



Lifestyle market

UPDATE 2023

FOLLOWING TWO YEARS OF ASTRONOMICAL VALUE GAINS, THE LIFESTYLE SALES MARKET HAS PAUSED FOR BREATH WHILE KIWIS DIGEST ECONOMIC CHANGE AND REASSESS THEIR LIFESTYLE PREFERENCES. YET, DESPITE CHALLENGES, BRIGHT SPOTS EXIST FOR THE SECTOR, AND BAYLEYS' DEDICATED LIFESTYLE SALES TEAM INVESTIGATES THE KEY TRENDS IMPACTING THE MARKET IN 2023.

INFORMED BY THE EXPERIENCE of a global health crisis, the rising cost of housing, and a quickly changing residential development landscape, more New Zealanders have looked to the outer reaches of urban areas and our regional centres for a mix of value and liveability.

This has resulted in solid growth for the Upper North Island's lifestyle sales market and two years of consistently climbing value gains.

However, rising mortgage lending rates, the higher cost-of-living and global economic volatility impacted sales activity at the close of 2022 as

buyers adopted an air of caution and a wait-and-see approach to making their move.

PRICES CALM AFTER MASSIVE BOOST Market experts from Bayleys dedicated Lifestyle Sales team note that transactions for lifestyle properties across the Upper North Island are generally taking longer to conclude, and a more significant proportion of conditional buyers are active across the marketplace.

Interestingly, they remark that buyers are increasingly looking outside local areas, often driven by a desire for a remote working lifestyle change post-pandemic.

This trend is most apparent amongst Auckland-based purchasers looking to benefit from more affordable property prices in New Zealand's regional areas. Bay of Plenty and Waikato remain key focus areas for buyers in 2023.

Buyers continue to look outside their local areas, often driven by a desire to maximise a remote working lifestyle change post-pandemic.

FINANCING AND RISING RATES CREATE HEADWINDS

Like the residential sales market, Kiwis' access to finance has been impacted by the hangover of the Credit Contracts and Consumer Finance Act (CCCFA)

changes which, while dampened down by policymakers, still influences the amount financial institutions are willing and able to lend. In addition, higher mortgage lending rates continue to impact overall affordability.

Bayleys salespeople note that buyers are more selective about the properties they are considering, making it crucial that sellers pay attention to add-value details to help their properties stand out. This includes improving small details that make big impressions, such as fencing, security and aesthetics like paint, carpet and landscaping.

REMOTE WORKING AND CONNECTIVITY EXTEND BUYER REACH

A combination of improved connectivity and increased acceptance to accommodate working from home has put lifestyle property ownership into reach for a growing proportion of Kiwis.

Lockdown restrictions and a virtual shutdown of workplaces worldwide during the pandemic forced businesses

to invest in remote working structures, enabling employees to continue their duties away from the traditional office environment.

For New Zealanders, the work-from-home phenomenon has opened up Kiwi eyes to the possibilities of living in rural and semi-rural areas without requiring a daily commute into the city.

Similarly, urban sprawl and sustained investment into the transformation of greenfield sites to satellite cities continue to encourage new infrastructure in rural areas.

Increased government investment in the state highway and local road networks, along with other critical infrastructure such as schooling and healthcare, allow new locations to flourish as thriving communities. In addition, buyers expanding their search parameters become less sensitive to driving distances if undertaken less frequently.

UNKNOWN IMPACT OF REGULATORY REFORM

The impact of recent policy initiatives, including the government's National Policy Statement on Urban Development (NPS-UD) and its National Policy Statement on Highly Productive Land (NPS-HPL), remains unclear.

Aimed at protecting land used for food production, it can reduce subdivision potential for more significant rural properties on urban fringes, which could constrain the future supply of new lifestyle properties and increase the price of land due to scarcity.

The NPS-HPL will see local councils across the country required to map and manage highly productive land to ensure it remains available for growing vegetables, fruit and other primary products that make up the nation's food basket – and contribute significantly to the national economy through export activity.

Billed as a double-edged sword that will protect valuable growing sites while encouraging housing intensification in developing areas, the NPS-HPL will support the sustainable growth of our cities up rather than out – but at what unintended cost?

Observers say the policy has the potential to constrain land supply further, pushing up the price of developable land while working against a directive to build more affordable housing at scale and pace.

Local councils across the country have been required to increase density and house growing populations, yet need help with practical achievement, namely in how they can fund water infrastructure, roading networks, new

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parks and facilities without increasing public debt. So, the next 12 months will be crucial for the sustainable achievement of housing objectives while protecting New Zealand's most valuable growing areas.

OUTLOOK FOR THE NEXT 12 MONTHS

Bayleys Lifestyle Sales team says the outlook for the next 12 months is variable.

However, several consistencies are emerging. Namely, lifestyle properties with unique features built to high specifications, including the use of climate-friendly technology solutions such as rainwater storage, solar power grids and electricity retention, continue to be in-demand as buyers future-proof their assets with a view to the long term.

In addition, evidence suggests buyers are undeterred by coastal erosion and the effects of climate change as architecturally-designed homes in coastal locations remain perennially in-demand.

Ancillary amenities like swimming pools, spa pools, big sheds for boat and vehicle storage, outbuildings for farm equipment and equestrian facilities are particular stand-out selling features.

An easing in supply chain disruption and greater availability of building and construction materials and labour are also set to reignite interest for those looking for add-value renovations or lifestyle land to build on.

Government initiatives like the Construction Sector Accord have been developed to create positive structural change for the sector that will address rising costs and market fragmentation, and policy reform will remain a focal point as we head toward the business-end of an election year.