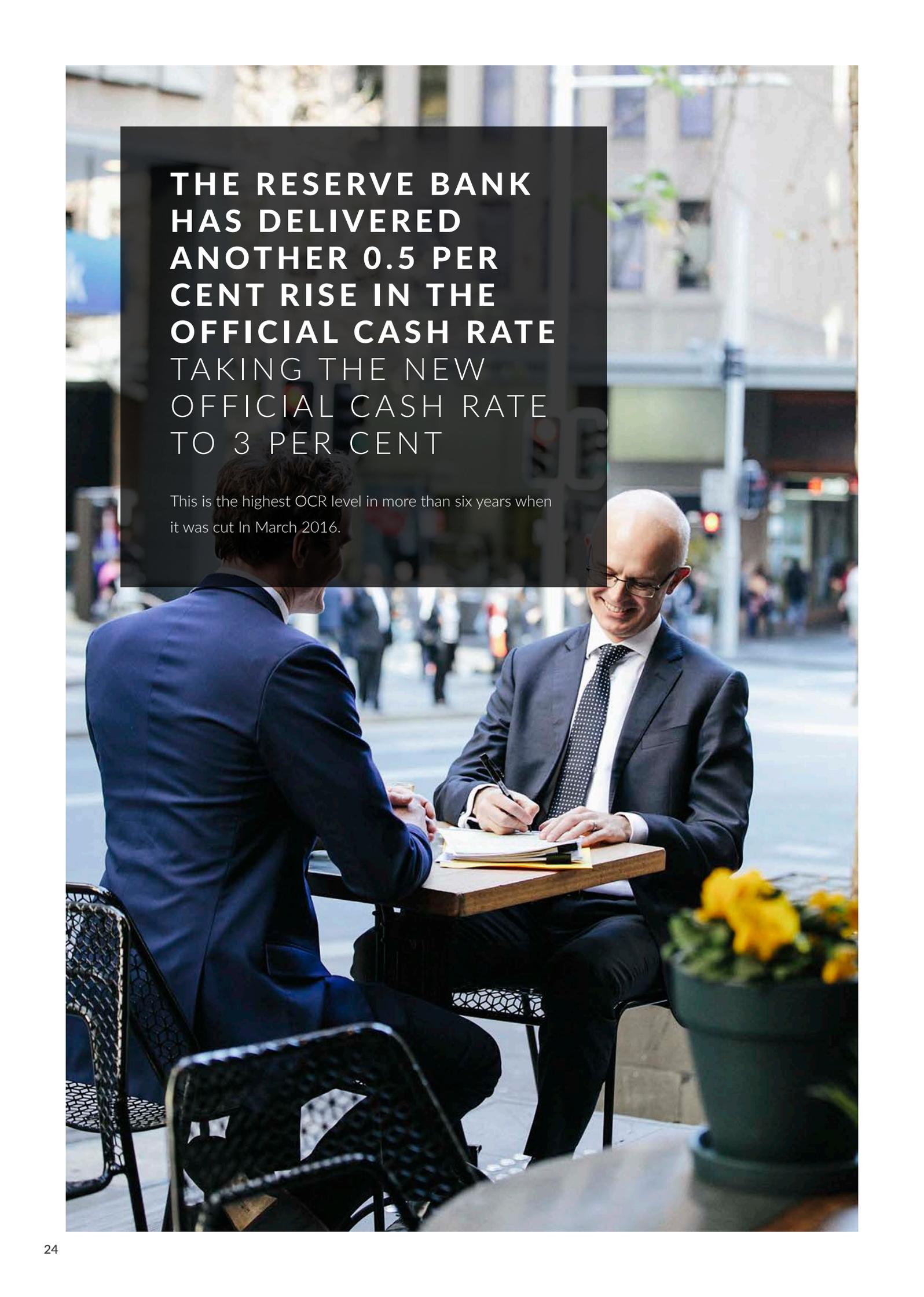
To put a price on the power of our media coverage, in July, Ray White New Zealand achieved more than \$1,276,151 worth of earned media mentions in print, online, radio and TV, according to iSentia, our media intelligence agency, with a potential reach of 9,657,623 people, almost twice the population of New Zealand. That's free publicity for the group and all its members.

Our experienced in-house journalists can get your property the exposure that money can't buy. When a home is listed with Ray White, our clients are introduced to the national public relations service; a team that's plugged into the New Zealand media and has the sole focus of achieving more exposure for the properties we sell to the audience that matters most.

4. DEEP DATA SET

In times of uncertainty, property sellers need facts, not media speculation, to create informed decisions. Whether that be a decision to list your property on the market or be in touch with real-time market conditions. The reliance on data and proof points has never been more important for good decision making.

As the most successful real estate group in Australasia, we have access to the largest pool of up to date information available and have the experience to help you analyse relevant data to help you make the right decision.

A photograph of two men in business suits sitting at a small wooden table outdoors. The man on the right is bald, wearing glasses, and is smiling while writing in a notebook. The man on the left is seen from the back, looking towards the other man. They are sitting on black metal chairs. In the foreground, there is a potted plant with yellow flowers. The background shows a city street with buildings and a traffic light.

**THE RESERVE BANK
HAS DELIVERED
ANOTHER 0.5 PER
CENT RISE IN THE
OFFICIAL CASH RATE
TAKING THE NEW
OFFICIAL CASH RATE
TO 3 PER CENT**

This is the highest OCR level in more than six years when it was cut in March 2016.

With inflation still causing a watchful eye from the Reserve Bank and employment levels also being considered high it is reasonable to think that the recent move in the OCR to 3.0 per cent will be followed up potentially by a couple more increases in October and November 2022, taking the OCR rate to 3.5 per cent by the end of the year.

The question remains: could the OCR keep rising next year? This will largely depend on inflation rates reducing and the labour market becoming more flexible with the potential increase in migration.

For those who are borrowing, the affordability equation remains consistent even as incomes rise and house prices decline. There is consideration of increasing mortgages and how that will look over the next year alongside potential house price reductions and income rises. The below graph taken from CoreLogic shows the annual mortgage payments as a percentage of gross average household income linked with falls in house prices and income rises by mid-2023. It assumes that mortgage rates will go up by 1 per cent and looks at affordability in each of the markets. The overall effect is a slight reduction in affordability.

Annual mortgage payments as % of gross average household income – 80% LVR, 10% further fall in house prices, incomes rise 5% by mid-2023

	Now – mortgages 5.1%	Mid-2023 – mortgages 5.6%	Mid-2023 – mortgages 6.1%
Auckland	52%	47%	49%
Hamilton	43%	39%	42%
Tauranga	61%	55%	58%
Wellington City	41%	37%	39%
Christchurch	37%	33%	35%
Dunedin	43%	39%	41%
NZ	45%	41%	43%

Source: corelogic.co.nz/news

Some major lenders during the past 12 months have cut mortgage rates, especially two year fixed to specials as global wholesale rates have fallen. Competitive pressures in the overall property market have added to the banks responses in encouraging lending.

What barriers still remain: the question of mortgage rates having peaked on balance is difficult to assume given there may be more increases in the OCR and the overall cycle of inflation globally.

Loan Market brokers are available to discuss all facets of lending and how it will allow you to build wealth.

ABOUT LOAN MARKET

Naturally, we all want the best when it comes to our home, and the same should apply to our home loan.

That's where our partners at Loan Market can help. Whether speaking to first home buyers, investors or owner-occupiers, Loan Market advisers can compare rates and features from over 20 banks and lenders to help potential buyers get the right finance in place to secure the property they want.

During the sales process, your Ray White salesperson will introduce potential buyers to their recommended local Loan Market adviser, who will respond quickly to provide them with the information they need to find a home that suits their needs.

Exposing your property to a pool of educated and, where possible, pre-approved purchasers who are ready to make an offer or bid at auction increases the likelihood of getting your home sold and settled on time and at the right price.

Your local Loan Market adviser can even assist you with your own home finance options. As one of Australasia's largest financial adviser networks, Loan Market enjoys industry links and contacts that mean they are better placed to negotiate on your behalf with major banks and secure lenders. They may even be able to find you a better deal with your own bank.

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ABOUT RAY WHITE

Ray White is a fourth generation family owned and led business. It was established in 1902 in the small Queensland country town of Crows Nest, and has grown into Australasia's most successful real estate business, with more than 1,000 franchised offices across Australia, New Zealand, Indonesia and Hong Kong.

Ray White today spans residential, commercial and rural property as well as marine and other specialist businesses. Now more than ever, the depth of experience and the breadth of Australasia's largest real estate group brings unrivalled value to our customers. A group that has thrived through many periods of volatility, and one that will provide the strongest level of support to enable its customers make the best real estate decisions.

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