/Monthly Market Report

The End of the Credit Crunch

This month's report explores the latest trends in the residential property landscape. A recent survey of property investors by Crockers & Tony Alexander, insights from OneRoof, Trade Me Property*, and a survey of Richardsons offices across Hauraki-Coromandel, reveals key insights into market sentiments and potential future directions, reflecting a shift in the economy and real estate market.

10 Key Insights:

1. End of the Credit Crunch?

Investor sentiment indicates a marked shift, with an observed improvement in banks' willingness to lend. The restrictive credit conditions, initially implemented by the government and Reserve Bank in 2021, are easing. With reduced concerns around interest rate spikes, investor confidence is gradually building, bringing renewed optimism to property investments. This has translated into more activity in the Auckland property market, including the re-emergence of auctions, although auctions in Hauraki-Coromandel have yet to regain popularity.

2. Declining Interest Rate Concerns and Rebounding House Prices

Concerns around high-interest rates, a dominant worry over recent years, are now subsiding. This relief has also lessened anxieties over falling house prices. For the first time since March, Trade Me's latest Property Price Index shows a national average asking price increase of 0.6%, reaching $823,550 in September.

This positive trend, though modest, suggests that market stability may be returning. The rebound is particularly prominent in Auckland, with average prices climbing from $986,750 in August to $996,350 in September and set to rise further in October.

3. Regional Price Trends

Winning regions such as the West Coast (+3.1%), Northland (+2%), and Bay of Plenty (+1.9%) are leading with month-on-month price increases. Christchurch also stands out for record prices in one-to-two-bedroom properties, which have risen to $549,050, reflecting an annual increase of 3.4%. Additionally, five-bedroom properties in Auckland have recorded a significant annual increase of 7.2%, supported by anecdotal comments this weekend from east coast bach-owners who typically own larger properties in central and east Auckland.

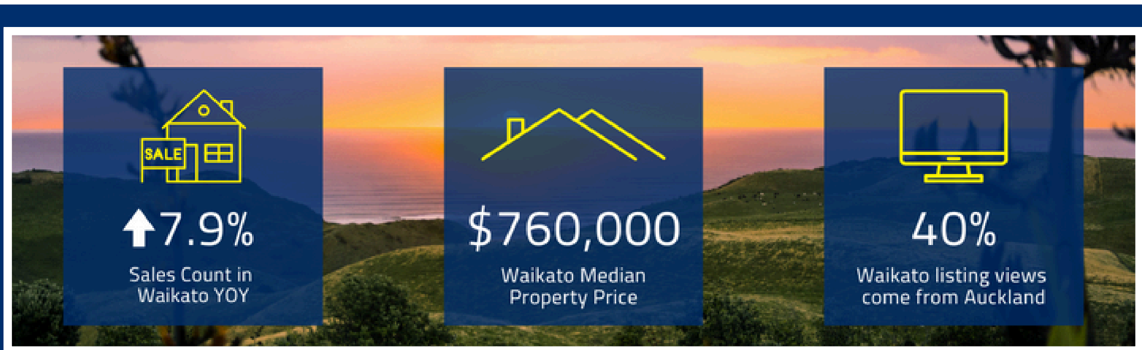
4. Supply and Demand

Nationwide, housing supply remains strong, with a 23% year-on-year increase. Despite a slight 2% drop in interest from August to September, demand remains 17% higher than the same period last year, indicating continued buyer interest. Gisborne leads in supply growth with a 64% jump, with Wellington and Otago also showing notable increases.

5. Market Sentiment Shift

Discussions with industry stakeholders, including investors and developers, indicate an improved sentiment over the past month. This aligns with the observed decline in mortgage rates, fostering a cautiously optimistic outlook. While concrete data hasn't yet shown a definitive upward trend, "Worst Q1 and Q2 ever" being something we heard a lot over Labour Weekend from business owners, the general vibe suggests stabilisation, which could lead to stronger sales volumes as we approach summer.

Continued over



/Monthly Market Report

6. Mortgage Lending Activity Rises

Mortgage lending totaled $6.5 billion in September - a $1.4 billion increase from last year. This rise marks the twelfth increase in lending over the past fourteen months, largely driven by both owner-occupiers and investors. The easing of deposit requirements since July 1 has also supported increased loan-to-value (LVR) lending to investors, creating a more accessible market for those with smaller deposits.

7. Challenges in the Broader Economy

Despite these positive developments, broader economic factors continue to weigh on growth expectations. The recent NZ Activity Index shows only a 0.3% annual rise in September, suggesting potential economic stagnation. This trend hints at a possible GDP decline for the third quarter of 2024, raising concerns about a "technical recession." As businesses and households adapt to ongoing financial pressures, this subdued environment could temper market growth.

8. Potential Lending Policy Adjustments

This Thursday, the Reserve Bank will release an early section of its Financial Stability Report with insights into the housing market. While no immediate policy changes are expected, this information may provide valuable context on the RBNZ's approach to mortgage lending and the stability of the housing market.

9. Outlook for the Rental Market

The outlook for rental growth appears moderated. Despite rising costs for rates, insurance, and property maintenance, rental growth may decelerate as interest rates ease and housing supply increases. Investors could benefit from reduced lending costs, which may ease the financial pressures that have impacted property owners in recent years.

10. Construction Sector Outlook

The construction sector, a critical part of the property market, remains subdued. However, with declining interest rates, the sector may see improved conditions as we head into 2025. Upcoming Statistics NZ data on new dwelling consents may indicate stabilisation, yet significant growth is not expected until mid-2025 at the earliest. The sector's recovery will likely depend on a continued decline in mortgage rates and easing costs.

Summary

While New Zealand's property market is showing tentative signs of recovery with easing credit conditions and stabilising prices, broader economic challenges remain significant. Investors can expect a market that is gradually moving away from the uncertainty of recent years. Though the overall growth trajectory may be gradual, there are opportunities for cautious optimism as we look forward to 2025.

**Trademe September Property Price Index 2024; Tony's View – Tony Alexander Survey Report | October 2024 | Crockers; OneRoof - Independent Economist Tony Alexander: What 2025 could have in store for property investors.*

Monthly Market Report

The National Market

Interest rates continue to be a central theme in the property market. Surveys show that fewer buyers are expressing concerns as rates begin to ease, signalling a potential shift in sentiment. However, while the pressure of rising interest rates is receding, new concerns are emerging around employment stability.

These uncertainties are casting a shadow on consumer confidence, though buyer activity in the real estate sector appears to be on the rise. First-home buyers and investors are gradually returning to the market, with a marked improvement in the availability of finance aiding their resurgence.

Despite these positive signs of recovery within the real estate market, broader economic sectors that rely on consumer spending are showing more subdued performance. Businesses are increasingly worried about cash flow, as households indicate plans to reduce discretionary spending. The knock-on effect of these economic concerns is keeping overall market confidence in check, even as the real estate sector takes tentative steps toward stabilisation.

Landlords, on the other hand, are facing a more complex set of challenges. Securing reliable tenants is becoming increasingly difficult, in part due to falling net migration. The influx of unsold properties being added to the rental market by developers is also contributing to the increased competition for tenants.

This shift is causing fewer landlords to plan rent increases, despite the improving market conditions. On the upside, worries about declining house prices are diminishing as confidence starts to return.

Tauranga has been a notable standout, with buyer interest soaring by 20.4% in the 18 days following the Official Cash Rate (OCR) announcement and an impressive 107% year-on-year increase. This spike in activity is unsurprising, given that Tauranga's rents are among the highest in the country.

Investor concerns have also shifted. While rising council rates and increasing insurance premiums remain at the forefront of their minds, anxieties around house prices and mortgage rates are beginning to ease. As mortgage rates continue to fall, many investors are now turning their attention to timing – particularly when it comes to locking in longer-term fixed rates.

For the time being, however, short-term fixes remain the preferred option, with most market watchers predicting that this trend will continue until around 2026, when more significant changes in the economic landscape are anticipated.

In summary, while the housing market is in the early stages of recovery, broader economic uncertainties persist. Employment concerns, fluctuating consumer confidence, and business cash flow pressures are all factors that will continue to influence market dynamics in the months ahead.

Continued over