



Lisney

Sotheby's
INTERNATIONAL REALTY



OUTLOOK

2023

3

NEW HOMES

In 2022, nationwide housing completions were at their highest level in 13 years, but this still remains well below what is required. Many schemes that were viable 12 months ago are no longer so due to uncertainty.

DEMAND

ENHANCED BY GREEN CREDENTIALS

While buyer sentiment was impacted by cost-of-living increases and interest rate rises in H2 2022, demand remained for new homes. The green credentials of newly constructed dwellings have greatly assisted and will continue to do so this year. Meeting NZEB standards and having a BER of A2 or higher adds greatly to their attractiveness in an energy crisis. Additionally, the availability of lower rate green mortgages means the impact of rising interest rates is less significant than in the second-hand market.

In spite of these positive features, demand was not as strong in the final months of the year. Some buyers deferred purchasing a home in Q4 as they were waiting on the changes to the Central Bank's macro-prudential policy to come into effect – from the beginning of January the loan-to-income ratio increased to four times gross income. This is positive for purchaser demand and activity levels in the coming months. However, as the year progresses, supply and declining completions will become an issue.

SUPPLY

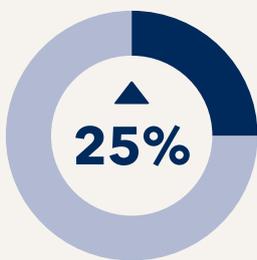
OUTLOOK DOWNBEAT

Nationwide housing completions last year were at their highest level in 13 years with an estimated 26,000 units finished. While this is about 25% higher than the previous three years, it remains well below what is required, and unfortunately the outlook for this year is downbeat. With rising construction costs taking hold, commencement notices for new schemes began to decline last summer. This unfortunately means that from mid-2023, new home supply will drop-off.

Many schemes that were viable 12 months ago are no longer so. While developers continue to complete current phases of schemes, they remain reluctant to start new phases or go on new sites until there is more certainty on costs and contractors' capabilities. This is across the board in terms of dwelling types. However apartments will be most impacted, and even apartment schemes in prime locations will be unviable in the short-term and will not progress.



**26,000 UNITS
FINISHED**
THIS YEAR



**HIGHER
THAN
PREVIOUS
3 YEARS**

THIS REMAINS WELL BELOW
WHAT IS REQUIRED

FIRST-TIME-BUYERS

GOVERNMENT SCHEMES WILL ASSIST

First-time-buyers make up just over half of the new home market and continue to benefit from government-backed supports. The Help-to-Buy scheme remains in place this year and next, which has significantly benefited buyers and market supply in recent years and will continue to do so in 2023.

The First Home Shared Equity scheme is also in place but to date has been relatively under-subscribed. Much of this appears to be due to lack of knowledge, as well as an apprehension of shared home ownership. In spite of this, we believe this route of home ownership will progress this year as higher interest rates will make it a more attractive proposition.



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