

# Housing Confidence

Three months to October

November 2020



## Bitter-Sweet Symphony

- Housing Confidence soars as NZ’s housing market shifts up a gear
- But stretched affordability is putting a dent in perceptions of whether it’s a good time to buy
- We see little to slow the market down, so this mix of bitter-sweet looks set to continue in 2021

### Summary

Kiwis are more housing-confident than they’ve ever been, according to our survey. Having been briefly wrong-footed by lockdown, a net 67% of respondents now expect house prices to keep rising over the coming 12 months – the highest in the 24-year history of our survey (October month). We’re not ones to disagree. Our own [forecasts](#) have double-digit house price gains continuing through to at least the third quarter of next year.

But are we at risk of over confidence? Rightly or wrongly, these results suggest housing is increasingly being perceived as a ‘one-way bet’. It’s no wonder the RBNZ has heeded our call to bring LVR restrictions back in early. Their return next year, and the roll-back of some other policy supports, promise to take a little heat out of what might otherwise have been a summer scorcher.

Certainly, affordability is under pressure. And this has shown up in our survey via a steep drop in buyer sentiment. Perceptions of whether it’s a good time to buy a house nearly halved. It’s a seller’s market, in other words. And if our forecasts prove correct, the pendulum looks set to swing even more in favour of sellers over coming quarters. Mortgage rates, according to our [forecasts](#) and responses to this survey, are expected to fall further.

Anyone suffering from housing headline fatigue yet? Like it or not, the one thing we can be confident of is housing remaining a hot topic in 2021.

ASB Housing Confidence Survey			
Net percent who believe (3 months to October 2020) ...	Good time to buy a house	House prices will increase	Interest rates will increase
Auckland	12%	38%	-32%
Rest of North Island	6%	52%	-29%
Canterbury	29%	41%	-28%
Rest of South Island	11%	41%	-23%
<b>TOTAL NZ</b>	<b>12%</b>	<b>45%</b>	<b>-29%</b>
<i>Compare 3 months to July 2020</i>	21%	-9%	-30%

Source: Camorra

## Price Expectations: Flop Flip

The NZ public's house price expectations flipped back to strongly positive in the third quarter (three months to October). A net 45% of respondents expected house prices to rise over the coming 12 months. That's a marked recovery from the net 9% expecting price *falls* in the three months to July. In other words, it wasn't just economists' house price expectations that were wrong-footed by the April/May lockdown months.

In this sense, housing confidence joins a growing list of other economic indicators pointing to a "v-shaped" economic recovery for NZ. In fact, digging into the monthly housing confidence figures shows the October reading, at 67%, hitting the highest level in the 24-year history of the survey. There's evidence here then that, rightly or wrongly, housing is increasingly being perceived as a 'one-way bet'. Housing supply looks set to remain constrained for some time and there's little prospect of mortgage rate increases on the horizon.

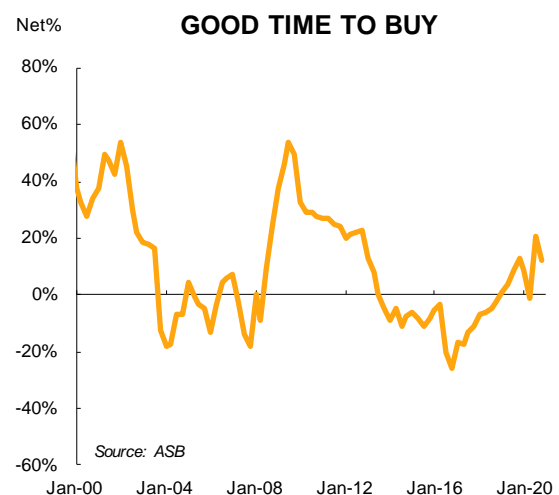
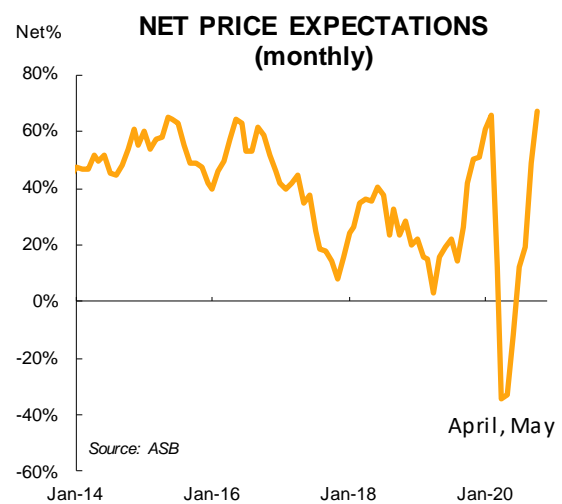
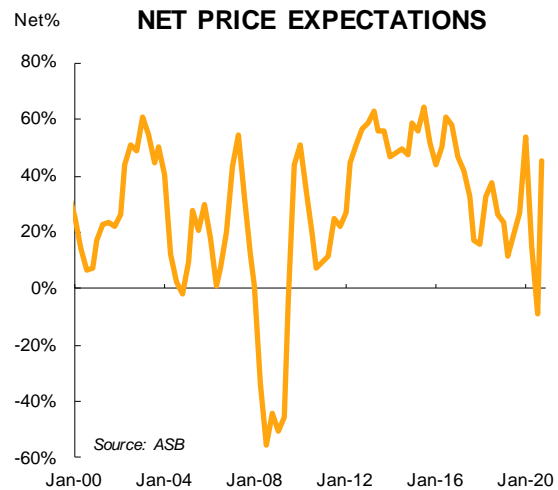
Amongst the regions, the North Island outside of Auckland remain the most optimistic lot. This matches the actual house price data we watch in which the likes of Gisborne, Hawke's Bay, and Wellington have been hitting the high notes. A net 52% of respondents in these regions expect house price rises over the coming 12 months, higher than the 41% of the South Island and the net 38% of Auckland-based respondents.

## Buying Sentiment: The Sellers Have It

The general perception during the lockdown months was that the housing market was a buyers' market. That view appears to have changed. A net 12% of respondents to our survey thought it was currently a good time to buy, well down from the net 21% last quarter.

On the face of it, this might appear hard to square with the various supports in play. After all, mortgage rates are at record lows, LVR restrictions are gone (for now), the mortgage holiday scheme has been extended, and most people seem to be convinced house prices are going to keep rising for a while yet.

We suspect affordability is the issue. And indeed, we tend to observe a pretty strong inverse relationship between the level of house price inflation and perceptions of whether it's a good time to buy. This being the case and, given our expectation the housing boom will keep burning through until at least mid-2021, buyer perceptions are likely to come under further pressure. It is now clearly a sellers' market. The recent surge of listings as vendors rush to get in on the action is proof of such. Affordability metrics are already close to record highs and look set to worsen further.



## Rate Expectations: More Please

The general public's interest rate expectations held at very low levels in the three months to October. A net 29% of respondents think interest rates will continue to fall. Stepping back, respondents' interest rate expectations have been hovering around this net -30% level since March.

For the most part, respondents to our survey have been correct. Rather than collapse, retail interest rates have continued to slowly but consistently ratchet lower this year, even with the RBNZ's Official Cash Rate stuck at 0.25% since March.

With the OCR at its 'effective lower bound', a raft of other measures have been used to lower interest rates. The latest of these, the RBNZ's so-called Funding for Lending Programme comes in over December and promises to keep the downtrend in mortgage and term deposit rates intact. For example, we think one- and two-year mortgage rates could move closer to 2% than their current roughly 2.5% levels. That's even without the RBNZ having to resort to negative interest rates, which we no longer see as likely.

In other words, we see further support for house prices, and housing confidence, ahead.

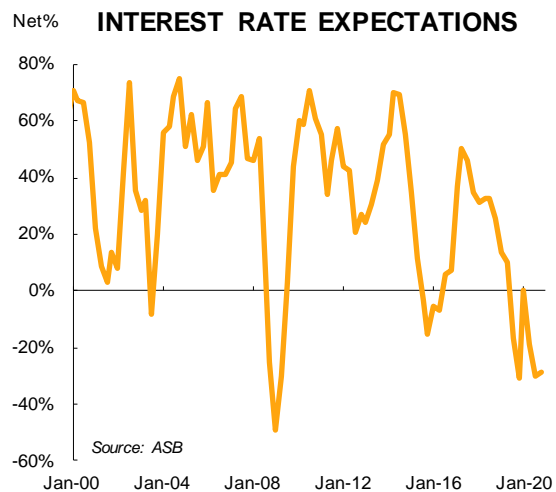
## Additional housing commentary

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

- [Housing Confidence](#) (this report)
- [Home 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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