

ASB Housing Confidence

March 2024

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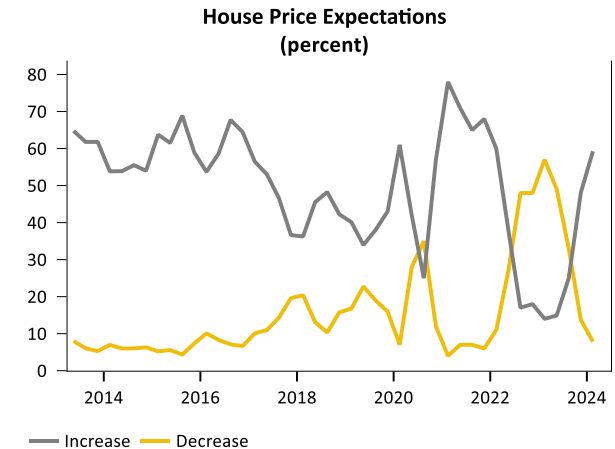


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› Price expectations diverging as market turns

ASB Housing Confidence Survey			
Net percent who believe (3 months to January 2024) ...	Good time to buy a house	House prices will increase	Interest rates will increase
Auckland	3%	56%	14%
Rest of North Island	2%	49%	15%
Canterbury	-2%	48%	15%
Rest of South Island	0%	50%	21%
TOTAL NZ	2%	51%	15%
<i>Compare 3 months to October 2023</i>	6%	34%	28%

Source: Camorra

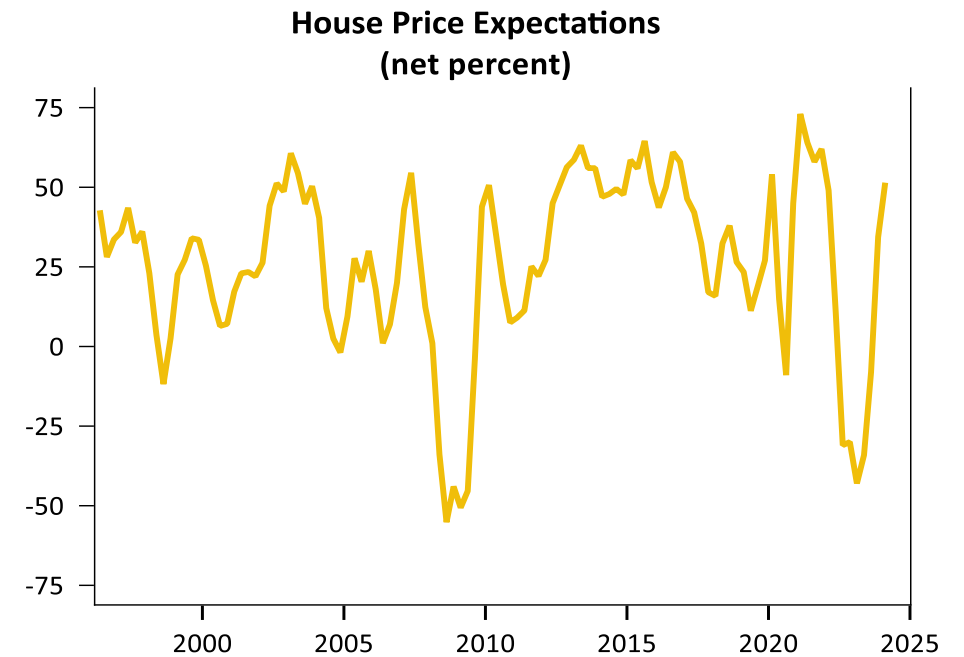


Source: Macrobond, ASB

- › House price expectations build on last quarter's survey, with net price expectations now sitting at the highest level in almost two and a half years. That's just before the housing market downturn began
- › Fewer respondents are expecting interest rate increases, an ongoing trend. However, more respondents still expect higher rather than lower interest rates on balance. This suggests New Zealanders are braced for the high interest rate environment to continue
- › Meanwhile, respondents are firmly on the fence as to whether now's a good time to be buying a house. We acknowledge that there are quite a few conflicting signals for prospective buyers: a turning market, policy changes, high debt servicing costs, possible debt-to-income restrictions and upfront affordability constraints

› House price expectations on the up

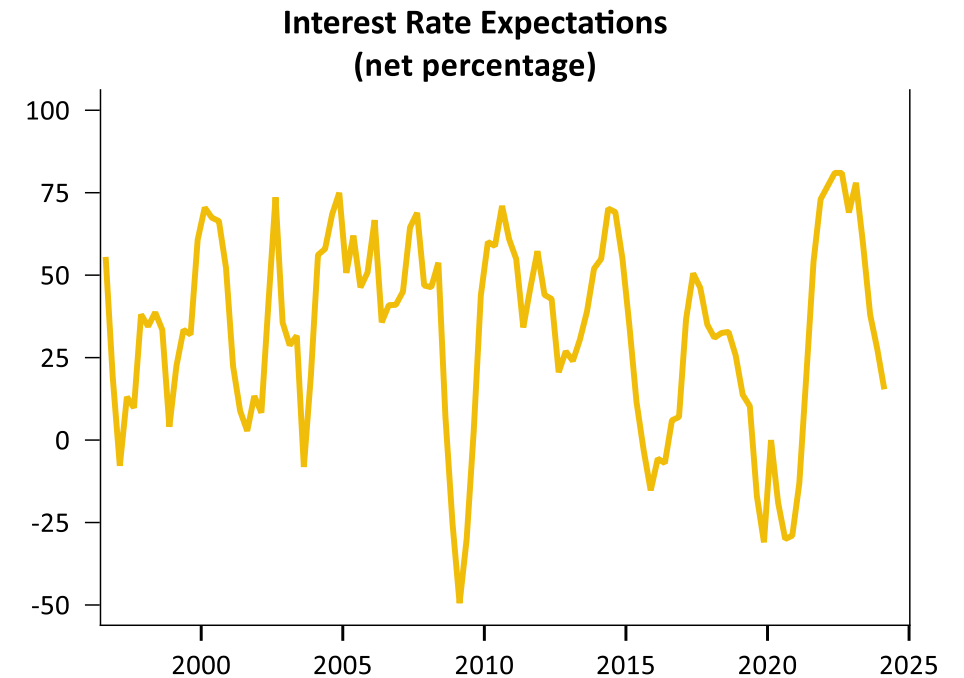
- › House price expectations continue to gain, with a net 51% expecting house prices will rise in the latest ASB Housing Confidence Survey. That is the highest net reading recorded since October 2021 i.e. just before the most recent housing market downturn began.
- › The data highlight New Zealanders are largely of the opinion that the downturn is done and dusted. Aucklanders are the most confident the tide has turned, with a net 56% respondents expecting higher house prices ahead. However, expectations for higher house prices were evident right across the nation.
- › Last time net house price expectations were at this level, annual house price growth was running at almost 30%. As of January 2024, annual growth was a more muted 2.2%. It's a good reminder that house price expectations are more of a directional indicator, than a levels one.
- › And on that point, while we also think house prices are likely to continue rising from here, we're not forecasting the type of froth we saw in the last upswing. Still-high interest rates are a powerful market moderator.
- › Indeed, recent house price data have been slightly more subdued than we had expected. We anticipated that the more favourable policy backdrop post October's general election, combined with strong population growth, would have supported the housing market sooner. But, for now at least, it seems that high interest rates are continuing to be a substantial counter-weight to the upward momentum.



Source: Macrobond, ASB

› Interest rate expectations: it's not over yet

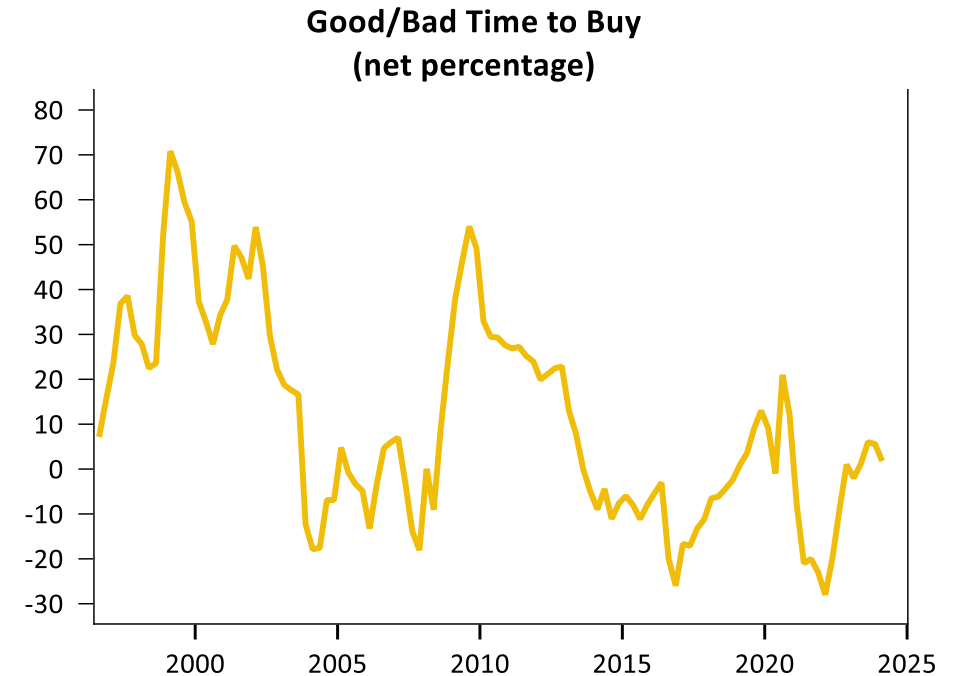
- › A net 15% of respondents expect further interest rate increases according to the ASB Housing Confidence Survey, down from 28% in October 2023. The data highlight more people are starting to think a peak in rates might just be around the corner.
- › Relative to the October survey, 35% of Kiwis now expect higher interest rates (42%) and 20% expect lower rates (15%). It's worth noting that this survey was conducted prior to recent deliberations that the RBNZ could take the Official Cash Rate higher still in early 2024.
- › While the margin between expectations for higher and lower rates is narrowing quickly, it still shows that more New Zealanders are braced for the prospect of further rate hikes. Once again, the regional breakdown showed similar sentiment across the country. Aucklanders think we're slightly closer to the turning point (a net 14%) than the rest of the country, but not by much. South Islanders (excluding Canterbury) on the other hand were at the other end of the short spectrum, with a net 18% expecting higher rates.
- › These numbers sound about right to us, and we think a healthy dose of caution is warranted at this point in the interest rate cycle. We do think that the OCR has reached a peak but expect we're still some way from RBNZ rate cuts – November 2024 on our forecasts. The upshot is that even in the absence of more hikes, it could still be quite a few months before mortgage interest rates fall from current levels. We're not alone in that thinking either, with 31% of respondents expecting interest rates to stay the same.



Source: Macrobond, ASB

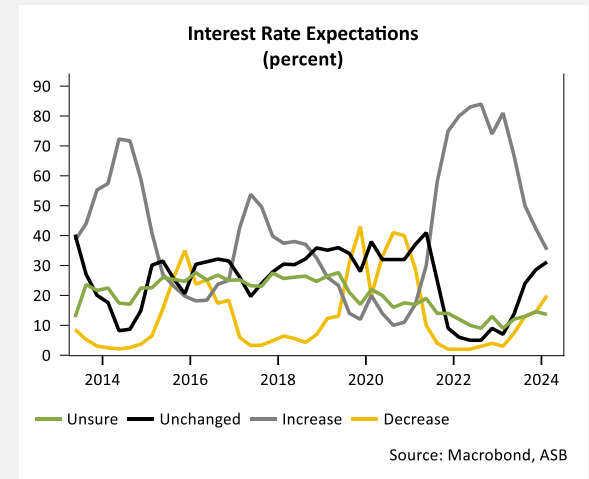
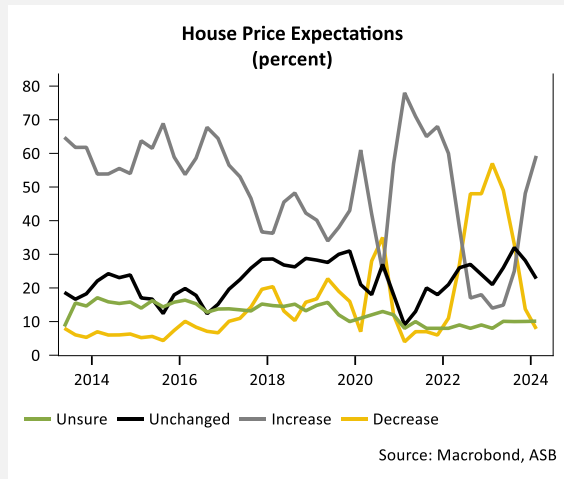
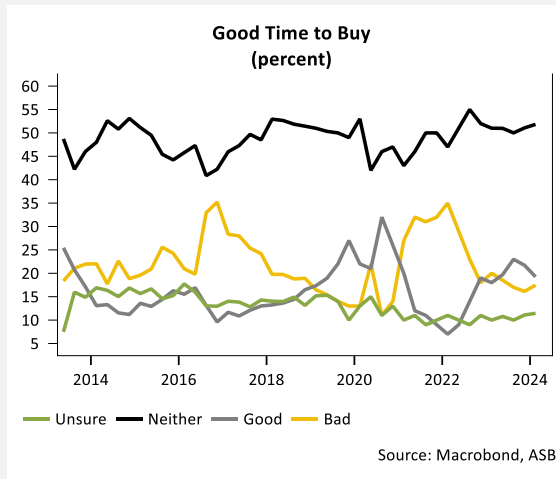
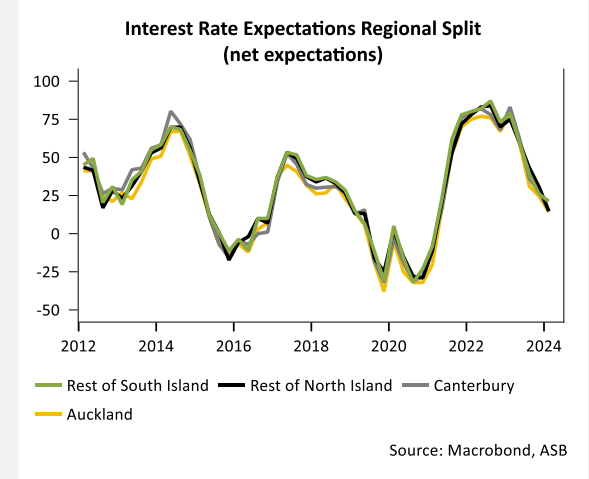
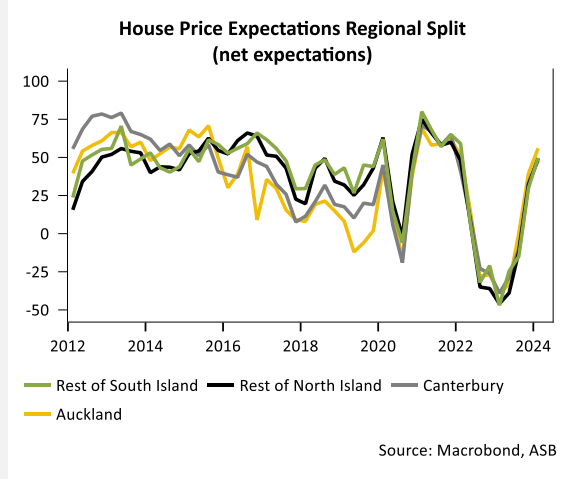
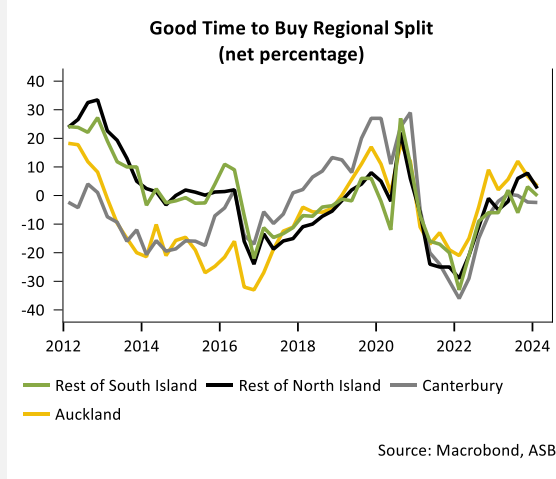
› Good time to buy? It seems neither

- › Recent patterns persist, with respondents largely split on whether it's a good time to buy. A net 2% of respondents thought it was a good time to buy in the latest ASB Housing Confidence Survey.
- › Interestingly, the vast majority of respondents (51% in the most recent survey period) think it's neither a good or bad time to buy. This is a pattern we have seen across the survey's history.
- › Of those thinking it's a good/bad time to buy, expectations that another upcycle is underway could be behind the good outweighing the bad this quarter. Following a decent house price downturn, there could be some 'bargains' to be snatched up before prices rise too far.
- › However, we don't expect sentiment around purchasing to get too positive while debt servicing costs remain elevated. And even accounting for the recent correction in house prices, affordability of the upfront purchase price remains a constraint for many households.
- › The timing of this survey (the three months to January) means that some of the details around the coalition's housing policies were still being ironed out during part of the survey. Nevertheless, the coalition agreement to change some of the tax rules around investment properties, could encourage more people to consider it a good time to buy in coming quarters. However, the RBNZ's Debt-to-Income restrictions, could have the opposite effect on sentiment if they are brought into effect.



Source: Macrobond, ASB

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