Falling interest rates and increased activity signal brighter spring for housing market

Esther Taunton September 04, 2024 • 05:00am

The property market is stirring after the first official cash rate cut in four years.

FAST FACTS

- Falling mortgage rates and increasing activity suggest a brighter spring and summer for the property market, experts say.
- Stock levels have softened but prices remain stable, benefiting both buyers and sellers.
- More properties are being listed for fewer than 30 days, suggesting they are taking less time to sell.

The housing market is already responding to the first official cash rate cut in four years, with expert predictions of a more buoyant spring and summer.

In the two weeks after the OCR announcement, falling mortgage rates sparked a flurry of activity from previously dormant buyers.

Peter Thompson, managing director of real estate company Barfoot and Thompson, said Auckland's property market showed positive signs in August.

“The market is stirring, and there is every reason to believe the more challenging times are behind us.”

Homeowner relieved as mortgage rates drop after 4-year rate hike

During the month, Barfoot and Thompson sold 889 properties across the city, the highest number of August sales since 2021, and had 1454 new listings, the highest for August since 2017.

Meanwhile, the median sales price was $952,500, marginally lower than July's median, and 3.1% lower than the same month last year.

"We are coming into a new season in a market where vendors and buyers have reached a consensus that the market is stabilising price wise, and the more mortgage interest rates ease back, the more active the market will become," Thompson said.

The increased activity wasn't limited to Auckland.

The increased interest showed house hunters had been waiting for the right time to act, she said.

"Kiwis have a love affair with property, and while economic factors can sometimes dampen that enthusiasm, it never truly fades. We've heard that people have been waiting in the wings, and our data supports that."

Stock levels in August dipped below 30,000 homes for the first time in six months and more properties were being listed for less than a month, up 11.6%, suggesting properties were moving through the market more quickly, Wood said.

"While there's still plenty of stock available to keep the market steady for now, these could be early signs of a shift ahead."

Meanwhile, the national average asking price was stable, around the mid-$800,000 mark.

"Those selling can capitalise on increased buyer interest, while those looking to buy still have plenty of choice. Both buyers and sellers can benefit from the relative stability in prices."

Realestate.co.nz chief executive Sarah Wood says more properties are being listed for less than a month, suggesting they are taking less time to sell. (File photo)

CoreLogic chief property economist Kelvin Davidson said there were positive signs for would-be buyers, with property values losing momentum, first home buyers maintaining near-record market share, and mortgage rates expected to continue to fall.

“Inflation is now trending back down to the 1% to 3% target band and as things stand there seems to be a reasonable chance that ‘typical’ mortgage rates could drop to around 5.5% by the end of 2025.

“Undoubtedly, the major turning point for mortgage rates is here, and that will be a support for housing. But a fresh boom doesn’t seem likely when jobs are being lost and the economy remains in recession.”

Property values had lost their momentum, Davidson added, with Wellington now down 21% from the peak.

CoreLogic chief property economist Kelvin Davidson says mortgage rates have reached a “major turning point.” (File photo)

The smallest decline in value had been in Christchurch, down 7.1%, where first home buyers made 28% of property purchases.

“Looking ahead, it wouldn’t be a surprise to see first home buyers maintain a solid presence in the market for at least the rest of 2024.

“After all, they always tend to ‘find a way’, and have quite a few things in their favour at present, such as access to KiwiSaver for at least part of the deposit and a stronghold on the low deposit lending allowances at the banks.”

However, as the gap between mortgage rates and rental incomes closed, reducing the cash top-up for a typical property, ‘mum and dad’ investors could become more active.

As for those wanting to move house, their lack of activity in recent years suggested there was probably some pent-up demand among that group, too, Davidson said.