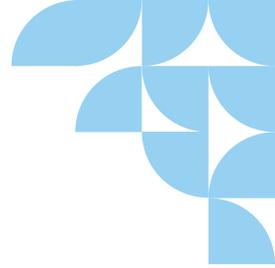


REINZ & TONY ALEXANDER REAL ESTATE SURVEY

November 2021



MARKET IN A HOLDING PATTERN

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 the sentiment of those two large groups.

For the majority of the indicators we gather in each month's survey, there has been little change from last month. The market is in something of a holding pattern with fewer people attending open homes and auctions, investors continuing to back away from making fresh purchases, but first home buyer numbers holding steady.

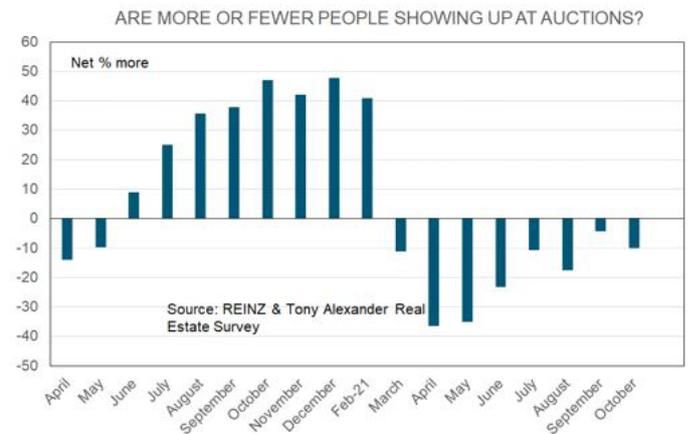
All indicators we track are at below-average levels suggestive of the market cooling, except one. The net proportion of agents saying that they are seeing more people seeking appraisals of their property's market value stands at +27%. This is well above the average since April last year of just 9%.

This may be an early sign that listings will be improving shortly to a degree over and above what one would expect with the approach of summer and hopefully the reopening of Auckland. If so, this would be in line with what one would expect to happen with mortgage interest rates up strongly over the past two months. In fact, the now most popular term of three years involves an interest rate near 4% which is where the rate was in April 2019 before the Reserve Bank cut the official cash rate 0.75% that year.

ARE MORE OR FEWER PEOPLE SHOWING UP AT AUCTIONS?

A net 10% of real estate agents from around the country late in October said that they are seeing fewer people turning up at property auctions. This is a small deterioration from the net 4% of September. But there has been no trend change in this measure underway for some four months now. The continuing lockdown in Auckland is suppressing activity for a market accounting for over one-third of activity in New Zealand and until that situation changes, we may see alteration in this measure.

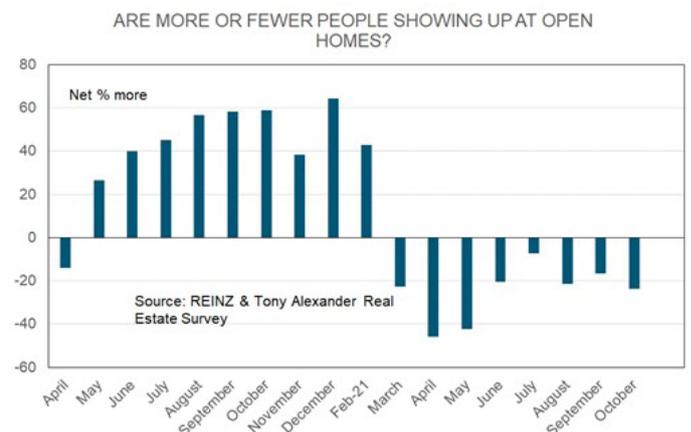
However, by the time that happens the effects of rising interest rates and tightening credit controls could be dominant and this will curb buyer appearances – as the central bank intends.

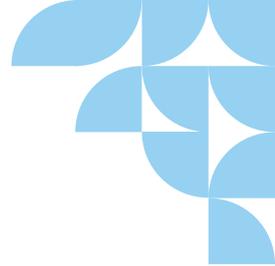


ARE MORE OR FEWER PEOPLE ATTENDING OPEN HOMES?

A net 24% of agents have reported seeing fewer people attending open homes around the country. Again, the Auckland lockdown will be having a negative impact here. And again, as with auction attendance, one would be hard-pressed to see any definite trend in this measure for the past five months.

There is somewhat of a holding pattern in place for the physical attendance of people at auctions and open homes and for the moment these indicators are probably not giving the level of insight into market pressures and trends which would otherwise be evident if COVID-19 were not in our world.

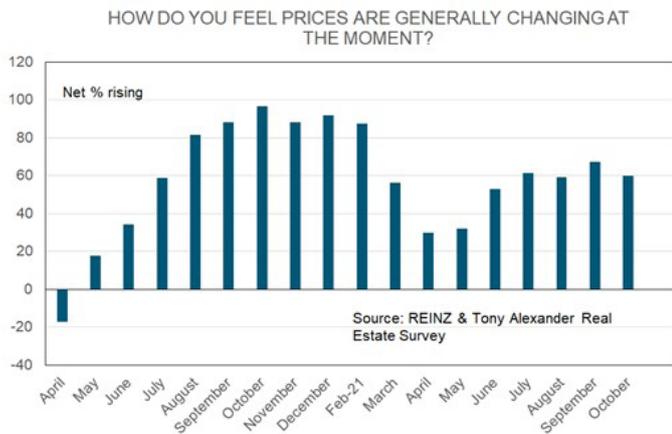




HOW DO YOU FEEL PRICES ARE GENERALLY CHANGING AT THE MOMENT?

A net 60% of agents feel that house prices are rising in their location. This is a statistically meaningless decline from a net 67% seeing rises last month and tells us that for the moment price pressures on average around the country remain intense.

The average reading for this measure since April last year has been 58%. Therefore, for the moment the extent of price pressure remains broadly consistent with the extreme upward movement in place since COVID-19 appeared.



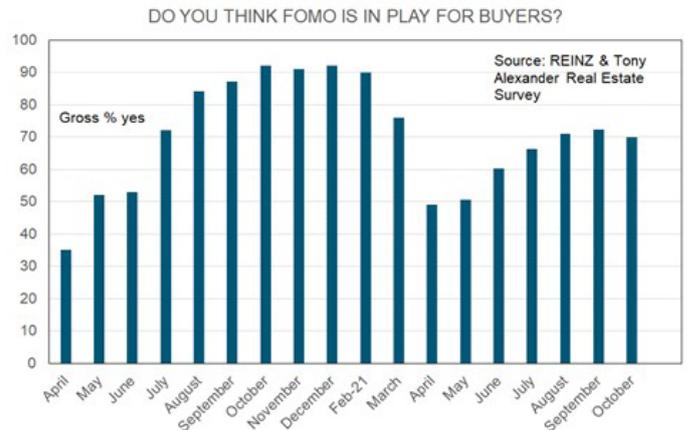
Note that on average between 2011 and 2014 when this same question was asked in a previous similar survey, a net 31% of agents responded that prices are rising. The nationwide pace of price increase back over that 2011-14 period of time averaged just over 5% per annum.

DO YOU THINK FOMO IS IN PLAY FOR BUYERS?

FOMO = Fear of missing out

A gross 70% of agents say that they are seeing FOMO on the part of buyers. This is essentially the same as the late-September result of a gross 72%, and August's 71%. This tells us that so far rising mortgage rates have yet to dent the determination of people to make a purchase. But the recovery in this measure following the fall to low levels in April and May following the March 23 tax announcement affecting investors, has ended.

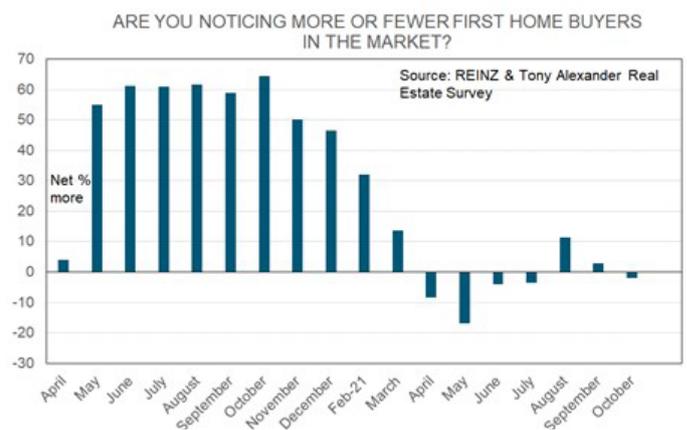
Given rising interest rates, early talk of shortages being addressed, and tightening lending rules from banks, it would be unsurprising if FOMO were to start trending down fairly soon.



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

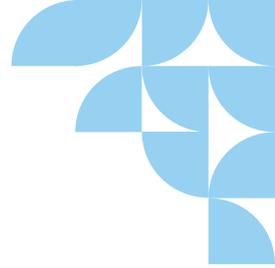
A net 2% of agents have reported seeing fewer first home buyers in the market looking to make a purchase. This is essentially unchanged from last months net positive 3% result and like many of our other indicators, there is no clear trend underway.

However, with mortgage rates rising, credit criteria tightening, including one bank officially introducing a Debt to Income (DTI) limit for new borrowers of six, this measure could easily consolidate in negative territory in the coming months.

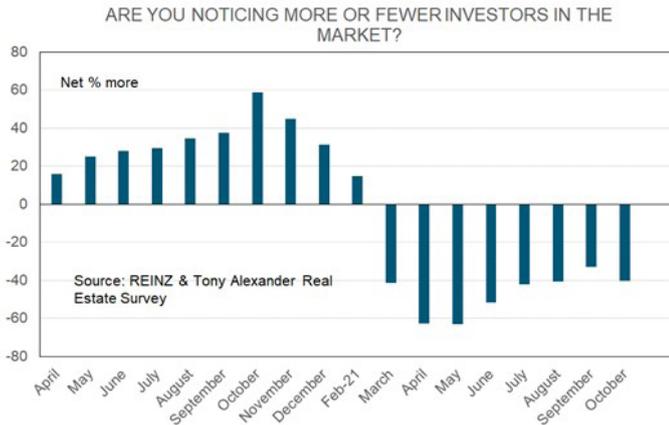


ARE YOU NOTICING MORE OR FEWER INVESTORS IN THE MARKET?

Since the March 23 announcement of changes in the tax treatment of investor interest expenses, we have seen a strong reduction in the presence of investor buyers in the residential real estate markets around New Zealand. The graph here shows that the extent of this stepping back of

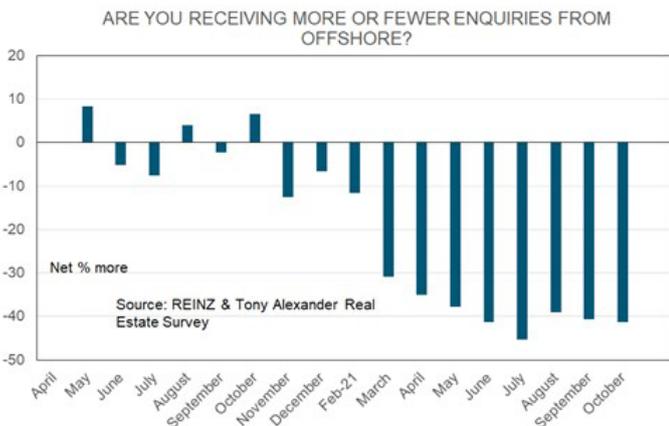


investors have been steadily lessening since June, but this month increased again. Investors are continuing to hold back, and this accounts for the increase in the proportion of property sales going to first home buyers evident in some nationwide data series.



ARE YOU RECEIVING MORE OR FEWER ENQUIRIES FROM OFFSHORE?

On average since May, last year a net 20% of agents have said that they are seeing a reduced number of enquiries from people offshore. The latest result is a net 41% seeing fewer offshore enquiries and this is consistent with the large stepping away of offshore buyers since the March 23 tax announcement. Based on the solidity of these results since even before March this year, it would be unreasonable to expect that the eventual reopening of New Zealand’s borders to the world will produce a wave of buying.



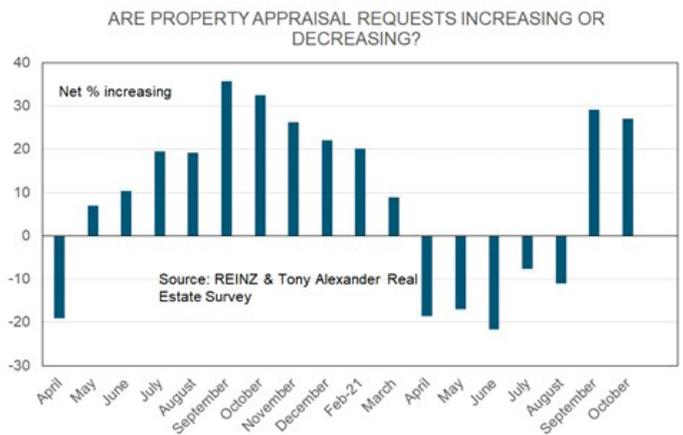
ARE PROPERTY APPRAISAL REQUESTS INCREASING OR DECREASING?

Last month we noted that the only measure to substantially change in survey results received late in September was a jump in the net proportion of agents saying that they are

receiving more requests to give property appraisals. This month that proportion has remained high at a net 27% from 29% last month.

The average reading for this gauge since April 2020 has been 9% and this is the only one of our market strength measures that is at above level levels. But that does not mean it challenges the message from the other indicators of plateauing strength at best. Instead it tells us that many more people are thinking about listing their property.

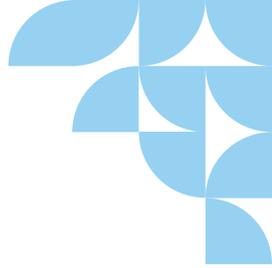
So, maybe summer will bring a better availability of properties for buyers to choose amongst. However, because rising interest rates and tightening credit criteria will be pushing demand downwards, a change in the pace with which average property prices are rising looks to be on the cards.



WHAT ARE THE MAIN CONCERNS OF BUYERS?

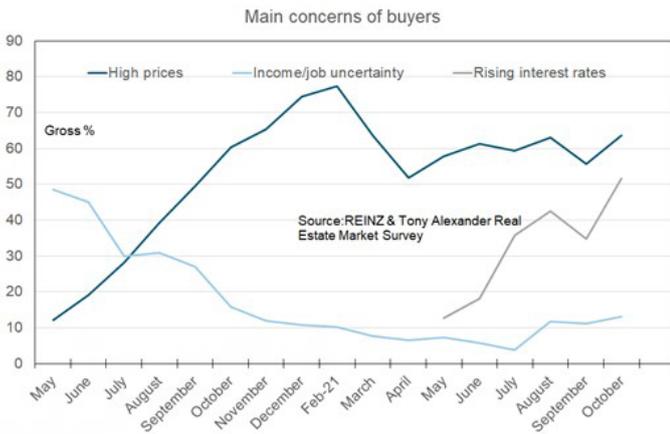
The main concern of buyers remains a deficiency of listings according to responding real estate agents. However, 66% of agents have cited this factor this month which is the lowest proportion since April.



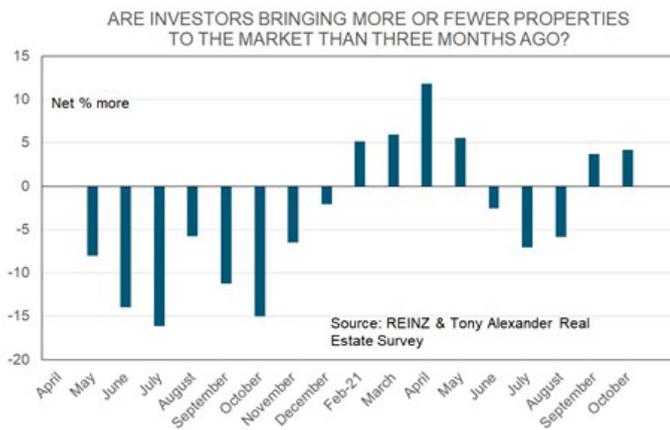


But while worries about listings may be starting to pare back, the firm rise in concerns about rising interest rates has continued this month. A gross 52% of agents say that buyers are concerned about rising mortgage costs, up from only 13% when we first asked this question in May.

Understandably, a high 64% of agents still say high prices are of concern to buyers.



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

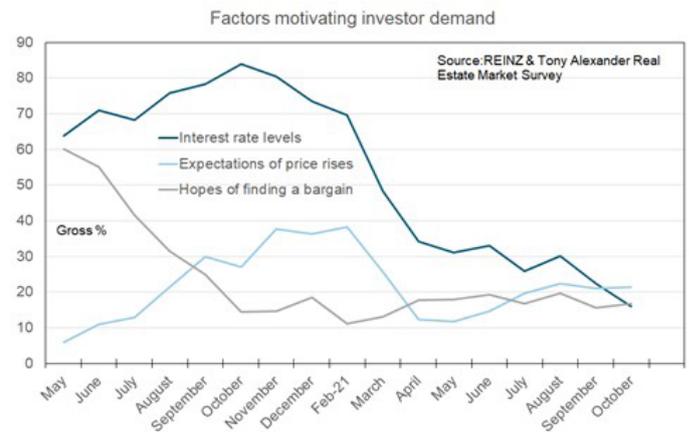


There are signs that property demand is plateauing and in the case of investors has been falling since April. There are also signs that more supply of properties to sell may be occurring soon. But one element which has yet to show firm signs of appearing is the outright selling of properties by investors. Some larger investors have been offloading less attractive properties into a frenzied market of buyers since early this year. Some investors may also have been selling to lock in capital gains – whether taxed under the bright-line regime or not.

But there remains no evidence of an overall shift of property investors away from real estate towards other assets, with those other asset purchases funded by property sales. It will be interesting however to see if this situation changes as interest rates go higher and expectations of additional price gains start to wane.

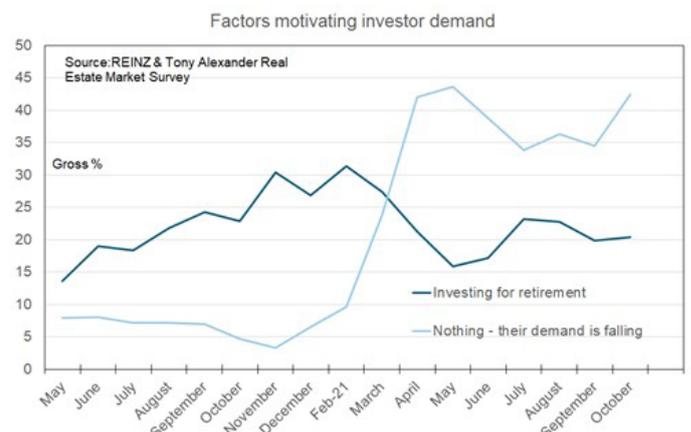
WHAT FACTORS APPEAR TO BE MOTIVATING INVESTOR DEMAND?

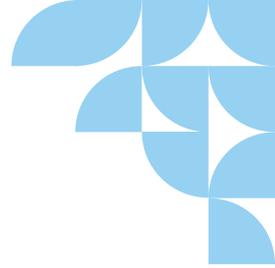
Only 16% of real estate agent agents now say that low interest rates are a motivating factor for property investors looking to make a purchase. Expectations of price rises have plateaued, as have hopes of finding a bargain.



But the proportion of agents reporting that the demand of investors overall is falling has jumped this month to 42% from 34% last month. This is almost equal to the 44% in May who noted that investor demand was falling – with that result attributable to the tax change announced on March 23. It is notable therefore that in the absence of any new tax alteration this measure has again deteriorated.

More investors are backing away from making fresh purchases and this is consistent with responses to one of our other questions discussed above and results from other surveys run by Tony Alexander.





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. The table also does not show West Coast or Southland as we never receive sufficient results to allow presentations. The three top of the South Island regions are amalgamated into one.

The best use of the table is achieved by picking a variable and comparing a region's outcome with the national result shown in bold in the bottom line. For instance, FOMO was reported this month by a gross 70% of agents nationwide. But it is relatively strong in Northland, Auckland, Canterbury and Queenstown. FOMO is relatively weak in Dunedin, Wellington particularly, and Manawatu-Wanganui.

If anyone is interested, I can make available time series for each measure shown here. Contact me at [@tonyalexander.nz](https://www.tonyalexander.nz)

- 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?

	A #obs	B Appraisals	C Auctions	D Open H.	E Prices	F FOMO	G FHBs	H Invest.	I O/seas	J Inv.selling
Northland	20	45	0	-10	65	80	-35	-15	-45	-15
Auckland	138	21	-4	-12	69	79	15	-27	-39	6
Waikato	32	28	-28	-53	50	56	-9	-44	-66	0
Bay of Plenty	24	25	-33	-50	50	63	0	-71	-38	4
Hawke's Bay	17	47	-47	-59	47	59	-35	-71	-47	-29
Taranaki	7	14	-14	-57	43	71	-57	-29	-29	-29
Manawatu-Wanganui	14	0	-14	-79	29	57	7	-71	-43	7
Wellington	31	52	-35	-65	35	42	-32	-81	-45	19
Nelson/Tasman	13	54	0	8	62	62	-8	-46	-54	8
Canterbury	34	12	26	24	88	85	18	-38	-21	9
Queenstown Lakes	8	63	13	25	63	75	0	-25	-25	38
Otago exc. Q'town	13	31	-15	-23	38	54	-31	-31	-31	15
New Zealand	358	27	-10	-24	60	70	-2	-40	-41	4



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