

Property Pulse

1 April 2026

No gains as uncertainty reigns

- House price expectations trimmed to flat
- As the Middle Eastern conflict changes the outlook
- Real house prices keep falling
- Interest rate view unchanged

The view, in brief

The lengthening conflict in the Middle East has prompted a rework of our macro forecasts. We're now looking at a weaker economy, higher inflation, a delayed labour market recovery, and slightly higher mortgage rates. Rising net migration will work in the other direction, but the implications for housing demand are clearly negative overall. We've consequently pruned our house price inflation projection to flat for this calendar year, from +2.0% previously.

It's a wild time to be making any sort of forecast. Ours may yet prove optimistic. But, if they're in the ballpark, spiking inflation would still see real or inflation-adjusted house prices fall through to about mid-2027. That would return them to late 2016 levels, 30% below the 2021 peak.

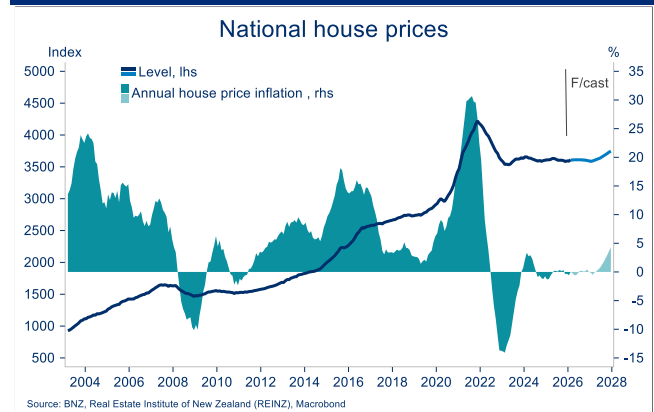
We've retained our *central* view the mortgage rate curve will be higher by mid-year than currently. But the range of potential outcomes remains very wide, as confirmed by the Reserve Bank Governor last week.

Welcome to our first quarter *Property Pulse*. Supporting our more regular [EcoPulse](#) updates, we run through recent housing and mortgage rate happenings, and provide our take on the outlook.

Included in report:











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- [House price outlook](#)
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House price forecasts



Impact of macro drivers on our house price view

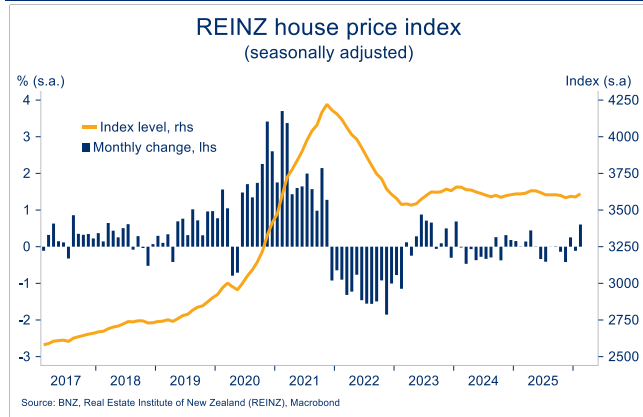
The table below summarises the various drivers of house price inflation and their directional impact on our view.

	0-6 months	12-18 months	View summary
Mortgage rates			A period of rates at supportive levels still lies ahead but recent increases, and the risk of more, may take the edge off demand
Housing supply			The supply pipeline looks healthy. Rising migration boosts the odds of it being absorbed rather than added to already high inventory
Labour market			Under threat from the economic hit arising from the fuel price shock. Firms' hiring plans are likely to be tested, and job security and wage expectations tempered
Housing policy			Playing second fiddle to the drivers above
House price inflation			The three-year period of house price flatness is expected to extend

February foothold likely a flash in the pan

National house prices rose in February. Our seasonally adjusted estimate of the REINZ House Price Index lifted 0.6% m/m. It was the strongest gain in 25 months, but you'd be hard-pressed to characterise it as a breakout of the three-year long sideways pattern.

Flat



We now expect this sideways house price trend to extend for longer. Previously we expected the trend to bend upwards to the tune of 2% this year. We now have flat prices through to around the fourth quarter and then small monthly declines such that house prices finish the calendar year broadly where they started.

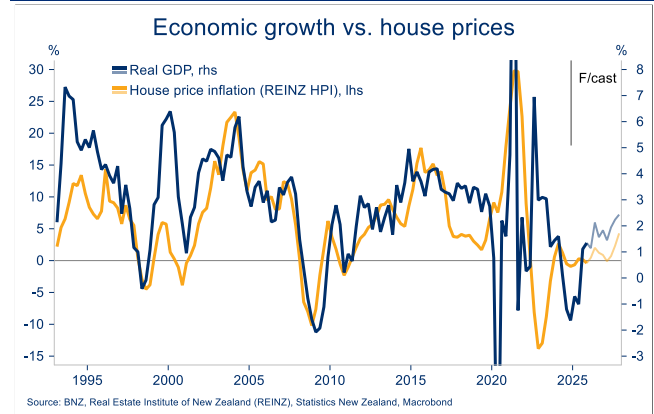
A game-changing shock

This change is part of a broader adjustment to our forecasts to try and factor in the impacts of the lengthening Iranian conflict. Views on the matter are likely to keep changing, potentially significantly. For now, key aspects of our updated view include:

- **A weaker economic growth profile.** Consumers will carry a heavy burden, as higher fuel costs drain purchasing power and sap consumer confidence. There will also be broader negative impacts, including on business profitability, investment and exports, particularly tourism. We're left with a profile in which economic growth again sags in the middle of the year. Our second and third quarter GDP growth forecasts have been cut such that annual growth is pulled down a full percentage point to 1.8%/y for calendar 2026. So it's weaker growth, but still growth. At least at this stage. The game would change if fuel rationing was ultimately required, or if the conflict escalated.
- **A spike in inflation.** Second quarter CPI inflation is now forecast to spike to 4.3%/y. Some easing is expected thereafter but with annual inflation forecast to hold above 3.0% all year. Highlighting the impost on consumers, a measure of "essentials" inflation – which isolates from the CPI rents, rates, food, energy, and

petrol – is expected to spike to 6.5%/y in June, the highest since September of 2023.

Forecasts downgraded



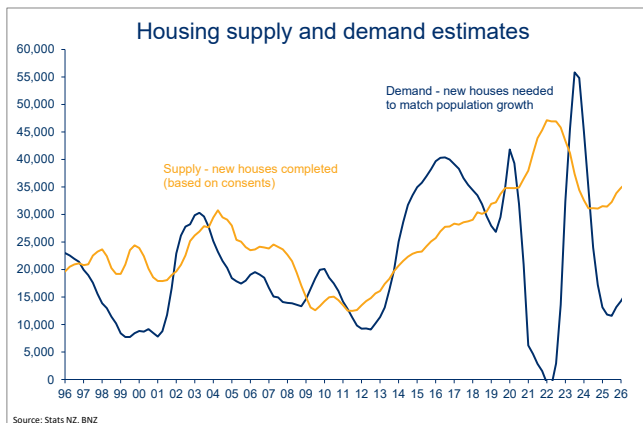
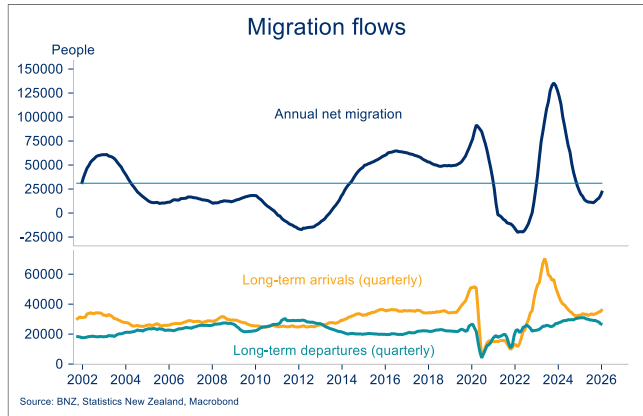
- **Putting the expected recovery in labour market conditions on ice.** Firms' hiring intentions are likely to be tested now that growth expectations are coming under pressure, costs rising aggressively, and uncertainty about the outlook in the ascendancy. Job security and wage expectations are likely to be tempered as a result. Any improvement in labour market conditions now looks like a story for next year. Indeed, our updated forecasts have the unemployment rate holding up at the current (5.4%) rate for the remainder of this year.
- **No change in our OCR view, but with mortgage rates lifting earlier** (see mortgage rate section). Fixed mortgage rates are up 10-25bps on February levels and may yet nudge a little higher in response to the recent spike in wholesale interest rates. We still expect the first 25bps RBNZ OCR hike in September, even as markets have pulled forward the implied pricing of such to July.

In sum, we're looking at a weaker economy, more uncertainty, higher inflation, reduced job security, and mortgage rates a little higher than otherwise. All of these factors are likely to hold back housing demand relative to prior expectations.

There is one rather large factor going against the grain though, which is migration. In recent months, we've seen clearer evidence the migration cycle has turned upward, and with a bit more force than we'd previously allowed for. From around 10,000 late last year, net migration inflows picked up to around 23,000 in January.

Both fewer departures and additional arrivals have contributed. Net inflows are still below average overall but, if recent trends continue, the second half of the year could feature above-trend inflows and population growth getting back to average rates closer to 1%p.a.

Migration cycle turning, and so is housing supply



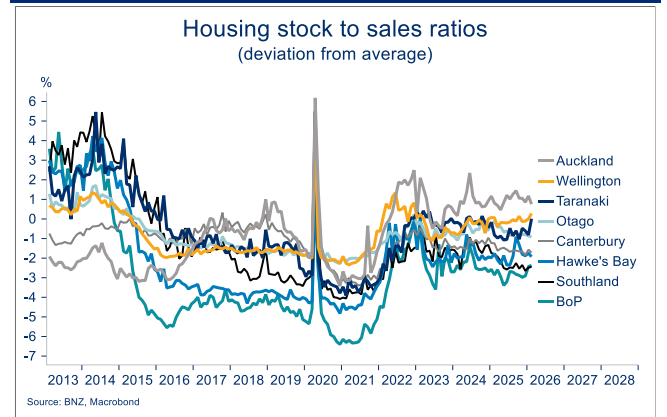
Any lift in housing requirements from population growth does need to be set against a still strong supply pipeline. A flurry of consenting activity signals a potential pick-up in home building activity over the first half of the year.

Even as it is, higher numbers of house sales continue to be comfortably absorbed by an above-average pace of new listings. Unsold inventory has held around 11-year highs as a result.

So, the overall message is still one in which supply is turning up at a similar pace to that required to match population growth (chart opposite).

Amongst the regions, Auckland and Wellington remain the most well supplied housing markets (relative to their respective averages), with Southland and the Bay of Plenty at the tighter end.

Auckland, Wellington remain most well supplied markets



Mortgage rate outlook

Our view at a glance (all based on our forecasts for the Official Cash Rate and wholesale interest rates)

	Short-term	12m ahead	Comment
Floating rates	➡	➡	In a holding pattern ahead of likely increases later in the year
Short-term fixed	➡	➡	Past the cycle lows and moving into a fits-and-starts sort of uptrend
Longer term fixed (3-year+)	➡	➡	Additional upward pressure lingers in the short-term, mostly reflecting lifts in offshore interest rates
Fix or float?	Horses for courses, but our view is there's value in longer terms		

Floating rates – holding pattern

The inflation consequences of the fuel price shock have injected fresh uncertainty and debate into the outlook for the Official Cash Rate (OCR).

Should the Reserve Bank move the OCR higher earlier, denting growth, but potentially heading off additional inflation pressures? Or should it leave well alone to preserve growth, but at the risk of embedding higher inflation?

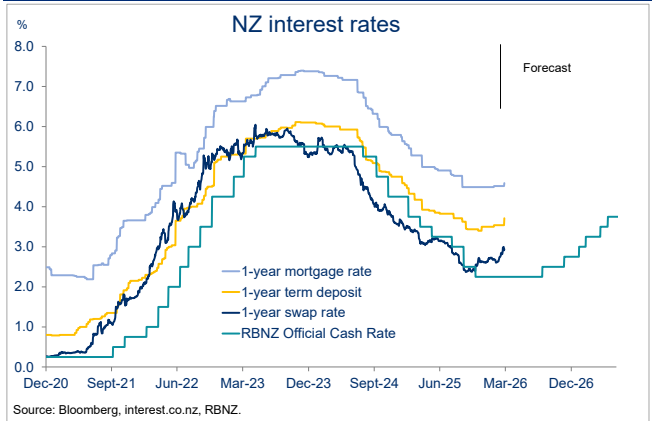
We now see inflation rising to a peak of 4.3%/y in Q2 and remaining above 3% for the rest of the year. The oil price spike is hoped and assumed by most to be temporary. But such is the magnitude of the inflation shock, and likely pressure on medium-term inflation, that we think the Reserve Bank will have to lift the OCR, and potentially rapidly, later in the year. We continue to forecast a 25bps hike in September, and another in December.

Financial market expectations are currently centred on a July start to the tightening cycle, with almost three full 25bps lifts

priced by year end. This repricing has seen wholesale interest rates rise aggressively over the past month (see for example the 1-year swap rate in chart below).

Based on our OCR outlook, we might expect floating mortgage rates to start rising around the third quarter, finishing the year in a higher 6.00-6.50% range. We stress much can (and will!) change from here.

Interest rates move past the cycle lows



Fixed rates – biased higher

Wholesale interest rates have jumped since the Iranian war began, reintroducing upward pressure on retail interest rates (both term deposit and mortgage rates).

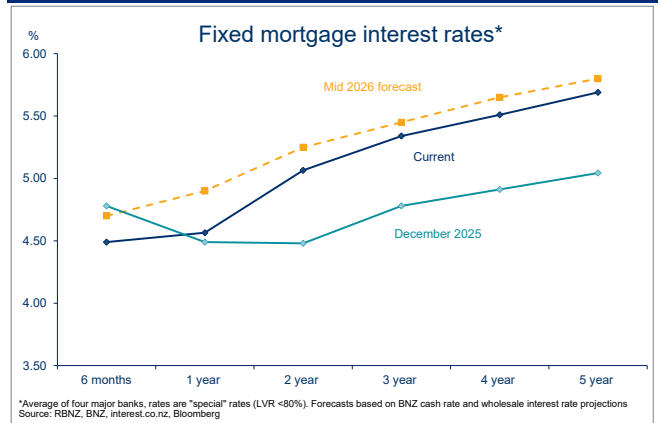
One and two-year swap yields, for example, are now 30 and 50bps higher, respectively, than end February levels. Higher wholesale rates have prompted a sprinkling of upward adjustments to mortgage and deposit rates, but our assessment is that some upward pressure remains. This could see mortgage rates, particularly for longer 3–5-year terms, lift further unless wholesale rates back off.

Some retracement in wholesale rates is possible should the market reassess expectations for OCR hikes. For example, there’s currently around a 30% chance of a 25bps hike baked in for the May meeting, and a hike is close to fully priced by July. The most obvious trigger for any climb down would be any deescalation in the Middle East. But it could also occur if estimates of the damage to the NZ economy, for example via fuel shortages, were to increase.

Still, we wouldn’t overstate the potential for any back down in wholesale interest rates. The lift in NZ rates is part of a global phenomenon. So, even if the Reserve Bank holds off until the second half of the year as we expect, this might not hold much sway over the longer-term rates that are typically driven more by global forces.

Stepping back, we’re left with a *central* view the mortgage curve will be higher by mid-year than now (chart below). The range of potential outcomes remains very wide though.

Mortgage curve rises and steepens



Mortgage Strategy

Before diving into the rate fixing debate, it’s worth reiterating that getting a mortgage strategy “right” is primarily about meeting a borrower’s financial needs and requirements for certainty. Trying to pick the timing of interest rate movements is fraught with difficulty.

That’s particularly so at the moment given there are big risks in both directions. In times like this, a general upweighting of whatever strategy would help you sleep at night is probably prudent.

For many, that might entail fixing for longer than otherwise. Longer term fixes have certainly gained popularity in recent months. RBNZ data shows the share of new mortgage borrowings fixed for either two or three years rose to an average of 37% over December and January, up from an average of 16% in the 12 months prior.

However, the cost of fixing for longer has lifted. A three-year fixed rate, at current rates around 5.3%, is about 85bps above the average six-month rate – the highest difference in four years. This will have many wondering whether the extra upfront cost is worthwhile.

Normally this is where we would climb into ‘break-even’ analysis. That analysis, in short and viewed in isolation, leans against longer-term fixes given the recent repricing. However, we think break-evens are less useful at present. They risk being overly analytical in a volatile environment where many disparate scenarios are in play.

It’s also worth mentioning that hedging or fixing for longer terms, even at rates a little higher than a month ago, is about covering or controlling risk in an environment where household costs are increasing rapidly due to higher food and fuel costs. Some may thus place extra value on longer term fixes, meaning that the higher upfront costs are worthwhile. Others may prefer the risk profile of shorter-terms which offer a lower upfront cost and refixing opportunities, but also carry more uncertainty and hence risk.

Overall, there’s a higher element of ‘horses for courses’ than usual to the fixing question. But pulling all the above threads together leaves us comfortable with the view there’s more value in longer fixed terms

Appendix: Regional Heatmap

Regional Housing Market Heatmap - February data*								
Region	House prices ¹			House sales	Days to sell	New tenancy rents ²		Relative strength
	Median price	3m/3m %	Annual %	3m/3m %	Deviation from av	Per week	Annual %	
Northland	\$670,000	-0.7	-1.5	-0.5	0%	\$534	6.8	
Auckland	\$1,000,057	-0.2	-1.1	4.3	33%	\$624	-1.9	
Waikato	\$752,710	-0.1	0.7	1.6	2%	\$534	1.0	
Bay of Plenty	\$817,054	-0.3	1.7	-5.2	-10%	\$615	1.6	
Gisborne	\$659,953	0.4	0.6	-15.9	24%	\$558	1.1	
Hawke's Bay	\$684,806	0.4	0.6	11.2	10%	\$579	-3.3	
Manawatu-Wanganui	\$536,346	-0.4	-0.3	1.8	-5%	\$496	0.0	
Taranaki	\$602,874	-0.2	0.9	-1.9	-8%	\$550	1.7	
Wellington	\$857,834	-1.2	-2.8	-0.9	59%	\$575	-5.3	
Nelson, Tasman	\$736,011	-0.6	0.2	-8.1	NA	\$491	-4.5	
Canterbury	\$711,610	0.7	3.3	-4.3	21%	\$564	2.7	
West Coast	\$428,333	0.4	0.3	-15.5	NA	\$427	2.7	
Otago	\$735,447	1.1	1.6	0.9	9%	\$599	2.7	
Southland	\$511,347	4.1	7.0	0.6	7%	\$428	NA	
New Zealand	\$785,572	0.1	0.0	0.6	21%		-1.4	

*Notes: All data seasonally adjusted by BNZ; (1) House price data (other than Median Price) based on REINZ HPI; (2) January data, based on new tenancies.
Sources: REINZ, Statistics NZ, BNZ, realestate.co.nz, NZ tenancy service, Macrobond.



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