

# Housing Confidence

Three months to October

November 2018



## Price expectations falter

- House price expectations eased in the three months to October, with price expectations lower across all regions.
- Lower interest rate expectations have likely been shaped by falling fixed mortgage rates and increasing expectations that the RBNZ may leave rates on hold for longer.
- The balance of respondents still think it's a bad time to buy, but views were the least negative in over five years.

### Summary

**House price expectations fell in the three months to October, according to the latest ASB Housing Confidence Survey.** After two quarters of increasing house price expectations, respondents' outlook on the house price front deteriorated with the net 26% of respondents who expect house prices to increase the lowest since January. This trend was reflected across all regions and reinforces our view that house price growth across much of NZ has peaked.

**Fewer people are expecting higher interest rates in the year ahead.** Since August, bank mortgage interest rates have fallen across most fixed terms. Further, with question marks over the NZ growth outlook and the implications of slower growth on inflation, many commentators are suggesting the Official Cash Rate is likely to be low for longer. Both these developments are likely to be shaping respondents' interest rate expectations.

**Respondents in ASB's Housing Confidence Survey came within a whisker of the majority thinking it's a good time to buy.** This is significant as pessimists have outweighed optimists in this survey for over 5 years. The combination of slowing house price growth across much of the country (with flat/lower prices in Auckland), more homes to choose from and a favourable interest rate outlook is likely underpinning the increase in the number of respondents who think it's a good time to buy a house.

#### ASB Housing Confidence Survey

Net percent who believe (3 months to October 2018) ...	Good time to buy a house	House prices will increase	Interest rates will increase
Auckland	-4%	15%	23%
Rest of North Island	-5%	34%	27%
Canterbury	13%	19%	27%
Rest of South Island	-4%	39%	28%
<b>TOTAL NZ</b>	<b>-2%</b>	<b>26%</b>	<b>26%</b>
<i>Compare 3 months to July 2018</i>	-4%	38%	33%

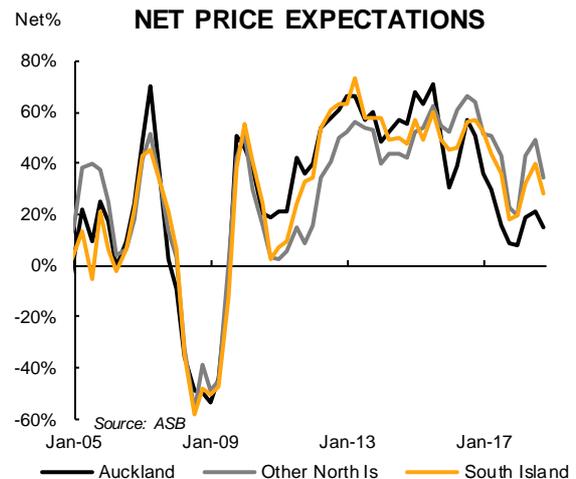
Source: Camorra

## Turning lower again

The net balance of respondents expecting higher house prices fell to 26% in the most recent survey, slightly below the long-term average of 28%. A breakdown of the nationwide figures for the most recent quarter showed:

- 42% of respondents to the ASB survey expect higher prices, while 16% expect prices to fall (it was 48% and 10% last quarter);
- On balance, a net 26% expect higher prices (was 33% last quarter);
- 29% expect no change in prices (26% last quarter), while 13% don't know (was 15%).

House price growth expectations moderated in every region in the three months to October. Further, the flat and falling house price growth in Auckland and Christchurch recently is reflected in house price expectations remaining the lowest in these two centres.



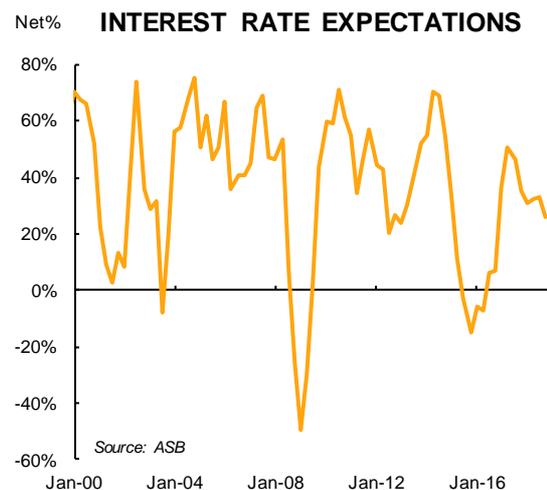
Although price expectations remain off the post-General Election lows, the recent cooling reflects the slowing in activity (sales) and house price growth across much of NZ recently. Recent legislation may have also weighed on respondents' house price expectations over the three months to October. On the 22<sup>nd</sup> of October, the ban on foreigners buying existing (and some new) properties came into effect. Respondents are possibly factoring in a reduction in demand into their house price expectations.

## Fewer expecting interest rate rises

The majority of respondents continue to expect higher interest rates, although the net balance eased in the three months to October. A breakdown of the net quarterly figures shows:

- 33% expect higher interest rates over the coming year, while 7% expect lower interest rates (was 37% and 6% last quarter);
- On balance, a net 26% expect higher interest rates, down from 33% in July;
- 36% expect interest rates to stay the same (32%), while 25% don't know (26%).

Interest rate expectations fell across all regions in the three months to October. Further, the 7% of respondents who expect mortgage rates to fall in the next 12 months was the highest number in two years.



Carded mortgage rates have fallen by up to 50bps since the end of July as a more 'dovish' RBNZ weighed on wholesale interest rates. Bank competition also appears to have increased over this timeframe. Further, with more question marks over when the RBNZ will eventually start lifting the Official Cash Rate it's not surprising to see respondents expecting that interest rates are likely to stay low or shift even lower again over the coming 12 months.

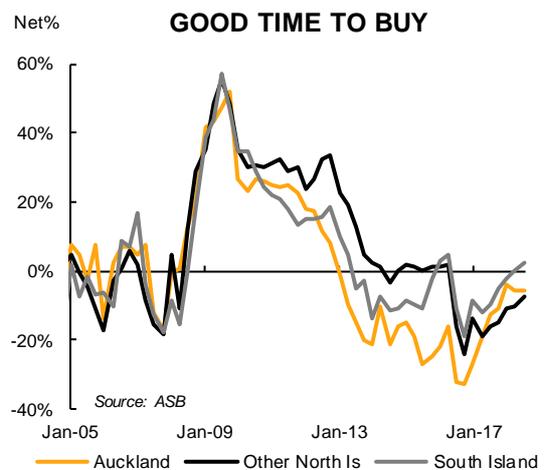
## Optimists and pessimists nearly in balance

Overall, people's views on whether or not it is a good time to buy a house remain on the pessimistic side: a handful more people think it's a *bad* time to buy, than a good time. However, the recent trend of improving sentiment (i.e.

becoming less negative) remains intact. The proportion of respondents thinking it's a good time to buy reached the highest level since April 2016. Breaking down the net quarterly nationwide figure shows:

- 16% say it is a good time to buy, while 19% say it is a bad time (was 14% and 19% last quarter);
- The difference is the net -2.5% plotted opposite (was -4% last quarter);
- 51% say it is neither good nor bad (was 52%), and 13% don't know (15%).

Canterbury retained the crown as the most optimistic region when it comes to whether or not it's a good time to buy. And, in the three months to October Cantabrians were particularly upbeat, with the net 13% of respondents thinking it was a good time to buy at a nearly 8-year high. This likely reflects the fact that house price growth remains largely flat in the region. However, there were more respondents thinking it was a good time to buy a house in every region except the South Island excluding Canterbury. A number of recent trends are likely to be underlining the improving sentiment: slowing, flat or falling house price growth; a recent surge in new listings, and; expectations of ongoing low interest rates. Looking forward we expect respondents' perceptions of whether it's a good time to buy will remain contained by the fact that prices remain stretched relative to fundamentals in many centres.



### In summary

- House price expectations fell in the three months to October, with falls registered in all regions. Price expectations remain the most pessimistic in Auckland (15%) and Canterbury (19%).
- Respondents' interest rate expectations also fell. A combination of recent mortgage interest rate falls and questions about when the RBNZ will raise the OCR is likely to be weighing on expectations.
- On balance, respondents remain pessimistic when it comes to whether or not it's a good time to buy a house. But in saying this, respondents were the least negative in over 5 years. Canterbury continues to lead the way with optimists outweighing pessimists in the region.

### Additional housing commentary

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

- [Housing Confidence](#) (this report)
- [Home Loan Rates](#)
- [Weekly Economic Reports](#)
- [Home Economics](#)

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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