

# Residential **views**

By Cameron Bagrie  
ANZ chief economist

## Borrowed money and borrowed time



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An increased Reserve Bank of New Zealand toolkit has provided more options for addressing housing market buoyancy, but governor Graeme Wheeler reminded markets that official cash rate settings are not completely divorced from housing market developments.

Despite the introduction of measures to clamp down on investor demand, the property market continues to dance to its own tune - with sales volumes at an

Momentum across the economy has slowed over the first half of the year, and we expect modest growth over the coming 12 months. This reflects lower terms of trade (export prices), and peaking earthquake rebuild activity.

It's a deceleration, not a full-blown downturn, but this critically assumes the offshore scene stabilizes. Our eyes are on China.

The economy nonetheless has a reasonable backbone. Pockets of strength exist and financial conditions are supportive. The lower OCR is boosting housing outside of Auckland and the lower NZ\$ is lifting export prospects.

Construction sector activity is still rising. All will help underpin a recovery in late 2016.

The 2015 ANZ/Property Investors' Federation survey of New Zealand residential property investors was released last month.

The proportion of investors planning to buy more properties rose, with investors more optimistic over the price outlook. Rental growth expectations for the next year have also risen.

Potential house price falls barely rated a mention on the 'worries' scale.

It is early days, and the full impact of new Government and RBNZ measures will take time to translate into changes in investor behaviour, but these sorts of results will only reinforce the RBNZ's concerns over the housing market as a source of both financial stability and economy-wide risk.

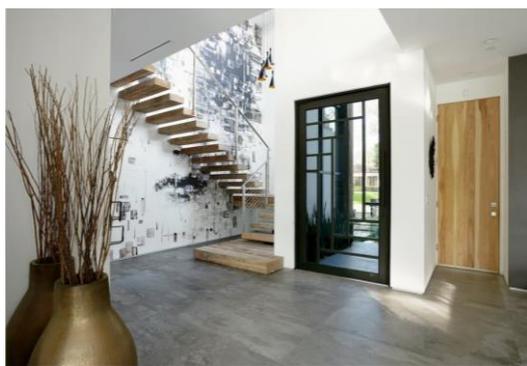
Net immigration inflows remain strong, but housing supply is responding, with annual Auckland residential consent issuance the highest level in more than a decade. Credit growth has firmed, but the easing off in mortgage approvals signals a pending housing market lull.

Annual house price inflation hit an 11-year high - with nearby regions benefitting from the 'Auckland effect'.

While there are regional differences, house prices are becoming increasingly stretched relative to both incomes and rents, with support to prices provided by lower fixed mortgage interest rates, tight dwelling supply, and high net immigration.

Recent anecdotes suggest RBNZ and Government policy changes aimed at cooling Auckland investor demand are having an impact - in contrast to strengthening signs in the rest of the country.

# How to design a grand entrance



Whether you call it a hallway, corridor, foyer or the like, the entrance is a very important part of the home.

It's the space that sets the mood for the rest of the house whenever visitors come knocking and it's also the first space you see when you get home after a hard day's work.

There are some amazing ways to make the most of this often underestimated space, and since first impressions are important, we've highlighted some tips on creating a grand entrance in the foyer.

If you have enough room, a dresser can be a dream for storing things in the hallway like linen, vases and miscellaneous items, helping to keep everything organised while fitting the scale of the space. The surface can be styled to perfection with the use of books, magazines, a tray to place your keys and mail in, and even a fresh bunch of flowers.

Romy Dankner, interior designer and founder of *Homeroom Studio*, says "a rustic bench against a wall will create some interest to an otherwise minimalist space". She recommends a neatly showcase of premium magazines to add a trendy feature. Additionally, a bench can act as a handy spot to rest a coat or handbag on if hanging space is limited.

Speaking of hanging space – say goodbye to the typical coat rack and hello to hanging rails. This trend is both fashionable and functional. It provides a home for all those sorts of items that you need on the go for hassle-free entries and exits.

A narrow foyer without the space for a hanging rail can be a function frustration, but this is where hooks can act as a great alternative. Simple, practical, and aesthetically appealing, hooks prevent your belongings from getting dumped on the floor as you enter your home even if you have limited room in the hallway.

**Source: [stuff.co.nz](http://stuff.co.nz)**

## Mortgage borrowing strategy

From ANZ chief economist Cameron Bagrie

Fixed mortgage rates fell further this month - with cuts to standard and special one and two-year rates for some lenders and lower rates on offer for longer terms.

Since the official cash rate was first cut in June, variable and special rates have fallen by 50-100 basis points on average - with the largest falls at the one and two-year tenors.

The entire borrowing curve has shifted down, with a more pronounced dip for 'specials' evident than a few months ago.

The lowest rates on offer are clustered around the one to two year terms for 'special' rates, whereas for standard rates, the one year rate is the lowest.

Both one and two-year rates are considerably below current variable rates and appear attractive – they are very low in a historical sense and offer a balance between providing flexibility and certainty.

With the OCR having been cut by 75 basis points, and wholesale interest rates implying at least one further cut by early next year, the question is how much of this is currently factored into the current mortgage rates on offer, and what would it take for fixed rates to move lower still?

We don't believe recent developments warrant a further near-term cut in the OCR. But concerns over low inflation and adverse global events could see the OCR go below 2.5 percent, which would see even lower one and two-year mortgage rates.

With not much of a gap between these rates, borrowers could choose to spread fixed terms across both tenors to stagger rollovers.