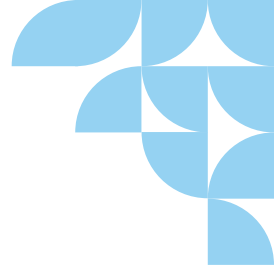


# REINZ & TONY ALEXANDER REAL ESTATE SURVEY

---

July 2021



# IMPROVING PATTERN NOW EVIDENT

Welcome to the REINZ & Tony Alexander Real Estate Survey. This survey gathers together the views of licensed real estate agents all over New Zealand regarding how they are seeing conditions in the residential property market in their areas at the moment. We ask them how activity levels are changing, what the views of first home buyers and investors are, and the factors which are affecting sentiment of those two large groups.

Almost all of the indicators which we report on here have shown increasing strength or decreasing weakness in the residential real estate market around New Zealand over the past month. Some measures have now been improving for two months, and some are back to levels of strength seen late last year.

For instance, a net 3% of agents report that they are seeing fewer investors stepping forward to sell their property. This is the lowest reading since late-November and well away from the net 12% who in late-April said they were seeing more investors looking to sell. There is no wave of investor selling underway.

That may help explain why this month a net 53% of agents have reported that prices are rising in their area compared with a net 32% last month. And a gross 60% now report that they are seeing buyer FOMO (fear of missing out) compared with 51% late in May and 49% two months ago.

There is still a high net 52% of agents saying that they are seeing fewer investors in the market. So the policy changes from the government and Reserve Bank have definitely cooled the fervour of investors. But underlying strength in the market is continuing and we can even see evidence of easing worries that prices will fall. This may partly be because almost a record gross 82% of agents are reporting that buyers have concerns about a shortage of listings.

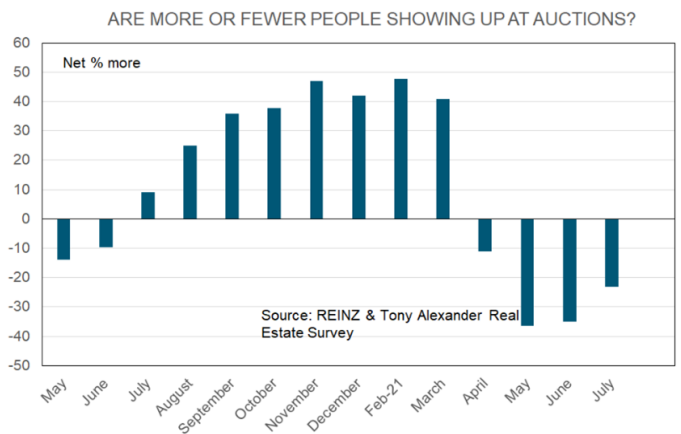
Each of the questions we ask agents is discussed below.

## ARE MORE OR FEWER PEOPLE SHOWING UP AT AUCTIONS?

There are more agents reporting that they are seeing fewer people attending auctions as compared with those

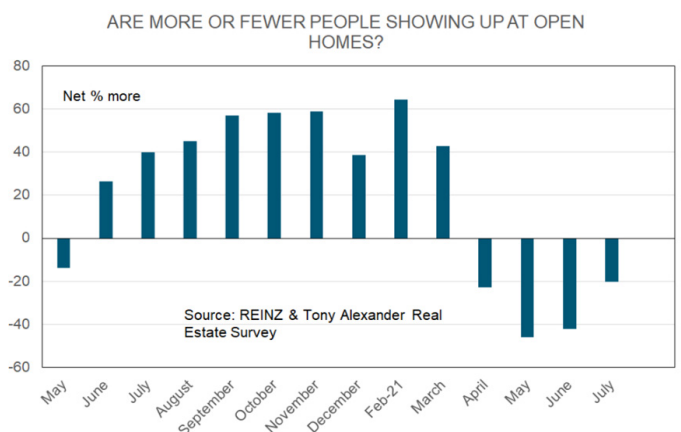
reporting more people in attendance. But at a net 23% negative this proportion is the least negative in three months and as the graph here shows, an improving trend appears to be in place.

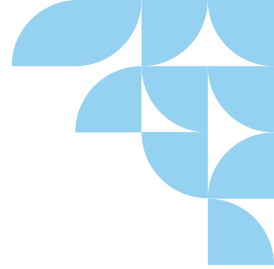
This does not suggest that buyers are as yet returning to the market, just that their speed of withdrawal is slowing down as time passes since the March 23 tax policy change announcement, and media continue to report market strength and rising prices around the country.



## ARE MORE OR FEWER PEOPLE ATTENDING OPEN HOMES?

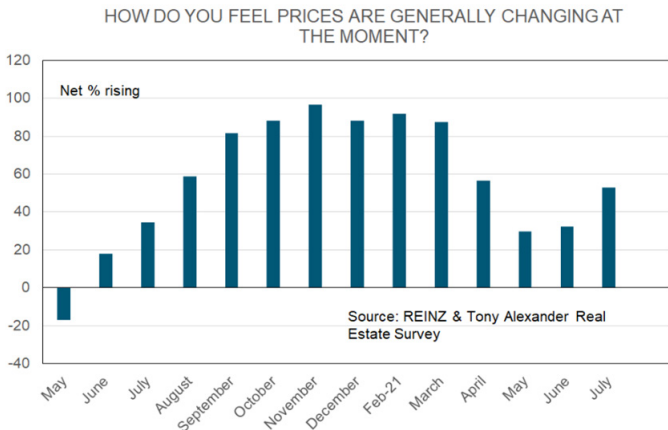
As with agents reporting on numbers attending auctions, so too here do we have evidence that numbers of buyers attending open homes continue to decline. A net 20% reported fewer people attending open viewings than last month. However, again we can see that the extent of buyer withdrawal is easing, and an improving trend is visible in the following graph.





**HOW DO YOU FEEL PRICES ARE GENERALLY CHANGING AT THE MOMENT?**

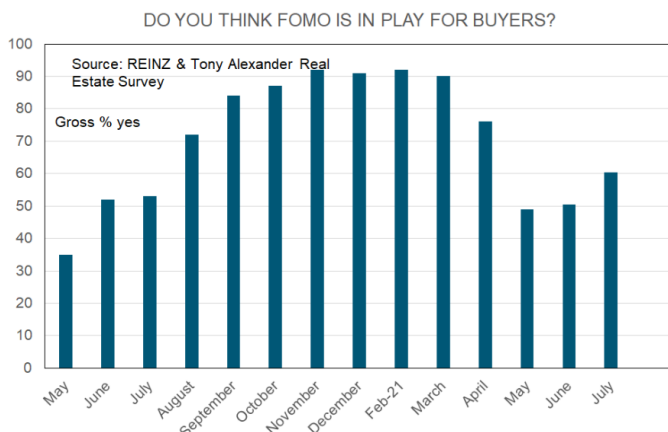
A net 53% of agents this month have reported that they are observing rising prices on average in their location. This is the strongest result since our late-March survey and is up from a net 32% observing rising prices at the end of May and 30% at the end of April.



This is the third indicator we report on and like the previous two there is also clear evidence of an improving trend after the initial shock engendered by the March 23 tax announcement. The extent of price gains seen is not as strong as during the residential real estate market's most frenzied period between August and March. But the result gels with a growing volume of anecdotal reports suggesting prices have not been dented downward by the combined effects of the tax changes and return of Loan to Value Ratio rules.

Note that on average between 2011 and 2014 when this same question was asked in a previous similar survey, a net 31% of agents responded that prices are rising. The nationwide pace of price increase back over that 2011-14 period of time averaged just over 5% per annum.

**DO YOU THINK FOMO IS IN PLAY FOR BUYERS?**

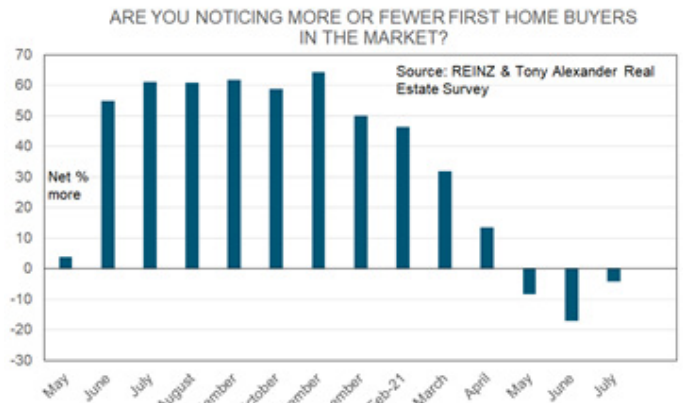


FOMO = Fear of missing out

FOMO is starting to reappear in strength once again. A gross 60% of licensed real estate agents around the country have reported that they are seeing buyers displaying fears of missing out. As with the prices measure discussed just above, the extent of FOMO is down from levels during the most frenzied period of activity. But an upward trend, yet again, is in evidence.

**ARE YOU NOTICING MORE OR FEWER FIRST HOME BUYERS IN THE MARKET?**

A net 4% of agents in our latest survey have reported that they are seeing fewer first home buyers in the market. These mainly young people are continuing to exercise caution as they take on board a great number of new factors such as questions about the impact on investor buying and selling of tax and LVR changes, and predictions of rising interest rates.

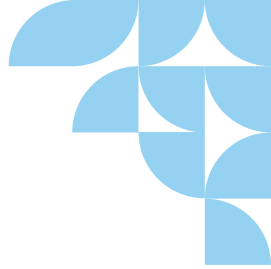


But the extent of their stepping back this month is the least in three months and far better than the net 17% of agents who one month ago reported seeing fewer first home buyers in the marketplace.

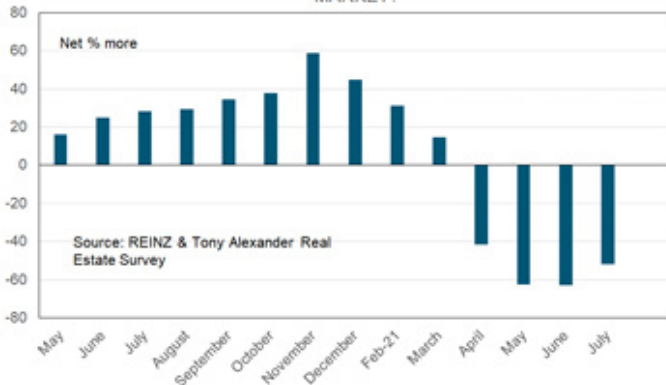
**ARE YOU NOTICING MORE OR FEWER INVESTORS IN THE MARKET?**

A net 52% of responding agents have reported that they are seeing fewer investors in the market. This is the most negative of our numerous reported and behind-the-scenes measures and unlike most of the indicators already discussed this month, one cannot reasonably state that an improving trend is yet in place.

In a number of surveys investors have indicated that they have low levels of plans to purchase extra property in the near future. But as the graph shows us, there was a declining tendency to purchase already evident before the government and Reserve Bank policy announcements.



ARE YOU NOTICING MORE OR FEWER INVESTORS IN THE MARKET?

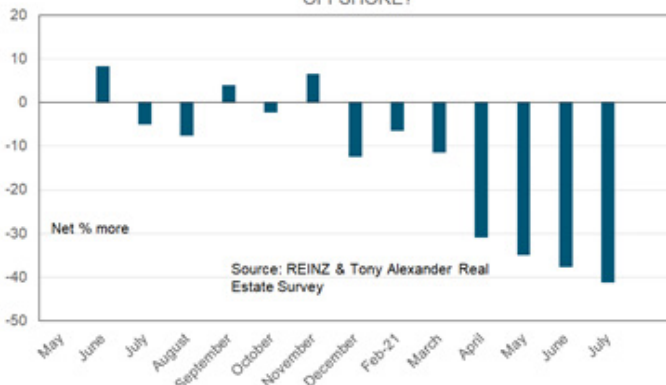


Housing markets move in cycles and as we have seen this past year, sometimes these cycles can be short and sharp. The policy changes have accentuated an easing trend of investor demand already in place and it will be interesting to see if the improvements being registered in almost all of our other measures start soon to translate into more investors dipping their toes back in the water.

**ARE YOU RECEIVING MORE OR FEWER ENQUIRIES FROM OFFSHORE?**

Ahead of the March 23 tax policy announcement there was no clear trend with regard to offshore interest in the NZ residential property market. But following the announcement there has been a noticeable stepping back of offshore parties from our market.

ARE YOU RECEIVING MORE OR FEWER ENQUIRIES FROM OFFSHORE?



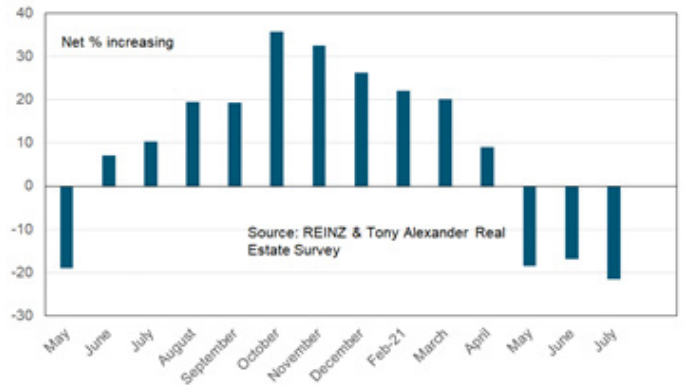
In contrast to all other indicators so far discussed in this month's report, there is no improvement registered in this demand measure this past month. A net 41% of agents have reported that they are seeing fewer offshore enquiries as compared with a net 38% last month and 35% late in April.

**ARE PROPERTY APPRAISAL REQUESTS INCREASING OR DECREASING?**

A net 22% of responding agents this month have indicated

that they are seeing fewer requests for property appraisals. There has been a fairly noticeable downward trend in this gauge of potential market activity since late-October last year and this is not necessarily good news for buyers.

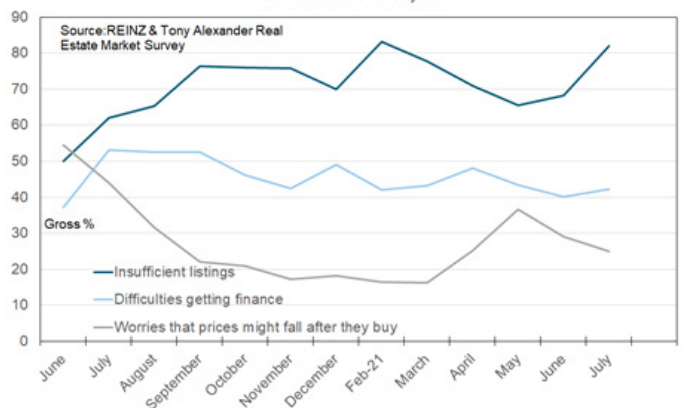
ARE PROPERTY APPRAISAL REQUESTS INCREASING OR DECREASING?



The downward trend and high net negative result suggest that it would be unreasonable to expect much change in the shortage of property listings in the near future. In fact, as discussed below, a shortage of listings has increased as a concern for buyers.

**WHAT ARE THE MAIN CONCERNS OF BUYERS?**

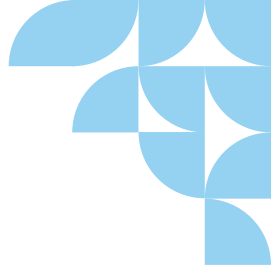
Main concerns of buyers



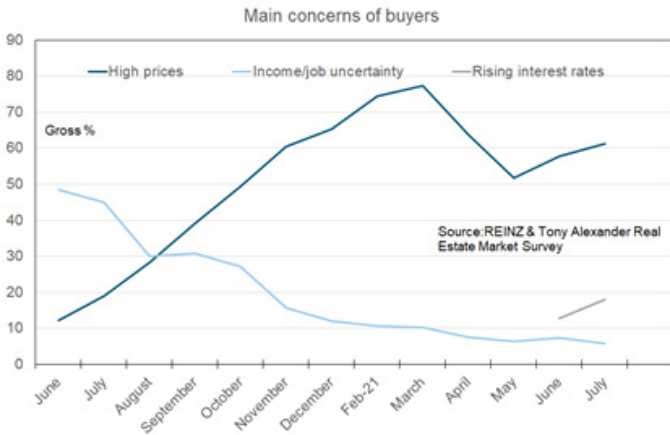
Each month we produce two graphs showing the gross proportion of agents citing each of six factors which concern buyers the most. The first graph above tells us that for two months in a row concerns have increased about the shortage of listings. A gross 82% of agents now cite this concern. This is only just below the record of 83% recorded in late-January.

The graph also shows that concerns buyers might have about prices falling soon after they have made a purchase have declined. But they remain higher than before the March 23 policy announcement.

Our second graph tells us that concerns continue to

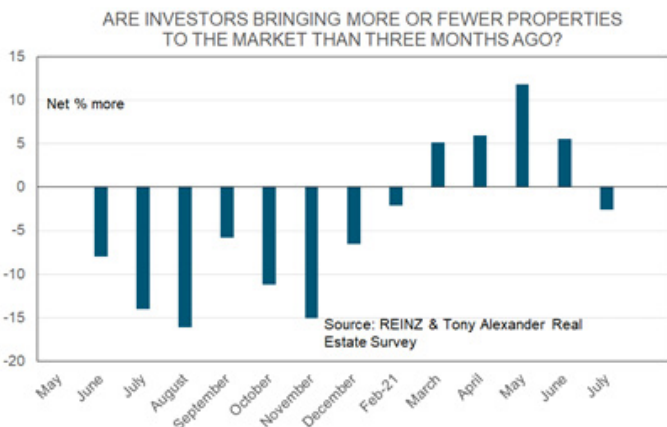


trend slowly downward regarding worries about jobs and incomes. Worries about high prices (requiring high debt) have risen slightly, while worries about interest rates going up have lifted. But at a gross 18% the proportion of agents noting that buyers appear worried about interest rates going up is the second lowest rated concern of the six which we track.



**ARE INVESTORS BRINGING MORE OR FEWER PROPERTIES TO THE MARKET TO SELL THAN THREE MONTHS AGO?**

One strong proposition advanced following the March 23 announcement, including by investors themselves, was that a wave of investors would choose to sell their properties. There is widespread anecdotal evidence of some investors with larger portfolios choosing to sell their less desired stock in order to reduce debt. There is also evidence of some older investors choosing to sell and invest in other assets now, slightly earlier than they had been planning.

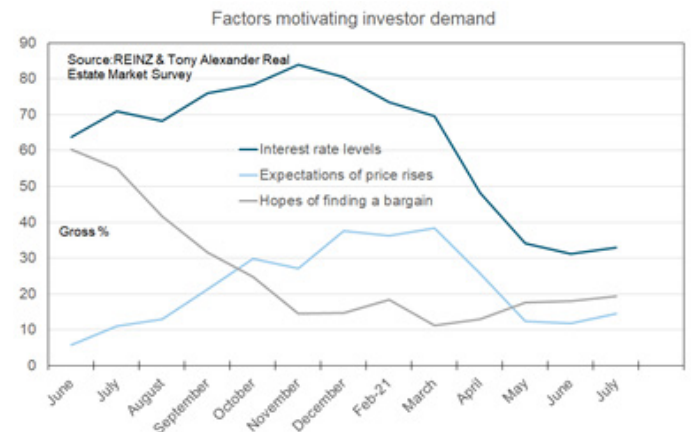


But there is no clear evidence of a large wave of investors selling. In fact, in our latest survey a net 3% of agents have reported that they are seeing fewer investors bringing properties forward to sell. This is the lowest result since late-November last year and a more than complete reversal

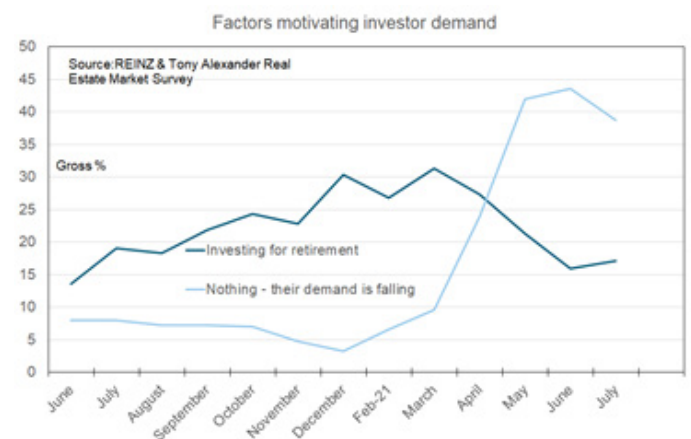
of perceptions of extra investors selling reported in the three other surveys which we have undertaken since March 23.

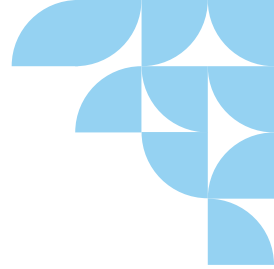
**WHAT FACTORS APPEAR TO BE MOTIVATING INVESTOR DEMAND?**

There have been few changes this month in agent perceptions of the main factors motivating demand from investors. The highest-ranking factor remains interest rates according to a gross 33% of agents. Next comes Hopes of Finding a Bargain at 19%, then Investing for Retirement at 17%.



The proportion of responding agents noting that investor demand is falling has itself fallen – to 39% from a record 44% last month.





**REGIONAL RESULTS**

The following table breaks down answers to the numerical questions above by region. No results are presented for regions with fewer than 7 responses as the sample size is too small for good statistical validity of results. Even for regions with responses between 7 and 20, caution needs to be applied as results may prove quite volatile from one month to the next. Nelson and Tasman results have been joined together as have those for Hawke’s Bay and Gisborne.

- A. # of responses
- B. Are property appraisal requests increasing or decreasing?
- C. Are more or fewer people showing up at auctions?
- D. Are more or fewer people attending open homes?
- E. How do you feel prices are generally changing at the moment?
- F. Do you think FOMO is in play for buyers?
- G. Are you noticing more or fewer first home buyers in the market?
- H. Are you noticing more or fewer investors in the market?
- I. Are you receiving more or fewer enquiries from offshore?
- J. Are investors bringing more or fewer properties to the market to sell than three months ago?

	<b>A</b> #obs	<b>B</b> Appraisals	<b>C</b> Auctions	<b>D</b> Open H.	<b>E</b> Prices	<b>F</b> FOMO	<b>G</b> FHBs	<b>H</b> Invest.	<b>I</b> O/seas	<b>J</b> Inv.selling
Northland	21	-24	-10	10	71	71	-24	-57	-33	14
Auckland	99	-22	-33	-17	56	59	8	-43	-42	-3
Waikato	33	-12	-12	15	55	52	-21	-48	-67	-6
Bay of Plenty	21	14	-43	-5	38	71	33	-52	-48	14
Hawke's Bay	16	-19	-50	-75	19	38	-56	-88	-63	13
Taranaki	4	0	0	0	0	0	0	0	0	0
Manawatu-Wanganui	10	10	-10	-90	0	30	-50	-90	-20	22
Wellington	26	-15	-35	-73	54	62	-12	-50	-42	-8
Nelson/Tasman	9	33	0	22	67	78	-22	-67	-67	-33
Marlborough	7	-14	-14	-43	14	43	-14	-29	-14	14
West Coast	0	0	0	0	0	0	0	0	0	0
Canterbury	40	-68	-10	-10	70	75	20	-60	-45	-5
Queenstown Lakes	10	-30	20	20	70	90	40	0	30	-10
Otago exc Q'town	13	-15	-23	-54	54	23	-46	-62	-15	-46
Southland	4	0	0	0	0	0	0	0	0	0
<b>New Zealand</b>	315	-22	-23	-20	53	60	-4	-52	-41	-3



ISSN: 2703-2825

This publication is written by Tony Alexander, independent economist.

Subscribe here <https://forms.gle/qW9avCbaSiKcTnBQA>

To enquire about having me in as a speaker or for a webinar contact me at [tony@tonyalexander.nz](mailto:tony@tonyalexander.nz)

Back issues at [www.tonyalexander.nz](http://www.tonyalexander.nz)

#### Tony's Aim

To help Kiwis make better decisions for their businesses, investments, home purchases, and people by writing about the economy in an easy to understand manner.

Feel free to pass on to friends and clients wanting independent economic commentary.

*Disclaimer: This report is intended for general information purposes only. This report and the information contained herein is under no circumstances intended to be used or considered as legal, financial or investment advice. The material in this report is obtained from various sources (including third parties) and REINZ does not warrant the accuracy, reliability or completeness of the information provided in this report and does not accept liability for any omissions, inaccuracies or losses incurred, either directly or indirectly, by any person arising from or in connection with the supply, use or misuse of the whole or any part of this report. Any and all third party data or analysis in this report does not necessarily represent the views of REINZ. When referring to this report or any information contained herein, you must cite REINZ as the source of the information. REINZ reserves the right to request that you immediately withdraw from publication any document that fails to cite REINZ as the source.*