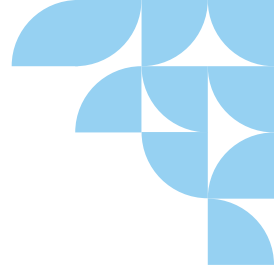


REINZ & TONY ALEXANDER REAL ESTATE SURVEY

June 2022



BUYERS CONTINUE TO STEP BACK

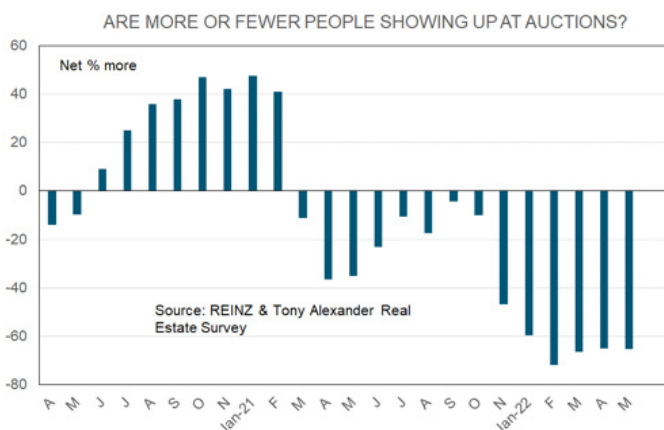
Welcome to the REINZ & Tony Alexander Real Estate Survey. This survey gathers together the views of licensed real estate agents all over New Zealand regarding how they are seeing conditions in the residential property market in their areas at the moment. We ask them how activity levels are changing,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

In the face of rising interest rates, tight credit availability, worries about recession, negative developments offshore, talk of a brain drain, business failures and resourcing issues in the construction sector, and widespread reporting of house price falls, it is unsurprising that buyers are stepping back from the market for now.

Our latest monthly survey of real estate agents throughout the country produced 557 responses showing only a small 4% of agents seeing FOMO (fear of missing out), 73% seeing FOOP (fear of over-paying), and fewer and fewer investors bringing their properties to the market to sell.

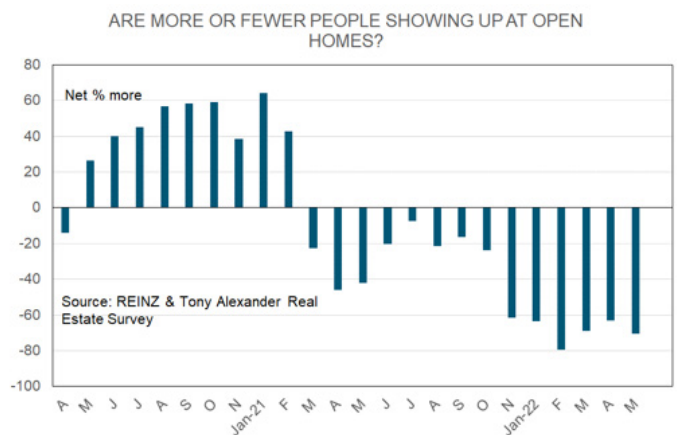
ARE MORE OR FEWER PEOPLE SHOWING UP AT AUCTIONS?

For the second month in a row, a net 65% of responding real estate agents said that they are seeing fewer people attending auctions. In fact, the withdrawal of people from attending auctions has been strong ever since the tightening of Loan to Value Ratio (LVR) lending rules in November and the much tighter requirements of the revamped Credit Contracts and Consumer Finance Act (CCCFA) introduced by the Government at the start of March.



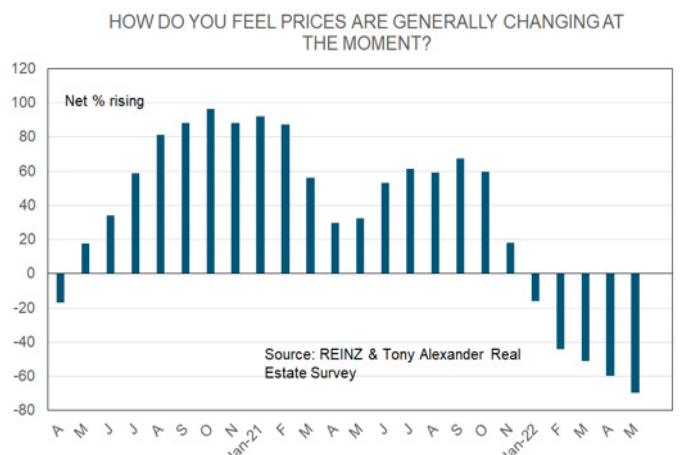
ARE MORE OR FEWER PEOPLE ATTENDING OPEN HOMES?

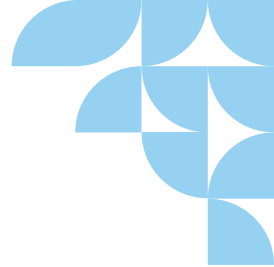
The same factors causing people to step back from attending auctions have been at work over the same timeframe for those contemplating attending open homes. Over a net 60% of agents have reported seeing fewer people at open homes since November last year and there is no attenuation of this withdrawal from inspection as yet. A net 70% of our 557 responding agents reported reduced open home attendance this past month.



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

Another record has been set for the net proportion of agents feeling that prices are falling in their location of operation. A net 70% now see price declines up from a net 60% last month. Only seven months ago at the end of October a net 60% of agents reported that prices were rising. Price movement has changed very quickly.

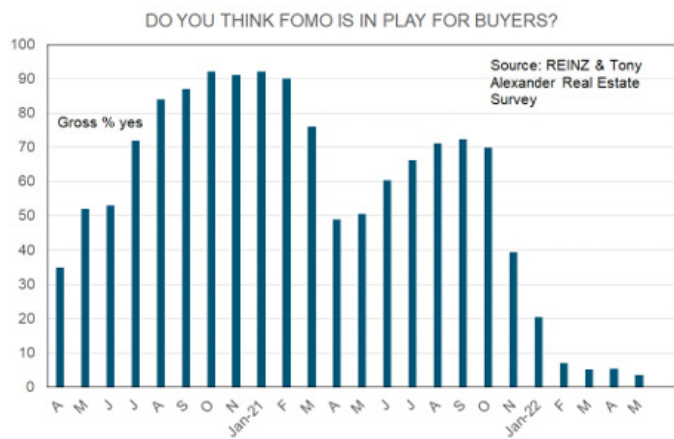




DO YOU THINK FOMO IS IN PLAY FOR BUYERS?

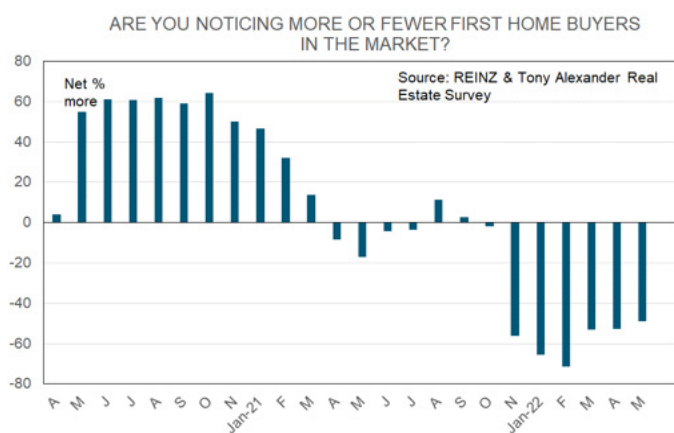
FOMO = Fear of missing out

Only a gross 4% of agents report that they can see buyers displaying FOMO. This is as good as zero. Buyers feel in no hurry to make a transaction.



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

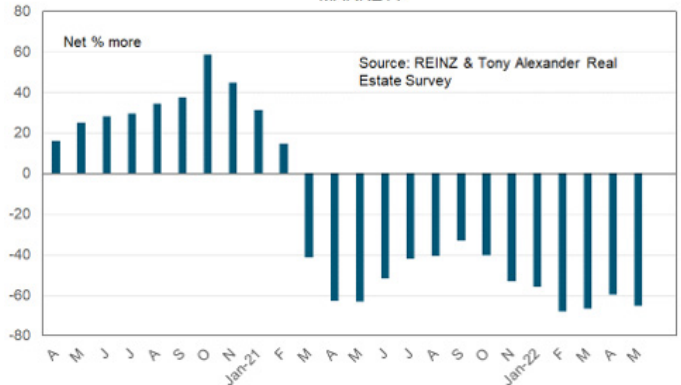
There is no return of first home buyers to the market underway. A net 49% of agents report seeing fewer first home buyers, consistent with results for all other months since November.



ARE YOU NOTICING MORE OR FEWER INVESTORS IN THE MARKET?

There is also no return of investor buyers to the market. But their withdrawal started early in 2021 when first the LVR rules returned and then tax rules were changed at the end of March. A net 65% of agents in our survey report seeing fewer investors.

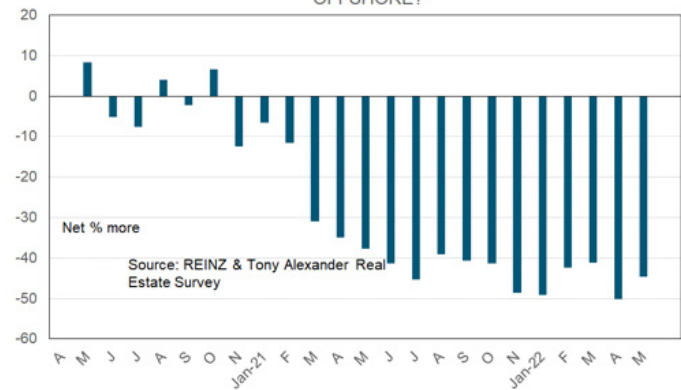
ARE YOU NOTICING MORE OR FEWER INVESTORS IN THE MARKET?



ARE YOU RECEIVING MORE OR FEWER ENQUIRIES FROM OFFSHORE?

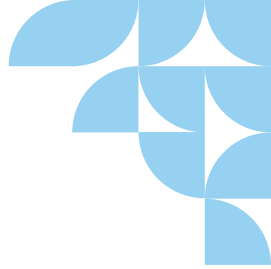
There can be very few people now left in New Zealand who believe a housing market stimulus will come as a result of opening the borders. Instead, talk is growing of a brain drain of people across to Australia and further afield for work and OEs. This month, a net 45% of our responding agents have said they are getting less enquiry from people offshore. This lack of offshore demand has been evident since the end of 2020 and demand fell strongly from March last year.

ARE YOU RECEIVING MORE OR FEWER ENQUIRIES FROM OFFSHORE?



ARE PROPERTY APPRAISAL REQUESTS INCREASING OR DECREASING?

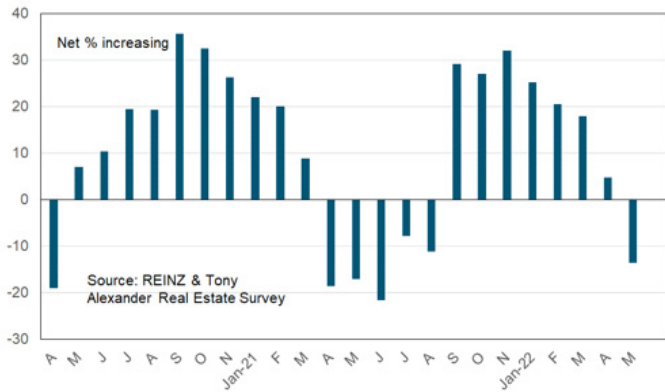
This past month there has been a sharp drop in the level of requests by people for appraisals of their property's potential market worth. This is likely to reflect reduced optimism by vendors that they will keep a potentially strong price. But it will also reflect the lack of any wave of distressed sellers be they investors affected by tax rule changes or owner occupiers affected by quickly rising mortgage interest rates.



As noted previously a key characteristic of this downward leg of the house price cycle is the absence of many distressed sellers. This partly reflects restricted access to credit since the Global Financial Crisis, high test interest rates applied by banks for past borrowing, and the very strong labour market.

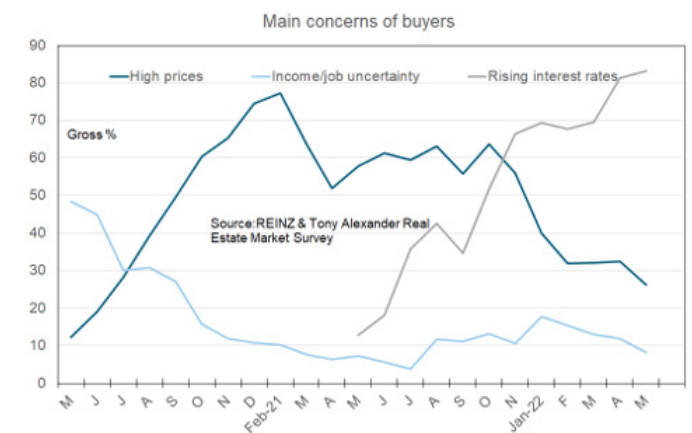
Note in our first graph the steady upward movement in reports of buyers worrying about prices going down. This fear of over-paying (FOOP) after buying now stands at 73% from only 19% in October. In the second graph, note the decline in worries that prices are simply too high, but the decline also in employment concerns. Only 8% of agents this month reported that people are worried about their jobs and incomes, down from 12% to 18% over the months from August to the end of April.

ARE PROPERTY APPRAISAL REQUESTS INCREASING OR DECREASING?



WHAT ARE THE MAIN CONCERNS OF BUYERS?

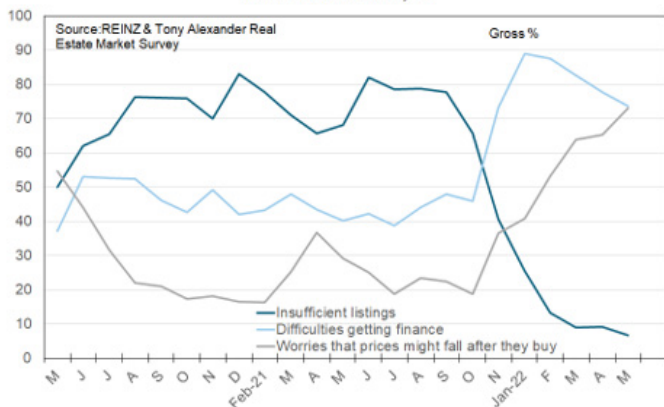
There have been strong shifts in the things which buyers are concerned about over the past few months. In the first of our two graphs showing these concerns we can see a substantial decline in the proportion of agents saying that buyers are concerned about the availability of listings. Difficulties getting finance peaked in January when 89% of agents reported buyers having difficulties. That proportion now is 74% – lower, but still placing access to finance as the second biggest concern after interest rate levels at 83% of agents.



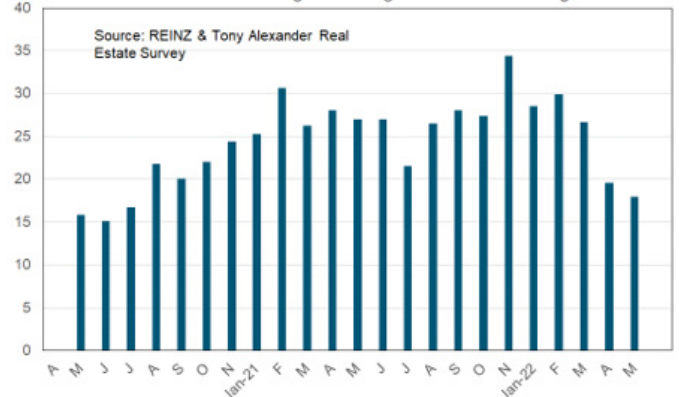
ARE INVESTORS BRINGING MORE OR FEWER PROPERTIES TO THE MARKET TO SELL THAN THREE MONTHS AGO?

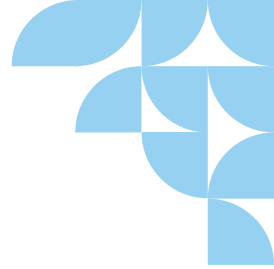
There is no wave of investors looking to unload their properties. The gross proportion of responding agents saying they see investors selling has fallen from a peak of 34% in November to 18% now. This is the lowest reading since July 2020. House prices around New Zealand are not falling because investors are selling out of the sector.

Main concerns of buyers



Gross % of agents seeing more investors selling

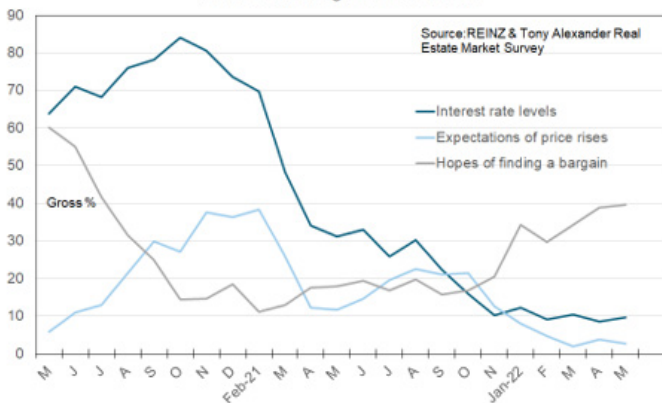




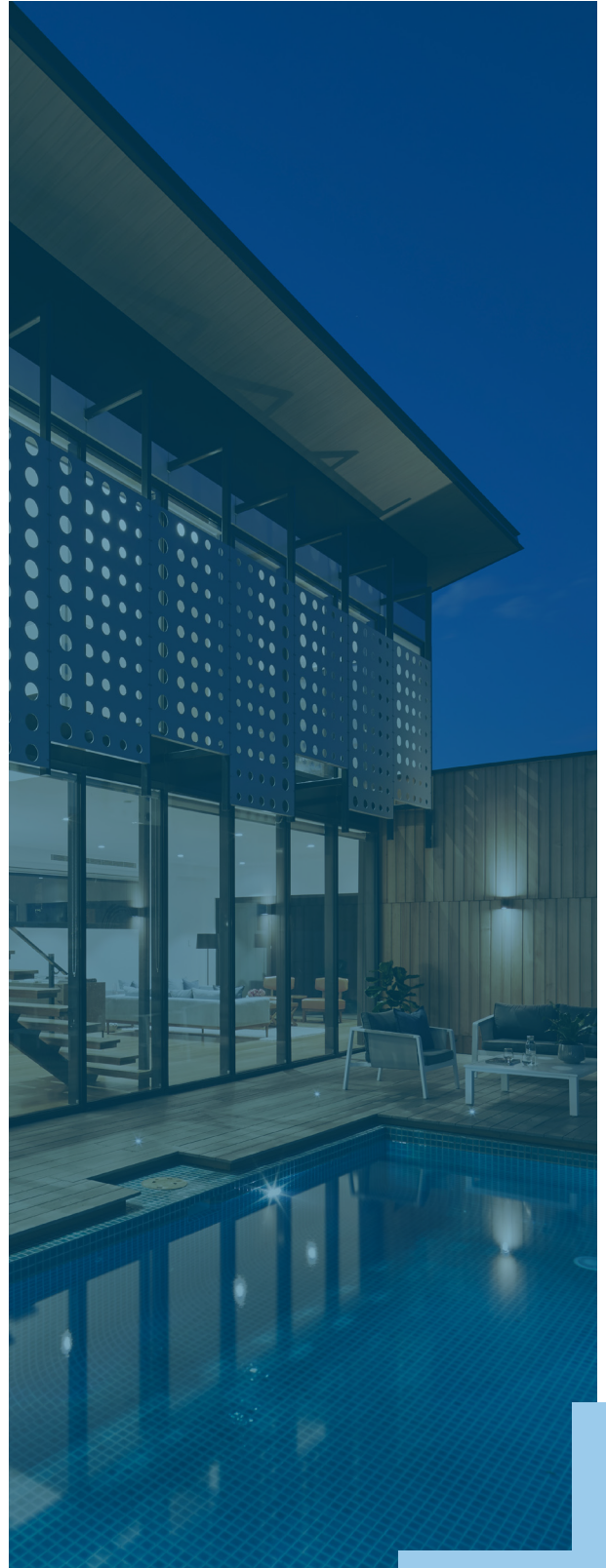
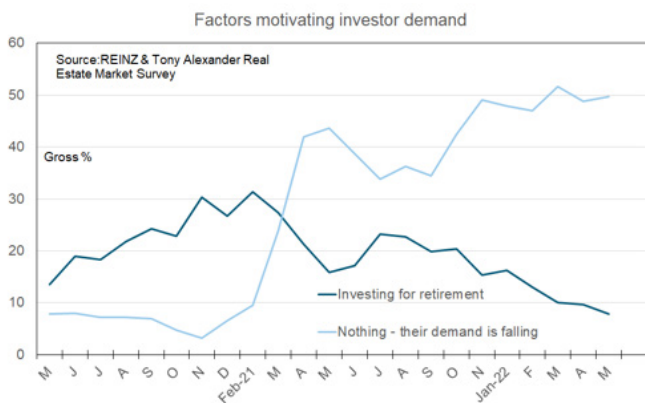
WHAT FACTORS APPEAR TO BE MOTIVATING INVESTOR DEMAND?

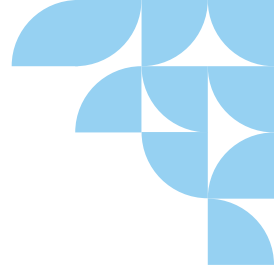
We ask agents what the main things are which appear to be motivating those investors who are looking to buy, keeping in mind that the volume of such buyers fell away substantially over a year ago.

We spread the results over two graphs and the first shows us that low interest rates are less and less a motivating factor. They used to be a key driver of investor demand thanks to the Reserve Bank's excessive easing of monetary policy during the pandemic – hence the economy growing beyond its capacity now and business failures through lack of access to staff. The proportion of agents reporting that investors are looking to buy because of hopes they will find a bargain is creeping upward. It now stands at 40% from 17% in October. Expectations for capital gains are almost zero.



The second graph shows us that investing for retirement is becoming less and less a driver of buying plans.





REGIONAL RESULTS

The following table breaks down answers to the numerical questions above by region. No results are presented for regions with fewer than seven responses as the sample size is too small for good statistical validity of results. The three top of the South Island regions are amalgamated into one and Gisborne is joined with Hawke’s Bay.

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, a net 78% of agents in Auckland say that prices there are falling. But only a net 33% say this is happening in Taranaki and a net 42% in Canterbury. Prices are falling everywhere, but not to the same degree.

The table shows net percentages apart from the FOMO question in column F. The net percent is calculated as the percentage of responses saying a thing will go up less the percentage saying it will go down.

If anyone is interested, I can make available time series for each measure shown here. Contact me at tony@alexander.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	31	-10	-68	-61	-42	3	-42	-45	-39	-37
Auckland	214	-28	-75	-73	-78	2	-48	-64	-44	-24
Waikato	45	7	-67	-67	-67	2	-58	-60	-47	-9
Bay of Plenty	46	15	-76	-83	-80	4	-48	-78	-57	-13
Hawke's Bay	23	13	-78	-78	-78	0	-52	-78	-52	9
Taranaki	9	33	-44	-89	-33	11	-44	-67	-44	0
Manawatu-Wanganui	34	-9	-53	-56	-74	3	-53	-56	-44	3
Wellington	52	-4	-40	-69	-88	4	-52	-79	-46	-2
Nelson/Tasman	20	0	-40	-75	-50	0	-50	-90	-45	-10
Canterbury	53	-21	-55	-51	-42	8	-36	-42	-40	6
Queenstown Lakes	9	-22	-67	-100	-44	11	-11	-56	-11	25
Otago exc. Q'town	18	-56	-78	-94	-72	11	-89	-94	-50	-11
Southland	3	n/a								
New Zealand	557	-13	-65	-70	-70	4	-49	-65	-45	-12



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