



Preston Rowe Paterson

International Property Consultants and Valuers

Home buyers remain cautious in subdued housing market

31 October 2024

Housing market activity is currently subdued, with interest rates still at elevated levels. Households continue to show resilience following the significant price rises and falls seen over the last four years, according to a special topic on housing from the upcoming Reserve Bank of New Zealand – Te Pūtea Matua Financial Stability Report.

Understanding the dynamics of the housing market is crucial for Te Pūtea Matua, as home loans account for more than 60 percent of total bank lending. Residential property makes up over half of New Zealand households' wealth and the housing market directly influences financial stability, affects consumer confidence, and shapes economic growth.

"Ensuring that we remain vigilant in monitoring these trends and market dynamics is essential for safeguarding the financial system and broader economy," says Kerry Watt, Director of Financial Stability Assessment & Strategy.

"House prices remain a stretch for many prospective buyers and are hovering around the top of our estimate of sustainable levels. Banks are currently facing competitive pressures to attract a limited pool of creditworthy borrowers," Mr Watt says.

Borrowers' capacity to take on more debt is increasing as monetary policy is eased. However, the weaker economic environment means households are exercising caution. The level of interest rates is still high by recent standards and lending growth has been low over the past year. It is uncertain when and by how much demand for new borrowing will pick up.

New Zealand saw a rapid house price cycle over the past few years. The special topic compares our experience with some international examples of house price cycles, including those that led to significant financial system distress.

"Although New Zealand's recent house price cycle has been rapid compared to overseas examples, there has been comparatively less stress on our financial system, demonstrating the robustness of



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our institutions and regulatory frameworks," Mr Watt says.

Looking ahead, government policy changes are underway to increase long-term supply responsiveness in the housing market. Better supply responses to housing demand will help to moderate future house price cycles and improve housing affordability. Debt-to-income restrictions will also play an important role in moderating demand cycles and reducing the buildup of risks.

More Information

- [Read our update on the housing market](#)
- The 2024 November Financial Stability report will be published on our website at 9:00am on Tuesday 5 November, with a media conference starting at 1:00pm. [See the full details.](#)
- [What is the Financial Stability report](#)

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