

Input to your Strategy for Adapting to Challenges

Feel free to pass on to friends and clients wanting independent economic commentary

ISSN: 2703-2825

21 May 2026

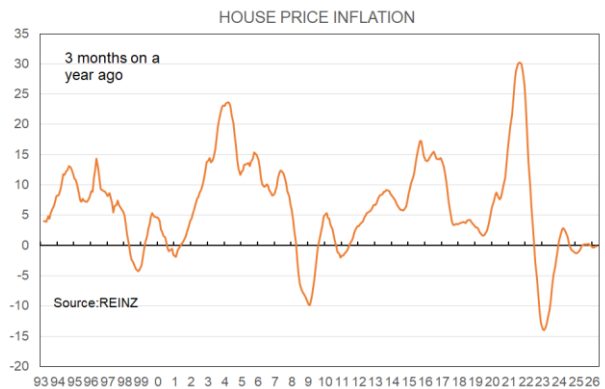
Sign up for free at www.tonyalexander.nz

Real estate flat

REINZ released their monthly activity data last Thursday and here are a few thoughts on what the numbers tell us.

First, house prices are easing off again. The nationwide House Price Index fell by 1.2% in April after easing 0.3% in March. These numbers can be volatile on a monthly basis so if we smooth over three months, we see prices as rising 0.7% after rising 0.1% in the three months to January and 0.5% in the three months to October.


The best thing to say for the moment is that price growth is relatively weak. This graph showing average prices versus a year ago sums things up quite well on the far right side. Flatness in annual growth since mid-2024.




Prices on average currently sit exactly where they were five years ago in April 2021.

The number of dwellings sold around the country in April was down by 3% from a year before, but again it is best to smooth over three month periods to get a better feel for what is going on.


In the three months to April sales were up by 2.3% from a year earlier. But this annual pace of growth has slowed since the latter part of 2025.




Construction finance
from 5.95% p.a.
Call now.




Naomi Yueh
+64 21 912 006



Warren Law
+64 21 483 666



Andrew Stevenson
+64 27 700 2708



\$2m to 5m Loan Facilities | No pre-sales, QS reports or RV required | For a limited time only | cressida.co.nz



Erskine Owen™
Building Lasting Wealth

VERITAS PROPERTY FUND

6.5% P.A.*
Projected Cash Return

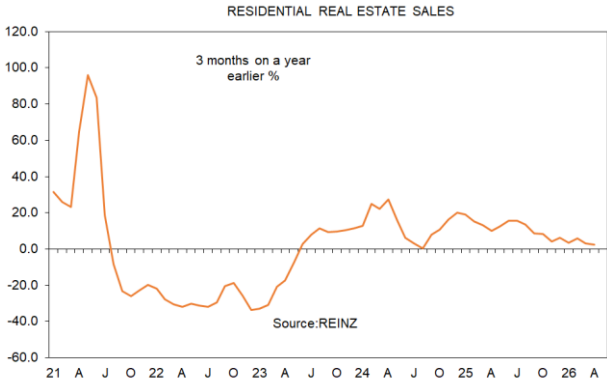
MR APPLE
TENANT: OWNED BY AN NZX-LISTED COMPANY

20-YEAR
TRIPLE NET LEASE (5+5+5)

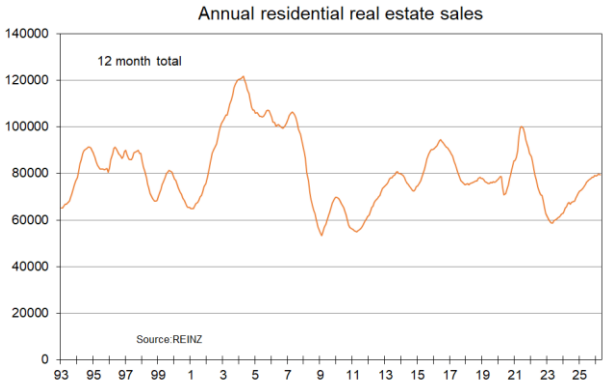
This offer is only available to Wholesale Investors.

Invested Here
First asset:
14 Groome Place,
Hawke's Bay

*Projected pre-tax return only is subject to change, and based on certain assumptions. Only available to "Wholesale Investors" under the Financial Markets Conduct Act 2013. Visit erskieneowen.co.nz for further information.



The annual number of sales bottomed out at about 59,000 in the middle of 2023 but has recovered now to 79,500. This is down slightly from 79,600 a month earlier and reflects the easing in activity numbers recently.

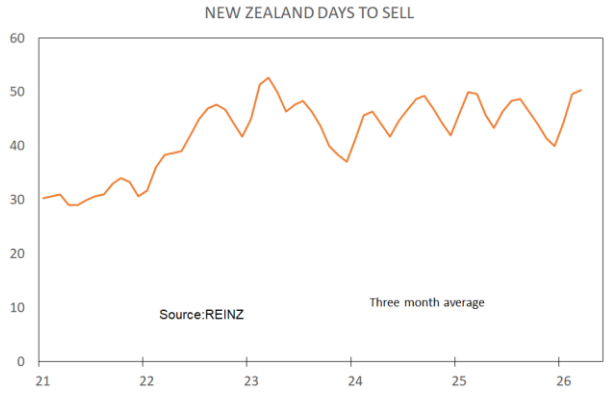


In fact, in rough seasonally adjusted terms sales have fallen over 2% in the past three months after falling 4% in the three months to January. That tells us that sales are falling but not at any especially concerning pace.

One other measure of activity strength in the residential real estate market is the average number of days taken to sell a dwelling. In April this year that number was 42. It was also 42 a

year ago and virtually the same two years ago at 43.

This graph shows the number of days taken nationwide to sell a dwelling as a three month average starting in 2021. Note the lengthening sales time over 2021 as the impact was felt from tightening credit conditions and slowly rising interest rates. Then note the late-2022 spike when interest rates shot up firmly from November.



After that things improved over 2023 as first home buyers entered the market. But from early in 2024 as economic disappointment set in the days to sell measure rose a bit and has been sitting fairly steady ever since then. The little ups and downs are just seasonal movements, and the next change will be downward as February's 56 days observation slips out of the three month calculation.

The recovery in the market has for now been put on hold by the Middle East war. It would be nice to say that should the oil start flowing again soon we will be back on track with an upturn commencing once more.

But the true inflation from the blockage of the Strait of Hormuz has yet to show up in the

WANTED:

High quality, low to medium density housing stock to lease for transitional housing.

Partnering with us provides peace of mind and guaranteed returns.



Ka Puta Ka Ora
Emerge Aotearoa



[Click here to learn more](#)

statistics and in the actual prices we and our businesses pay. As these price effects appear discussion of rising interest rates will strengthen and that will keep buyers cautious.

Their caution or at least delaying by some will be accentuated by the approaching NZ general election.

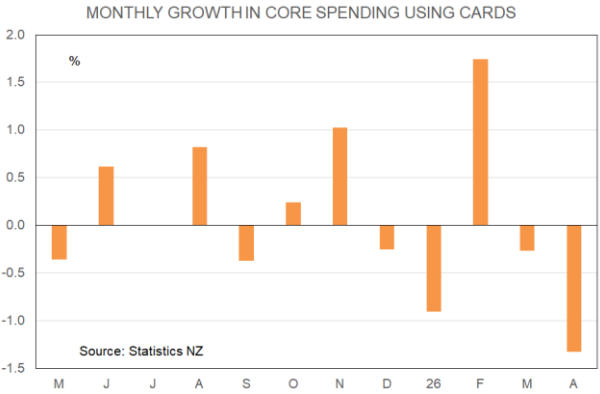
But underlying everything it pays to remember that this latest shock does not hit our economy after a firm growth period. Business restructuring and payoffs will be minimal. There is

- good growth in farm incomes underway,
- monetary policy is accommodative,
- net migration flows are improving,
- foreign student and inward visitor numbers are rising,
- infrastructure activity is strengthening, and
- dwelling consent numbers are strong.

The upturn in our economy in response to an absence of tight monetary policy, ending of the whip back after the pandemic binge, and rising export incomes is delayed, not cancelled.

Retail spending falling

On Tuesday Statistics NZ released their monthly Electronic Card Transactions data. The core retail spending measure which excludes fuel and automobiles fell in seasonally adjusted terms by 1.3% in April after easing 0.3% in March.

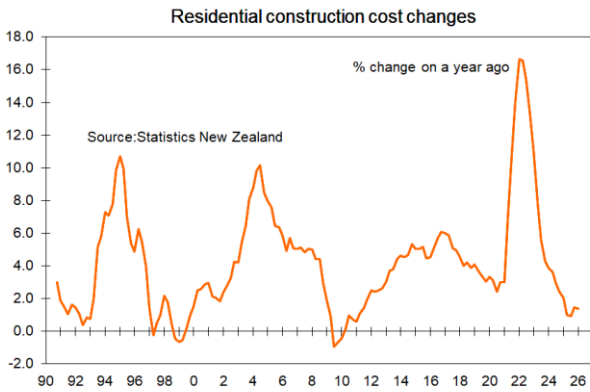


The data can be volatile and normally I smooth the numbers over a three month period to see the underlying trend. But that is not a good idea here because three months also captures February where spending changes reflected things before the February 28 US bombing of Iran.

The data since February 28 have been weak and they tell us that consumers are pulling back on their spending – probably to free up cash to pay for fuel where spending was up by 16% in March before easing 2% in April. That may reflect the stockpiling of fuel in cans for the few weeks after February 28.

Construction cost rises get locked in

Here is a graph showing the annual rate of change in the residential construction component of the Capital Goods Price Index. The rise for the past year has been just 1.4% from 2% a year earlier and 3.9% the year before that.



There are two key things to note. First – soaring construction costs over 2021-22. Second, the way in which periods of rapid price gain are not followed by price declines of any meaningful degree. Higher construction costs tend strongly to get locked in and not reversed. This is a factor arguing against much of a decline in average house prices from here on out.

If I were a borrower, what would I do?

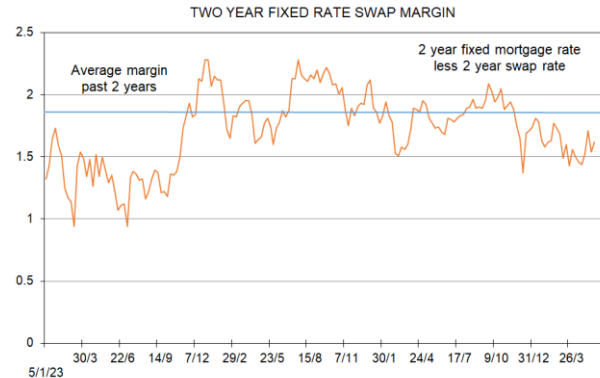
Wholesale interest rates in New Zealand have managed to ease very slightly from levels of a week ago despite some strong rate rises offshore.

There have been selloffs in Japan and the UK in response respectively to higher than expected inflation and fresh political turbulence. Pressure also came in the US initially from decreasing optimism about oil prices falling any time soon. But last night a comment from the US President regarding a deal with Iran being near caused some easing off of those worries and slight retracing of bond yield rises.

Basically, the underlying drift is upward because central banks soon are going to have to replicate what the Reserve Bank of Australia has started doing and fight inflation coming from the war on top of underlying pressures on business pricing.

But for the moment things have not changed enough locally to cause any particular rise in concerns of much higher local mortgage rates.

Having said that, bank fixed rate lending margins are below average, pressure is on to bump things up 0.2% or so, but they will be holding off to see what comes out next week in the Budget but more especially in the Reserve Bank's monetary policy review.



I don't expect the official cash rate to be increased from 2.25% and while they will signal rate rises down the track I expect they will retain their behaviour from the past. That is they tighten too late then tighten too much before loosening too late then loosening too much.

Will that change under the new Governor? I've yet to see anything justifying such a belief.

If I were borrowing at the moment, I would continue to favour fixing three years though most people are opting for the two year term.

To see the interest rates currently charged by major lenders go to www.mortgages.co.nz

Nothing I write here or anywhere else in this publication is intended to be personal advice. You should discuss your financing options with a professional.

This publication has been provided for general information only. Although every effort has been made to ensure this publication is accurate the contents should not be relied upon or used as a basis for entering into any products described in this publication. To the extent that any information or recommendations in this publication constitute financial advice, they do not take into account any person's particular financial situation or goals. We strongly recommend readers seek independent legal/financial advice prior to acting in relation to any of the matters discussed in this publication. No person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation, or omission, whether negligent or otherwise, contained in this publication. No material in this publication was produced by AI.