

March 2022

# What lies ahead in 2022?

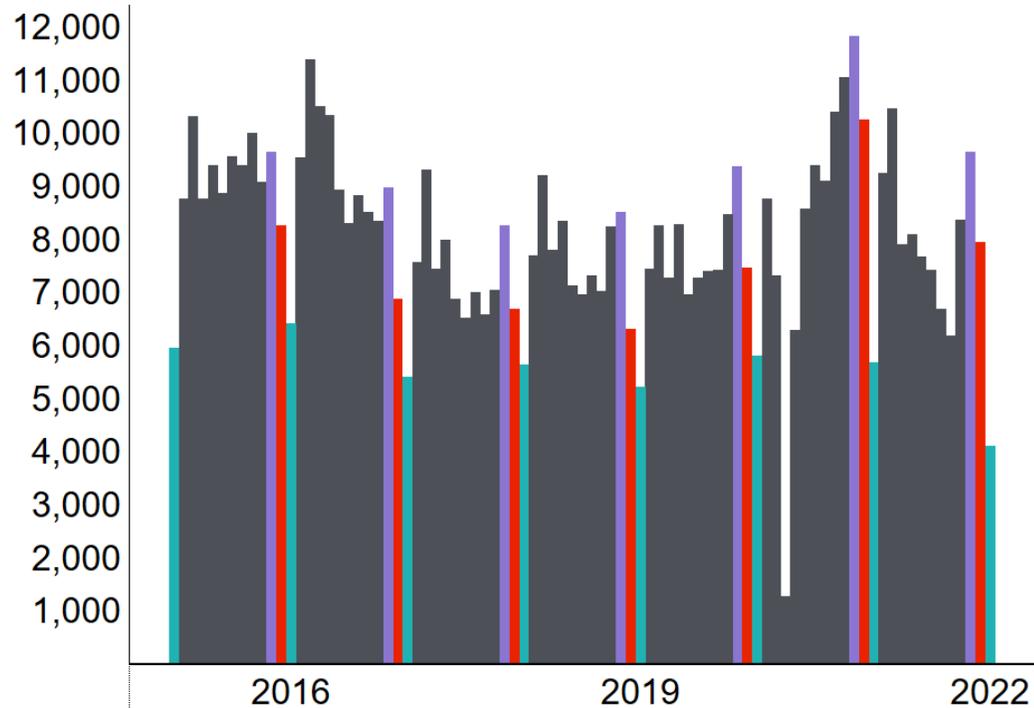
Nick Goodall

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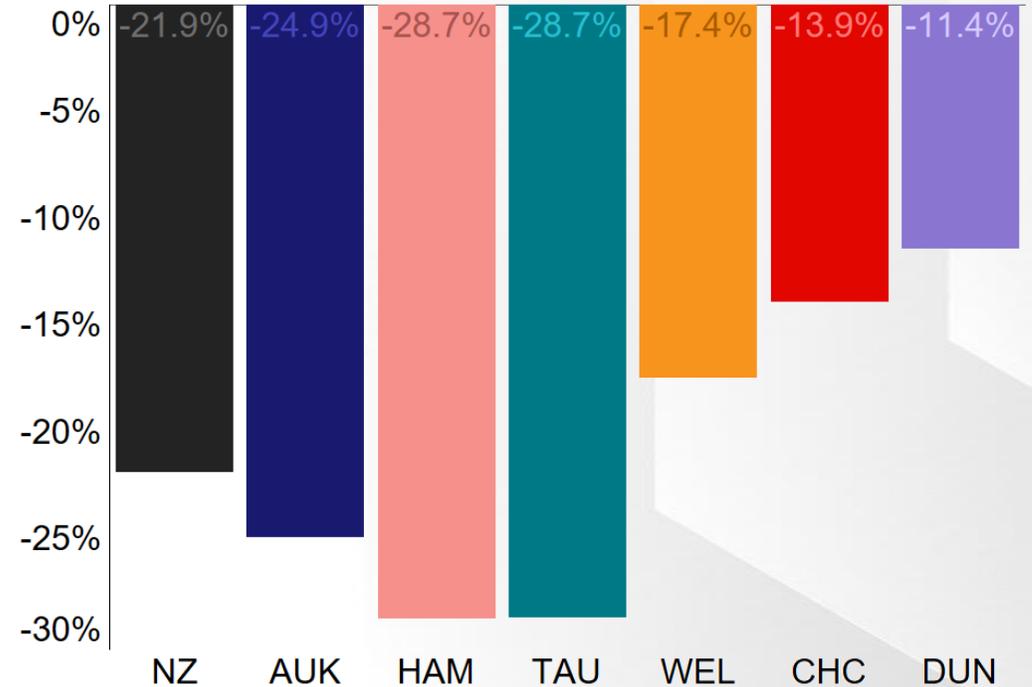


# Emerging sales slowdown set to continue

Sales volumes – NZ

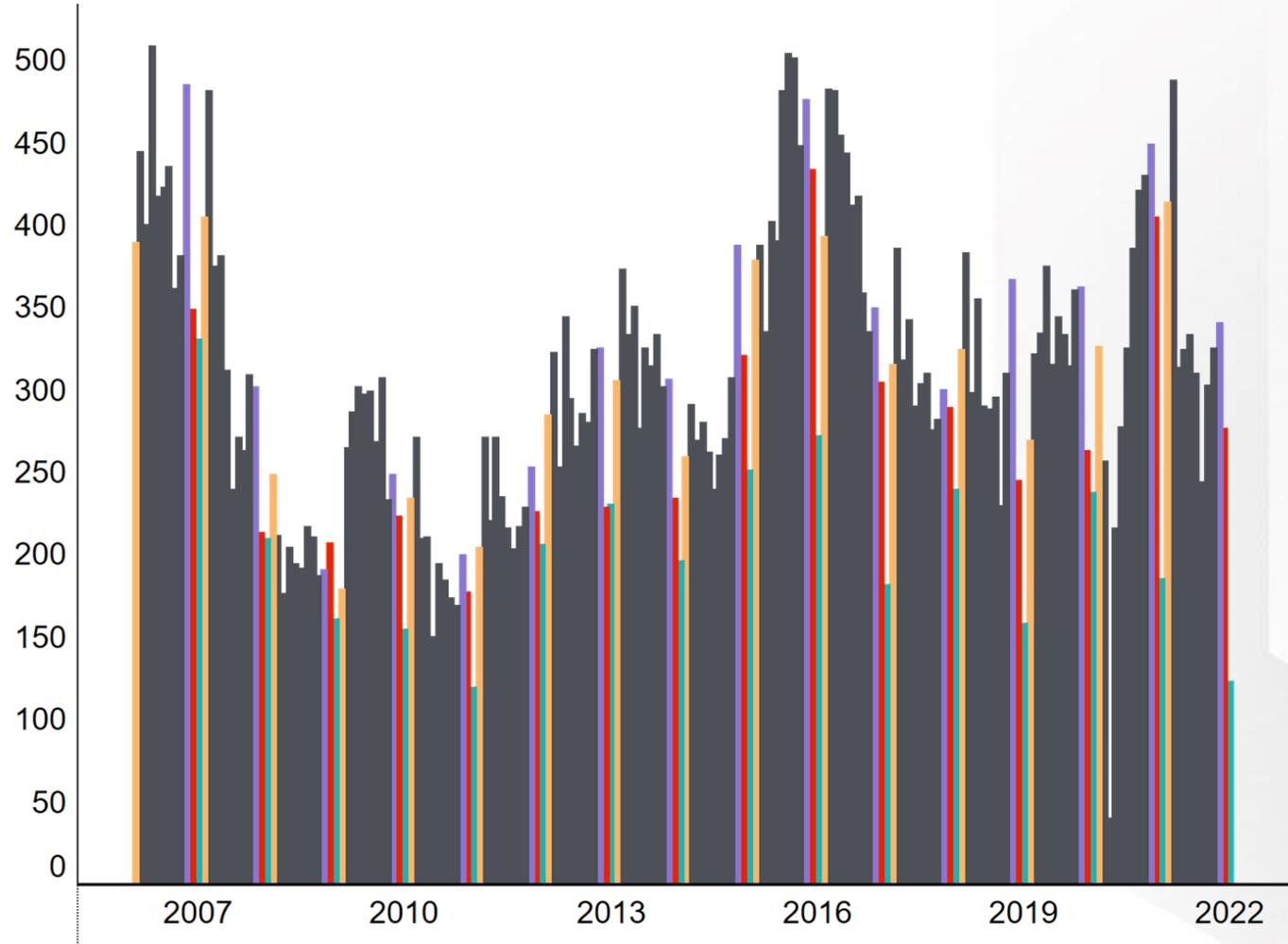


Sales volumes – main centres annual % change



# Fall away in Hamilton very evident

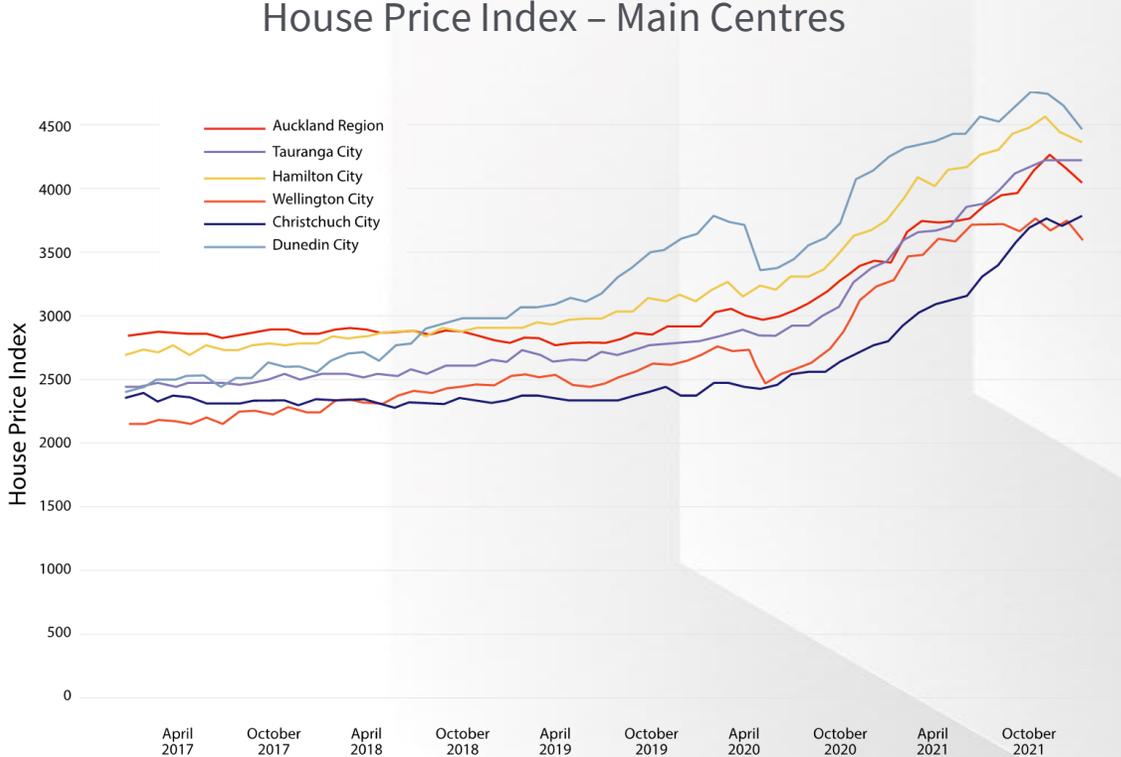
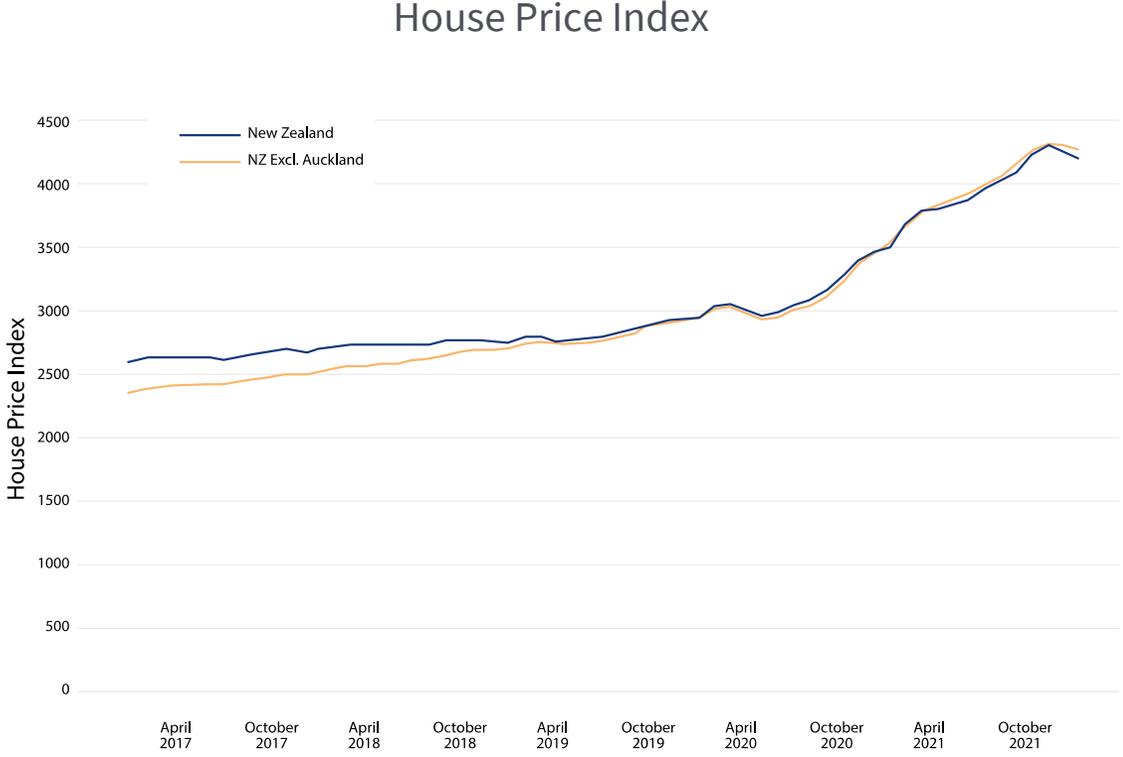
Sales volumes – Hamilton



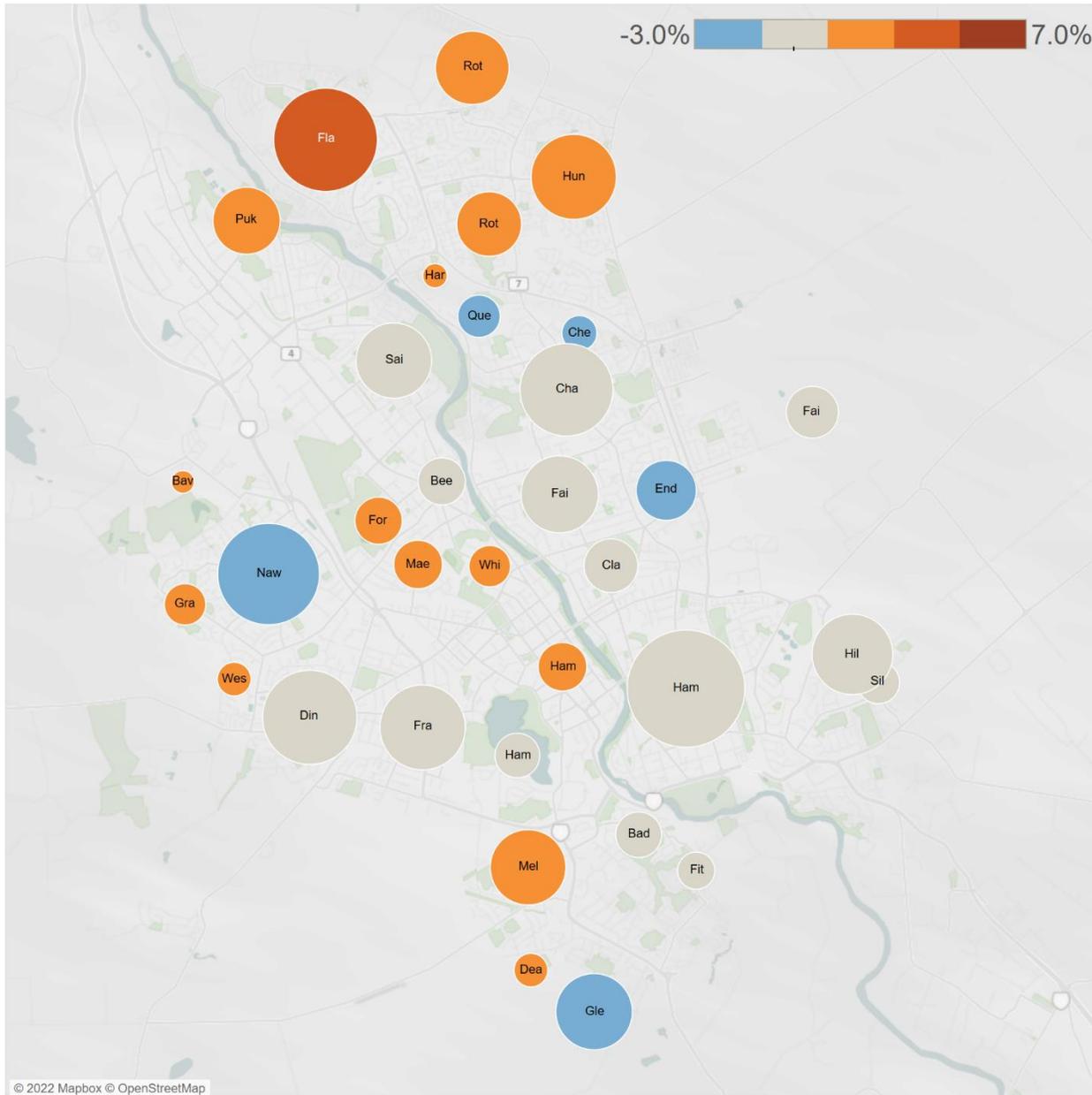
Source: CoreLogic

# Values showing weakness earlier than expected

Although omicron could cause short-term variability



## Three month value change - Hamilton



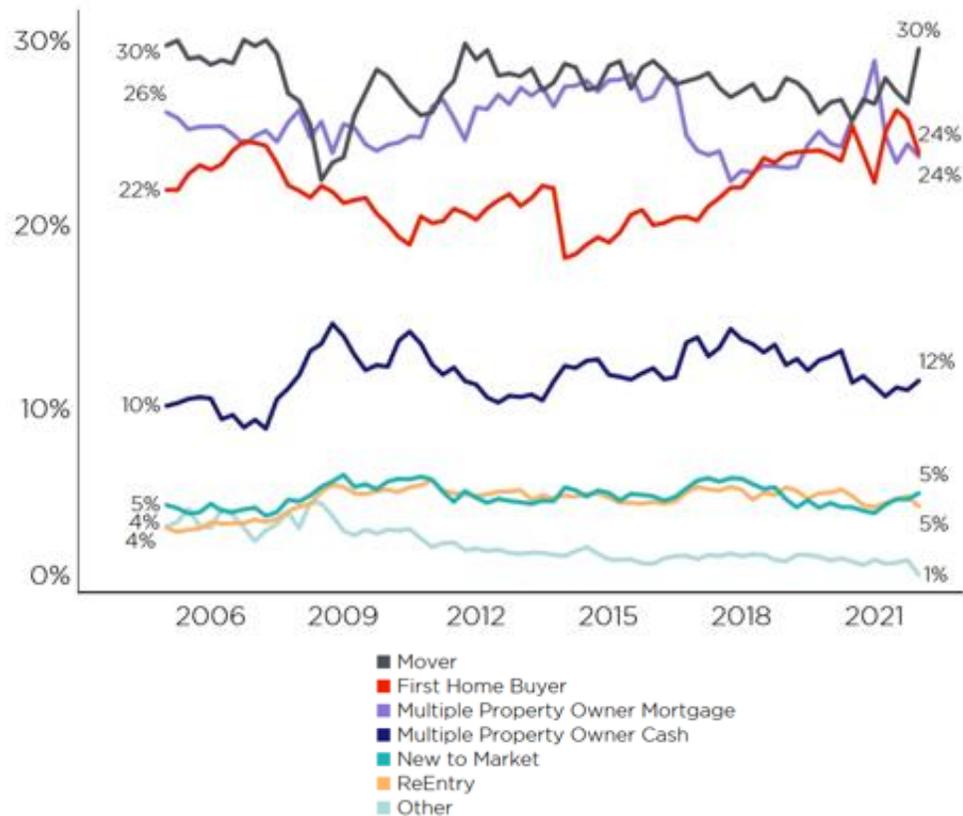
At a more granular level, some suburbs are already showing greater vulnerability to drops.

Source: CoreLogic

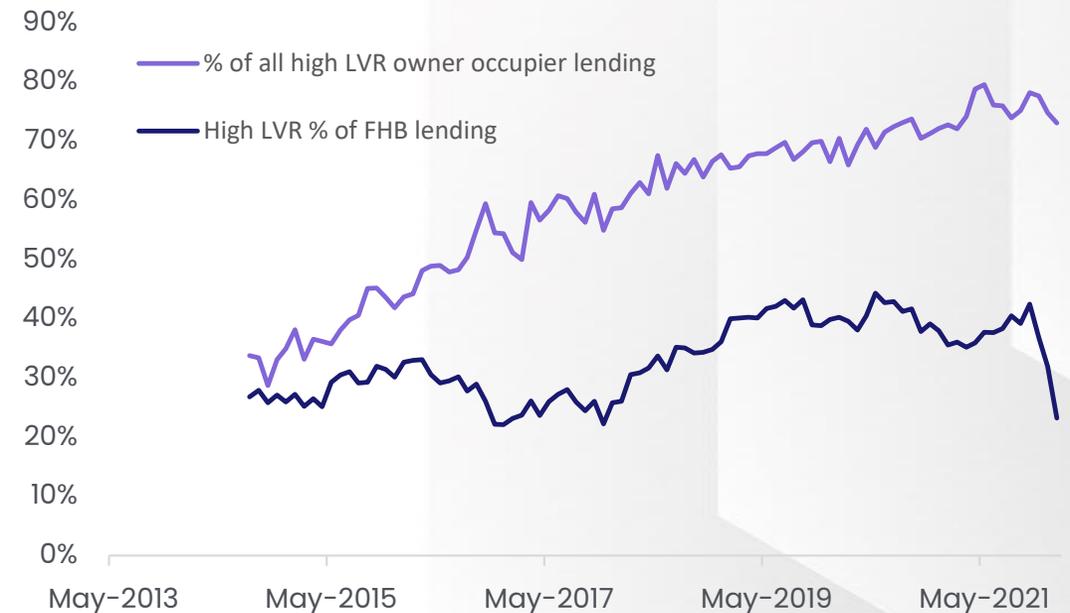
# All buyers impacted, especially first home buyers

As the new LVR speed limit takes greater hold – and CCCFA changes also hit

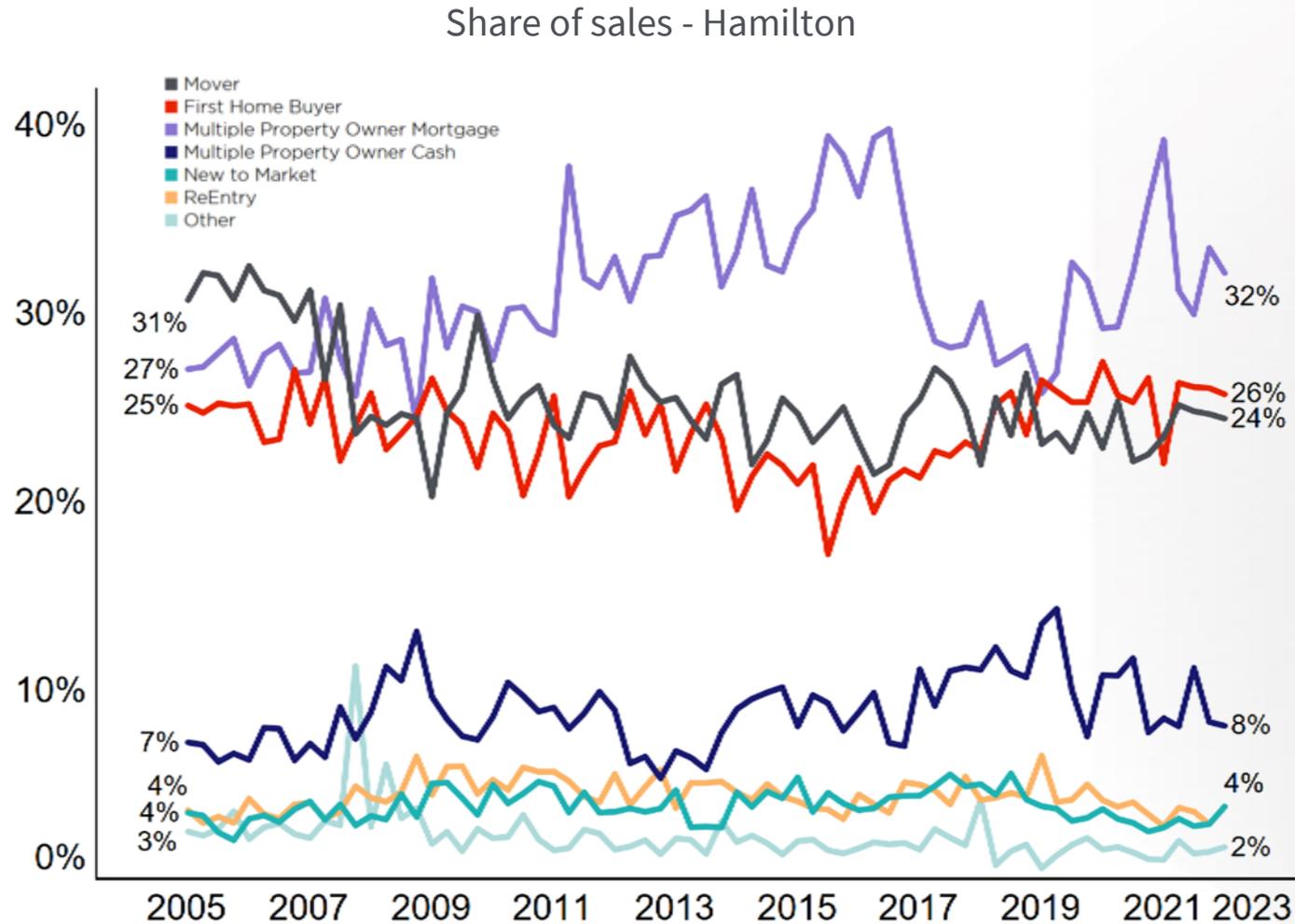
Share of sales - NZ



High LVR lending to FHBs



# More stability from buyers in Hamilton



# The lending environment has significantly tightened, which alongside affordability pressures, strong inflation pressures and rising supply will likely lead to a continued slow down

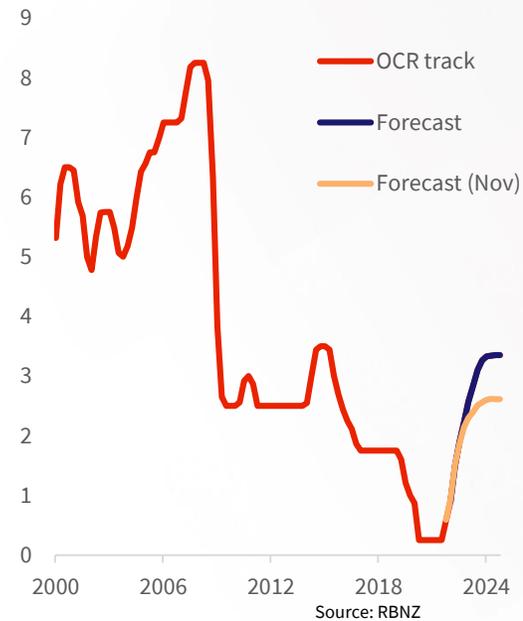
The Official Cash Rate (OCR) has now been hiked 0.75% from the historical low of 0.25% with projections of many more increases to come.

This is due to very strong inflation which continues to trend higher.

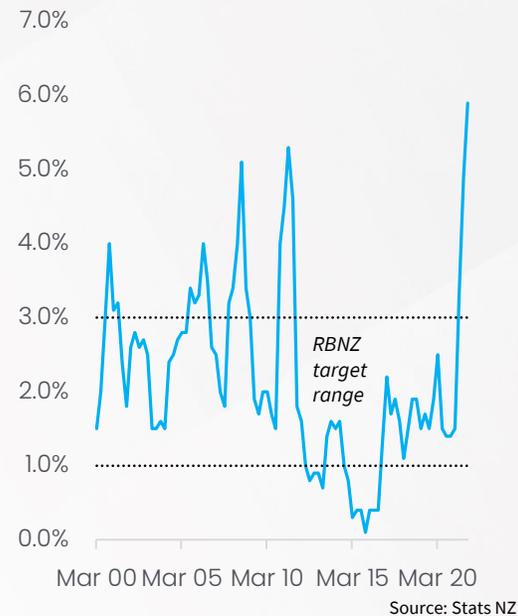
Labour markets have tightened rapidly which is likely to flow through to wages growth, adding further upwards pressure to inflation, but should also support property values

Tightened loan-to-value ratio (LVR) restrictions, the introduction of debt-to-income (DTI) limits, greater scrutiny of expenses and worsening affordability among increasing interest rates have all led to reduced lending

OCR history and forecast



Annual inflation



Unemployment rate, NZ



\$ y/y lending changes



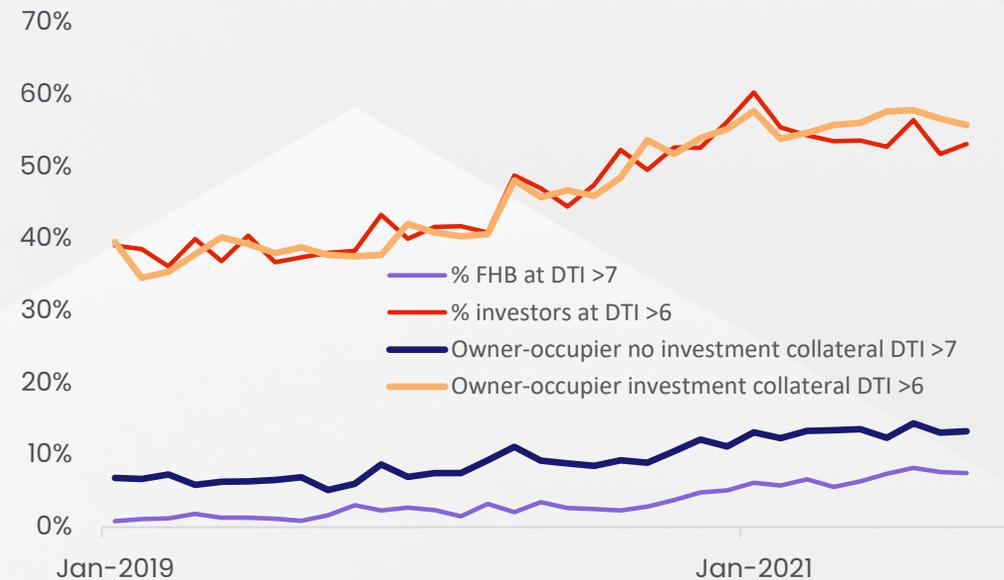
# Credit is harder to get

Tighter LVRs (banks stick below limit), CCCFA, DTIs knocking investors

### % of lending at high LVR or low deposit



### % of borrowers at different DTIs

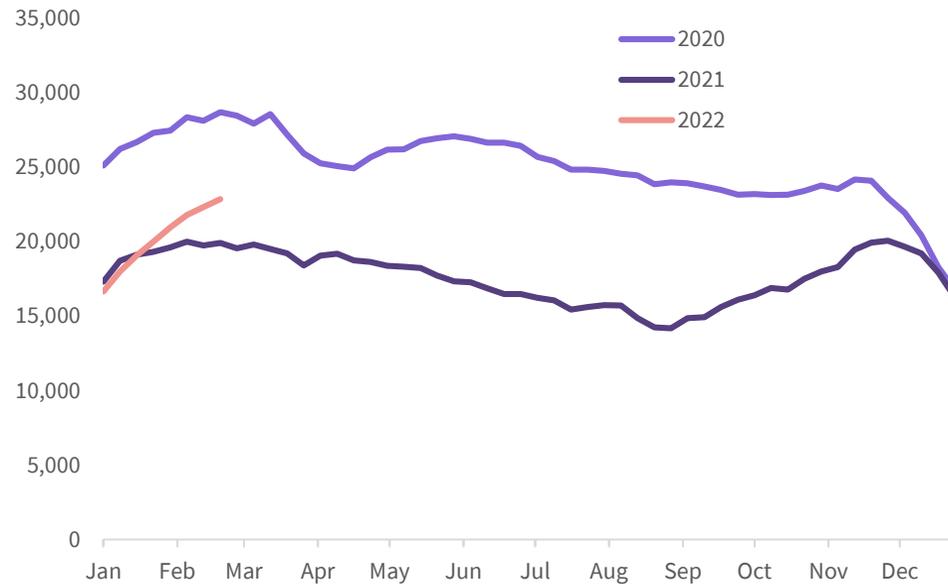


Source: RBNZ

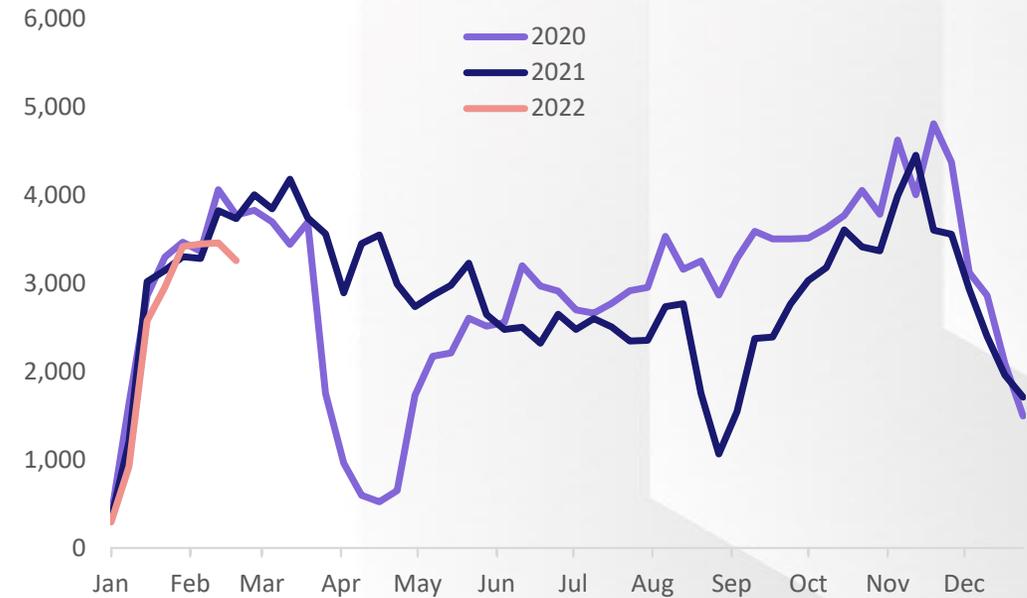
# Listings are lifting from all-time lows

But not because of a flood of people listing their property

NZ total properties listed for sale



NZ weekly flow of new listings

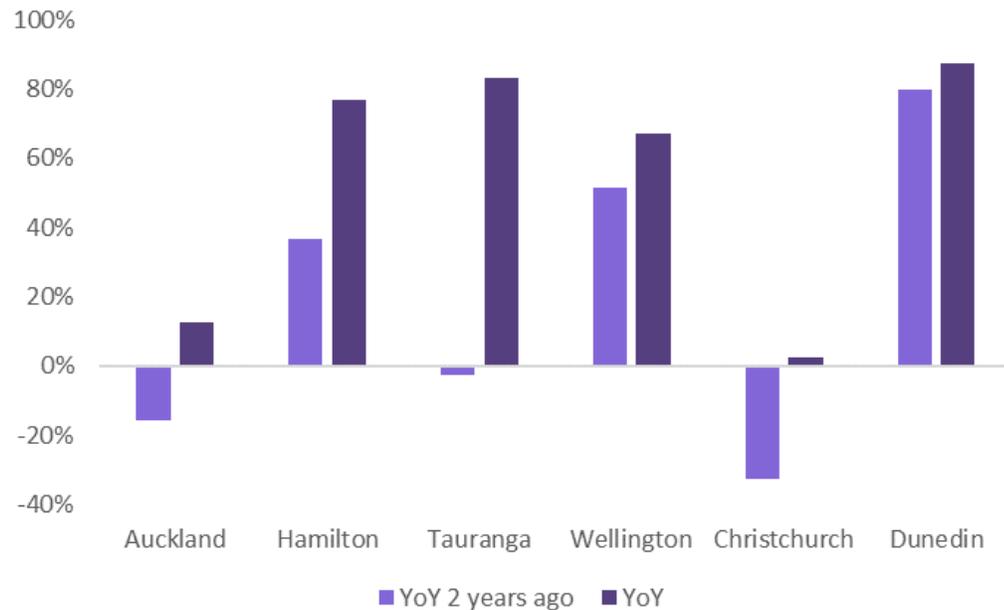


Source: CoreLogic

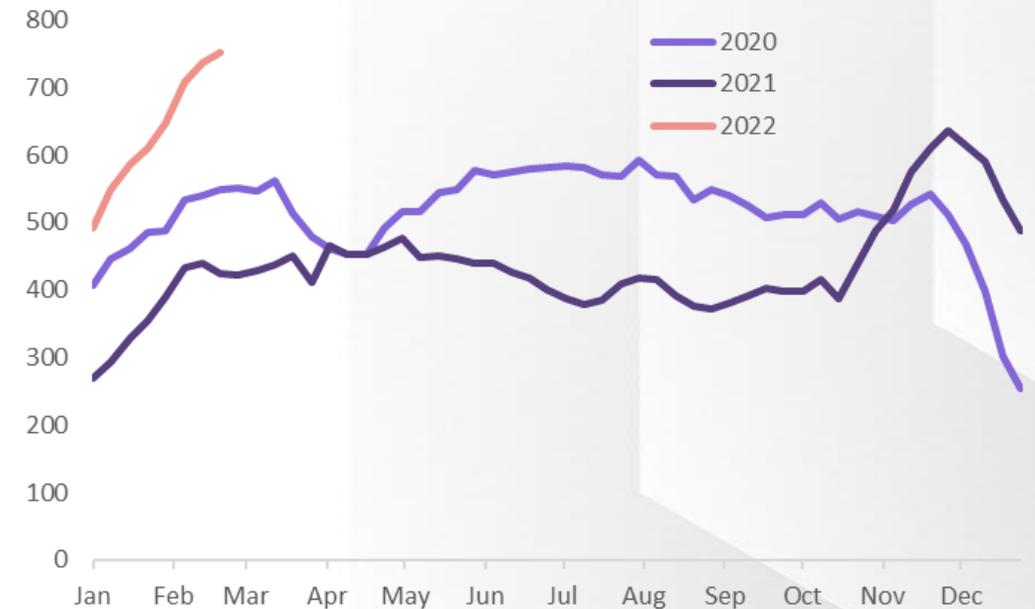
# Regional differences are starting to show through

*Hamilton stock increasing*

### Main centre total listings comparison



### Hamilton total properties listed for sale

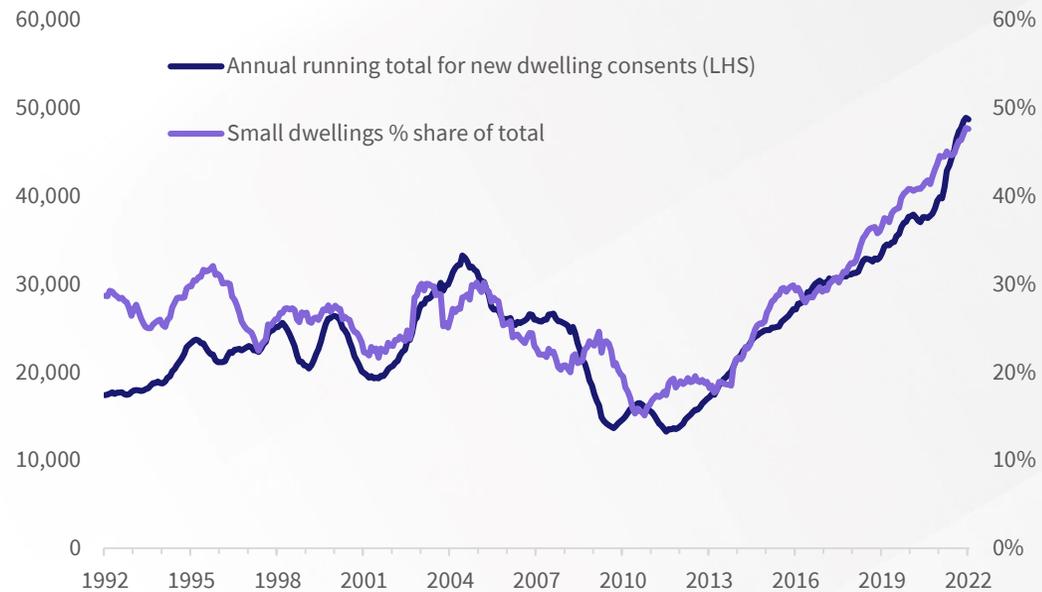


Source: CoreLogic

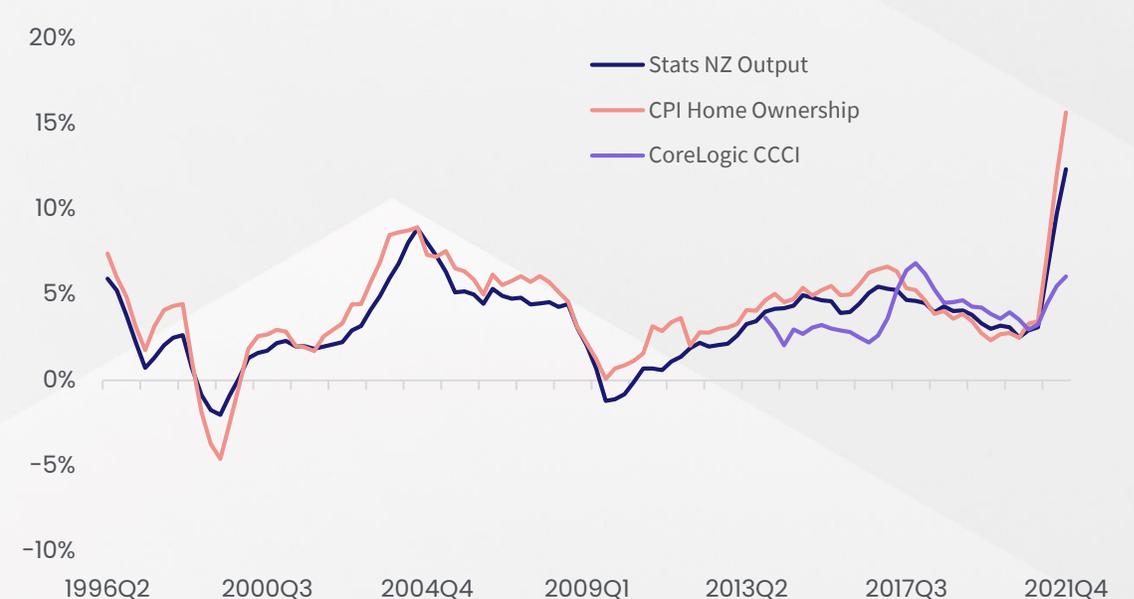
# Consents continue to increase

As does the cost to build. And is the industry close to being at capacity?

### NZ new dwelling consents



### Measures of house-building costs – annual % change



Source: Stats NZ

# The economy remains resilient

And with most people in work, higher mortgage costs likely to be absorbed



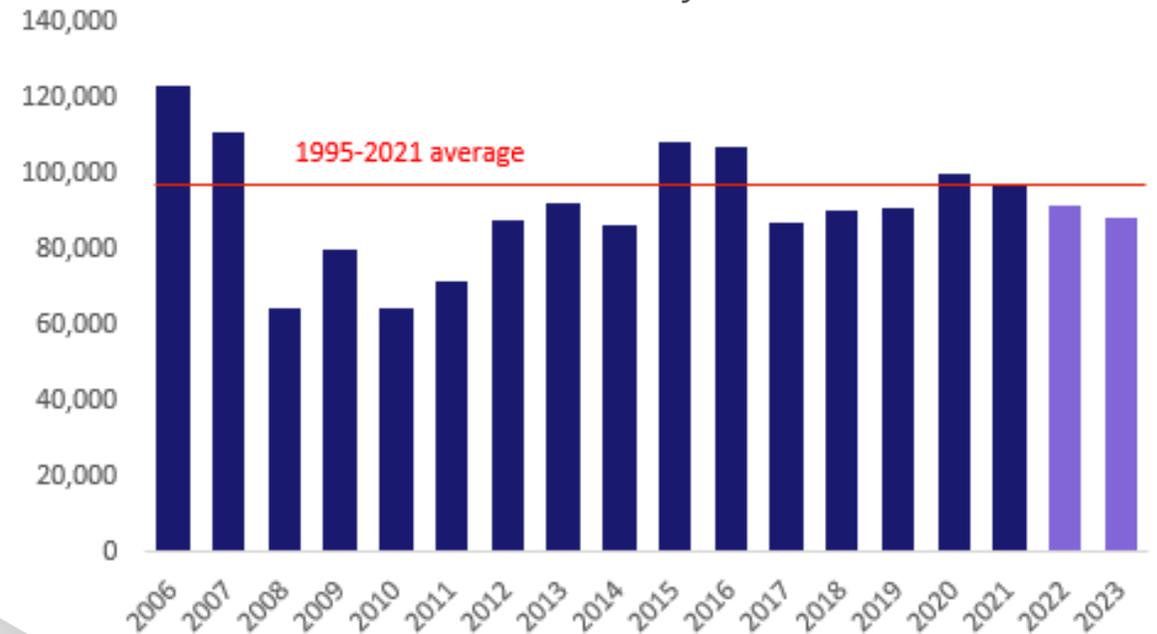
Source: Stats NZ

# Slowdown not downturn

Fundamentals are 'balanced' – psychology may now drive things – hard to quantify

- ▶ Challenges around LVRs, possible DTIs, CCCFA, higher mortgage rates, poor affordability
- ▶ Listings also giving buyers more choice and has already shifted the balance of power
- ▶ But ultimately unemployment still low, and cost pressures could turn people off new-builds – so it's not a story about outright downturn in prices
- ▶ Sales volumes are likely to continue to ease back, and price growth to slow from >25% to <5% - albeit some areas are more vulnerable (they're generally small/provincial – less risk in areas like Tauranga, New Plymouth, Hamilton, Christchurch)
- ▶ Borrowers are going to have to work much harder to get finance, and it'll come at higher price

NZ sales volumes history and forecast\*



\* Model doesn't capture 'credit conditions', so LVRs, DTIs, CCCFA etc suggest downside risks to volumes

Source: CoreLogic

# Thank you & Q+A

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