

State of the Nation Report

March 2023

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Introduction

Affordability is the word on everyone's lips and that's what's top of mind for Trade Me customers according to our latest State of the Nation report.

Active home and car buyers told us that while they're planning to move on their purchase, they're willing to compromise so as not to break the bank, with homeowners in particular alert to the importance of mortgage serviceability as interest rates continue to rise. At the same time, job hunters are becoming more active – we're seeing a strong surge in job applications which is good news for employers.

Trade Me users intending to buy a home this year are motivated by the desire to have a larger home or want to move elsewhere in the country for a lifestyle change. Home buyers are understandably concerned by some very real issues in 2023 - continued rising interest rates leading to higher mortgage payments, inflation and the rising cost of living. However, they know there are good buying opportunities out there.

A small percentage of Trade Me members we interviewed were worried about a lack of suitable properties on the market but if the surge of homes coming on to the site in late January is anything to go by, that shouldn't be a problem. People sell due to a number of life changes, and with no expectation of price rises in 2023, homeowners looking to move on are thinking now is the time to sell if they want to avoid the typical pre-election uncertainty. Auckland and Wellington have weathered the price falls more than other cities while Christchurch has been the most resilient.

In a continued constrained lending environment, home buyers are willing to compromise to come in on budget, with buyers most flexible on location above all else. Meanwhile sellers know what to expect, that the time it takes to sell will be longer than the hot market of 2021 and method of sale may vary. At the same time it's a great opportunity to upgrade to a larger home, real estate agency heads have told us, because you get more for your money in the current market.

Aotearoa has seen house prices rise more than salaries in recent years and Kiwi are wanting to improve their earning ability at a time when wages are high. This is an environment where the well-financed have a real advantage to make the most of the more affordable housing market and to live with inflation.

In line with the theme of affordability, when it comes to car buying intentions, more are planning to buy a vehicle secondhand rather than brand new. And while hybrid and electric cars are growing in popularity, petrol is still winning for now. Car buyers are also compromising on the make and model to get the car that meets their budget.

The good news for employers is that passive job hunters have begun exploring their options and testing the current market conditions. Ambitious New Zealand workers are applying for jobs in greater numbers than last year with job applications up almost 40% in Q4 of 2022. With the national average salary at an all-time high at the end of 2022, over half of the people we interviewed are thinking now is a good time to change jobs. And we found sectors like hospitality and tourism, engineering and transport were offering widespread salary and wage increases.

While we're still in a talent-short market, we saw companies pull back on hiring late last year and now as we enter 2023 some are even starting to announce redundancies. The Stats NZ unemployment rate, announced February 1, rose slightly from 3.3% to 3.4%. This is likely a sign that we are reaching the tipping point where the country slows its strong growth and eases into a shallow recession by mid-2023 as predicted by the Government. We may start to see businesses hold more of the power than job hunters as a result.

How do businesses prepare for a recession which is predicted to be brief? They'll be looking for help from the Government in an election year and new Prime Minister Chris Hipkins says he's prioritising small businesses and the economic engine of Auckland. We believe companies reaching a national audience through online platforms will weather this storm best.

As businesses adjust to the changing economy, the workforce will too. We expect to see more Kiwi moving around the country in search of jobs and affordable housing deeper into the year. There's no doubt the love affair with the regions will continue, from what Kiwi are telling us.

As we contemplate what the rest of 2023 might bring – we compared notes with overseas counterparts to see what their expectations are for this year. In Australia, entry-priced homes are expected to hold value best, and it certainly is an improved market for first home buyers. In Aotearoa, although prices on upper end homes are not doing badly here either because buyers are not dependent on mortgage rates. A common theme we share with the UK and Australia property markets is that buyers and sellers will see hyper-local markets where one side of a city might do significantly better than the other side. It's heartening to see, too, that days on market in the UK are slightly above ours and perceived as normal.

Meanwhile we had encouraging feedback from the UK on the motor trade that the demand for electric vehicles is expected to outstrip supply for some time to come and we're certainly seeing strong interest in electric and hybrid vehicles here especially in the North Island.



JEREMY WADE & ALAN CLARK
HEADS OF CLASSIFIEDS

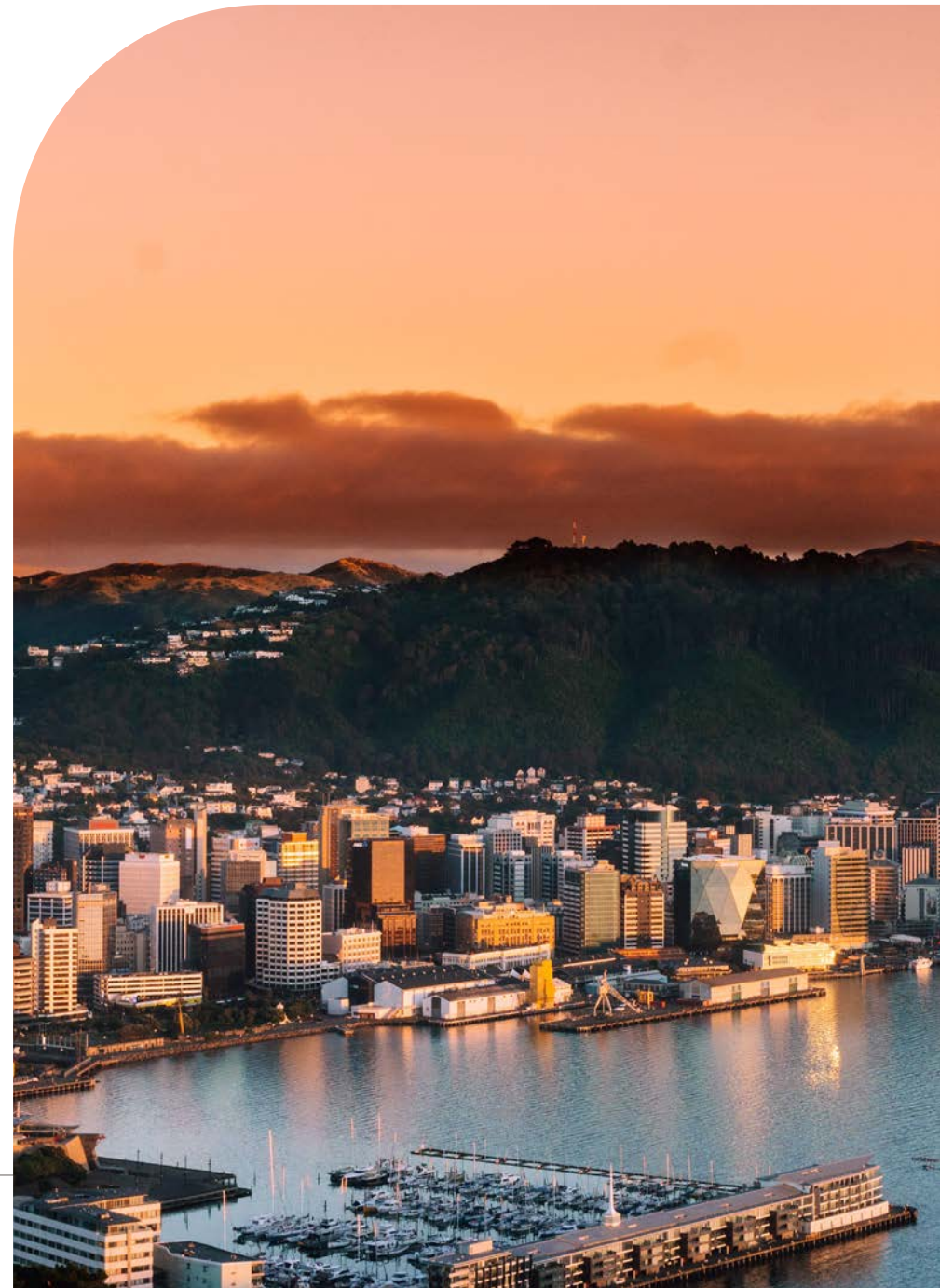
Foreword

Out of the frying pan and into the fire seems to be the pathway for the New Zealand economy in 2023. After three tough, pandemic-hit years, New Zealand's economy has bounced back strongly to see economic activity higher than pre-pandemic, and unemployment at near-record lows. But inflation has reared its ugly head, and has stubbornly refused to leave.

Annual inflation remains more persistent, at 7.2%pa at the end of 2022, and the Reserve Bank has taken an aggressive stance to reduce the highest average price increases in a generation. In doing so, it has warned it must engineer an economic downturn to bring supply and demand back into alignment. The likely downturn is the most well-signalled recession in living memory, with rapidly increasing interest rates forcing households to adjust their spending behaviour.

The swift increase to interest rates has sent the housing market into decline. With prices now down around 15% from their peak, the falls are the largest seen in the New Zealand housing market in modern memory. But these falls come after the largest increases in house prices in modern memory too, meaning that despite the falls, New Zealand house prices are still up nearly 23% above pre-pandemic levels.

These house price declines have come about as house sales fall heavily, down to half the level seen during recent peak sales at the end of 2020. Properties are remaining on the market longer than previously, as buyers are both unable to afford the same mortgages as before at higher mortgage rates, and unwilling to pay too much in an environment where prices are falling. Sellers are needing to make difficult decisions of if they want to sell now and take a lower price, or if they want to bide their time until better conditions possibly resume. There's still housing activity going on, but the housing market is more muted than before, and it is likely to remain this way until interest rates stop rising.



The labour market is currently in limbo, with businesses increasingly cautious about further hiring in an environment where economic activity is being actively depressed to reduce inflationary pressures. With fewer sales expected in the future, firms are being careful to not overcommit on the hiring front, in case they need to make adjustments to their workforce if activity falls. Despite this caution, the labour market remains far tighter than pre-pandemic, with little spare capacity to go around.

Businesses have been struggling for some time to find enough talent, and there is a view from firms to keep hold of their workers that businesses have fought so hard to acquire. Some businesses have figured out how to cope with fewer people than they'd ideally like, and others are making sure to offer continued flexibility to keep their people in a still competitive environment. All this labour market heat comes at a cost, with wage increases at their highest on record and expectations that these wage increases won't abate fast.

Spending activity is expected to consolidate in 2023, with high inflation, rising interest rates, and future expectations of higher unemployment set to dampen demand. Initial purchasing indications show that spending activity is holding up higher for longer in the face of multiple pressures, but as mortgages are refixed at higher rates, household budgets will come under even more pressure than currently experienced. Spending will be focused on the essentials first, with more discretionary spending becoming harder to justify. Businesses seeking a piece of diminished household spending will need to actively demonstrate the value and importance of purchases to ensure spending isn't cut and prioritised into another area of the more limited budget.

The spending crunch is also hitting the car market, although regulatory changes are driving a sustained shift in focus for vehicles. Recent catastrophic weather events will provide a short-term boost to used car purchases, with the hunt on for anything with wheels that hasn't been waterlogged. But used cars remain difficult to source, and there are stronger incentives that make new cars more attractive than before. Increasingly, the Clear Car Discount is seeing Kiwi move away from used, large, vehicles towards new, small, vehicles.

The focus has also moved to more electric and hybrid vehicles as fuel prices remain high, incentives for these vehicles remain persuasive, and climate change becomes a reason of rising importance when it comes to making purchasing decisions.

All in all, the year ahead looks tougher – in a different way – from recent times. Despite strong economic foundations, persistently high inflation is necessitating aggressive interest rate moves that will challenge economic activity levels heading forward. Consolidation remains a key focus for 2023, and keeping on top of still swiftly moving events is important to enable businesses to be nimble enough to adapt as things change.



BRAD OLSEN
PRINCIPAL ECONOMIST, INFOMETRICS

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Snapshot of Aotearoa

A look at how affordability will influence decision making for buyers and job hunters in 2023, and what businesses can do to influence the consumer journey.



Survey participants



We surveyed 2,198 Kiwi

Who searched for a property, job or vehicle in Aotearoa on Trade Me in 2022.



57% were located in or around one of the three main centres: Auckland, Canterbury, or Wellington.



17% were 25-34 years old



24% were 35-44 years old



22% were 45-54 years old



65% own a home, while 22% rent their home.

\$80-90K

was the median salary of employees, while waged employees were on a median of \$21-\$30 per hour.

General findings

The rising cost of living is already having a significant impact on spending decisions around the country. Kiwi still plan to buy vehicles and property, but they're prepared to make certain compromises to come in on budget. Changing jobs presents an opportunity to earn more, and this is the driving force behind many job hunters searching elsewhere.

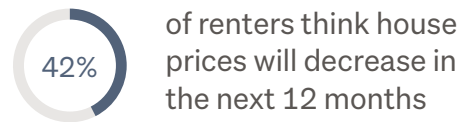
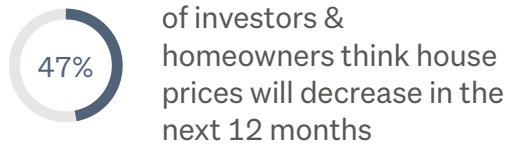
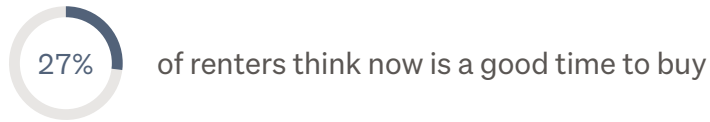
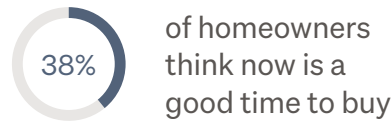
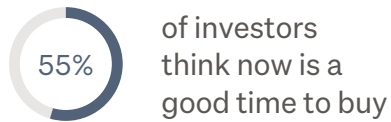
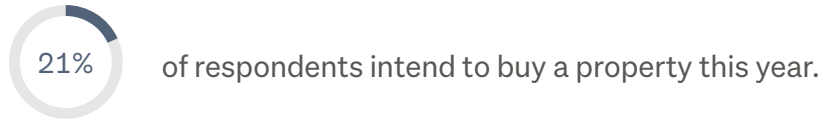


52% are spending more than they were two years ago

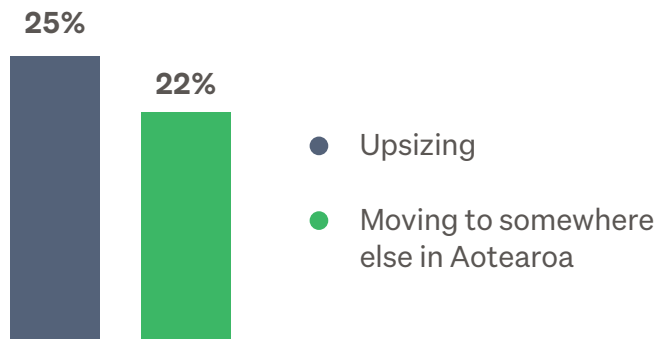


38% said the rising cost of living is having a significant impact on their spending decisions

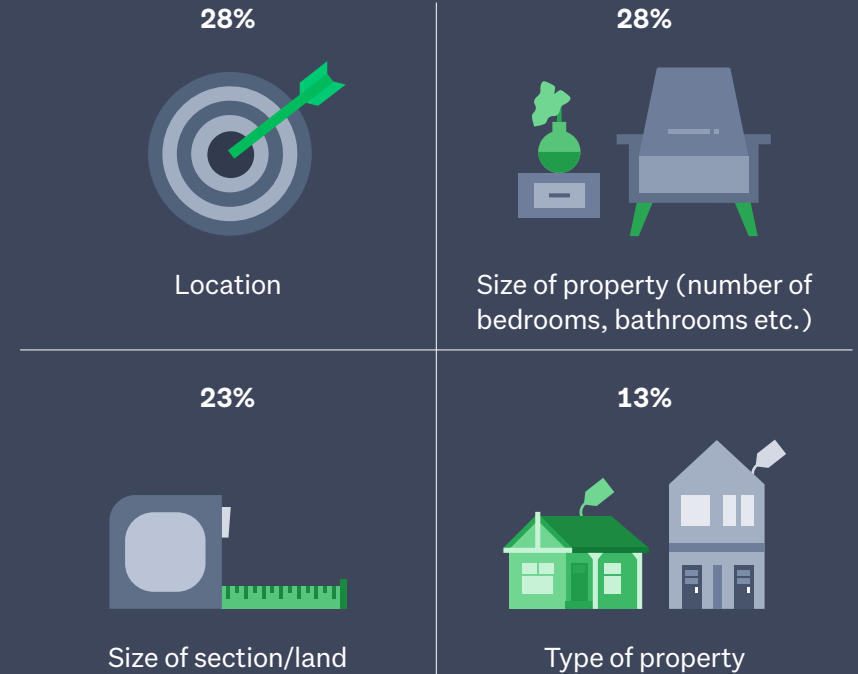
Property seeker intentions



MAIN MOTIVATION FOR BUYING IS...



WHAT PROPERTY BUYERS ARE WILLING TO COMPROMISE ON TO STAY WITHIN THEIR BUDGET...



The biggest concerns for buyers are...

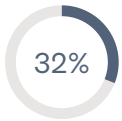
- **31%** Rising interest rates / mortgage payments
- **20%** Inflation and the rising cost of living
- **13%** Lack of suitable properties on the market

Job hunter intentions



plan to change roles this year.
(No change compared to 2022)

Kiwi aged 18-24 are planning to change roles more than any other age group.



have no plans to change but if an opportunity came up they would take it

Kiwi aged 45-54 are more likely to take an opportunity if it comes up.

52%



46%



- Respondents that think now is a good time to change jobs
- Think their wage/ income will increase in the next 12 months

MAIN MOTIVATION FOR CHANGING JOBS BY AGE RANGE...

18-24



26% Higher salary or hourly rate | **16%** Desire to leave my role

25-34



28% Higher salary or hourly rate | **12%** More flexibility

35-44



28% Higher salary or hourly rate | **11%** Complete career change

45-54



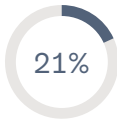
28% Higher salary or hourly rate | **10%** Better career prospects

55-64



22% Higher salary or hourly rate | **11%** Complete career change

Car shopper intentions



intend to buy a secondhand vehicle this year
(compared to 27% in 2022)



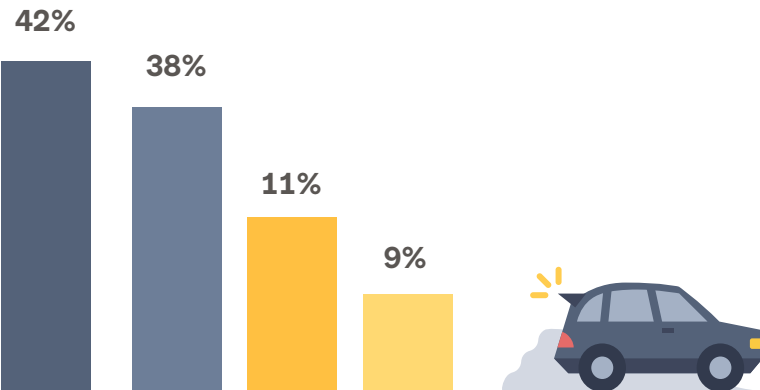
intend to buy a brand new vehicle this year
(compared to 9% in 2022)



plan to pay for their next vehicle with finance

TYPE OF VEHICLE BUYERS ARE PLANNING ON **PURCHASING**

● Petrol ● Hybrid ● Electric ● Diesel



WHAT CAR BUYERS ARE **WILLING TO COMPROMISE** ON TO STAY WITHIN THEIR BUDGET...

42%



Would be willing to travel further for the right vehicle

32%



Type of vehicle (e.g. make and model)

13%



Age of vehicle

13%



Condition of vehicle (e.g. odometer reading, interior and exterior condition)

Motivation for buying electric or hybrid is...

- 32% More economical to run
- 30% Environmentally friendly
- 27% High cost of petrol/diesel

Online visibility crucial to business success in 2023

A digital presence has always been important, but as Kiwi grapple with an affordability crisis the need to stand out is greater than ever before. Businesses with a consistent online profile will be in a stronger position to weather the storm to come, for two reasons in particular.



1. Aotearoa is a national market

Now more than ever, Kiwi are happy to look outside of their current location for the right house, vehicle, or job. As Kiwi continue to move around the country in search of affordability, reaching a national audience through online platforms will be key to capturing the attention of buyers and job hunters.



2. Price-sensitivity driving slower path to purchase

Rising interest rates, inflation and the cost of living are influencing the decision-making process. In a cool market, consumers have the ability to spend more time researching whether a particular property, vehicle, or job is right for them. With Kiwi spending an average of 8 hours a day online, you need to be where they're looking to ensure you're part of the consideration set during the research process.

Sector performance

Insight into how consumer confidence has impacted supply and demand.



Trade Me Property

Average asking price December 2022

The average asking price for a property in Aotearoa finished the year at \$897,900 in December, falling by \$58,200 in 12 months.

	Price	% change year-on-year	% change month-on-month
Nationwide	\$897,900	▼ -6.1%	▼ -0.6%
Auckland	\$1,149,450	▼ -8.3%	▼ -1%
Wellington	\$875,550	▼ -9.4%	▼ -0.5%
Canterbury	\$707,200	▲ +5.1%	▼ -0.6%

Supply & demand

As we headed into summer we saw a seasonal increase in supply, although this was more evident in our regions with Auckland and Wellington remaining flat.

	Supply	Demand
Nationwide	▲ +4%	▼ -6%
Auckland	No change	▼ -8%
Wellington	▼ -3%	▼ -8%
Canterbury	▲ +13%	▼ -4%

Trade Me Property, total listings, and total views, Q4 compared to Q3 2022

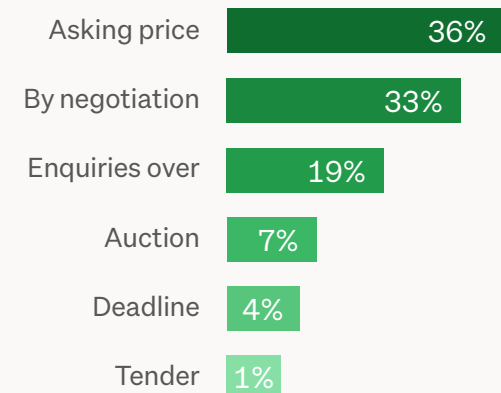
Average days onsite for the quarter*

58 days

-15% compared to Q3



Method of sale**



* For listings that ended during Q4 2022. ** For listings that started during Q4 2022.

Trade Me Jobs

Average salary Q4 2022

The national average salary reached a new all-time high in the final quarter of last year. Despite salaries cooling in Auckland and Wellington, they remain the two highest paying regions in the country.

	Salary	% change year-on-year
Nationwide	\$67,562	▲ +1%
Auckland	\$69,374	▼ -3%
Wellington	\$69,734	▼ -5%
Canterbury	\$66,056	▲ +5%

Supply & demand

When the Reserve Bank lifted the Official Cash Rate in November, we immediately saw businesses rethink their next hire. Demand hasn't dropped as much as supply, however, meaning there are now more candidates looking at fewer roles.

	Supply	Demand
Nationwide	▼ -12%	▼ -7%
Auckland	▼ -10%	No change
Wellington	▼ -19%	▼ -14%
Canterbury	▼ -10%	▼ -7%

Trade Me Jobs, total listings and total views, Q4 2022 compared to Q4 2021

Applications per listing Q4 2022

+38% year-on-year compared to Q4 2021



Sectors that saw record-high salary growth Q4 2022

Hospitality & tourism	+9%	\$58,994
Engineering	+8%	\$87,571
Transport & logistics	+7%	\$62,402
Manufacturing & operations	+7%	\$60,073
Legal	+6%	\$91,607

Trade Me Motors

Median price Q4 2022

Prices were up across the board, with double digit increases across most categories.

	Average price	% change year-on-year
Used cars	\$15,345	▲ +10%
New cars	\$52,990	▲ +10%
Motorbikes	\$6,750	▲ +8%
Boats & marine	\$18,500	▲ +23%
Caravans & motorhomes	\$38,500	▲ +13%



Supply & demand

The final quarter of 2022 saw a positive increase in supply for new cars after prolonged pandemic manufacturing delays. However falling consumer confidence saw demand take a tumble compared to the previous year.

	Supply	Demand
Used cars	▼ -16%	▼ -37%
New cars	▲ +18%	▼ -20%
Motorbikes	▼ -6%	▼ -23%
Boats & marine	▼ -2%	▼ -29%
Caravans & motorhomes	▼ -1%	▼ -28%

Most popular vehicle by fuel type

Petrol: Holden Commodore

Diesel: Toyota Hilux

Hybrid: Toyota Aqua

EV: Nissan Leaf

Trade Me Motors, total listings and total views, Q4 2022 compared to Q4 2021

Market trends



The tipping point

Every nation's economy fluctuates between periods of positive growth and negative growth. What goes down must come up and what goes up must come down. After a period of record positive growth, what might 2023 look like if we enter a recession?

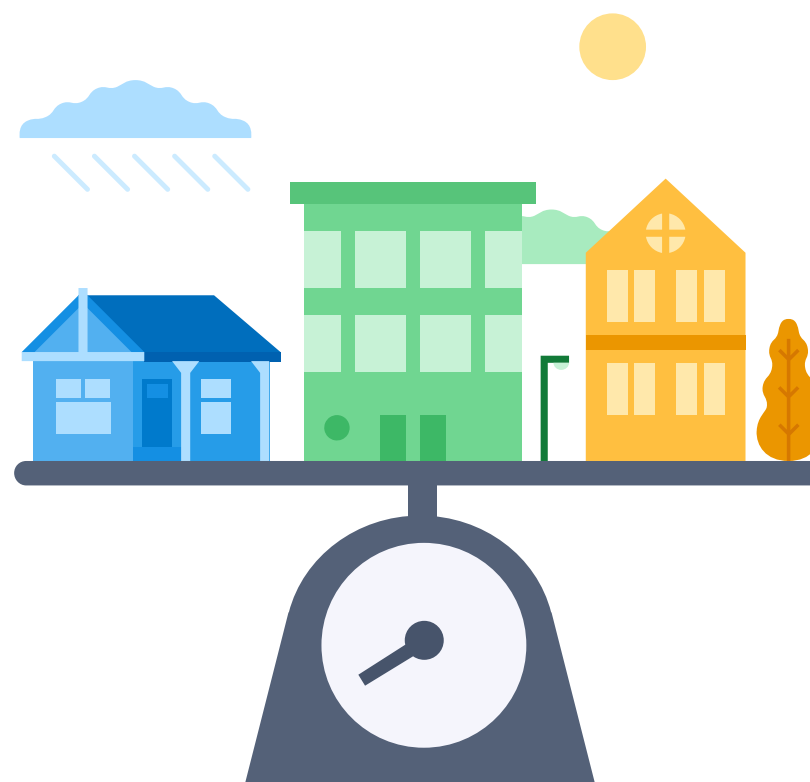
The property cycle

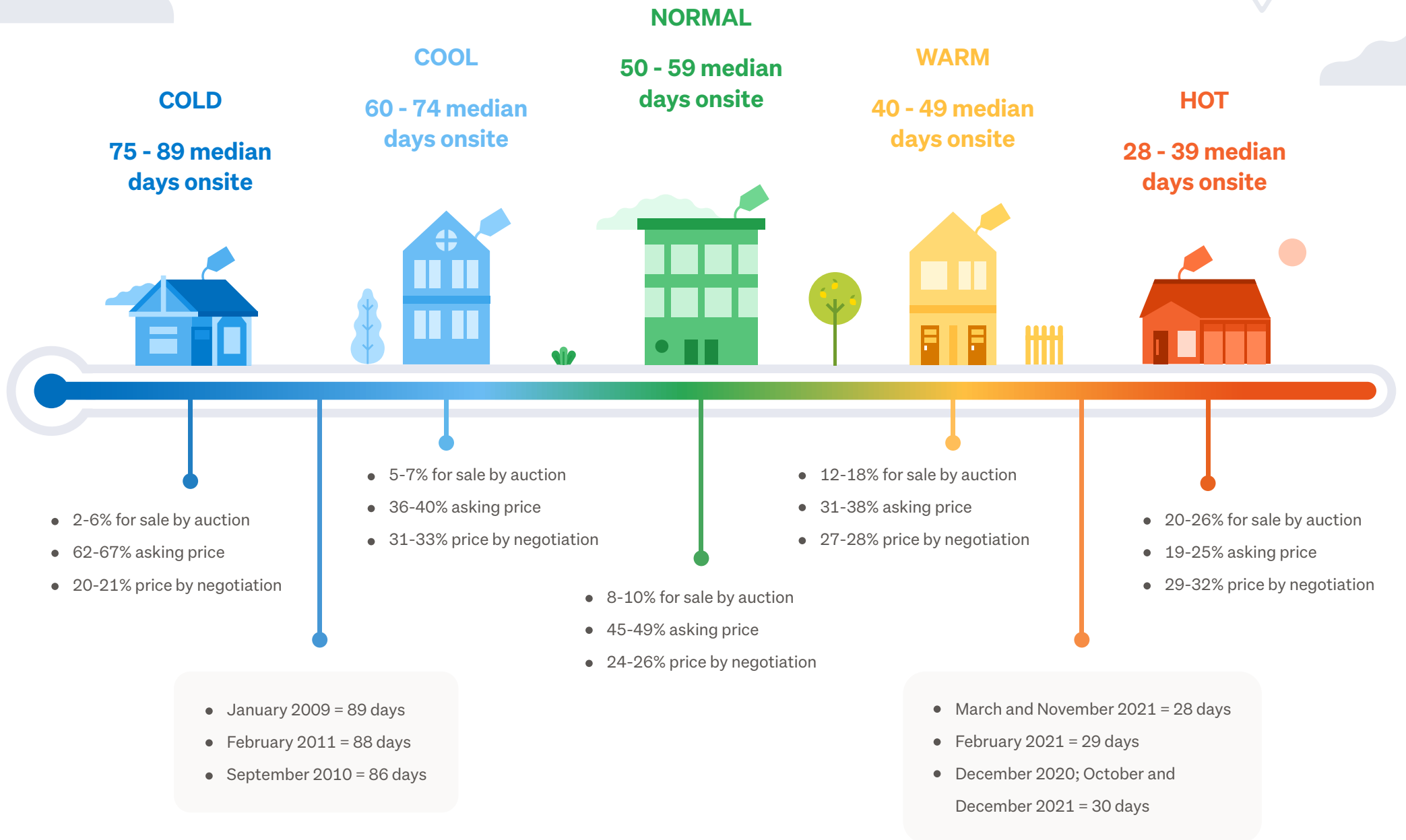
2022 was a year of two halves. Property prices reached record highs at the beginning of the year, but by winter, the market had turned. Buyer activity slowed and the market was cooling.

In 2021, we experienced the hottest property market on record with median days onsite dropping to just 28 days for the months of March and November. For buyers and homeowners who have only been active in the past 5-10 years it can feel like any market state that differs from this is a bit scary and to be treated with caution. But it's worth remembering that what we've just experienced isn't 'normal'. For Aotearoa, a 'normal' market is around 50 median days onsite.

The property cycle isn't linear, and often bounces between different states month to month. It can also skip states altogether, for example, going from a 'normal' market straight into a 'hot' one, particularly when seasons change.

With a recession forecast for mid-2023 and an election scheduled for October, we expect buyer and seller confidence to be negatively impacted. When Aotearoa last experienced a recession, while properties took longer to sell they were still selling. At its worst, median days onsite reached 89 days and auctions made up 2% of all property listings. However, by spring of that same year that market was sitting within the 'normal' range, reflecting the seasonal trend.

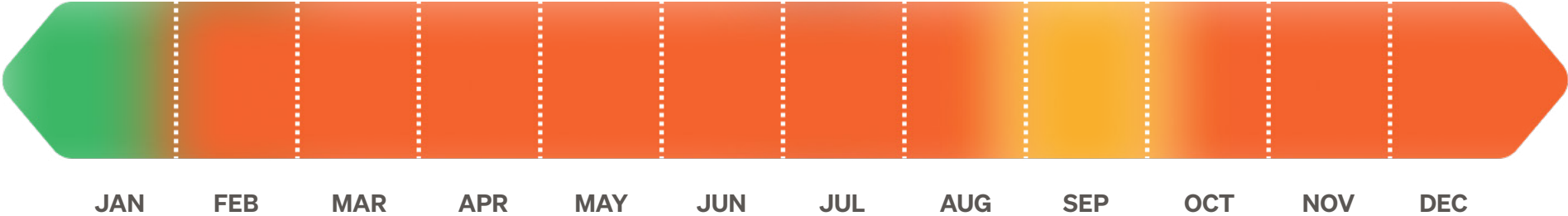




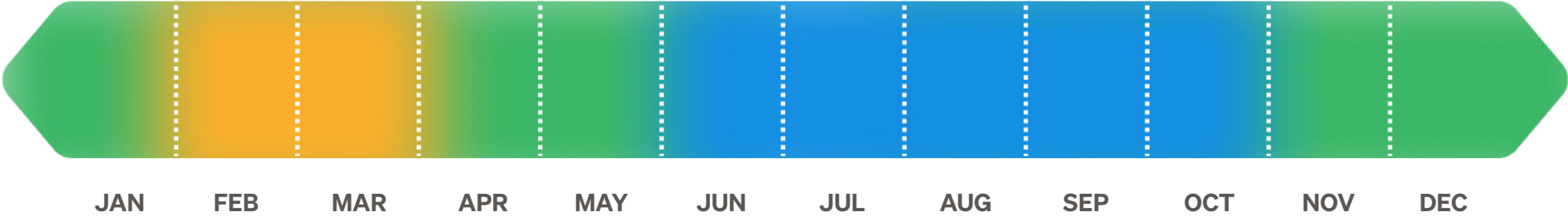
A closer look at the past two years

2021 bucked seasonal trends with a ‘hot’ market continuing through the winter months. This is another example of how unusual recent market conditions have been.

Aotearoa 2021



Aotearoa 2022



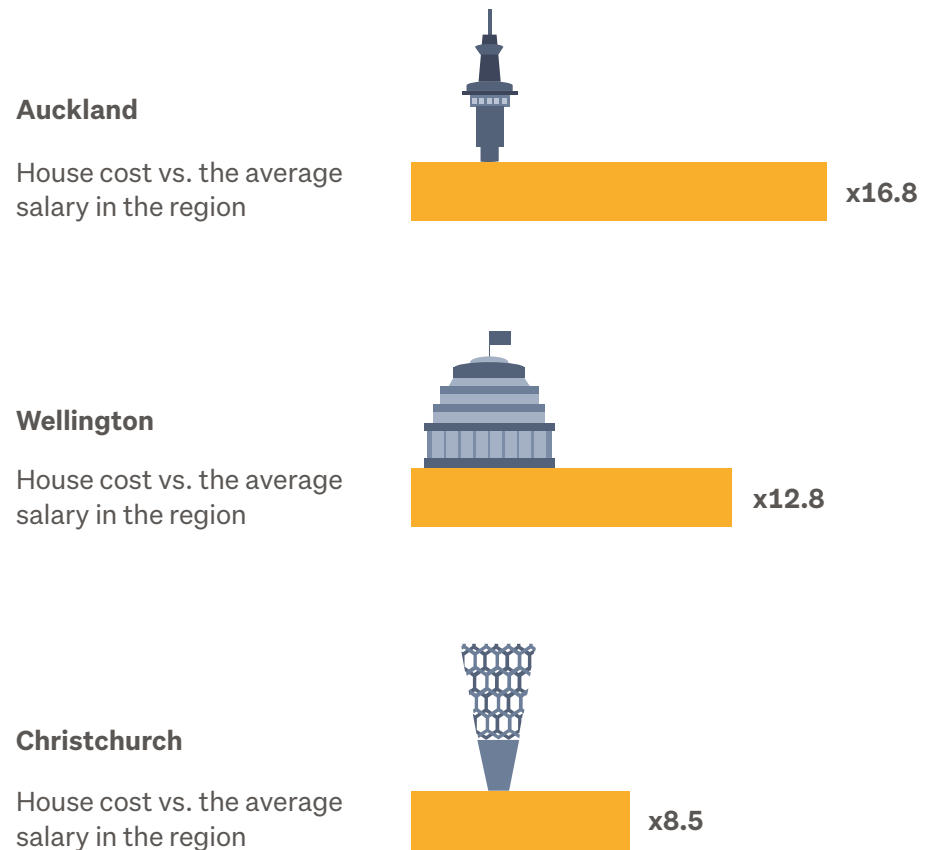
The consumer dilemma

As the cost of living rises, many consumers face a new dilemma: deciding if and where to cut back on spending, and if they should change jobs for more money. We take a closer look at how this is impacting Kiwi online search behaviour for property, motors, and jobs.

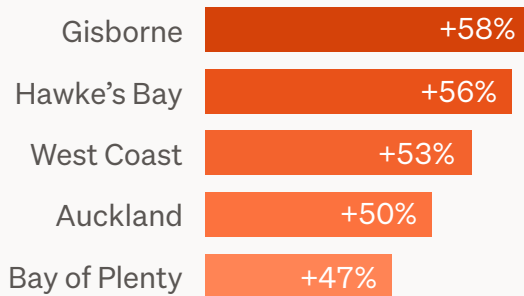
Job hunters taking advantage of record salaries

Since 2019, the national average property asking price has increased by 46%². In contrast, the average salary has only increased by 12%.³

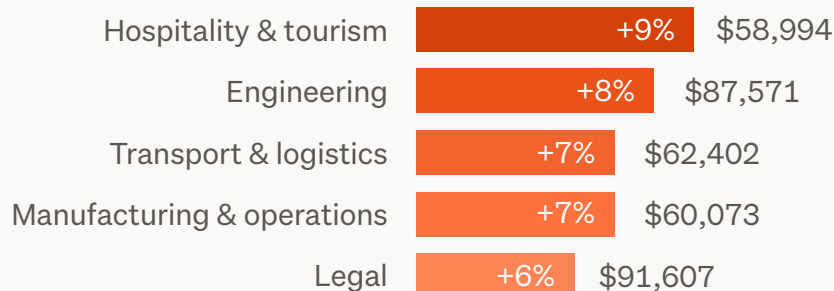
During this time, we've also seen inflation grow from 1.62% to 7.2%, mortgage rates rise from 3.49% to 6.5%⁴ and the cost of petrol rise from \$2.48 per litre to a peak of \$3.36 per litre in mid-2022⁵. All of which Kiwi are feeling in their back pockets.



Regions with the biggest increase in applications per listing⁶



Sectors that experienced the biggest increase in average salary⁶



In a talent short market, businesses are prepared to pay top dollar for the right candidate, and Kiwi are making the most of it. Looking around the country, every region saw an increase in applications in the final quarter of 2022 when compared with the same period the previous year.

Despite these increases, many job hunters still remain passive. Around a third are not planning on changing jobs in the next 12 months but would take an opportunity if it popped up. Businesses are making the most of tools like Scout (Trade Me Jobs' candidate database) to reach these passive candidates.

Scout profile previews in 2022

+62% year-on-year

Scout profile unlocks in 2022

+53% year-on-year

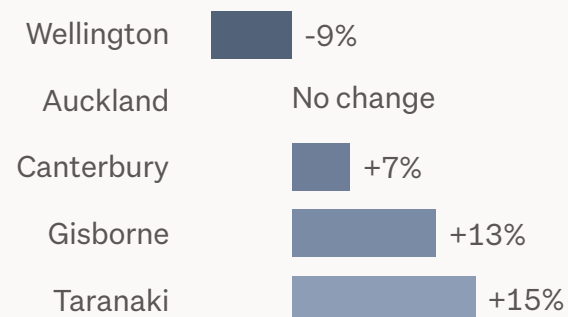
Not everyone is feeling the pinch

For many first home buyers, arguably the main obstacle when jumping on the property ladder is coming up with the minimum deposit. For movers, it's about making sure their equity covers the deposit required on their next home. But with interest rates now reaching 7%, and many fixed rate mortgages due to renew, mortgage serviceability is suddenly a very real threat to home ownership. So what impact is this having on buyer search behaviour around the country?

There's no denying Auckland and Wellington have been the hardest hit by a cooling market, with Canterbury proving to be the most resilient of our main centres. When looking at the price range buyers are searching for, we can see that Wellingtonians are more conservative about what they're prepared to pay now compared to a year ago. The capital has seen the largest drop in the price ranges people are using in their property searches. Aucklanders' budgets have remained the same compared to the previous 12 months, while every other region including Canterbury has seen a steady increase. Taranaki and Gisborne have even seen double-digit growth.

There continues to be suburbs and regions where buyers are willing to pay a premium. The global pandemic has shifted property buyer priorities – emphasising the desire for space, work-life balance and a better quality of life. Regardless of economic conditions, this will continue to be reflected in price search behaviour as we head into 2023.

**Change in average maximum price search
(2022 compared to 2021)**



Consumers are re-prioritising their spending

With Kiwi unable to spend on overseas travel or entertainment during the global pandemic, we saw a spike in demand for vehicles across the board in 2021. As the cost of living has increased and consumer confidence has dropped, demand for both new and used vehicles fell in 2022 compared to the previous year.

When consumers are thinking twice about new purchases, it's not just the dollar amount on their mind but also where they're purchasing from. More cars are selling first-time for car dealers compared to public-to-public car sales. This is likely due to the added peace of mind when purchasing from a reputable business.

Percentage of cars sold after the initial listing period

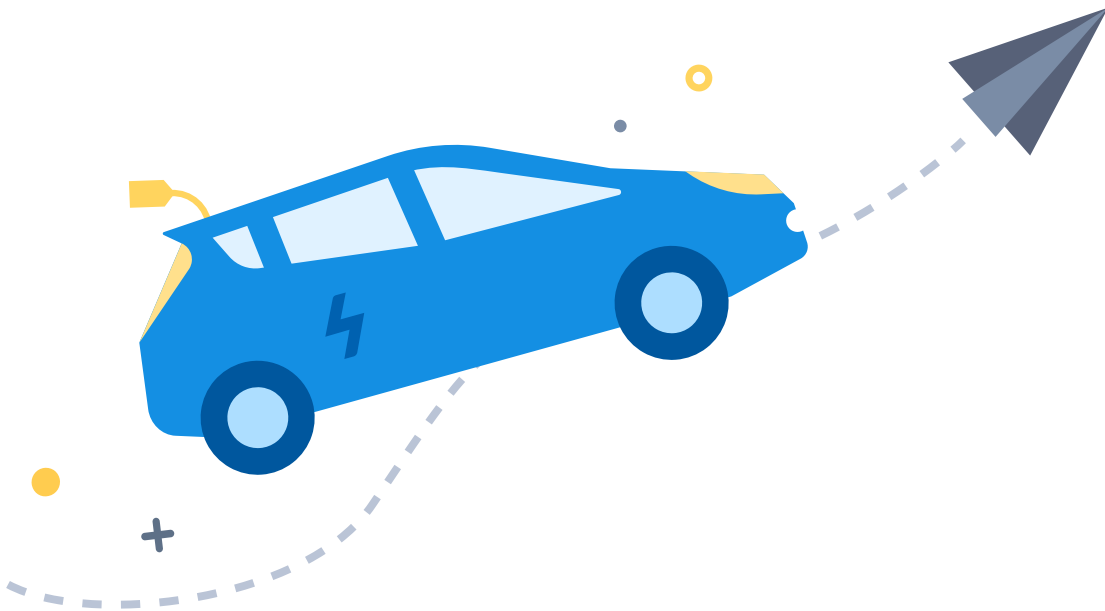
84% for dealer car listings

61% for public-to-public car listings

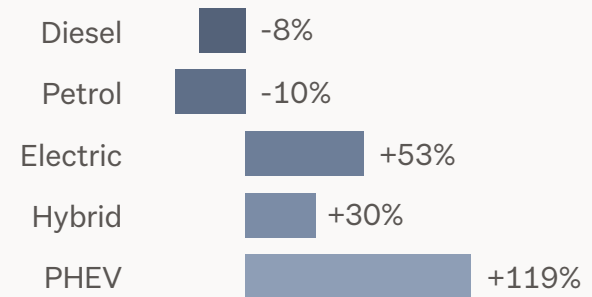


Eco-conscious and price-conscious

Higher prices at the pump along with a desire to be more environmentally friendly are having an impact on the type of vehicle Kiwi are looking to buy. For those happy to spend, an electric vehicle is top of the list. And it's not just city dwellers who are keen to make the switch.



Growth in demand by fuel type (2022 compared to 2021)

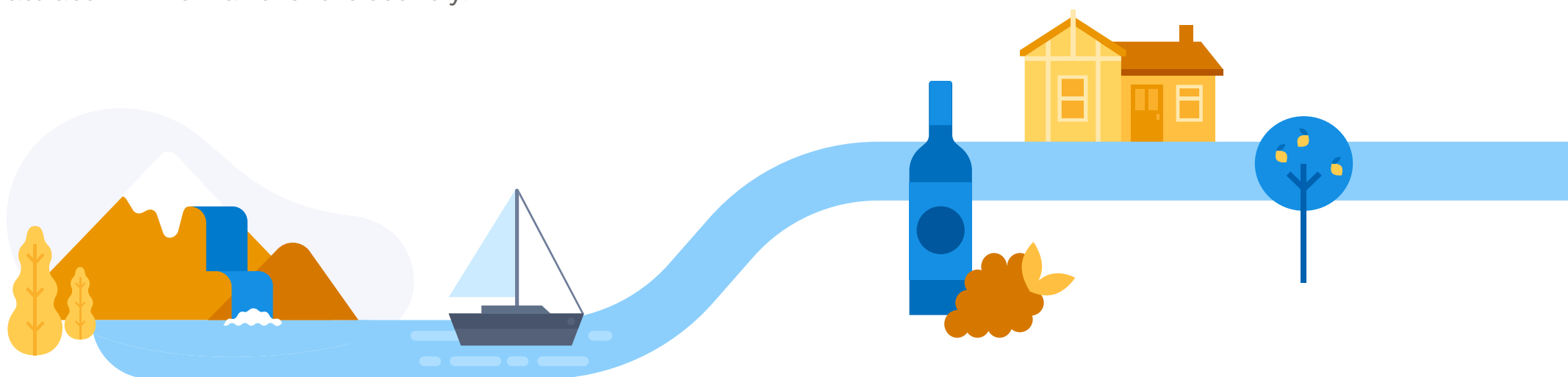


Regions with the highest number of watchlists per listing for electric, hybrid, and PHEV vehicles in 2022

1. Wairarapa
2. Bay of Plenty
3. Whanganui
4. Auckland
5. Waikato

The rise of the regions

Despite house prices falling in some of our main centres, affordability remains top of mind for buyers as interest rates continue to rise. As a result, our regions continue to attract Kiwi from all over the country.



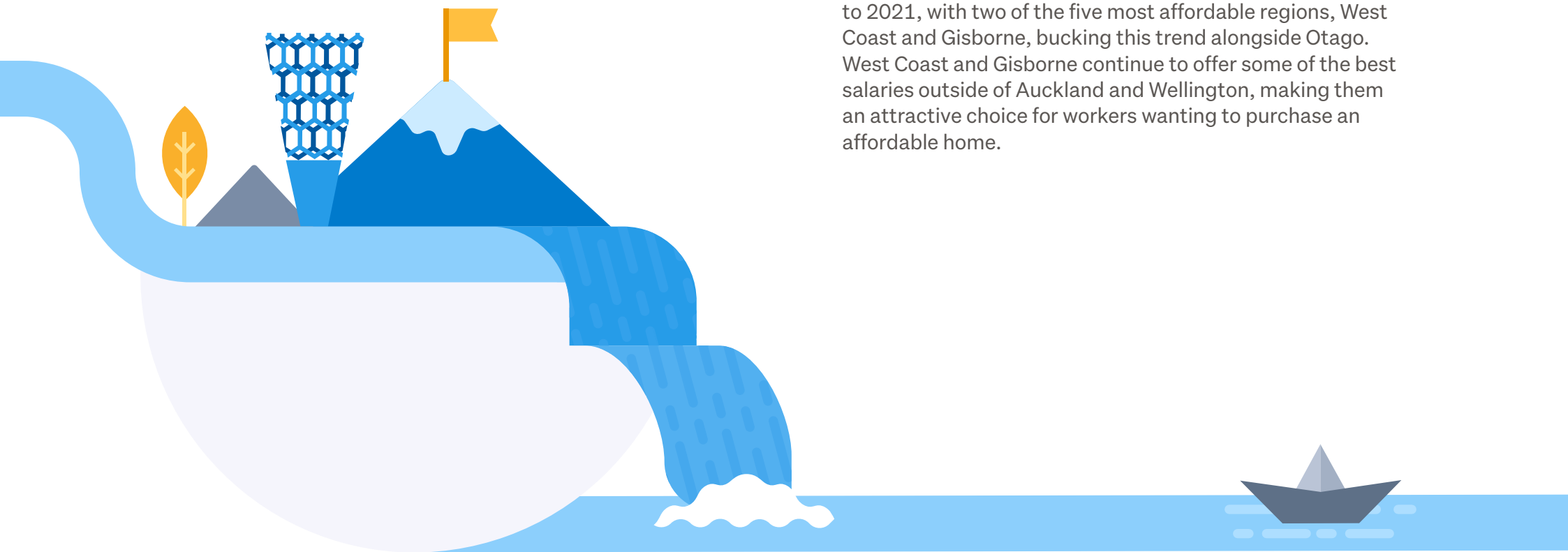
2022 was a year of two halves. At the beginning of the year, the average asking price for a property reached a new record in every region. By winter, the tide had turned and the market was well and truly cooling. In spite of this, many of the provinces remained resilient.

In last year's report we said Marlborough was one to watch. In 2022, the region saw the average asking price in the region exceed \$700,000. Marlborough also experienced a healthy 8% increase in job listings and the largest average salary increase in the country, coming in at 6%.

Canterbury continued to see sustained growth as our most affordable main centre. House prices and job listings grew 7% and 5% respectively rounding out another stellar year for the region. However, we did see a decrease in views per listing. While this could be attributed to an influx in supply, it may also be a sign that the region is near its peak.

Growth in both Canterbury and Marlborough means only five regions around the country now have an average asking price below \$700,000 (West Coast, Taranaki, Gisborne, Manawatū/Whanganui and Southland). West Coast and Taranaki both experienced double-digit house price growth in 2022 and while it's unlikely we'll see that again this year – if regional growth remains strong, Taranaki may also break through the \$700,000 mark in the next two years.

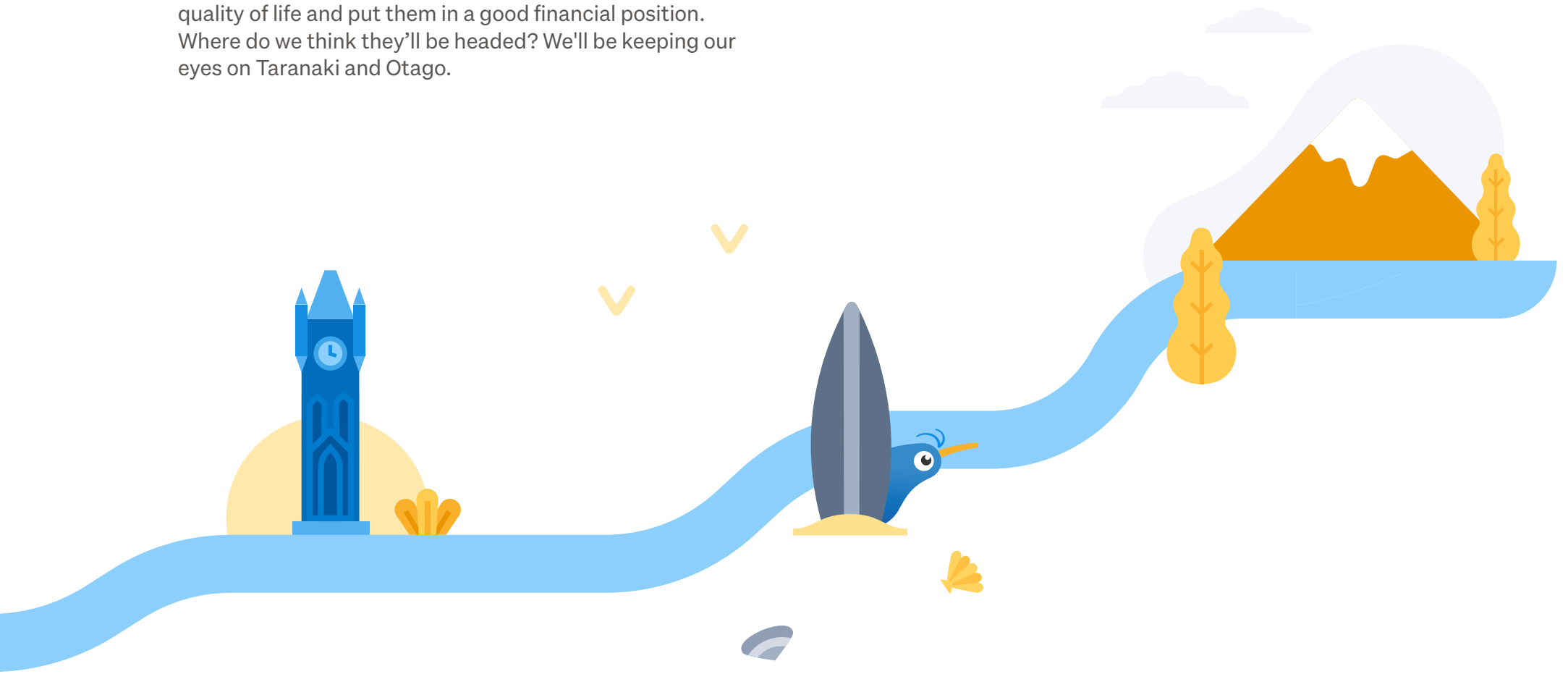
Buyer demand dropped in most regions when compared to 2021, with two of the five most affordable regions, West Coast and Gisborne, bucking this trend alongside Otago. West Coast and Gisborne continue to offer some of the best salaries outside of Auckland and Wellington, making them an attractive choice for workers wanting to purchase an affordable home.



With a recession forecast for mid-year, affordability constraints will impact some areas of the country much more than others, with each region behaving differently.

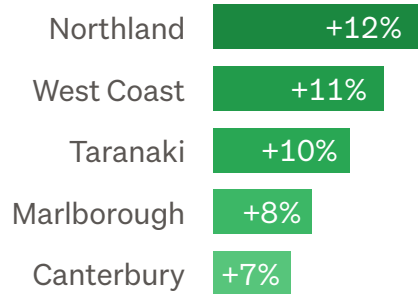
We expect to see Kiwi moving around the country in search of jobs and housing that will provide them with the best quality of life and put them in a good financial position. Where do we think they'll be headed? We'll be keeping our eyes on Taranaki and Otago.

In this variable market, working with an experienced, local real estate agent who knows the area well will be crucial for both buyers and sellers.

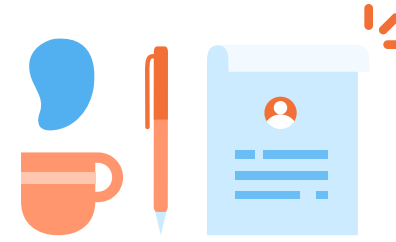




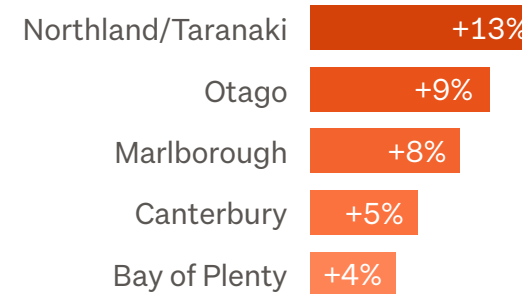
Regions that experienced the largest average asking price increase⁷



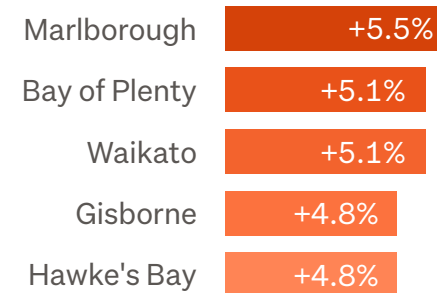
Regions to experience an increase in average views per property listing⁷



Regions that experienced the largest increase in job listing⁷



Regions that experienced the biggest increase in average salary⁷



The modern workplace

The disruption of the pandemic has permanently changed our ways of working. Many organisations have shifted from an office-centric culture to flexible hybrid or remote working options.

Every region around the country saw an increase in the usage of ‘home office’ and ‘study’ as keywords in 2022. Property listings in Wellington and Auckland have the highest proportion of listings utilising these keywords, but the areas that have seen the most growth are actually outside of our main centres.

Regions that have seen the biggest increase in listings with studies or home offices:

- Taranaki **+43%**
- Bay of Plenty **+34%**
- Northland **+29%**

There has also been a jump in the number of job listings that contain ‘work from home’, ‘WFH’, ‘remote’ or ‘hybrid’ in the past year.

For Kiwi looking for a better work-life balance, and businesses looking for ways to entice workers in the midst of a talent short market, flexibility is a winning solution. Property listings which feature these keywords are also likely to attract attention from buyers.

Proportion of job listings that advertise working from home **5%**

+44% compared to November 2021



Global snapshot

The global economy is facing significant challenges as we head into 2023. Economic growth remains stronger than expected in Aotearoa, but as other countries lose momentum faster than us, what insights might we be able to apply to our future?



Global property insights



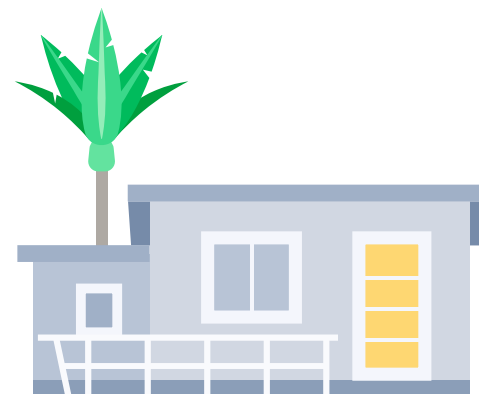
In the UK as they look forward to 2023, Tim Bannister, Rightmove's Director of Property Science, says: "We're heading towards a more even balance between supply and demand next year, but we don't expect more significant price falls in 2023. This is reflected in our prediction of a relatively modest average fall of 2% next year." It's worth noting that the average asking price in Great Britain still grew by 5.6% in 2022, only slightly below the 6.3% growth recorded in 2021. They anticipate the average time to sell sitting at around 60 days which is reflective of a 'normal' housing market in the UK.⁸

However, he also says, "Affordability constraints will bite in some segments and sectors of the market much more than others. This will lead to a more pronounced hyper-local market, where one side of a city, town or even street could fare better than another, depending on the types of property available and the desirability and affordability of the exact location."⁹



In Australia, Dr. Nicola Powell from Domain reports that "while property prices will continue to soften in 2023, it is unlikely they will erase all the growth seen during the pandemic boom."¹⁰ Similar to the UK, she expects to see a multi-speed market this year with some areas performing better than others. "Overall, entry-priced houses and units will hold firmer, particularly in our most expensive capital cities. This will be driven by the affordability barriers of purchasing, first-home incentives, and deteriorating borrowing capacity steering demand to more affordable options." She believes houses priced at a premium will see greater falls, creating opportunities for upgraders.

The global pandemic has also shifted the type of lifestyle Australians value most. "It has emphasised the importance of the home and our surrounding community, and the ability to work, live and play within a short distance of where we reside. The areas to watch will be the ones that offer the ultimate livability; they may be the ones that are gentrifying, offer a certain lifestyle or have easy access to everything", Nicola says.



Global job market insights



In the UK they're finding that "The Great Resignation" hasn't slowed. Talent scarcity continues to impact employers and is here to stay, at least in the short term. According to Randstad UK, around two-thirds (66%) of workers are either applying, considering doing so, or are open to new opportunities if the right one comes along. They're also experiencing differences in what each generation values most, with the younger generation, in particular, wanting a job that fits in with their life, and employers that champion diversity and equity.¹¹

"Businesses that can deliver on fitting work around people's lives, aligning values, strengthening attraction strategies, offering job flexibility, and accelerating professional development are poised to attract the best people. Everyone else can expect longer hiring times, higher recruitment costs, and losing out on exceptional talent", Randstad UK says.



Australia isn't immune from the candidate shortages that the UK and Aotearoa are experiencing. 2022 was the tightest labour market in over 40 years with unemployment levels remaining the lowest they've been in decades. Hays Australia reported that "with borders open, increased skilled migrant quotas and streamlined Australian skilled migration program processes, we are seeing the shortages easing in some industries, but it will be some time yet before this is felt more broadly."¹²

They're unsure of how the economic landscape will impact the job market in 2023, believing it will either cause job hunters to chase higher salaries in order to maintain their lifestyles, or drive the opposite behaviour with workers wanting to stay put in fear of a recession.

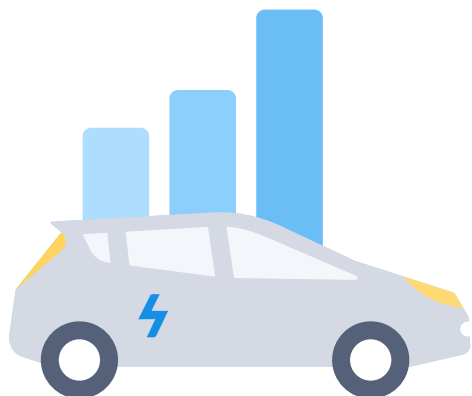


Global car industry insights



In the UK, AutoTrader UK has reported that the new and used car market will be dictated by supply, not demand in 2023. Like Aotearoa, they're also forecast to experience a recession in the year ahead. However, Auto Trader believes sustained levels of consumer demand will limit the potential impact of any economic downturn. This is due to "the huge backlog of people waiting for a driving test, the current disruption in public transport, and the combined five million lost new and used car sales which still leave a level of unsatisfied pent-up demand in a market that's been constrained by supply."¹³

Electric vehicles remain high on buyers lists, with electric vehicles being the fastest-selling fuel type in the used car market in the UK. Based on the latest projections from Auto Trader, "there will be over a million EVs on the road in the UK by 2024, up from less than 400k at the end of 2021. By 2030, over half of all under-five-year-old cars on the road will be electric."¹⁴



In Australia, supply issues also continue to impact the automotive industry, although there may be light at the end of the tunnel. Cameron McIntyre, CEO and Managing Director of Carsales.com, says, "There are encouraging signs that the auto market is starting to correct itself... while supply hasn't quite right-sized yet, manufacturers are starting to land greater numbers of the cars that Australians want."¹⁵ However demand for electric vehicles is expected to outstrip supply for quite some time to come.

All of this means Carsales.com.au expect to see growth in 2023, as pent-up demand for new cars gets closer to being resolved.



| Future thinking



2023 and beyond



GAVIN LLOYD
TRADE ME PROPERTY
SALES DIRECTOR

What's in store for the property market in 2023?

What a difference 12 months makes. This time last year we were seeing normal levels of new properties coming to site and whilst stock was sticking a bit more it was nowhere near the levels we're currently experiencing. Fast forward a year and house sales are close to all-time lows and days onsite have drawn out to 58 days, up a massive 107% from the 28 day low in November 2021.

We head into 2023 with plenty of uncertainty. Interest rates are high but have potentially reached their peak, and the cost of living continues to put pressure on families throughout the country, both of which are seriously affecting affordability. It's also an election year which traditionally impacts the market.

Heading into the first half of 2023 we predict a similar setup to how 2022 closed. The affordability pressures will continue to impact sales prices and keep them soft. However, we are closer to the bottom than we were six months ago, evident by the recent size of these declines starting to slow. When looking at these declines a little deeper outside of the Auckland and Wellington markets, price values in some parts of the country have seen smaller declines, Canterbury and Dunedin for example, even certain suburbs within Auckland and Wellington are holding up okay.

So, whilst the outlook for the start of the year remains pessimistic, more certainty around when interest rates will peak may increase buyer confidence, and with it a potential lift in sales volumes and growth for house values. Meaning the close of 2023 will come with a bit more optimism heading into 2024.



PATRICK CAIRNS
TRADE ME JOBS ACTING
SALES DIRECTOR

What's in store for the job market in 2023?

Following years of pandemic-fuelled uncertainty in the jobs market, things really turned around in the second half of 2022 with thousands of Kiwi dusting off their CVs and applying for a new role. With sky high salaries and lockdowns becoming a thing of the past, we began to see job hunters taking advantage of the market conditions. However, we saw a big tail off in listings once the Reserve Bank announced they were putting up rates and forecasting a recession. This really spooked employers and lowered business confidence.

Looking ahead, there will likely be some more shake ups to the jobs market in 2023. Despite reaching an all-time high in late 2022, the rate of salary growth is already showing signs of slowing down and we are likely to see this continue.

We should keep in mind that despite the rise in applications and drop in listings we saw in the final quarter of last year, many industries are still battling talent shortages. With the borders now open, and less competition due to a decline in job listings overall, businesses who continue to hire are likely to see some relief after struggling to fill vacancies.

We expect continued economic uncertainty, on the back of higher interest rates, a rise in the minimum wage and the upcoming election, will see the overall job listings remain subdued for the year ahead.



JAYME FULLER
TRADE ME MOTORS SALES DIRECTOR

What's in store for the motor vehicle market in 2023?

2023 has started under the lingering shadow of 2022. Stock sourcing challenges and a decrease in sales post-Covid lockdowns are hindering the market for many. On top of this, rising interest rates, inflation and a change in consumer confidence has resulted in a sharp U-turn in buyer intentions.

The buzz word for 2023 will be change. The Clean Car Discount Scheme is still impacting buyer and seller habits as EVs continue to climb in preference and price. As a result, new cars have become a viable option for many who'd previously not considered them. Coupled with the introduction of the Clean Car Standards, further significant changes will impact the industry this year. Things have changed dramatically and there's no let up in sight.

Stock make up will be one to keep a close eye on as we head into 2023. Appealing to your target market whilst juggling ever evolving legislative changes and supply channels will be a big challenge for dealers over the next 12 months.

One thing is clear, don't wait for things to return to 'normal' as that's now one for the history books. Success will be for those who adapt quickly.



That's the state of the nation for 2023, thanks for reading.

*State of the Nation survey methodology: This survey was conducted during January 2023 and collates answers from 2,198 individual Aotearoa-based respondents. Respondents were a sample of Trade Me members who had been active on either Trade Me Property, Trade Me Motors, or Trade Me Jobs in the previous 12 months.