



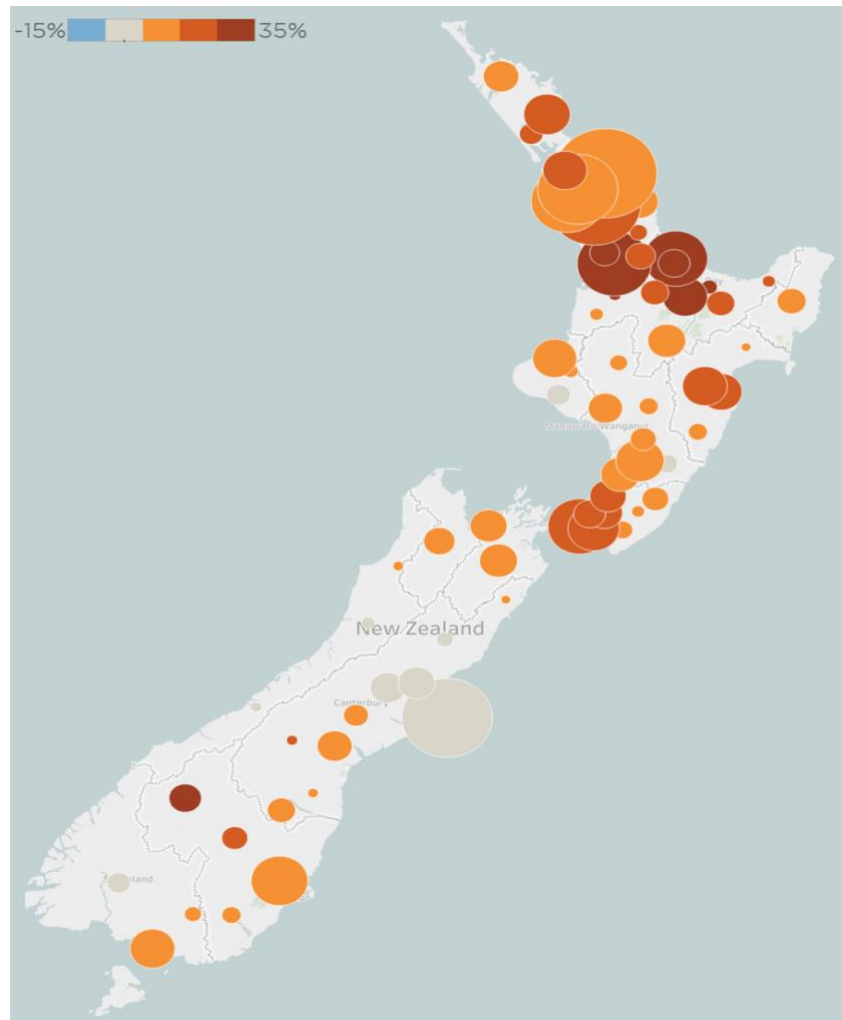
NZ HOUSING MARKET: THE FACTORS AT PLAY

October 2016

Glenn Stevenson, Head of Mortgages

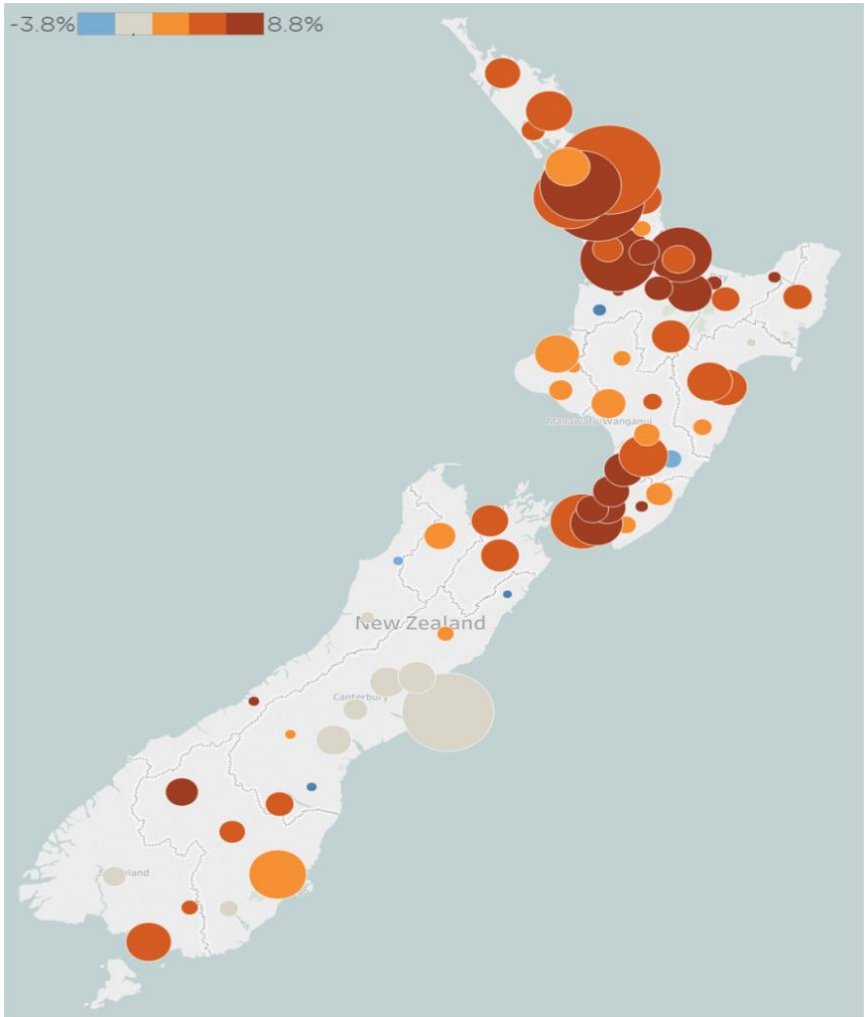
NORTHERN REGIONS CONTINUE TO HAVE GOOD MOMENTUM, BUT LOWER NI OUTPACING OVER LAST YEAR

MARKET VALUATION – 12M CHANGE



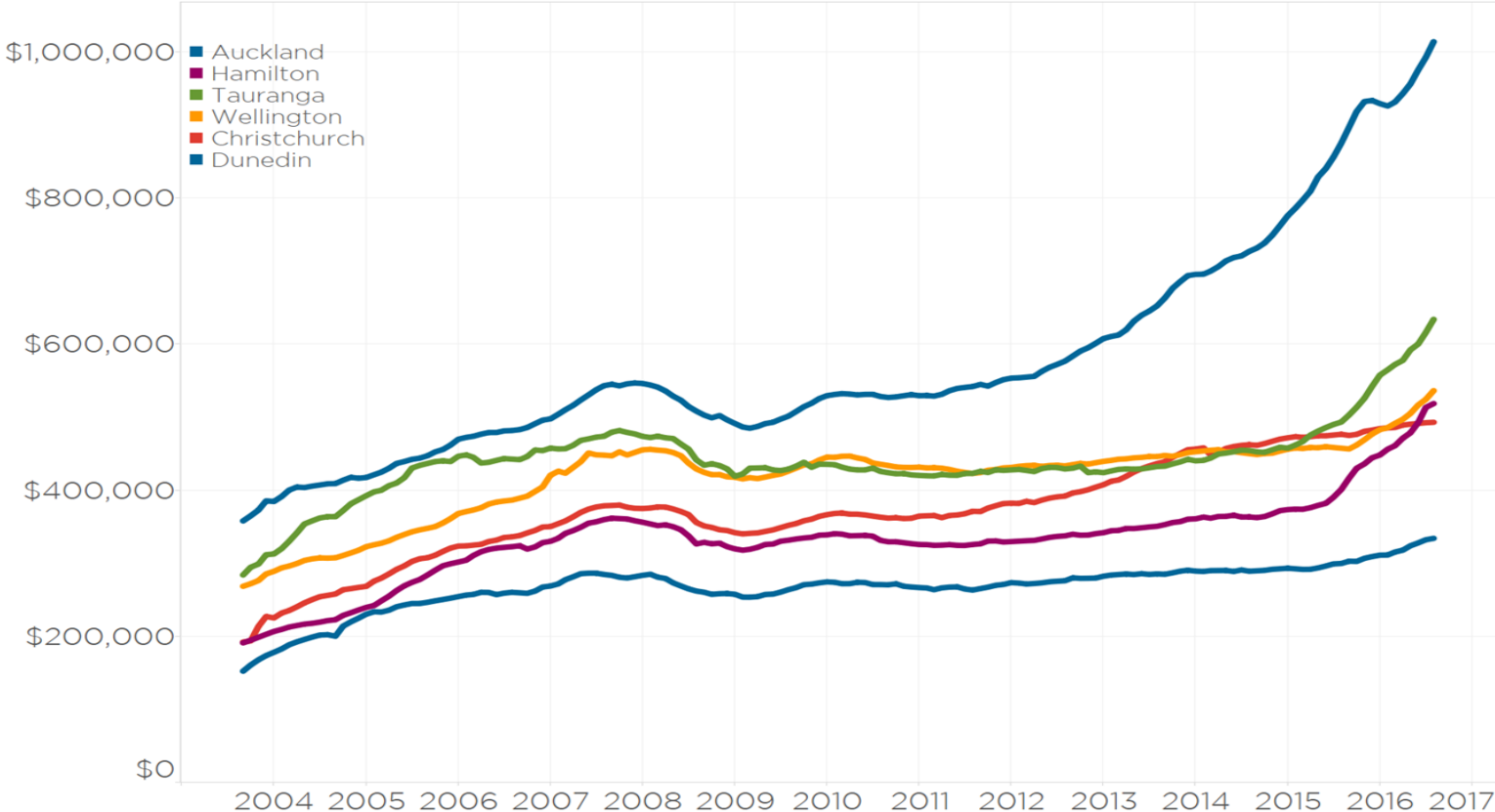
AND IT IS A SIMILAR VIEW WITHIN THE LAST THREE MONTHS ALONG WITH BOP AND QUEENSTOWN REMAINING STRONG.

MARKET VALUATION – 3M CHANGE



Source: Corelogic NZ, August 2016

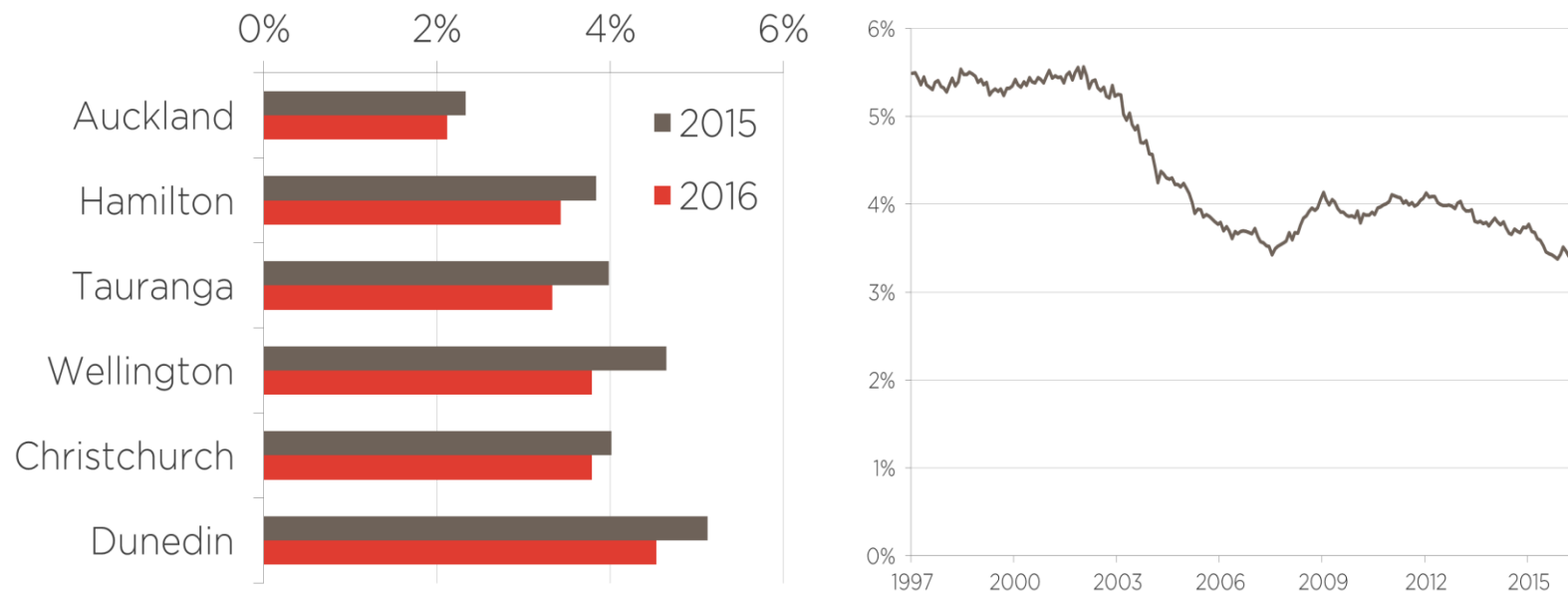
AVERAGE DWELLING VALUES IN THE MAIN CENTRES



Source: Corelogic NZ, August 2016

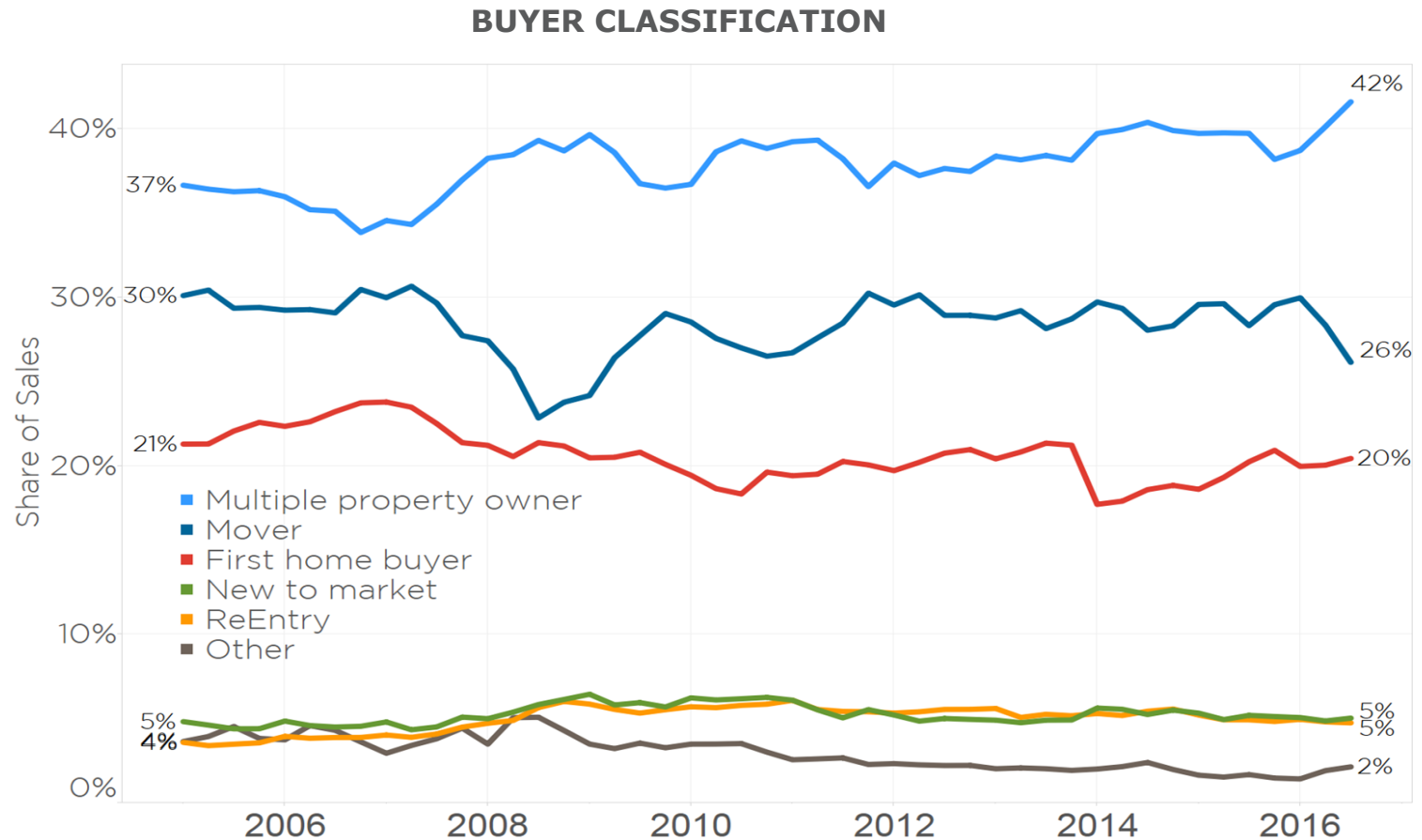
RENTAL YIELDS ARE DROPPING AS VALUE OUTSTRIPS RENTAL GROWTH

RENTAL YIELD



Source: Corelogic NZ

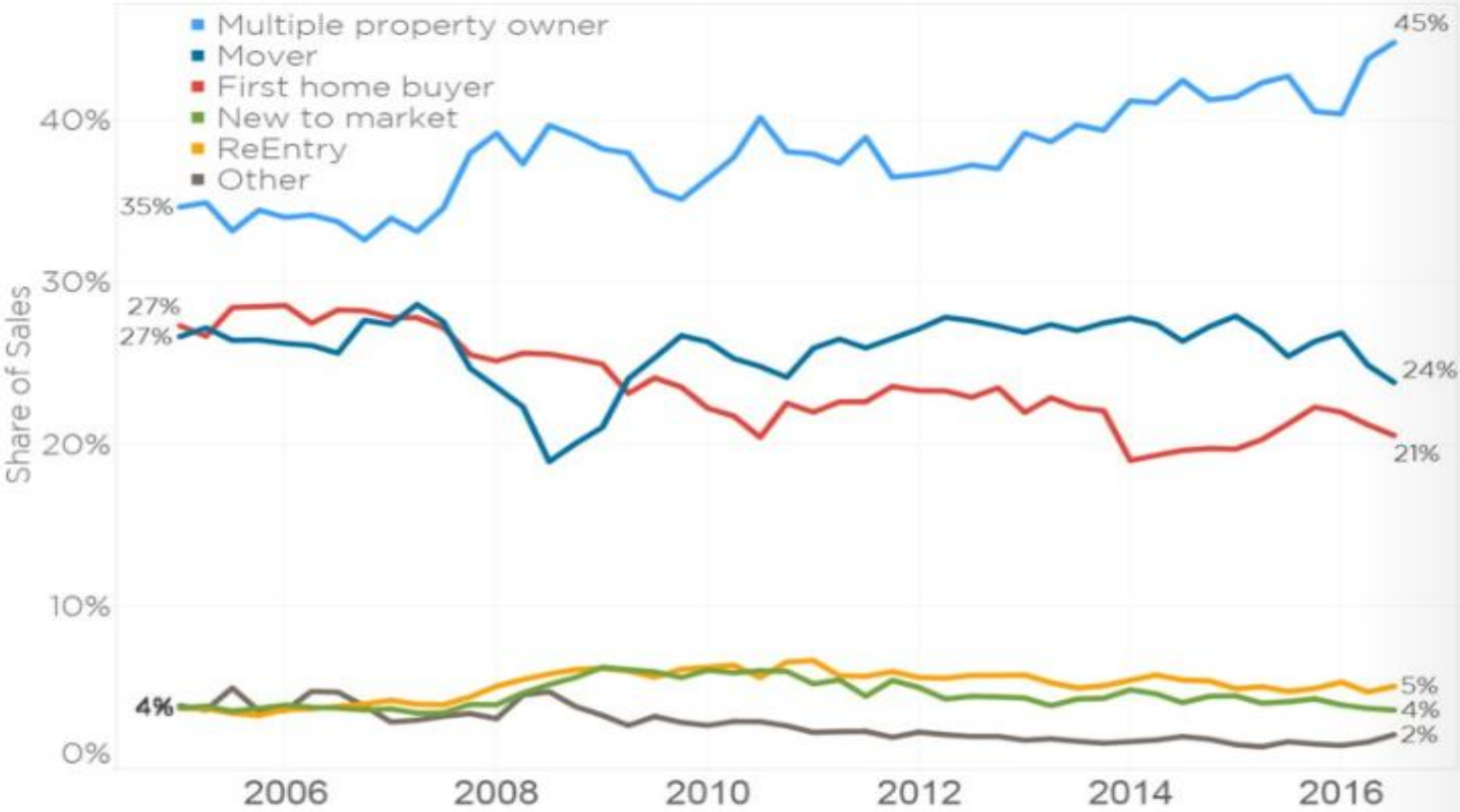
MULTIPLE PROPERTY OWNERS (INVESTORS) ARE STILL DOMINATING ACTIVITY ACROSS NEW ZEALAND



Source: Corelogic NZ, August 2016

IN AUCKLAND IT IS MORE PRONOUNCED

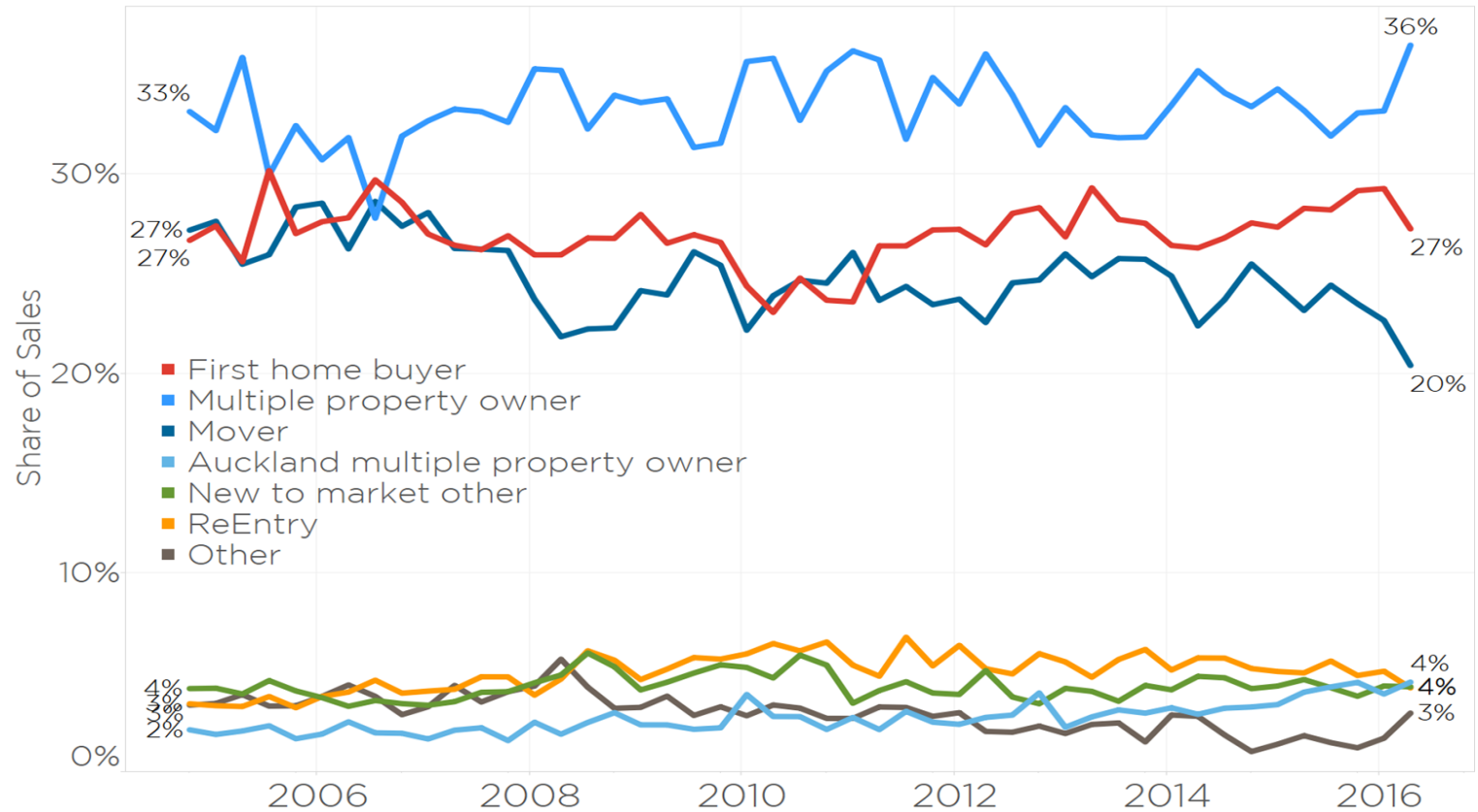
BUYER CLASSIFICATION



Source: Corelogic NZ, August 2016

IN WELLINGTON

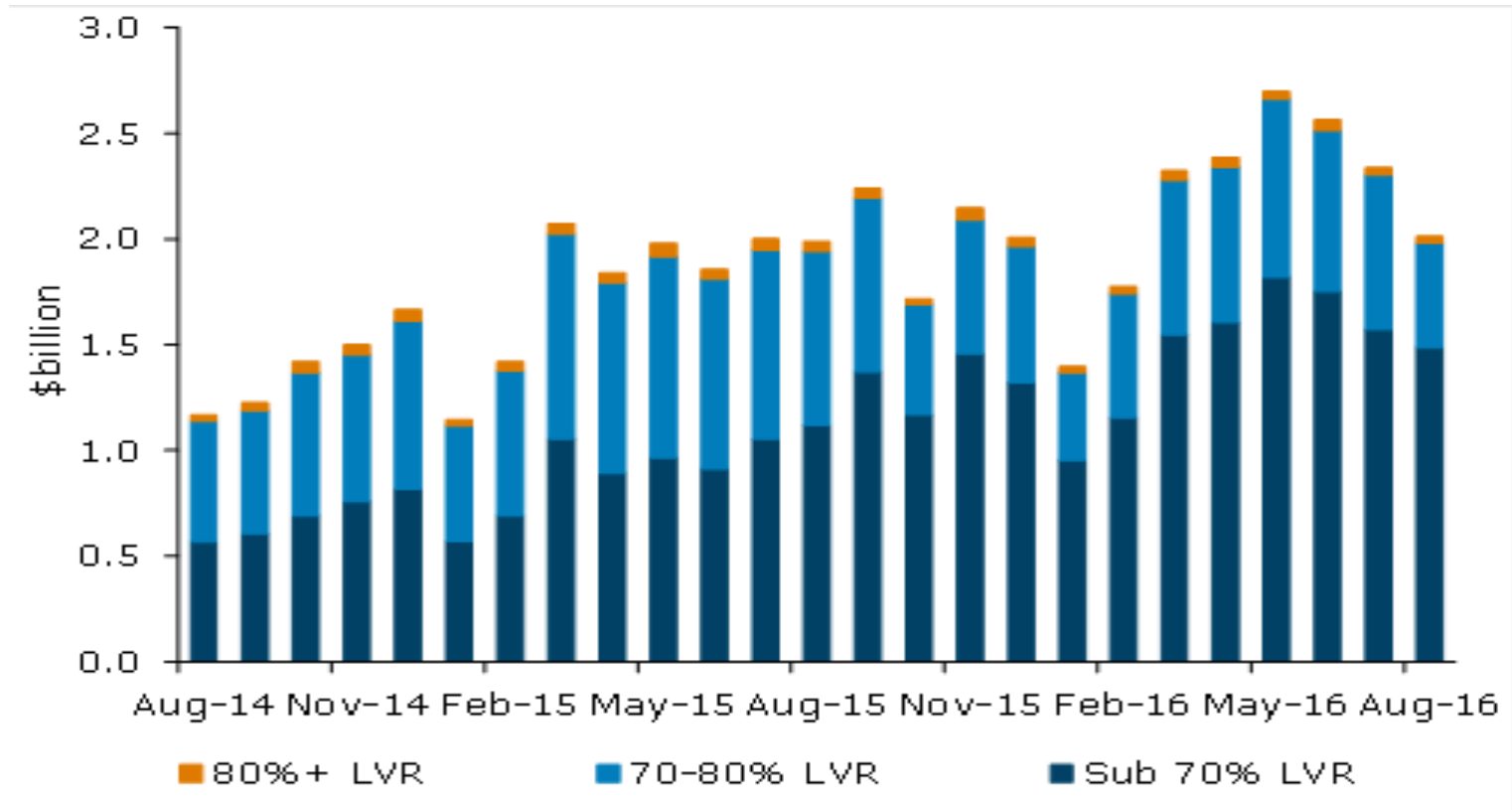
WELLINGTON BUYER CLASSIFICATION



Source: Corelogic NZ, August 2016

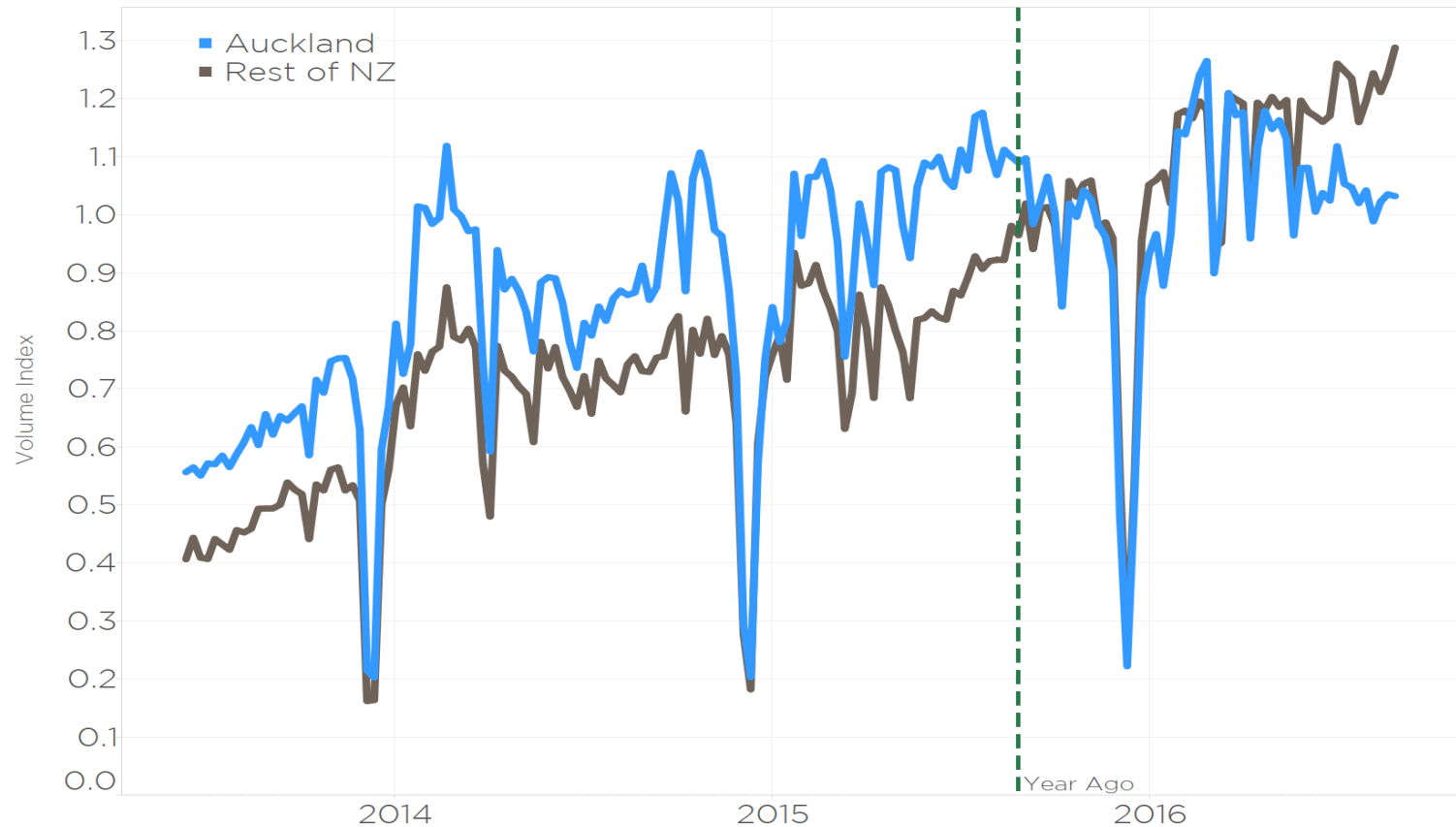
BUT EARLY SIGNS SUGGEST IT COULD BE SLOWING

NEW RESIDENTIAL INVESTOR LENDING BY LVR



Source: ANZ, RBNZ

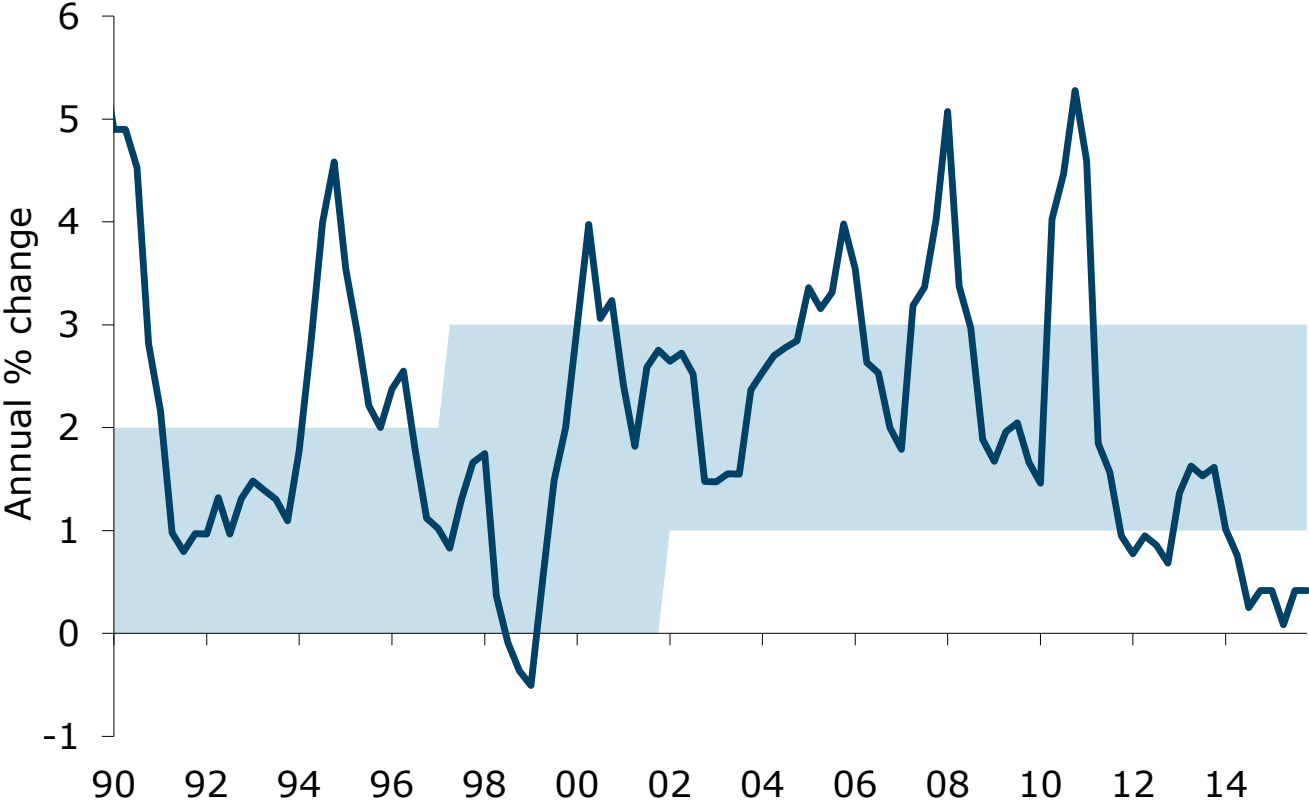
VALUATION ACTIVITY HAS PICKED UP BUT EXPECT THIS TO BE DRIVEN BY LVR RESTRICTIONS



Source: Corelogic NZ, August 2016

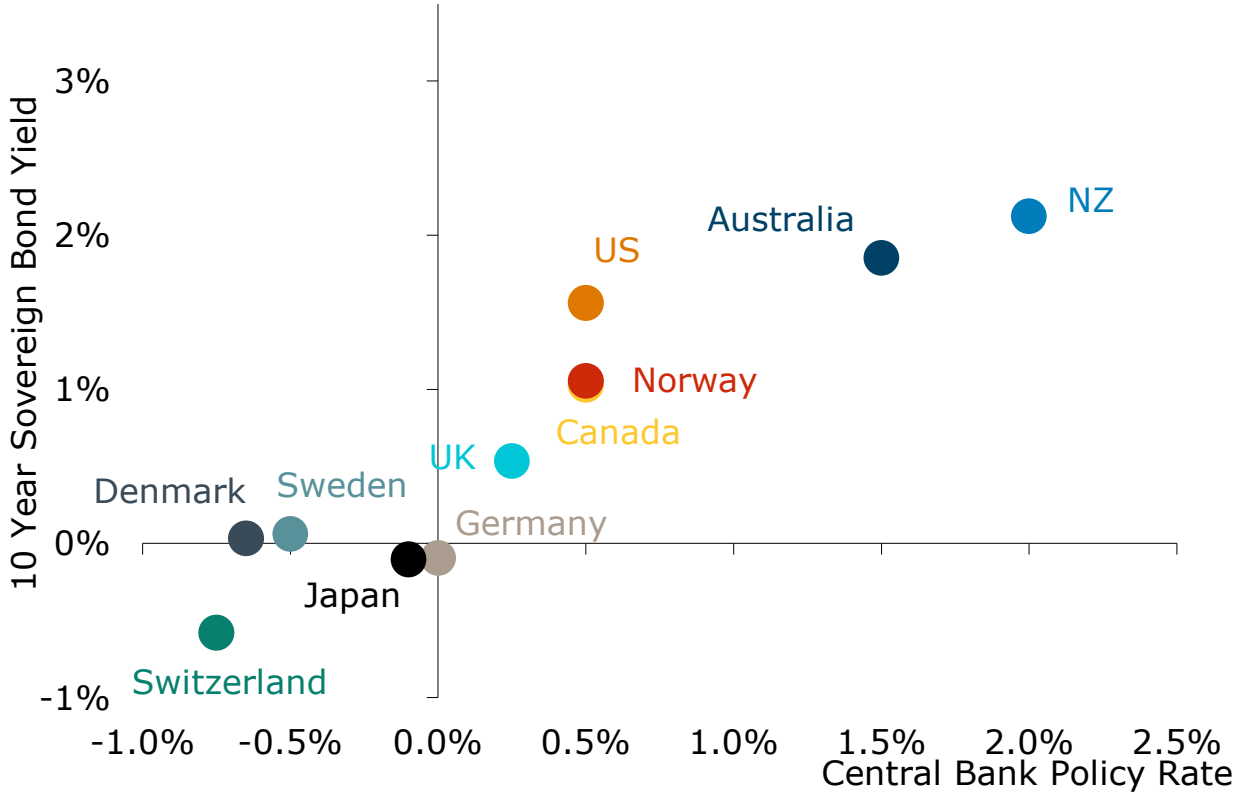
MONETARY POLICY – IT SOUNDS PRETTY SIMPLE

CPI INFLATION



BUT THE 'RULE BOOK' HAS BEEN THROWN OUT THE WINDOW

G10 10-YEAR BOND YIELD/CENTRAL BANK POLICY RATE

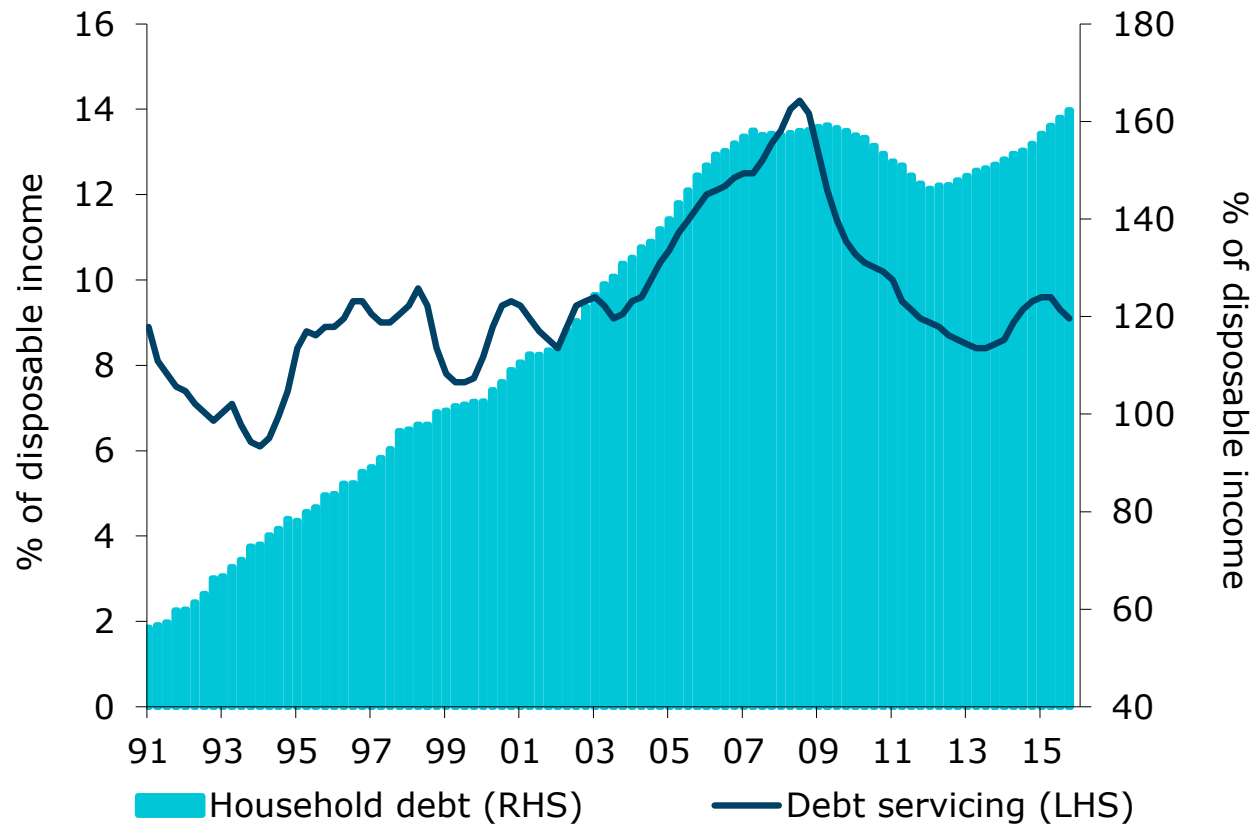


EXPECT FURTHER INTERVENTION SHOULD DYNAMICS NOT CHANGE



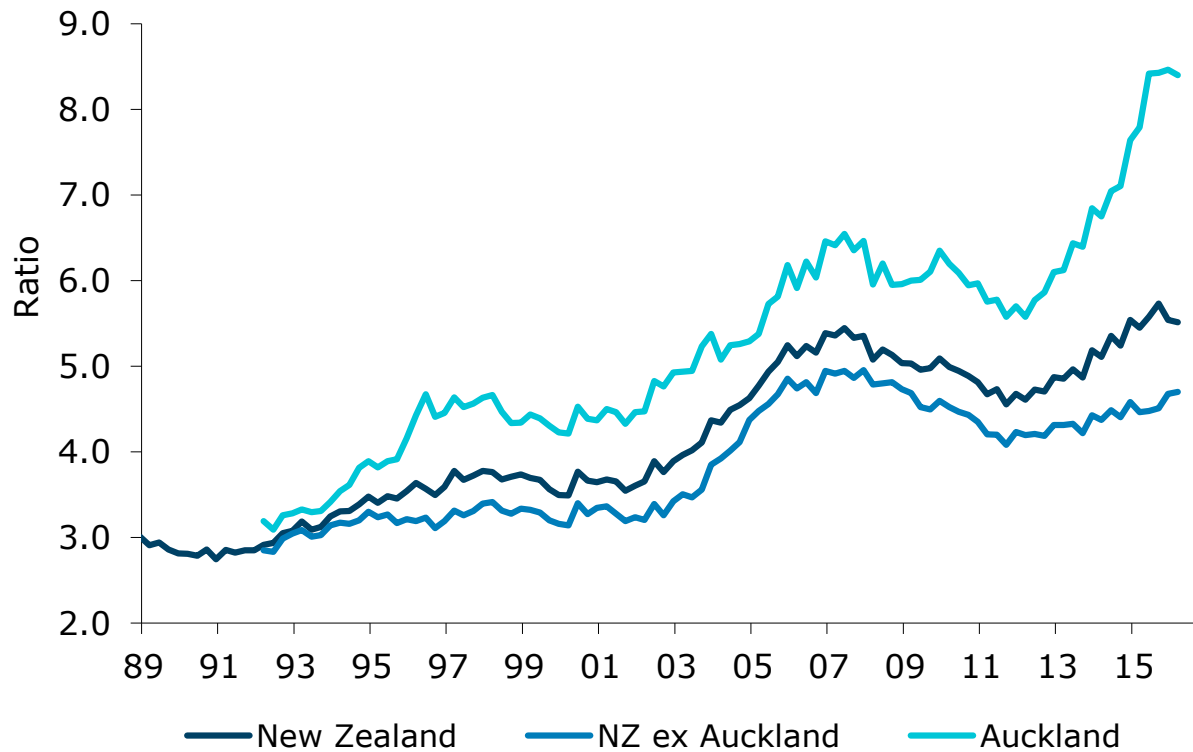
DEBT LEVELS ARE ALREADY HIGH

HOUSEHOLD DEBT AND SERVICEABILITY



FINANCIAL STABILITY RISKS ARE EVIDENT

REGIONAL HOUSE PRICES TO INCOME



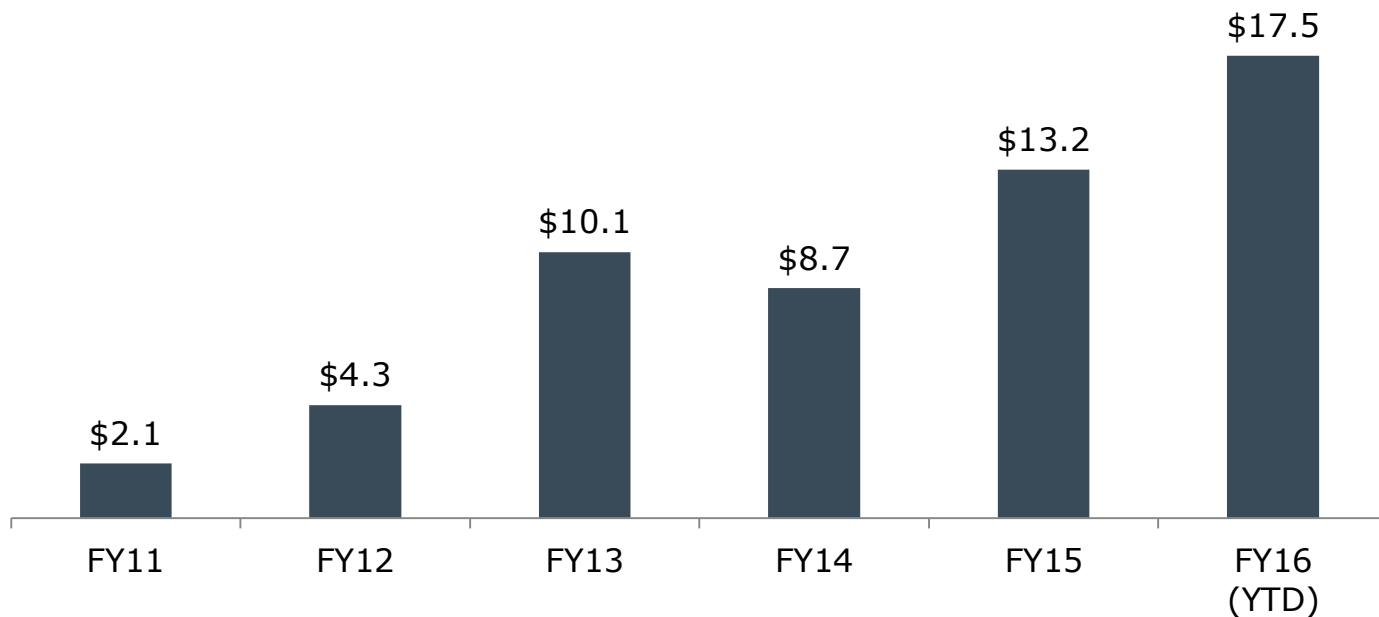
FINANCIAL STABILITY RISKS ARE EVIDENT

REGIONAL MORTGAGE PAYMENTS TO INCOME



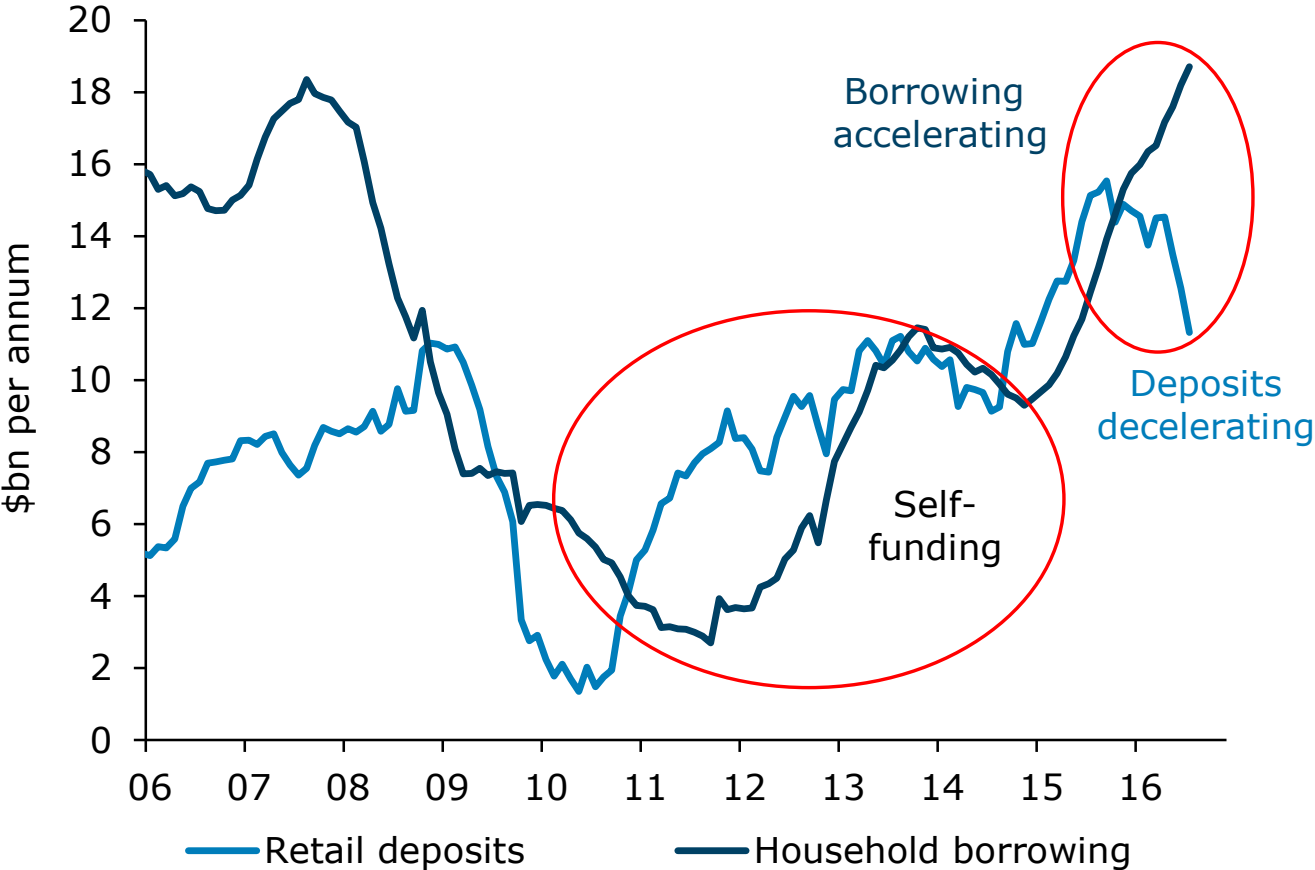
MORTGAGE GROWTH HAS TAKEN A STEP UP OVER THE PAST 12 MONTHS

ANNUAL NZ MORTGAGE GROWTH (OCT-SEP)



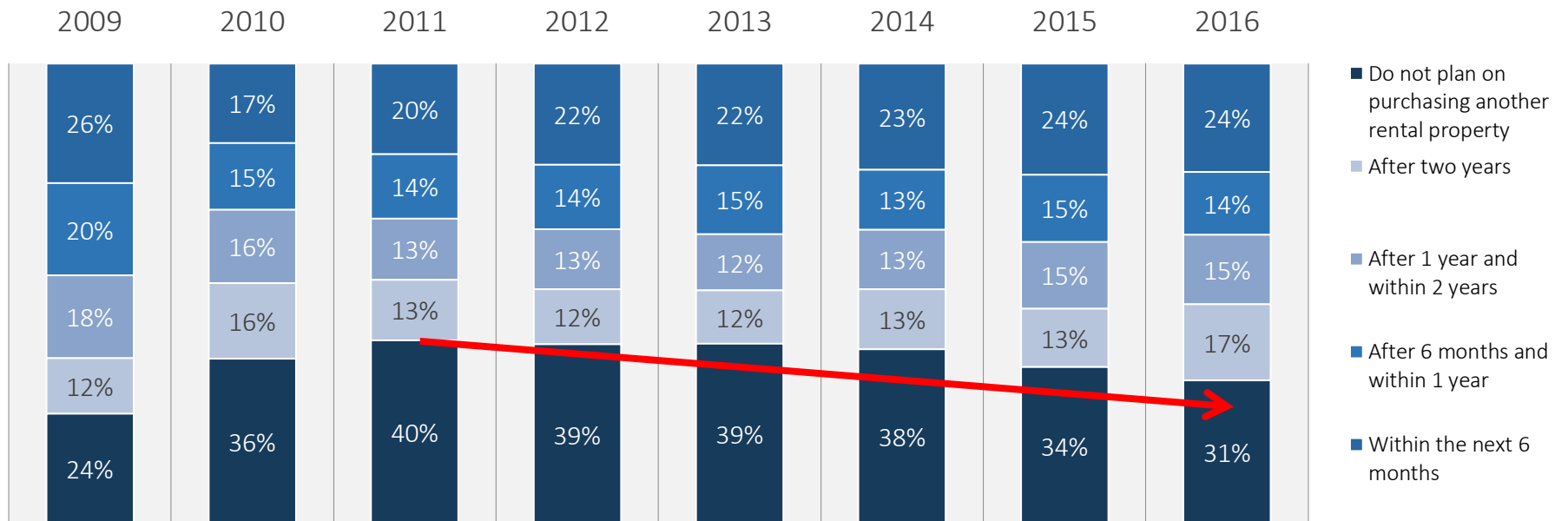
SOMETHING ABOUT THIS IS JUST NOT SUSTAINABLE

BANK FUNDING AND CLAIMS GROWTH

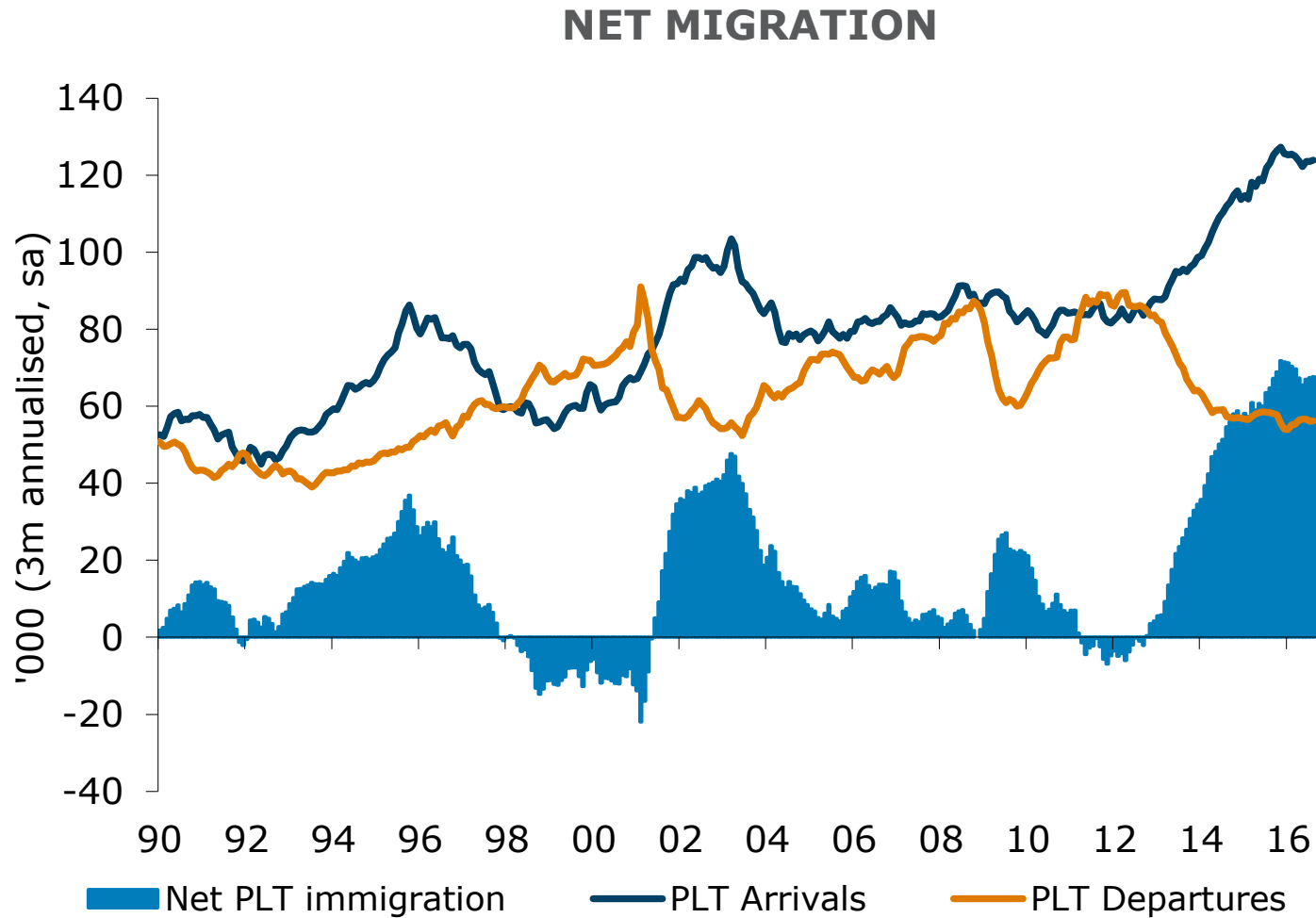


Source: ANZ, RBNZ

PERCENTAGE OF INVESTORS PLANNING TO PURCHASE AGAIN CONTINUES TO DECLINE

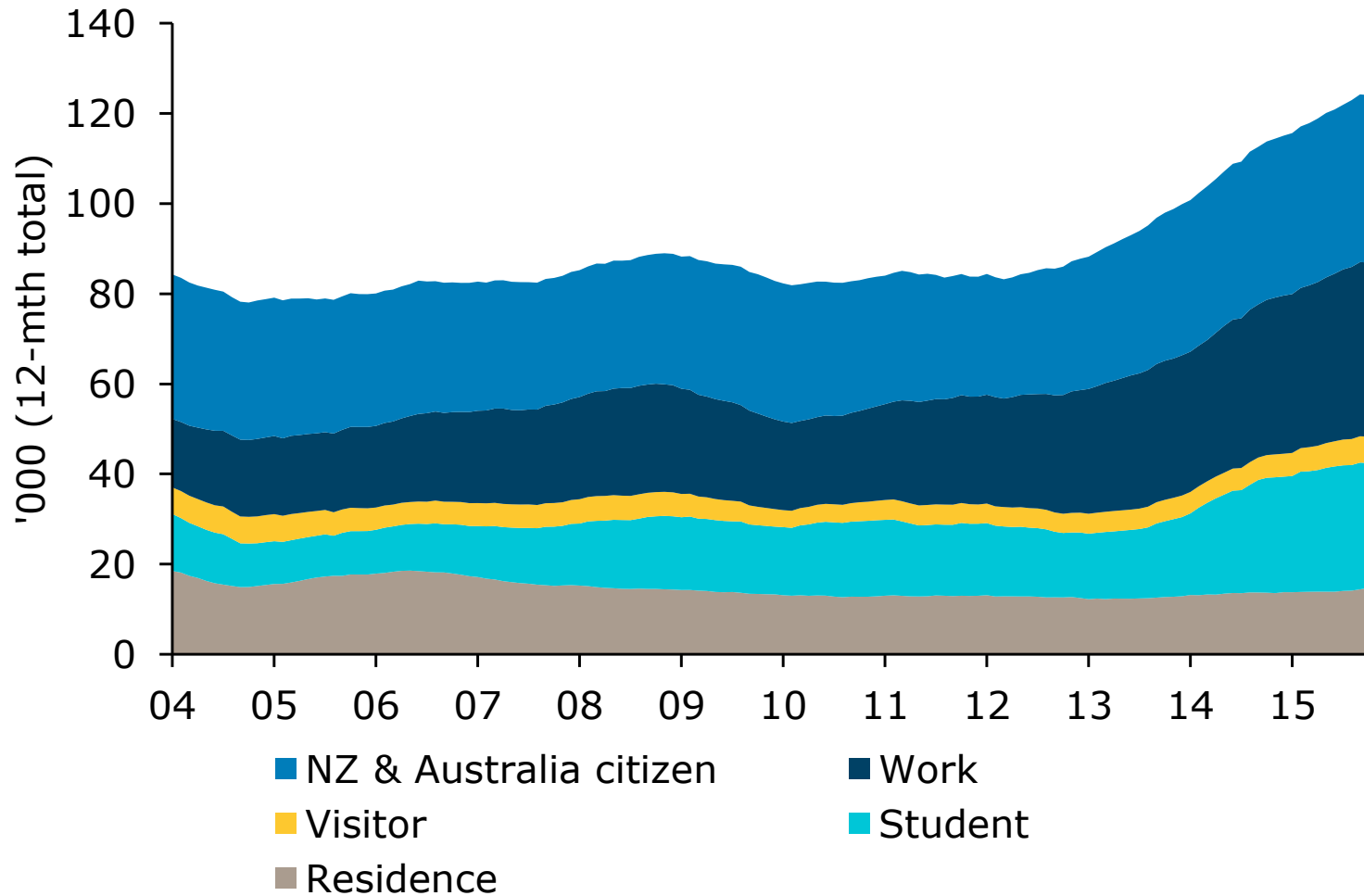


PERMANENT LONG TERM (PLT) MIGRATION



PERMANENT LONG TERM (PLT) MIGRATION

PLT ARRIVALS BY VISA TYPE



LET ME LEAVE YOU WITH 3 THINGS

- 1. GROWTH IN HOUSEHOLD DEBT IS UNSUSTAINABLE.**
- 2. EXPECT FURTHER INTERVENTION FROM RBNZ AND TIGHTENING OF CREDIT POLICY BY NZ BANKS IN ORDER TO MANAGE THE RISKS.**
- 3. EXPECT INTEREST RATES TO MOVE MORE INDEPENDENTLY FROM THE OCR AS MONETARY POLICY AIN'T WORKING LIKE IT USED TO.**

THANK YOU



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