



Keith Simpson
RESIDENTIAL SALES

PROPERTY NEWS

BARFOOT & THOMPSON
KNOWLEDGE MAKES THE DIFFERENCE

July 2024

Positive Predictions for the NZ housing market

Buyers still keen

While affordability remained a "key hurdle" with high interest rates, CoreLogic chief property economist Kelvin Davidson said buyers were still watching the market and doing their due diligence.

Monetary policy set to ease

Tony Alexander reported that, Statistics New Zealand released the June quarter inflation data yesterday and what they showed is inflation falling to its slowest pace since June quarter 2021. Over the June quarter the basket of 649 goods and services tracked by SNZ increased in cost by 0.4%. This is an unusually low rise and the lowest since the start of 2019 if we exclude the immediate pandemic period. Back in 2019 there were deep worries about deflation (falling prices), and this led the Reserve Bank to cut the cash rate from 1.75% to a then record low of 1.0% before the pandemic sent it down to 0.25%. The annual inflation rate now sits at 3.3% from 4% in the March quarter, 6% a year ago, and the 31 year peak of 7.3% hit exactly two years ago.

Now monetary policy is belatedly tight, and the results of Reserve Banks delayed tightening are clear in the weak state of the economy. The question is whether the weakness and business failures they have engineered following their incompetence is enough to get inflation locked back into the 1% - 3% target range.

Tony Alexander's view remains,, that the first cut in the official cash rate will come in November, but with an increasing chance given the deepening woe in the economy that the first decline will come earlier than that – maybe next month though that feels optimistic.

"If I were a borrower, what would I do? NZ wholesale interest rates have fallen quite a bit over the past couple of weeks in response to more dovish than expected comments from the Reserve Bank and absence of unexpected bad data in yesterday's inflation report. The one year rate at which NZ banks borrow in wholesale markets to lend to you and I fixed has fallen to near 4.92% from 5.29% a fortnight ago. This is the lowest rate since October 2022 just after the shockingly high inflation outcome was revealed that month". To quote, Tony Alexander.

The tide is turning on high interest rates as another bank drops its home loan rates amid falling inflation and a softened tone from the Reserve Bank.

ANZ Bank said from tomorrow it was cutting mortgage rates across all of its standard fixed terms from six months to five years. This also includes special rates from its six-month term up to three years. The biggest change includes a drop of 30 basis points to both its special and standard two- and three-year interest rates. That means the special three-year rate will fall to 6.35% and the two-year rate will decrease to 6.49%.

I believe that the New Zealand Real Estate market is now on a gradual 'Road to Recovery', sooner than expected!

Please contact Keith Simpson if you would like to discuss references to these findings further and how listing your home for sale may be the most expedient and cost effective manner of releasing disposable equity in your property, or just to touch base on your own property marketing requirements.