

youthful MOVEMENT



AN INTERGENERATIONAL SHIFT IS UNDERWAY IN THE LIFESTYLE SALES SECTOR, AS AGEING FARMERS INVOKE EARLY RETIREMENT PLANS AND YOUTHFUL MOVEMENT TO RURAL AREAS GAINS PACE. BAYLEYS ASKS, WHAT'S DRIVING YOUNGER KIWIS TO OUR PROVINCES AND RURAL REGIONS?

BETWEEN A GLOBAL HEALTH CRISIS, economic uncertainty and extreme weather events, the past few years have been a key catalyst for Kiwis to reassess their lifestyle choices and ramp up plans for the next big move.

Across the country, we saw a flight to lifestyle properties as Kiwis sought space and freedom away from city confines during the most difficult days of

pandemic-induced lockdown restrictions.

However, larger lifestyle sections have become more challenging for ageing owners to manage in the current financial environment, with some choosing to speed up retirement plans and free capital to take advantage of preferable buying conditions.

While Kiwi retirees may be looking for fresh opportunities, a new generation of

budding hobby farmers are waiting in the wings, searching for the idyllic blend of space, affordability, and open air on the outskirts of our main centres and regional areas.

CHANGE OF PACE

Recent Bayleys sellers Robert and Glynda have enjoyed living on their country estate in South Waikato for more than

couple have sought to cash in on their investment, moving into something more manageable for their stage of life.

It's a similar story up the road at Maramarua, where a recent Bayleys seller listed his 20 hectare grazing block for sale, citing early retirement plans as the catalyst for selling up.

Both examples have resulted in an intergenerational land transfer, indicative of the current economic climate, Bayleys lifestyle sales specialists say.

Informed by the fast pace of the urban lifestyle, where traffic congestion and pressure on infrastructure remain a constant concern, anecdotal evidence shows young families are increasingly drawn to rural and semi-rural areas across the Upper North Island to raise children and improve their quality of life.

Recent Bayleys buyers Rachel and Jason moved from Central Tauranga to a lifestyle property in the Western Bay of Plenty, noting a desire to see their two children grow up with ample space to explore and grow, surrounded by nature, with the opportunity for everyday adventures.

At the same time, they say staying connected for schooling and amenities is essential, which was a critical consideration when upsizing from a suburban home to their new lifestyle property.

WHAT'S DRIVING CHANGE?

At 7.2 times nationally and 8.9 times in Auckland, the latest house price to income multiples sit well above the metric traditionally considered a good marker for housing affordability, which is three.

While residential property values across the country have regressed some 16 percent from the market peak, incomes have failed to keep pace with inflation, and affordability remains a critical barrier to homeownership for many families, particularly in built-up areas.

Cue the value proposition of lifestyle properties in rural and semi-rural locations, which offer land and comparative affordability seldom seen in main centres.

Following a boom period, as Kiwis sought refuge in the country during the global health crisis, the lifestyle sales market plateaued during the first half of 2023. However, now shows signs of a resurgence in sales activity brought about by a greater proportion of young buyers motivated to make their move.

While wholesale mortgage rate pricing has been trending down in recent months, the average mortgage rate is anticipated to rise by a further 150 basis points by early 2024, which would see

“HOUSEHOLDS ARE HAVING TO SPEND MORE TO GET LESS, INCREASING THE VALUE PROPOSITION OF LIFESTYLE PROPERTIES IN SEMI-RURAL AND RURAL LOCATIONS.”

the average household's spending on debt servicing increase from around five percent of disposable income to 10 percent in 2024.

With households having to spend more to get less, there's a growing movement away from expensive urban areas and into locations which provide opportunities for families to save where they can on items like homegrown fruit and vegetables, commuter costs, council rates and general living costs which are traditionally higher in locations serviced by more amenities.

ABUNDANT OPPORTUNITIES

Where property values across the country have fallen into a more comfortable place for buyers, Bayleys lifestyle sales specialists report a growing trend of first home buyers moving to semi-rural locations while older landowners trade in to be closer to family support.

They say, this has resulted in an intergenerational land transfer, paving the way for more youthful movement in rural areas.

There's a massive upside to this movement for rural communities, which stand to benefit from a growing population of skilled workers who have a valuable role to play in revitalising small economies and contributing to evolving lifestyle locations.

With fewer Kiwis required to commute to urban areas to reach workplaces and amenities, increased lifestyle flexibility continues to allow buyers to pursue their land-owning aspirations. This is an appealing option Bayleys salespeople say is set to capture the attention of some of the 140,000 new migrants expected to arrive in New Zealand over the next year.

Just as net migration returns to pre-pandemic levels, putting pressure on housing supply in our main centres, house hunters in the lifestyle sector are focused on maximising current market conditions.

This includes more significant indications we may be at or near the bottom of the cyclical downturn. At the same time, mortgage advisors are reporting an increased willingness to lend from banks, aided by an easing in recent credit assessment policy and loan-to-value ratios – encouraging more buyers to maximise market conditions now.