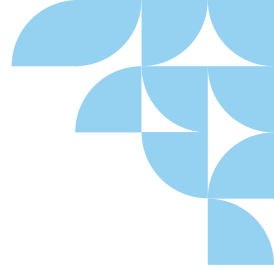


# REINZ & TONY ALEXANDER REAL ESTATE SURVEY

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September 2020



# MARKET STRENGTH INCREASES



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 this month's survey, agents report that they are seeing more people attending auctions and Open Homes, whilst pricing perceptions have risen strongly from our first survey back in May. Far fewer investors now believe that they will find bargains, fewer buyers generally retain fears that prices will fall, and a net 81% of agents report that they are seeing property prices rising.

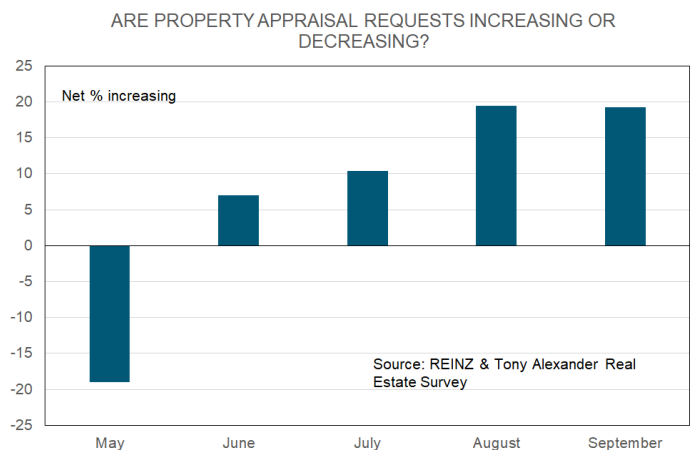
Listings remain in short supply and many buyers continue to report that getting finance is relatively difficult. In Auckland there is no substantial evidence to suggest the recent lockdown has had a deleterious market impact.

## ARE PROPERTY APPRAISAL REQUESTS INCREASING OR DECREASING?

A net 19% of agents reported this month that they are seeing more requests for appraisals coming through. This is unchanged from August and suggests that although we are approaching the period of the year when listings are traditionally the strongest – October and November – the recent shortage of listings could easily continue.

Over the four-month period ending in August the number of properties newly listed around New Zealand was ahead by 10% from a year with Auckland ahead by 19%. This lines up with the above-average net 23% of agents in Auckland reporting more requests for appraisals. In contrast, in

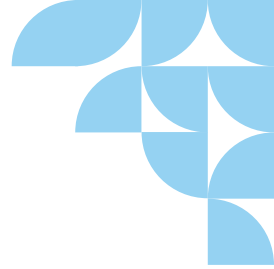
Taranaki a net 44% of agents report fewer appraisal requests and in Manawatu-Wanganui a net 38% report fewer requests.



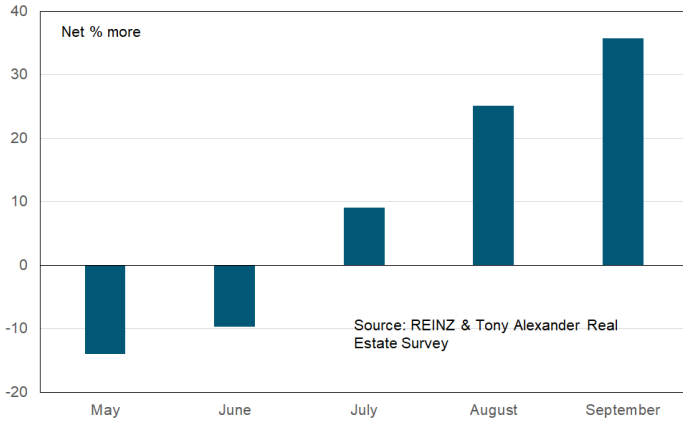
## ARE MORE OR FEWER PEOPLE SHOWING UP AT AUCTIONS?

A net 36% of responding agents report that they are seeing more people showing up at auctions. This reading is up from a net 25% in August and 9% in July and in line with the many anecdotal reports of strong interest from buyers around the country. In Auckland a net 47% of agents reported more people at auctions compared with 44% in August and 16% in July. The Level 3 Alert lockdown in Auckland has failed to dent the interests of Aucklanders in attending auctions – even if online.

Auction attendance was also reported to be up in Canterbury, where a net 51% of agents reported more attendees, and Bay of Plenty, also at 51%.



ARE MORE OR FEWER PEOPLE SHOWING UP AT AUCTIONS?



four months to July from the four months ending in March. The results from our latest survey suggest this absence of a downward shock to prices from the wider economic effects of the Covid-19 crisis may well continue. A net 81% of agents around New Zealand report that they feel prices are rising. This result is up from 59% last month, 34% in July, and 18% in June. In May in contrast, a net 17% of agents reported that they felt prices were falling.

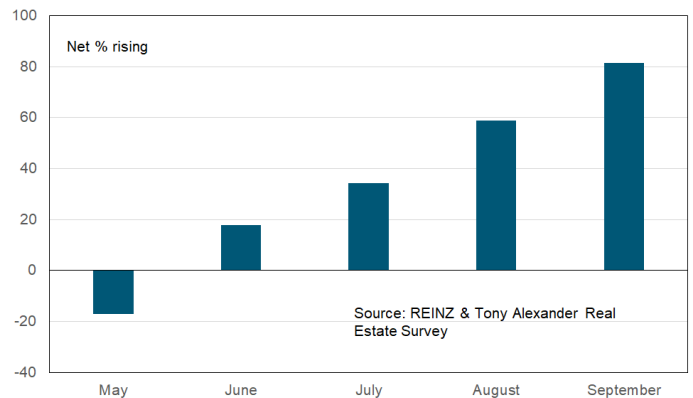
Around the country all regions report rising prices, with even a net 33% of respondents in Central Otago Lakes district reporting that they feel prices are rising – up from -14% in August and -18% in July.

**ARE MORE OR FEWER PEOPLE ATTENDING OPEN HOMES?**

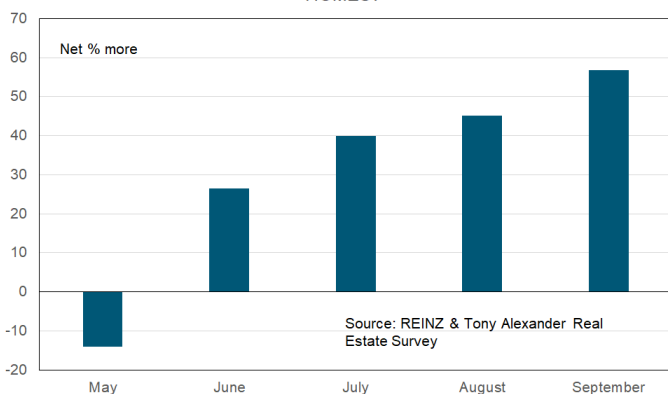
Just as more people have been showing up at auctions, so too have more people been attending Open Homes. A net 57% of agents in September reported more Open Home attendance, up from 45% in August, 40% in July, and 26% in June. Again, this shows a high level of buyer interest in residential property.

Around the country, Open Home attendance was particularly strong in Waikato (67%), Bay of Plenty (73%), Hawkes Bay (78%), Wellington (83%), and Canterbury (71%).

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



ARE MORE OR FEWER PEOPLE SHOWING UP AT OPEN HOMES?



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.

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

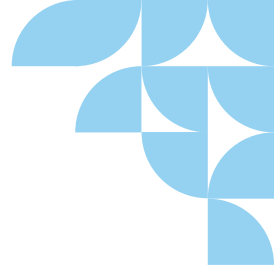
FOMO = Fear of missing out

Consistent with our other measures showing more people attending auctions, more people at Open Homes, and greater perceptions of prices rising, a high net 77% of agents report that they feel FOMO is in play on the part of buyers. The absence of the price falls which many people had expected to result from the Covid-19 shock appears to have spurred a greater sense of urgency amongst potential property purchasers.

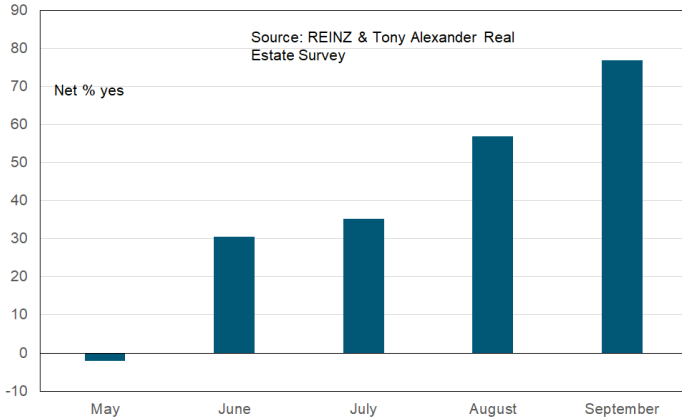
In all locations around the country FOMO is seen as present, least so in Central Otago Lakes at a still net positive 25%.

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

Data from REINZ show that average NZ property prices as measured by the House Price Index, were ahead 0.2% in the



DO YOU THINK FOMO IS IN PLAY FOR BUYERS?

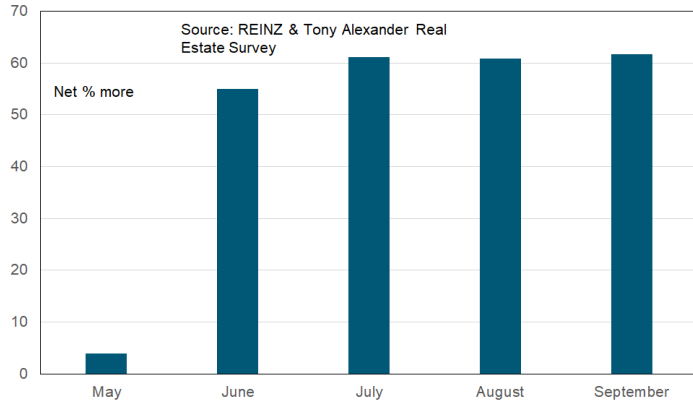


**ARE YOU NOTICING MORE OR FEWER FIRST HOME BUYERS IN THE MARKET?**

Back in our first survey in May, only a net 4% of agents reported that they were seeing more first home buyers in the market. But since June, these young purchasers have engaged strongly in the housing market with a net 55% of agents that month reporting more first home purchasers. This month that net proportion has risen slightly further to 62%.

Factors encouraging first home buyers have been falls in mortgage rates from already record low levels, hopes of finding a listing following a period of listings shortages, and increased deposit sizes courtesy of money freed up from not travelling overseas, and money saved during the March – May lockdown.

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



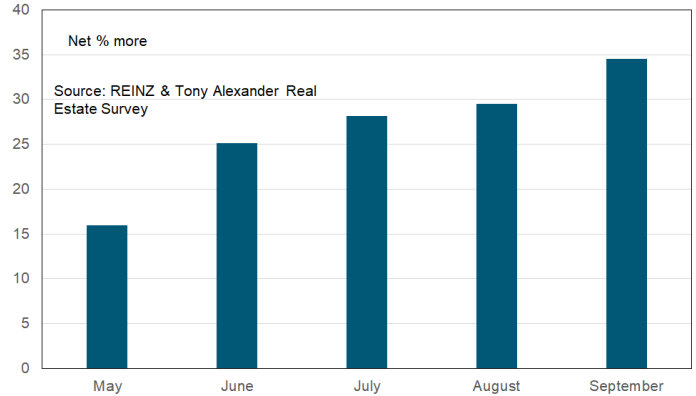
**ARE YOU NOTICING MORE OR FEWER INVESTORS IN THE MARKET?**

Whereas first home buyers were initially perceived as out of the market in May then back in force, investors were seen

as still reasonably active in May and increasingly more so to a still rising degree since then. A net 35% of agents report that they are seeing more investors, up from 30% in August and 16% in May.

Between May and September, the net percent of agents seeing more first home buyers rose by 58% versus just 19% for investors. An explanation for the relatively mild rise for investors appears further on in this report.

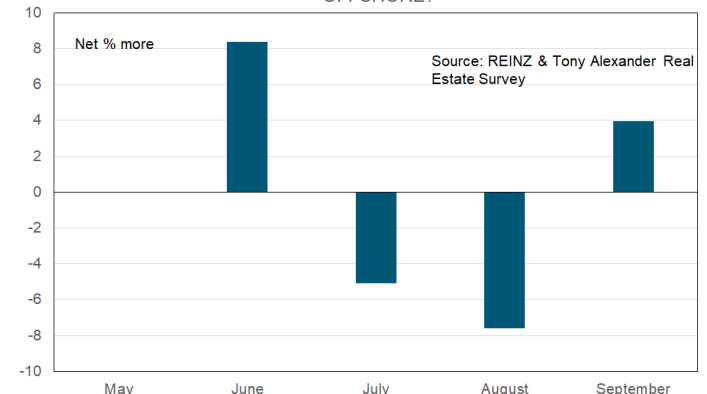
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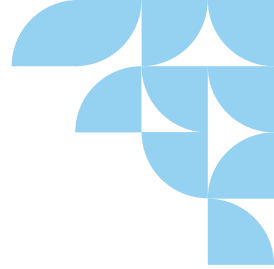


**ARE YOU RECEIVING MORE OR FEWER ENQUIRIES FROM OFFSHORE?**

This measure has not altered by much in comparison with others over the five months we have been running our survey. It does not suggest that offshore-located buyers are a large presence in markets around the country, apart from one region – Northland. Whereas this month only a net 4% of agents nationwide reported more offshore interest, in Northland this was 36%. In August the NZ-wide reading was -8%. But in Northland it was 36%. And in July the readings were -5% and 38% respectively.

ARE YOU RECEIVING MORE OR FEWER ENQUIRIES FROM OFFSHORE?

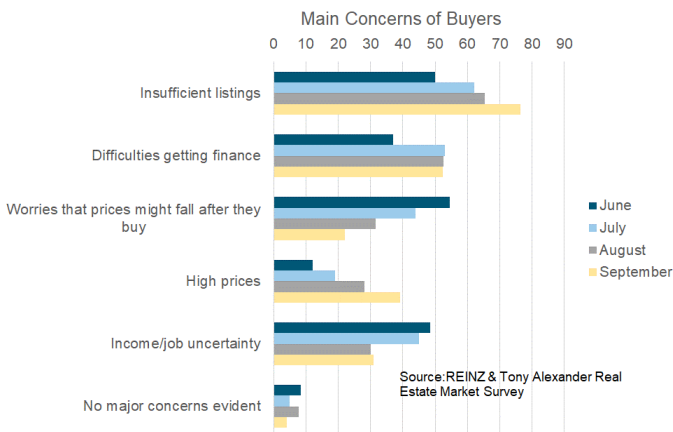




**WHAT ARE THE MAIN CONCERNS OF BUYERS?**

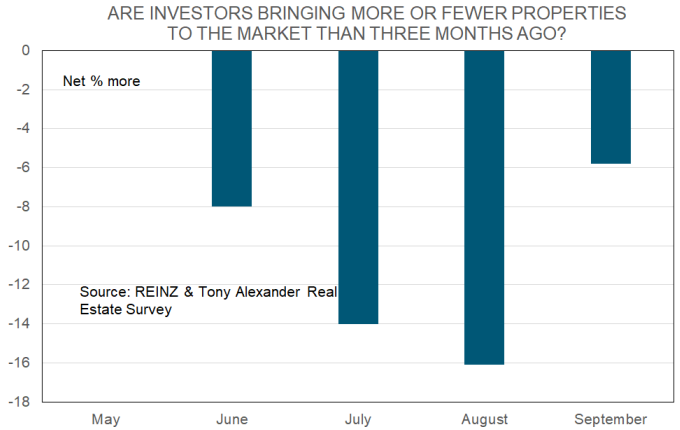
In June, the first month we asked agents to note what they thought the main concerns of buyers were, worries about prices falling dominated. But every month since then these worries have declined, and in September only a gross 22% of agents reported falling price worries as being a matter of concern. In contrast, worries about a deficiency of listings have grown every month and now this factor rates as the most concerning for buyers.

Perhaps commensurate with reduced worries about prices falling, has come increased concern about the high level of prices being asked. And, perhaps illustrating that in some regard the most recent lockdown has been taken in the stride of most potential buyers, there is no upward trend in concerns about employment and income.



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

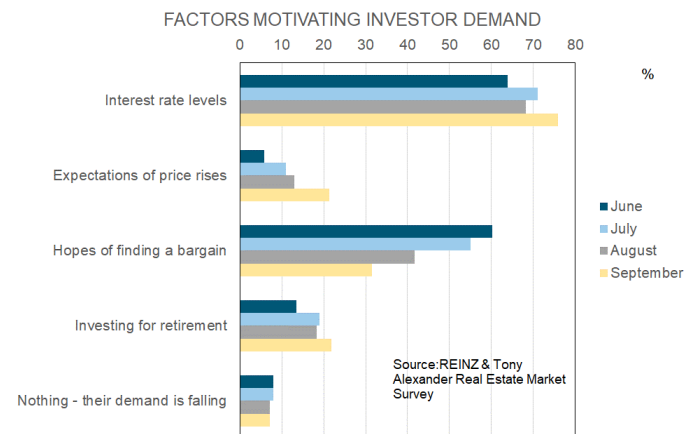
Consistent with results for the previous four months, more agents continue to say they are seeing fewer investors looking to sell than say they are seeing more looking to offload their property. If there was some effect from legislation shifting the balance of power in the tenant/ landlord relationship, it has not had a sustained impact. In September a net 6% of agents said they are seeing fewer investors selling – down from 16% in August and 14% in July.

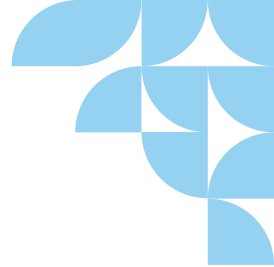


**WHAT FACTORS APPEAR TO BE MOTIVATING INVESTOR DEMAND?**

The strongest factor driving investors towards property continues to be low interest rates, with this factor cited by a gross 76% of agents, up from 68% last month. The strengthening may reflect comments from the Reserve Bank regarding the potential for lower interest rates next year, along with the continuing reduction week by week in bank term deposit rates.

More investors however are perceived to be getting motivated by expectations for price rises. In contrast, hopes of finding a bargain – whilst still there for a gross 32% - continue to diminish month by month. Those bargain hopes may have encouraged many investors into the residential real estate market during the lockdown.





## REGIONAL RESULTS

The following table breaks down answers to the numerical questions above by region. No results are presented for regions with fewer than 8 responses as the sample size is too small for good statistical validity of results. Even for regions with responses between 8 and 20, caution needs to be applied as results may prove quite volatile from one month to the next.

Key variations between regions have been discussed in each of the sections above.

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

	A #obs	B Appraisals	C Auction	D Open H.	E Prices	F FOMO	G FHBs	H Invest.	I O/seas	J Inv. selling
Northland	22	-5	41	59	77	68	50	18	36	0
Auckland	170	23	47	45	76	76	68	32	8	-7
Waikato	36	33	33	67	92	92	61	50	-6	-14
Bay of Plenty	45	36	51	73	89	80	38	33	-9	0
Gisborne	3									
Hawke's Bay	9	-33	0	78	100	78	78	44	-33	-22
Taranaki	9	-44	0	33	100	100	44	11	-33	-44
Manawatu-Wanganui	13	-38	-8	69	85	85	85	-8	-38	23
Wellington	30	3	27	83	90	77	73	33	13	3
Tasman	8	25	-13	0	100	100	0	38	-25	13
Nelson	11	36	0	64	91	64	91	27	27	-18
Marlborough	5									
West Coast	0									
Canterbury	41	34	51	71	73	66	68	61	12	-5
Central Otago Lakes	12	25	-8	42	33	25	17	-17	42	0
Otago	9	11	-11	56	89	100	56	44	-56	-11
Southland	3									
New Zealand	431	19	36	57	81	77	62	35	4	-6



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