



RAY WHITE NOW

P O S I T I V E R E F L E C T I O N S

PROUDLY PRESENTING NEW ZEALAND
PROPERTY MARKET INSIGHTS IN REAL TIME



A MESSAGE FROM OUR CHIEF EXECUTIVE



Dear Property Owner,

In reflecting on the past year, many Kiwi homeowners will think of 2023 as a year of resilience.

Areas nationwide have shown tenacity, with flooding and extreme weather events testing us from the beginning of the year. These events, combined with economic changes, have seen the heightened importance of budgeting skills and considered decision-making as mortgage rates inched higher and sellers sought an optimal time to transact.

With a new year within reach, forward-looking indicators are positive, and greater certainty under a new government is providing markets with some relief.

After holding the Official Cash Rate (OCR) steady again at 5.50 per cent in its final Monetary Policy Statement (MPS) of the year, the Reserve Bank of New Zealand (RBNZ) met expectations. However, policymakers continued to talk tough on the efforts required to quell inflation.

The jury still isn't out on just how much is hyperbole, particularly given the rest of the world continues to ease restrictive macroprudential measures.

While there is clear evidence that our economy is cooling, and the RBNZ has done enough to dampen consumer demand, there's still a lot of work required to bring inflation back to the target range.

We have seen the new government weigh in on the RBNZ's core functions, with legislation expected to amend the RBNZ Act 2021 and remove the dual mandate of price stability and maximum sustainable employment.

This focus on inflation demonstrates a commitment from the new government to control the surge in costs, reflecting a fait accompli that unemployment will need to rise for the country to achieve greater certainty across the economy.

This is good and bad news for the housing market.

On one hand, easing market volatility and price regularity allows for buyers and sellers to transact under more uniform market conditions. Kiwis were quick to digest this during the second half of the year, entering the market with greater confidence and pushing average national prices up steadily for the last several months.

The other hand, however, shows that above-forecasted unemployment could initiate a fresh round of mortgage defaults, undermining market confidence as we move through the new year.



The employment sector has been persistently strong for the last three years, with capacity constraints and labour shortages across critical industries being the key catalyst for record-high migration.

Arrivals into the country have exceeded departures by nearly 130,000 in the year to October, and this tempo will likely continue for a further few months yet.

Variables across the economy continue to play a critical role in decision-making for the residential sales market, with buyers and sellers needing the latest sales data and information to make educated choices now more than ever.

Our Ray White technology platform has been a key focus in 2023 and will remain crucial in 2024. This enables our 197 branches across the country to connect with customers in a more meaningful way, providing real-time data and sales information that gives our network the edge, particularly in variable market conditions.

From the entire team at Ray White New Zealand, I extend my deepest gratitude to our customers and clients for your continued support through the year that was. We have proudly helped thousands of Kiwis into new homes, investments and rental properties, and we look forward to adding value again in the year ahead.

Our dedicated real estate experts will continue to work harder over the summer months to bring you the knowledge and latest information to support intelligent selections, and we remain on-call through any of our New Zealand branches for all of your property-related requirements.

Best wishes for a safe and happy summer. We look forward to seeing you in the new year.

Please enjoy our 66th edition of Ray White Now.

Regards,

Daniel Coulson

Chief Executive, Ray White New Zealand

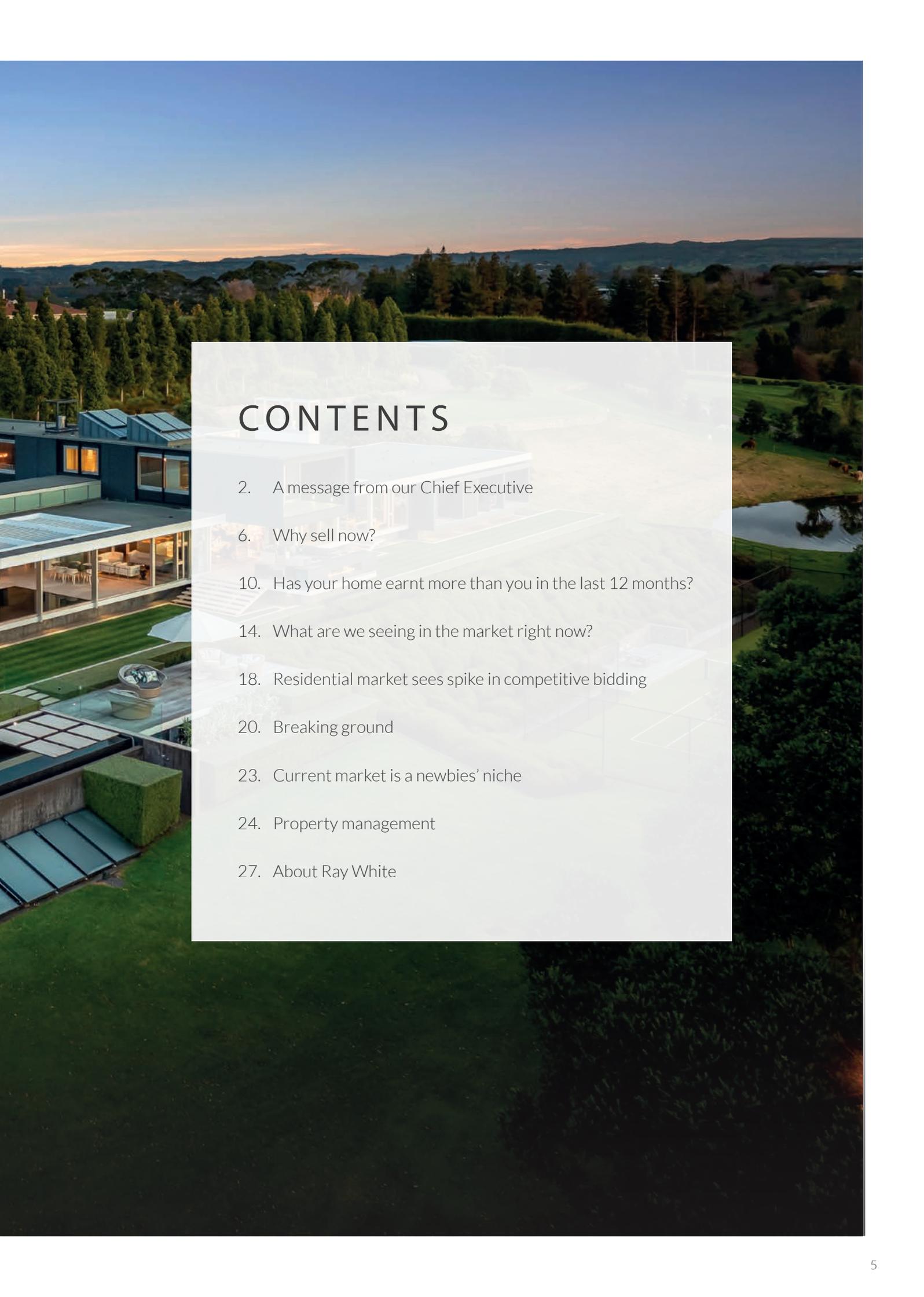


Featured property
340H Pahoia Road, Whakamarama

Proudly marketed by Ross Hawkins
Ray White Epsom

Black Group Realty Limited Licensed (REAA 2008)





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WHY SELL NOW?

Daniel Coulson
Chief Executive
Ray White New Zealand



Critical policy changes will shift the dial on the residential market as we get stuck into the new year.

While Kiwis will have put election uncertainty behind us, the impact of the incoming government is starting to take effect, with policymakers expected to make meaningful changes to land use legislation, rental property policies, tax adjustments and monetary policy.

These will have significant impacts on the housing market, with the potential to fortify sales activity and market sentiment in the months ahead.

DEVELOPMENT

Residential construction activity continues to cool. Despite New Zealand having consented to large amounts of work to meet the demand for housing, building activity has failed to keep pace, and a backlog of work has developed, with completion times stretching out.

Several high-profile projects have been put on the back burner as financial considerations and large increases in building costs and interest rates continue to depress development activity.

The downturn has been relatively modest so far, with developers completing projects already on the books. However, we expect to see tougher conditions in 2024, with residential construction falling further than the current eight per cent from its 2022 peak.

This comes at the same time the market is experiencing an acute shortage of housing supply, exacerbated by net migration of nearly 130,000 in the year to October 2023.

We know how the supply-demand imbalance plays out – with scarcity raising prices for properties across the country. So, we will be watching developments closely here in the year ahead.

INVESTMENTS AND THE RENTAL SECTOR

Strong population growth continues to contribute to a rapid escalation in housing costs, worsened by the previous government's anti-landlord policies.

With a change in the political guard, landlords will now see a faster timeline for reintroducing mortgage interest deductibility, billed as the biggest gain for property investors from the election policy package.

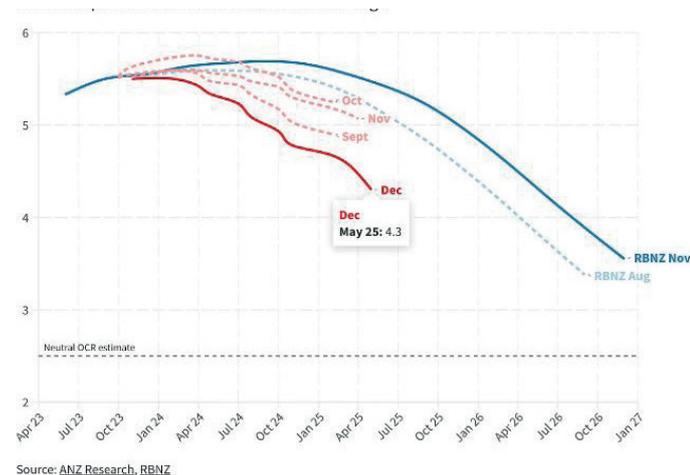
Property investors will be able to claim 60 per cent of mortgage interest as a deductible expense during this tax year, followed by 80 per cent in 2024/25 and 100 per cent in 2025/26.

Higher overhead costs (interest rates, insurance, and council rate bills) will limit how quickly investors will return to the market. Their share of new mortgage lending has steadily risen since June, reflecting increased confidence amongst this one-strong buyer class.

THE ECONOMY

In 2023, economic commentary has been dominated by the trajectory of inflation, which peaked at 7.30 per cent in June 2022, and gradually declined to 5.60 per cent in the September 2023 quarter.

Despite being a long way off the one to three per cent target range of the Reserve Bank of New Zealand (RBNZ), commentators think monetary policy is doing its job, and there is less likelihood the Official Cash Rate (OCR) will need to rise further to depress demand.



Source: ANZ Research, RBNZ

Source: ANZ Research, RBNZ

However, the RBNZ continues to speak boldly about the use of further macroprudential tools, particularly as domestic inflation has proven more challenging to alleviate.

In the September 2023 quarter, this had fallen from 6.80 per cent to 6.30 per cent – near the level of headline inflation at its peak.

Record high migration and the impact on our New Zealand labour market will be a critical area of concern for policymakers here, which continues to spur optimism, particularly as the signs of an emerging housing upturn spread.

THE VALUE OF A DOLLAR

Over the coming year, the RBNZ estimates more than half of all fixed-rate mortgages are due to be repriced onto substantially higher borrowing rates.

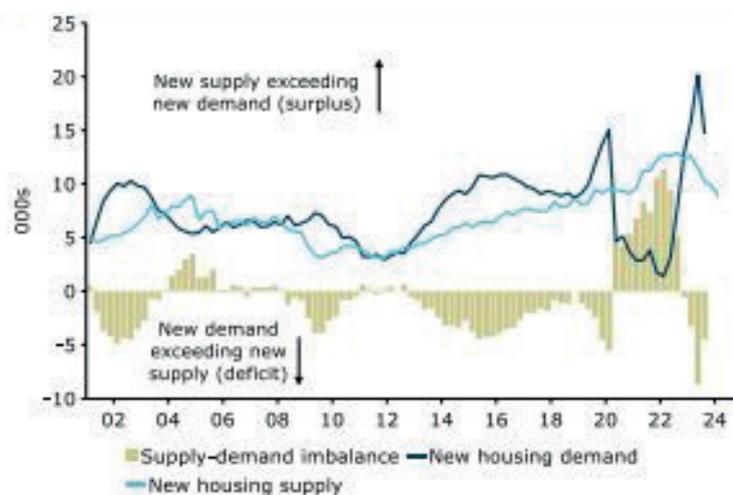
While the stress felt by borrowers is still likely to be less than that of previous periods of financial pressure, certain market subjects will be more affected than others.

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.

The share of residential purchases to investors is expected to gain momentum in the new year, with amendments to the Residential Tenancies Act poised to strengthen landlords' rights and tenant obligations.

At the same time, a return to two years from 10 for the bright-line property rule will free more property owners from the obligation of tax on sale proceeds, with homeowners that purchased secondary properties in 2020 or 2021 now more open to listing their properties for sale.

The offshoot of this is a likely increase in available supply, which would do well to satiate buyer demand, as provisional estimates see New Zealand's housing shortfall intensifying in key markets over 2024.



Source: SNZ, ANZ Research, Macrobond

During the first half of the year, we anticipate a more free-flowing trading environment, with buyers and sellers encouraged by new government policies that have underscored business sentiment and restored confidence.

Although, a lot can happen in 12 months.

Rising unemployment, global developments and further policy action, such as the introduction of Debt-to-Income limits (DTIs) - expected around April 2024 - could quell some of the current market's exuberance.

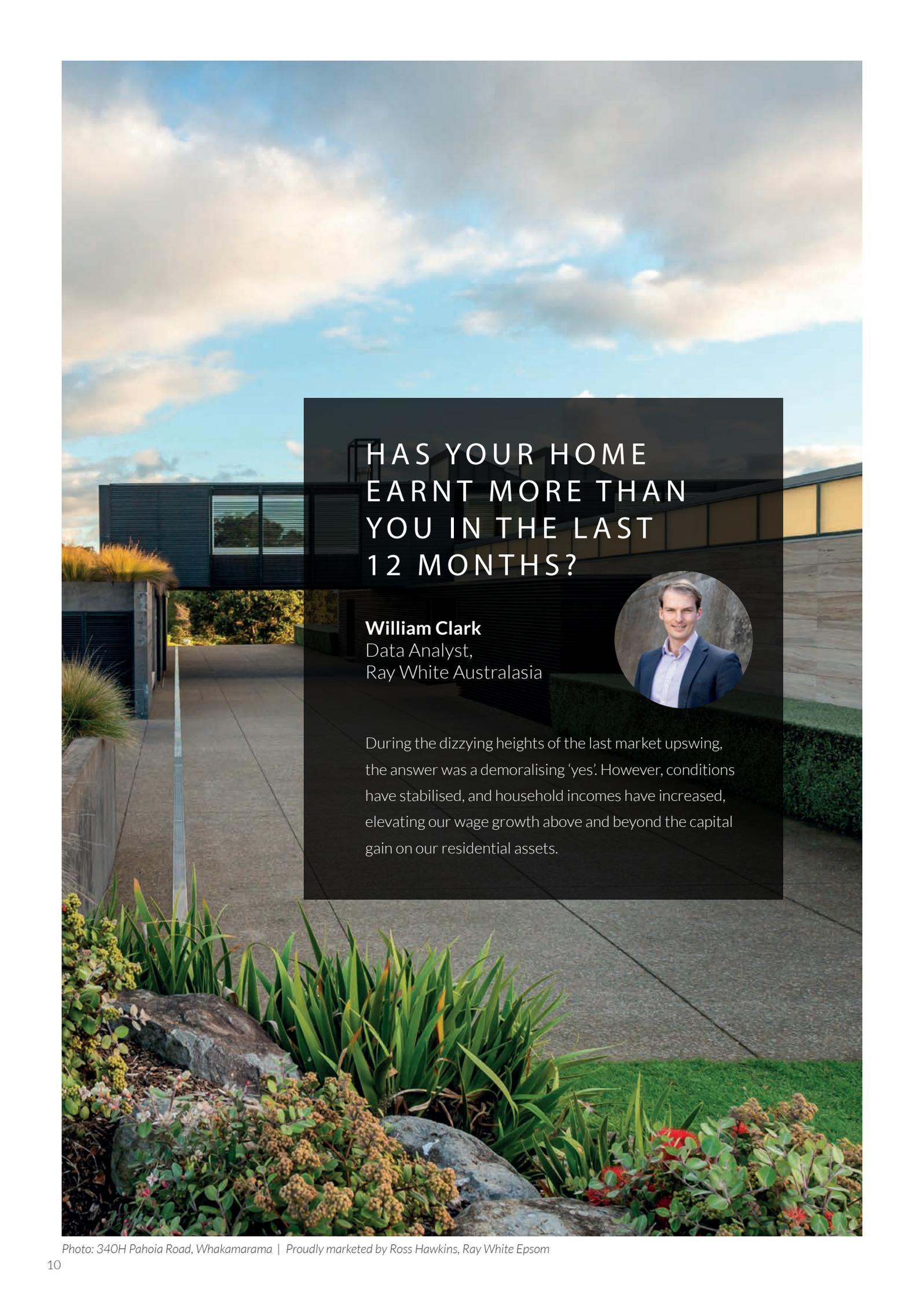
Average residential property values continue to rise steadily, although credit conditions remain challenging for many, which will cement a ceiling above the recovery. With this in mind, property purchasers have found determining true value a daunting task, with a high relevance of auctions to better understand market valuations.

The increased focus on this sale method has seen many of our Ray White branches band together to hold collective auction events in January 2024 - with promising results expected to set the tone for a successful summer selling season upon holidaymakers' return to business.

Inflation pressures and affordability will remain a persistent theme for the year ahead, although the OCR appropriateness will be better defined. Despite this, challenges loom large and early, strengthening the case for sellers to capitalise on the current market's vibrancy, taking advantage of fresh conditions and welcoming the new year with a home focus.



Photo: 340H Pahoia Road, Whakamarama | Proudly marketed by Ross Hawkins, Ray White Epsom



HAS YOUR HOME EARN'T MORE THAN YOU IN THE LAST 12 MONTHS?

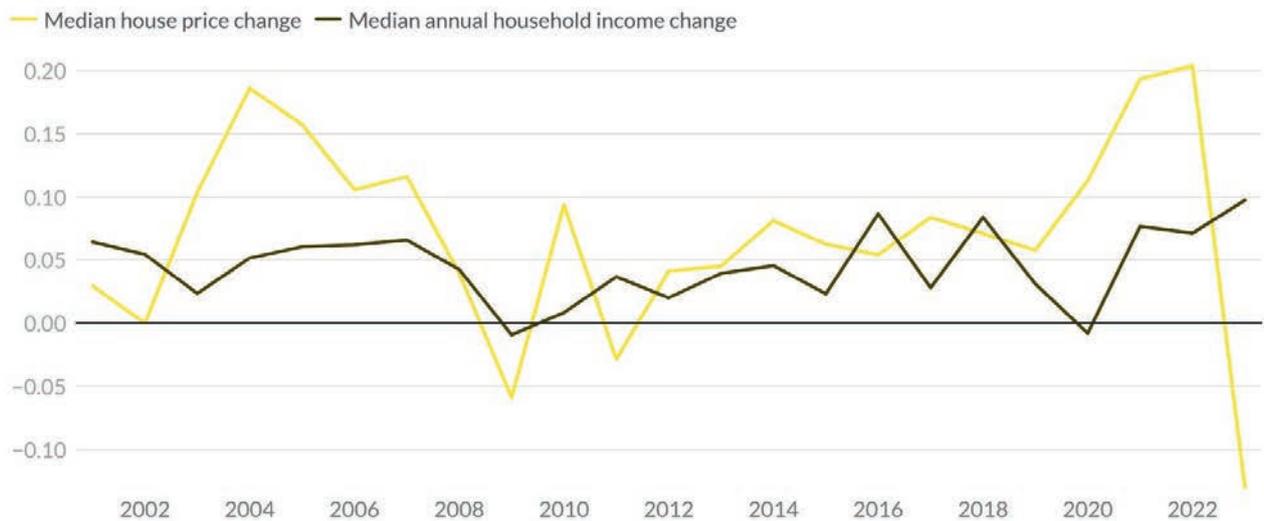
William Clark
Data Analyst,
Ray White Australasia



During the dizzying heights of the last market upswing, the answer was a demoralising 'yes'. However, conditions have stabilised, and household incomes have increased, elevating our wage growth above and beyond the capital gain on our residential assets.

Household incomes grew faster than house prices this year.

Median house price and median annual household income annual % change since 2000 - New Zealand



Source: Ray White Economics, Stats.co.nz, REINZ

The median household income in New Zealand currently sits around \$114,920, while median house price growth has recorded around \$10,000 in the last year.

That gives house price growth of -0.13 per cent and household income growth of 0.1 per cent.

It's a similar story across our major cities, with house price growth having lagged behind household incomes for the majority of 2023.

Median house price growth far below median household incomes for major cities

Median house price vs median annual household income per major city - New Zealand

Capital City	2022	2023	Growth	Median annual household income	Difference
Christchurch City	\$650,000	\$679,000	\$29,000	\$108,992	-79,992
Hamilton City	\$780,000	\$772,500	-\$7,500	\$108,160	-115,660
Dunedin City	\$632,000	\$595,000	-\$37,000	\$102,544	-139,544
Wellington City	\$900,000	\$875,383	-\$24,617	\$140,972	-165,589
Auckland City	\$1,220,000	\$1,155,000	-\$65,000	\$129,636	-194,636

Source: Ray White Economics, Stats.co.nz, REINZ

However, when we take a closer look at the suburb level, there are several areas where house price growth continues to exceed household incomes.

Top 10 suburbs where median house prices have outpaced median household incomes

Difference between median house price growth and median annual household income over the past 12 months - New Zealand

Suburb	2022	2023	Growth	Median annual household income	Difference
Queenstown	\$1,750,000	\$2,608,000	\$858,000	\$102,544	\$755,456
Kelvin Heights	\$1,912,500	\$2,705,000	\$792,500	\$102,544	\$689,956
Burnt Hill	\$499,000	\$895,000	\$396,000	\$108,992	\$287,008
Whareora	\$730,000	\$1,120,000	\$390,000	\$88,608	\$301,392
Albert Town	\$1,300,000	\$1,630,000	\$330,000	\$102,544	\$227,456
Mount Victoria	\$1,575,000	\$1,800,000	\$225,000	\$140,972	\$84,028
Cust	\$600,000	\$820,000	\$220,000	\$108,992	\$111,008
Haumoana	\$999,999	\$1,210,000	\$210,001	\$110,656	\$99,345
Makarewa	\$730,000	\$925,800	\$195,800	\$100,568	\$95,232

Source: Ray White Economics, Stats.co.nz, REINZ

Most notably, Queenstown tops all suburbs in New Zealand in median house price growth over the past 12 months with \$858,000.

As the median annual household income in the tourist hot spot is around \$102,544, the average Queenstown resident earned \$755,456 less than what their house grew in value by.



Suburb with the greatest difference between house price growth and household income per region

Top median house price growth suburbs over the past 12 months per region vs median annual household income.

Region	Suburb	2022	2023	Growth	Median annual household income	Difference
Otago Region	Queenstown	\$1,750,000	\$2,608,000	\$858,000	\$102,544	\$755,456
Northland Region	Whareora	\$730,000	\$1,120,000	\$390,000	\$88,608	\$301,392
Canterbury Region	Burnt Hill	\$499,000	\$895,000	\$396,000	\$108,992	\$287,008
Gisbourne/Hawkes Bay Region	Haumoana	\$999,999	\$1,210,000	\$210,001	\$110,656	\$99,345
Southland Region	Makarewa	\$730,000	\$925,800	\$195,800	\$100,568	\$95,232
Wellington Region	Mount Victoria	\$1,575,000	\$1,800,000	\$225,000	\$140,972	\$84,028
Waikato Region	Matarangi	\$950,000	\$1,107,500	\$157,500	\$108,160	\$49,340
Auckland Region	Auckland Central	\$225,000	\$399,600	\$174,600	\$129,636	\$44,964
Bay of Plenty Region	Te Puna	\$1,520,000	\$1,660,000	\$140,000	\$104,728	\$35,272
Taranaki Region	Hurworth	\$1,031,000	\$1,150,000	\$119,000	\$108,732	\$10,268
Tasman/Nelson/Marlborough/West Coast Regions	Blaketown	\$227,500	\$315,000	\$87,500	\$97,344	-\$9,844
Manawatu-Wanganui Region	Bunnythorpe	\$882,500	\$960,000	\$77,500	\$100,048	-\$22,548
New Zealand (as a whole)		\$785,000	\$795,000	\$10,000	\$114,920	-\$104,920

Negative difference will indicate your household income was higher than the growth in your house value over this past year. Positive difference indicates your house has grown in value by more than your household has earned in income in the past 12 months.

Source: Ray White, Stats.co.nz, REINZ



Source: Ray White Economics, Stats.co.nz, REINZ

We often think of our yearly income as our most reliable generator of wealth, but outside this year and a few others, house price growth is higher in terms of percentages. Thanks to our ability to borrow against the value of the home, house price growth is often tens of thousands and sometimes hundreds of thousands of dollars in wealth gained per year.

Ideally, house prices grow steadily and predictably, allowing for stable sales and purchases and removing any incentive to speculate and try to 'time the market'.



Photo: 340H Pahoia Road, Whakamarama | Proudly marketed by Ross Hawkins, Ray White Epsom

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 November, Ray White New Zealand performed better than expected in the area of listings, bringing 2,339 new listings to the market, which is nearly 7.29 per cent more than the same period last year.

This was met with 1,641 sales for the month of November, which was 25.84 per cent higher than the same period last year.

The total value of sales was 19.84 per cent higher than November 2022, at \$1.546 billion.



DEMAND

Analysts initially assess housing demand by looking at the number of buyers viewing properties online. Throughout November, there were 5.078 million views across Ray White’s websites, resulting in 39,876 enquiries. Whilst views were up 21.97 per cent, enquiries were on par year-on-year.

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, which is the most transparent method of sale,

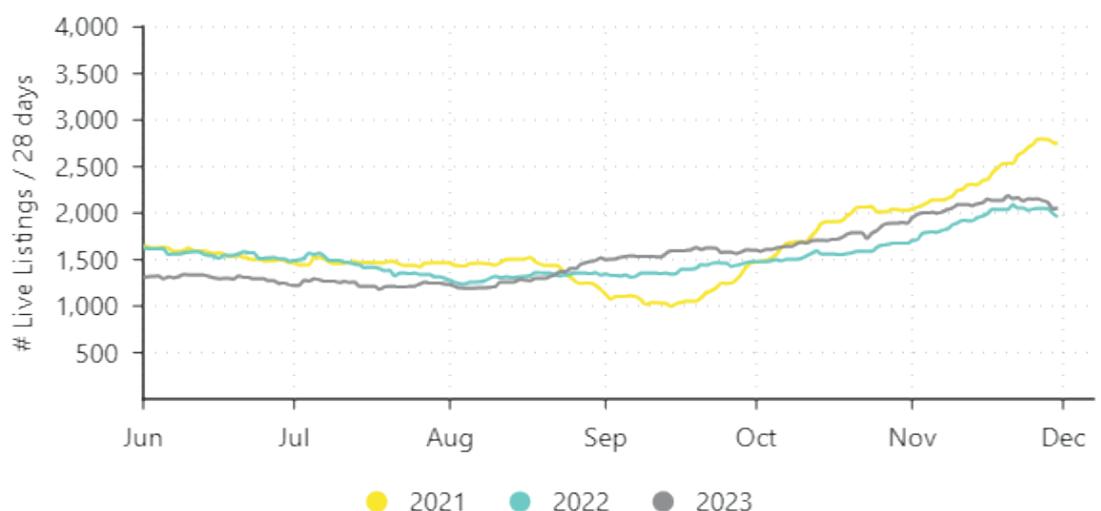
Our partners at Loan Market are seeing an increasing number of pre-approvals nationwide, up 59.26 per cent year-on-year. The easing of loan-to-value ratio (LVR) restrictions introduced on June 1, improvements in access to finance, and increased price caps for the Government’s first home grants are factors 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

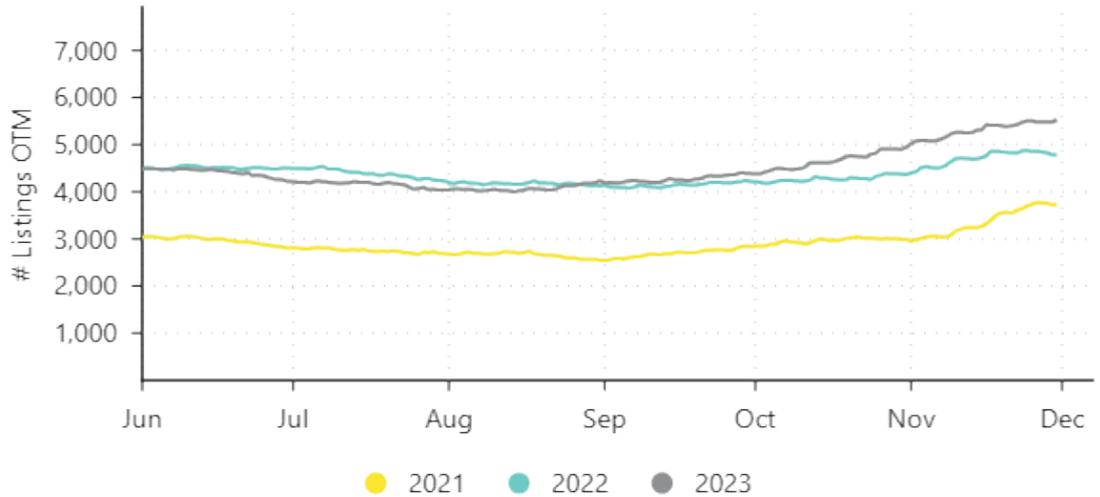
This graph shows the total number of live listings on Ray White’s channels. The month ending 30 November 2023 was up 7.29 per cent year-on-year.



Source: Ray White Online Analytics

LISTINGS ON THE MARKET

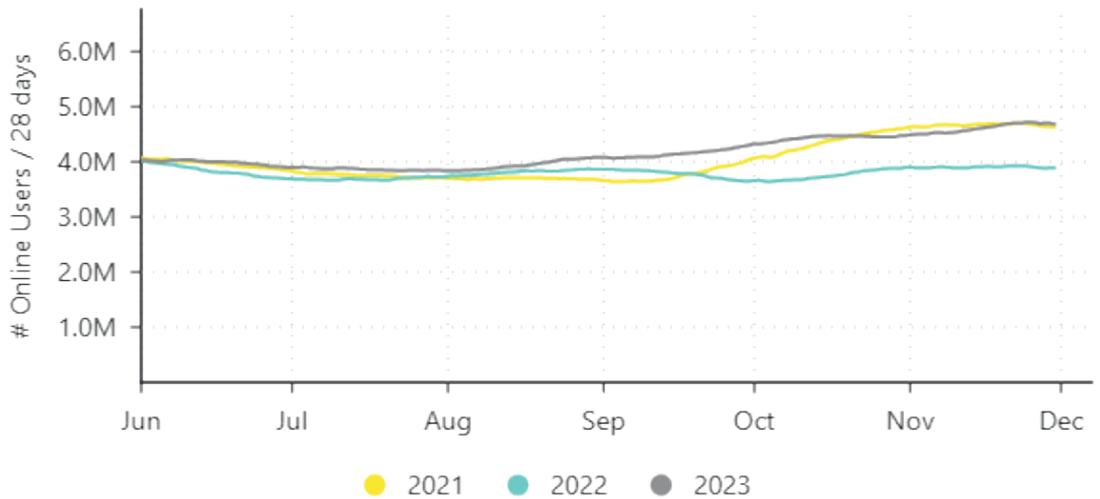
This graph compares the total number of listings live on the market over the past three years. For the month ending 30 November 2023, this was 5,578, up 16.48 per cent year-on-year.



Source: Ray White Online Analytics

WEBSITE USERS

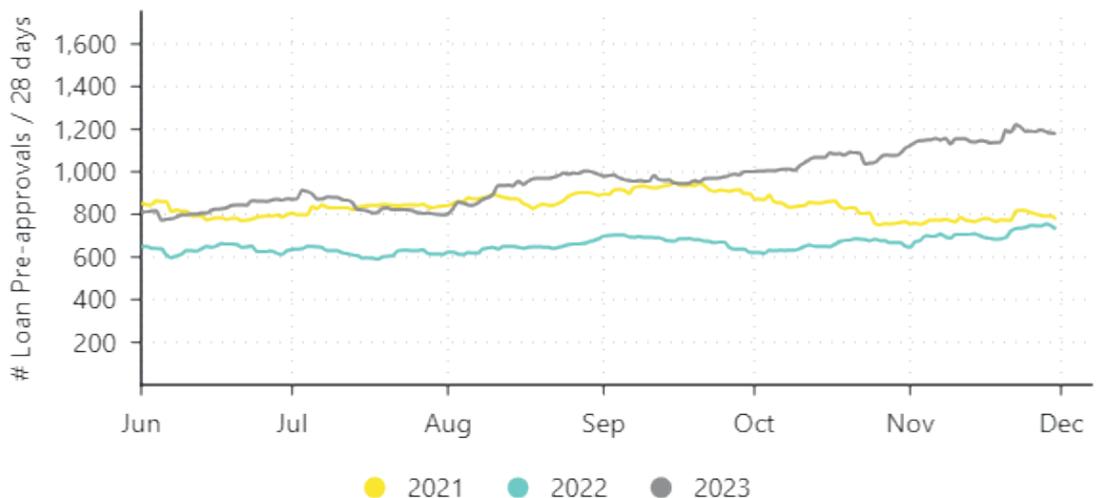
This graph compares the level of users on Ray White listings digitally across New Zealand over the past three years. For the month ending 30 November 2023, this was 39,876, on par year-on-year.



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 1,306 for the month ending 30 November 2023, up 59.26 per cent year-on-year.



Source: Ray White Online Analytics



Photo: 340H Pahoia Road, Whakamarama | Proudly marketed by Ross Hawkins, Ray White Epsom

RESIDENTIAL MARKET SEES SPIKE IN COMPETITIVE BIDDING



Sam Steele | Head Auctioneer, Ray White New Zealand

With the holiday season approaching and a government finally formed, it is fitting November's auction results are cause for Christmas cheer.

Following a series of encouraging outcomes over the preceding months, the market's resurgence reached a new culmination in November, as buyers demonstrated unwavering confidence through attendance and bidding activity.

A total of 736 auctions took place nationwide, marking a substantial 20.30 per cent surge compared to the corresponding period last year and an equally substantial 44.0 per cent increase on last month.

More properties were offered for sale by auction with an 11.40 per cent increase in clearance rates, and 56 per cent of properties unconditionally sold under the hammer in November.

There was an average of 2.10 bidders per auction, reflecting the choice purchasers currently have in the market as post-election and summer stock comes to the market in the lead-up to Christmas.

Of particular significance, nearly 40 per cent of newly listed properties across the country opted for the auction method, underscoring a distinct preference among both buyers and sellers for this transparent mode of sale.

In main centres like Auckland, this exceeded 50 per cent in November, encompassing a diverse range of asset classes.

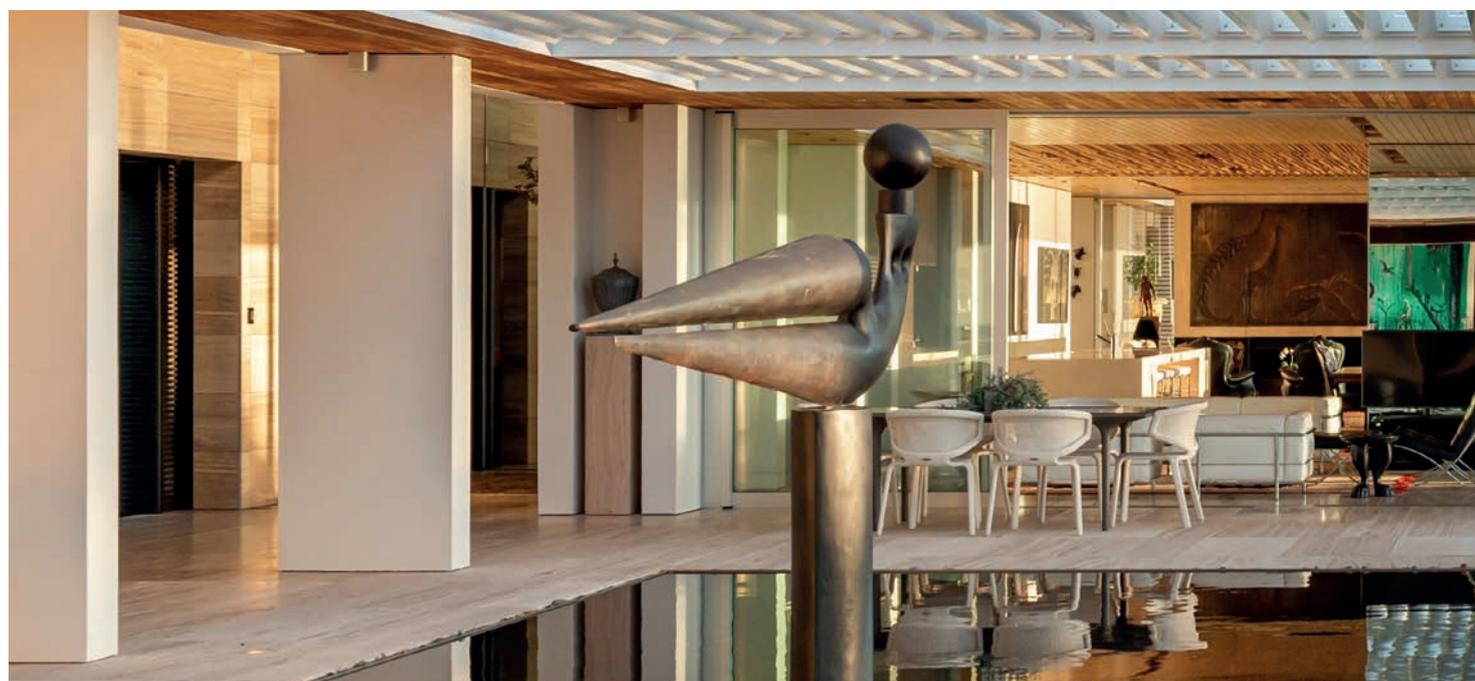


Photo: 340H Pahoia Road, Whakamarama | Proudly marketed by Ross Hawkins, Ray White Epsom

Throughout the month, auctions continued to consistently outperform alternative sales methods, evidenced by the remarkably brief average time on the market being just 26 days for auctions.

This is a stark contrast to other sale methods at 41 days.

These compelling statistics underscore the pivotal importance of choosing the right sales approach in the contemporary marketplace, where the expeditious nature of a sale is as crucial as the success rate itself.

Firsthand reports from our frontline sales team indicate an improved sentiment, heightened buyer interest, and an influx of fresh stock.

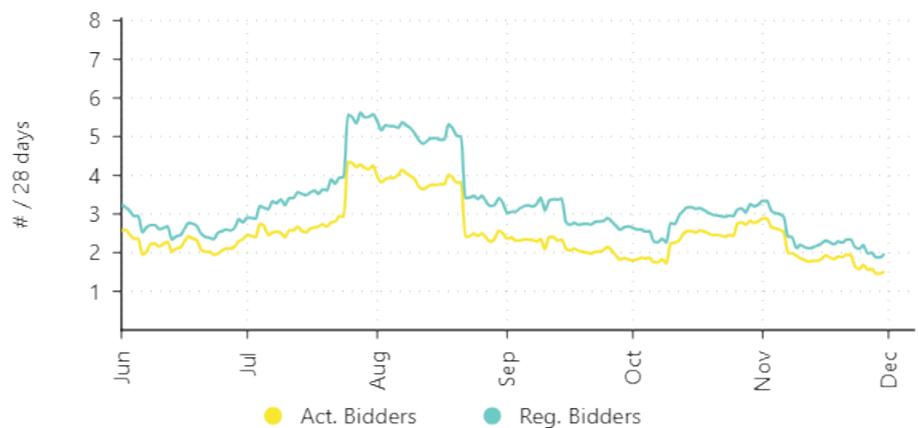
The transparent and open nature of auctions remains highly valued by both buyers and sellers, with tangible competition producing positive outcomes.

This alignment seamlessly corresponds with prevailing market sentiments, where stakeholders actively seek guidance and clarity throughout the sales process. As the property market approaches the traditionally active summer months, Ray White New Zealand strategically positions itself as a proponent of auctions as the preferred method of sale, with all metrics pointing towards 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 December 2023.

Source: Ray White Online Analytics





BREAKING GROUND

Ray White New Zealand

With a new government at the helm, policy changes will alter the landscape for development and the supply of new housing. Ray White New Zealand investigates what this means for residential values in 2024.

Amid the noise surrounding the now non-reversal of the foreign buyer ban and the reintroduction of interest deductibility, Kiwis may have missed some pivotal changes to legislation set to transform the development landscape.

With coalition talks now concluded and the government’s first 49 action items confirmed, there is a distinct focus on the trifecta of New Zealand’s economy, law and order, and public services.

However, several key agenda items are set to create fresh opportunities to tackle our housing woes amid a population surge.

In the first 100 days in office, the government has pledged to:

- Implement National’s ‘Going for Housing Growth’ policy document, including the option to adopt Medium Density Residential Standards (MDRS) for regional councils;
- Work on creating a National Infrastructure Agency;
- Repeal the Spatial Planning and Natural and Build Environment Act, and the Significant Natural Areas Act (previous changes to the Resource Management Act)
- Amend the Overseas Investment Act 2005 to streamline the process for build-to-rent housing development.

In its housing manifesto, the National Party noted that ‘ending the housing shortage is critical for New Zealand’s future’, and it plans to add supply and improve affordability in three key ways.

ZONING	FUNDING	INCENTIVES
Councils in major towns and cities will be required to zone land for 30 years’ worth of housing demand immediately.	The Infrastructure Funding and Financing Act will be reformed to reduce red tape for developers to fund critical infrastructure.	Additional funding will be made available to encourage regional councils to deliver more housing.

ZONING

For years, pervasive planning rules have been blamed for restricted development, housing shortages and the high price of land.

The new government aims to address this immediately by requiring Tier 1 and Tier 2 classified councils (Auckland, Christchurch, Wellington, Tauranga and Hamilton, Whangarei, Rotorua, New Plymouth, Napier-Hastings, Palmerston North, Nelson Tasman, Queenstown and Dunedin) to identify areas for future urban growth to meet existing long-term targets.

Its manifesto says that this means areas currently designated as Future Urban could become immediately available for housing, with an emphasis on greenfield development likely to see a greater proportion of strategic rural areas upzoned for residential use.

However, regional councillors in Auckland recently voted against this form of development, instead opting to build new houses in existing suburbs as part of its Future Development Strategy.

The contradiction reflects a fractured relationship between local and central government, which has much to do with the funding mechanisms for critical new infrastructure (more on this later).

As part of zoning changes, regional councils will also have greater autonomy to opt out of the MDRS, which under previous governance would have allowed the construction of buildings of up to three storeys on most sites without resource consent.

FUNDING

Delivering infrastructure like roads, pipes and power lines is critical for creating new houses and communities. However, sustained underinvestment and ageing infrastructure have challenged policymakers with budgetary considerations.

A proposal for new infrastructure financing tools includes provisions to progress works on Private Public Partnerships, user-pays funding models, value capture ratings, and long-term financing agreements.

This means we could see initiatives like congestion charging on key transit routes during peak travel times put to use, with funds explicitly directed toward long-term investment in critical infrastructure.

INCENTIVES

Current development incentive proposals include an amendment of the Building Act and Resource Consent process to allow small structures of up to 60 sqm to be built with only an engineer's report. Home builders could also opt out of building consent should they have adequate insurance to remove liability from council books.

The latter would make supporting development quicker and less risky for councils.

However, the golden carrot for the local administration is the attractive prospect of receiving \$25,000 per house delivered above the five year average in a certain territorial area.

While the government will likely have a grace period to deliver on their housing promises – necessary given the lag between policy implementation and result, the construction pipeline is waning right now, just as record-high migration kicks into gear.

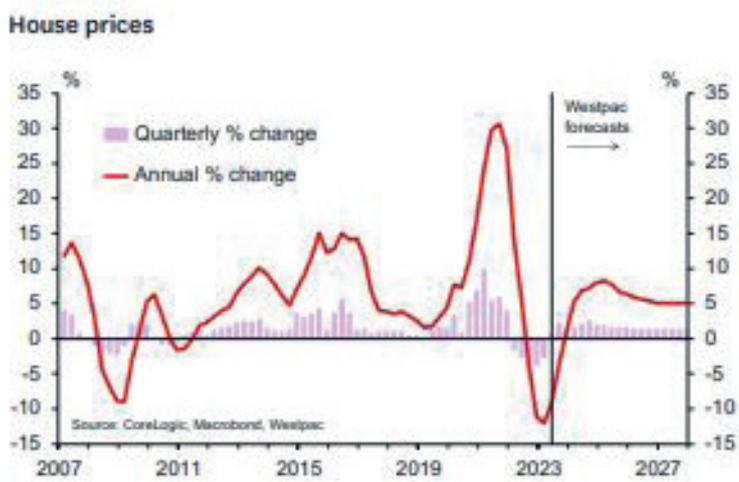
PRICING

This is simple economics. When demand exceeds supply, prices escalate.

The rapid rise in migration, placing pressure on housing and infrastructure has come at the same time New Zealand's building and construction sector is recalibrating following a lull which saw activity dip and new building consents note double digit regression year-on-year.

It will take some time to get new projects back on track to meet demand.

Prices also tend to escalate when buyers and sellers previously holding off on their transactions have been encouraged by the certainty of a new government with policies that are 'pro-housing'. Activity drives market confidence, which is another critical factor in the value proposition for homeowners.



Source: CoreLogic, Macrobond, Westpac

Broadly speaking, expectations are for the housing market to shift into gear in the new year, with values increasing steadily. Although, just how high could be limited by affordability constraints.

However, data from research firm CoreLogic also appears to contradict the 'stressed homeowner' rhetoric, with total mortgage debt divided by an estimated value of property stock providing an aggregate loan-to-value ratio of just 22 per cent.

Despite more than half of fixed-rate mortgages due to be repriced at high rates within the next 12 months, this implies a lot of equity in housing, and Kiwis are well-positioned to make moves in the new year.

While proposals to increase the supply of housing are welcome and necessary, delivery will likely take several years to have a meaningful impact on value stabilisation and affordability. In the meantime, we expect 2024 could yield a continuation of the up-phase of this property cycle as the residential market continues to build some steam.



Photo: 340H Pahoia Road, Whakamarama | Proudly marketed by Ross Hawkins, Ray White Epsom



CURRENT MARKET IS A NEWBIES' NICHE

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Escalating costs for rent, food and fuel have done little to stop first-home buyers attending open homes and bidding at auction, with this buyer group recently netting a record market share of 27 per cent.

Research firm CoreLogic's First Home Buyers Report found first-time purchasers accounted for 26 per cent of all purchasers in the first nine months of 2023, compared with the long-term average of 21 per cent.

In the September quarter, this rose to 27 per cent of all property purchases – a record high for the newbies.

One of the reasons new entrants have such a convincing market share is their tenacity in a subdued market, where the below-average number of transactions means buyer competition is relatively low.

Value regression also plays a role, with residential values falling by 13 per cent from their 2022 peak to September 2023's trough.

A variety of financial tools and incentives have also proven popular in supporting first-home buyers to graduate from their flats, with options including First Home Buyer Grants and the ability to use KiwiSaver funds to finance a portion of a home deposit helping Kiwis to get onto the property ladder.

WHAT'S AHEAD FOR FIRST HOME BUYERS?

CoreLogic said that overall, it has remained a strong market lately for first-home buyers, with key factors still working in their favour.

Looking ahead, indications are that first-home buyers could maintain an above-average share of property purchases in the next six to nine months as well.

However, with the change of government and the slow softening of the tax system for property investors – namely shorter bright-line property rules and the full reinstatement of mortgage interest deductions – first-home buyers may not have things all their own way forever.

To be fair, we don't expect a flood of investors coming back to the market, but some will, and this will be extra competition for first-home buyers.

The team at Loan Market relish the opportunity to help first-home buyers enter the market, and encourage you to reach out if you're thinking about buying a property.

Our lending experts can explain how the process works – particularly around qualifying for a home loan – and talk you through the government incentives, while helping to manage your loan application.

PROPERTY MANAGEMENT

Zac Snelling
Head of Property Management
Ray White New Zealand



The first 100 days of the new government will shake up the rental sector, with far-reaching implications into the new year.

Rather than a slow return of interest expense deductibility for residential landlords, we now expect a faster timeline for the reintroduction, with property investors able to claim 60 per cent of mortgage interest this tax year, 80 per cent in 2024/25 and 100 per cent in 2025/26.

This is a significant coup for the rental industry and is expected to increase private rental supply at a time when the market is grappling with an acute shortage of lettable properties.

GENETIC MODIFICATION

Policy measures enacted by the previous government were created for the security of tenure for tenants and to stop pitting residential investors against first-home buyers in the competition for entry-level properties.

Rather than a mass exodus from the market, we have seen a shift in the rental sector's DNA, with hard-working 'Ma and Pa' investors increasingly turned off by rising debt servicing and compliance costs.

Better positioned to absorb running costs, multi-property landlords have picked up the slack here and are the most likely to, at least initially, benefit from the reintroduction of interest deductibility and a reset of the bright-line property rule from 10 back to two years.

These policies will make it easier to buy and sell rental properties in 2024, and we anticipate greater property numbers changing hands as investors pull levers to better calibrate portfolios in light of persistently high mortgage lending rates.

However, we know the implementation and effect of rental property policy takes time and will likely have a long tail.

INVESTMENT INTEREST

Well-capitalised investors are poised for immediate action, while others may strategise at this early phase. Although preliminary signals suggest a growing investment interest, we anticipate a more pronounced surge in investor activity towards the end of Q1 2024.

At the same time, the threat of Debt-to-Income (DTI) limits, flagged as coming sometime around April, could speed things up a little.

In 2020, residential property investors held a big chunk of the market – close to one-quarter.

Encouraged by the removal of Loan-to-Value Ratio (LVR) rules and super-low interest rates, they bought up large. However, that abruptly ended with a tightening in economic conditions and the end of interest deductibility.

While the latter is a significant lure back to the market, we do not expect a return to previous purchasing levels. Thus, a significant supply-demand imbalance will plague the new year, too.

BALANCING ACT

Across our Ray White property management network, we've seen demand for rental properties outstrip supply consistently throughout the year, particularly as migration continues its upward momentum.

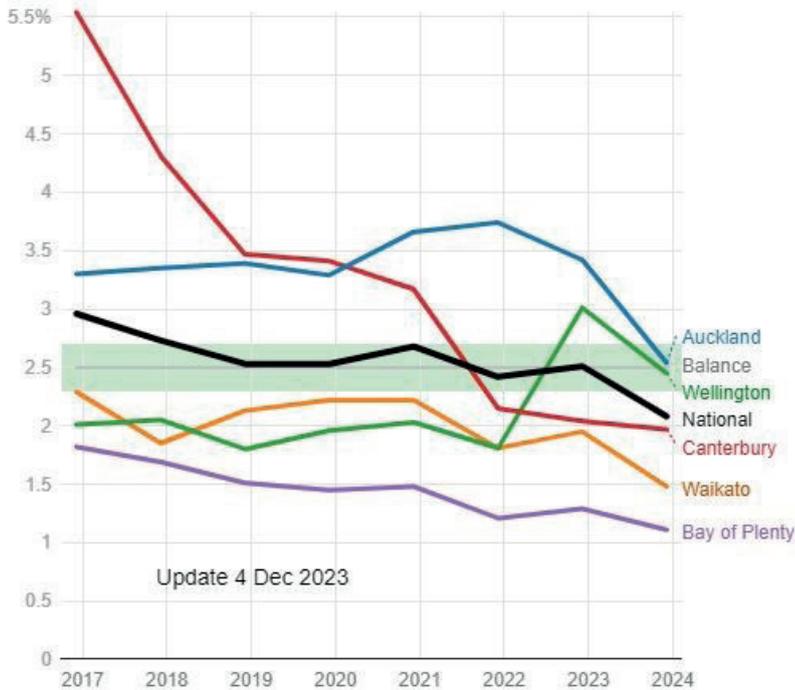
Where residential construction activity continues to cool, net annual migration is sitting just shy of 130,000 - putting additional pressure on housing and resources.

This strain on the rental sector has seen average rents nationally increase roughly six per cent in the last 12 months to nearly \$580 per week. This is a significant proportion of the average household disposable income, a critical consideration which will limit how far rents can increase from here.

As incomes have risen sharply over the last few years, rents have done the same, and it will be interesting to see how this relationship develops over the coming year, with employment projected to fall.

Private Rental Inventory in Major NZ Regions

After publishing for more than a decade, I now consider 2.5% "Equilibrium"; Below 2.5% is a Shortage, above 2.5% is Surplus



Source: John Butt, Jonette Ltd, TradeMe

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, rental prices can stabilise, and any price increases become more relative to household incomes. If there's a mismatch, rents will rise or fall until balance is achieved.

We've learnt a lot from positive reflections in 2023 and continue striving to deliver market-leading property management standards at Ray White.

RAY WHITE CHOICE - LANDLORD SERVICES LIKE NO OTHER

As we go to print, we have started nationwide trials on a new suite of products for private landlords.

Our 'Ray White Choice' product range is designed to support 'do-it-yourself' landlords with various tasks and services while addressing industry knowledge and compliance gaps.

We have found many landlords need help to meet the onerous demands of tenancy compliance and record keeping, leading to the development of these additional service products, which aim to provide cost-effective flexibility, convenience and support for property owners.

In an unregulated field of competitors, we are committed to reshaping industry standards, which aid proactive landlords in looking after their tenants and assets better.

Early evidence and pilot feedback indicate excellent interest in the suite of services, which extend from casual letting, rent management and arrears support, to inspections, general consulting and advice.

Landlords can choose between our full-service property management, where we handle everything on their behalf, or opt for specialised support in specific areas tailored to their needs.

As the new year progresses, we are extending these services across our nationwide network. We encourage investors to reach out with any questions or seek more information regarding the Ray White Choice product range.

On behalf of myself and the entire Ray White Property Management team, I offer my gratitude to clients and customers for continued support throughout the year and look forward to speaking with more of you about these exciting new services and your rental requirements.

Best wishes for a very happy holiday season New Zealand.

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.



raywhite.co.nz



raywhitecommercialnz.com



loanmarket.co.nz