

### Fewer expecting house price gains; see interest rates staying low

- Fewer people are expecting house price gains, with a net 44% of respondents expecting house prices will increase.
- The majority of respondents expect interest rates to remain unchanged over the next 12 months.
- Sentiment about buying a house varies from region to region. Nationwide a net 5% see now as a bad time to buy.

<b>ASB Housing Confidence Survey</b> (Source: Camorra)			
Net percent who believe (3 months to January 2016) ...	Good time to buy a house	House prices will increase	Interest rates will increase
Auckland	-22%	30%	-7%
Rest of North Island	1%	52%	-6%
Canterbury	-4%	39%	-5%
Rest of South Island	11%	53%	-4%
<b>TOTAL NZ</b>	<b>-5%</b>	<b>44%</b>	<b>-6%</b>
<i>Compare 3 months to October 2015</i>	<i>-8%</i>	<i>52%</i>	<i>-15%</i>

**Expectations of house price gains continued to ease, but many saw interest rates staying low, in the latest ASB Housing Confidence Survey.** Falling house price expectations were most evident in Auckland, with net price gain expectations falling to 30% from 50% last quarter. Since investor activity in Auckland has begun to be targeted by a suite of Government tax and RBNZ lending measures, Auckland housing activity and price growth has moderated. This is likely weighing on the survey results.

There was a noticeable increase in respondents expecting no change in interest rates in the latest survey. 2015's OCR cuts led to, in some instances, record low interest rates. Respondents' recent view change may simply be because they question whether interest rates can go any lower.

#### Expectations of house price gains ease

- 54% expect higher prices, while only 10% expect prices to fall (was 59% and 7% last quarter);
- the difference being the net 44% plotted opposite (was 52% last quarter);
- 20% expect the same (was 18%) while 16% don't know (same as last quarter).

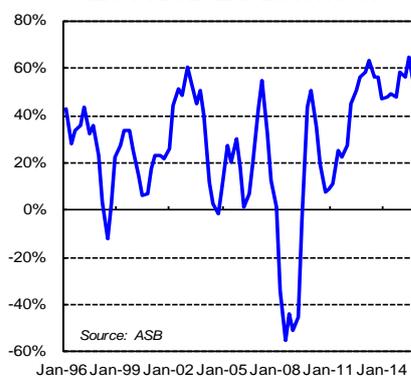
Over the second half of 2015, the ASB Housing Confidence survey has shown net house price expectations lessening. Over the same time, the Government introduced new tax rules and the RBNZ introduced lending measures targeting Auckland investor activity. A net 44% of respondents now expect higher prices over the next year, down from the 52% last quarter and a record high 69% in the three months to July.

Unsurprisingly, the fall in net house price expectations is most pronounced in Auckland. Net expectations of house price gains in Auckland fell to 30% in the latest ASB Housing Confidence survey. This is down from 50% in the last survey and 71% two quarters ago. House price expectations are likely to remain subdued in Auckland until the extent of the impact of last year's new housing measures are better known.

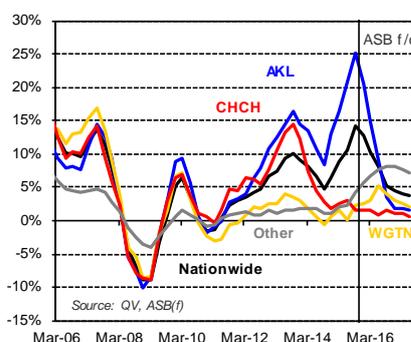
Elsewhere in New Zealand, net expectations of house gains also fell, but remain at high levels.

In Canterbury, the ongoing moderation in net expectations of price gains since early 2013 (when net expectations peaked at 79%) is consistent with the Canterbury market moving back into a more balanced position. Further, the implementation of the Government's housing measures targeting investor

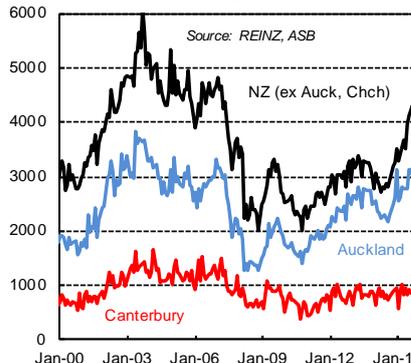
Net% **NET PRICE EXPECTATIONS**



**REGIONAL HOUSE PRICE FORECASTS**



**MONTHLY DWELLING SALES (seasonally adjusted)**



activity around NZ also likely dragged on price expectations in the latest survey.

The decline in net price expectations in the rest of New Zealand continues to be more surprising. Recent trends have indicated that, if anything, the RBNZ's new lending measures have been associated with an acceleration in house price growth outside of Auckland. On top of that, interest rates have fallen further. However, the Government's tax measures, which target investor activity across NZ, may be having an adverse effect on house price expectations outside of Auckland.

**Many see no change in interest rates ahead:**

A breakdown of the net quarterly figure:

- 18% expect higher interest rates over the coming year, while 24% expect lower interest rates (was 20% and 35% last quarter);
- The difference is the net -6% plotted opposite (was -15% last quarter);
- 30% expect rates to stay the same (was 21%); while 28% don't know (was 25% last quarter).

Over 2015, the RBNZ cut the Official Cash Rate (OCR) by 100bp, taking it back to a record low of 2.5%. Over the same time, many mortgage rates hit record lows. Interestingly however, rather than more people expecting interest rate increases in the latest ASB Housing Confidence survey, more respondents are expecting interest rates to stay the same. This may be simply because respondents don't think that interest rates can go much lower.

However, we expect the RBNZ to cut the OCR by an additional 50bp over 2016. As a result, we may see even more people expecting interest rates to stay low or fall further in the following surveys.

**Is it a good time to buy a house?**

A breakdown of the net quarterly figure:

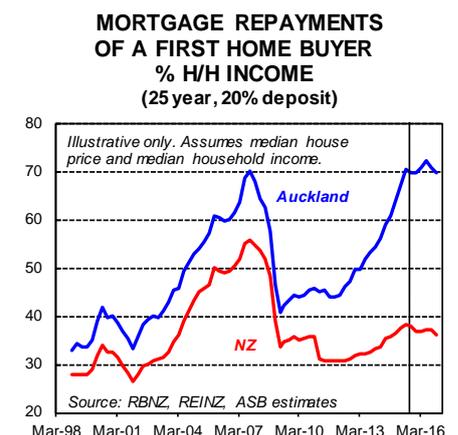
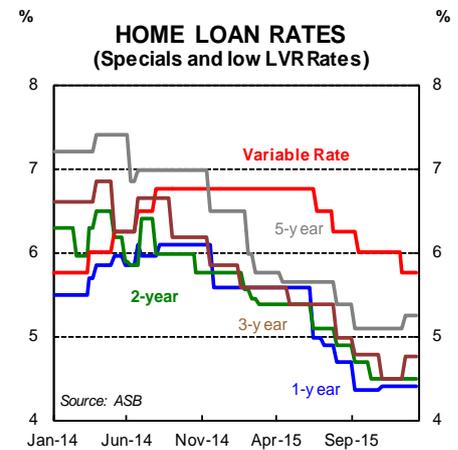
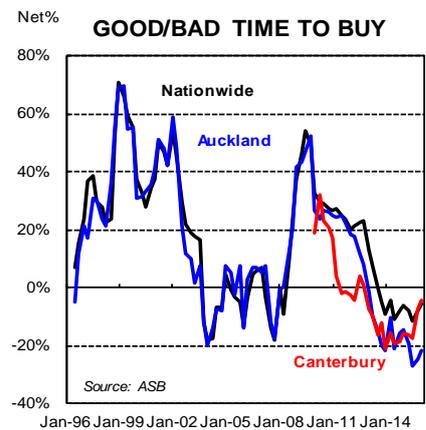
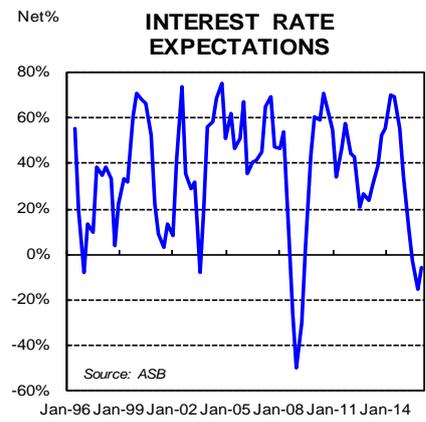
- 16% say it is a good time to buy, while 21% say it is a bad time (was 16% and 24% last quarter);
- The difference is the net -5% plotted opposite (was -8% last quarter, and -11% prior to that);
- 46% say it is neither good nor bad (was 44%);
- 18% don't know (was 15%).

Sentiment remains low with more respondents seeing now as a bad time to buy than those seeing now as a good time, but the balance has improved slightly. The net 5% of respondents who view now as a bad time to buy a house is the lowest since 2013. On a regional basis, Auckland and Canterbury continue to be the two most pessimistic regions.

This quarter, a net 22% of Auckland respondents regarded now as a bad time to buy a house, little changed from the net 25% last quarter. High house prices and the tight housing market will be continuing to weigh on sentiment. The additional tax and lending rules may also be continuing to restrain sentiment in Auckland.

In Canterbury a net 4% of respondents viewed now as a bad time to buy, the least pessimistic reading in over two years. As the Christchurch housing market continues to rebalance and low interest rates make borrowing relatively cheap, we may see sentiment in Canterbury continue to improve in following surveys.

Sentiment remains neutral in the North Island outside of Auckland, with a net 1% seeing now as a good time to buy (flat on last quarter). In the South Island, outside Canterbury, respondents were the least pessimistic, with a net 11% viewing now as a **good** time to buy (from 4% last quarter). Low interest rates are also likely boosting sentiment in these regions.



**In summary:**

- House price expectations eased in the latest ASB Housing Confidence Survey, but remain high. A net 44% of respondents expect house prices will increase over the next year.
- We are seeing signs of the new housing restrictions impacting on respondent's house price expectations and their perceptions of whether it is a good time to buy, especially in Auckland.
- There are also fewer people expecting house price gains outside of Auckland and Christchurch, despite recent evidence pointing to accelerating house prices beyond those two centres.
- Interest rate expectations are very low, although bottomed out in the latest survey. There is, however, a growing prospect of further OCR cuts over 2016 and we may see respondents' interest rate expectations lower over the next few months as a result.
- Sentiment about whether it is a good time to buy remains low, but is showing signs of improving. Auckland and Canterbury continue to be the two most pessimistic regions.

**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.](#)

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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