

MONTHLY MARKET REPORT

SEPTEMBER 2023



The National Market

Political opinion polls are suggesting a firm chance of a change in government mid-October which should see the return of expense deductibility by mid-2026. Because surveys and various other data sources showed a large withdrawal of investors as buyers when the tax rules changed in March 2021, it is reasonable to expect that changing the rules back will see investment buyers return.

Are investors already getting back into the property market? Maybe. Tony Alexander's recent survey of mortgage brokers found that 24% more brokers are seeing investors seeking advice on financing and interest rates. This is the highest number since January 2021 and joins the already strong demand from young buyers.

One reason for the return of investors is that property prices have risen slightly, but steadily, in the 3 months to August. In simple terms, when prices go up, they tend to keep going up, at least for a while. Another reason is that more people are moving to New Zealand, which is increasing the demand for rental homes in major centres. This also means that landlords will find good tenants more easily. So, even though rents might go up, property owners can be pickier about who rents their property.

But before we rush out and party in the streets, there are a few things to consider. It will take about three years for tax deductibility to fully come back. Interest rates are still high, and the costs of things like maintenance, tax, and insurance are going up. Also, you need to have at least 35% of the money you want to borrow as a deposit.

Banks are still cautious about lending to new property buyers, and they are pressuring existing buyers to reduce their debts before taking on more. So, it's unlikely that property prices will go up quickly.

But for young people looking to buy a home, or canny Ma and Pa investors, the chance to get a good deal with less competition from other buyers is closing fast.

The Local Market

Spring has changed the tempo in all our offices. We've seen an increase in open home attendance, online views, queries and yes, offers on properties. Even those that have been languishing since the market slowed in late 2022. New listings and the properties that have had price adjustments are still attracting the most interest. We've been waiting for a surge of pent-up demand for homes to happen, could this be the first trickle?

The traditional pre-Labour Weekend flurry of properties coming to market is vigorous. And the usual Election-month pause in listing and selling property on the Peninsula seems to be missing this year. This is supported by the Homes/Trademe Buyer and Seller surveys* revealing that only 17% of buyers and sellers say they are waiting till after the election before they make a move.

* Homes.co.nz seller survey, July 2023 | Trade Me Property buyer survey, July 2023



"Sentiment from all of our offices is more positive, and that "the election can't come soon enough"! On a further positive note, the Homes/Trademe Buyer and Seller surveys* show that in the past year, seller confidence in declining house prices has more than halved, from 38% to just 17%, and a mere 25% of buyers anticipate price drops, down from 47% in the first quarter. The prevailing sentiment among homeowners and property-seekers alike is an expectation of rising house prices."

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