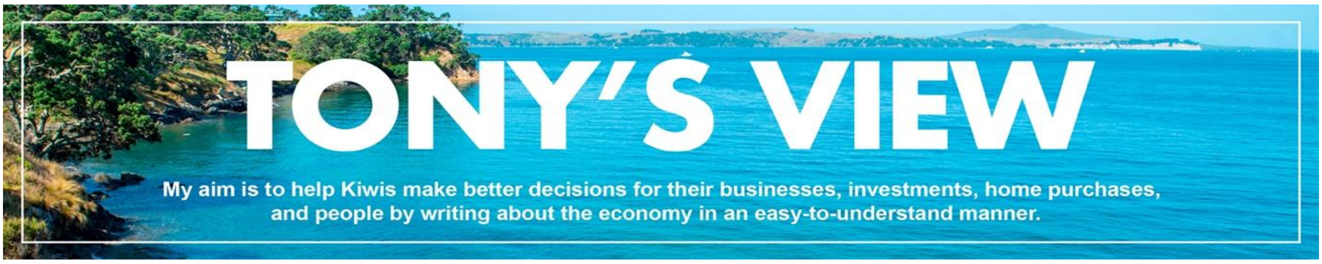

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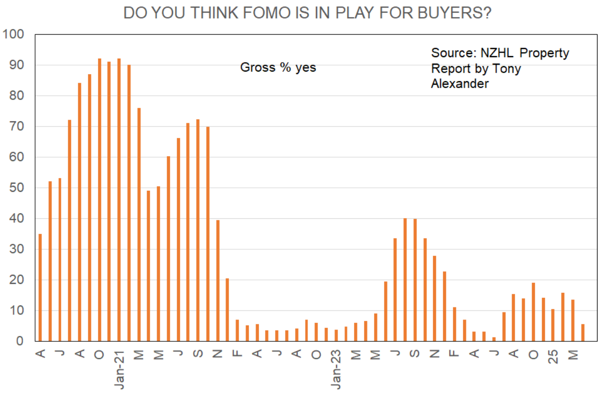
Housing market recovery stalls - again

Although first home buyers remain active in the housing market, the upturn has again stalled, and house prices are edging lower. Those are the two key conclusions from my most recent monthly survey of real estate agents across the country undertaken with sponsorship from NZHL. I released the results on Monday, and the full report is available here. https://nzhl.co.nz/wp-content/uploads/2025/05/NZHL-Property-Report-PDF-version-.pdf

Let's start with a broad gauge of whether buyers feel they need to pull finger – FOMO. At the peak of the pandemic frenzy late in 2020 92% of real estate agents said that they could see buyers displaying a fear of missing out. That reading fell to 5% early in 2022 after the late-2021 imposition of a credit crunch. It recovered to 40% late in 2023 as the market staged its first post-pandemic recovery.



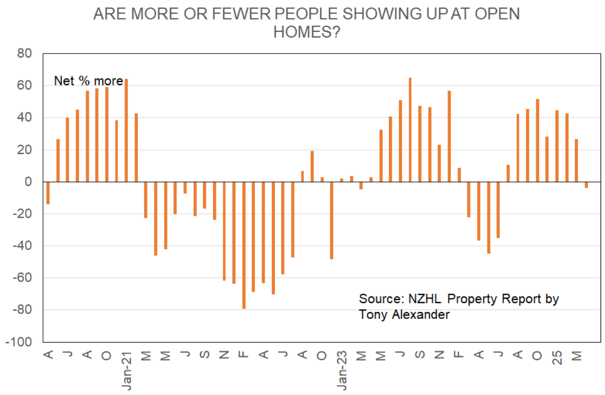
Then the number fell to a record low of 1% in the middle of last year as the economy went back into recession, job security declined sharply, mortgage rates rose 0.9%, and sentiment measures fell away.

With monetary policy being eased from August 2024 the measure managed to claw its way up again late last year – but only to 19%. Since that peak in October it has been easing again and now stands at just 6% from 14% a month ago.

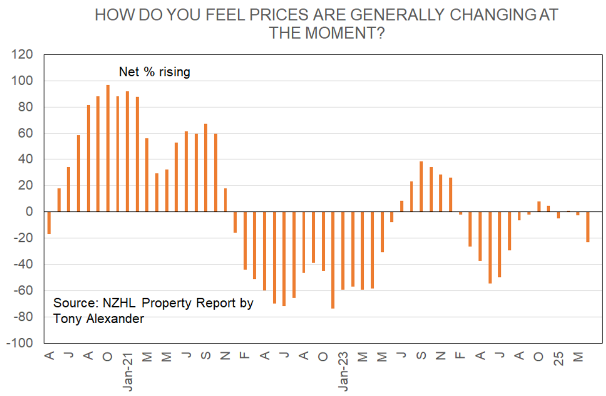
Buyers are highly aware of the plethora of listings available for them to choose from. They will have seen commentary addressed to vendors telling them they are the ones who need to give ground in negotiations. They will also be feeling some hesitancy because of the deteriorating outlook for global growth promulgated by the US President.

Investors are struggling to make the numbers for a purchase work with costs soaring for insurance, rates, and maintenance, while rents are falling. Their perception of prospects for short-term capital gain are likely to be very weak. Plus, many long-term property investors are looking to shrink rather than grow or shuffle their portfolio.

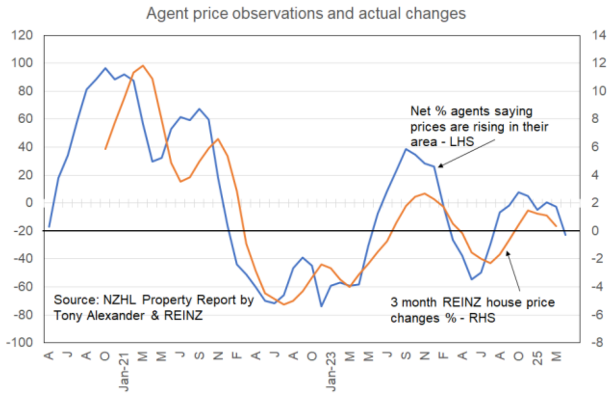
Because buyers feel no need to be in a hurry, they are pulling back from cruising open homes and auction rooms. A net 9% of agents say fewer people are at auctions and a net 4% say fewer are at open homes. This graph shows the open home results since 2020. It reveals the roller coaster ride which agents have been on since the pandemic ended. Up, down, up, and now down again.



As regards prices, a net 23% of agents say they are falling in their area of operations. This gives a strong message to those people wanting to sell their property. Turning down the first offer or two when your property has just been listed in the belief that more determined buyers lie just around the corner could be the biggest financial mistake you make this decade.



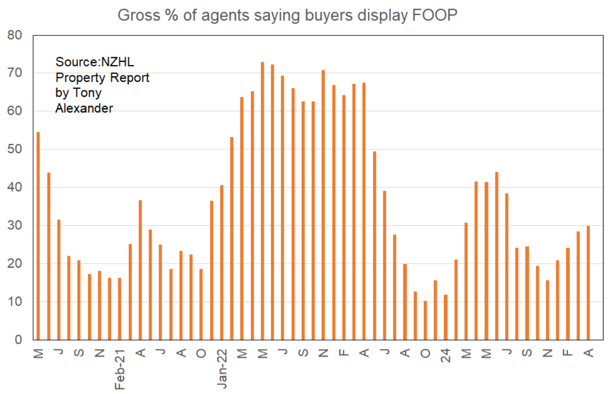
For your guide, here is a graph I've not produced before. It plots agents' price observations pictured just above alongside the rate of house price inflation measured as a three month average using the REINZ's nationwide House Price Index.



I did not expect to see such a close relationship when I did this small piece of analysis. But what we see is that actual house price inflation follows changes in agent beliefs about what house prices are doing with a very small lag.

That is, the blue line changes then the orange one does. Given the falling away of agent house price observations this tells us that fairly soon the various price series out there (REINZ, Trademe, Cotality) will soon be falling. Do buyers feel that maybe prices are falling or will fall? We can gauge that by looking at agent answers to the question I ask regarding the things which buyers are worried about. One option is that they are worried about prices falling after they make a purchase. We call this FOOP – fear of over-paying.

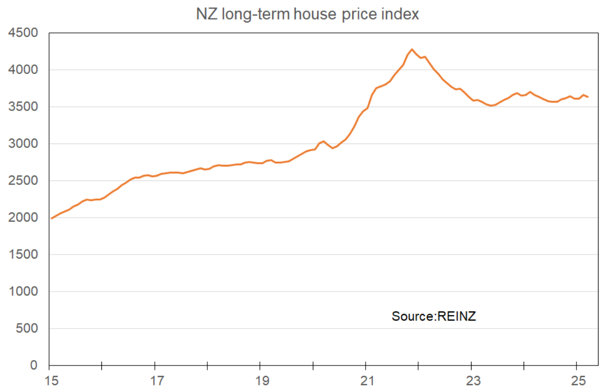
The proportion of agents saying they see FOOP has risen to 30% from 21% at the start of the year.



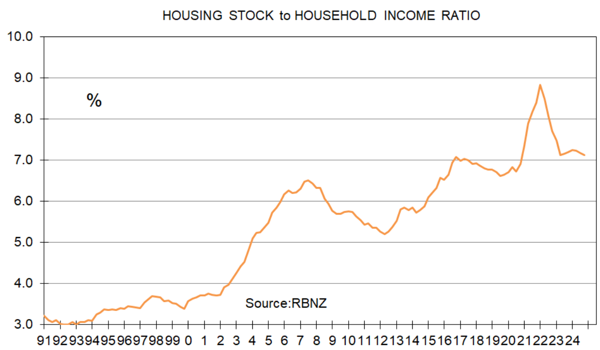
Is it possible to take a firm view on when prices are likely to start a sustained period of cyclical growth – as in rising for 3-4 years? No. None of us have got our picks of this right for the past two years and there is no reason for believing our understanding of the factors underlying the market and where each is headed has improved to any great degree.

For sellers this is concerning but in a way liberating. It means if you are wanting to get on with some important aspect of your life like retiring to a new location, shifting for a job etc. there is no point holding out month after month for price gains which may not come. You may as well bite the bullet and admit that you're not going to make yourself feel clever by "picking" the market and getting a few extra tens of thousands of dollars for your property.

For buyers, this is your time. Affordability has strongly improved from earlier times courtesy of interest rates falling, wages growing, and house prices sitting currently about where they were four years ago.



This next graph is one rough gauge of housing cost. It's not as accurate as the other measures out there but it shows the same changes. It is a simple measure of the ratio of the value of the country's housing stock to household disposable incomes. We can see that up until the start of this century the ratio was near the three level which has long been talked about as the desirable ratio of house prices to incomes and where things used to be.



The ratio peaked at 8.8% at the start of 2022 because of the pandemic frenzy, but just before the pandemic was near 6.7. The latest reading is

7.1. So, affordability by this rough gauge is almost back to where it was before the pandemic. Actually, it is where it was in 2016 before the slashing of interest rates because of deflation worries. Affordability by this simple metric has stepped back nine years.

Real estate agent comments

In my monthly survey I ask agents for comments they can make about conditions on the ground in their area. Here are a few comments for each region. The agents who reply each month in the survey receive the full list of such comments which run to eight pages.

Northland

- Lifestyle properties $1m - $1.5m around Whangarei have been stagnant for the last couple of years. Now they are beginning to transact well. Rurally, good grazing land is popular with farmers wanting to expand. Dairy prices are strong, but Dairy farm sales are not.
- Enquiry had increased but in the last two weeks it has stopped.
- Whangarei: We have been saturated with properties over summer, so buyers are being more picky and taking their time to transact.

Auckland

- Its an out and out buyer's market albeit they are being extremely conservative with their approach and level of offers with the attitude being - if the owners don't want to sell no problem we don't have to buy either.
- We had the worst month in the 10 years I have been with this company in Auckland. We had a great Feb/Mar and then it just stopped. Was it school holidays, was it Trump, was it job uncertainty? just don't know but it stopped as quickly as it started!
- Market has dropped this week across my 30 listings. I recommended price drops to everybody that is sitting outside of an auction campaign. I have seen property prices drop on average between $50-$100,000 to try and find the market. Buyers are not coming through Open homes we are needing to attract buyers purely on price. This market is incredibly tough buyers not motivated to transact unless the pressure is put on or they feel the price is so competitive risk missing out.

Bay of Plenty

- Stock levels increasing in the Bay of Plenty, Buyers more pickie. Fluctuating clearance in the auction room.
- Still very slow. Purchasers have no incentive to buy quickly, and will take all the time in the world, even to the point of looking at other properties when they are one initial away from a deal they're negotiating.
- Brick and tile homes, particularly those on large sections are popular and selling well. Townhouses/apartments are not in demand at all.

Waikato

- A flurry of activity in the lower end of the market from first home buyers and investors...only when property is situated in a decent area though. Lots of multi offers in this end at the moment. Property is selling when vendors meet market expectations and buyers feel justified at the price they're paying. Lots of listings on the market but slower new listings coming on last month.
- The property market in our area has been extremely quiet since early December. While we are still making the occasional sale, the majority of our listings like those of our competitors are sitting with little movement. Phone calls have slowed right down, and enquiry has largely petered out, reflecting the overall stagnation in the local market.
- Developers are tending to reduce prices in our town. General speak amongst agents is buyer enquiry is very slow and there are

vendors out there who are reluctant to price to the market.

Hawke's Bay

- Buyers are being cautious and are obstinate in their approach to making offers. They are low balling offers and then wonder why vendors do not want to negotiate with them. More properties on the market giving buyers more choice. Buyers have no qualms about moving on to the next property if their offer is not accepted. They tend not to want to negotiate. Some vendors are still in 2021 while buyers are in the moment. Lenders are being more stringent, and conditions are for longer (15 working days). Taking longer to get things across the line.
- The start of the year was very busy with great sale results in Napier. Most listings that I had were The table has now turned and sales have now cooled with buyers feeling no pressure and taking their time.
- There is good demand in the $500K to $700K range, attracting first home buyers, higher end is slower with less buyers.

Taranaki

- This market is very slow and most buyers looking for a bargain or making stupid offers and almost arrogant saying its overpriced and GV are inflated by local councils looking to raise Rate funds. We are currently dealing with a very subdued market and not many buyers around at present unless it's priced at a crazy price to sell. Too much uncertainty and certainly no rush to answer emails, texts, or phone calls. Lots of ghosting going on at present.
- Strong open home numbers the first 1-2 weeks of a new listing (15+ groups through). Homes that are priced right under $900k are going into multi-offers.

Manawatu-Wanganui

- I've been selling to first home buyers - they are well organised with their finance and knowing what needs to be done to get the sale across the line. I have had multiple offers on these types of properties - sometimes the house is under contract before the first open home. There are still some issues in getting finance sorted with paperwork, KiwiSaver letters etc but we seem to get there in the end. Some vendors are still expecting too much and there needs to be some honest conversations to ensure appraisals are understood with supporting sales data. Have seen some investors back at open homes - they are cautious and measured with their offers - when they compete against a first home buyer who has fallen in love - the investor misses out.

Wellington

- (Lower Hutt) the listing stock is rising, and continue to outstrip buyer demand, if this continues prices will maintain a downward trend
- After a good start to the year buyer sentiment seems to have hardened. Many potential vendors who bought three or even two years ago are receiving offers below the level they purchased at, especially if they had bought new builds
- In the Wellington City area there are definitely more first time/new buyers in the market. They perceive that there are some reasonably priced properties out there now and that we are past the boom of the early 2020/2021. And reaping the rewards of the crash of 2022 to 2024. They sense there is real room for negotiation and realistic prices and also have the abilities to walk away from unrealistic Sellers

Tasman

- There are multiple offers mostly from first home buyers and FOMO on properties up to $700,000.
- Too much stock on the market and fussy buyers
- Still tough market but slowly improving. Buyers are slow to act and still looking for bargains which may have already gone.

Marlborough

- Priced well, will sell. Desperate agents buying listings evident - economic uncertainty in Marlborough meaning over 1m value houses are harder to shift.

- The first home buyer segment is moving along nicely and properties in this price bracket are holding their price or even going up. The top end is problematic with too much stock on the market and not enough buyers. Price in this bracket has been drifting lower over the last 6 months and there no end in sight of the downward movement of these properties.

Canterbury

- Market slowed down significantly this month but could be due to so many holidays. We have sold more than twice as much as listed. There is still plenty of stock on the market and buyers have little urgency. Trump has made a few people nervous, but this should hopefully settle.
- Definitely more investors in the market, and they are complaining about competing with first home buyers. They have started looking at property's that need reno's as first home buyers are less keen on these.
- Market in Selwyn is good. We are having record months both top which is 1.1mil and 6-750k are excellent.8-900k price range slow. Lots of subject to sale up and down trading. Some strong cash buyers

Otago excluding Queenstown Lakes

- Still a high number of listings in Dunedin as we head into the cooler months. Very much still a buyer's market with plenty of choice and new offerings every week so no real rush to make an offer. Good well priced properties are selling, just need some vendors to meet the market rather than relish prices of the past.
- More buyers to open homes but very few feel any pressure to act quickly. Many low ball offers are being made, often not securing the property but buyers happy to miss out and wait for the next one they like. A shortage of property in the mid $600s so those properties if well presented move quickly. The higher the price the more boxes buyers want to be able to tick.

Queenstown Lakes

- Its extremely tough out there with so many listings, a decreased buyer pool to share among those listings, and so many agents fighting for buyers. Many examples of houses selling 10-20% under (inflated) asking prices after 6 months as market resets itself.
- Queenstown Lakes. Good interest from Auckland buyers. Some sellers not realistic in price expectation. Motivated sellers selling by auction and achieving sales. Higher end seems to be moving again $3m plus. Busy 2 months. May / June traditionally a quieter period. Uncertainty in the economy and Worldwide situation is making some folk nervous.
- More buyer activity in the market in April compared to the first quarter of 2025

Southland

- Here in Southland there are still sales in residential, but farms and lifestyle have far fewer buyers and interest. Agents are trying new strategies to get deposits in place with vendors relying on the skills of their agents to get the deals done!

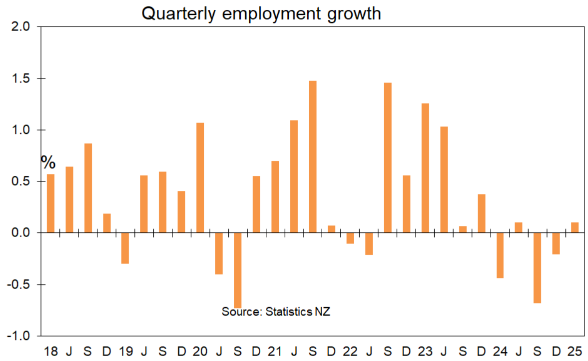
If I were a borrower, what would I do?

Yesterday Statistics NZ released their various series telling us what the labour market has been experiencing recently. The unemployment rate held steady at 5.1% rather than rising to 5.3% as had been commonly expected.

Does this mean the labour market is in good shape and perhaps businesses truly are hiring people as an unusually high net 18% say they plan doing so in the ANZ Business Outlook survey? Not really.

Job numbers grew by only 0.1% during the March quarter to be 0.7% down from a year earlier. Given that average annual growth in employment numbers since 1992 has been 2% this is a weak result.

But the fact that 0.1% is better than 0.2% job losses in the December 2024 quarter and 0.7% in the September quarter tells us that the labour market impact of monetary policy induced weakness in our economy is actually quite mild this time around.

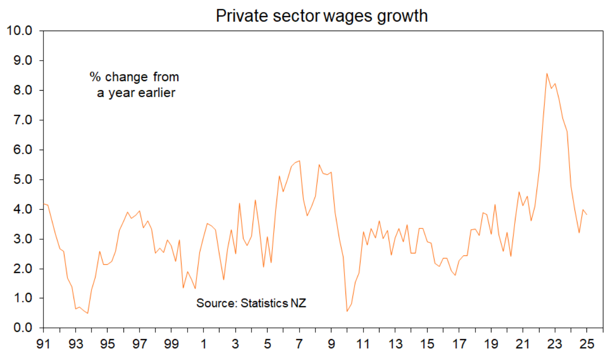


The numbers suggest no deepening need for extra easing of monetary policy. But it is more developments offshore from which any decent shift in the monetary policy track may be driven and we await news there.

What about wages? The Quarterly Employment Survey tells us that average hourly ordinary time earnings rose just 0.5% in the March quarter to be 4.5% ahead of a year earlier. This is a slowdown from 5.2% a year ago but the 0.5% rise was greater than 0.3% for the March quarter of 2024.

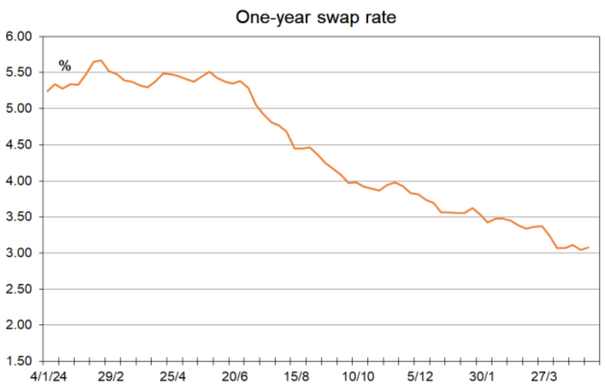
So, wages are still rising in the country but not at a pace to cause any undue shift in attitude by the Reserve Bank regarding inflationary pressures from this source.

This graph shows private sector annual wages growth.



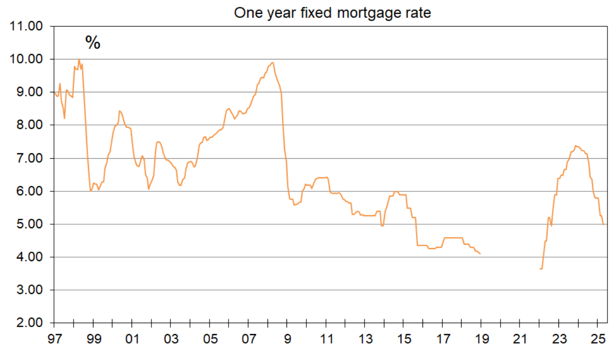
All up, the data were slightly stronger than expected but not by enough to change anyone's forecasts for monetary policy developments.

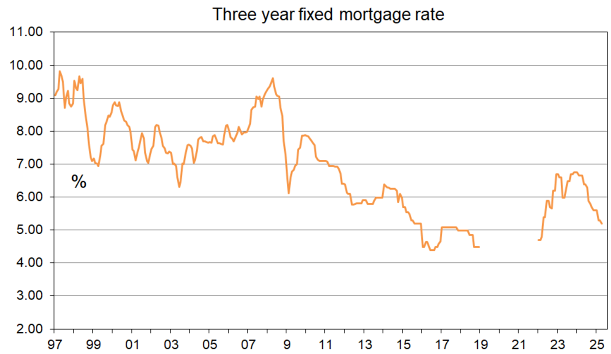
The main cause of changes in wholesale interest rates this week remained therefore the perturbations in rates in the United States. In that regard US rates this week have edged slightly higher and so have wholesale borrowing costs here. For the moment things seem relatively calm.

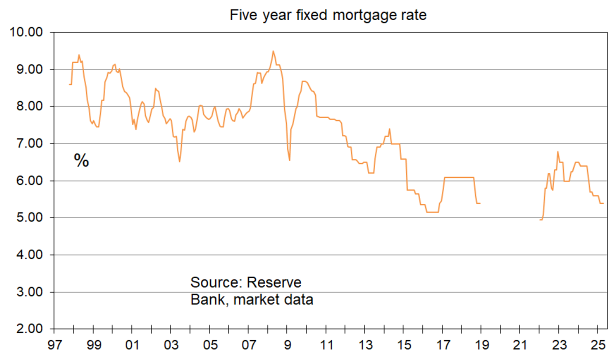


If I were borrowing at the moment I would still be holding out for a sub-5% fixed rate for a period of three years or longer. Scope exists for banks to produce another 4.99% rate but concerns about mortgage application processing capacity may be limiting their willingness to compete for much extra business at the moment.

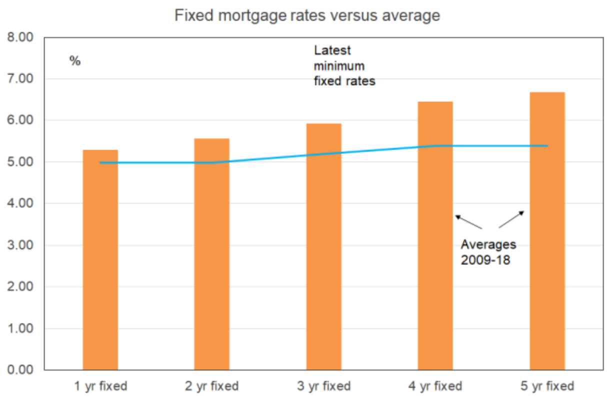
These three graphs show mortgage rates since 1997 excluding the period of deflation worries (2019) and the pandemic.







This graph shows how current rates compare with averages from 2009-19.



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.