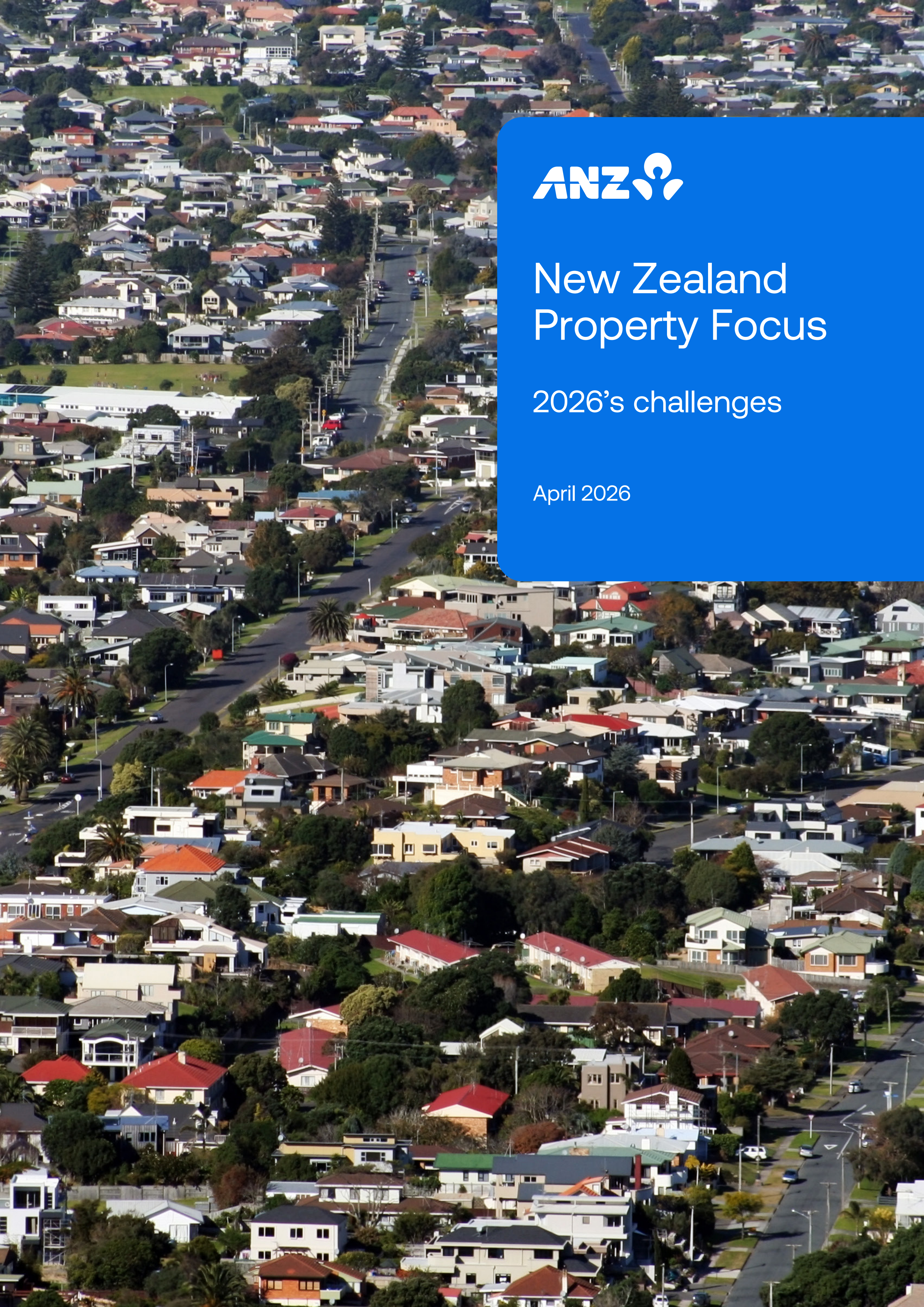


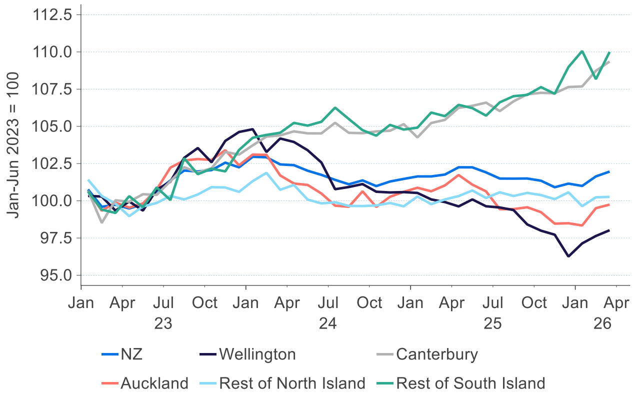
New Zealand Property Focus

2026's challenges

April 2026

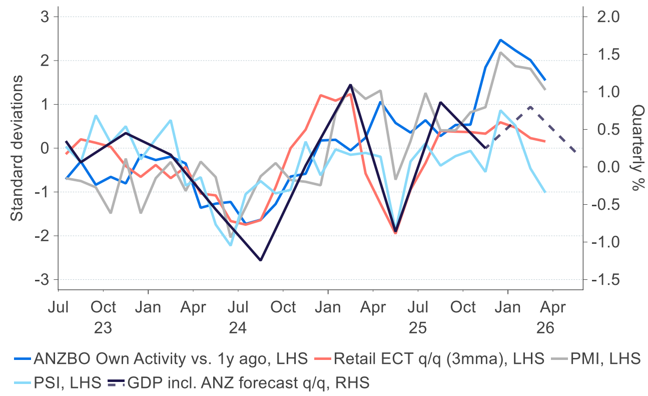
At a glance

House prices picked up a little before the fuel shock



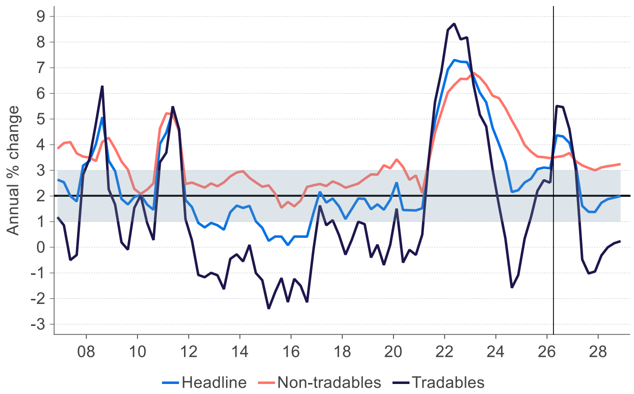
Source: REINZ, Macrobond, ANZ Research

But indicators of economic growth are now starting to roll over



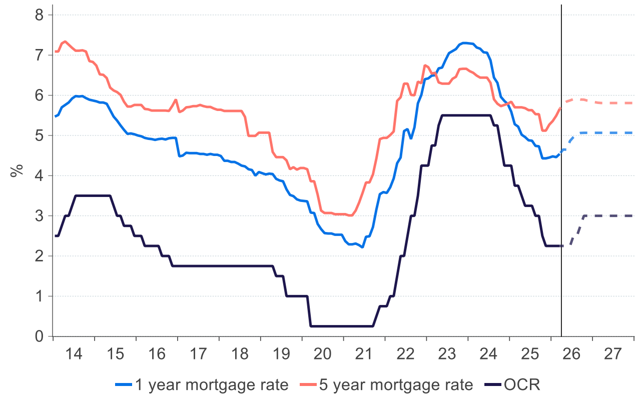
Source: Stats NZ, Business NZ, Macrobond, ANZ Research

The RBNZ will worry about inflation pressures spreading



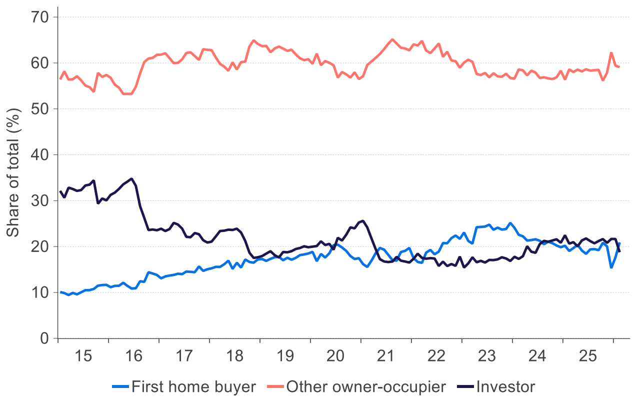
Source: Stats NZ, Macrobond, ANZ Research

We expect three OCR hikes this year, starting in July



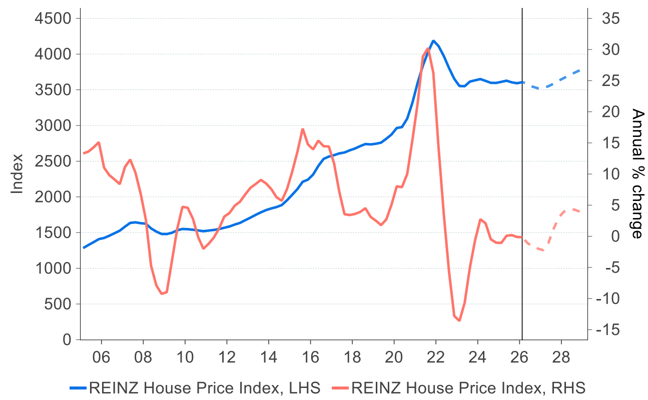
Source: RBNZ, Macrobond, ANZ Research

Investors have been pulling back



Source: RBNZ, Macrobond, ANZ Research

We think it is likely house prices will fall slightly this year



Source: REINZ, Macrobond, ANZ Research

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Inside

Confused by acronyms or jargon? See a glossary here.

ISSN 2624-0629

Publication date: 29 April 2026

Summary

Our monthly Property Focus publication provides an independent appraisal of recent developments in the residential property market.

Property Focus

The housing market was showing signs of strengthening before the conflict in the Middle East sent fuel prices soaring. House prices rose 0.8% in the three months to March, and houses were selling a touch more quickly. However, the housing market is now facing into a set of formidable challenges. The fuel price shock has weakened the outlook for economic growth and is pushing up inflation. We see the OCR rising three times this year, starting in July, as the RBNZ worries about inflation pressures spreading. There is also uncertainty from the election, including the prospect of a potential capital gains tax. Given these headwinds, we think house prices are likely to fall slightly – we continue to pencil in a 2% decline over 2026. See our Property Focus section.

Mortgage Borrowing Strategy

Although floating and 6-month fixed mortgage rates (as measured by the median across the five biggest banks) have not changed since last month, median mortgage rates 1-year and longer are all up, with the biggest change seen in 2-year and 5-year rates. These changes reflect the unwinding of 2-year specials, taking the dip out of the mortgage curve. Given how fragile the economy is, we don't expect to see aggressive RBNZ tightening this year, and instead only expect the OCR to rise towards 3%, which is where we and the RBNZ see as neutral. Put that forecast together with the steeper mortgage curve out to 2 years and the general drift up in mortgage rates, and mathematically that combination implies limited value in fixing for more than 1 year from a pure cost perspective. However, with the Middle East conflict unresolved, all forecasts should be taken with a grain of salt, and certainty itself arguably has more value at such times. For those who do wish to fix for longer, the bar is higher beyond 2 years given the additional cost. The 3-year and 5-year rates are now well above 2025 lows (by 0.70ppt and 0.74ppt respectively). But this is not the time to be wedded to any forecast. We are keeping an open mind! See our Mortgage Borrowing Strategy.

Summary

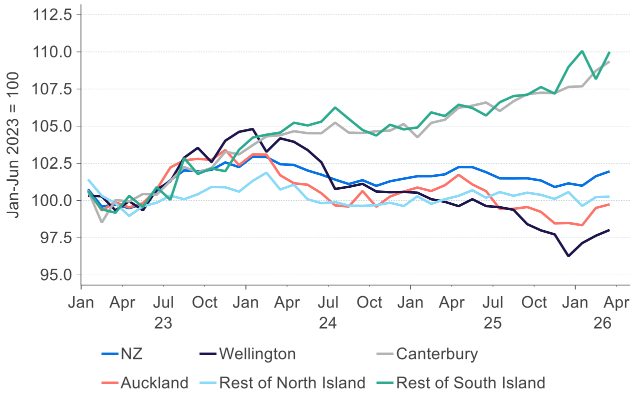
The housing market was showing signs of strengthening before the conflict in the Middle East sent fuel prices soaring. House prices rose 0.8% in the three months to March, and houses were selling a touch more quickly. However, the housing market is now facing into a set of formidable challenges. The fuel price shock has weakened the outlook for economic growth and is pushing up inflation. We see the OCR rising three times this year, starting in July, as the RBNZ worries about inflation pressures spreading. There is also uncertainty from the election, including the prospect of a potential capital gains tax. Given these headwinds, we think house prices are likely to fall slightly – we continue to pencil in a 2% decline over 2026.

Firmer trends before the oil shock

Housing market data for February and March showed a touch more strength than we had been expecting. Although this data covers February sales that occurred before oil prices surged and March sales that were likely already well underway by that point, this starting point firmness does reduce the odds of there being a large fall in house prices this year, all else equal.

The seasonally adjusted REINZ house price index lifted 0.3% m/m in March. Along with a rise in prices in February, this left house prices up 0.8% in Q1, reversing most of the small fall in house prices that was seen over the second half of 2025 (Figure 1).

Figure 1. Change in house prices by region since the first half of 2023

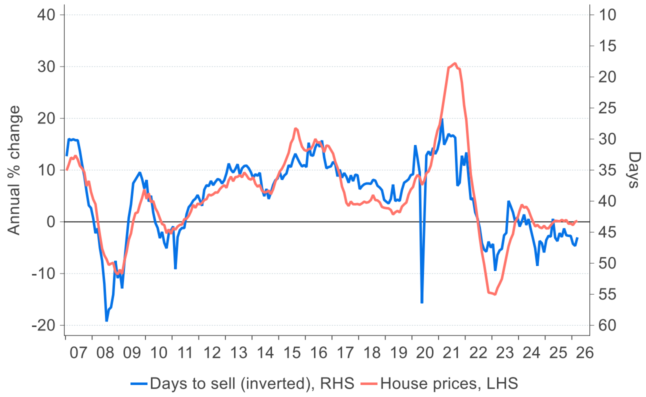


Source: REINZ, Macrobond, ANZ Research

Prices in the South Island have continued to trend higher, with local economies bolstered by growth in agriculture and tourism. But even the beleaguered Auckland and Wellington markets have seen prices rise slightly from their low points a few months ago.

Adding to this, median days to sell showed a small tightening in the market, falling by 1 day to 46 days (sa), and this tightening was seen in most regions. However, the number of days to sell is still well above its long-run average of 40, and such slow sales are typically consistent with flat prices at most (figure 2). Sales volumes have also been on the softer side, dropping 2% over Q1 (sa).

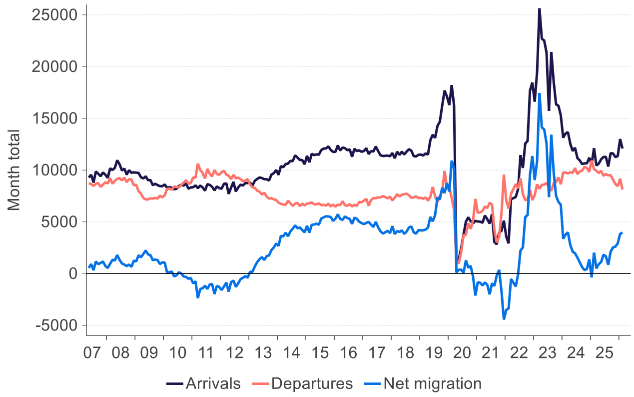
Figure 2. Days to sell vs house price inflation



Source: REINZ, Macrobond, ANZ Research

The more resilient tone of the data early in the year is likely down to the economic recovery finally getting underway and the level of interest rates still being on the low side. Importantly for the housing market, net migration had been rising (figure 3).

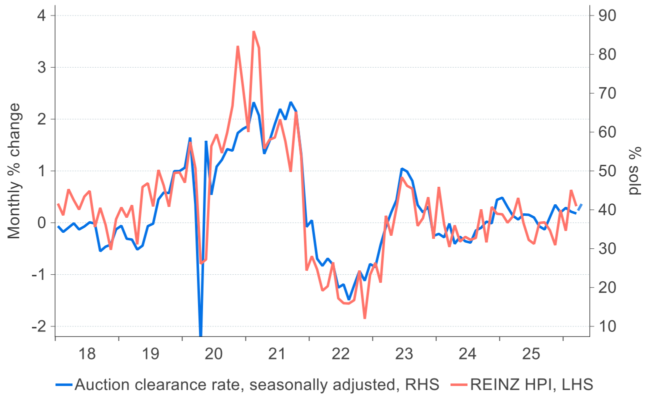
Figure 3. Monthly net migration (sa)



Source: Stats NZ, Macrobond, ANZ Research

Initial data suggests the market held up fairly well into April too, all things considered. The seasonally adjusted auction clearance rate held at much the same level as it has over the previous six months (figure 4). However, anecdotes from real estate agents have been much more negative since the onset of the oil shock. This is consistent with the sharp fall in consumer confidence that was seen over the month of March, with confidence sliding further with every week that went by.

Figure 4. Auction clearance rate vs monthly house price inflation



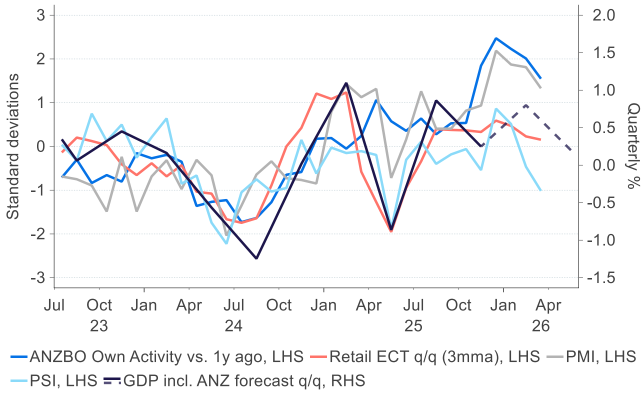
Source: REINZ, Bloomberg, Macrobond, ANZ Research

2026's challenges

Our forecast that house prices will fall 2% over 2026 may yet prove too pessimistic given the stronger starting point we've seen over Q1, but the challenges that we see the housing market facing are such that we still see a small fall such as this as being most likely, despite the stronger starting point. Talk of slowing economic growth, rising interest rates, and the prospect of a potential capital gains tax at this year's election all point to the housing market staying subdued.

The conflict in the Middle East and the resulting surge in fuel prices presents a hit to real incomes, confidence, and job security, which is clearly a negative for the housing market. Indicators of economic growth are now starting to roll over (figure 5). The services industry (which accounts for the majority of the economy) has taken an immediate hit as people have cut back on retail and hospitality spending in the face of higher fuel costs.

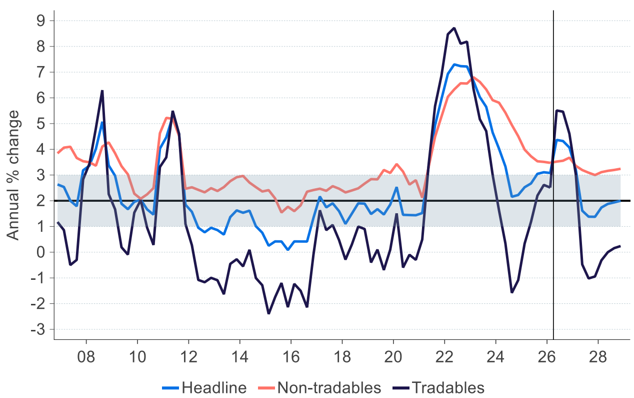
Figure 5. Monthly activity indicators (standardised) and GDP growth



Source: Stats NZ, Business NZ, Macrobond, ANZ Research

The bigger negative for the housing market, however, is likely to come from **upward pressure on interest rates**. An oil shock is a classic supply shock: bad for growth yet inflationary. Inflation was already lurking troublesomely above the RBNZ's target range at 3.1% before the shock, and is now set to go much higher. We see it peaking at 4.4% in Q2 2026 (figure 6).

Figure 6. CPI inflation: ANZ forecasts



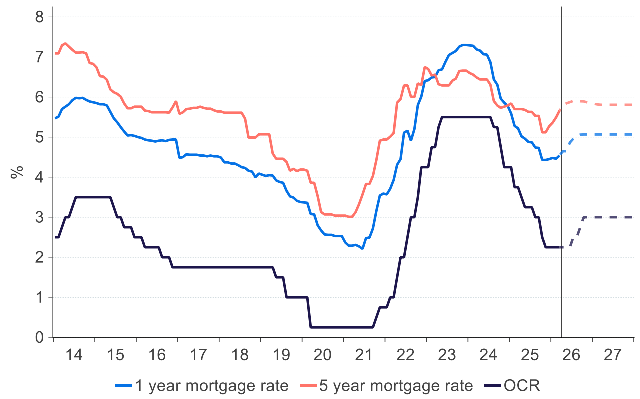
Source: Stats NZ, RBNZ, Macrobond, ANZ Research

The RBNZ has a tough job weighing up the risk that high headline inflation spills over into wider price-setting behaviour versus the risk that weaker growth leads to an inflation undershoot in the years ahead. It's far from clear what the best course of action will be. But on balance, we think the RBNZ will be too worried inflation broadening to take no action, especially given that the OCR is starting from a low level of 2.25%.

We are picking that the RBNZ will deliver three OCR hikes this year, starting in July, to take the OCR back to the RBNZ's best estimate of the neutral interest rate, 3%. That is a more comfortable place from which to watch, worry and wait about the upside and downside risks to medium-term inflation. The weaker growth outlook can't be entirely ignored though, and that's why we now see the OCR only rising to 3% (vs our previous forecast of 3.5%). There is a range of forecasts out there, and a much wider range of possible outcomes. But the bias is definitely higher.

Financial markets are pricing in a series of hikes, which has seen wholesale interest rates and mortgage rates already lift (figure 7). Based on our forecast for the OCR, we anticipate mortgage rates will continue to lift through this year (see our Mortgage Borrowers Strategy on page 8).

Figure 7. ANZ OCR and mortgage rate forecasts

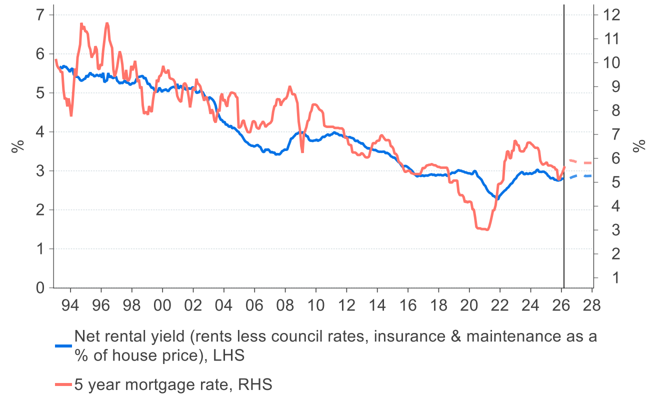


Source: RBNZ, Macrobond, ANZ Research

Even though we don't see interest rates going to the high levels experienced in the wake of the pandemic, we think they will go high enough to restrain house prices.

One way of estimating the extent of upward or downward pressure of mortgage rates on house prices is by comparing mortgage rates and net rental yields (rents less council rates, insurance and maintenance as a percentage of house prices). Right now, rental yields don't look especially compelling given where mortgage rates are heading (figure 8). This tells us that house prices are still stretched when you weigh up rents, mortgage rates, and other costs such as council rates.

Figure 8. Net rental yields vs 5-year mortgage rate



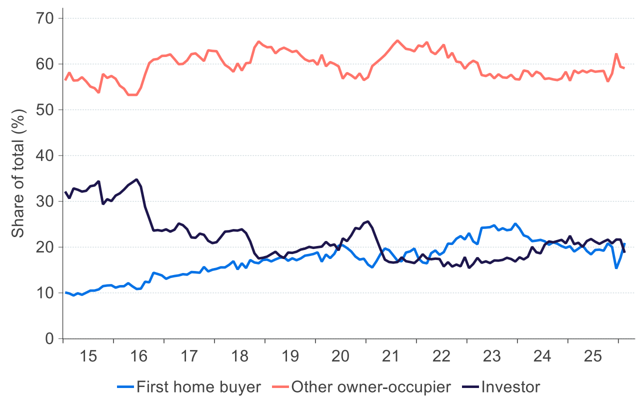
Source: REINZ, NZ Tenancy Services, Stats NZ, RBNZ, Macrobond, ANZ Research

The final headwind for house prices is **the upcoming general election**. So far, the most directly relevant feature for the housing market is the Labour Party's commitment to introduce a capital gains tax (CGT) on residential investment property and commercial property. They are also still considering additional tax changes, such as reinstating a form of limiting interest deductions.

We won't debate the wider societal pros and cons of a CGT (or other tax reform) here, but rather focus our comments on what the election uncertainty might mean for house prices.

The prospect of a CGT is clearly negative for investors, who would receive lower after-tax returns if it were introduced. Perhaps partly reflecting this (though as we noted above, there is a lot else going on) there are signs that investors have pulled back in recent months. For example, the share of lending commitments going to investors has dipped from 22% in January to 19% in March (figure 9).

Figure 9. New lending by buyer type



Source: RBNZ, Macrobond, ANZ Research

There's much debate in the economic literature about how big an impact introducing a GCT would have on house prices. In theory, it would put downward pressure on house prices from the time investors anticipate one being introduced, and this seems a reasonable working assumption to us.

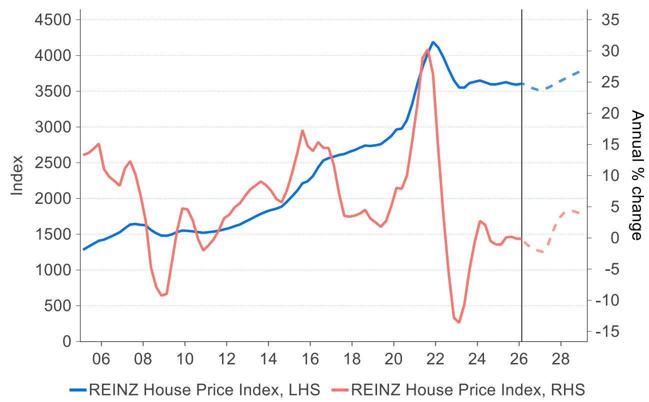
In practice, the international experience has been that the impact on house prices hasn't been large enough to disentangle from other drivers of house prices. Real house prices have tended to largely continue along their previous flat or rising trends in the years after a CGT has been introduced (examples include Canada in 1972, Australia in 1985, and South Africa in 2001). This is probably because wider macroeconomic factors, such as the state of the economy and trends in interest rates, overwhelm the impact of the tax changes on house prices. In addition, where the family home is exempt (as in Labour's proposal, and most GCTs internationally), owner-occupied homes wouldn't be directly impacted by the introduction of a CGT, and they make up the majority of homes in New Zealand.

It's not just a CGT that could change on the policy front. General uncertainty about the election – whether about housing taxes or the wider policy landscape – could keep investors, and a wider range of buyers, on the sidelines until the end of the year too. But to be honest, it's a matter of "add it to the pile" currently, with uncertainty rife across a range of things that matter to the housing market: including growth, employment, wage growth, interest rates, construction costs, consumer confidence, and immigration. Uncertainty in and of itself can take the wind out of the market's sails (sales).

Conclusion

The outlook for the housing market and the economy certainly isn't all negative. The housing market data prior to the fuel shock was showing some firmness, which will help the housing market's resilience this year. There are many positives in the economy too, such as the strong agriculture sector, and global equity markets are holding up well despite the conflict in the Middle East. However, the housing market does face challenges this year from a weaker growth outlook, higher interest rates, and the upcoming election, meaning we continue to see slightly falling house prices this year as being most likely despite the market being a little firmer than we anticipated over February/March. We continue to see a modest increase in house prices as likely from 2027 onwards as an economic recovery settles in.

Figure 10. House price forecast



Source: REINZ, Macrobond, ANZ Research

Housing market indicators for March 2026 (based on REINZ data seasonally adjusted by ANZ Research)

	Median house price			House price index		Sales		Average days to sell
	Level	Annual % change	3-mth % change	Annual % change	3-mth % change	# of monthly sales	Monthly % change	
Northland	$717,457	9.2	-4.9	-0.1	-0.6	188	0%	55
Auckland	$1,001,215	0.1	0.0	-1.3	0.5	2,066	-6%	45
Waikato	$738,270	-0.1	-1.1	-0.2	-0.3	690	-6%	52
Bay of Plenty	$819,707	2.0	0.1	1.8	-0.4	462	+9%	48
Gisborne	$622,701	-1.6	-10.1	-1.7	-0.7	33	-14%	47
Hawke's Bay	$677,584	-2.7	0.6	-1.7	-0.7	227	+2%	45
Manawatu-Whanganui	$537,703	1.9	-0.6	-0.5	-0.3	339	-3%	48
Taranaki	$633,785	6.8	-0.7	2.2	1.0	138	-8%	40
Wellington	$760,518	-2.6	-0.5	-1.9	0.3	541	-10%	53
Tasman, Nelson & Marlborough	$735,679	1.3	0.0			216	+8%	42
Canterbury	$703,919	3.4	0.0	3.7	1.1	1,208	+1%	43
Otago	$727,529	7.3	3.6	3.5	0.6	402	-6%	46
West Coast	$422,106	3.4	4.7	0.9	0.4	50	+27%	53
Southland	$521,672	12.1	5.1	7.9	4.2	172	+12%	30
New Zealand	**$771,497**	**-0.4**	**-0.1**	**0.2**	**0.4**	**6,691**	**-3%**	**46**

Mortgage borrowing strategy

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Summary

Although floating and 6-month fixed mortgage rates (as measured by the median across the five biggest banks) have not changed since last month, median mortgage rates 1-year and longer are all up, with the biggest change seen in 2-year and 5-year rates. These changes reflect the unwinding of 2-year specials, taking the dip out of the mortgage curve. Given how fragile the economy is, we don't expect to see aggressive RBNZ tightening this year, and instead only expect the OCR to rise towards 3%, which is where we and the RBNZ see as neutral. Put that forecast together with the steeper mortgage curve out to 2 years and the general drift up in mortgage rates, and mathematically that combination implies limited value in fixing for more than 1 year from a pure cost perspective. However, with the Middle East conflict unresolved, all forecasts should be taken with a grain of salt, and certainty itself arguably has more value at such times. For those who do wish to fix for longer, the bar is higher beyond 2 years given the additional cost. The 3-year and 5-year rates are now well above 2025 lows (by 0.70ppt and 0.74ppt respectively). But this is not the time to be wedded to any forecast. We are keeping an open mind!

Recent developments

Median fixed mortgage rates across the five biggest banks 1-year and longer are all up this month, having followed wholesale interest rates higher, which in turn, have followed oil prices higher. Financial markets have also taken note of the RBNZ's warning of the possibility of "decisive and timely" OCR hikes, should a scenario of above-target core inflation, wage growth and inflation expectations start to unfold. Had inflation been at 2% and the OCR at 3% when the Middle East conflict started, we think the case for the RBNZ to stand pat and take a wait-and-see approach would be much stronger. But the higher oil prices arrived when the OCR was below neutral (widely seen as around 3%) and inflation was already above the RBNZ's 1-3% target band. For that reason, we now expect the first OCR hike to be delivered in July (and we can't rule out May). We expect that to be followed by two more hikes at each successive meeting, taking the OCR back to 3%. That is a lower endpoint than our earlier 3.5% forecast, reflecting the newness of the economic recovery, the relative fragility of parts of the economy and its inability to sustain more aggressive hikes (which is one reason why until the conflict, we weren't expecting hikes to start until December).

Thoughts and views

Our new forecast calling for the RBNZ to hike earlier, but by less, implies less value in fixing for more than 1 year. It's not so much our forecast itself; it is the fact that financial markets are expecting more OCR hikes than we are (around 140bp versus our expectation of 75bp). These market expectations (which have been exacerbated by higher global interest rates) have lifted wholesale interest rates beyond levels consistent with our OCR forecasts. So if you take our forecasts as gospel, it's hard to justify longer fixes.

Let's dig into that a bit more. Last month we noted that we thought that terms like the 2-year offered a good mix of certainty and (low) cost, but with mortgage rates higher now, and our forecast that the RBNZ won't have to hike by as much (especially if it hikes earlier), we now see less merit on a pure cost basis in fixing for more than 1 year. This is borne out in breakevens, which show that you need to expect the 1-year rate to rise by more than 1% (from 4.65% to 5.73%) over the next year for fixing for 2 years to be cheaper overall. That could happen, but our forecast is for the OCR to 'only' rise by 75bp to 3%. Indeed, our mortgage rate projections only have 1- and 2-year rates rising to around 5.1% to 5.3% (page 11).

However, uncertainty is high currently and we would warn against taking any forecasts as gospel. And the range of plausible outcomes is far wider than the range of forecasts you'll find. Some borrowers will want certainty in such circumstances, even if it comes at a cost. If that is the case, we think it makes sense to perhaps consider fixing for slightly longer, like 18 months or 2 years, and/or allocating a portion of debt to longer terms like the 3-, 4- and 5-year. These rates are more expensive than they were in late 2025, when they were nearer 5% than 6%. That provides pause for thought, particularly for those who are cashflow constrained, but they do offer certainty.

Figure 1. Carded special mortgage rates*

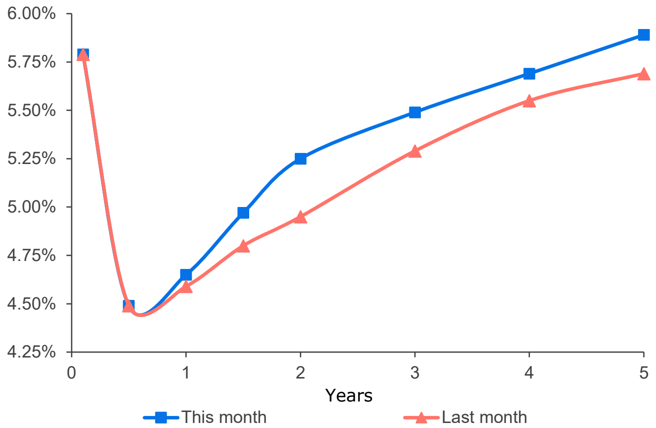


Table 1. Carded special mortgage rates*

Term	Current	Last month
Floating	5.79%	5.79%
6 months	4.49%	4.49%
1 year	4.65%	4.59%
18 months	4.97%	4.80%
2 years	5.25%	4.95%
3 years	5.49%	5.29%
4 years	5.69%	5.55%
5 years	5.89%	5.69%

Source (figure 1 and table 1): interest.co.nz, ANZ Research

*Median of the five largest banks

Breakevens

Table 1. Special mortgage rates and breakevens*^

		Breakevens for 20%+ equity borrowers					
Term	Current	in 6mths	in 1yr	in 18mths	in 2 yrs	in 3 yrs	in 4 yrs
Floating	5.79%	3.51%					
6 months	4.49%	4.81%	5.61%	6.09%			
1 year	4.65%	5.21%	5.85%	5.97%	5.97%	6.29%	6.69%
18 months	4.97%	5.50%		6.01%			
2 years	5.25%	5.59%	5.91%	6.06%	6.13%	6.49%	
3 years	5.49%	5.77%	6.04%	6.20%	6.32%		
4 years	5.69%	5.95%	6.20%				
5 years	5.89%	*Median of the five largest banks					

Source: interest.co.nz, ANZ Research

^ Floating rate breakeven assumes floating rate won't change. If it falls, the breakeven will be higher; if it rises, the breakeven will be lower.

Key – how to read our infographics

Longer fixed rate option*

Shorter fixed rate option* → Breakeven rate (the highest fixed rate in the future that would make taking the shorter fixed rate option cheaper than taking the longer fixed rate option)

* Current advertised special mortgage rate, median of 5 largest banks

1 year horizon^

Fixed for 1 year at 4.65%

6mths 1 year

or, fixed for 6 months at 4.49% → … and then fixed for 6 months at 4.81%

or, go floating for 6 months at 5.79% → … and then fixed for 6 months at 3.51%

2 year horizon

Fixed for 2 years at 5.25%

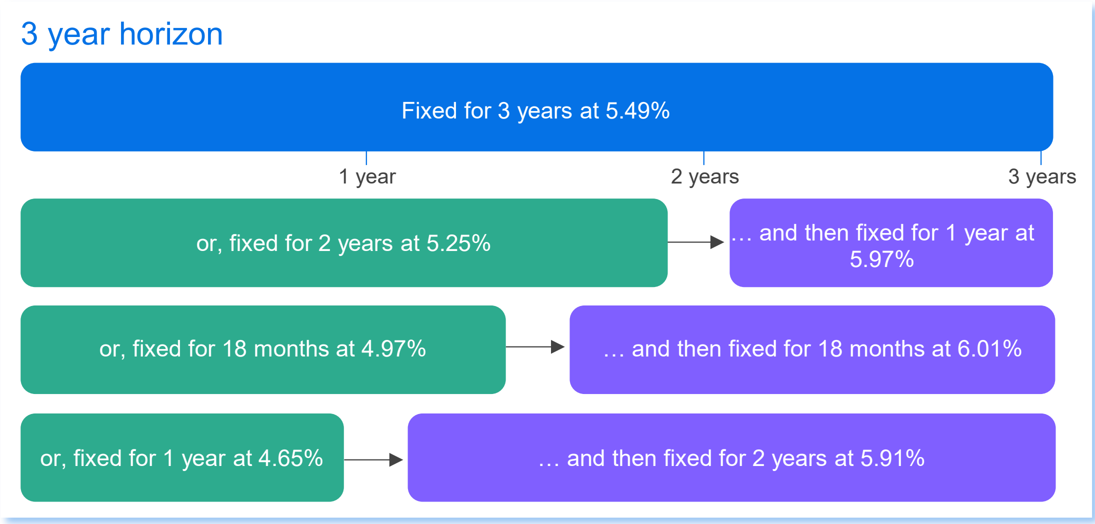
1 year 2 years

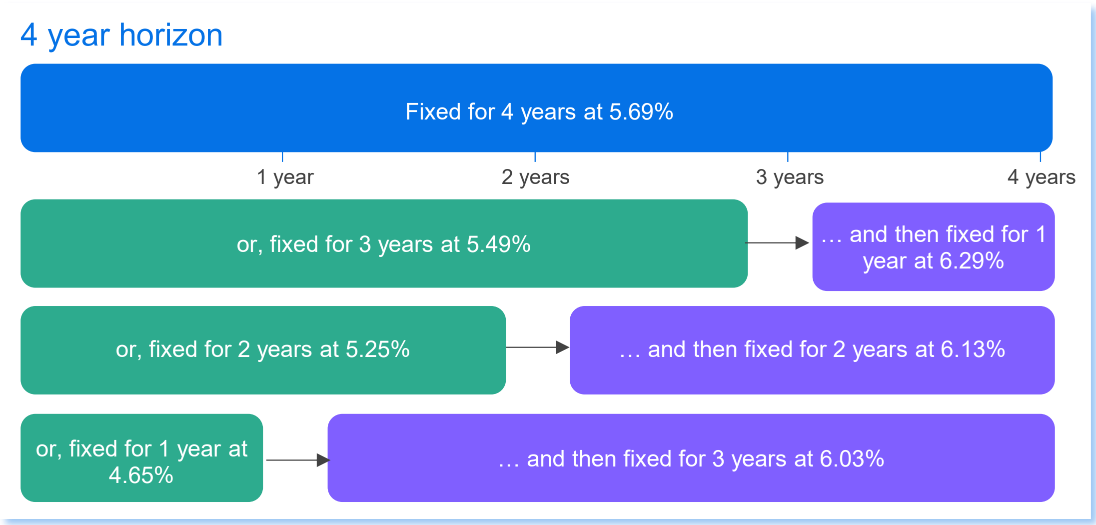
or, fixed for 18 months at 4.97% → … and then fixed for 6 months at 6.09%

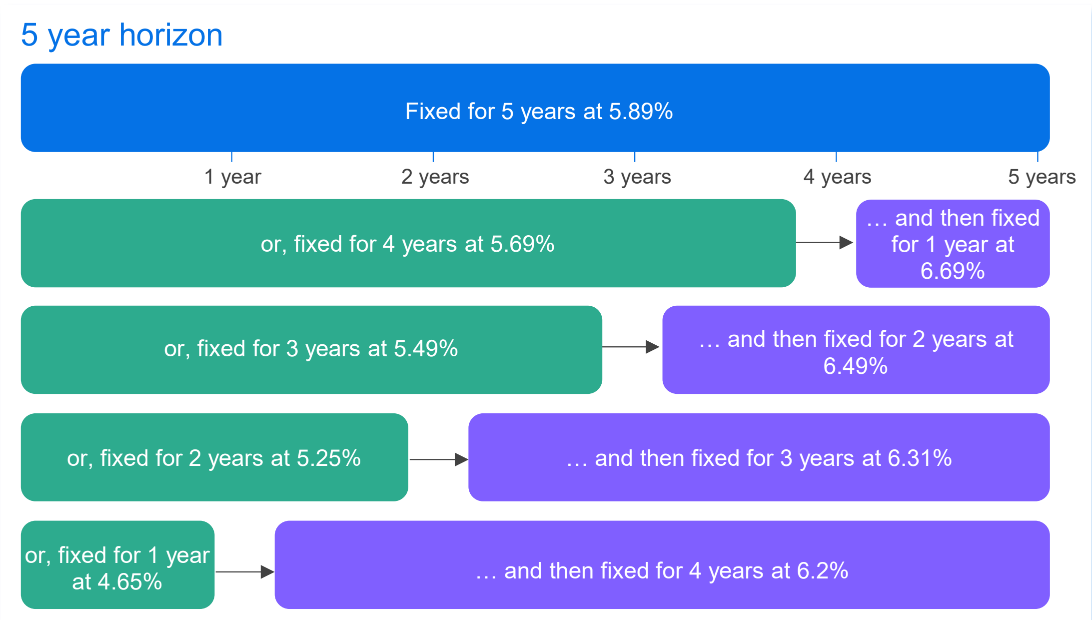
or, fixed for 1 year at 4.65% → … and then fixed for 1 year at 5.85%

or, fixed for 6 months at 4.49% → … and then fixed for 18 months at 5.5%

Breakevens







Source: interest.co.nz, ANZ Research calculations

Key forecasts

Weekly mortgage repayments table (based on 30-year term)

Mortgage Size ($000)	Mortgage Rate (%)													
	4.25	4.50	4.75	5.00	5.25	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
200	227	234	241	248	255	262	269	277	284	292	299	307	315	323
250	284	292	301	309	318	327	336	346	355	364	374	384	393	403
300	340	351	361	371	382	393	404	415	426	437	449	460	472	484
350	397	409	421	433	446	458	471	484	497	510	524	537	551	564
400	454	467	481	495	509	524	538	553	568	583	598	614	629	645
450	511	526	541	557	573	589	606	622	639	656	673	690	708	726
500	567	584	601	619	637	655	673	691	710	729	748	767	787	806
550	624	643	662	681	700	720	740	760	781	802	823	844	865	887
600	681	701	722	743	764	786	807	830	852	875	897	921	944	968
650	737	760	782	805	828	851	875	899	923	947	972	997	1,023	1,048
700	794	818	842	867	891	917	942	968	994	1,020	1,047	1,074	1,101	1,129
750	851	876	902	928	955	982	1,009	1,037	1,065	1,093	1,122	1,151	1,180	1,209
800	908	935	962	990	1,019	1,048	1,077	1,106	1,136	1,166	1,197	1,227	1,259	1,290
850	964	993	1,023	1,052	1,082	1,113	1,144	1,175	1,207	1,239	1,271	1,304	1,337	1,371
900	1,021	1,052	1,083	1,114	1,146	1,178	1,211	1,244	1,278	1,312	1,346	1,381	1,416	1,451
950	1,078	1,110	1,143	1,176	1,210	1,244	1,278	1,313	1,349	1,385	1,421	1,458	1,495	1,532
1000	1,134	1,168	1,203	1,238	1,273	1,309	1,346	1,383	1,420	1,458	1,496	1,534	1,573	1,613

Mortgage rate projections (historic rates are special rates; projections based on ANZ's wholesale rate forecasts)

	Actual			Projections						
	Dec-25	Mar-26	Current	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
Floating Mortgage Rate	6.1	6.2	5.8	5.9	6.5	6.7	6.7	6.7	6.7	6.7
1-Yr Fixed Mortgage Rate	4.5	4.5	4.7	4.9	5.1	5.1	5.1	5.1	5.1	5.1
2-Yr Fixed Mortgage Rate	4.7	5.0	5.3	5.3	5.3	5.2	5.1	5.1	5.1	5.1
3-Yr Fixed Mortgage Rate	5.0	5.3	5.5	5.5	5.4	5.3	5.2	5.2	5.2	5.2
5-Yr Fixed Mortgage Rate	5.3	5.7	5.9	5.9	5.9	5.9	5.8	5.8	5.8	5.8

Source: RBNZ, ANZ Research

Wholesale interest rate forecasts

	Actual			Forecasts						
	Dec-25	Mar-26	Current	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
Official Cash Rate	2.25	2.25	2.25	2.25	2.75	3.00	3.00	3.00	3.00	3.00
90-Day Bank Bill Rate	2.52	2.54	2.62	2.82	3.26	3.29	3.29	3.29	3.29	3.29
NZ 2-yr swap	2.93	3.43	3.59	3.56	3.51	3.40	3.29	3.29	3.29	3.29
10-Year Bond	4.40	4.72	4.74	4.50	4.50	4.50	4.50	4.50	4.50	4.50

Economic forecasts

	Actual			Forecasts						
	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27
GDP (Annual % Chg)	-1.0	1.1	1.3	1.0	2.1	1.8	2.1	2.0	2.6	2.8
CPI Inflation (Annual % Chg)	2.7	3.0	3.1	3.1(a)	4.4	4.3	4.1	3.2	1.6	1.4
Unemployment Rate (%)	5.2	5.3	5.4	5.4	*Under review*					
House Prices (Quarter % Chg)	0.4	-0.6	-0.4	0.4 (a)	-0.5	-1.3	-0.6	0.1	0.7	1.0
House Prices (Annual % Chg)	0.1	0.2	-0.1	-0.1 (a)	-1.1	-1.7	-2.0	-2.2	-1.1	1.2

Source: RBNZ, Statistics NZ, REINZ, Bloomberg, ANZ Research

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We welcome your questions and feedback. Click here for more information about our team.

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Last updated: 18 June 2025

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