

Housing Confidence

Three months to April

May 2021



Speed wobble

- Kiwis' confidence that house prices will keep rising wobbles, but remains strong
- Further knocking back perceptions of whether it's a good time to buy a house
- More evidence that housing market pressure is being released only gradually

Summary

Kiwis' confidence that house prices will keep rising barely budged in response to the latest round of policy pot shots aimed at cooling the property market. That's the key message from our latest Housing Confidence survey. A net 64% of respondents expect house prices to keep rising over the coming 12 months. That represents a bit of a wobble from last quarter's 73% all-time high, but we're still talking about the third-highest reading in the 25-year history of our survey.

Would-be home buyers are understandably frustrated. Perceptions of whether it's a good time to buy a house crumbled further in the three months to April. A net 21% of surveyed respondents believe it's a bad time to buy a house. That's close to as gloomy as it gets for this index and completes a full reversal of the positive buyer sentiment prevailing this time last year.

Meanwhile, the public's interest rate expectations are on the march. Survey respondents have read the tea leaves and concluded that you can't have a housing boom, an economic recovery, and a burst of inflation all with interest rates staying at record lows forever. The vast majority of respondents to our survey now expect interest rates to either increase (30%) or stay the same (41%). Those expecting further falls (10%) are suddenly a clear minority.

Overall, it appears that pressure is coming out of the housing market only gradually, and still-lofty Housing Confidence gels with this vibe. The Government and Reserve Bank are mounting a stern challenge, but the question is whether enough has been done. 'Give it time' would be our response. Rising supply and a turning in the mortgage rate cycle will eventually cool the market's jets.

Housing headline fatigue is real, but the debate looks set to rumble on.

ASB Housing Confidence Survey			
Net percent who believe (3 months to Apr 2021) ...	Good time to buy a house	House prices will increase	Interest rates will increase
Auckland	-17%	58%	18%
Rest of North Island	-24%	66%	22%
Canterbury	-20%	67%	17%
Rest of South Island	-16%	68%	24%
TOTAL NZ	-21%	64%	20%
<i>Compare 3 months to January 2021</i>	-8%	73%	-13%

Source: Camorra

Price Expectations: Peaky

The NZ public reined in their house price expectations a touch in the three months to April. A net 64% of respondents now expect house prices to rise over the coming 12 months (71% expect prices to increase, 7% decrease, 13% stay the same). That's down a little from the net 73% peak of last quarter.

That housing confidence remains at such high levels is notable. After all, there's been plenty of policy-related potholes for the market to dodge lately. LVR restrictions are back on, the mortgage holiday scheme has come to an end, mortgage rates are no longer in free-fall and, in late March, some of the Government's recent tax changes came into effect. Housing confidence joins a bunch of other housing indicators pointing to stubborn resistance.

The dip in confidence was felt to broadly the same extent across the country. Aucklanders remain the least upbeat on the outlook, with 'just' a net 58% of surveyed folk confident house prices will keep rising. It's an understandable stance given Auckland has the dubious honour of the highest house prices and hence most stretched affordability metrics in the country.

At the other end of the spectrum, attitudes seem to be changing in Canterbury – long the most house price-dubious region. Housing confidence in the garden city only fell a small 4 percentage points this quarter, to sit at an above-average 67%. We share a relative optimism about the Canterbury housing market, expecting the region's house prices to hold in better than most over the coming 12 months.

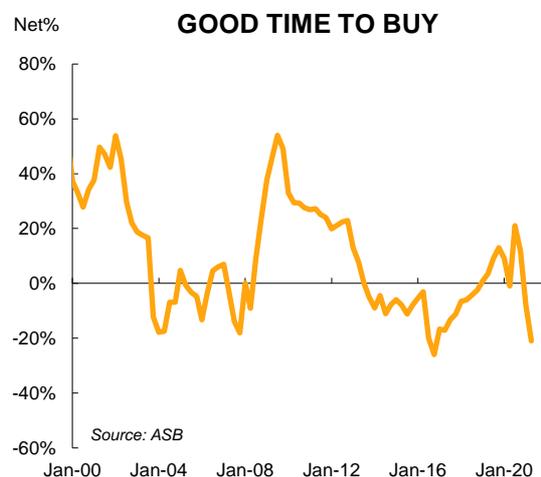
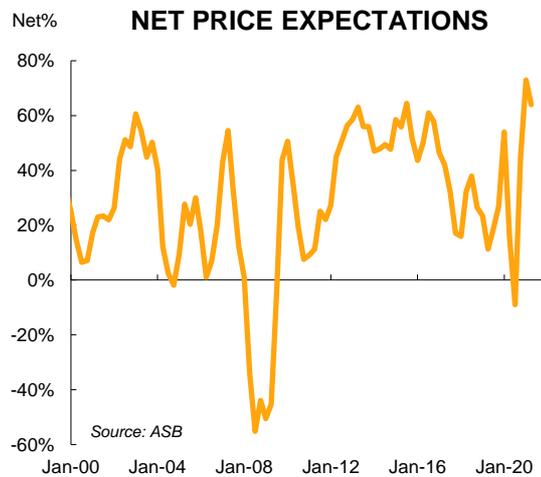
Buying Sentiment: Gloomy

Surveyed buyer sentiment has continued to crumble over the past three months. A net 21% of respondents now believe it's a bad time to buy a house, a big fall from last quarter when only a net 8% of people thought it was a bad time.

- Underlying this quarter's result, 12% of people think it's a good time to buy, with 32% of people thinking it's a bad time. 46% think it's neither and 11% don't know.
- It's regarded as a bad time to buy everywhere, but particularly in the North Island (ex-Auckland) where a net 24% of people think it's a bad time to buy. South Islanders (ex-Canterbury) are the least downbeat, with a net 16% believing it's a bad time to buy.

We find that buyer sentiment tends to mirror house price appreciation. The more house prices rise, the larger the deposit required by would-be home purchasers. In other words, it's an issue of affordability. The position of the housing cycle is likely also to be a factor. The bigger the boom, the less perceived additional upside, and the bigger the hit to buyer sentiment.

Bearing these factors in mind, it's not that surprising we've seen buyer perceptions deteriorate rapidly over the past year. After all, recent REINZ housing figures confirmed that the current housing boom is now the largest in recorded



history with annual house price inflation marked at a heady 27% y/y in April.

Perceptions of whether it's a good time to buy are now within a whisker of the all-time low struck in October 2016. And with the housing market proving [resilient](#) to recent policy action we wouldn't be surprised to see fresh lows before this cycle is done.

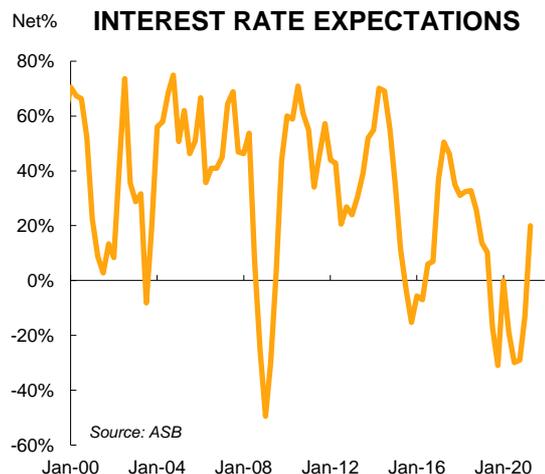
Rate Expectations: The only way is...sideways

The public's interest rate expectations are on the march. Survey respondents have read the tea leaves and concluded that you can't have a housing boom, an economic recovery, and a burst of inflation all with interest rates staying at record lows forever.

The share of respondents expecting rates to drop further fell from 29% to 10% in the three months to April. The share expecting rates to increase rose from 17% to 30%, meaning 'net' expectations are now back in positive territory for the first time since April 2019.

But don't fret. No one expects interest rates to roar higher immediately. In fact, the majority of survey respondents – 41% – expect interest rates to stay the same over the coming 12 months. This is the highest reading for the "stay the same" camp since our records began eight years ago.

We share the sentiment, although note that the risks are growing that things start to move up earlier. If so, there could be additional headwinds for housing confidence ahead. Stay tuned.



Additional housing commentary

For more commentary on the housing market and on home loan rates go to the following online ASB reports:

- [Home Economics](#)
- [Home Loan Rates](#)
- [Weekly Economic Reports](#)

For general reference, the reports are included within the online Information Centre (<https://reports.asb.co.nz/index.html>).

For specific reference to housing, reports that include housing commentary can be accessed via a Search page (<https://reports.asb.co.nz/search/keyword.html>) by selecting the keyword "Housing".

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