



# RAY WHITE NOW

THE POWER OF NOW

PROUDLY PRESENTING NEW ZEALAND  
PROPERTY MARKET INSIGHTS IN REAL TIME



# A MESSAGE FROM OUR CHIEF EXECUTIVE

Dear Property Owner,

New Zealand might still be waiting to finalise some important policy decisions, but Kiwis are transacting with greater confidence.

This is despite lending rates pushing higher recently and opposing economists' views being split starkly between an aggressive and a cautious economic stance.

Two schools of thought are forming around the path of monetary policy – which will be a crucial determinant of purchasing power for the year ahead.

Forecasters advocating for higher interest rates and tighter policy controls (the hawks) believe migration has significantly lifted demand, with the housing market on its way up and further interest rate rises required to quell inflationary effects.

On the other side of the fence, dovish forecasters - who support lower interest rates, economic growth, and employment objectives - believe it will still take some time for the impact of the current tightening cycle to work its way through the financial system.

With nearly 60 per cent of fixed-rate mortgages due to roll over onto substantially higher lending rates within the next 12 months, we're beginning to wonder if they may be right.

These crystal-ball gazers expect the Reserve Bank of New Zealand (RBNZ) has done enough to contract the economy and are picking interest rates to recede sometime around mid-2024, following a little more economic pain for ordinary Kiwis.

The long list of variables makes for an interesting discussion here. Immigration, building and construction activity, geopolitical tensions, market expectations, employment rates, wages, commodity prices and housing market performance all play critical roles in the push-pull influence of policy.

In its latest Financial Stability Report (FSR), the RBNZ made it clear New Zealand is navigating uncharted waters, noting "the combination of high interest rates and low unemployment makes the current economic climate unique in recent history."

Much like the RBNZ can't control the worldwide move to nationalisation (as opposed to the previous decade's globalisation, which favoured growth and kept borrowing rates low), we can't control the financial factors motivating Kiwis to buy and sell property.



But our national network of 197 branches and trans-Tasman expertise does offer certainty in service, as evidenced by the increasing numbers of Kiwis choosing to buy and sell property with Ray White.

For buyers and sellers, we could be amidst some of the best market conditions we've seen in 18 months.

With a new government at the helm, appraisal requests have increased, new listing numbers are lifting, and our brand continues to outperform our competitors on the auction stage, delivering higher clearance rates and excellent results for our sellers.

Additionally, new data from property platform realestate.co.nz shows a meaningful lift in buyer engagements with digital listings - up nearly 27 per cent year-on-year. This is another indication buyers are moving from a passive to a more active purchasing mindset.

As we approach the end-of-year deadline and the last call for marketing campaigns, our branches nationwide look forward to helping you to achieve your remaining property objectives and welcome your enquiry should you be considering your options.

We trust that this document will help you to gain a deeper understanding of present market conditions, and we are proud to share our observations and deep data set in this latest edition of Ray White Now.

Our dedicated real estate experts are working harder to bring you the knowledge and latest information to support informed decision-making, and we remain on-call through any of our 197 New Zealand branches for all of your property-related requirements.

Please enjoy our 65th edition of Ray White Now.

Regards,

**Daniel Coulson**

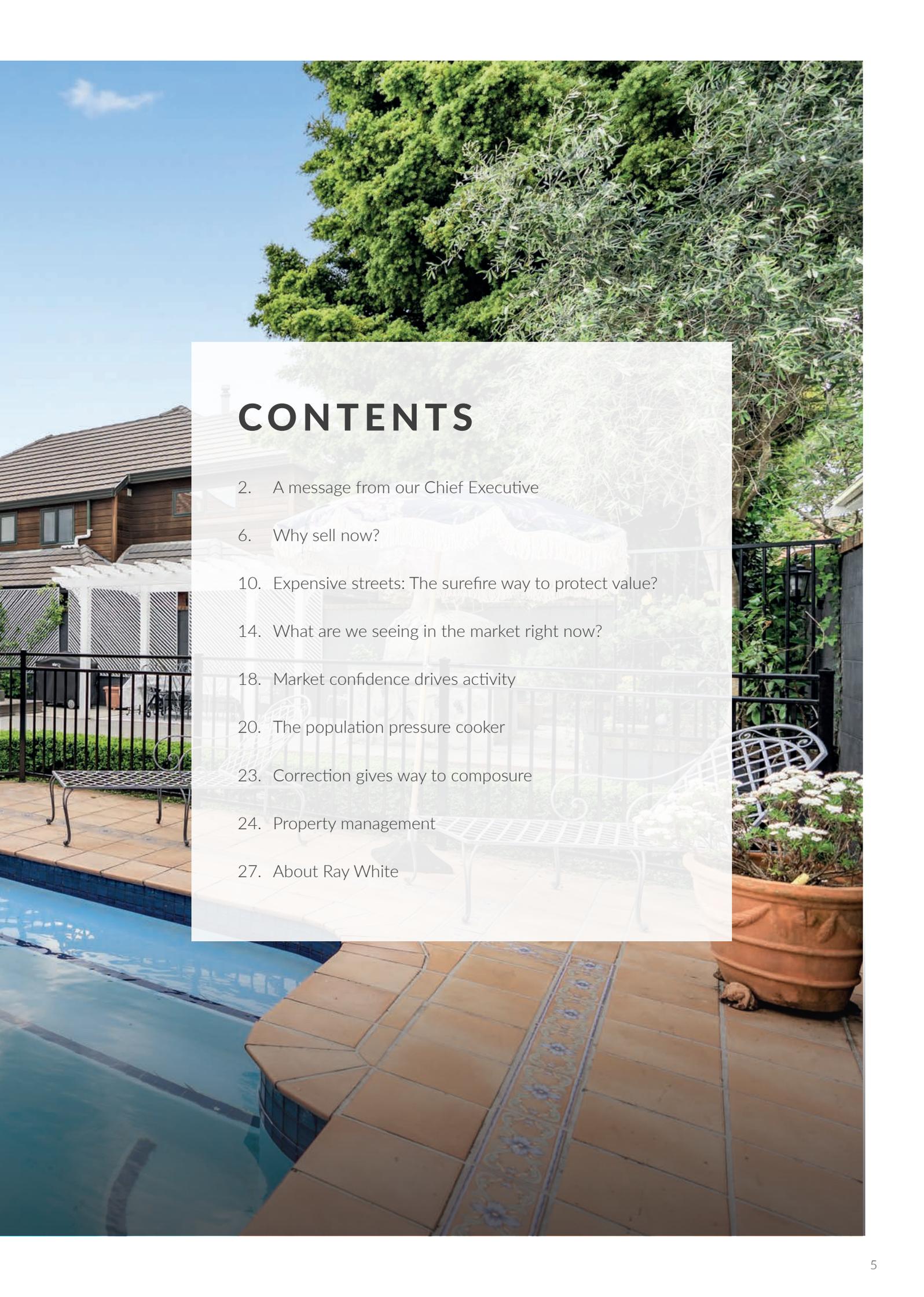
Chief Executive, Ray White New Zealand



**Featured property**  
**9 Massey Avenue, Woburn, Lower Hutt City**

**Proudly marketed by Annette Sliper**  
**Ray White Kemeys Brothers**  
Kemeys Brothers Limited Licensed (REAA 2008)



A photograph of a residential backyard. In the foreground, there is a swimming pool with blue water and a tiled deck. A metal bench is on the deck. In the background, there are trees and a house with a brown roof. A white semi-transparent box is overlaid on the center of the image, containing the text.

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# WHY SELL NOW?

**Daniel Coulson**  
Chief Executive  
Ray White New Zealand



The residential marketplace finds itself at an interesting juncture, and many homeowners are asking – should I stay or should I go?

On the one hand, New Zealand is on course for a prolonged period of subdued economic growth, though the rapid recovery in net migration and a firming in the housing market are likely to attract the displeasure of the Reserve Bank of New Zealand (RBNZ), and with it further potential increases to the Official Cash Rate (OCR).

On the other, an acute shortage of appropriately zoned development land and near-record population growth continue to put upward pressure on the value of existing assets as demand intensifies.

## LENDING RATES – TESTING TIMES AHEAD?

Despite the RBNZ holding the OCR steady in the last two Monetary Policy Statements (MPS), mortgage rates continue to rise.

The main driver of average fixed mortgage rates creeping higher across the board this month is a sharp rise in global interest rates, which have dragged New Zealand's swap rates – a key determinant of mortgage lending rates – with them.

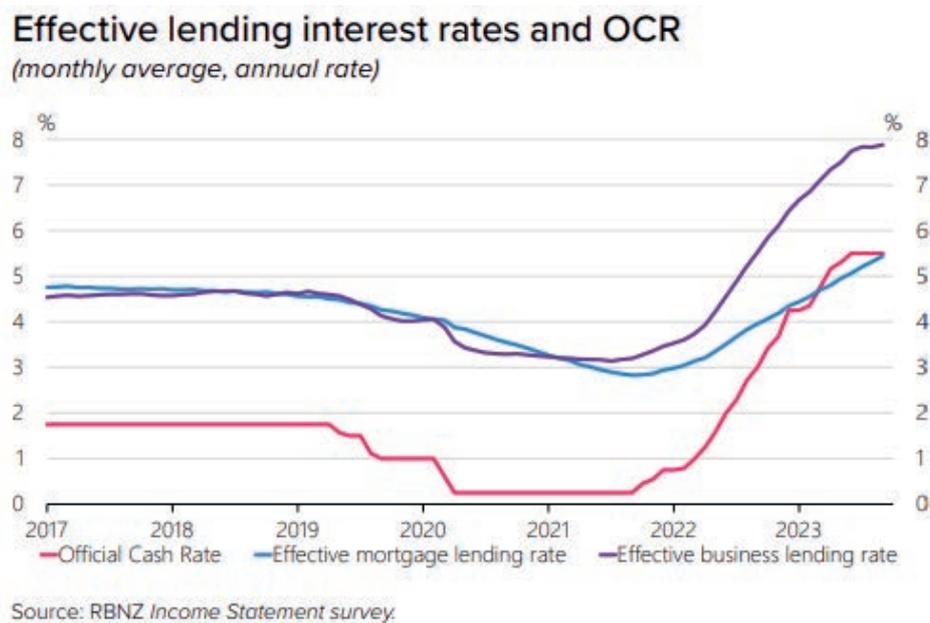
Continued volatility across the global economy can be felt particularly acutely in New Zealand, where our relatively small economic capacity and heavy reliance on international trade and capital flows.

Over the coming year, the RBNZ estimates that around 60 per cent of all fixed-rate mortgages are due to be repriced onto substantially higher borrowing rates.

Notably, the recent increases in offshore funding costs, which have pushed local borrowing rates higher, mean further increases could now be more costly than previously assumed.

For households with mortgages, the share of disposable incomes spent on debt servicing costs will rise to one-quarter by the end of the year, up from just 10 per cent in 2022.

In its recent Financial Stability Report (FSR), the RBNZ noted that the effective mortgage rate (the average rate paid across the stock of all mortgage lending) Kiwis pay is expected to rise from the 2.90 per cent recorded in late 2021 to 6.40 per cent by mid-2024.



While the stress felt by borrowers is still likely to be less than that of previous periods of financial stress – think the 2000s around the time of the Global Financial Crisis – it could disproportionately impact mortgage holders, particularly those with little equity in their properties.

So far, during this tightening cycle, Kiwi households have done well to absorb higher mortgage repayments, although the projected increase in unemployment could sway our steadfast coping mechanisms.

While mortgage lending rates primarily impact those who have already bought and sold, there are significant flow-on effects for the broader industry, with interest rate expectations playing a crucial role in market confidence.

The RBNZ expects the full effect of previous rate rises is yet to come, with an impact on buyer behaviour, market sentiment and undoubtedly sales activity should conditions tighten in the new year.



## THE 'I' WORD

Rapidly rising mortgage lending rates result from the RBNZ's efforts to reign in rampant inflation, which has rocketed from 1.50 per cent in 2021 to a 32-year high of 7.30 per cent in June 2022.

Overall, inflation has continued to move lower in line with global trends. However, we continue to see strong and still peaking domestically generated price pressures.

The strength of the labour market will be a primary determinant of how quickly inflation will ease, which is important given that recent labour market figures showed unemployment rising from 3.60 per cent to 3.9 per cent – slightly higher than the RBNZ's forecast.

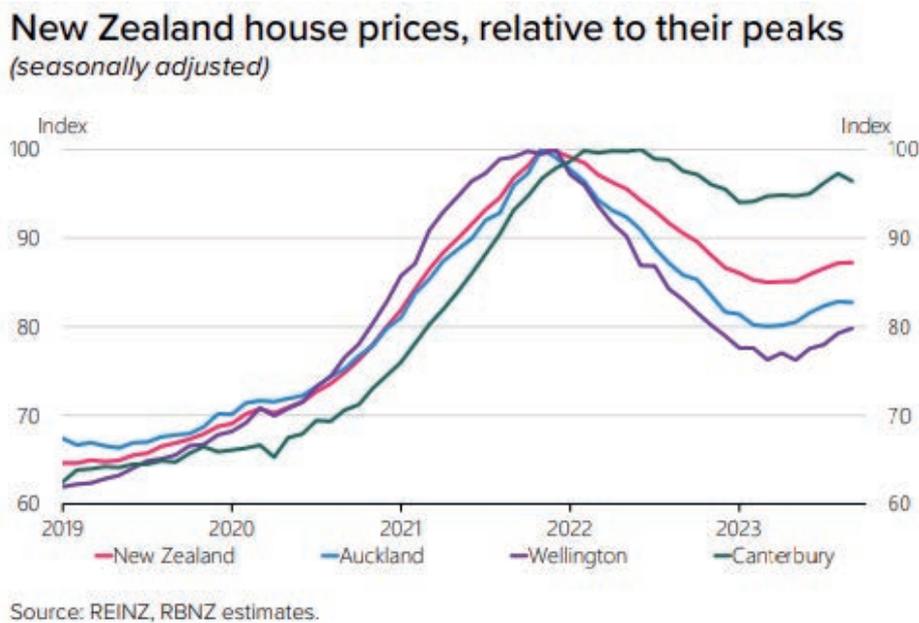
Crucially, the RBNZ needs to see some slack develop in the jobs market and for wage growth to slow if domestically sourced inflation pressures are to ease enough to provide a pathway back to the one-to-three per cent inflation target band.

Rising unemployment and slowing wage growth will, however, impact buyers' purchasing ability and sales activity as more Kiwis adopt a conservative approach to their finances as job certainty diminishes.

## FEELING SECURE

Although unemployment is expected to rise, there are strong indications the RBNZ will continue to hold the OCR at its next MPS on November 29th, providing greater certainty for borrowers until the first review of the new year, scheduled for February 28th 2024.

Certainty generally equates to confidence, and across our network, we have witnessed increased auction activity, a rising number of buyer enquiries, and tangible evidence of positive property market performance.



This is particularly notable as a firming in housing market conditions occurs while borrowing costs have pushed higher, speaking to pent-up demand across the national marketplace.

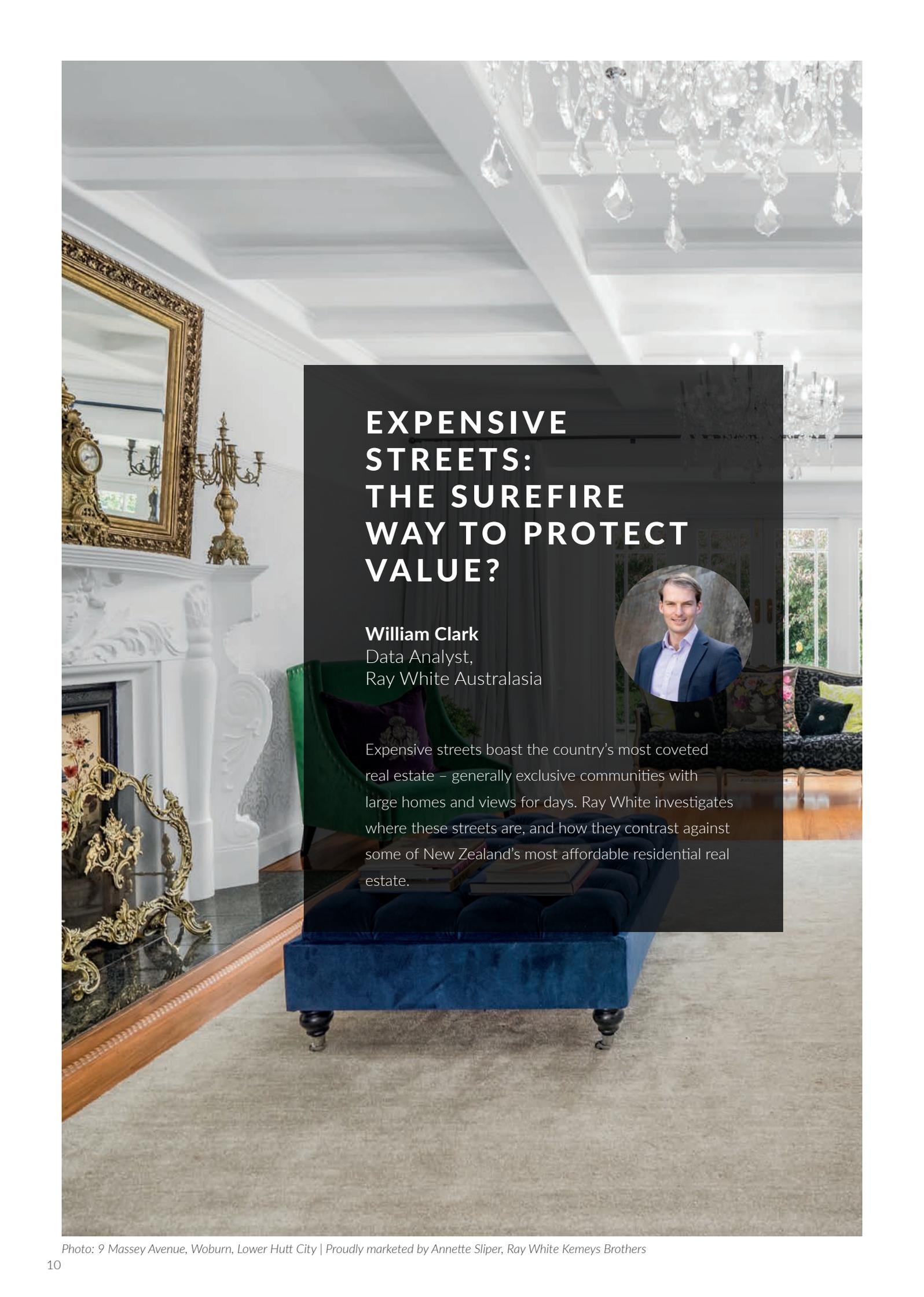
While government coalition negotiations are still ongoing at the time of print, and the fate of specific campaign policies remains unknown, we expect to see a change-up in legislation for the rental sector.

Policy changes designed to encourage housing investment include the reintroduction of interest deductibility for investors and residential tenancy repeals, which can potentially boost property sales for entry-level and investment-grade stock.

At the same time, residential rental rates increased by 7.40 per cent year-on-year in September, reflecting that demand is outstripping supply and adding further motivation for residential property investors to leverage current demand and an improving yield curve.

Looking ahead, the extent to which population growth and a supply shortage drive housing markets over the busier summer period will be critical for observers to determine where inflation is headed next.

Where the new year will help to clarify the extent to which the OCR is appropriately calibrated, core inflation pressures persist. There are plenty of reasons for housing market performance to slow, adding weight to the argument that sellers best act now to take advantage of the best market conditions we've seen in more than a year and a half.



## EXPENSIVE STREETS: THE SUREFIRE WAY TO PROTECT VALUE?

**William Clark**  
Data Analyst,  
Ray White Australasia



Expensive streets boast the country's most coveted real estate – generally exclusive communities with large homes and views for days. Ray White investigates where these streets are, and how they contrast against some of New Zealand's most affordable residential real estate.

Auckland's city harbour suburb of Herne Bay was New Zealand's first \$2 million suburb – the first neighbourhood to note a median value in excess of \$2 million. Marine Parade is a leafy right-of-way sandwiched between several parks, with all houses boasting panoramic views of the Hauraki Gulf. A collection of refurbished Victorian homes sits amongst some of the country's most spectacular contemporary architecture, giving the street a median value of \$12.50 million.

Billed as one of our most expensive markets, Dalefield in Queenstown, Otago, is positioned between the vibrant tourist mecca and beautiful Arrowtown. Alpine lots are lifestyle-sized and feature stunning views of Lake Hayes and the surrounding mountain ranges, including Ben Lomond, Coronet Peak, the Crown Range, and the Remarkables.

Unlike its Auckland counterpart, Ngarata Avenue in Mount Maunganui, Bay of Plenty is not set directly on the beach. Although, virtually all of its homes boast sea views. Tucked away on this picturesque and bustling peninsula, properties for sale on Ngarata Avenue are few and far between, adding to its enduring appeal and exclusivity, often resulting in intense competition for a limited pool of available properties.

## New Zealand's most expensive streets

Most expensive street per region - Median sales price (\$)

Region	Street	Median
Auckland Region	Marine Pde, Herne Bay	\$12,250,000
Otago Region	Lower Shotover Rd, Speargrass Flat	\$4,650,000
Bay Of Plenty Region	Ngarata Av, Mount Maunganui	\$3,475,000
Northland Region	Tern Pnt, Mangawhai	\$3,050,000
Waikato Region	Lake Tce, Hilltop	\$2,785,000
Hawkes Bay Region	Enfield Dr, Pakipaki	\$2,636,000
Canterbury Region	Queens Av, Merivale	\$2,580,000
Wellington Region	The Crescent , Roseneath	\$2,579,000
West Coast Region	East Coast Rd, Stillwater	\$2,050,000
Nelson Region	The Cliffs , Britannia Heights	\$1,900,500
Marlborough Region	Queen Charlotte Dr, Ngakuta Bay	\$1,800,100
Gisborne Region	Wairere Rd, Wainui	\$1,685,000
Tasman Region	Teapot Valley Rd, Brightwater	\$1,600,000
Taranaki Region	Wanaka Tce, Bell Block	\$1,421,500
Manawatu-Whanganui Region	Hartwell Dr, Bunnythorpe	\$1,300,000
Southland Region	Millwood Glen, Mill Road	\$1,200,000

Source: Ray White

There's a trend emerging in these areas, and we can see from the data that expensive streets generally have excellent vantage points, large lot sizes (relative to the regional average), access to amenities, and high-quality architecture.

On the other side of the tracks, the country's most affordable streets are a little less uniform.

In Canterbury's Springston, Spackman Avenue is near the burgeoning community of Lincoln with its multitude of amenities, and many properties are accessible to the Selwyn River. However, properties are generally positioned on Crown leased land, which means owners have the right to occupy for a specified timeframe, but they do not own the land on which the property stands.

This type of ownership is common across New Zealand and can offer a more affordable option for home ownership upfront, often in areas where the cost of land is high.

## New Zealand's most affordable streets

Most affordable street per region - Median sales price (\$)

Region	Street	Median
Nelson Region	Piko St, Toi Toi	\$487,500
Marlborough Region	Eltham Rd, Blenheim	\$430,000
Hawke'S Bay Region	Farm Rd, Waipukurau	\$217,500
Taranaki Region	Acourt St, Hawera	\$200,000
Gisborne Region	Rangiui Rd, Tolaga Bay	\$180,000
Manawatu-Whanganui Region	Makere St, Taumarunui	\$175,000
Northland Region	South Rd, Kaitaia	\$171,000
Bay Of Plenty Region	Oregon Dr, Murupara	\$170,000
Unidentified	Stevenson Ave Subdivision, Unknown	\$169,130
Tasman Region	Chapman St, Richmond	\$167,500
Waikato Region	Hinau St, Tokoroa	\$158,125
Otago Region	Roxburgh St, Heriot	\$120,000
Wellington Region	Parliament St, Melling	\$96,875
Southland Region	Stirrat St, Kingswell	\$90,000
Canterbury Region	Spackman Av, Springston	\$88,750
West Coast Region	Bower Hill Rd, Whataroa	\$82,000
Auckland Region	Whitaker Pl, Grafton	\$53,963

Source: Ray White

In Waikato, Tokoroa is the largest southern suburb and, while still experiencing a gentrifying transformation, has been billed as a serious growth node.

Hinau Street, at the northern end of town, is adjacent to the Kauri Reserve and minutes from State Highway 1. It features a median value of nearly \$160,000 – providing some serious value for investors looking ahead.

Homes here have been generally poorly maintained, and a substantial proportion of smaller units contribute to a lower median value given comparatively smaller sizes.

It is incredible to note the most affordable street – Whitaker Place in Grafton, Auckland – is less than five thousands the price of the city's most expensive street, and they're only six kilometres from each other.

In the case of Whitaker Place, it is a student enclave, with a high proportion of small apartments billed as affordable accommodation adjacent to tertiary institutes. However, change is occurring across the country at all times, and as developers identify supply-demand disparities, they will likely uncover opportunities. It will be interesting to reinvestigate the affordable nature of these same streets again in the coming years.



Photo: 9 Massey Avenue, Woburn, Lower Hutt City | Proudly marketed by Annette Sliper, Ray White Kemeys Brothers

# WHAT ARE WE SEEING IN THE MARKET RIGHT NOW?

Treena Drinnan | Chief Agency Officer, Ray White New Zealand



Many factors influence the real estate market's performance, including:

**Economic conditions:** The health of the economy as measured by economic growth (Gross Domestic Product), employment rates, and consumer confidence, which impact appetites and the ability to buy and sell.

**Interest rates:** Changes to interest rates can affect mortgage lending rates and, consequently, housing affordability. Lower interest rates often stimulate housing demand.

**Supply and demand:** The balance between housing supply and demand is a crucial determinant of property values. Insufficient housing supply relative to demand can lead to rising prices.

**Government policies:** Government policies related to housing, such as tax incentives, subsidies, or regulations, can significantly impact the real estate market.

**Demographics:** Population growth, migration patterns, and demographic changes influence the demand for housing. For example, an influx of new residents or changing demographics may affect market dynamics.

**Global economic factors:** Events and trends in the global economy, such as trade tensions, can indirectly affect a country's real estate market.

The following is a snapshot of what we currently see in the market right now, based on real-time data from Ray White New Zealand's network.

## SUPPLY

In October, Ray White New Zealand performed better than expected in the area of listings, bringing 2,047 new listings to the market, which is nearly 18.19 per cent more than the same period last year.

The number of Ray White sales for October was 1,342, which was 12.42 per cent higher than the same time last year.

The total value of sales was 8.47 per cent higher than October 2022, at \$1.24 billion.



## DEMAND

Analysts initially assess housing demand by looking at the number of buyers viewing properties online. Throughout October, there were 4.90 million views across Ray White's websites, resulting in 39,681 enquiries.

When measuring the market demand volume, we also examine the proportion of buyers obtaining pre-approval for finance.

Pre-approval rates are a key indicator of confidence in the market. Knowing their level of financial capacity affords purchasers additional opportunities, like the ability to participate in auction proceedings.

Our partners at Loan Market are seeing an increasing number of pre-approvals nationwide, up 79.19 per cent year-on-year.

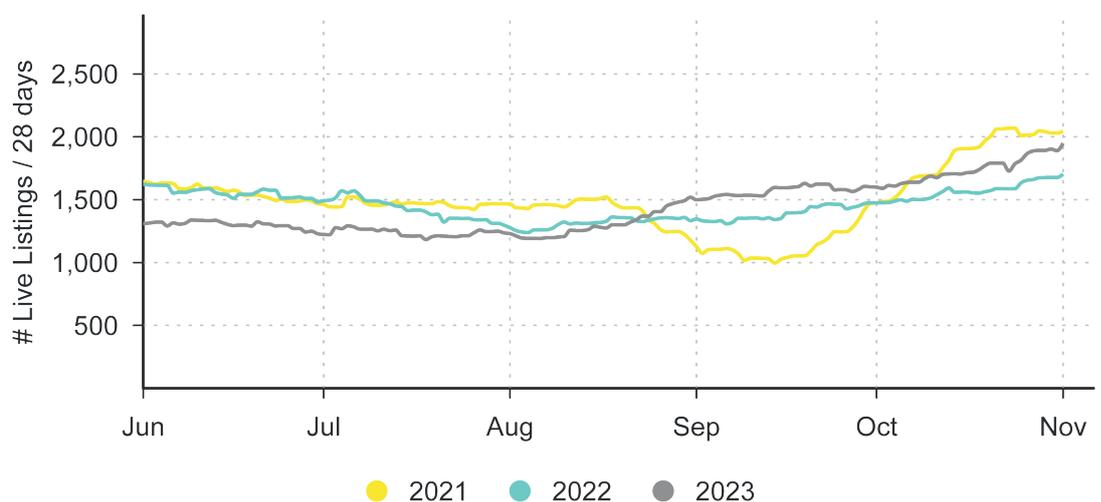
The easing of loan-to-value ratio (LVR) restrictions introduced on June 1, improvements in access to finance, and increased price caps for the Government's first home grants are factors helping to encourage buyers to transact.

Particularly, first-time purchasers continue to conclude the bulk of residential transaction activity, with investors expected to resurge following further policy announcements from the new government.

Also of note is an increased activity at our auctions, which continues to outperform any other method of sale in terms of days on the market and results achieved for our sellers.

## LIVE LISTINGS

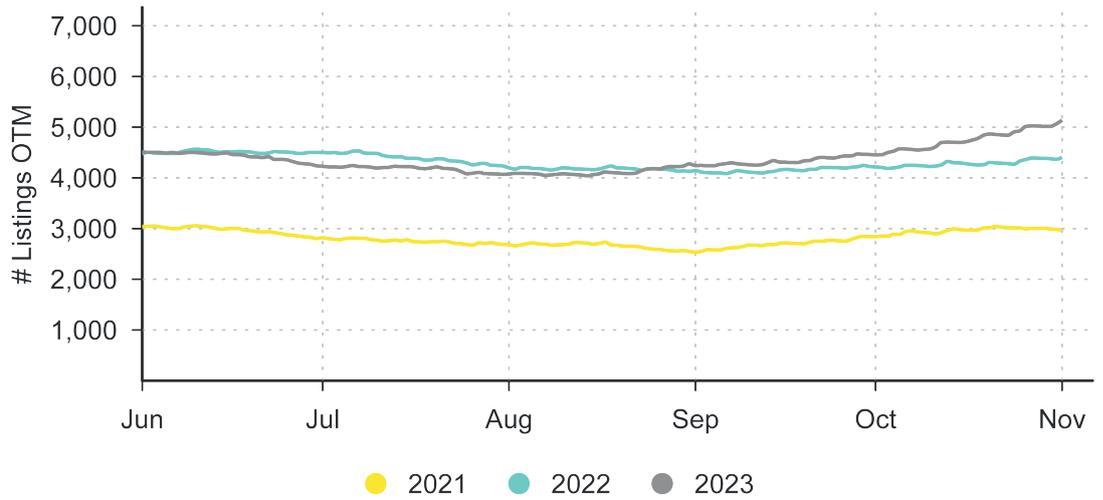
This graph shows the total number of live listings on Ray White's channels. The month ending 31 October 2023 was up 18.19 per cent year-on-year.



Source: Ray White Online Analytics

## LISTINGS ON THE MARKET

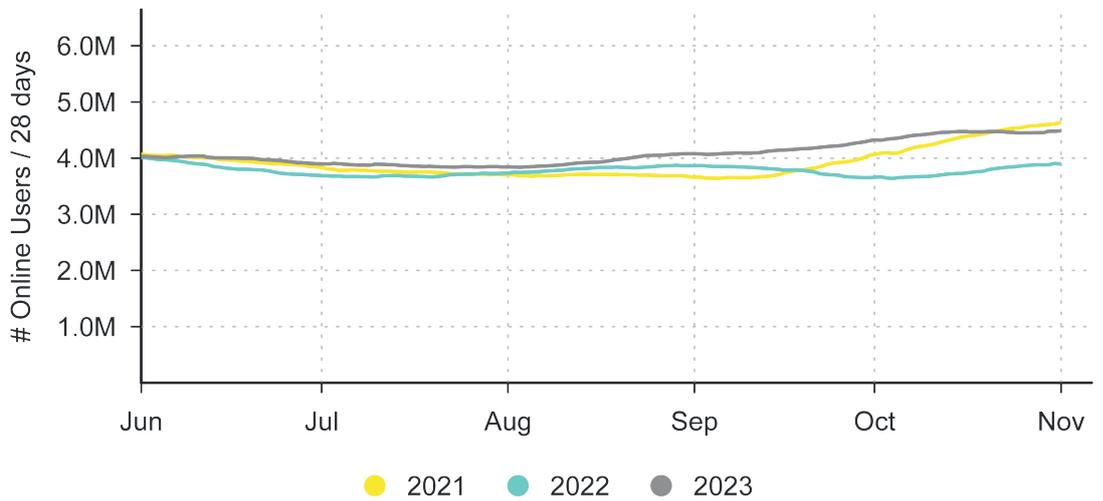
This graph compares the total number of listings live on the market over the past three years. For the month ending 31 October 2023, this was 5,076, up 16.08 per cent year-on-year.



Source: Ray White Online Analytics

## WEBSITE USERS

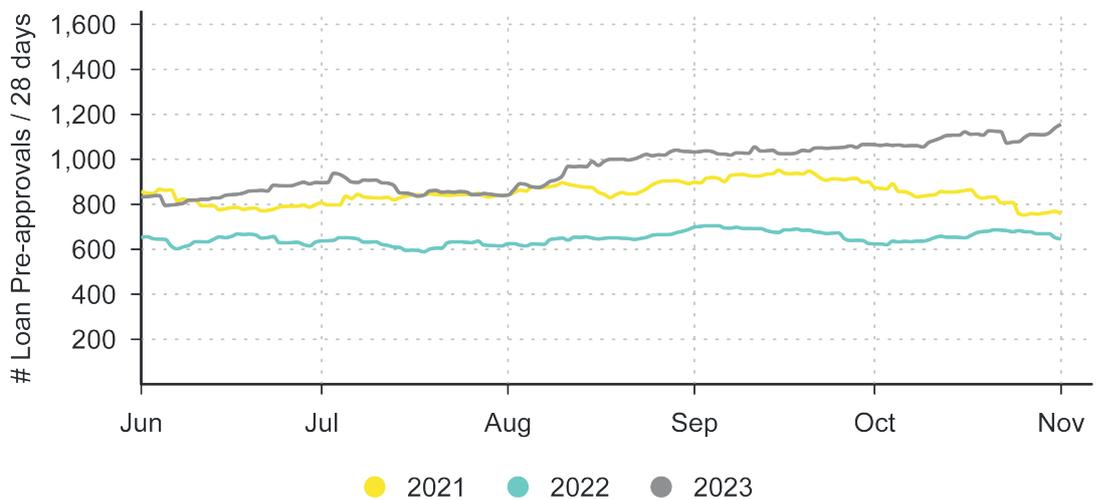
This graph compares the level of users on Ray White listings digitally across New Zealand over the past three years. For the month ending October 2023, this was 39,681, up 2.10 per cent year-on-year.



Source: Ray White Online Analytics

## LOAN PRE-APPROVALS

This graph compares the number of loan pre-approvals submitted via Loan Market brokers over the past three years. The number of loan pre-approvals received was 1,240 for the month ending October 2023, up 79.19 per cent year-on-year.



Source: Ray White Online Analytics



Photo: 9 Massey Avenue, Woburn, Lower Hutt City | Proudly marketed by Annette Sliper, Ray White Kemeys Brothers

# MARKET CONFIDENCE DRIVES ACTIVITY

**Sam Steele** | Head Auctioneer, Ray White New Zealand



Following several months of positive results, October cemented the market recovery, with buyers displaying confidence in the auction room despite lingering uncertainties around the fine print for the next government.

A total of 511 auctions were held across the country, which was a 35.90 per cent increase on the same period last year – reflecting the naming of a new government likely had a pivotal role to play in sellers’ decisions to come to market. Increased choice with more listings for sale saw clearance rates lift by an impressive 4.40 per cent year-on-year to 57.70 per cent in October.

Ray White’s auctions nationwide registered an average of 2.90 bidders per auction, a sizeable uptick from the previous year’s performance. Perhaps most importantly, more than 40 per cent of all listings entering the market were offered for sale by auction, highlighting a discernible preference among both buyers and sellers for this transparent transaction method.

Auctions consistently outperformed alternative sale methods in October, evidenced by the average time on the market, which stood at just 24 days for auctions, as opposed to the 43 days associated with private treaty sales. These compelling metrics underscore the critical importance of selecting the right sales approach in today’s marketplace, where achieving a swift sale is as essential as the success rate itself.

Anecdotal evidence from our frontline sales team indicates an improved sentiment, heightened buyer, and fresh stock. The open and transparent nature of auctions continues to be highly valued by both buyers and sellers, with tangible competition yielding positive effects.

This aligns seamlessly with current market attitudes, where stakeholders actively seek direction and clarity throughout the sales process. As the property market approaches the traditionally active summer months, Ray White New Zealand is strategically positioned to advocate for auctions as the preferred method of sale.

All metrics show increased confidence in the auction process, leveraging the inherent advantages of heightened engagement and consumer confidence.

## BIDDING BY MONTH

This chart illustrates the number of registered bidders and active bidders per auction for the year to November 2023.

Source: Ray White Online Analytics

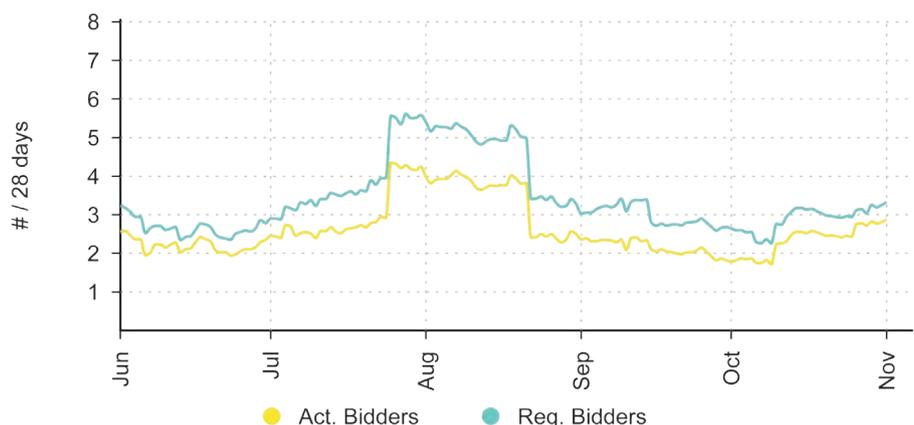




Photo: 9 Massey Avenue, Woburn, Lower Hutt City | Proudly marketed by Annette Sliper, Ray White Kemeys Brothers

# THE POPULATION PRESSURE COOKER

Ray White New Zealand

*New Zealand is on track to welcome 120,000 new entrants by year-end, putting immense pressure on our housing supply, ageing infrastructure and house prices. Ray White New Zealand investigates the challenges facing the building sector and how we can increase supply, quickly.*

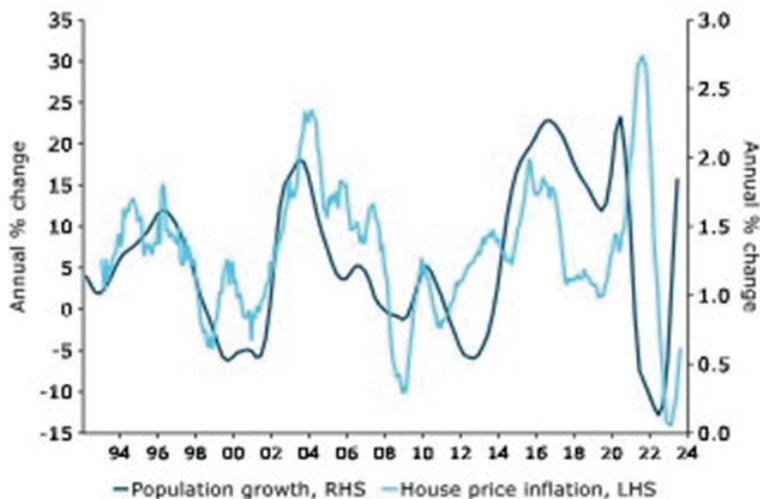
Experiencing the swiftest surge in real residential land values globally, coupled with the highest rents and home prices relative to incomes, is not a title Kiwis want or need – and it's a nomination the next government will be working hard to shake as they take their seats in the Beehive.

Following the failure of KiwiBuild, policymakers have traditionally shied away from setting answerable targets for the number of new homes delivered quickly and efficiently.

Instead, we see a renewed focus on funding, infrastructure and distribution of growth benefits.

## THE PROBLEM

Our country has built the fewest new homes in the world for every 1,000 new residents over the last 30 years – a confronting fact reflecting ongoing issues with supply, demand and the catch-up game.



Source: SNZ, REINZ, ANZ

Experts say we almost reached parity between the supply and demand for residential properties during the pandemic, where border closures poured cold water

on population growth and construction activity continued.

However, a current downturn in New Zealand's building sector is deepening, and commentators expect a sharp decline in building activity over the year ahead.

Residential building consent issuance is now at levels observed prior to the pandemic, with Statistics New Zealand noting the number dropped another five per cent in September.

In the past 12 months, just more than 40,000 new dwellings were consented, down 20 per cent on the previous year and far from enough to meet the demands of near-record population growth.

## THE TROUBLE WITH ESTIMATES

Since 2020, forecasters have had difficulty estimating just how acute New Zealand's building shortfall is, with wild variations swinging between 10,000 homes and more than 100,000.

Assumptions about the number of occupants per household have been particularly challenging, given incorrect Census information at successive national campaigns.

The best indication of a housing shortage, then, is the performance of the rental market, where supply and demand is measured by the simple economics of rents, rising and falling until balance is achieved in the supply-demand equation.

Over nearly three decades, rental rates across New Zealand have increased by an average of just over four per cent annually.

Currently, this measure stands at 7.40 per cent for the year to September 2023, reflecting an acute shortage of available properties and an eager population of tenants.

Analysis of data from the Organisation for Economic Cooperation and Development (OECD) shows that New Zealand also has one of the world's highest rates of rental stress.

Around one-quarter of all New Zealand renters spend more than 40 per cent of their incomes on rent.

Given that private investors supply approximately 85 per cent of the rental market in New Zealand, housing more than 1.12 million tenants, moves by the previous Labour-Greens-Te Pāti Māori government to remove the ability to deduct interest as a taxable expense had severe repercussions for supply and demand, pushing prices up for a limited amount of private rental properties.

A National-Act-New Zealand First coalition government seems in agreement to reverse this policy, which is expected to encourage private landlords back to the market by making residential investment more attractive. However, the widespread construction downturn reflects ongoing challenges facing developers – namely, tougher financial conditions, increased construction costs and continued interest rate increases.



Photo: 9 Massey Avenue, Woburn, Lower Hutt City | Proudly marketed by Annette Sliper, Ray White Kemeys Brothers

## WHAT'S THE SOLUTION?

Dubbed 'pro-housing', the incoming government are tackling one of the world's biggest problems with housing supply, with fresh eyes.

Many measures can improve the housing supply and make it easier for renters, though commentators expect reinstating interest deductibility will have the most profound impact.

In addition, incoming policymakers will likely shorten the bright-line test from 10 to two years and emphasise the potential of Build-to-Rent projects to provide more permanent accommodation options.

Increasing New Zealand's housing supply is a primary focus for these parties, which is positive because building more homes where people want to live is a critical way to ensure a consistent supply of affordable housing options for buyers and renters.

Under the incoming government's policies, councils in major towns and cities must immediately zone land for the 30 years' worth of housing demand. They will receive a degree of flexibility for implementation and be incentivised to unlock land for development, providing a mixed range of housing typologies.

A programme dubbed 'Build-for-Growth' will take effect from July 2024, incentivising New Zealand's councils and territorial authorities with \$25,000 for every dwelling they consent above the average number of new consents recorded for the area in the previous five years.

Infrastructure will also be a focus, with the Infrastructure Funding and Financing (IFF) Act set to receive an overhaul designed to reduce bureaucracy and encourage investment into critical infrastructure, which has been long-criticised as a key barrier to providing more housing supply.

Importantly, we're also likely to see reforms in the Resource Management Act and the Building Act, which will simplify the rules around planning and construction, increasing competition in the materials market and streamlining the process for building houses cheaper and more efficiently.

Over time, the lift in population growth and strengthening house prices will encourage the development of new homes. However, near-term forecasts show residential construction activity will continue to dip, particularly as new dwelling consent issuance is tracking close to 20 per cent less than a year prior.

While the downturn's extent will be moderated by the fact that a large number of projects are in the pipeline, we're hoping the incoming government can deliver some much-needed supply and make a meaningful dent in the country's supply-demand mismatch.



Photo: 9 Massey Avenue, Woburn, Lower Hutt City | Proudly marketed by Annette Sliper, Ray White Kemeys Brothers



# CORRECTION GIVES WAY TO COMPOSURE

Loan Market | [loanmarket.co.nz](https://loanmarket.co.nz)

Loan Market™

Several months of good news stories from the residential property market have lifted consumer sentiment, and New Zealand's property market is headed in a different direction.

Data from research firm CoreLogic shows that values remained flat in September, ending 17 months of value decline. Since peaking in March 2022, New Zealand's median property price has fallen 13.20 per cent, although it's still 24.30 per cent higher than at the start of the pandemic in March 2020.

Focusing on more significant markets, prices rose by 0.40 per cent in Auckland – the city's first increase since March 2022.

Prices lifted 0.20 per cent in Christchurch and 0.20 per cent in Dunedin.

Values remain unchanged in Wellington and fell 1.50 per cent in Hamilton and 1.20 per cent in Tauranga.

The numbers indicate that green shoots are starting to sprout, although the recovery is far from uniform.

Speaking before the general election, CoreLogic's chief economist Kelvin Davidson said it was only a matter of time before the market began to stabilise.

"Housing market confidence seems to have turned a corner, supported by a rough peak for mortgage rates, high net migration flows, a still-solid labour market and an easing in credit conditions.

"A growing expectation that National may lead the next government, with more 'property friendly' policies, may well be playing a role here too," he said.

Mr Davidson also noted signs of "emerging growth". However, conditions differed from region to region.

"This patchiness among the main centres may well continue in the coming months and is likely to be a feature elsewhere in New Zealand too.

"After all, while we have broadly reached a trough in the market, we're not expecting the next phase of growth to be swift or sudden either given mortgage rates remain challenging for many households," he said.

# PROPERTY MANAGEMENT

## Zac Snelling

Head of Property Management  
Ray White New Zealand



Like a full suitcase bursting at the seams, New Zealand's rental sector is grappling with capacity constraints as the interplay between supply and demand intensifies competition for a limited pool of available properties.



At the time of publication, New Zealand still didn't know the exact nature of the final National-Act-New Zealand First coalition government and the policies they would pursue. However, there's a sense amongst those in the property sector that their stance will support economic growth objectives and further increase demand in the residential space.

An easing of tax obligations on residential property investors and a desire to reduce regulatory burdens are notable areas in which the coalition partners agree, and we only hope that consensus delivers much-needed housing supply and stability for rapidly rising rental rates.

Policies we expect will survive coalition negotiation talks include;

- A slow return of interest expense deductibility for residential landlords;
- The bright-line test reduced to two years from the current 10;
- Reinstatement of landlords' ability to execute no-cause tenancy terminations;
- And, the provisions which see fixed-term tenancies roll onto periodic tenancies in most cases.

The belief that these policies will get over the line has catalysed growing optimism amongst residential investors, which is reflected by a decrease in concern regarding tax obligations and an uptick in buying and selling enquiries across our Ray White network.

## **DEMAND DYNAMICS**

In October, our national property management team received 8,068 new tenancy applications for 1,056 completed tenancy agreements, reflecting that the flow of new listings continues to tread along the bottom.

With migration continuing at a rapid pace - poised to hit a new record of 120,000 by year-end - it remains a critical driver in the current market landscape, and the surge serves as a compelling factor for investors to re-investigate market opportunities.

Although analysis has shown the average wealth of migrants entering the country isn't as high as in previous cycles, we're seeing increased pressure on the current rental supply, given there's a significant inflow of people searching for accommodation focused around our metropolitan centres.

Owing to this, average weekly rental rates are stronger than ever in Auckland, where a large proportion of the incoming population naturally settles, exacerbating the supply shortage.

## **RENTAL RATES**

Bond data from Tenancy Services shows that in the 12 months to September, residential rental rates increased 7.40 per cent nationally, or an average of \$40 a week.

In Auckland, rents are up \$60 a week. However, Queenstown remains the most expensive market to rent a home - with prices rising by 21.0 per cent by \$130 a week over the last year.

The market in Queenstown is quite unique, with supply issues exacerbated by a higher proportion of 'ghost homes' - those properties which remain empty outside the traditional holiday seasons.

Legislation enacted by the previous government amplified this issue by removing landlords' ability to provide fixed-term tenancy with a guaranteed end date. Some owners then chose to keep the properties vacant to ensure their future right of use.

As we have reported previously, standalone homes with three and four bedrooms remain the most sought-after rental class, as more families and multi-generational households lease for longer amidst challenges gathering first home deposits in the current economic climate.

Demand for apartments has held steady, particularly in central city areas where migrant growth is most acute and international students are a stronger presence.

## SUPPLY DYNAMICS

Against this backdrop, the downturn across New Zealand's building and construction sector is deepening.

### Residential building consents and net immigration (rolling 3-month total per 1000 working age people)



Source: Stats NZ, RBNZ estimates.

Where nationally, new residential dwelling consents have already fallen by close to 20 per cent over the past year, we can see the relationship between supply and demand becoming more tenuous, particularly as commentators expect construction activity will continue to drop away until early 2025.

The reduction in building consent issuance is widespread, with activity down 22 per cent in Auckland, down 18 per cent in Wellington, and down 17 per cent in Canterbury, according to data from Statistics New Zealand.

Monthly consent issuance is now below what was seen before the pandemic, which has important implications for our national rental market.

Inflation, interest rates, immigration, and building and construction activity substantially influence the rental sector's performance, with the repercussions of a severe supply shortage affecting approximately 1.3 million New Zealand tenants.

The single best way to provide consistency and security of tenure is to add more homes to the mix, which policymakers can do by incentivising good landlords to invest in the sector.

When supply equals demand, rents will rise according to household incomes.

If there's a mismatch, rents will rise or fall until balance is achieved.

We're looking at simple supply and demand dynamics as the prevailing factor driving rising rental rates and look forward to receiving greater clarity on the government's plans to achieve better equilibrium for the sector in the months ahead.

In the absence of certainty, across our Ray White Property Management division, we'll continue to focus on providing our network of landlords and tenants with certainty of service.

We continue to focus on promoting our industry-leading qualifications programme, which has seen 91 per cent (and counting) of Ray White offices gain New Zealand Qualifications Authority (NZQA) certificate representation nationally.

We're also on track to open the new year with 100 per cent adoption of this standard across the entire Ray White New Zealand network.

This is an industry-leading goal, which we know adds value for our clients and customers and creates a valuable point of difference, particularly given the shifting landscape and implementation of evolving rental legislation.

If you are a landlord wanting to learn more about our agile property management services or a tenant seeking a home, my team of nationally positioned rental sector specialists have expertise in your area, and I welcome your call.

# ABOUT RAY WHITE

Ray White is a fourth-generation family-owned and led business.

Established in 1902 in the small country town of Crows Nest, Queensland, we are proud to have grown into Australasia's most successful real estate business, with over 1,000 franchised offices across New Zealand, Australia, Indonesia, and Hong Kong.

Ray White today spans residential, commercial, and rural property, marine and other specialist businesses.

Now more than ever, the depth of experience and the breadth of Australasia's largest real estate group bring 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 to make the best real estate decisions.



Ray White's first auction house, 'The Shed' Crows Nest, Queensland.



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