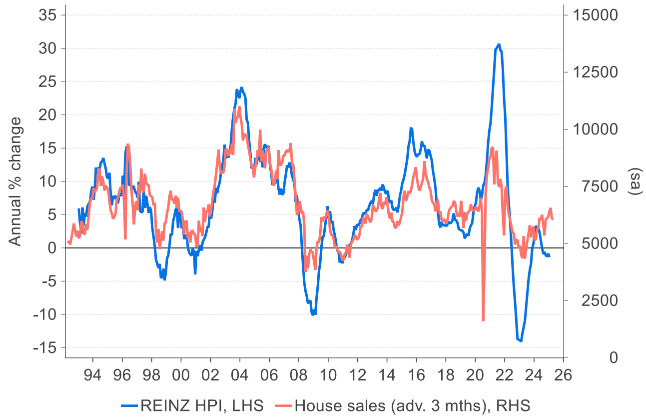
New Zealand Property Focus

Plodding along

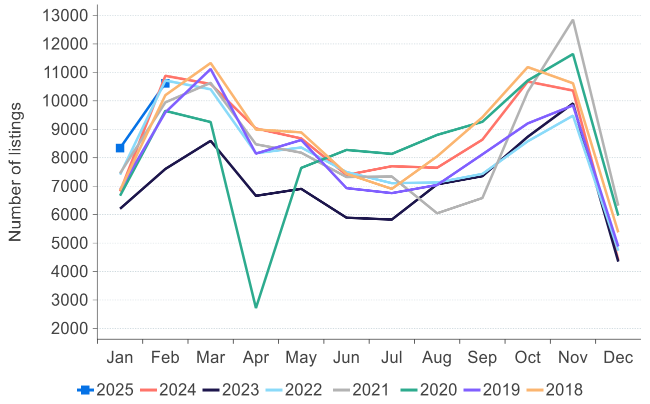
March 2025

At a glance

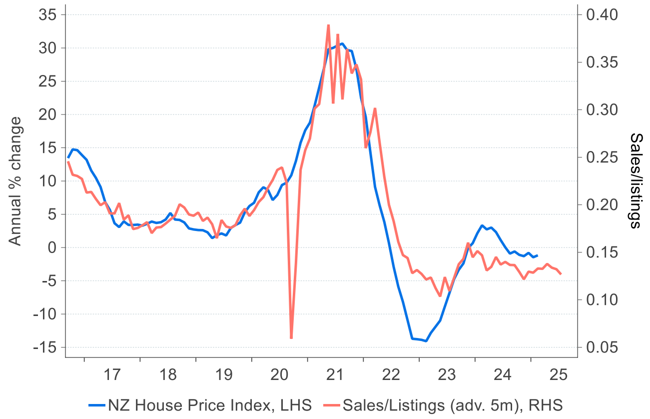
Sales volumes continued to trend higher in February…



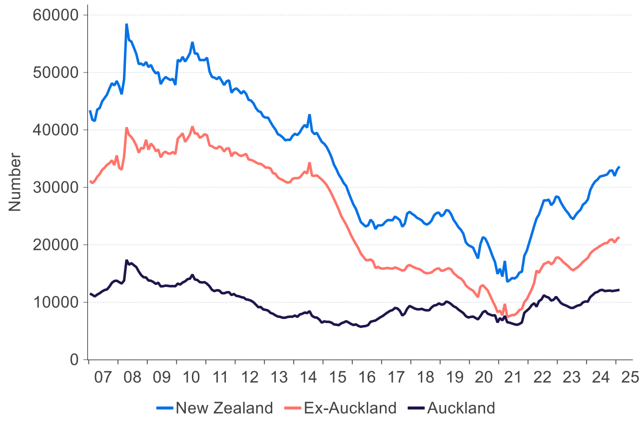
… while the flow of new listings remained strong...



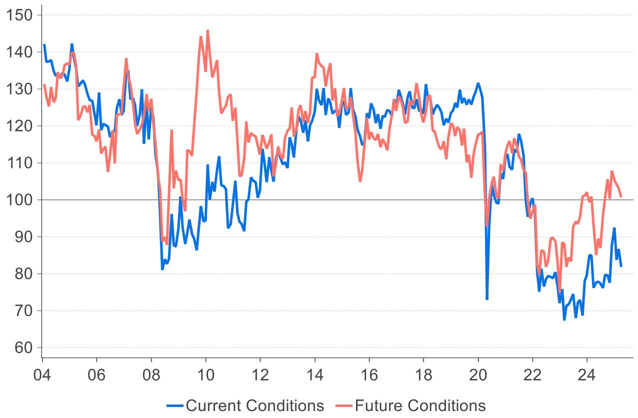
…which is likely to keep house price growth restrained in the near term.



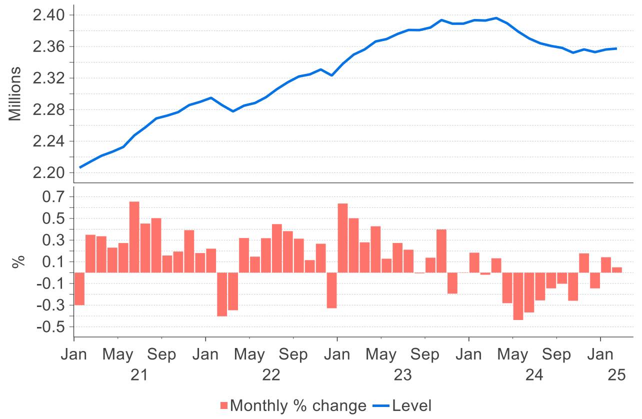
Total housing market inventory remains at a near-decade high.



Consumers remain in a cautious mood…



…though there are early signs of stabilisation in the labour market.



Source: REINZ, realestate.co.nz, Stats NZ, ANZ-Roy Morgan, Macrobond, ANZ Research

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INSIDE

Confused by acronyms or jargon? See a glossary here.

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Summary

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

Property Focus

The housing market continued to warm in February with house prices posting another monthly gain while seasonally adjusted sales volumes returned to growth. The strong flow of new listings onto the market continued, and the relative supply-demand imbalance is likely to restrain house price growth in the near term. We continue to expect price momentum to remain sluggish over coming months as a soft labour market weighs on household confidence. That said, there are early signs of stabilisation in the labour market, which should support momentum later this year, though for now households remain in a cautious mood. See our Property Focus section.

Mortgage Borrowing Strategy

Mortgage rates are little changed this month, with small falls seen for some tenors and others unchanged. As a result, the mortgage curve remains U-shaped, with the 2-year rate as the low point. Average 1-year and 3-year rates are 0.30% and 0.36% higher respectively, and 6-month, 4-year and 5-year rates are a touch higher again, while floating is much higher. Reserve Bank data shows that households have "traded" this interest rate cycle well, by either remaining floating or fixing for shorter terms as interest rates have fallen. However, with wholesale interest rates already lower in anticipation of 2-3 more OCR cuts, barring any surprises, we are approaching where we project the low point of the mortgage rate cycle to be, and we think it's worth considering fixing for longer – for perhaps 2 or 3 years. There are always risks. Interest rates here and globally may fall further than we expect, driving mortgage rates lower. Equally, something (perhaps the impact of tariffs) may mean that central banks aren't able to cut by as much as expected, and mortgage rates could rise. For that reason, we always think it makes sense to consider spreading risk over several terms, but right now, the 2-year strikes a good balance of certainty and cost when one considers the outlook. See our Mortgage Borrowing Strategy.

Property Focus

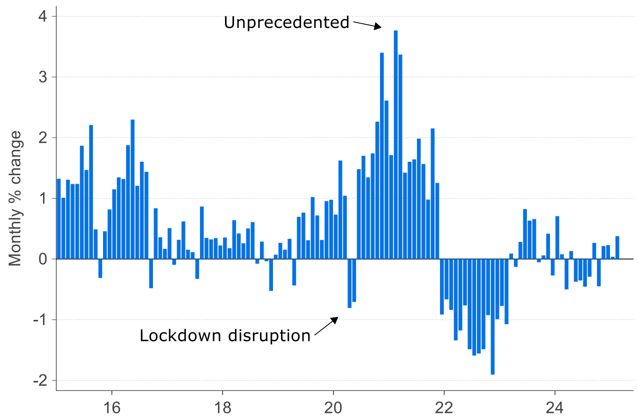
Summary

The housing market continued to warm in February with house prices posting another monthly gain while seasonally adjusted sales volumes returned to growth. The strong flow of new listings onto the market continued, and the relative supply-demand imbalance is likely to restrain house price growth in the near term. We continue to expect price momentum to remain sluggish over coming months as a soft labour market weighs on household confidence. That said, there are early signs of stabilisation in the labour market. That should support momentum later this year, though for now households remain in a cautious mood.

Plodding along

February's REINZ housing market snapshot echoed recent themes, with house prices edging higher as sales volumes lifted after a couple of softer months over the summer. The REINZ House Price Index rose 0.4% m/m (sa), which was the largest monthly gain in over a year, though underlying market momentum remains sluggish. House prices have risen around 0.9% since October but remain around 1.2% lower than a year ago.

Figure 1. REINZ House Price Index

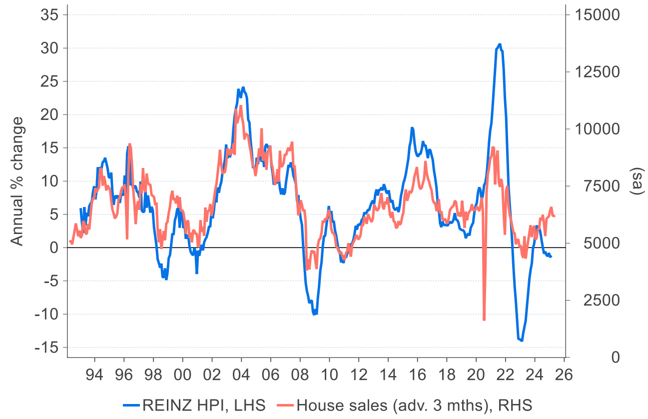


Source: REINZ, Macrobond, ANZ Research

Seasonally adjusted sales volumes returned to growth in February, up 0.6% m/m, though after back-to-back declines over the summer months, the three-month moving average growth rate has slipped back into contraction, down 3.1%.

Looking through the monthly volatility, sales volumes continue to trend higher. Sales volumes are typically underreported in the initial month of release, and that was again the case in January, with sales volumes revised up 4.5% from the initial read. The lift in sales volumes to date is broadly consistent with our 2025 house price growth forecast of 6% y/y, but further recovery will be needed to soak up some of the recent build-up in inventories.

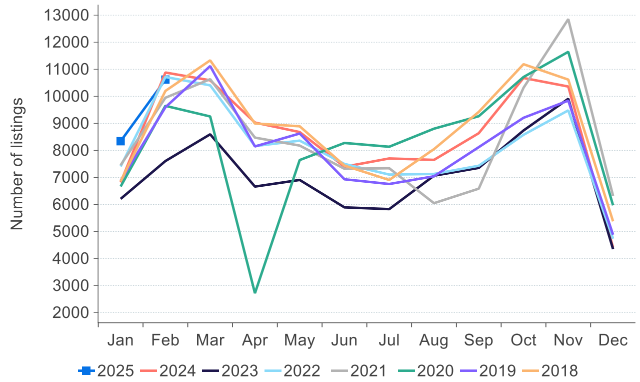
Figure 2. Sales volumes vs house prices



Source: REINZ, Macrobond, ANZ Research

Indeed, housing supply is moving in tandem with the lift in sales volumes, with February seeing another strong flow of new listings coming onto the market.

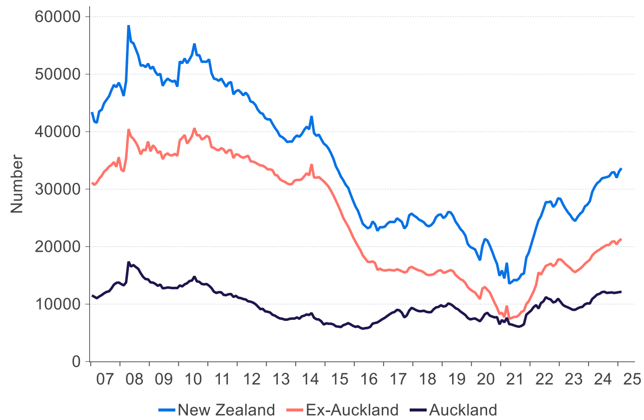
Figure 3. New listings



Source: REINZ, Macrobond, ANZ Research

The total amount of stock on the market lifted further in February, remaining at the highest level since 2015. Total housing market stock in Auckland, which is currently at the highest level going back to 2011, tentatively appears to have flattened off.

Figure 4. Total housing market inventory

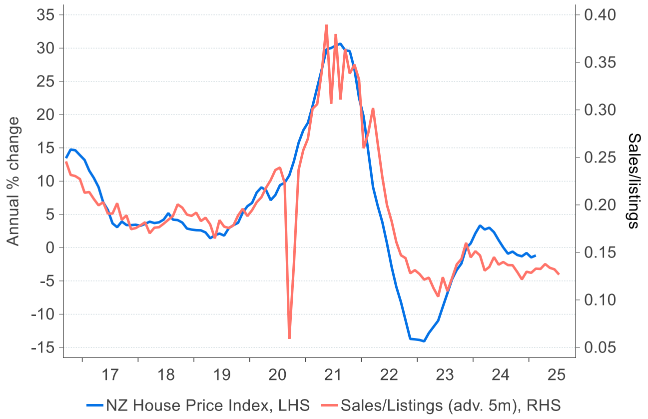


Source: realestate.co.nz, Macrobond, ANZ Research

Property Focus

The sales-to-listings ratio is a useful indicator of heat in the housing market and tends to give a 3-6 month lead on house price momentum. The return to growth in sales volumes in February wasn't enough to offset the lift in listings, and the sales-to-listings ratio remains consistent with lacklustre growth in house prices in the near term.

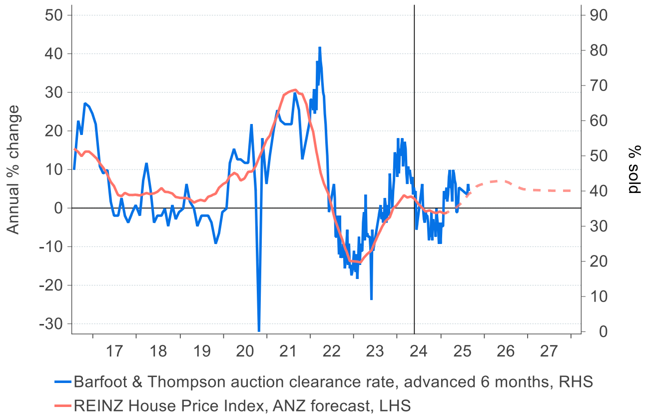
Figure 5. Sales-to-listings ratio



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

The auction clearance rate has also been fairly steady, bouncing around 40% in recent months. That's not out of kilter with our forecast but does add to the body of evidence suggesting that the market is tracking sideways for now.

Figure 6. Auction clearance rate vs ANZ House Price forecast

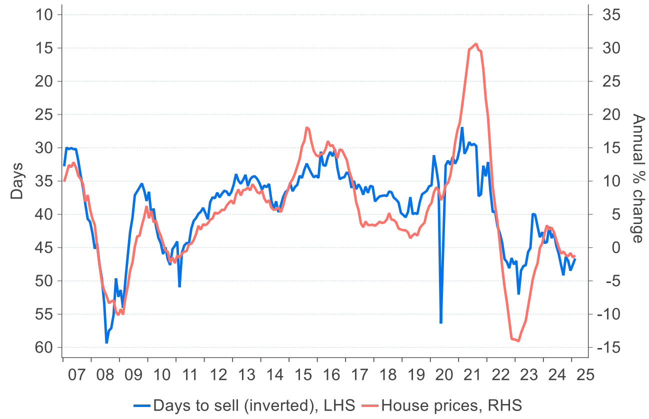


Source: REINZ, Barfoot and Thompson, interest.co.nz, Macrobond, ANZ Research

The median days to sell fell by 1 to 47 (sa), though on a three month-moving average basis it was stable at 48. Either way, it's still a long way north of the long-run historic average of 39. It's been hovering around that level for several months now. While that's consistent with the housing market having stabilised, we'd expect to see median days to sell to begin to fall as the market moves onto a tightening trajectory. However, that looks unlikely to occur until sales volumes lift more meaningfully and the current backlog of stock on the market starts to clear.

All in all, underlying indicators of the housing market are more consistent with a stabilisation than a vigorous rebound. We remain of the view that momentum will begin to accelerate in the second half of the year.

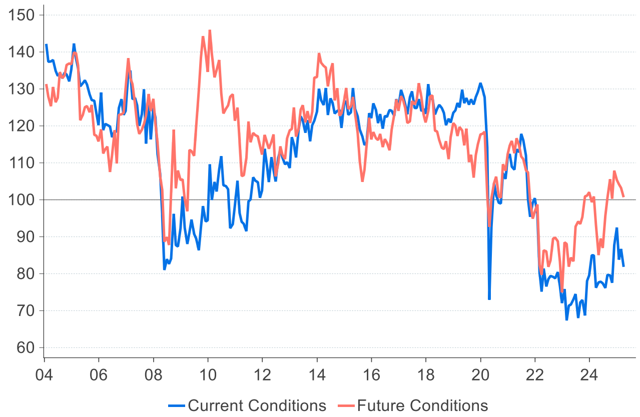
Figure 7. Days to sell vs house prices



Source: REINZ, Macrobond, ANZ Research

A key part of our forecast reflects ongoing caution from households in the near term, as reflected in our Consumer Confidence survey. Consumer confidence eased 4 points in March, and at 93.2 remains very pessimistic. Overall, the upward trend remains intact, though the past few months have highlighted that it's clearly still tough times out there, despite an improving outlook.

Figure 8. ANZ-RM Consumer Confidence

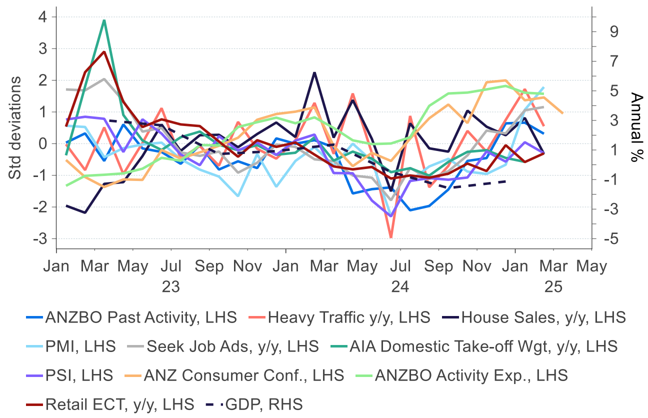


Source: ANZ-Roy Morgan, Macrobond, ANZ Research

High-frequency indicators of the economy are well off their lows and trending higher and the Q4 GDP data out earlier in the month confirmed a gradual recovery is now underway. However, it probably won't feel that way for many households, given the labour market is still adjusting to past weakness.

Labour market conditions typically lag the broader economic cycle, and on our forecasts the unemployment rate is likely to move higher from its current level of 5.1% to a peak of around 5.3% over the first half of this year. The Westpac McDermott Miller Employment Confidence survey released earlier this month highlighted households remain very pessimistic about the state of the jobs market, reporting jobs are still very hard to come by, and those in employment are feeling less secure in their own job. Such an environment isn't conducive to household confidence to borrow and invest in the housing market.

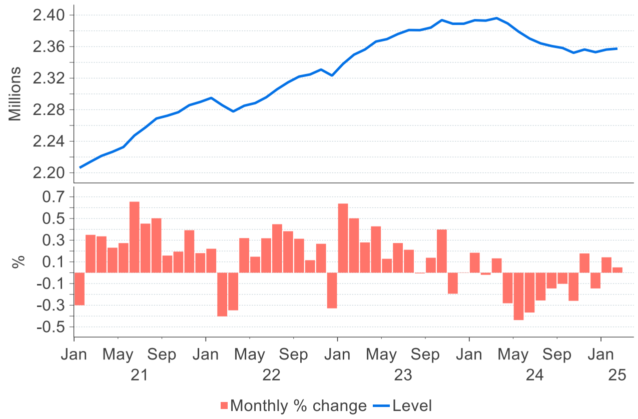
Figure 9. High-frequency indicators



Source: Stats NZ, BusinessNZ, BNZ, Seek, AIA, Macrobond, ANZ Research

Encouragingly, in recent months there have been early signs of a stabilisation in the labour market, with monthly filled jobs returning to growth. While growth remains very modest, and below the rate of population growth, it is nonetheless a positive early signal. Firms' employment intentions have also returned to positive territory over recent months in our Business Outlook survey. suggesting an improving outlook ahead, while the here-and-now remains tough going.

Figure 10. Monthly Employment indicator



Source: Stats NZ, Macrobond, ANZ Research

Until the labour market meaningfully turns, the housing market recovery is likely to remain stuck in first gear. However, we're confident that the conditions are in place for that to occur with time.

Housing market indicators for February 2025 (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	$693,809	-2.9	0.5	-3.7	-0.6	156	-4%	60
Auckland	$1,012,778	-0.6	1.3	-2.2	0.7	1,935	+6%	48
Waikato	$727,584	-2.6	-2.6	-0.7	0.0	631	-4%	54
Bay of Plenty	$792,698	-1.5	0.4	-3.5	0.6	402	+3%	52
Gisborne	$580,767	-5.1	-0.7	-2.2	-0.4	41	+10%	51
Hawke's Bay	$705,991	5.2	1.5	-2.2	-0.4	209	+1%	49
Manawatu-Whanganui	$556,096	4.8	3.0	-1.9	0.5	302	+5%	49
Taranaki	$602,426	-0.3	-0.7	-1.0	-0.3	154	+6%	38
Wellington	$770,131	-0.1	-1.9	-3.0	-0.2	564	-2%	45
Tasman, Nelson & Marlborough	$727,004	1.3	3.7			217	+1%	45
Canterbury	$690,159	0.5	1.3	1.0	0.1	1,056	+1%	41
Otago	$661,907	-1.8	-3.1	-0.1	0.2	343	-6%	45
West Coast	$383,012	17.1	-0.5	2.6	0.5	38	-3%	51
Southland	$478,612	9.2	-1.7	3.1	0.8	155	+3%	38
New Zealand	**$773,836**	**-2.4**	**-0.6**	**-1.2**	**0.4**	**6,219**	**+1%**	**47**

Mortgage Borrowing Strategy

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Summary

Mortgage rates are little changed this month, with small falls seen for some tenors and others unchanged. As a result, the mortgage curve remains U-shaped, with the 2-year the low point (figure 1). Reserve Bank data shows that households have "traded" this interest rate cycle well, by either remaining floating or fixing for shorter terms as interest rates have fallen. However, with wholesale interest rates already lower in anticipation of 2-3 more OCR cuts, barring any surprises, we are approaching where we project the low point the mortgage rate cycle to be, and we think it's worth considering fixing for longer – for perhaps 2 or 3 years. There are always risks. Interest rates here and globally may fall further than we expect, driving mortgage rates lower. Equally, something (perhaps the impact of tariffs) may mean that central banks aren't able to cut by as much as expected, and mortgage rates could rise. For that reason, we always think it makes sense to consider spreading risk over several terms, but right now, the 2-year strikes a good balance of certainty and cost when one considers the outlook.

Thoughts and views

Mortgage rates are either unchanged (1 to 3-year) or slightly lower (6-month and 4 to 5-year) this month, with, the 2-year remains the low-point, at 4.99% on average across the main banks. The average 2-year fixed rate is now 2.06% below its late-2023 high of 7.05%. However, we note that over the same period, the OCR has only been cut by 1.75%, from 5.50% to 3.75%. This more aggressive fall in mortgage rates largely reflects the fact that wholesale interest rates have already fallen in anticipation of a still-lower OCR. That is particularly evident if you consider that when 2-year mortgage rates peaked at 7.05%, that was 1.55% above the OCR; right now, at 4.99%, the average 2-year rate is only 1.24% above the OCR. What that also suggests is that we may not see 2-year mortgage rates fall much further following expected upcoming OCR cuts. To use financial market parlance, since those cuts are already "priced in", we're likely going to need to see a surprise for wholesale rates to move significantly lower (or higher).

For our part, we are not anticipating significant further falls in fixed mortgage rates. Like financial markets, we expect the OCR to go lower (we are forecasting three more cuts, taking it to 3%), but since those cuts are already factored into our 2 to 3-year wholesale interest rate forecasts, the delivery of those cuts won't have a big impact on our forecasts. By the numbers, as detailed in our mortgage rate projections table on page 8, we see scope for 1 to 5-year fixed mortgage rates to fall by perhaps 0.2 to 0.3% more.

There are, as always, risks around those projections (particularly given uncertainties around US tariffs, which have fuelled a rise in global financial market volatility), and we suspect being perfectly positioned to benefit from further falls will be tricky, or in some cases not even worthwhile. If you have a fixed term rolling off over the next few months, you may end up being perfectly positioned. But for those on floating right now, the question of whether it's worthwhile holding off for further falls will come down to what it costs to wait. If, for example, you are floating, waiting for rates to fall, every month you wait is another month you'll be paying 6.89% rather than, say, 4.99% if you fixed for 2 years. On a $100,000 loan, that extra cost is $158 per month. That is an expense that may be worth paying if you envisage large falls in fixed rates. However, when you consider that the dollar amount that you may save (over the full term) on that same loan for a 0.1% reduction in the 2-year mortgage rate is $200, you need to be confident of falls in the order of 0.08% per month in order to make it worthwhile staying on floating with a view to fixing later at a lower rate.

Breakevens paint a similar picture. If, for example, you are tossing up between 1-year or 2-years and only care about minimising cost, you'd only choose the 1-year if you thought the 1-year rate is going to fall below 4.69%. That's because over a 2-year period, fixing for 1-year at 5.29% and another year at 4.69% or lower will cost less than fixing for 2 years at 4.99%. But is it reasonable to expect the 1-year rate to fall by another 0.6%, to 4.69%, if the OCR is only expected to fall to 3%? It does seem like a big ask, and it is – by definition – uncertain, whereas the 0.3% you'll save on a 2-year (over a 1-year) is guaranteed. The choice may come down to how averse you are to risk. And on that latter score, given myriad uncertainties locally and globally, we always think it makes sense to consider spreading borrowing over several terms.

Figure 1. Carded special mortgage rates*

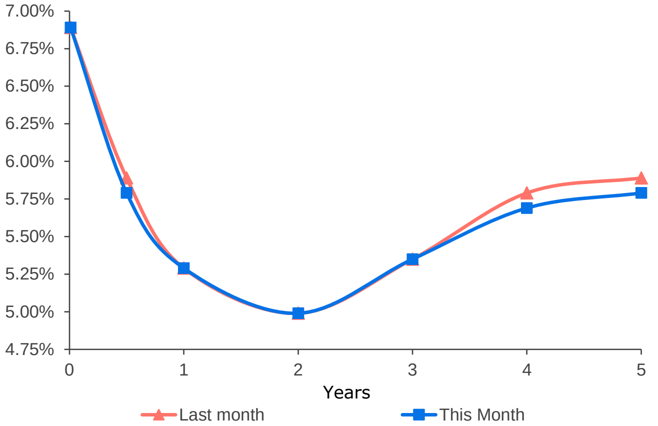

Table 1. Special Mortgage Rates*

		Breakevens for 20%+ equity borrowers			
Term	Current	in 6mths	in 1yr	in 18mths	in 2 yrs
Floating	6.89%				
6 months	5.79%	4.79%	4.99%	4.39%	5.89%
1 year	5.29%	4.89%	4.69%	5.14%	6.07%
2 years	4.99%	5.02%	5.38%	5.77%	6.39%
3 years	5.35%	5.48%	5.82%	6.02%	6.32%
4 years	5.69%	5.73%	5.92%		
5 years	5.79%	*Median of the five largest banks			

Source: interest.co.nz, ANZ Research

Key forecasts

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

	Mortgage Rate (%)													
Mortgage Size ($000)	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	Sep-24	Dec-24	Current	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Floating Mortgage Rate	8.5	7.7	6.9	6.5	6.3	6.3	6.3	6.3	6.3	6.3
1-Yr Fixed Mortgage Rate	6.3	5.8	5.3	5.2	5.0	5.0	5.1	5.1	5.1	5.2
2-Yr Fixed Mortgage Rate	5.8	5.6	5.0	4.9	5.0	5.1	5.1	5.2	5.2	5.3
3-Yr Fixed Mortgage Rate	5.8	5.6	5.4	5.1	5.2	5.3	5.3	5.3	5.3	5.4
5-Yr Fixed Mortgage Rate	5.8	5.8	5.8	5.6	5.5	5.6	5.6	5.7	5.8	5.8

Source: RBNZ, ANZ Research

Economic forecasts

	Actual			Forecasts						
Economic indicators	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
GDP (Annual % Chg)	-0.5	-1.5	-1.4	-1.3	0.4	2.2	2.7	3.1	3.2	3.1
CPI Inflation (Annual % Chg)	3.3	2.2	2.2	2.4	2.6	2.7	2.6	2.2	1.9	1.8
Unemployment Rate (%)	4.6	4.8	5.1	5.3	5.3	5.2	5.1	4.9	4.7	4.5
House Prices (Quarter % Chg)	-0.5	-0.9	-0.2	0.6	1.0	2.0	2.2	1.4	1.2	1.2
House Prices (Annual % Chg)	2.1	-0.5	-1.1	-1.0	0.6	3.5	6.0	6.8	7.0	6.1

Interest rates	Sep-24	Dec-24	Current	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Official Cash Rate	5.25	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00
90-Day Bank Bill Rate	4.87	4.17	3.61	3.10	3.10	3.10	3.12	3.17	3.20	3.20
10-Year Bond	4.24	4.41	4.44	4.25	4.00	4.00	4.00	4.25	4.25	4.25

Source: ANZ Research, Statistics NZ, RBNZ, REINZ

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

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