



RAY WHITE NOW

THE NEW POLICY ERA

PROUDLY PRESENTING NEW ZEALAND PROPERTY MARKET INSIGHTS IN REAL TIME

A message from our chief executive

Dear Property Owner,

As we enter the second half of the year, Kiwis across the residential landscape suddenly find themselves on a very different playing field, marked by policy change that is set to shift the dial for several key buyer groups.

During its May Monetary Policy Statement (MPS), the Reserve Bank of New Zealand (RBNZ) left the Official Cash Rate (OCR) unchanged at 5.50 per cent for a seventh consecutive time.

Despite a stay suggesting the Monetary Policy Committee (MPC) was sufficiently satisfied with current policy settings and their ability to dampen inflation pressure across the economy, the devil was in the details.

Meeting notes discussed potentially increasing the OCR in response to persistent domestic inflation. This has raised market eyebrows and brought the possibility of a rate hike this November back into consideration. The Committee did not discuss the possibility of an earlier rate reduction.

Despite weakness across New Zealand's economy, the central bank is still extremely cautious about homegrown inflation pressure. Areas like rents, insurance costs, and local body rates are the most stubborn inflationary drivers.

Broadly speaking, it is possible this is just tough talk from the central bank – an effort to clobber market optimism and ensure inflation gets back within the target band sooner rather than later.

Ultimately, though, conditions remain highly variable, and the RBNZ recently reflected this by saying that interest rate forecasts could not be taken 'literally' given current uncertainties.

Globally, we are starting to see major players begin to cut interest rates. This is despite conflict in multiple continents, a move to nationalism characterised by decoupling from key markets such as China, and a right of centre political surge in the recent European elections.

This is a reminder of the global environment's complexity and uncertainty, with movements here likely to significantly affect what we see at home.

The fact that major economies are starting to reduce their interest rates signals the potential for an easing in monetary policy in New Zealand, which we expect could stimulate more activity across the housing market as we move to year-end.

All things considered, the introduction of more demand-friendly housing policies, pressure from population growth, and stabilisation in the domestic economy should support housing market activity in this second half of the year, while the fundamental reasons to buy and sell will help build sentiment across the property market.

In this edition of Ray White Now, we feature editorial and insights into New Zealand's residential property market, including transaction data from our 195 Ray White branches nationwide.

We'll investigate the reasons to sell now, catch up with recent auction results, analyse sales data, and hear from three market leaders about their predictions for the months ahead—with the ultimate goal of adding value while helping you make informed decisions and reach your property goals.

Please enjoy our 71st edition of Ray White Now.

Regards,



A handwritten signature in black ink, appearing to read 'Daniel Coulson', written in a cursive style.

Daniel Coulson
Chief Executive
Ray White New Zealand





FEATURED PROPERTY
332 Three Mile Bush Road,
Te Kamo, Whangarei

Proudly marketed by Megan McGregor
Ray White Whangarei

Goode Leith Realty Limited Licensed (REAA 2008)



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Why sell now?

Daniel Coulson
Chief Executive
Ray White New Zealand



Market exuberance as we welcomed a new Government has given way to a period of balanced growth in 2024, but recent developments are poised to significantly impact property market dynamics.

These changes have shifted the dial for household balance sheets, and we are seeing a number of first-home buyers, movers, and residential property investors circling for opportunities.

DTIS, LVRS, AND THE BLT

The month's big news came recently as the Reserve Bank of New Zealand (RBNZ) confirmed that proposed Debt-to-Income (DTI) settings will become live on 1 July 2024.

The restrictions, widely anticipated after public consultation earlier this year, will limit the amount of high DTI lending that lenders can make, ultimately acting as guardrails against risk in the financial system.

Settings will mean that only 20 per cent of a lender's borrowing book can be apportioned to owner-occupiers with a DTI ratio of more than six. For investors, this ratio is seven.

At the same time, the RBNZ has announced it will ease Loan-to-Value Ratio (LVR) restrictions, allowing lenders to provide 20 per cent of their borrowing capital (a change from 15 per cent) to owner-occupiers with an LVR greater than 80 per cent.

For investors, five per cent of the loan book will go to borrowers with an LVR greater than 70 per cent (up from 65 per cent).

The tools are tasked with protecting New Zealand's financial system by ensuring Kiwis don't accrue debt they can't afford to repay. RBNZ Deputy Governor Christian Hawkesby says, "LVRs target the impact of defaults by reducing the amount of potential losses in the event of a housing downturn, while DTIs reduce the probability of default by targeting the ability of borrowers to continue to repay debt."

The policies seem to give with one hand and take with another. Relaxing LVRs should allow more buyers to enter the market, while DTI restrictions have the potential to shut some purchasers out.

Despite this, economists say that DTI settings will have a minimal impact on sales activity, given lending test rates and a reduction in New Zealand's average house price to income ratio, which is significantly lower than the recent peak of nine, which was recorded following the surge in house prices after financial support throughout the pandemic.

The last policy change is from the Brightline Test (BLT), which has been reduced from 10 years to allow property owned for two years to be sold without incurring property taxes. This change is anticipated to prompt some degree of sales activity as a more significant number of property investors bring their properties to market as they recalibrate investment portfolios.

INFLATION AND THE OCR

While the central bank remains concerned about domestic inflation pressures, recent developments in offshore markets have brought unexpected relief and more balanced inflation indicators.

Forecasts now suggest a potential for inflation to align with the RBNZ target band of one to three per cent by the fourth quarter of 2024, which could trigger the first Official Cash Rate (OCR) cut since the early days of the pandemic in February 2020.

For homeowners considering a sale, this presents an opportune moment. With the prospect of easing interest rates, buyers and sellers are likely to find renewed confidence in the current market dynamics.

Market expectations for a rate cut this year will remain a bright spot for overall sentiment, with buyers and sellers hanging out for interest rate relief.

BUYER PROFILES

Recent law changes support New Zealand's residential investment sector, with the restoration of interest deductibility and wider termination rights for landlords set to increase demand for investors in the near term.

At the same time, data from CoreLogic shows that first-home buyers remain highly active, accounting for one-quarter of all property purchases in April 2024.

Despite the Government's axing of the Kianga Ora First Home Grant scheme, these buyers have been encouraged by improved affordability metrics, less competition (previously from investors), and other supports, including low-deposit finance options with primary lenders.

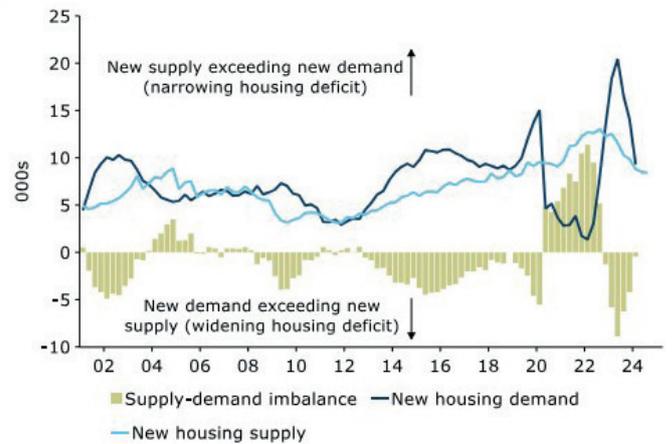
For FHBs, increased investor activity could bring forward purchasing decisions. However, elevated mortgage lending rates will remain a critical pressure point for buyers on either side of the coin.

Interestingly, the data also shows that moving house hunters are becoming more active, gaining their share of property purchases, which rose to 27 per cent of total sales nationwide in April. We expect this reflects a degree of pent-up demand across the housing market, with sellers motivated by recent policy changes, population pressures, and the expectation that interest rates have stopped rising.

SUPPLY AND DEMAND

In 2024, population growth has emerged as a prominent trend, marked by robust net migration inflows totalling 131,000 in the year to March. Although growth rates are tapering from historic highs, the persistent demand exacerbates already limited housing resources.

According to estimates by ANZ Bank, New Zealand's housing deficit could be expanding by as much as 5,000 homes per quarter, resulting in a cumulative undersupply of nearly 30,000 dwellings.



Source: Statistics New Zealand, Macrobond, ANZ Research

Furthermore, economic challenges hinder developers from bringing new projects to market, constraining the supply of available properties.

Recent tax regulations have also reduced the incentive to buy new, creating a more level playing field between new and existing properties. However, this is likely to intensify competition for existing assets.

Given these market dynamics, homeowners contemplating a sale may find themselves in a favourable position to capitalise on the current supply-demand imbalance.

Photo: 332 Three Mile Bush Road, Te Kamo, Whangarei
Proudly marketed by Megan McGregor Ray White Whangarei





New Zealand's most affordable rental suburbs

Atom Go Tian
Senior Data Analyst
Ray White Group



With rental affordability amongst the highest in the developed world in Aotearoa-New Zealand, affordability can seem more abstract concept than tangible reality. Here, the Ray White Economics team takes a tour of the county to find our most affordable suburbs for renters.

We start by classifying the term 'affordable'.

According to Statistics New Zealand (SNZ) data, Kiwis earned around \$1,273/week as a median salary in June 2023, which reflected a more than 25 per cent increase on the five years prior.

During the same period, median weekly rents for standalone homes grew slightly slower at 18.20 per cent to \$650/week, while the median asking price for rental units grew by 25 per cent to \$550/week.

In the five years to June 2023, weekly earnings growth outpaced weekly rental growth. But is this much-needed income boost enough to offset rising costs elsewhere? To track affordability here we will consider weekly rent as a percentage of earnings.

Analysis shows that in June 2023, the weekly asking rent for standalone homes took approximately 51 per cent of the average individual's take-home pay, down from the 54 per cent recorded in June 2018.

By comparison, the share of weekly asking rent for units as a percentage of weekly earnings remained relatively flat at around 42 per cent.

This contrasts with our friends across the ditch in Australia, which saw rent as a share of weekly earnings peak recently at 40.50 per cent for standalone homes, and just over 38 per cent for units. Both metrics are well above the 10-year average of around 34 per cent, suggesting tightness in the supply of available rental properties.

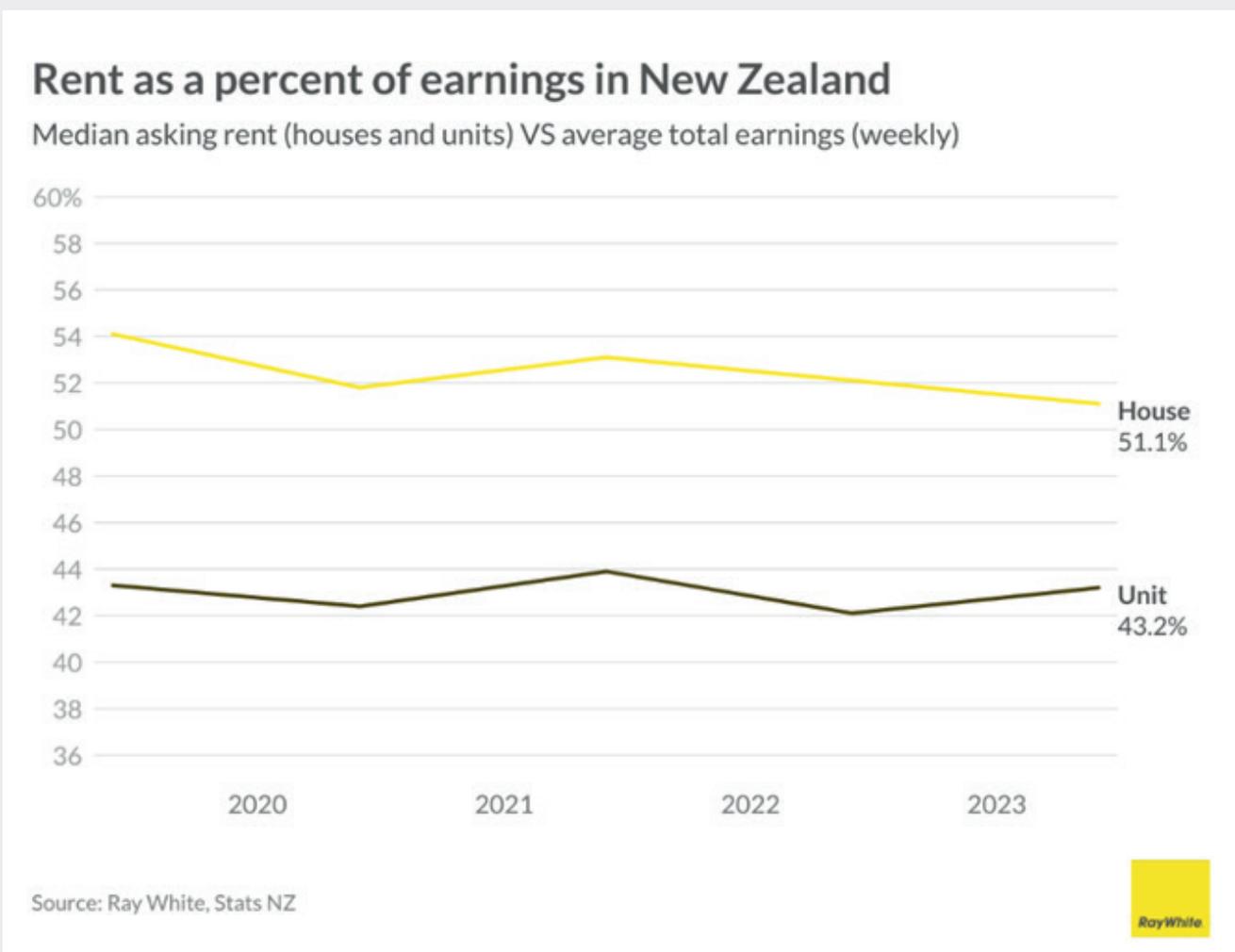
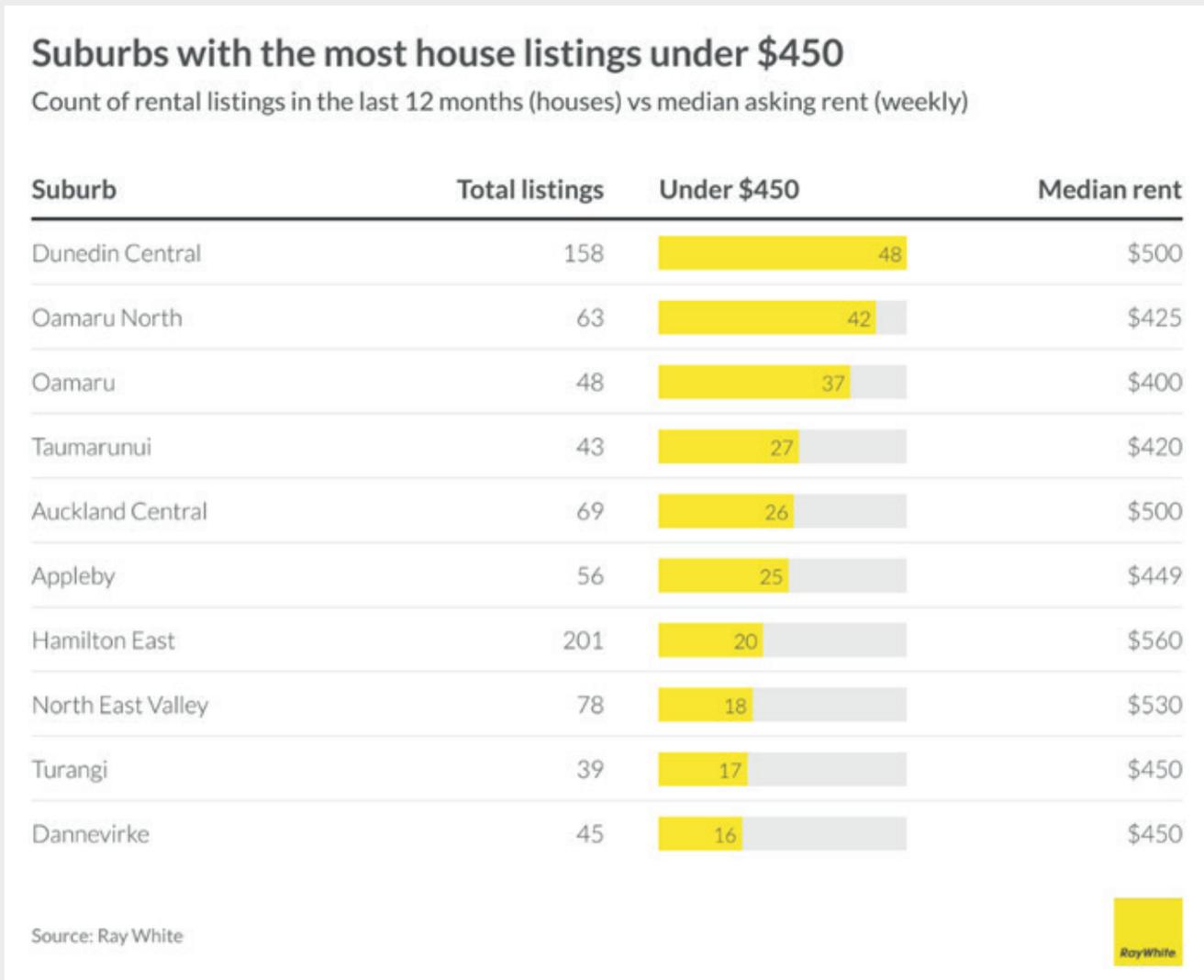


Photo: 332 Three Mile Bush Road, Te Kamo, Whangarei
Proudly marketed by Megan McGregor Ray White Whangarei



Next, we must consider what exactly is affordable.

With weekly earnings at around \$1,273 and an assumed share of rent to match Australia's 'affordable' rental evaluation at 34 per cent, then weekly rent in New Zealand should only be between \$425 and \$450. Instead, as of June 2024, Ray White saw the median asking rent continue its upward growth trajectory, increasing to \$680 for standalone homes and \$575 for units.



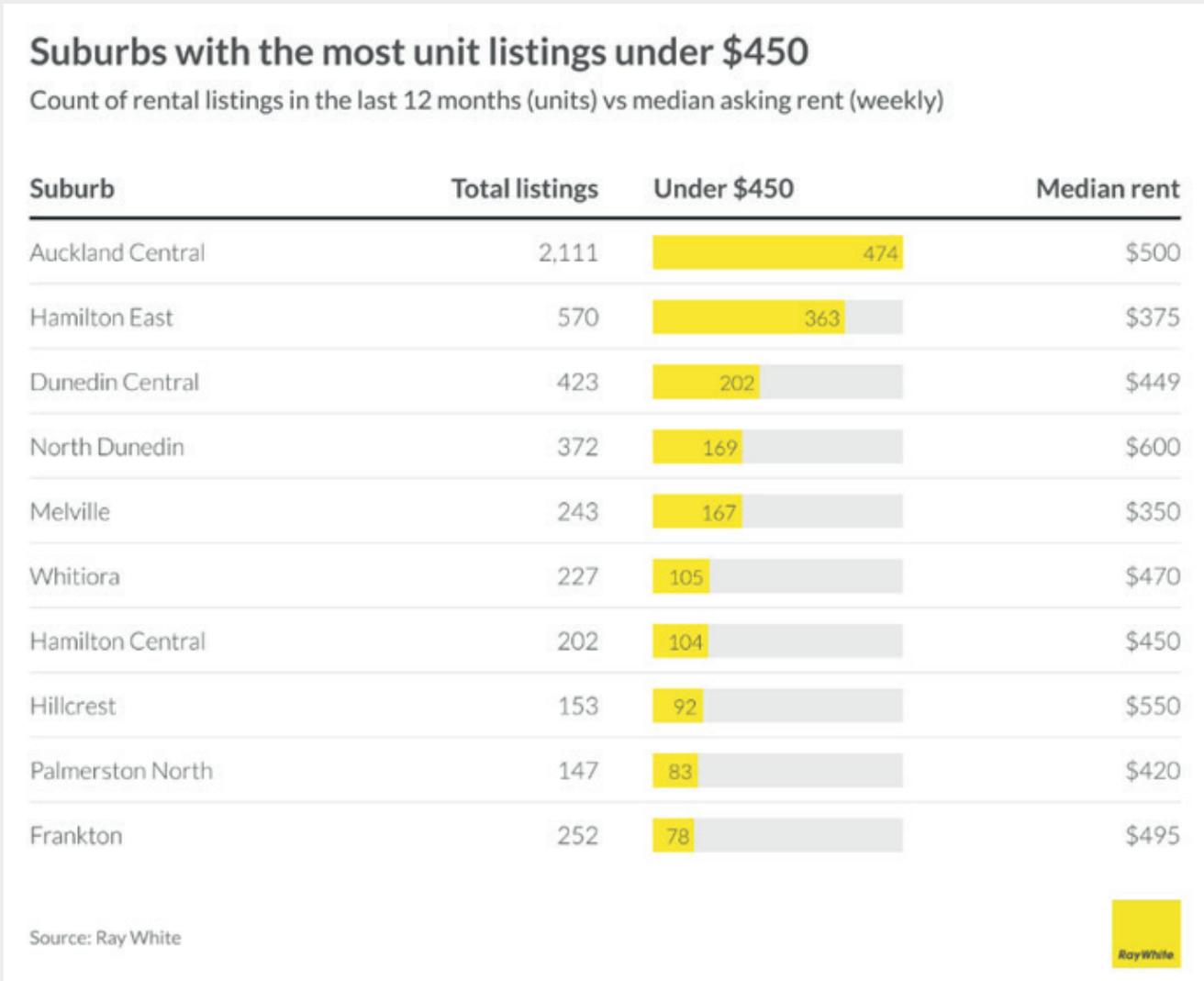
Using the share of listings priced at less than \$450/week as our benchmark for 'affordability' in New Zealand, Dunedin Central stands out for renters with 48 of all 153 property listings in the last 12 months (31 per cent) advertised with an asking rent of less than \$450.

Oamaru and Oamaru North (North Otago, South Island) and Taumarunui (Central Plateau, North Island) have the lowest median rents among the suburbs our research shows are most 'affordable'.

Renters in search of apartments and units have the best affordability prospects in Auckland Central and Hamilton East – the latter, featuring the highest proportion of advertised rental listings for less than \$450/week over the last 12 months.

While the apartments and units in Auckland Central commanded a median rental value of \$500/week, the suburb came out in our research given a high concentration of 'affordable' apartments and would be worth investigating for bargain-hunting renters.

Hamilton, however, provides the best opportunity for renters, with two suburbs on the affordability list. The South Hamilton area of Melville has a median rent of \$350/week, while Hamilton East commands \$375/week. Both suburbs saw at least 60 per cent of their listings in the last 12 months advertised with prices of less than \$450/week.



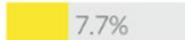
Despite Auckland Central appearing on the 'affordability' list given its high concentration of apartment and unit supply, it appears that a rule of thumb would be to avoid the major cities if you are prioritising affordability in your search for a new home for rent.

Over the last 12 months, just 1.90 per cent of Auckland's 13,08 rental property listings saw an asking rent of less than \$450/week. In Wellington, this was even less, at just 1.80 per cent of Wellington's 1,095 rental listings.

There is little doubt the central cities are designed to promote higher-density living, with supply facilitating lower median rental prices for units and apartments. In Auckland, 10.80 per cent of the 10,682 listings over the last year featured an asking weekly rent of less than \$450. While in Wellington, 7.70 per cent of its apartment and unit rental supply was deemed by our criteria as 'affordable'.

Share of listings under \$450

Share of total listings under \$450 from the last 12 months (as of Apr 2024)

City	Total house listings	House share under \$450	Total unit listings	Unit share under \$450
Auckland	13,018	 1.9%	10,682	 10.8%
Wellington	1,095	 1.8%	1,206	 7.7%
New Zealand	31,956	 5.5%	22,291	 23.2%

Source: Ray White



While rental affordability remains a significant challenge in New Zealand, there are areas, particularly in smaller cities and fringe suburbs, that present value. Over the last 12 months, rental values have escalated as supply diminished and the population grew, creating more competition for a limited supply of rental properties nationwide.

However, recent policy reform and legislative change, including the reinstatement of interest deductibility, landlord controls, and eased lending criteria, are expected to encourage some rental sector investment and greater hope for our ability to create a more equitable and, therefore, affordable rental market in New Zealand.







Market overview

Treena Drinnan
Chief Agency Officer
Ray White New Zealand



As we navigate the latter half of 2024, the residential property market in New Zealand is experiencing a significant shift, driven by policy changes and evolving economic conditions. Ray White's real-time data offers valuable insights into these dynamics, helping to inform our understanding of the current market landscape.

LISTINGS

Our data reveals a substantial increase in the number of live listings on Ray White's channels. For the month ending May 2024, the live listings count surged by 26.04 per cent compared to the same period last year. This indicates that more homeowners are choosing to list their properties, contributing to a more active market environment.

ONLINE ENQUIRIES

Despite the rise in listings, there has been a pullback in the number of digital enquiries on our listings. In May 2024, online enquiries were reduced by 10.68 per cent year-on-year, even though the number of online users increased by 7.45 per cent. This trend suggests that potential buyers are exhibiting caution in the current market, possibly influenced by the broader economic conditions and policy changes.

LOAN PRE-APPROVALS

Conversely, the number of loan pre-approvals submitted via Loan Market brokers has increased. For the month ending May 2024, there were 1,155 loan pre-approvals recorded, marking a 52.98 per cent rise year-on-year. This significant uptick indicates that buyers are actively preparing their finances to capitalise on upcoming opportunities in the housing market.

POLICY CHANGE IMPACT

The introduction of new Debt-to-Income (DTI) settings and eased Loan-to-Value Ratio (LVR) restrictions are changes with critical potential to reshape the market. These adjustments are designed to maintain financial stability, while allowing greater flexibility for buyers. Additionally, the reduction of the Brightline Test (BLT) from ten years to two years is likely to prompt some property investors to bring their properties to market, increasing supply and potentially stimulating sales activity.

SUPPLY AND DEMAND DYNAMICS

New Zealand's housing market continues to be characterised by a significant supply-demand imbalance. Strong population growth, marked by net migration inflows totalling 131,000 in the year to March, has exacerbated the pressure on housing resources. Estimates suggest that the housing deficit could be expanding by as much as 5,000 homes per quarter, leading to a cumulative undersupply of nearly 30,000 dwellings.

Economic challenges and recent tax implications have further constrained developers' ability to bring new projects to market, intensifying competition for existing properties. This scenario presents a favourable opportunity for homeowners considering a sale, as current market conditions may allow them to capitalise on demand.

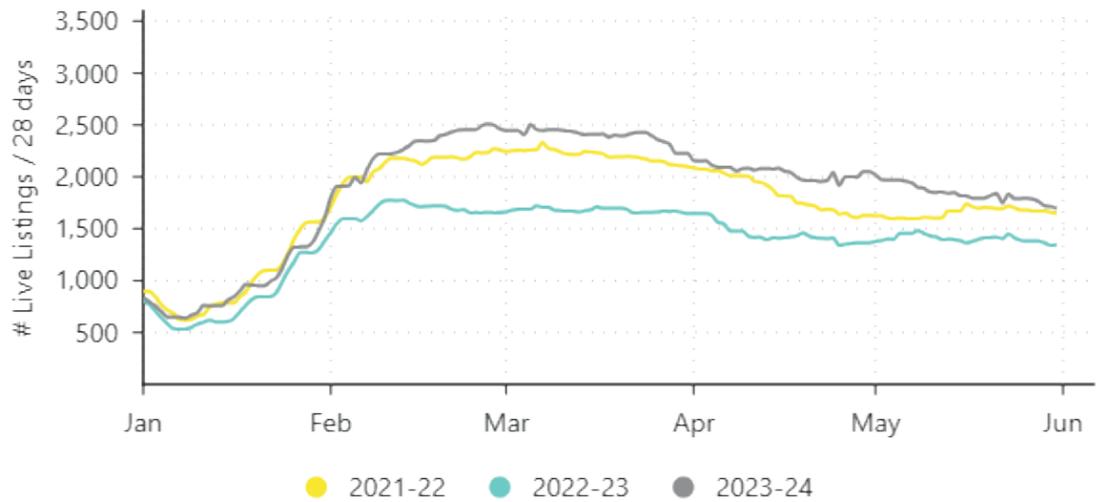
LOOKING AHEAD

As we look forward to the remainder of 2024, the prospect of easing interest rates and the recent policy changes are expected to positively influence market sentiment. Ray White's comprehensive data and insights will continue to provide valuable guidance for buyers and sellers as they navigate the evolving property landscape.

LIVE LISTINGS

This graph shows the total number of live listings on Ray White's channels.

For the month ending May 2024, our live listings count increased by 26.04 per cent when compared to the same period last year.

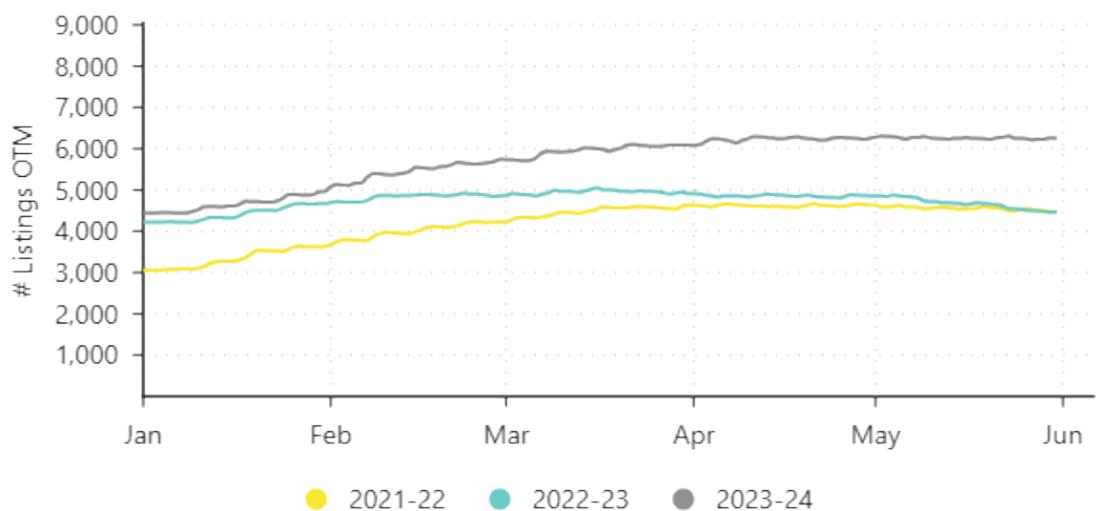


Source: Ray White Online Analytics

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 May 2024, this rose to 6,309 reflecting a rise of 41.49 per cent year-on-year.

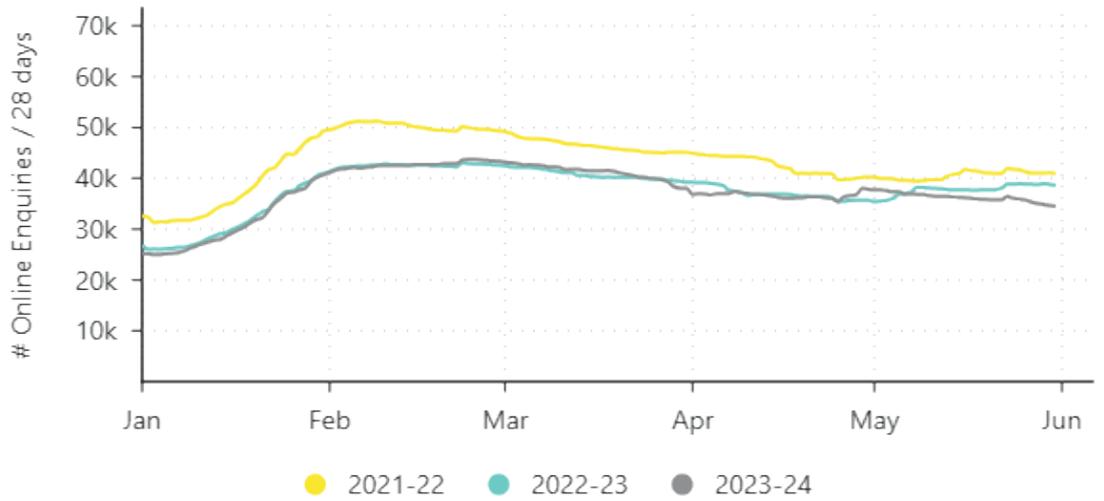


Source: Ray White Online Analytics

ONLINE ENQUIRIES

This graph compares digital enquiry received on Ray White listings over the past three years.

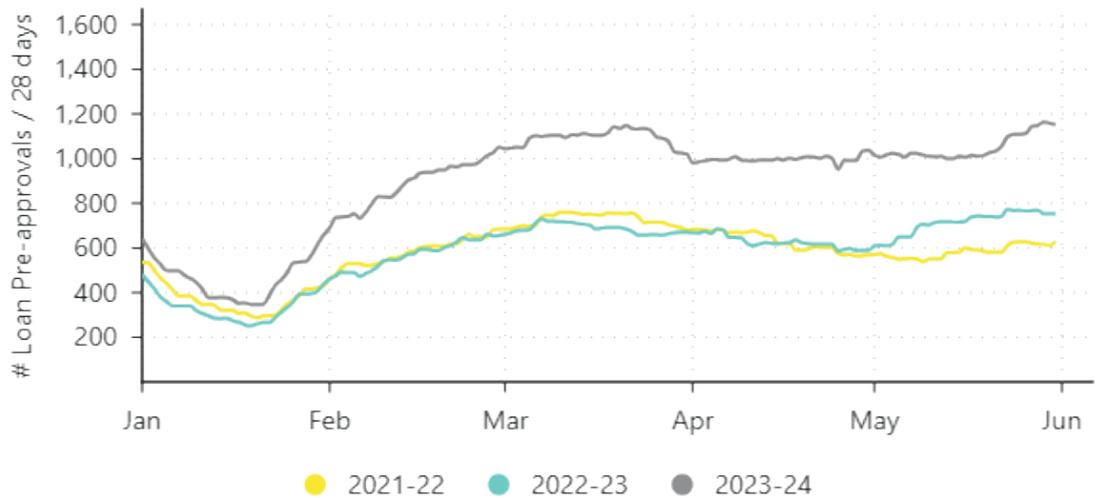
In May 2024, this decreased by 10.68 per cent year-on-year, with the number of online users up 7.45 per cent.



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 for the month ending May 2024 was 1,155, up 52.98 per cent year-on-year.



Source: Ray White Online Analytics



Photo: 332 Three Mile Bush Road, Te Kamo, Whangarei
Proudly marketed by Megan McGregor Ray White Whangarei



Auctions shine with volume boost

Sam Steele
Head Auctioneer,
Ray White New Zealand



Public confidence and rising inventory levels have sparked a period of remarkable activity and resilience for Ray White's auctions.

May witnessed a lively surge in activity, with auction volumes across our network continuing to strengthen after a series of continuously positive outcomes in previous months.

Property owners leveraged the pre-winter market to make crucial decisions and auction their assets, benefiting from the transparency of the auction process. This contributed to 637 auctions conducted nationally, a significant 62.50 per cent increase from the previous year.

The clearance rate of 45.30 per cent highlighted increased stock levels and the choices available to buyers, while an average of two registered bidders per auction confirmed this trend. Auctions with three or more registered bidders delivered success rates exceeding 60 per cent.

A notable shift was the growing preference for the auction sale method, commanding close to a third of all listings across the country with a 32.90 per cent share of newly listed properties. This trend was particularly evident in major centres such as Auckland, where 44.50 per cent of all sellers opted for auctions across all asset classes.

Auctions consistently outperformed other sales methods throughout the month.

The average time on the market in May was just 32 days, compared to 52 days for private treaty sales.

“The average time (for an auction property) on the market in May was just 32 days, compared to 52 days for private treaty sales.”

Sam Steele

Head Auctioneer, Ray White New Zealand

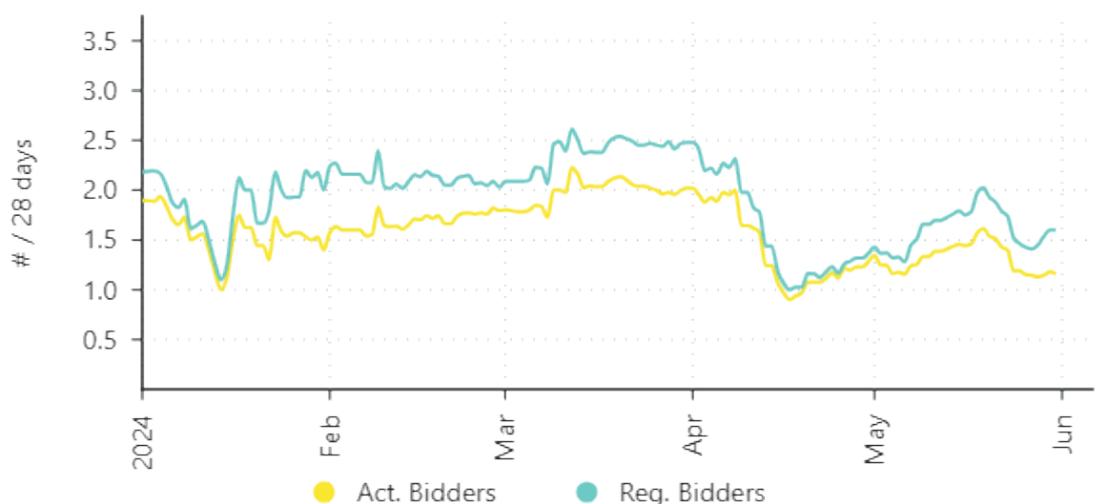
This underscores the importance of selecting the right sales approach in today’s fast-paced marketplace. Our sales teams observed improved sentiment among cautious yet engaged buyers, alongside an influx of fresh inventory.

Across the marketplace, and especially in more variable economic conditions, auctions’ transparent and competitive nature continues to be highly valued, delivering positive outcomes and bolstering consumer confidence.

Ray White New Zealand’s strategic alignment with prevailing market sentiments positions it as a steadfast advocate for auctions as the preferred sales method. This fosters increased engagement and confidence among buyers and sellers alike as we transition into traditional seasonal market patterns.

BIDDING BY MONTH

This chart illustrates the number of registered bidders and active bidders per auction for May 2024.



Source: Ray White Online Analytics

From here to December – real estate trends to watch

Ray White New Zealand

Halfway through the Year of the Dragon, New Zealand's residential real estate landscape resembles a more grounded beast than a creature of vigour, but is the market simply pausing to catch its breath before the next ascent? Three experts weigh in on their predictions for the months ahead.

Despite a see-sawing of conditions, New Zealand's residential real estate market has navigated 2024 with the promise of brighter days ahead as borrowers eagerly anticipate interest rate relief.

At the close of 2023, a change in Government, accompanied by demand-friendly housing policies and a stabilising economy, set the stage for a string of monthly house price gains. However, the drivers in 2024 are tempered by high interest rates and uncertainty, despite Kiwis remaining hopeful for an improvement in market conditions.



Nerida Conisbee
Chief Economist
Ray White Group

Ray White Group Chief Economist Nerida Conisbee says that while residential sales activity is largely flat across the New Zealand market, price growth is occurring, and buyers have taken confidence that mortgage lending rates have stopped rising.

“Interest rates are the single-biggest influencer of market activity right now, with reductions anticipated, but timing uncertain.

“We are starting to see rate cuts across the global environment. Riksbank, Sweden's central bank, made its first rate cut since 2016 at the start of May, followed by the Bank of Canada (BoC) at the beginning of June and the European Central Bank (ECB) shortly after.

“These changes suggest the fight against inflation is slowly being won internationally and raises the chances we could see interest rate relief in New Zealand once the Reserve Bank (RBNZ) is confident inflation is back within its one-to-three per cent target band.”

Conisbee says that while higher mortgage lending rates have helped to stabilise house prices, rental affordability remains a critical challenge for Kiwis.

“The introduction of Healthy Homes Standards and legislation under the previous Government designed to protect renters' rights saw some properties removed from the rental pool, leading to a spike in average weekly rents and competition for a limited supply of properties.

“Changes here – including the reversal of interest deductibility and a reduction in the Brightline Test (BLT) are expected to incentivise some landlords to reinvest in the market. We expect this policy will support other macroprudential levers, including lower Loan-to-Value Ratios (LVRs), investor-friendly policy, and falling interest rates, to improve affordability for house hunters.

“Whilst improving, affordability remains tight for many in the marketplace, and a challenging income-to-house price ratio is expected to keep a lid on house price inflation going forward,” she says.



Brad Olsen
Chief Executive and Principal
Economist, Infometrics

Infometrics Chief Executive and Principal Economist Brad Olsen agrees, noting that 2024 has seen a depression in demand with fewer Kiwis being ‘mortgageable’.

“An increasing number of households are under pressure. While defaults are creeping up, they are not huge, but some stressed homeowners may be looking to list their homes and find an opportunity.”

Olsen says that while a lower level of demand and a higher proportion of new listings has created a more competitive marketplace for sellers, the median days to sell a home have not increased significantly, suggesting a two-speed dynamic.

“We have sellers who are ready and willing to adjust to the conditions and others who are trying their luck but aren’t willing to compromise on their value assessment. Because of this, some homes spend longer on the market, and we hear mixed messaging at the coalface.”

Infometrics currently forecasts that the RBNZ will cut the Official Cash Rate (OCR) in February 2025, although market volatility could continue to delay this timing.

“We started this year forecasting a rate cut in August, which extended to November, and now, the new year. The fact is that the RBNZ hasn’t got enough traction on domestic inflation pressure. Until that figure retreats, we expect the bank to continue its ‘higher for longer’ line.

“Market sentiment remains challenged by job insecurity and economic concerns. Currently, households are hanging on – but can they survive another six months? The timeframe keeps getting pushed out, and many wonder what’s viable.”

Olsen and his team at Infometrics have recently predicted that house price growth will not return to the 2021 peak until after 2029, citing the long tail of current market pressure.

“When interest rates eventually fall, sales activity will still be constrained by the recent introduction of Debt-to-Income (DTI) limits, which will cap the amount of high DTI lending by banks. At the same time, we anticipate slower population growth, and a healthier development pipeline, both of which will further limit market uptake,” he says.



Nicole Ferguson
National Director
Loan Market

Loan Market National Director Nicole Ferguson says there has been a lot of noise about the potential implications of DTI limits, but the more significant impact will come from a concurrent relaxation of LVR restrictions.

“DTIs are expected to have a minimal immediate impact on consumers’ borrowing power, given that bank credit rules already provide similar safeguards for the financial system.

“The more significant impact will come from the relaxation of LVR restrictions, which allows lenders to provide more loans to borrowers with a deposit of 20 per cent or less, bringing the market more in line with conditions seen before the restrictions were implemented.

“Previously, stringent policies with no interest tax deductibility and a 10-year BLT, combined with restrictive LVRs and high interest rates, combined to create a challenging environment for property investors. Recent reform in the space will catalyse a positive shift, making investing more viable and attractive.

“Borrowing behaviour has gradually adjusted to a new, more lenient credit environment, reflected by the recent relaxation of the Credit Contracts and Consumer Finance Act (CCCFA). Borrowers searching for opportunities are expected to take greater advantage of these relaxed conditions and lower LVR limits, which should support residential sales activity in the months ahead.”

Ferguson says that while buyers and sellers face challenges, Kiwis must seek professional advice to stay informed and up-to-date.

“Recent policy reform may have created a more favourable environment, but the rapid changes in the residential landscape make it crucial to speak with an advisor. Understanding how these changes affect your unique situation will help stakeholders to make well-informed decisions and achieve their property goals.”

All parties agree that opportunities exist in every market, with emerging trends in pockets of the residential sector presenting value for buyers and sellers.

Where luxury homes continue to outperform other categories, apartment living is also gaining traction, and the large ageing population moving from traditional family homes and into more suitable accommodation presents a chance for the owner-occupied market to right-size.

“Ensuring you’re well informed and ready to strike when an opportunity presents itself will allow you to leverage favourable conditions, offering a competitive advantage in a variable marketplace,” Ferguson says.



Loan sizes reduce while borrowing activity picks up

Loan Market
loanmarket.co.nz

**Loan
Market**

The modest run of house price growth at the close of 2023 saw a significant upturn in lending activity, with new data from the New Zealand Banking Association (NZBA) providing some valuable insights about the health of the residential real estate market.

A more positive market sentiment from the change in Government and greater economic certainty saw buyers significantly increase their mortgage lending, with a nearly 29 per cent rise in new home loans during the second half of 2023 compared with the first.

In the six months to December 2023, borrowers committed to 52,504 new home loans (which did not include top-ups of existing loans), which compared to 40,438 new loans in the six months prior.

NZBA Chief Executive Officer Roger Beaumont said this increase was surprising given the high cost of living. “It shows activity in the market is holding up despite the cost of borrowing rising to help combat inflation and many New Zealanders experiencing financial challenges. It also bucks declining activity trends over the January to June 2023 period, when new home loans were down around 11 per cent,” he said.

Of those 52,504 new loans, first-home buyers had a share of 26.30 per cent, which increased marginally from 26 per cent in the previous six-month period.

In excellent news for new entrants, the average loan size of \$476,919 decreased by around 12.70 per cent, suggesting much-improved affordability metrics for these often-squeezed buyers.

“First home buyer data, in particular, shows their activity makes up a good proportion of new home loan activity, and due to housing market conditions, they don’t need to borrow as much as previously, which is good news for people getting into their first home,” Beaumont said.

The trend to an overall reduction in loan size extends beyond first-home buyers. Across all loans – new and existing – for all borrowers, the average loan size decreased by two per cent, which reflects the neutralising effect of house prices on affordability metrics.

Because cost-of-living pressures continue to erode household spending power, we are seeing a slight uptick in the number of loans transitioning to interest-only terms (now 61.80 per cent of all loan types).

This was followed by a 21.50 per cent split between fixed and floating terms, while just 16.70 per cent of borrowers opted for the more volatile floating term.

The share of borrowers ahead of their mortgage payments has also decreased slightly, from 43.70 per cent to 41.40 per cent.

The percentage of those behind on their repayments remains unchanged at 1.40 per cent, indicating that although there is some financial stress across the marketplace, it is not yet widespread and unlikely to cause a flurry of forced home sales in the near-term.

The data suggests that New Zealand’s residential property market has remained remarkably resilient despite ongoing economic pressures, with a noticeable increase in mortgage lending and the steadfast presence of first-home buyers.

While this is a welcome antidote to some of the bleaker economic predictions, a slight decrease in loan sizes and a drop in the proportion of borrowers ahead on their payments hint at underlying financial caution among consumers.



Custom solutions empower landlords

Zac Snelling

Head of Property Management
Ray White New Zealand



Up and down the country, we were greeted with shock and surprise at our latest Ray White Property Management events. Kiwis nationwide were stunned that the \$6 billion residential rental industry remains technically lawless.

At more than 50 insight sessions held at locations from Kerikeri to Invercargill, our team shared their knowledge about changes to the sector and unveiled our suite of Ray White Choice products to 1,000s of landlords of all ages and stages of their investment journey.

Our industry-exclusive suite of products for self-managing landlords was born from a gap in the market for property management services that better support modern landlords' taking control of their tenancies without the 'one-size-fits-all' approach to services and fees.

Ray White Choice offers bespoke services, from casual letting to routine inspections, rent management, arrears support, and consulting. As a landlord, this allows you to pick and choose the tools you need and retain control of your tenancy, ultimately providing better outcomes for landlords and tenants alike.

Our efforts to inform Kiwis about these tools have been met with excellent feedback. Landlords, who were initially curious, have been pleasantly surprised by the transparency and integrity our offerings provide. This positive response reassures us that we're on the right track and instills confidence in our products and services.

MEANINGFUL LEGISLATIVE CHANGE

This launch was backdropped by some significant legislative changes in the property management sector. Notably, the Government's decision not to pursue the Property Management Regulation Bill through Parliament, despite its widespread support, has left many landlords feeling uncertain. We're here to keep you informed and prepared for any changes that may come, providing a sense of security and support.

Elsewhere, changes to the Residential Tenancies Act 1986 have passed the second reading in Parliament. This means amendments to the legislation, including the reintroduction of 90-day 'no-cause' lease terminations, 42-day notice periods to vacate, the introduction of pet bonds, and ending the automatic rollover into periodic tenancies, are broadly approved by the house and will proceed for more detailed discussion.

If these changes pass the third reading and final stages, they will likely take effect by early 2025, shifting the dial for landlords. At the same time, we have learned that changes to the Brightline Test (BLT) will come into force on July 1, 2024, and the central bank has also recently announced the introduction of Debt-to-Income (DTI) lending restrictions.

DTIs were exactly as consulted earlier this year and will allow banks to lend 20 per cent of new investor loans to borrowers with a DTI exceeding seven. Concurrently, Loan-to-Value Ratios (LVRs) will ease to allow five per cent of investor lending to borrowers with an LVR greater than 70 per cent.

Analysts suggest these changes are unlikely to immediately impact sales activity, including the supply of private rentals, as borrowers already face heightened requirements that affect their ability to service debt.

However, reducing the BLT from 10 to two years may be an essential anecdote for the true market story – which is currently a little fuzzy given mixed media headlines.

A LOOK UNDER THE HOOD

Week after week, I have observed conflicting reports about investor challenges and unsold houses turning into rental properties. However, from my direct experience, this does not affect reality.

The change in BLT will serve as a critical litmus test, allowing more investors to divest their assets without profit being subject to income tax. While this may see highly leveraged investors opt to release their capital amid more challenging financial conditions, the proof will be in the pudding over the next few months.

Any increase in private rental sales that removes these properties from the letting pool is unfortunate news for New Zealand, and we still do not have enough rental supply to meet demand.

In May, 70 per cent of our Ray White offices reported a shortage of properties to meet the current level of enquiry, with three—and four-bedroom homes in exceptionally high demand.

“In May, 70 per cent of our Ray White offices reported a shortage of properties to meet the current level of enquiry, with three—and four-bedroom homes in exceptionally high demand.”

Zac Snelling,
Head of Property Management
Ray White New Zealand

In April, our Ray White Property Management team signed 1,000 new tenancy agreements from 6,000 applications, effectively giving a 6:1 ratio of demand versus supply that neatly lines up with anecdotal evidence from our member network.

Increased landlord obligations, such as Healthy Homes Standards, which require all private rentals to comply with new rules by July 1, 2025, are exacerbating this supply imbalance. Under more challenging financial conditions, this could see some properties removed from the available rental pool amid raised tenant expectations and the requirement for warm, dry, and healthier rental accommodation.

Add to this the chance that under more buoyant sales conditions, highly-priced regions like Auckland and Queenstown could see even less rental supply, as DTI restrictions disincentivise investment and buyers turn their attention to more accessible areas, and we have meaningful changes sending ripple effects across the sector.

These changes reflect a new landscape for tenants, landlords and Kiwis in general. Buyers will need to assess future property purchases through this new lens, and in this new market, knowledge is power.

Parallel to our Ray White Choice product launch, we have been diligently working towards becoming one of New Zealand’s most qualified property management networks. Our team now boasts New Zealand Qualifications Authority (NZQA) property management accreditations in nearly every Ray White office, a significant coup that adds daily value for our clients and customers.

Thanks to this focus on education and training, our Ray White property managers understand the legal frameworks and policy processes impacting stakeholders across the sector.

From our new Choice products to our emphasis on education, Ray White Property Management is on a mission to create a more innovative, responsible, and flexible environment for landlords and tenants across New Zealand and would love for you to join us.

If you would like to learn more about our products and services or more information about the contents of this editorial, please head to pm.raywhite.com. or feel free to reach out directly.



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,
AUCTIONEER,

GENERAL AGENT.

CROWS NEST LAND OFFICE.

**LAND
ICE COY
RE
DENT
STOCK.**

**FARM
IMPLEMENTS
& DAIRYING
MACHINERY**

OFFICE

10
**Alan White
House** ▶

The first Ray White Real Estate office
Crow's Nest, 1902
Moved to this site and restored in 1994
by the White Family



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