ANZ Research

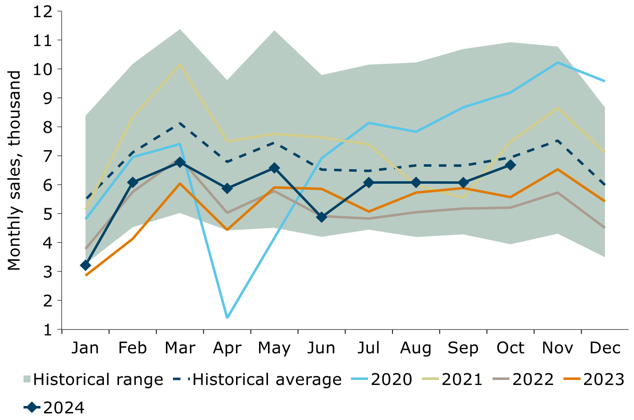
November/December 2024

New Zealand Property Focus

The lights are coming on

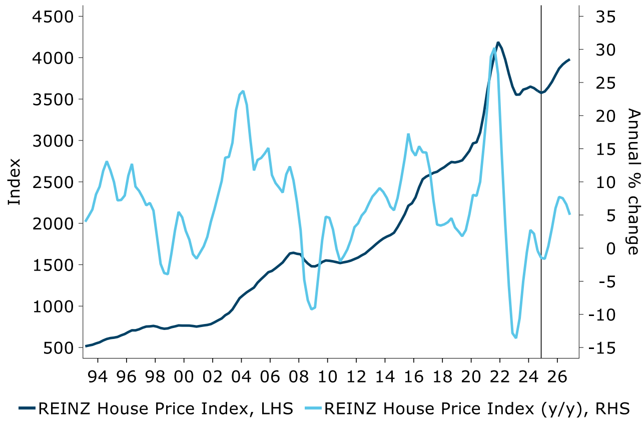
At a glance

Sales activity is picking up…

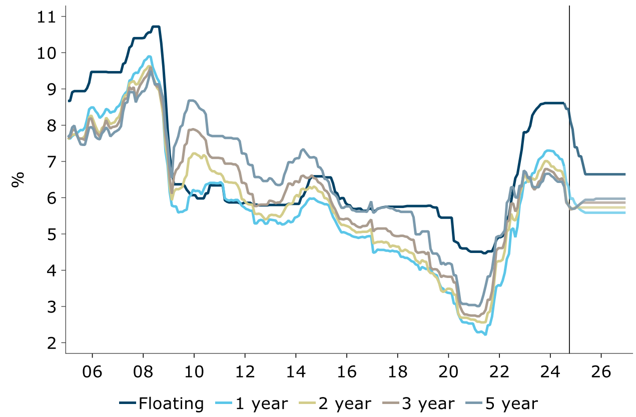


…though a backlog of stock on the market remains in place.

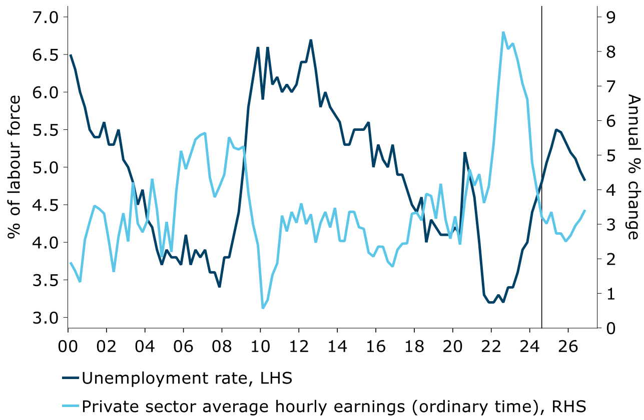
We've upgraded our house price forecast for 2025…



… as lower mortgage rates support demand…



…though a weakening labour market…



…and stretched affordability remain headwinds to the recovery.

Source: REINZ, realestate.co.nz, Stats NZ, RBNZ, Macrobond, ANZ Research

This is not personal advice nor financial advice about any product or service. The opinions and research contained in this document are provided for information only, are intended to be general in nature and do not take into account your financial situation or goals. Please refer to the Important Notice.

Contact

Sharon Zollner, Henry Russell, or David Croy for more details.

See page 14

INSIDE

Confused by acronyms or jargon? See a glossary here.

ISSN 2624-0629

Publication date: 28 November 2024

Summary

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

Property Focus

October's REINZ housing market report marked a shift in momentum as sales volumes lifted (and were revised higher over history), while days to sell fell, tentatively suggesting the market is on a tightening trajectory. While house price falls resumed in October after a surprising lift in September, and indeed further falls are expected in the very near term given a backlog of listings on the market, the shift in underlying market momentum reinforces our expectation for a recovery in house prices over 2025. See our Property Focus.

Feature Article: House price forecast update

Reflecting frontloaded OCR cuts, our expectation for a faster economic recovery from next year, and signs that housing market momentum is starting to shift, we've upgraded our house price forecast. While further falls are likely in the near term, we now expect house prices to rise 6% over 2025 (previously 4.5% y/y), and a further 5% over 2026. While lower interest rates and easing credit conditions are strong tailwinds for housing demand, the recovery faces plenty of headwinds too, with labour market conditions continuing to deteriorate, population growth slowing, and affordability stretched. With many moving parts affecting the housing market outlook, we see two-sided risks around our central forecast. In this month's Feature Article, we detail the risks to our forecast by going through the each of the drivers of house prices in turn.
See our Feature Article.

Mortgage Borrowing Strategy

Median mortgage rates are generally a little lower again this month in the wake of the RBNZ's 50bp cut on 27 November. While that cut was outsized and following a cut of the same magnitude in October, wholesale swap rates were actually higher for most of November, having taken their lead from higher US interest rates in the wake of Trump's election victory. Looking ahead, the outlook is mixed. While we expect more OCR cuts in 2025, markets have already anticipated them, and that's why wholesale rates and mortgage rates have fallen ahead of – and in some cases, more quickly than – the OCR. What this also means is that while short-term fixed mortgage rates that tend to move more in step with the OCR (like 6mths and 1yr) have scope to fall a little further, rates like the 3yr, 4yr and 5yr may not fall further, especially with global long-term interest rates on the rise again. So, anyone who wants to try to lock in at the bottom may want to start thinking about how much longer they want to wait. As always, fixing for a mix of terms is one sure way to spread risk. See our Mortgage Borrowing Strategy.

Property Focus

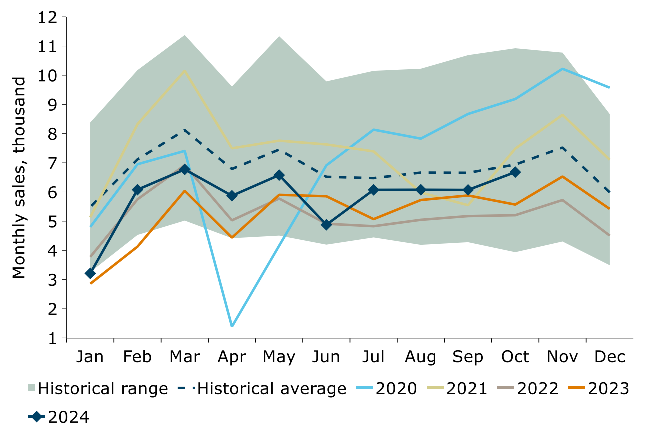
Summary

October's REINZ housing market report marked a shift in momentum as sales volumes lifted (and were revised higher over history), while days to sell fell, tentatively suggesting the market is on a tightening trajectory. While house price falls resumed in October after a surprising lift in September, and indeed further falls are expected in the very near term given a backlog of listings on the market, the shift in underlying market momentum reinforces our expectation for a recovery in house prices over 2025.

The lights are coming on

The REINZ House Price Index fell 0.5% m/m in October, reversing last month's surprising lift. However, while house prices are likely to fall further in the very near term, the October monthly snapshot pointed to a shift in momentum in the market.

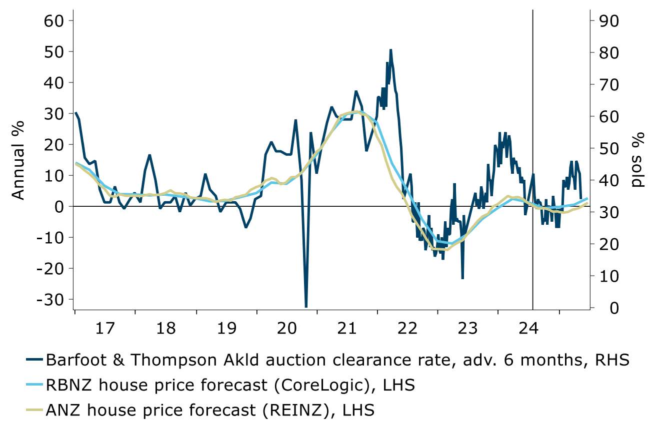
Figure 1. Sales relative to history



Source: REINZ, Macrobond, ANZ Research

Sales volumes lifted 0.8% m/m (sa) in October, and were also revised significantly higher over history. Seasonally adjusted sales have now risen for four months on the trot and are now close to their long-run historic average. The lift in sales volumes corroborates the bounce in the auction clearance rate over recent months, signalling that market activity is lifting, albeit from a low level.

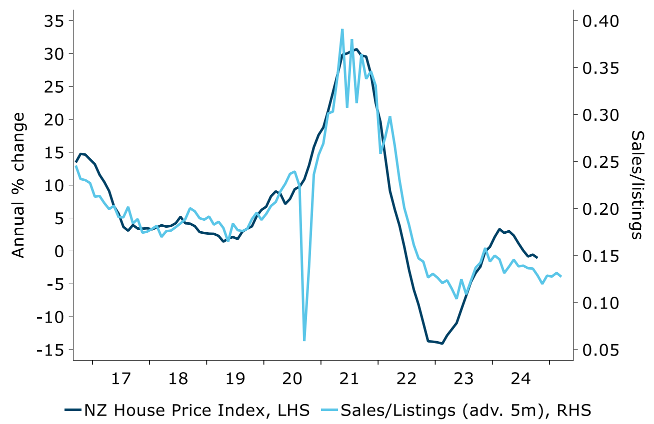
Figure 2. Auction clearance rate



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

A lift in sales volumes is ultimately required for a meaningful upswing in house prices, with current market dynamics still in "loose" territory, reflecting a backlog of stock on the market as new listings have outpaced sales over the past year. The sales-to-listings ratio, which tends to give a 3–6 month lead on house price momentum, continues to suggest momentum is southbound (figure 3).

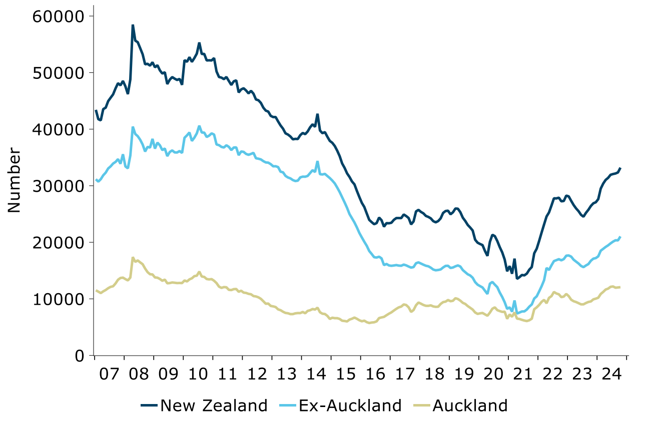
Figure 3. Sales/Listings ratio vs house prices



Source: REINZ, Macrobond, ANZ Research

Total housing market inventory is currently at the highest level in nearly a decade. October saw a larger-than-usual seasonal bounce in new listings, and while that's likely to put further downward pressure on prices in the near term, it also suggests that homeowners are growing more confident about relocating, and mobility is returning to the market. Indeed, the fall in the auction clearance rate last week was due to a surge in the number of auctions held, rather than a fall in sales.

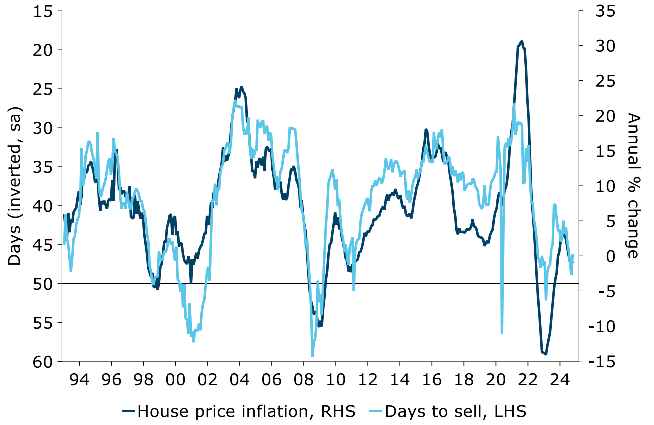
Figure 4. New listings



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

Meanwhile, the number of days to sell fell from 49 to 46 in October. Properties are still taking longer to sell than the long-run average of 39 days, but the fall tentatively suggests that the market is on a tightening trajectory (figure 5).

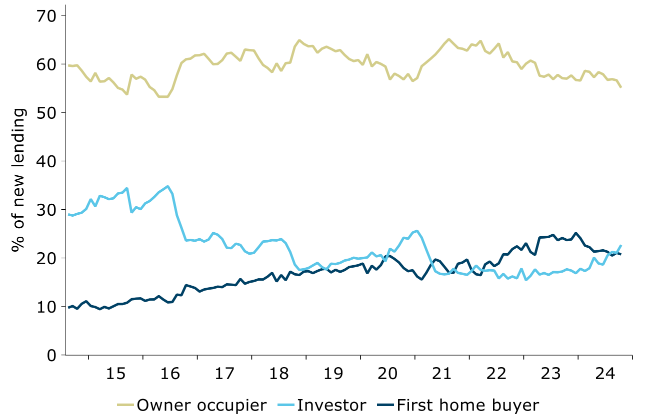
Figure 5. Days to sell vs house prices



Source: REINZ, Macrobond, ANZ Research

In line with the lift in sales volumes, new mortgage lending commitments have been steadily rising, and are up over 30% y/y as of October. Notably, the composition of new lending has shifted over the past year, with investors increasing their share of total lending to 22.7%, the highest since August 2018, outside of the COVID period where loan-to-value ratio restrictions were temporarily removed. Comparatively, first home buyers' share of total new lending has been trending lower over 2024.

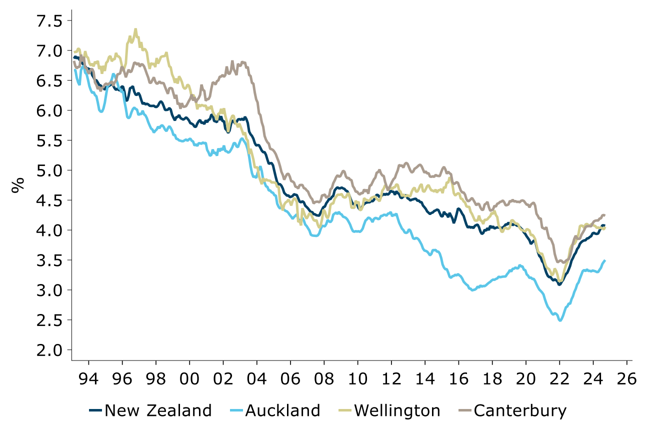
Figure 6. New mortgage lending commitments by borrower type



Source: RBNZ, Macrobond, ANZ Research

The lift in investor activity over the past year follows recent supportive policy changes. These include the reinstatement of interest deductibility, the reduction in the bright-line test from 10 years to 2 years, changes to the Residential Tenancies Act and easing credit conditions, all of which have increased the incentives for landlords to own property. Falling interest rates and the resultant reduction in debt-servicing costs have also benefited investors, but leveraged investors are still likely to face cash-flow challenges, with rental yields still low relative to history (aside from the boom in house prices through the early COVID period). Costs for landlords have increased markedly too, with local authority rates and insurance costs, in particular, having surged in recent years.

Figure 7. Rental yields

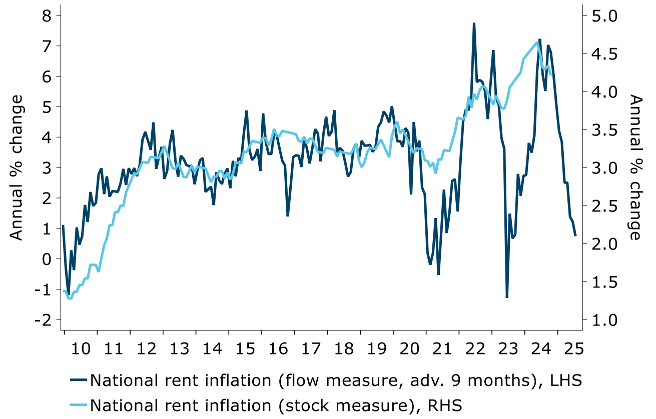


Source: REINZ, NZ Tenancy Service, Macrobond, ANZ Research

Rent inflation for new tenancies has cooled considerably over the past year, likely reflecting weaker household income growth and the rapid fall in net migration inflows. Annual growth in rent for new tenancies alone (the flow measure) fell to just 0.7% in October, from over 7% at the end of 2023. With labour market conditions set to weaken well into

2025, and net-migration inflows likely to cool further, rent inflation is likely to remain subdued moving forward, with rental vacancies rates on the rise.

Figure 8. Rent inflation



Source: Stats NZ, Macrobond, ANZ Research

While rental yields may not be particularly attractive for prospective investors, the lure of capital gain is likely drawing more investors back into the market. Reflecting the recent shift in momentum in the housing market, and our expectation for a faster economic recovery over coming years, we have upgraded our house price forecast, with annual growth of 6% now expected over 2025 (previously 4.5%). In this month's Feature Article, we outline our updated forecast.

Housing market indicators for October 2024 (based on REINZ data seasonally adjusted by ANZ Research)

	Median house price			House price index		Sales		Average days to sell
	Level	Annual % change	3-mth % change	Annual % change	3-mth % change	# of monthly sales	Monthly % change	
Northland	$639,058	-5.5	-0.3	-1.9	0.2	170	+4%	65
Auckland	$979,681	-4.3	-2.8	-2.9	-0.6	1,905	+3%	44
Waikato	$740,365	-1.8	2.5	-0.1	0.4	624	+5%	52
Bay of Plenty	$820,662	0.6	0.1	-3.1	-1.3	391	-4%	50
Gisborne	$637,815	10.8	5.5	-0.9	-1.1	31	-27%	47
Hawke's Bay	$663,695	-2.6	-1.2	-0.9	-1.1	214	-5%	50
Manawatu-Whanganui	$554,452	4.3	-2.2	-0.6	-0.7	286	-9%	51
Taranaki	$625,054	7.8	-0.4	-1.7	0.3	133	-7%	44
Wellington	$787,498	0.9	0.2	-2.0	-1.8	574	-1%	44
Tasman, Nelson & Marlborough	$719,213	0.9	1.7			223	+11%	50
Canterbury	$693,574	2.9	0.9	2.4	-0.2	1,039	+0%	40
Otago	$737,165	12.0	5.3	2.9	-0.7	310	-18%	46
West Coast	$403,565	14.4	4.8	0.5	-0.4	30	+2%	28
Southland	$485,635	14.0	-0.4	3.6	-0.3	142	+0%	46
New Zealand	**$783,313**	**0.7**	**1.0**	**-1.1**	**-0.7**	**6,143**	**+1%**	**46**

Feature Article: House price forecast update

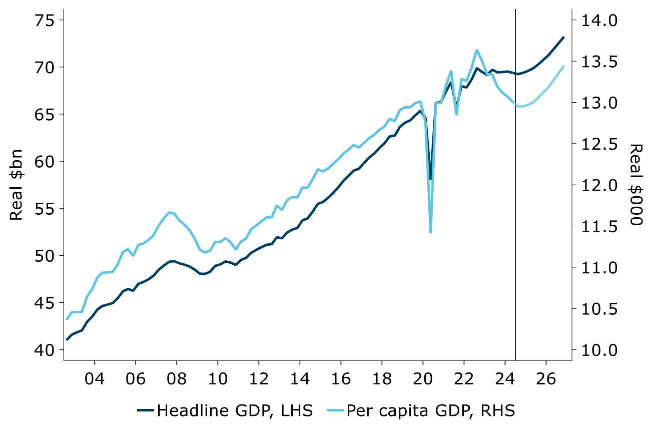
Summary

Reflecting frontloaded OCR cuts, our expectation for a faster economic recovery from next year, and signs that housing market momentum is starting to shift, we've upgraded our house price forecast. While further falls are likely in the near term, we now expect house prices to rise 6% over 2025 (previously 4.5% y/y), and a further 5% over 2026. While lower interest rates and easing credit conditions are strong tailwinds for housing demand, the recovery faces plenty of headwinds too, with labour market conditions continuing to deteriorate, population growth slowing, and affordability stretched. With many moving parts affecting the housing market outlook, we see two-sided risks around our central forecast. In this month's Feature Article, we detail the risks to our forecast by going through the each of the drivers of house prices in turn.

House price forecast update

Earlier this month, we released our Quarterly Economic Outlook. We now expect a faster recovery in economic activity in response to front-loaded interest rate cuts by the RBNZ. Since our last Economic Outlook in August, the RBNZ stepped up the pace of easing, delivering 50bp cuts in October and again earlier this week. High-frequency data already suggest the economy is responding to lower interest rates. Business confidence is at its highest level in a decade, activity is picking up in the housing market, and broader economic activity indicators are off their lows. There's still a significant divergence between the difficult conditions here and now and expectations for better times ahead. This recession was caused by high interest rates, so lower rates are likely to be an effective cure, but not an instant one, and rising unemployment and business failures mean things are likely to feel worse before they feel better.

Figure 1. GDP forecast

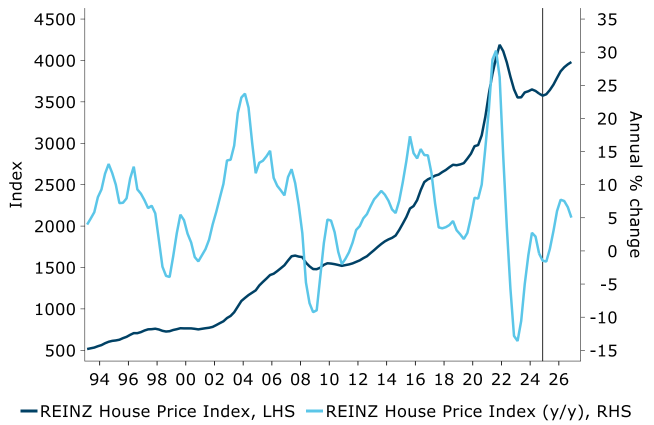


Source: Stats NZ, Macrobond, ANZ Research

A meaningful shift in growth isn't likely until the middle of next year, but we now expect a stronger bounce-back. In line with our updated outlook, we've revised our house price forecast higher. We now expect house prices to rise 6% over 2025 (previously 4.5%), and 5.0% over 2026 (as before).

As always, it's important to note that forecasts carry a significant degree of uncertainty. Our approach to forecasting is about balancing the risks as we see them. In this month's Feature Article, we detail the risks to our forecast by going through the each of the drivers of house prices in turn.

Figure 2. ANZ house price forecast



Source: REINZ, Macrobond, ANZ Research

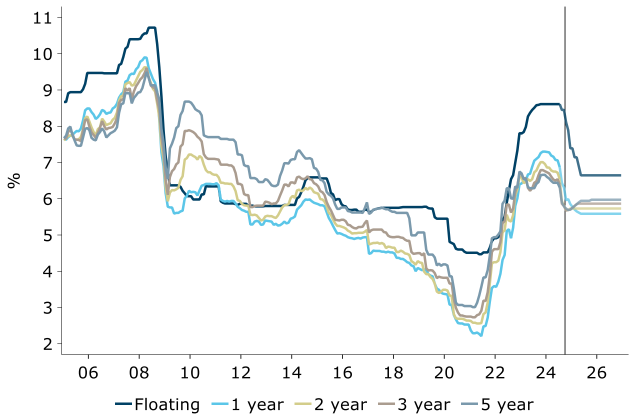
Interest rates: While further falls in house prices are likely in the near term, reflecting current market momentum, falling interest rates and easing credit conditions are expected to pave the way for a recovery over 2025. We continue to expect the RBNZ will cut the OCR to 3.5% by the middle of next year (from 4.25% currently). We expect the RBNZ will revert to 25bp cuts in 2025, moving more gradually as the OCR gets closer to a neutral level.

At the current point in the economic cycle, with still-rising spare capacity and inflation near the 2% target, there is a certainly a risk of further and faster OCR cuts than we are forecasting, but not all upside inflation risks have gone away. Strong contributions to inflation from components less sensitive to the economic cycle, such as council rates, insurance, private health care, and electricity (regulated increases in distribution charges from Q2 2025) are unlikely to dissipate anytime soon. And with elevated geopolitical risks, a rise in trade protectionism, and the NZD under pressure, there's a risk that imported inflation will settle higher this decade than last.

The challenge for the RBNZ is a lot of these inflation risks are outside of the direct influence of monetary policy. If these "structural" risks materialise, that will ultimately mean the RBNZ will need to place more downward pressure on the components of inflation that it *can* influence through higher-than-otherwise interest rate settings. While the cyclical case for deeper OCR cuts is currently strong, the RBNZ needs to weigh that against the risk of structurally higher inflation moving forward. We think an OCR of 3.5%, our neutral OCR assumption, balances those risks.

So, what does our central forecast mean for mortgage rates? As we have noted in recent editions, mortgage rates have already made a lot of the adjustment to the lower interest rate environment. That's because they are driven in part by moves in wholesale interest rates, which are forward looking and (apart from the overnight rate) don't move in lock step with observed changes in the OCR, but rather in anticipation of future changes over the term. So, while mortgage rates are likely to continue to fall over time as the RBNZ actually delivers further cuts (and fulfils market expectations), it is likely that a big chunk of the peak-to-trough move is already behind us and falls from here could be slower. In fact, mortgage rates for longer tenors are projected to move a touch higher next year, reflecting the sharp increases in wholesale interest rates over recent months in the fallout of the US Presidential election.

Figure 3. Mortgage rate projections



Source: RBNZ, Macrobond, ANZ Research

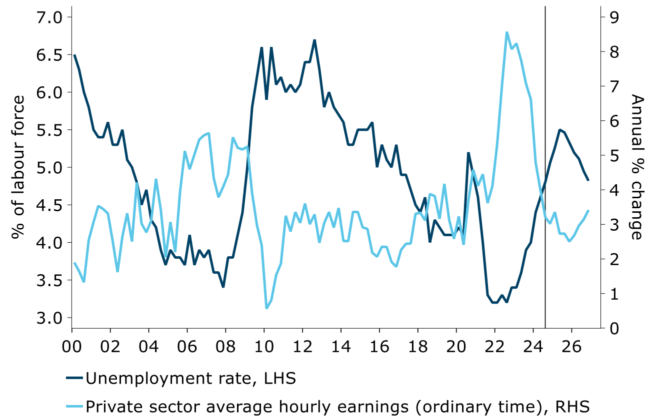
Lower interest rates and easing credit conditions are strong tailwinds for the housing market but there are still many reasons to be cautious about prospects for a meaningful upswing in prices, the labour market being top of that list.

Labour market: While the economy is at the bottom of the cycle, the labour market is still adjusting to past conditions. Labour demand has weakened considerably, and we expect the unemployment rate will rise to peak of 5.5% in the middle of next year (from 4.8% currently).

Unemployment does not impact everyone directly, but there are indirect impacts through the confidence channel as job insecurity concerns can cause households to cut back on spending and put off significant purchases, such as buying a house.

Likely a reflection of heightened job insecurity fears, the recovery in consumer confidence in our survey has been far weaker than in our Business Outlook.

Figure 4. Unemployment forecast



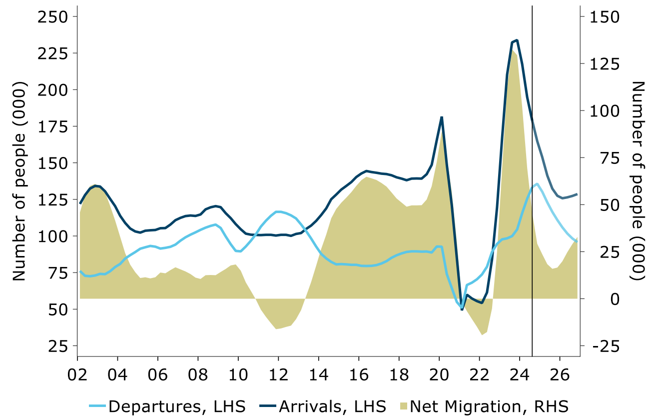
Source: Stats NZ, Macrobond, ANZ Research

While there are already signs of improving activity emerging in high-frequency data, the labour market will lag the recovery. Until labour market conditions start to improve, and confidence returns, any recovery in the housing market is likely to be gradual.

Population growth: A fundamental driver of housing demand is simply the number of people in the country. The rate of population growth (and whether we are building enough houses to keep up, which we'll discuss later) impacts the trend in house prices.

A large part of growth in New Zealand's population comes from the net migration cycle. Reflecting weak labour market conditions, net migration inflows have cooled rapidly in recent months. With fewer jobs available, the number of new arrivals is easing, while departures remain elevated, as more kiwis head abroad in search of better job prospects. The annual net inflow fell to 44.9k in September, down from a peak of 136k in October 2023. Our forecasts assume the annual net inflow falls to around 15k by the middle of next year.

Figure 5. Annual migration assumption



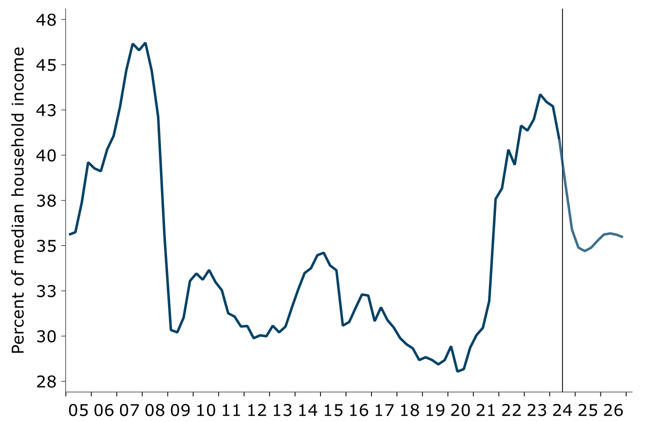
Source: Stats NZ, Macrobond, ANZ Research

On a monthly basis, the outflow of people leaving the country has stabilised recently and looks to be gradually easing. But if departures were to remain elevated for longer, there's a scenario where New Zealand could experience an annual net outflow. That wouldn't necessarily mean a fall in the population; there's the natural increase from births less deaths too. Nonetheless a larger slowdown in population growth would reduce upward pressure on house prices in the medium term.

Affordability: Affordability is also an important driver of house prices. The two simplest metrics of housing affordability are the cost of servicing a loan (the product of mortgage rates and the loan size), and the outright purchase price (and hence the required deposit). Given both house prices and interest rates have fallen, affordability on both metrics has improved. However, in absolute terms affordability remains stretched and is likely to cap significant upside to house prices.

Expressed as a share of household income, figure 6 shows the cost of servicing a home loan (principal and interest) based on a loan-to-value ratio of 80% of the median house price, the rolling 1-year mortgage rate, and the loan documented over 30 years. With mortgage rates having already made most of the adjustment to the lower interest rate environment, serviceability has already improved significantly. However, the cost of servicing a home loan as a share of income is expected to settle higher than last decade, as rising house prices increase loan amounts at the same time as weak labour market conditions restrict household income growth.

Figure 6. Servicing a mortgage



Source: REINZ, RBNZ, Stats NZ, Macrobond, ANZ Research

The median house price to income ratio is currently around 6, having fallen back to around pre-COVID levels after a rollercoaster ride over the past four years from ultra-low interest rates to a rapid tightening cycle. While the median house price to income ratio got close to 9 in 2021, even at current levels, affordability is very stretched and likely to cap the extent of upside to house prices (particularly in light of the RBNZ's new debt-to-income limit tool). That's evident in the differences in regional housing market performance over the past four years, as we noted in our Regional Revelations Feature Article a few months back. The past four years have generally seen a convergence in housing affordability across regions. Auckland, the least affordable housing market in the country, saw the worst house price performance over the past four years, while the West Coast, the most affordable housing market in the country, saw the largest increase in house prices of any region.

Figure 7. House price to income ratio

Source: REINZ, Stats NZ, Macrobond, ANZ Research

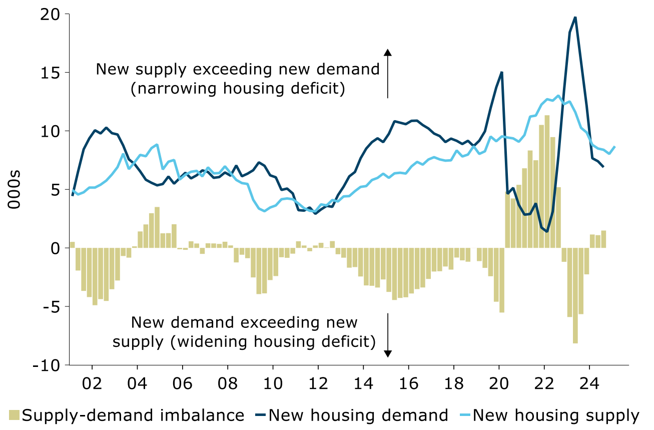
Combining house prices to incomes with the cost of servicing a new mortgage into a single index (with equal weights) highlights that housing affordability is likely to remain very stretched over the coming years, reducing the scope for persistent and large relative price gains compared to recent decades.

Figure 8. ANZ Housing Affordability Index

Source: REINZ, Stats NZ, Macrobond, ANZ Research

Housing supply: Thus far, we have discussed the drivers of the housing demand. The other aspect of the house price equation is of course housing supply. Building enough houses to meet demand has been a constant challenge for New Zealand over recent decades. During the COVID period, ultra-low interest rates (not to mention the temporary removal of loan-to-value ratio restrictions) saw a construction boom, while the closed border saw population growth plummet and the housing deficit narrow considerably (figure 9). But following the surge in migration as the border reopened, and restrictive interest rates curtailing construction demand, the housing deficit once again began to widen. Over recent quarters, sharp falls in net migration inflows have halted the widening of New Zealand's housing deficit, but cyclical falls in net migration won't persist forever.

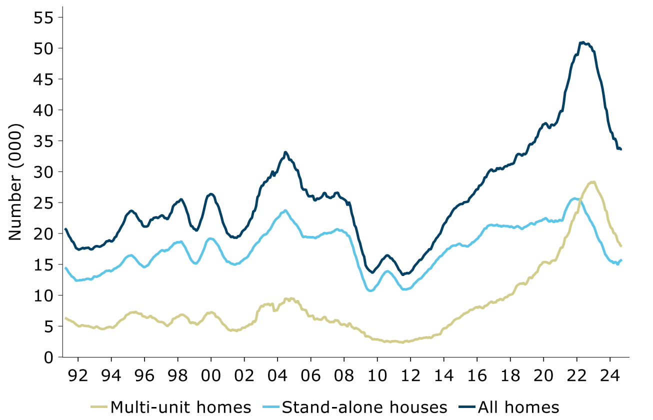
Figure 9. Estimated housing supply-demand imbalance



Source: REINZ, Macrobond, ANZ Research

The good news is the sharp decline in building consents issuance seen over the past couple of years looks to be petering out. In fact, total issuance looks to have stabilised around pre-COVID levels, meaning the downturn in consents this cycle is set to be far less severe than was experienced following the Global Financial Crisis. But not all consented projects are followed through with, and projects are taking longer to complete too. Stats NZ's experimental building indicators for the December 2023 quarter showed that it took on average around 16 months from consent issuance to code compliance certification (up from 14 months in June 2021). As a result, should consents issuance fail to improve over the coming quarters, that's likely to play out in the years to come through upward pressure on house prices.

Figure 10. Building consents

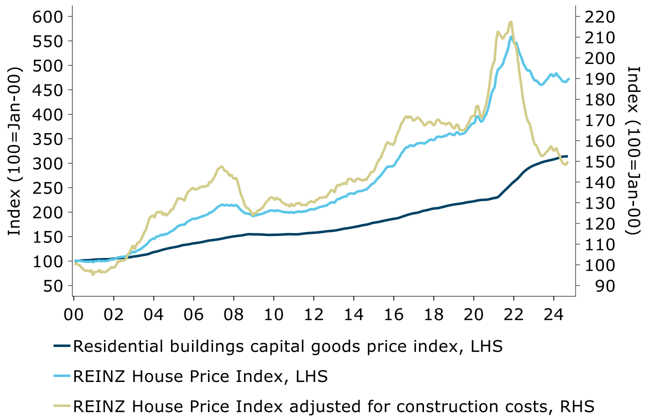


Source: REINZ, Macrobond, ANZ Research

While consents look to have stabilised, one potential handbrake on the responsiveness of housing supply moving forward is ongoing cost pressures for developers. While construction cost inflation has eased over the past year, that followed a substantial surge through the COVID period, reflecting the impacts of supply-chain disruption leading to materials shortages. Construction costs have increased over 40% since December 2019, outpacing gains in house prices.

Adjusting house prices for construction costs shows a sharp fall over the past few years, with cost-adjusted house prices now at their lowest level since early 2015. That highlights the margin compression that has occurred for developers (figure 11). That said, while the incentive to build by this measure has declined markedly, it remains elevated.

Figure 11. House prices and construction costs growth



Source: Stats NZ, REINZ, Macrobond, ANZ Research

Construction costs aren't just impacting developers. Local authorities are also facing funding pressures to deliver the required infrastructure to support new developments, with balance sheets already stretched. The scarcity of developable land remains a significant issue across many towns and cities, with no quick fix on the horizon. And given land values make up the lion's share of house prices, the issue is at the very heart of New Zealand's housing unaffordability.

There has been some improvement in this space in recent years, with the changes to zoning regulations in Christchurch following the Canterbury earthquakes, the implementation of Auckland Council's Unitary Plan in 2016 and ongoing work to enable greater housing density all contributing to much more responsive housing supply than was the case when New Zealand's housing crisis really took off in the 2010s.

The tensions between maintaining an ample supply of developable land and creating liveable cities are real and the problems complex, but allowing the long-run trend of relative house price gains to continue would come with considerable social costs.

Putting it all together

Putting it all together, there are many moving parts affecting the housing market outlook, with two-sided risks to our forecast. It's also important to note that while we've laid out the fundamental drivers of house prices, the housing market can certainly deviate from fundamentals should "animal spirits" captivate the market. If the housing market recovery starts to ramp up, could we be in store for a new wave of FOMO ("fear of missing out")? Or could a lack of buyers amidst a backlog of stock on the market see homeowners rush to sell up before the market deteriorates further? While for now it appears the market's animal spirits are sleeping, the potential for such sentiments adds an additional layer of uncertainty to our forecasts. All told, we certainly wouldn't be surprised if our forecast weren't to come to fruition (this is the housing market after all!), but nonetheless, we're comfortable that our forecast balances the risks.

Mortgage borrowing strategy

This is not financial advice about any product or service. The opinions and research contained in this document are provided for information only, are intended to be general in nature and do not take into account your financial situation or goals. Please refer to the Important Notice.

Summary

Median mortgage rates are generally a little lower again this month in the wake of the RBNZ's 50bp cut on 27 November. While that cut was outsized and following a cut of the same magnitude in October, wholesale swap rates were actually higher for most of November, having taken their lead from higher US interest rates in the wake of Trump's election victory. Looking ahead, the outlook is mixed. While we expect more OCR cuts in 2025, markets have already anticipated them, and that's why wholesale rates and mortgage rates have fallen ahead of – and in some cases, more quickly than – the OCR. What this also means is that while short-term fixed mortgage rates that tend to move more in step with the OCR (like 6mths and 1yr) have scope to fall a little further, rates like the 3yr, 4yr and 5yr may not fall further, especially with global long-term interest rates on the rise again. So, anyone who wants to try to lock in at the bottom may want to start thinking about how much longer they want to wait. As always, fixing for a mix of terms is one sure way to spread risk.

The floating rate was the big mover in November, falling by 0.5% at most large banks following the RBNZ's decision to cut the OCR by 50bp. Some fixed rates have also fallen in recent days, but the main reason we didn't see falls sooner was because wholesale 1-5yr swap rates (one of the factors driving mortgage rates) rose over the first half of November and only fell again late in the month.

These moves higher in local swap rates coincided with global moves, with US long-term bond yields being driven higher by stronger data suggesting the US Federal Reserve (the US central bank) might not need to cut by as much. That, in turn, saw local markets re-assess whether the RBNZ might slow the pace and extent of cuts, but it was Trump's election victory and fears of ongoing borrowing and deficit spending that tore through bond markets, and all of that was felt here. However, that's eased, and RBNZ Governor Orr's hat tip to another possible 50bp cut in February has calmed local market nerves, and swap rates are currently close to late-October levels.

Looking ahead, we forecast another 75bp of OCR cuts in 2025, taking the OCR to 3.5%. Because those cuts are expected, we do not see them to having much of an impact on 2-5yr swap rates, which all fell below 4% some time ago in anticipation of the OCR going lower. They may even go higher if global rates rise, and in fact, because we have upgraded our long-term wholesale rate forecasts (mostly because of global factors), we are now projecting slight rises in 3-5yr mortgage rates over coming quarters. 2yr rates sit somewhere in the middle, and we aren't projecting much movement there. But shorter-term rates like the 6mth can't anticipate the future as much as long-term rates, and are less impacted by global rates, and they have scope to fall as the OCR comes down.

At this juncture, with some falls in short-term fixed mortgage rates likely still coming but longer-term rates either near lows or at risk of rising, the choice for many borrowers will be deciding when to jump off a falling short-term rate and move to a longer term. It won't be easy, but one way to think about it might in terms of hopes and fears. If you hope rates keep falling and need more relief, you may want to stick to shorter terms, but if you are worried about rising rates, you might want to move to a longer term. With OCR cuts ongoing but expected, and global rates rising, uncertainty is high, and we urge readers to keep an open mind, and to consider spreading any fixes over several terms, just in case things don't pan out as you or we expect.

We'll finish with breakevens, as we do every month. Because median rates 2yrs and out are all at 5.69%, they don't offer a lot of value. But they do show that the 6mth rate has to fall a long way over the next 6mths (from 6.24% to 5.34%) for back-to-back 6mth terms to be cheaper than a single 5.79% 1y term. If the OCR does fall 75bp next year, that could happen, but it isn't guaranteed, yet the 1yr rate is already cheaper, and that may appeal to some borrowers.

Figure 1. Carded special mortgage rates*

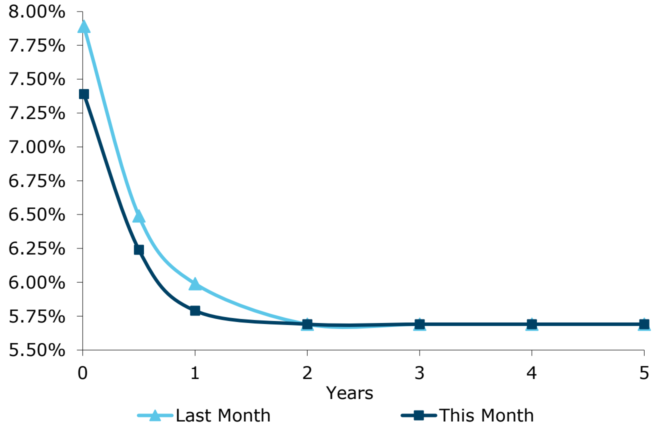


Table 1. Special Mortgage Rates*

		Breakevens for 20%+ equity borrowers			
Term	Current	in 6mths	in 1yr	in 18mths	in 2 yrs
Floating	7.39%				
6 months	6.24%	5.34%	5.64%	5.54%	5.69%
1 year	5.79%	5.49%	5.59%	5.62%	5.69%
2 years	5.69%	5.55%	5.64%	5.65%	5.69%
3 years	5.69%	5.60%	5.66%	5.67%	5.69%
4 years	5.69%	5.62%	5.67%		
5 years	5.69%	*Median of the five largest banks			

Source: interest.co.nz, ANZ Research

Key forecasts

Weekly mortgage repayments table (based on 30-year term)

Mortgage Size ($000)	Mortgage Rate (%)													
	4.75	5.00	5.25	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50	7.75	8.00
200	241	248	255	262	269	277	284	292	299	307	315	323	330	338
250	301	309	318	327	336	346	355	364	374	384	393	403	413	423
300	361	371	382	393	404	415	426	437	449	460	472	484	496	508
350	421	433	446	458	471	484	497	510	524	537	551	564	578	592
400	481	495	509	524	538	553	568	583	598	614	629	645	661	677
450	541	557	573	589	606	622	639	656	673	690	708	726	744	762
500	601	619	637	655	673	691	710	729	748	767	787	806	826	846
550	662	681	700	720	740	760	781	802	823	844	865	887	909	931
600	722	743	764	786	807	830	852	875	897	921	944	968	991	1,015
650	782	805	828	851	875	899	923	947	972	997	1,023	1,048	1,074	1,100
700	842	867	891	917	942	968	994	1,020	1,047	1,074	1,101	1,129	1,157	1,185
750	902	928	955	982	1,009	1,037	1,065	1,093	1,122	1,151	1,180	1,209	1,239	1,269
800	962	990	1,019	1,048	1,077	1,106	1,136	1,166	1,197	1,227	1,259	1,290	1,322	1,354
850	1,023	1,052	1,082	1,113	1,144	1,175	1,207	1,239	1,271	1,304	1,337	1,371	1,404	1,438
900	1,083	1,114	1,146	1,178	1,211	1,244	1,278	1,312	1,346	1,381	1,416	1,451	1,487	1,523
950	1,143	1,176	1,210	1,244	1,278	1,313	1,349	1,385	1,421	1,458	1,495	1,532	1,570	1,608
1000	1,203	1,238	1,273	1,309	1,346	1,383	1,420	1,458	1,496	1,534	1,573	1,613	1,652	1,692

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

	Actual			Projections						
Interest rates	Jun-24	Sep-24	Current	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
Floating Mortgage Rate	8.6	8.5	7.4	7.4	7.1	6.6	6.6	6.6	6.6	6.6
1-Yr Fixed Mortgage Rate	7.1	6.3	5.8	5.9	5.7	5.6	5.6	5.6	5.6	5.6
2-Yr Fixed Mortgage Rate	6.7	5.8	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7
3-Yr Fixed Mortgage Rate	6.5	5.8	5.7	5.7	5.9	5.9	5.9	5.9	5.9	5.9
5-Yr Fixed Mortgage Rate	6.4	5.8	5.7	5.7	5.9	5.9	5.9	6.0	6.0	6.0

Source: RBNZ, ANZ Research

Economic forecasts

	Actual			Forecasts						
Economic indicators	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
GDP (Annual % Chg)	0.0	0.5	-0.5	-0.3	-0.1	0.1	0.7	1.5	2.0	2.4
CPI Inflation (Annual % Chg)	4.7	4.0	3.3	2.2(a)	2.1	2.0	2.2	2.3	2.3	2.1
Unemployment Rate (%)	4.0	4.4	4.6	4.8(a)	5.1	5.3	5.5	5.5	5.3	5.2
House Prices (Quarter % Chg)	0.4	0.6	-0.5	-0.9(a)	-0.7	0.5	1.4	1.8	2.2	2.1
House Prices (Annual % Chg)	-0.6	2.7	2.2	-0.4(a)	-1.5	-1.6	0.3	3.0	6.0	7.7

Interest rates	Jun-24	Sep-24	Current	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
Official Cash Rate	5.50	5.50	4.25	4.25	4.00	3.50	3.50	3.50	3.50	3.50
90-Day Bank Bill Rate	5.64	5.63	4.38	4.23	3.73	3.65	3.65	3.65	3.65	3.65
10-Year Bond	4.54	4.67	4.40	4.75	5.00	5.10	5.10	5.20	5.20	5.20

Source: ANZ Research, Statistics NZ, RBNZ, REINZ

Contact us

Meet the team

We welcome your questions and feedback. Click here for more information about our team.

Sharon Zollner
Chief Economist

Follow Sharon on X
@sharon_zollner

Telephone: +64 9 357 4094
Email: sharon.zollner@anz.com

General enquiries:
research@anz.com

Follow ANZ Research
@ANZ_Research (global)

David Croy
Senior Strategist

Market developments, interest rates, FX, unconventional monetary policy, liaison with market participants.

Telephone: +64 4 576 1022
Email: david.croy@anz.com

Susan Kilsby
Agricultural Economist

Primary industry developments and outlook, structural change and regulation, liaison with industry.

Telephone: +64 21 633 469
Email: susan.kilsby@anz.com

Miles Workman
Senior Economist

Macroeconomic forecast co-ordinator, economic developments, labour market dynamics, inflation, fiscal and monetary policy.

Telephone: +64 21 661 792
Email: miles.workman@anz.com

Henry Russell
Economist

Macroeconomic forecasting, economic developments, GDP and activity dynamics and monetary policy.

Telephone: +64 21 629 553
Email: henry.russell@anz.com

Natalie Denne
PA / Desktop Publisher

Business management, general enquiries, mailing lists, publications, chief economist’s diary.

Telephone: +64 21 221 7438
Email: natalie.denne@anz.com

Kyle Uerata
Economic Statistician

Economic statistics, ANZ proprietary data (including ANZ Business Outlook), data capability and infrastructure.

Telephone: +64 21 633 894
Email: kyle.uerata@anz.com

Important notice

Last updated: 19 November 2024

The opinions and research contained in this document (in the form of text, image, video or audio) are (a) not personal financial advice nor financial advice about any product or service; (b) provided for information only; and (c) general in nature and do not take into account your financial situation or goals.

This document may be restricted by law in certain jurisdictions. Recipients must observe all relevant restrictions.

Disclaimer for all jurisdictions: This document is prepared by ANZ Bank New Zealand Limited (ANZ Centre, 23-29 Albert Street, Auckland 1010, New Zealand). This document is distributed in your country/region by Australia and New Zealand Banking Group Limited (ABN11 005 357 522) (**ANZ**), a company incorporated in Australia or (if otherwise stated), by its subsidiary or branch (herein collectively referred to as **ANZ Group**). The views expressed in it are those of ANZ Economics and Markets Research, an independent research team of ANZ Bank New Zealand Limited.

This document is distributed on the basis that it is only for the information of the specified recipient or permitted user of the relevant website (**recipients**).

This document is solely for informational purposes and nothing in it is intended to be an invitation, solicitation or offer by ANZ Group to sell, or buy, receive or provide any product or service, or to participate in a particular trading strategy.

Distribution of this document to you is only as may be permissible by the laws of your jurisdiction, and is not directed to or intended for distribution or use by recipients resident or located in jurisdictions where its use or distribution would be contrary to those laws or regulations, or in jurisdictions where ANZ Group would be subject to additional licensing or registration requirements. Further, any products and services mentioned in this document may not be available in all countries.

ANZ Group in no way provides any personal financial, legal, taxation or investment advice to you in connection with any product or service discussed in this document. Before making any investment decision, recipients should seek independent financial, legal, tax and other relevant advice having regard to their particular circumstances.

Whilst care has been taken in the preparation of this document and the information contained within is believed to be accurate and made on reasonable grounds on the date it was published, ANZ Group does not represent or warrant the accuracy or completeness of the information. Further, ANZ Group does not accept any responsibility to inform you of any matter that subsequently comes to its notice, which may affect the accuracy of the information in this document.

This document may contain forward looking statements or opinions including statements regarding our intent, belief or current expectations regarding economic and market conditions, financial instruments and credit markets. Such statements are usually predictive in character, may not be accurate once the future becomes known and should not be relied upon when making investment decisions. Past performance is not a reliable indicator of future performance. ANZ does not accept any responsibility to inform you of any revisions to these forward-looking statements to reflect events or circumstances occurring after the date of this document.

Preparation of this document and the opinions expressed in it may involve material elements of subjective judgement and analysis. Unless specifically stated otherwise: they are current on the date of this document and are subject to change without notice; and, all price information is indicative only. Any opinions expressed in this document are subject to change at any time without notice.

ANZ Group does not guarantee the performance of any product mentioned in this document. All investments entail a risk and may result in both profits and losses. Any products and services described in this document may not be suitable for all investors, and transacting in these products or services may be considered risky.

ANZ Group expressly disclaims any responsibility and shall not be liable for any loss, damage, claim, liability, proceedings, cost or expense (**Liability**) arising directly or indirectly and whether in tort (including negligence), contract, equity or otherwise (including infringement of any third party rights) out of or in connection with this document and your use of it to the extent permissible under relevant law. The contents of this document have not been reviewed by any regulatory body or authority in any jurisdiction.

ANZ Group may have an interest in the subject matter of this document. They may receive fees from customers for dealing in any products or services described in this document, and their staff and introducers of business may share in such fees or remuneration that may be influenced by total sales, at all times received and/or apportioned in accordance with local regulatory requirements. Further, they or their customers may have or have had interests or long or short positions in any products or services described in this document, and may at any time make purchases and/or sales in them as principal or agent, as well as act (or have acted) as a market maker in such products. This document is published in accordance with ANZ Group's policies on conflicts of interest and ANZ Group maintains appropriate information barriers to control the flow of information between businesses within the group.

Your ANZ Group point of contact can assist with any questions about this document including for further information on these disclosures of interest.

Australia. ANZ holds an Australian Financial Services licence no. 234527. For a copy of ANZ's Financial Services Guide please click here or request from your ANZ point of contact.

Brazil. This document is distributed on a cross border basis and only following request by the recipient. No securities are being offered or sold in Brazil under this document, and no securities have been and will not be registered with the Securities Commission - CVM.

Brunei, Japan, Kuwait, Malaysia, Switzerland, Taiwan. This document is distributed in each of these jurisdictions by ANZ on a cross-border basis.

Cambodia. The information contained in this document is confidential and is provided solely for your use upon your request.
This does not constitute or form part of an offer or solicitation of any offer to engage services, nor should it or any part of it form the basis of, or be relied in any connection with, any contract or commitment whatsoever. ANZ does not have a licence to undertake banking operations or securities business or similar business, in Cambodia. By requesting financial services from ANZ, you agree, represent and warrant that you are engaging our services wholly outside of Cambodia and subject to the laws of the contract governing the terms of our engagement.

Canada. This document is general information only, is intended for institutional use only – not retail, and is not meant to be tailored to the needs and circumstances of any recipient. In addition, this document is not intended to be an offer or solicitation to purchase or sell any security or other financial instrument or to employ a specific investment strategy.

Chile. You understand and agree that ANZ is not regulated by Chilean Authorities and that the provision of this document is not subject to any Chilean supervision and is not guaranteed by any regulatory or governmental agency in Chile.

Important notice

Fiji. For Fiji regulatory purposes, this document and any views and recommendations are not to be deemed as investment advice. Fiji investors must seek licensed professional advice should they wish to make any investment in relation to this document.

Hong Kong. This document is issued or distributed in Hong Kong by the Hong Kong branch of ANZ, which is registered at the Hong Kong Monetary Authority to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

India. If this document is received in India, only you (the specified recipient) may print it provided that before doing so, you specify on it your name and place of printing.

Israel. ANZ is not a holder of a licence granted in Israel pursuant to the Regulation of Investment Advising, Investment Marketing and Portfolio Management Law, 1995 ("Investment Advice Law") and does not hold the insurance coverage required of a licensee pursuant to the Investment Advice Law. This publication has been prepared exclusively for Qualified Clients as such term is defined in the First Schedule to the Investment Advice Law. As a prerequisite to the receipt of a copy of this publication a recipient will be required to provide confirmation and evidence that it is a Qualified Client. Nothing in this publication should be considered Investment Advice or Investment Marketing as defined in the Investment Advice Law. Recipients are encouraged to seek competent investment advice from a locally licensed investment adviser prior to making any investment.

Macau. Click here to read the disclaimer for all jurisdictions in Mandarin. **澳门.** 点击此处阅读所有司法管辖区的免责声明的中文版。

Myanmar. This document is intended to be general and part of ANZ's customer service and marketing activities when implementing its functions as a licensed bank. This document is not Securities Investment Advice (as that term is defined in the Myanmar Securities Transaction Law 2013).

New Zealand. This document is distributed in New Zealand by ANZ Bank New Zealand Limited. The material is for information purposes only and is not financial advice about any product or service. We recommend you seek advice about your financial situation and goals before acquiring or disposing of (or not acquiring or disposing of) a financial product.

Oman. ANZ neither has a registered business presence nor a representative office in Oman and does not undertake banking business or provide financial services in Oman. Consequently ANZ is not regulated by either the Central Bank of Oman (**CBO**) or Oman's Capital Market Authority (**CMA**). The information contained in this document is for discussion purposes only and neither constitutes an offer of securities in Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 4/74) or the Capital Market Law of Oman (Royal Decree 80/98), nor does it constitute an offer to sell, or the solicitation of any offer to buy non-Omani securities in Oman as contemplated by Article 139 of the Executive Regulations to the Capital Market Law (issued vide CMA Decision 1/2009). ANZ does not solicit business in Oman and the only circumstances in which ANZ sends information or material describing financial products or financial services to recipients in Oman, is where such information or material has been requested from ANZ and the recipient understands, acknowledges and agrees that this document has not been approved by the CBO, the CMA or any other regulatory body or authority in Oman. ANZ does not market, offer, sell or distribute any financial or investment products or services in Oman and no subscription to any securities, products or financial services may or will be consummated within Oman. Nothing contained in this document is intended to constitute Omani investment, legal, tax, accounting or other professional advice.

People's Republic of China (PRC). This document may be distributed by either ANZ or Australia and New Zealand Bank (China) Company Limited (**ANZ China**). Recipients must comply with all applicable laws and regulations of PRC, including any prohibitions on speculative transactions and CNY/CNH arbitrage trading. If this document is distributed by ANZ or an Affiliate (other than ANZ China), the following statement and the text below is applicable: No action has been taken by ANZ or any affiliate which would permit a public offering of any products or services of such an entity or distribution or re-distribution of this document in the PRC. So, the products and services of such entities are not being offered or sold within the PRC by means of this document or any other document. This document may not be distributed, re-distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations. If and when the material accompanying this document relates to the products and/or services of ANZ China, the following statement and the text below is applicable: This document is distributed by ANZ China in the Mainland of the PRC.

Peru. The information contained in this document has not been, and will not be, registered with or approved by the Peruvian Superintendency of the Securities Market (Superintendencia del Mercado de Valores, **SMV**) or the Lima Stock Exchange (Bolsa de Valores de Lima, **BVL**) or under the Peruvian Securities Market Law (Legislative Decree 6 861), and will not be subject to Peruvian laws applicable to public offerings in Peru. To the extent this information refers to any securities or interests, it should be noted the securities or interests may not be offered or sold in Peru, except if (i) such securities or interests were previously registered with the Peruvian Superintendency of the Securities Market, or (ii) such offering is considered a private offering in Peru under the securities laws and regulation of Peru.

Qatar. This document has not been, and will not be:

- lodged or registered with, or reviewed or approved by, the Qatar Central Bank (**QCB**), the Qatar Financial Centre (**QFC**) Authority, QFC Regulatory Authority or any other authority in the State of Qatar (**Qatar**); or
- authorised or licensed for distribution in Qatar, and the information contained in this document does not, and is not intended to, constitute a public offer or other invitation in respect of securities in Qatar or the QFC.

The financial products or services described in this document have not been, and will not be:

- registered with the QCB, QFC Authority, QFC Regulatory Authority or any other governmental authority in Qatar; or
- authorised or licensed for offering, marketing, issue or sale, directly or indirectly, in Qatar.

Accordingly, the financial products or services described in this document are not being, and will not be, offered, issued or sold in Qatar, and this document is not being, and will not be, distributed in Qatar. The offering, marketing, issue and sale of the financial products or services described in this document and distribution of this document is being made in, and is subject to the laws, regulations and rules of, jurisdictions outside of Qatar and the QFC. Recipients of this document must abide by this restriction and not distribute this document in breach of this restriction. This document is being sent/issued to a limited number of institutional and/or sophisticated investors (i) upon their request and confirmation that they understand the statements above; and (ii) on the condition that it will not be provided to any person other than the original recipient, and is not for general circulation and may not be reproduced or used for any other purpose.

Singapore. To the extent that this document contains any statements of opinion and/or recommendations related to an investment product or class of investment product (as defined in the Financial Advisers Act 2001), this document is distributed in Singapore by ANZ solely for the information of "accredited investors", "expert investors" or (as the case may be) "institutional investors" (each term as defined in the Securities and Futures Act 2001 of Singapore). ANZ is licensed in Singapore under the Banking Act 1970 of Singapore and is exempted from holding a financial adviser's licence under Section 23(1)(a) of the Financial Advisers Act 2001 of Singapore. In respect of any matters arising from, or in connection with, the distribution of this document in Singapore, please speak to your usual ANZ contact in Singapore.

Important notice

United Arab Emirates (UAE). This document is distributed in the UAE or the Dubai International Financial Centre (**DIFC**) (as applicable) by ANZ. This document does not, and is not intended to constitute: (a) an offer of securities anywhere in the UAE; (b) the carrying on or engagement in banking, financial and/or investment consultation business in the UAE under the rules and regulations made by the Central Bank of the UAE, the Emirates Securities and Commodities Authority or the UAE Ministry of Economy; (c) an offer of securities within the meaning of the Dubai International Financial Centre Markets Law (**DIFCML**) No. 12 of 2004; and (d) a financial promotion, as defined under the DIFCML No. 1 of 200. ANZ DIFC Branch is regulated by the Dubai Financial Services Authority (**DFSA**). The financial products or services described in this document are only available to persons who qualify as "Professional Clients" or "Market Counterparty" in accordance with the provisions of the DFSA rules.

United Kingdom. This document is distributed in the United Kingdom by Australia and New Zealand Banking Group Limited (**ANZ**) solely for the information of persons who would come within the Financial Conduct Authority (**FCA**) definition of "eligible counterparty" or "professional client". It is not intended for and must not be distributed to any person who would come within the FCA definition of "retail client". Nothing here excludes or restricts any duty or liability to a customer which ANZ may have under the UK Financial Services and Markets Act 2000 or under the regulatory system as defined in the Rules of the Prudential Regulation Authority (**PRA**) and the FCA. ANZ considers this document to constitute an Acceptable Minor Non-Monetary Benefits (**AMNMB**) under the relevant inducement rules of the FCA. ANZ is authorised in the United Kingdom by the PRA and is subject to regulation by the FCA and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request.

United States. Except where this is a FX-related document, this document is distributed in the United States by ANZ Securities, Inc. (**ANZ SI**) which is a member of the Financial Regulatory Authority (**FINRA**) (www.finra.org) and registered with the SEC. ANZSI's address is 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 9160 Fax: +1 212 801 9163). ANZSI accepts responsibility for its content. Information on any securities referred to in this document may be obtained from ANZSI upon request. This document or material is intended for institutional use only – not retail. If you are an institutional customer wishing to effect transactions in any securities referred to in this document you must contact ANZSI, not its affiliates. ANZSI is authorised as a broker-dealer only for institutional customers, not for US Persons (as "US person" is defined in Regulation S under the US Securities Act of 1933, as amended) who are individuals. If you have registered to use our website or have otherwise received this document and are a US Person who is an individual: to avoid loss, you should cease to use our website by unsubscribing or should notify the sender and you should not act on the contents of this document in any way. Non-U.S. analysts may not be associated persons of ANZSI and therefore may not be subject to FINRA Rule 2242 restrictions on communications with the subject company, public appearances and trading securities held by the analysts. Where this is a FX-related document, it is distributed in the United States by ANZ's New York Branch, which is also located at 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 916 0 Fax: +1 212 801 9163).

Vietnam. This document is distributed in Vietnam by ANZ or ANZ Bank (Vietnam) Limited, a subsidiary of ANZ.