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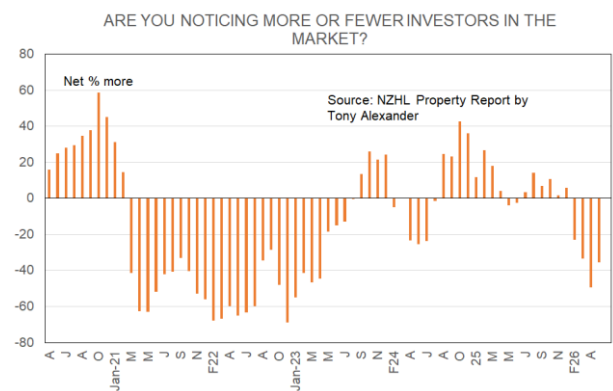
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**A quick summary**

I've now completed my monthly surveys and here are some of the key insights which people might find of interest – keeping in mind that only the one this week covering property investors was conducted after Iran's seeming victory over the United States.

In the real estate market things are weak but not as bad as they were in the initial period following the US attacks of February 28. The proportion of agents saying buyers were displaying FOMO ahead of February 28 was 18%. That fell to 5% and at the end of May was 10%. I'd expect an improvement soon but not by much. Buyers know the market is on their side and it is the vendors who need to accept this shift.


A net 35% of agents say that they are seeing fewer investors looking to buy. This was 6% positive pre-war. The Middle East events have definitely made investors gun shy again. But some improvement may come soon, especially as the monetary policy tightening previously widely anticipated for July is now not likely to happen.




A net 29% of agents still say that they are seeing more first time buyers compared with 62% pre-war. This is a defining characteristic of the demand side of the real estate market – strong interest from young buyers since the start of 2023.

This is a very positive thing which looks likely to continue given my view regarding a structural stepping back of many less experienced investors from the property market.


Speaking of such – what will likely be the impact of compulsory superannuation contributions? Less money spare for gearing into assets like housing. This likely policy change therefore




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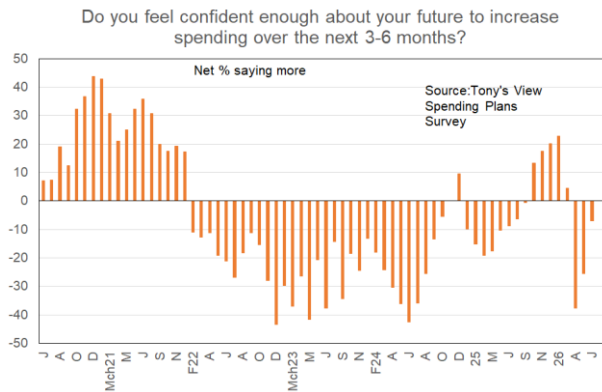
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reinforces my long-term view of a reverting of the overall popular level of property investment interest back to where it was before the 1990s.

From my survey of consumers undertaken early this month we can see that the net proportion of people planning to buy more stuff fell sharply from a net 23% positive early in February to a net 38% negative in April. The latest reading is just 7% negative.



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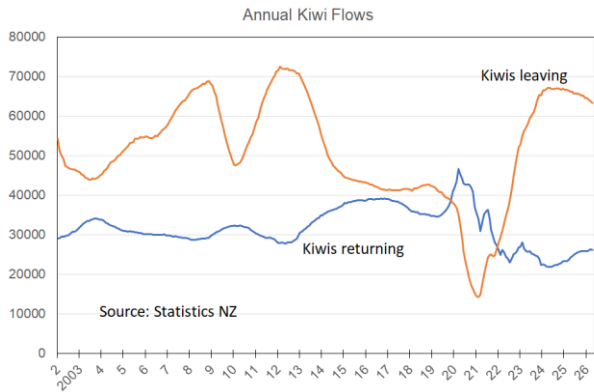
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The number of Kiwis coming in has risen to 26,200 from 24,300, a rise of 8%. This means the net flow has declined to near 37,100 from 41,800 a year ago.

So a change is underway, but it is small and, in my opinion, does not yet permit one to legitimately talk in terms of the brain drain reversing – it is simply becoming marginally less bad. That is of course if one considers Kiwis leaving to be brainier than the people coming in from other countries and giving a total net gain for the year across the entire world of 22,800.

## If I were a borrower, what would I do?

The chances of a cash rate rise come the next review by the Reserve Bank on July 8 have reduced. This is because the recent falls in energy prices will improve inflation numbers later this year, even though there will be lagged effects of recent hikes for many months.

In fact it pays to remember that business margins generally remain crunched and this will elicit selling price rises as market conditions allow.

However, as emphasised here for some time, our central bank has a bias towards tightening too late each cycle then tightening by too much. That means they are likely to seize on the logic of

recent petrol price falls to argue for a delay in tightening.

With regard to wholesale borrowing cost movements this week the changes have been relatively small. Of greater interest is the reductions in some bank fixed mortgage rates to reflect the pullback in worries about inflation for the coming year.

If I were borrowing at the moment, I would still favour fixing three years.

To see the interest rates currently charged by major lenders go to [www.mortgages.co.nz](http://www.mortgages.co.nz)

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