



# New Zealand Property Focus

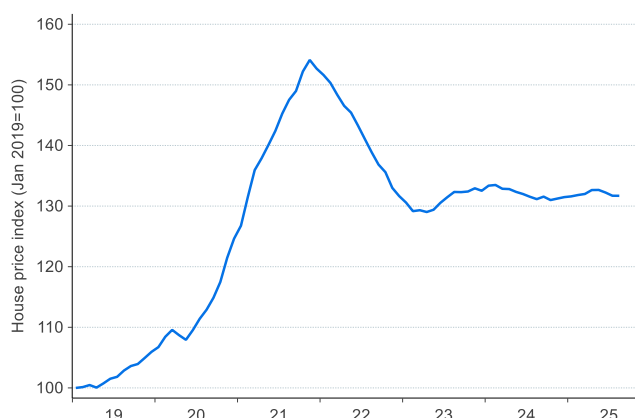
Breaking even

September 2025

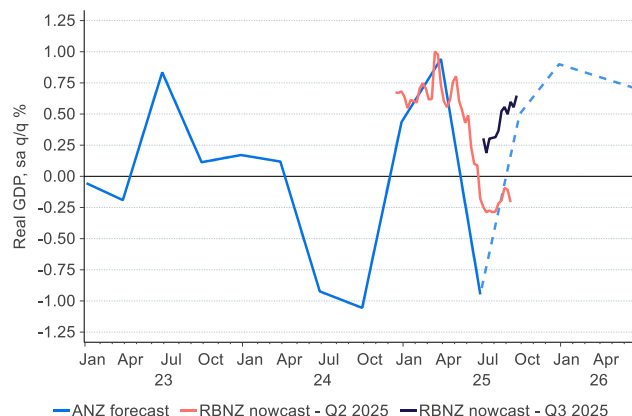


## At a glance

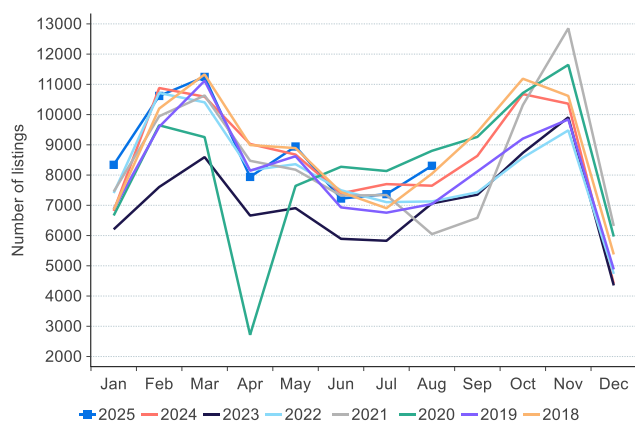
House prices were stable in August and are unchanged from a year ago



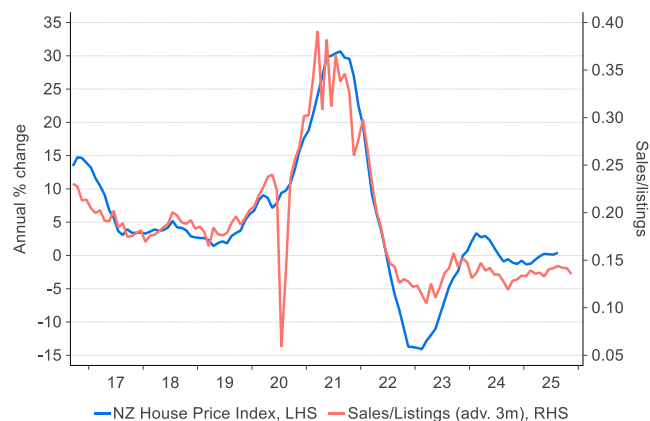
The slump in GDP in Q2 looks to have been the economic low point this year



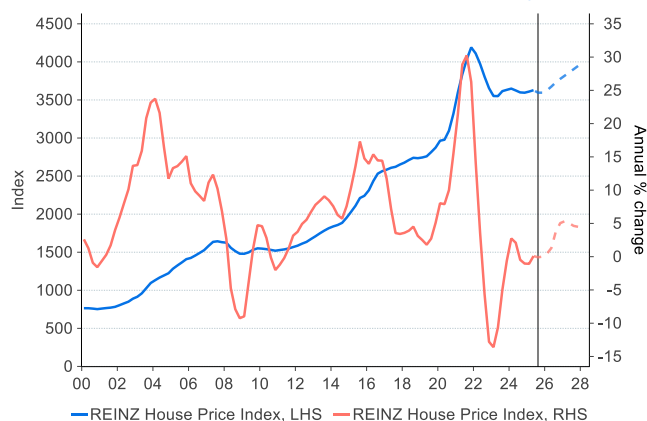
Sales continue to be met by plenty of new listings, giving buyers choice...



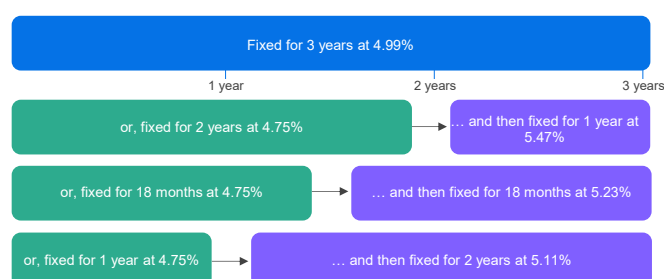
...keeping price pressures in check for now



We expect lower interest rates to put upward pressure on prices next year



In our feature article, we discuss breakevens and how they can help



Source: REINZ, RBNZ, Stats NZ, realestate.co.nz, interest.co.nz, Macrobond, ANZ Research

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Confused by acronyms or jargon? See a glossary [here](#).

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## Summary

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

## Property Focus

House prices stabilised in August, with the REINZ house price index flat month-on-month and up just 0.2% year-on-year. Prices had shown some weakness in the months before that, coinciding with poor economic data, including a sharp GDP contraction in Q2. However, economic data has been modestly better since July, pointing to a return to economic growth, albeit from a weak starting point. The usual spring housing market pickup is underway, boosting activity and prices slightly, though underlying trends in the market are little changed from what has generally prevailed over the past year. The flow of new listings and stock of inventories remains elevated, continuing to give buyers the upper hand. We expect prices to remain broadly unchanged over the rest of 2025 as lingering headwinds from a weak labour market and high inventories keep price pressures in check. However, the OCR is headed lower, which will support the housing market and a broader economy. As a result, we anticipate house prices will rise 5% in 2026. See our [Property Focus](#) section.

## Feature Article: Breaking even

In this month's feature article, we discuss mortgage rate breakevens – what they are, and how to use them. This coincides with the introduction of our new breakeven infographics, which we hope are easier to interpret than the breakeven table we have used previously. See our [Feature Article](#).

## Mortgage Borrowing Strategy

Floating mortgage rates and fixed rates out to 3 years are unchanged this month, but average 4 and 5 year rates are slightly lower. As a result, there is no longer a “bump” in the mortgage curve at the 4-year point. While that change will be welcome news for borrowers looking to fix for an extended period, RBNZ data show that most borrowers continue to have a preference for shorter fixes, with the 1-year term by far the most popular. That is understandable given the state of the economy, which has fuelled expectations of deeper OCR cuts. Hopes for more aggressive cuts were already high in the wake of the RBNZ's dramatic pivot last month (when two Monetary Policy Committee members voted for a 50bp cut), but they have intensified following recently released weak Q2 GDP data. For our part, we still expect the OCR to be cut to 2.50% by November, but the risks to that look skewed lower. That will please borrowers, even if the reason for it (a softer economy and indifferent housing market) may not! At the margin, we do think that will probably buy borrowers a little more time when it comes to deciding when to fix for longer. But the easing cycle won't go on forever, and we are mindful that global interest rates aren't falling, and that may slow falls in 4 and 5 year rates even if we do see lower shorter-term rates. We still see merit in spreading risk over several terms but expect further slight falls in shorter-term rates as the OCR falls.

See our [Mortgage Borrowing Strategy](#).

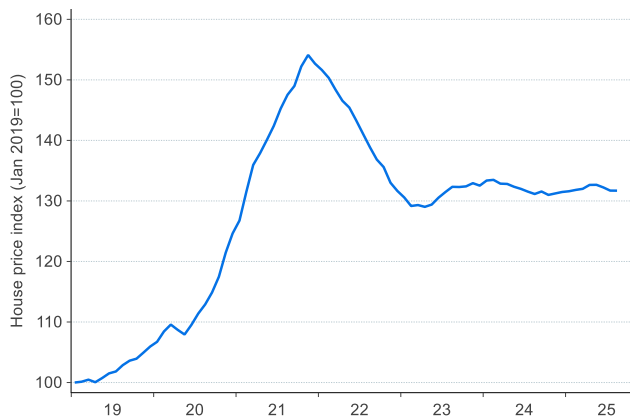
## Summary

House prices stabilised in August, with the REINZ house price index flat month-on-month and up just 0.2% year-on-year. Prices had shown some weakness in the months before that, coinciding with poor economic data, including a sharp GDP contraction in Q2. However, economic data has been modestly better since July, pointing to a return to economic growth, albeit from a weak starting point. The usual spring housing market pickup is underway, boosting activity and prices slightly, though underlying trends in the market are little changed from what has generally prevailed over the past year. The flow of new listings and stock of inventories remains elevated, continuing to give buyers the upper hand. We expect prices to remain broadly unchanged over the rest of 2025 as lingering headwinds from a weak labour market and high inventories keep price pressures in check. However, the OCR is headed lower, which will support the housing market and a broader economy. As a result, we anticipate house prices will rise 5% in 2026.

## Ongoing stability in house prices

House prices have been remarkably stable since the post-COVID correction finished in 2023. Indeed, the August data could hardly have reverted to this trend more decisively: the seasonally adjusted REINZ house price index was unchanged between July and August (0.0% m/m) and virtually unchanged compared to a year ago (up just 0.2% y/y, 3mma basis). This came after small monthly falls in June and July of -0.3% m/m and -0.4% m/m that unwound small increases over early 2025.

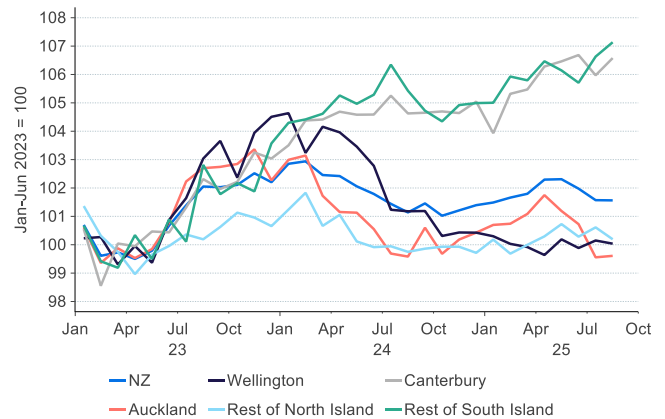
**Figure 1. REINZ House Price Index (seasonally adjusted by ANZ)**



Source: REINZ, Macrobond, ANZ Research

House prices were broadly stable across all major areas of the country between July and August, albeit with a little more momentum still evident in the South Island. Notably, prices stabilised in Auckland after several months of decreases (figure 2).

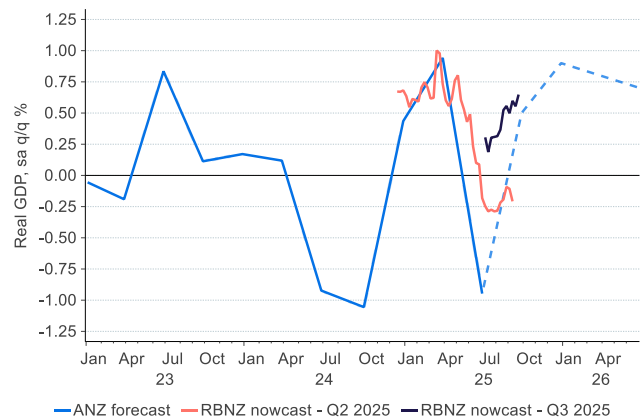
**Figure 2. Cumulative change in house prices by region since the first half of 2023**



Source: REINZ, Macrobond, ANZ Research

The small fall in house prices through the middle of the year came alongside weaker economic data, and the latter has since shown signs of improvement. The run of grim mid-year data reached a crescendo as GDP data for Q2 (April to June) proved a shocker, coming in at -0.9% q/q. There is no disputing that the quarter was bad, even if there were some [technical quirks](#) that mean the GDP data somewhat overstates quite how bad it was. However, we think that the recent GDP release marks the low point for the economy this year. The economy appears to have returned to growth in Q3, with the dataflow neatly summarised by the RBNZ's much more positive nowcast for Q3 GDP (figure 3).

**Figure 3. RBNZ Nowcast vs ANZ GDP forecast**



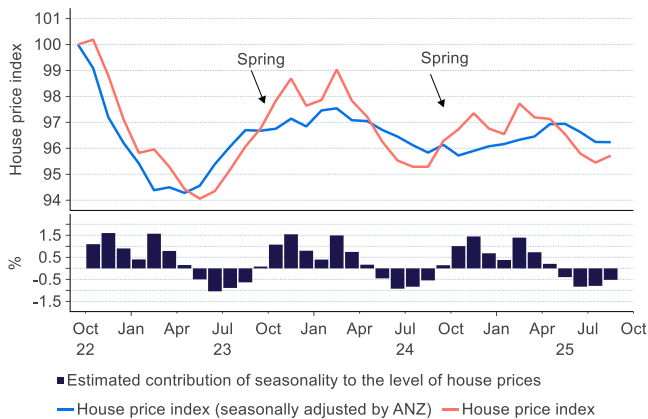
Source: RBNZ, Macrobond, ANZ Research

## Seasonal spring pickup is upon us

Most of the indicators we look at in the *Property Focus* are seasonally adjusted to reveal the underlying trends going on in the market. However, it's worth mentioning that the overall vibe of housing market anecdote and data is likely to be stronger between now and December as the market experiences its usual spring pickup. This seasonal pattern matches the seasonality in New Zealand's net migration, with people tending to arrive in summer and leave in winter.

Housing market seasonality mostly shows up in higher sales turnover at the seasonal peaks in October-November and February-March. However, house prices also typically rise a little more quickly than otherwise (or fall more slowly than otherwise) around these activity peaks. The seasonality in house prices is significant, but doesn't dominate other structural and cyclical factors – by our estimates the level of house prices is around 2-3% higher at the seasonal peak than it is at their seasonal low in the middle of winter, all else equal. Once we reach the end of summer, we'd expect this seasonal tailwind to turn to a headwind as usual.

**Figure 4. House price index (Oct 2022 = 100)**



Source: REINZ, Macrobond, ANZ Research

It might seem counterintuitive that house prices have a meaningful seasonal element, given houses have a long shelf life, unlike fruit and vegetables! But in practice, the transaction costs of buying and selling are significant enough that the market doesn't arbitrage it away. You're not going to be able to reliably buy a house in winter and sell it in summer for a net profit based on seasonal factors – particularly now we have a bright line test. But it does explain why so many people prefer to list their property for sale in spring. The weather for open homes tends to be more appealing as well!

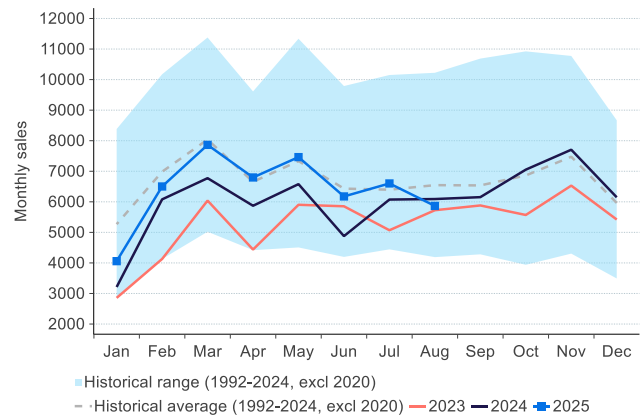
## Market still fundamentally tilted in favour of buyers

Despite a tailwind to demand from the usual spring pickup, indicators of balance in the housing market show that buyers still have the upper hand for the time being. It's worth qualifying that data for the month of August will mostly cover the period before the Reserve Bank's 20 August Monetary Policy Statement (MPS), where they signalled a greater willingness to cut the OCR. However, timelier housing market data hasn't looked very different since the MPS, and our best guess is that OCR cuts will impact the market gradually over the remainder of 2025.

House sales volumes came in below their long-run average in August, after being near to it through most of this year (figure 5). At the same time, the flow of new listings on to the market was above typical levels for the time of year, setting aside pandemic-distorted 2020 (figure 6). The net result has been inventories of property for sale staying at high levels, particularly in Auckland (figure 7).

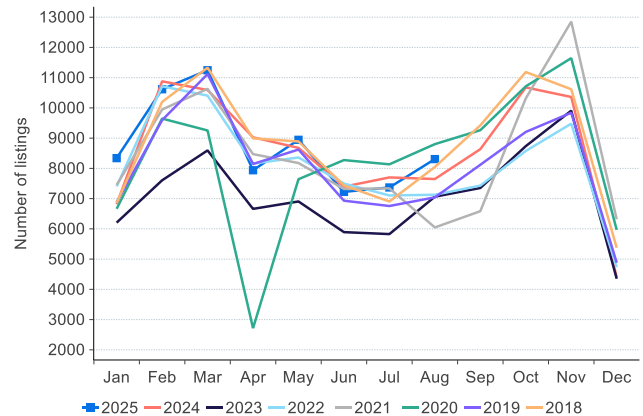
However, the pace of decline in inventories also slowed elsewhere in August.

**Figure 5. House sales volumes**



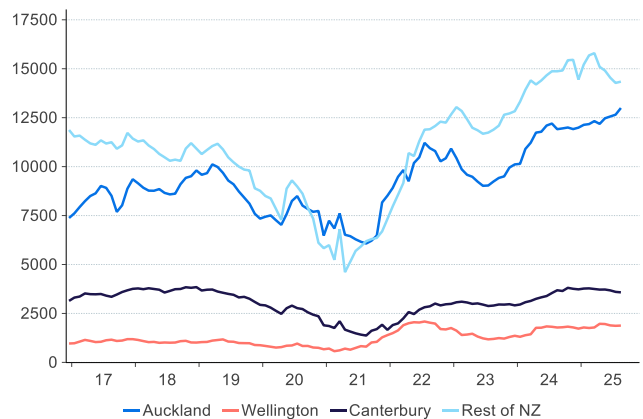
Source: REINZ, Macrobond, ANZ Research

**Figure 6. New listings**



Source: realestate.co.nz, Macrobond, ANZ Research

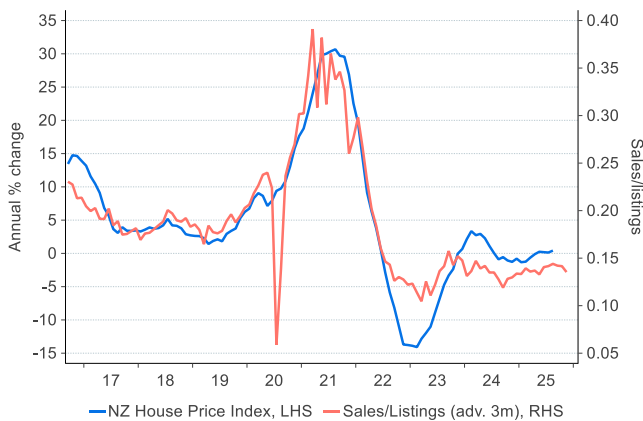
**Figure 7. Housing market inventory by region**



Source: realestate.co.nz, Macrobond, ANZ Research

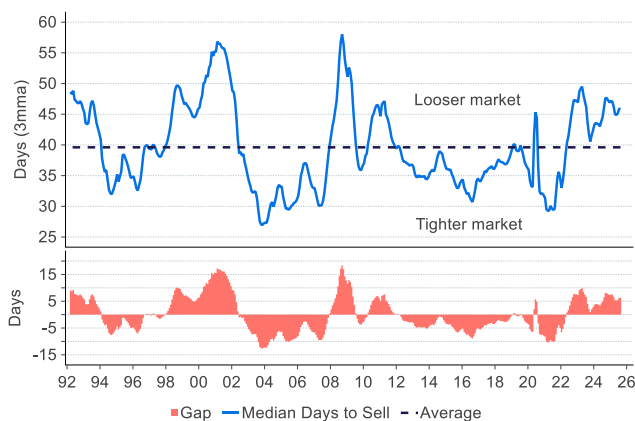
The sales-to-listings ratio is a useful indicator of heat in the housing market and tends to give a 3-6 month lead on house price momentum. Driven by the trends in sales and listings described above, this indicator has weakened in the last couple of months, suggesting a soft market is likely through to year end (figure 8). Likewise, median days to sell has remained above its long-run average over 2025, indicating a looser-than-average market (figure 9).

**Figure 8. Sales-to-listings ratio**



Source: REINZ, realestate.co.nz, Macrobond, ANZ Research

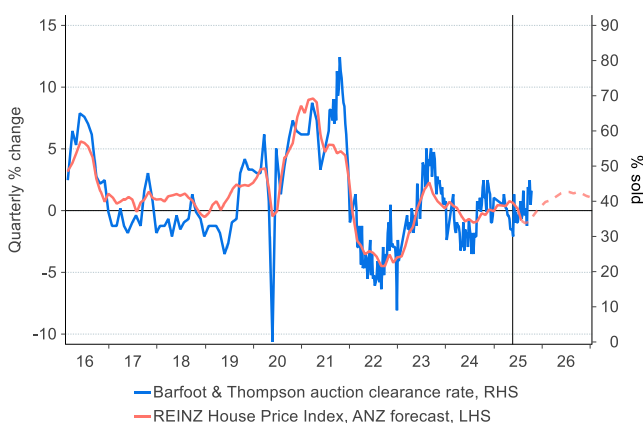
**Figure 9. Days to sell**



Source: REINZ, Macrobond, ANZ Research

The weekly auction clearance rate is interesting given we now have five weeks of data since the RBNZ's dovish pivot at the August MPS. The clearance rate has increased to an average of 43% since the RBNZ's MPS from an average 37% in the five weeks prior. However, our analysis suggests that this is just normal seasonal strength for spring and that it does not provide evidence for increased underlying strength buyer demand.

**Figure 10. Auction clearance rate vs ANZ house price forecast**



Source: REINZ, Barfoot & Thompson, interest.co.nz, Macrobond, ANZ Research

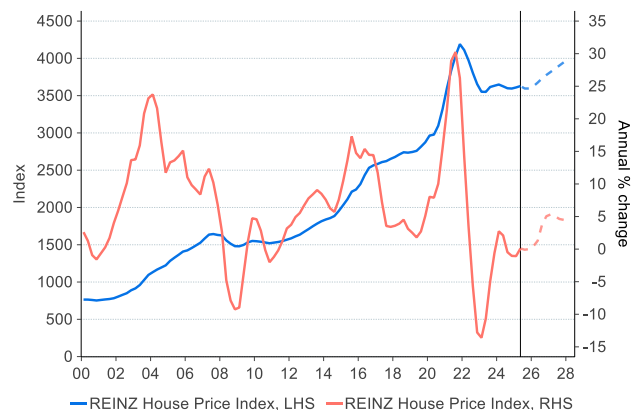
## OCR cuts set the scene for stabilising and eventually increasing house prices

It's been one-way traffic for OCR expectations over recent months. Back in June, when the OCR was 3.25%, market pricing had it going no lower than 3% through 2026. Sub-par data and the easing stance the RBNZ communicated at the August MPS saw markets recalibrate expectations for the 2026 OCR low point down to 2.5%. The slump in GDP has since had markets price in high odds of the OCR going even lower, potentially to 2.25% through 2026.

For our part, we continue to forecast two further 25bp cuts in the OCR at the October and November meetings, taking the OCR down to 2.5%, where we have it staying through 2026. However, we certainly think there are good odds that the OCR ends up lower than this – either through one of the cuts in October or November being a 50bp cut, or the Reserve Bank continuing to cut the OCR in early 2026. Regardless of exactly where the OCR ends up, an OCR with a 2 handle will support the housing market and wider economic recovery.

House prices have little momentum in the near term given lingering headwinds such as a weak labour market and high inventories. We therefore expect prices to be broadly flat over the next few months (in seasonally adjusted terms) and finish 2025 around the same level as they started it. However, we expect lower interest rates and an economic recovery will see prices rise by 5% over 2026 (figure 11).

**Figure 11. House price forecast**



Source: RBNZ, Macrobond, ANZ Research

As always, there are wide uncertainties around our forecast. It is possible that house prices could rise by more than we are forecasting if low interest rates spark considerably more positive sentiment among buyers. On the other hand, it is possible that growing public discussion about the possibility of a capital gains tax will see investors hesitate. There were some signs that this happened during previous times a capital gains tax was discussed, such as over 2014 and 2017-2019. The impact wasn't large – not enough to disentangle from the bigger macroeconomic drivers of the housing market – and prices rose by around 2-8% per year during those windows. But it makes sense that investors would factor tax changes into their thinking if they start to look more likely.

# Property Focus

Housing market indicators for August 2025 (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                    | \$643,474          | -3.2            | 0.3            | -2.1              | -1.0           | 177                | -8%              | 64                   |
| Auckland                     | \$984,299          | 1.6             | -0.4           | 0.0               | -1.4           | 1,868              | -5%              | 46                   |
| Waikato                      | \$746,015          | -0.1            | 1.3            | 0.3               | -0.1           | 705                | +1%              | 53                   |
| Bay of Plenty                | \$849,180          | 6.8             | 1.7            | 1.3               | -0.2           | 375                | -2%              | 48                   |
| Gisborne                     | \$694,145          | 10.3            | 4.0            | 2.1               | 0.3            | 43                 | +32%             | 49                   |
| Hawke's Bay                  | \$683,616          | 3.3             | 1.7            | 2.1               | 0.3            | 193                | -9%              | 45                   |
| Manawatu-Whanganui           | \$536,926          | 0.7             | 0.8            | -0.8              | 0.1            | 283                | -2%              | 45                   |
| Taranaki                     | \$617,615          | 4.2             | 2.3            | 1.9               | 1.6            | 162                | +11%             | 46                   |
| Wellington                   | \$760,459          | -6.9            | -0.1           | -1.1              | 0.1            | 591                | -3%              | 48                   |
| Tasman, Nelson & Marlborough | \$740,844          | 3.6             | 3.7            |                   |                | 204                | -11%             | 42                   |
| Canterbury                   | \$702,976          | 3.9             | 0.8            | 1.9               | 0.3            | 1,105              | -4%              | 41                   |
| Otago                        | \$710,984          | 7.0             | 4.8            | 1.2               | 0.7            | 391                | -2%              | 55                   |
| West Coast                   | \$396,258          | 8.6             | 2.8            | 0.6               | 0.2            | 37                 | +0%              | 54                   |
| Southland                    | \$470,081          | 9.1             | 1.6            | 4.3               | -0.8           | 155                | +7%              | 36                   |
| <b>New Zealand</b>           | <b>\$773,849</b>   | <b>-0.5</b>     | <b>0.5</b>     | <b>0.4</b>        | <b>-0.4</b>    | <b>6,251</b>       | <b>-4%</b>       | <b>46</b>            |

# Feature Article: Breaking even

## Summary

In this month's feature article, we discuss mortgage rate breakevens – what they are, and how to use them. This coincides with the introduction of our new breakeven infographics, which we hope are easier to interpret than the breakeven table we have used previously.

## What are breakevens?

While the maths behind breakevens can be complex, the basic concept is pretty simple. In the case of mortgage rates, the objective is to determine where a particular interest rate needs to be in the future such that a decision to fix for a longer period can be compared to a decision to fix for a shorter period (or periods). That way, a borrower contemplating fixing can make an informed decision today based on where they think mortgage rates might be in the future. An easy example might be the decision to fix for, say, 1 year or 2 years. A borrower contemplating those two choices is likely to have some view on where mortgage rates will be in one year's time, and that will inform them about which might be the better option. Someone who thought mortgage rates might rise would probably choose the 2 year option, whereas someone who thought mortgage rates might fall would probably choose the 1 year option. That's pretty intuitive, but the benefit of calculating a breakeven rate is that we can go a step further than simply asking whether mortgage rates might rise or fall, and instead ask, by how much compared to what's already 'in the price'? Even if borrowers don't realise it, by choosing one option over the other, they are implicitly making that judgement every time they fix – or don't.

## Caveats

One important thing to stress when talking about breakeven analysis is that the objective is simply to minimise total cost over a particular horizon. That's a necessary assumption for simplicity, but it does mean that there will be other factors relevant to an individual's decision that it doesn't take into account.

First, it assumes that all options are affordable. For example, let's say the earlier example applied to you, and last September you were thinking about whether you should fix for 1 year or 2 years. Back then, the 1 year rate was 6.31% and the 2 year was 5.81%. Breakeven analysis doesn't consider the trade-offs you may need to make elsewhere in your budgeting if you choose the more expensive option. As an aside, as it turns out, choosing the more expensive option would have been the best choice, because your 1 year fix would be coming up for renewal now, and you can do that today at 4.75%. That's because paying 6.31% over the past year and 4.75% for the next year (implying an average rate of 5.53%) will end up costing you less than had you fixed for 2 years at 5.81% (which was the cheaper option back then). But the higher payments in the first year might have ruled out that option for some.

Breakeven analysis also doesn't explicitly take into account the value of certainty. Even if, based on your expectations, both options would cost the same, you might prefer to fix for a longer period because that comes with more certainty. Many people place a value on that, though it can be difficult to quantify. Behavioural economics shows people do value it. When asked whether you would prefer a coin toss between \$10 and nothing, or \$5 guaranteed, risk averse people are more likely to take the \$5, as it's less risky. That's because although it has the same expected (probability-weighted) value as the bet does, it's more certain.

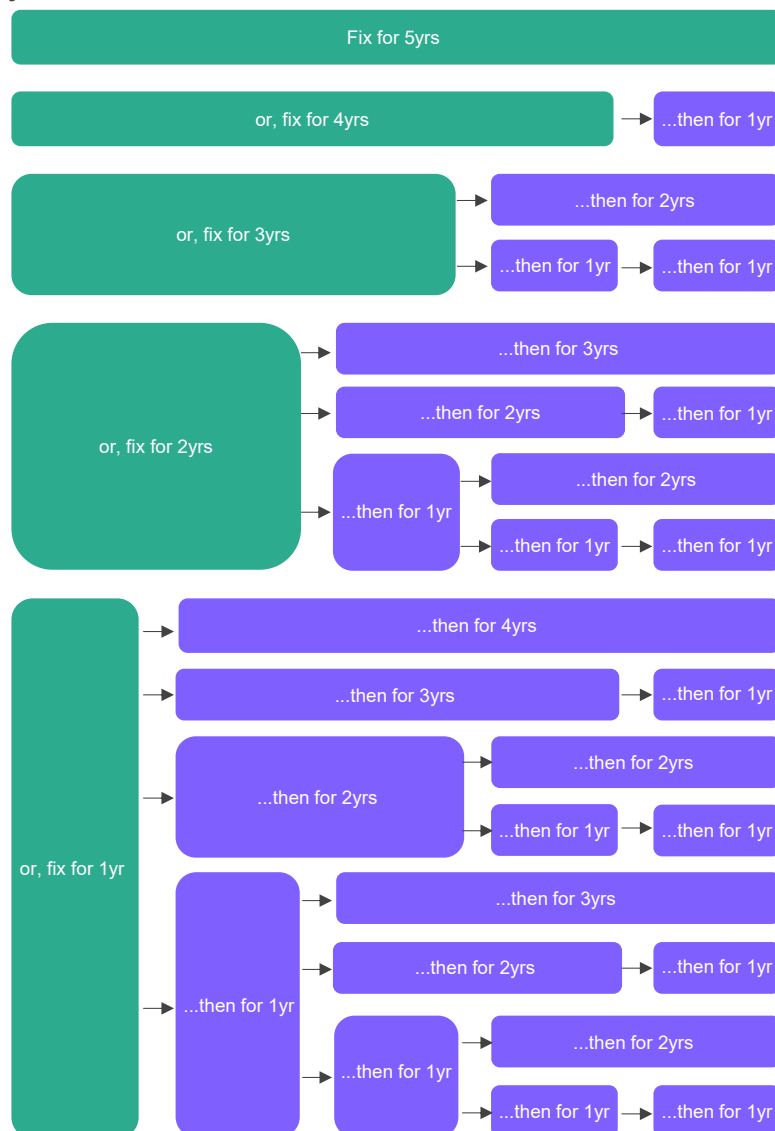
Breakevens also don't take into account the repayment of principal. Doing so would simply be too complex because each borrower's principal repayment schedule is unique and will depend on when the loan was taken out, how long it has to run, and whether there have been any lump sum or early principal repayments. While for most people it wouldn't materially affect the results, if we did take it into account, it would bias you towards securing a lower rate sooner, when the loan is largest.

## Choosing a horizon

Those caveats can be folded back into the mix later, once the maths has been done. Now that we have defined breakevens, the best place to start is, what time horizon are you interested in? This is important as this represents the first decision you make to narrow down your choices. It goes without saying that the longer the time horizon, the greater the complexity. Even if you like certainty and so only contemplate fixes of 1 year or longer, there are 16 different combinations of fixes that you could get you to through the next 5 years. We have stylised these in figure 1. Although we can calculate forward breakevens for each of those decisions today, they are dynamic and will change over time depending on how things evolve. For that reason, most people tend to think in shorter timeframes and tend to reset their analysis when their next decision (or fixed rate roll-off) comes due, and that's how we suggest readers use our analysis.

## Feature Article: Breaking even

**Figure 1. Choices over a 5 year horizon broken into multiples of 1 year**



Source: ANZ Research

### Easy and difficult decisions

Deciding how long to fix one's mortgage for is a complex decision, especially when there are trade-offs (typically between certainty and cost). However, it is generally easier to arrive at a view at the top and bottom of the interest rate cycle. That has generally translated into a preference to be floating or fixed for shorter periods when mortgage rates have been high and fixed for longer periods when they have been low. If you're feeling stressed out about making these decisions, a reassuring fact is that historic data shows that New Zealand borrowers have generally traded the cycle well. Most borrowers are also aware that banks tend to compete more aggressively for fixed mortgages than for floating, which has translated into increased use of short-term fixed terms like 6 months and 1 year as a proxy for floating, which can be a relatively expensive choice, as it is now. By contrast, there are times, like part way through an interest rate cycle, when it might be more difficult to arrive at a view. That's when calculating breakevens to quantify how far mortgage rates need to move to justify a given decision (on cost) can be useful.

### Our new infographics

Now let's turn to our new infographics. While we still intend publishing our breakeven table in its original form, which some have told us they like, feedback suggests that some readers found it difficult to understand; hence we are adding our new infographics, which we think readers will find easier to interpret.

### Using breakeven analysis

The best place to start is to choose a time horizon.

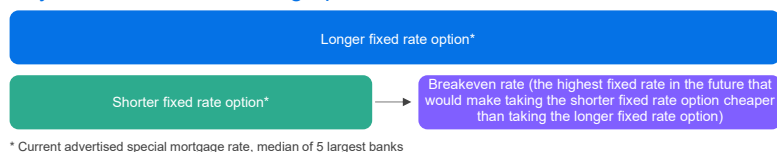
If you have less tolerance for risk, you may want to consider a longer time horizon than someone with more tolerance (just because a longer time horizon can deliver more certainty).

It's also worth thinking about the length of the interest rate cycle. In modern times, wholesale interest rates and mortgage rates have tended to rise and fall quickly as markets have anticipated changes in the OCR (with these expectations the main driver of wholesale interest rates out to 2-3 years) and changes in global interest rates (which tend to be the main driver of 5-10 year wholesale interest rates). We note, for example, that the 2-year mortgage rate bottomed out in Q2 2021, then topped out in Q3 2023, and is still falling from its highs. That doesn't mean 2 years is the appropriate horizon to consider, but it's probably long enough to capture the bulk of any upturn or downturn in the cycle, so we'll use that as our first example, using current data (figure 2).

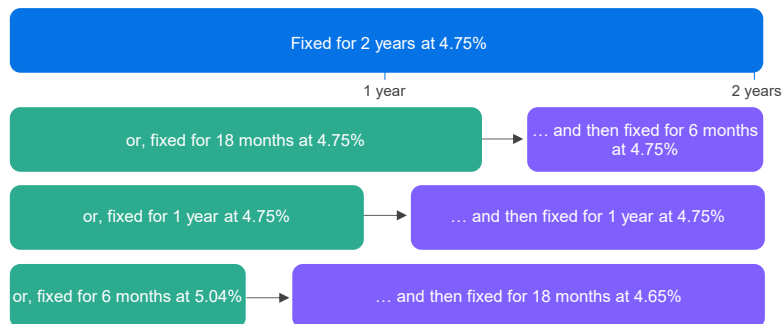
Current mortgage rates are shown in the blue boxes, and breakevens are in the purple boxes. You then have to decide whether you think future interest rates will be above or below the breakeven rates shown for the different terms. If you think future mortgage rates are likely to be below breakeven rates, then you are generally better off fixing for the shorter period. Conversely, if you think future mortgage rates are likely to be above breakeven rates, then you are generally better off fixing for the longer period.

# Feature Article: Breaking even

## Key – how to read our infographics



**Figure 2. Breakevens over a 2 year horizon**



Source: interest.co.nz, ANZ Research calculations

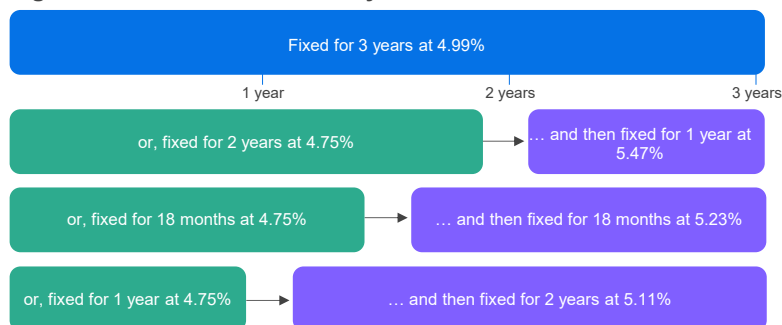
Let's work through the example. As figure 2 shows, if you consider a 2 year horizon, you have four choices, assuming you exclude the option of floating. These are represented by the four levels, with the simplest option at the top being to fix for 2 years at 4.75%.

Alternatively, you could choose to fix for 18 months at 4.75%. As the infographic shows, the 18 month-ahead 6 month breakeven is 4.75%. What that means is that you will save money (compared to fixing for 2 years at 4.75%) by fixing for 18 months now and then again for 6 months if the 6 month rate is below 4.75% in 18 months' time. Conversely, it'll cost you if the 18 month rate is above 4.75% in 18 months' time.

You could also choose to fix for 1 year at 4.75%. As the infographic shows, the 1 year-ahead 1 year breakeven is 4.75%. What that means is that you will save money (compared to fixing for 2 years at 4.75%) by fixing for 1 year now and then again for another year if the 1 year rate is below 4.75% in one year's time, and conversely, it'll cost you if it is above 4.75%.

Finally, you could also choose to fix for 6 months at 5.04%. The 6 month-ahead 18 month breakeven is 4.65%. What that means is that you will save money (compared to fixing for 2 years at 4.75%) by fixing for 6 months now and then again for 18 months if the 18 month rate is below 4.65% in 6 months' time. Conversely, it'll cost you if it is above 4.65%.

**Figure 3. Breakevens over a 3 year horizon**



Source: interest.co.nz, ANZ Research calculations

In our earlier example, breakevens all look pretty boring, because the 1 year, 18 month and 2 year rate are all 4.75%. So as another example, let's consider a 3 year horizon (figure 3). If you exclude the 6 month and the option of floating, you also have four choices. These are again represented by the four levels, with the simplest option at the top being to fix for 3 years at 4.99%.

Alternatively, you could choose to fix for 2 years at 4.75%. As the infographic shows, the 2 year-ahead 1 year breakeven is 5.47%. What that means is that you will save money (compared to fixing for 3 years at 4.99%) by fixing for 2 years now and then again for 1 year if the 1 year rate is below 5.47% in 2 years' time. Conversely, it'll cost you if it's above 5.47%.

You could also choose to fix for 18 months at 4.75%. The 18 month-ahead 18 month breakeven is 5.23%. You will save money (compared to fixing for 3 years at 4.99%) by fixing for 18 months now and then again for another 18 months if the 18 month rate is below 5.23% in 18 months' time. Conversely, it'll cost you if it's above 5.23%.

Finally, you could also choose to fix for 1 year at 4.75%. As the infographic shows, the 1 year-ahead 2 year breakeven is 5.11%. What that means is that you will save money (compared to fixing for 3 years at 4.99%) by fixing for 1 year now and then again for 2 years if the 1 year rate is below 5.11% in one year's time, and conversely, it'll cost you if it's above 5.11%. Of course, that's the tricky bit – deciding whether future interest rates will be above or below breakevens. And one reason why it is so hard is because current market rates and breakevens reflect the collective wisdom of market participants who are highly motivated to anticipate future interest rate moves correctly. But if you've crunched the numbers, at least you have something to go on.

# Mortgage borrowing strategy

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## Summary

Floating mortgage rates and fixed rates out to 3 years are unchanged this month, but average 4 and 5 year rates are slightly lower. As a result, there is no longer a “bump” in the mortgage curve at the 4-year point (figure 1). While that change will be welcome news for borrowers looking to fix for an extended period, RBNZ data show that most borrowers continue to have a preference for shorter fixes, with the 1-year term by far the most popular. That is understandable given the state of the economy, which has fuelled expectations of deeper OCR cuts. Hopes for more aggressive cuts were already high in the wake of the RBNZ’s dramatic pivot last month (when two Monetary Policy Committee members voted for a 50bp cut), but they have intensified following recently released weak Q2 GDP data. For our part, we still expect the OCR to be cut to 2.50% by November, but the risks to that look skewed lower. That will please borrowers, even if the reason for it (a softer economy and indifferent housing market) may not! At the margin, we do think that will probably buy borrowers a little more time when it comes to deciding when to fix for longer. But the easing cycle won’t go on forever, and we are mindful that global interest rates aren’t falling, and that may slow falls in 4 and 5 year rates even if we do see lower shorter-term rates. We still see merit in spreading risk over several terms but expect further slight falls in shorter-term rates as the OCR falls.

## Thoughts and views

Our broad view hasn’t really changed this month. We still expect further modest falls in shorter-term mortgage rates, lesser (if any) falls in longer-term rates, and expect that in some point in the near future, it will be worth extending. However, the tone of the economic data-flow suggests that the risk is that rates fall *further* and won’t start rising till *later*, potentially buying borrowers a little more time to make any decisions to extend. That said, let’s not lose sight of the big picture: the OCR and short-term rates have come down a long way now, and with markets now expecting more OCR cuts that we are forecasting, we still see merit in extending now, and spreading one’s risk, now that we are nearing the end of the cutting cycle.

With that in mind, we note that breakevens still show that interest rates need to either fall some way or not rise over the next 6-12 months in order for it to be worthwhile fixing for 6-12 months with a view to rolling that fix over at expiry. As table 1 shows, if you are thinking about the next year and are tossing up fixing for 6 months or 1 year, you’d only be better off fixing for 6 months if you thought the 6 month rate was going to be below 4.46% by March. That could happen, but that’s 48bp below where it is now, during which time, most forecasters expect the RBNZ to deliver 50bp of cuts. So, it may be a line call, and if certainty appeals to you, the 1 year may be a better option, in “a bird in the hand is worth two in the bush” sense. Similarly, if you are thinking about the choice of

either 1 year or 2 years, to choose the 1 year, you need to be comfortable that you can re-fix next September at 4.75% or below. You might be able to, but it’s also possible that financial markets could be anticipating OCR hikes by then, even if the RBNZ hasn’t actually started hiking.

On that score, we’d like to draw readers’ attention to our new breakeven infographics, which are on the next page. We hope that these will be easier to understand than table 1, which some readers have told us can be difficult to decipher (but we will keep table 1 for now, as we know some readers like it). Our feature article also discusses breakevens, and how they can help in decision making.

Figure 1. Carded special mortgage rates\*

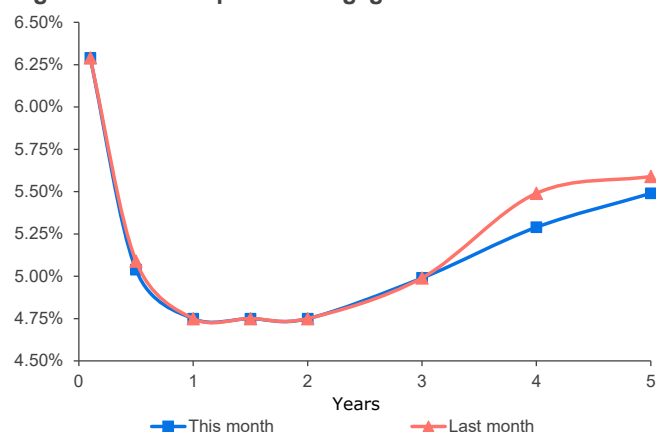


Table 1. Special mortgage rates\*

| Term      | Current | Last month |
|-----------|---------|------------|
| Floating  | 6.29%   | 6.29%      |
| 6 months  | 5.04%   | 5.09%      |
| 1 year    | 4.75%   | 4.75%      |
| 18 months | 4.75%   | 4.75%      |
| 2 years   | 4.75%   | 4.75%      |
| 3 years   | 4.99%   | 4.99%      |
| 4 years   | 5.29%   | 5.49%      |
| 5 years   | 5.59%   | 5.59%      |

Source: interest.co.nz, ANZ Research

# Breakevens

**Table 1. Special mortgage rates and breakevens\*\*^**

| Term      | Current | in 6mths | Breakevens for 20%+ equity borrowers |           |          |          |          |
|-----------|---------|----------|--------------------------------------|-----------|----------|----------|----------|
|           |         |          | in 1yr                               | in 18mths | in 2 yrs | in 3 yrs | in 4 yrs |
| Floating  | 6.29%   | 3.21%    |                                      |           |          |          |          |
| 6 months  | 5.04%   | 4.46%    | 4.75%                                | 4.75%     |          |          |          |
| 1 year    | 4.75%   | 4.61%    | 4.75%                                | 5.05%     | 5.47%    | 6.19%    | 6.29%    |
| 18 months | 4.75%   | 4.65%    |                                      | 5.23%     |          |          |          |
| 2 years   | 4.75%   | 4.83%    | 5.11%                                | 5.43%     | 5.83%    | 6.24%    |          |
| 3 years   | 4.99%   | 5.16%    | 5.47%                                | 5.71%     | 5.98%    |          |          |
| 4 years   | 5.29%   | 5.43%    | 5.68%                                |           |          |          |          |
| 5 years   | 5.59%   |          |                                      |           |          |          |          |

\*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 4.75%

6mths

1 year

or, fixed for 6 months at 5.04%

... and then fixed for 6 months at 4.46%

or, go floating for 6 months at 6.29%

... and then fixed for 6 months at 3.21%

## 2 year horizon

Fixed for 2 years at 4.75%

1 year

2 years

or, fixed for 18 months at 4.75%

... and then fixed for 6 months at 4.75%

or, fixed for 1 year at 4.75%

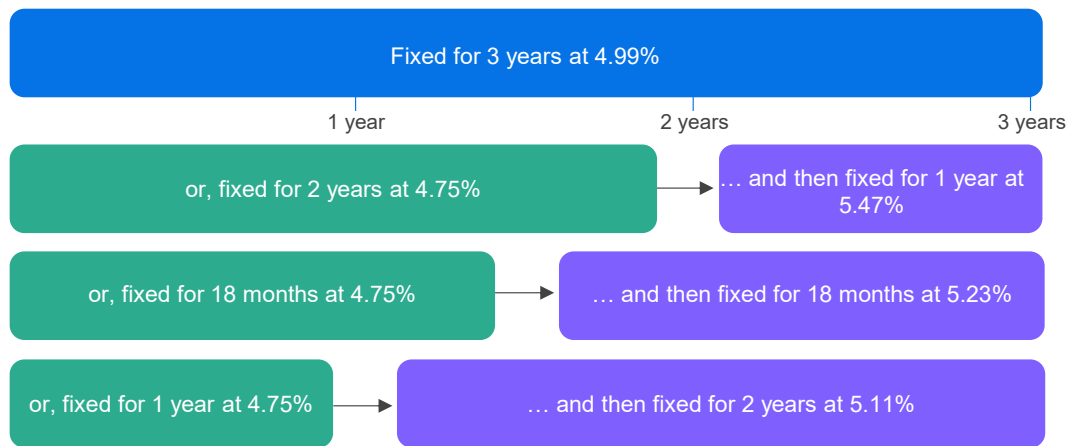
... and then fixed for 1 year at 4.75%

or, fixed for 6 months at 5.04%

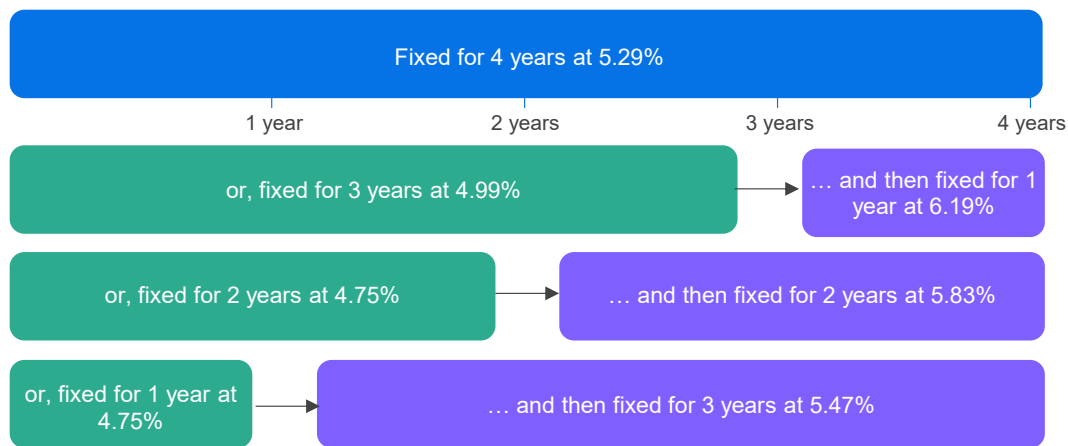
... and then fixed for 18 months at 4.65%

## Breakevens

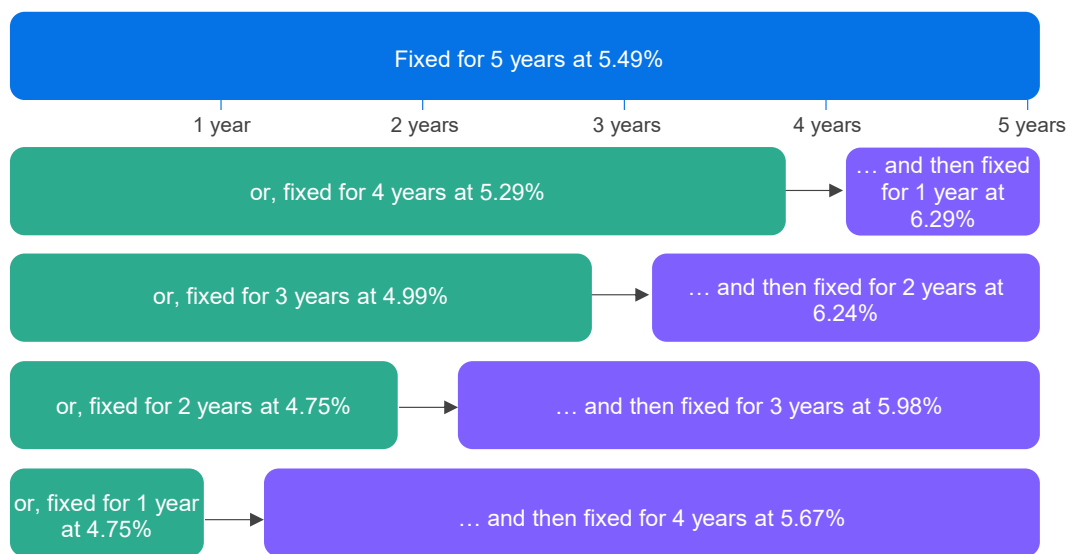
### 3 year horizon



### 4 year horizon



### 5 year horizon



Source: interest.co.nz, ANZ Research calculations

## Key forecasts

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

|                       |      | Mortgage Rate (%) |       |       |       |       |       |       |       |       |       |       |       |       |       |
|-----------------------|------|-------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                       |      | 4.00              | 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  |
| Mortgage Size (\$000) | 200  | 220               | 227   | 234   | 241   | 248   | 255   | 262   | 269   | 277   | 284   | 292   | 299   | 307   | 315   |
|                       | 250  | 275               | 284   | 292   | 301   | 309   | 318   | 327   | 336   | 346   | 355   | 364   | 374   | 384   | 393   |
|                       | 300  | 330               | 340   | 351   | 361   | 371   | 382   | 393   | 404   | 415   | 426   | 437   | 449   | 460   | 472   |
|                       | 350  | 385               | 397   | 409   | 421   | 433   | 446   | 458   | 471   | 484   | 497   | 510   | 524   | 537   | 551   |
|                       | 400  | 440               | 454   | 467   | 481   | 495   | 509   | 524   | 538   | 553   | 568   | 583   | 598   | 614   | 629   |
|                       | 450  | 495               | 511   | 526   | 541   | 557   | 573   | 589   | 606   | 622   | 639   | 656   | 673   | 690   | 708   |
|                       | 500  | 550               | 567   | 584   | 601   | 619   | 637   | 655   | 673   | 691   | 710   | 729   | 748   | 767   | 787   |
|                       | 550  | 606               | 624   | 643   | 662   | 681   | 700   | 720   | 740   | 760   | 781   | 802   | 823   | 844   | 865   |
|                       | 600  | 661               | 681   | 701   | 722   | 743   | 764   | 786   | 807   | 830   | 852   | 875   | 897   | 921   | 944   |
|                       | 650  | 716               | 737   | 760   | 782   | 805   | 828   | 851   | 875   | 899   | 923   | 947   | 972   | 997   | 1,023 |
|                       | 700  | 771               | 794   | 818   | 842   | 867   | 891   | 917   | 942   | 968   | 994   | 1,020 | 1,047 | 1,074 | 1,101 |
|                       | 750  | 826               | 851   | 876   | 902   | 928   | 955   | 982   | 1,009 | 1,037 | 1,065 | 1,093 | 1,122 | 1,151 | 1,180 |
|                       | 800  | 881               | 908   | 935   | 962   | 990   | 1,019 | 1,048 | 1,077 | 1,106 | 1,136 | 1,166 | 1,197 | 1,227 | 1,259 |
|                       | 850  | 936               | 964   | 993   | 1,023 | 1,052 | 1,082 | 1,113 | 1,144 | 1,175 | 1,207 | 1,239 | 1,271 | 1,304 | 1,337 |
|                       | 900  | 991               | 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 |
|                       | 950  | 1,046             | 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 |
|                       | 1000 | 1,101             | 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 |

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

|                          | Actual |        |         | Projections |        |        |        |        |        |        |
|--------------------------|--------|--------|---------|-------------|--------|--------|--------|--------|--------|--------|
|                          | Mar-25 | Jun-25 | Current | Sep-25      | Dec-25 | Mar-26 | Jun-26 | Sep-26 | Dec-26 | Mar-27 |
| Floating Mortgage Rate   | 7.2    | 6.8    | 6.3     | 6.3         | 5.8    | 5.8    | 5.8    | 5.8    | 5.8    | 6.0    |
| 1-Yr Fixed Mortgage Rate | 5.2    | 4.9    | 4.8     | 4.8         | 4.6    | 4.6    | 4.8    | 4.9    | 5.0    | 5.1    |
| 2-Yr Fixed Mortgage Rate | 5.1    | 4.9    | 4.8     | 4.8         | 4.7    | 4.8    | 4.8    | 4.9    | 5.0    | 5.1    |
| 3-Yr Fixed Mortgage Rate | 5.4    | 5.1    | 5.0     | 5.0         | 4.9    | 4.9    | 5.0    | 5.0    | 5.1    | 5.1    |
| 5-Yr Fixed Mortgage Rate | 5.7    | 5.6    | 5.5     | 5.6         | 5.4    | 5.4    | 5.5    | 5.5    | 5.6    | 5.6    |

Source: RBNZ, ANZ Research

Wholesale interest rate forecasts

|                       | Actual |        |         | Forecasts |        |        |        |        |        |        |
|-----------------------|--------|--------|---------|-----------|--------|--------|--------|--------|--------|--------|
|                       | Mar-25 | Jun-25 | Current | Sep-25    | Dec-25 | Mar-26 | Jun-26 | Sep-26 | Dec-26 | Mar-27 |
| Official Cash Rate    | 3.75   | 3.25   | 3.00    | 3.00      | 2.50   | 2.50   | 2.50   | 2.50   | 2.50   | 2.75   |
| 90-Day Bank Bill Rate | 3.61   | 3.29   | 2.83    | 2.73      | 2.60   | 2.60   | 2.60   | 2.60   | 2.80   | 3.10   |
| NZ 2-yr swap          | 3.37   | 3.19   | 2.68    | 2.76      | 2.75   | 2.86   | 2.94   | 3.02   | 3.11   | 3.16   |
| 10-Year Bond          | 4.49   | 4.54   | 4.22    | 4.25      | 4.25   | 4.25   | 4.40   | 4.50   | 4.50   | 4.50   |

Economic forecasts

|                              | Actual |        |        | Forecasts |        |        |        |        |        |        |
|------------------------------|--------|--------|--------|-----------|--------|--------|--------|--------|--------|--------|
|                              | Dec-24 | Mar-25 | Jun-25 | Sep-25    | Dec-25 | Mar-26 | Jun-26 | Sep-26 | Dec-26 | Mar-27 |
| GDP (Annual % Chg)           | -1.4   | -0.6   | -0.6   | 0.9       | 1.4    | 1.2    | 2.9    | 3.1    | 2.9    | 2.8    |
| CPI Inflation (Annual % Chg) | 2.2    | 2.5    | 2.7    | 3.0       | 2.9    | 2.2    | 1.9    | 1.7    | 1.7    | 1.8    |
| Unemployment Rate (%)        | 5.1    | 5.1    | 5.2    | 5.3       | 5.2    | 5.1    | 4.9    | 4.8    | 4.6    | 4.5    |
| House Prices (Quarter % Chg) | -0.1   | 0.4    | 0.5    | -0.9      | 0.0    | 0.8    | 1.4    | 1.5    | 1.2    | 1.1    |
| House Prices (Annual % Chg)  | -1.0   | -1.1   | 0.1    | -0.1      | 0.0    | 0.4    | 1.3    | 3.8    | 5.0    | 5.3    |

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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