

# Housing Confidence

Three months to July  
September 2021



## Dam\* the torpedoes

- Kiwi’s expectations of continued house price increases have been surprisingly hard to sink.
- And the perception remains that it is still a relatively challenging time to buy a house at present.
- Respondents were increasingly aware of the likely upward journey for interest rates.

### Summary

From a government policy perspective, a number of torpedoes have been fired at the housing market this year and a fresh salvo is being loaded into the tubes. As yet the housing market has only taken on a little bit of water: month-to-month growth has slowed only slightly from its February/March peak frenzy, and annual house price growth has hit 30%. The ASB Housing Confidence Survey shows people expect the housing market to remain resilient, with house price expectations for the following 12 months still not that far down from the historical high set at the start of this year. Still, respondents do see challenges. The perception is that it is still on balance a bad time to buy a house, and a noticeably larger proportion of people expect mortgage rates to rise over the next year.

Another COVID lockdown has hit, one that is the most stringent since the first one over March-June 2020. Back then we were entering into a very uncertain world. This time, people are likely to take the disruption more in their stride, and we expect the underlying market conditions to reassert themselves once people hit the open homes again.

ASB Housing Confidence Survey			
Net percent who believe (3 months to July 2021) ...	Good time to buy a house	House prices will increase	Interest rates will increase
Auckland	-13%	59%	52%
Rest of North Island	-25%	58%	53%
Canterbury	-24%	58%	54%
Rest of South Island	-17%	57%	62%
<b>TOTAL NZ</b>	<b>-20%</b>	<b>58%</b>	<b>54%</b>
<i>Compare 3 months to April 2021</i>	-21%	64%	20%

Source: Camorra

### Price Expectations: still upbeat

There has been a further modest decline in house price expectations, but they remain around a level seen during the peak of price confidence in past housing booms. In the three months to July a net 58% of respondents expected house prices to rise over the following 12 months, down from a net 64% in the three months to April and a net 73% historical peak in the three months to January. The current net balance is made up of 65% expecting prices to increase and 7% expecting declines.

All up it's a pretty resilient result. To date this year we have had the RBNZ reintroduce its Loan-to-Value Ratio (LVR) restrictions, the Government hit property investors with a tax hammer, and some upward creep in mortgage rates. And behind the scenes inbound migration has ground to a halt and home completions have lifted.

Quite amazingly, the four key regions we look at showed no real difference in price expectations for the quarter in question. Auckland expectations were steady, while the greater exuberance around the rest of the country faded a bit more.

### Buying Sentiment: still low

It is of little surprise that perceptions of whether it is a good or bad time to buy a house are still weak. A net 20% of respondents see now as a bad time to buy, little changed from a net 21% in the three months to April:

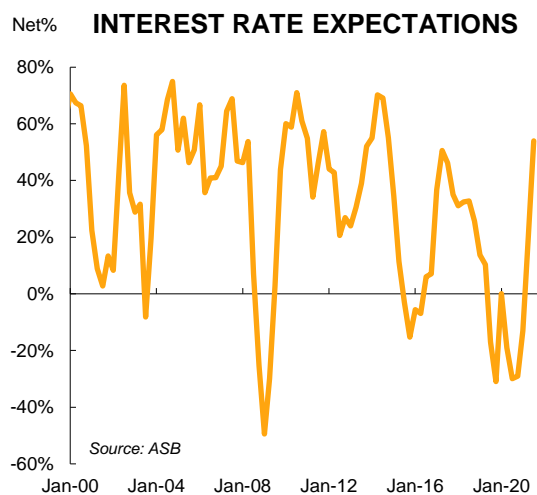
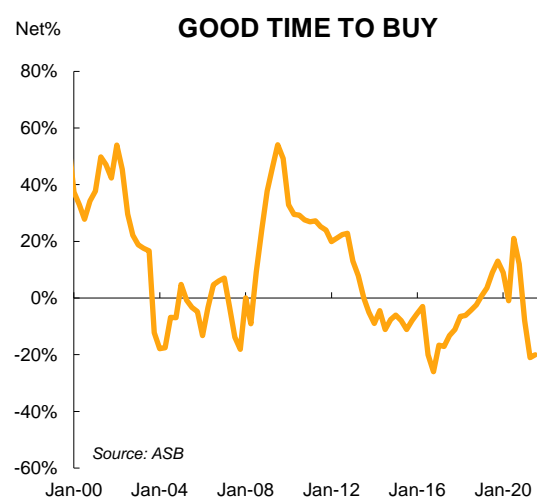
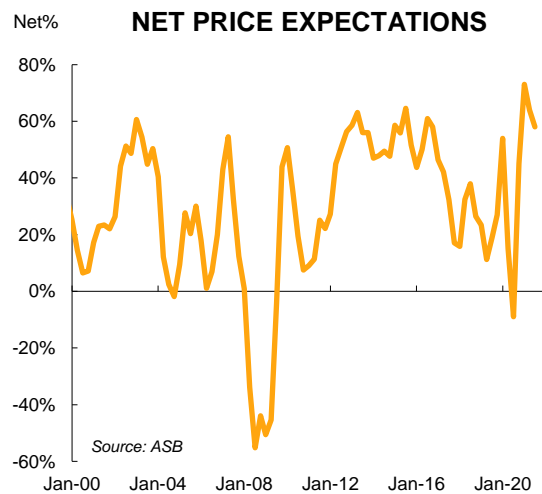
- The latest result had 11% of respondents seeing now as a good time to buy a house, with 31% seeing it as a bad time (making the net -20%).
- Interestingly, Auckland is less downbeat overall with a net 13% seeing now as a bad time to buy, against a net 25% 'bad' for the rest of the North Island and a net 21% 'bad' for the whole of the South Island.

### Rate Expectations: up, up and away

Respondents' perceptions of mortgages rates have continued to lift rapidly. Back at the start of the year a net 13% of respondents expected mortgage rates would *fall*. In the latest survey a net 54% anticipate higher rates over the next 12 months:

- The share expecting interest rates to rise continued to lift sharply, to 58% of respondents;
- Only 4% of respondents expected lower interest rates, a sharp drop;
- 25% thought interest rates would remain unchanged, down a little.

The latest lockdown has given the lift in interest rates a temporary stay of execution. It was very clear that the RBNZ fully intended to lift the OCR on August 18, but only held off because of the just-announced COVID community outbreak. At this point the RBNZ still looks likely to lift interest rates very shortly, and we have pencilled in an October OCR increase. Notwithstanding the disruption the lockdown is causing, inflation pressures are likely to remain just as chronic. But the longer the lockdown goes, the more chance the RBNZ pauses for slightly longer so it can check how the longer-term picture has been changed (or not).



## Post-lockdown: where to?

We are not going to make any proclamations that the housing market is unsinkable. The RBNZ is getting ready to fire more torpedoes at the housing market in the form of a tightening of LVR restrictions, the development of debt-to-income lending restriction – and looks set to start lifting interest shortly.

We do think the housing market will lose momentum this year and next – we just don't think it will need a bailing out. For calendar 2021 we have actually revised up our price forecast to annual growth of 22%, mainly reflecting just how resilient prices have been to date. But the tide is going out, and we see 2% growth for 2022 as price growth becomes dead in the water.

For the latest on our housing market views, see our latest Home Economics [note](#).

## 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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