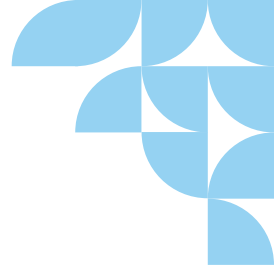


# REINZ & TONY ALEXANDER REAL ESTATE SURVEY

---

October 2020



# VERY ACTIVE MARKET CONTINUES

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.

The out-performance of the residential real estate sector compared with the overall economy, and especially expectations of six months ago, has continued over the past month. A high net 58% of responding licensed real estate agents say that they are seeing more people attending Open Homes, while a net 38% report more people at auctions. Prices are seen as rising by a net 88% and FOMO (fear of missing out) has risen again – from a net 77% in September to 81% this month.

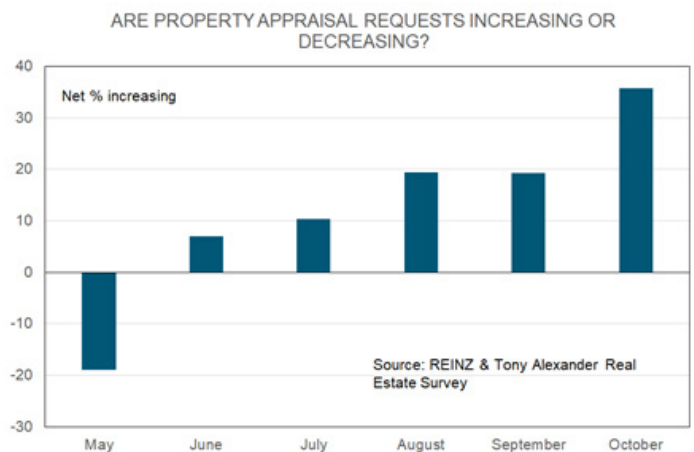
But it is not all one-way traffic. Properties are being brought to the market to list with a net 36% of agents reporting that they are receiving more requests to appraise the potential sale value of properties. This is a sizeable jump from a net 19% last month.

## ARE PROPERTY APPRAISAL REQUESTS INCREASING OR DECREASING?

As noted above, a net 36% of agents report more people asking for property appraisals. This is a substantial turnaround from -19% in our first survey in May – though that result would reflect the effects of lockdown. When lockdown ended however, this measure still only advanced to +7% and was one of the first measures indicating that the onset of a temporary, deep, recession in New Zealand was not leading to a rush to sell out of residential property.

At the regional level we see two regions have reported a decline in property appraisals – Hawke’s Bay and

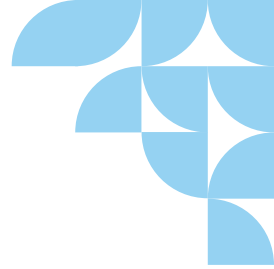
Manawatu-Wanganui. These locations form part of the strip across the middle of the North Island which has shown high strength through the measures in this survey and others over the past six months.



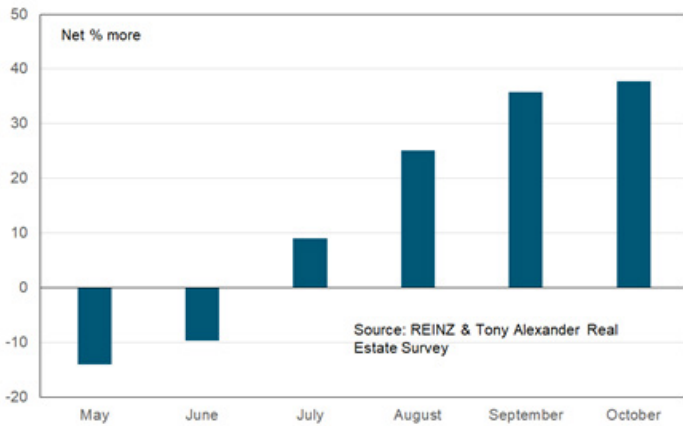
## ARE MORE OR FEWER PEOPLE SHOWING UP AT AUCTIONS?

Auction attendance can give insight into not just active interest in properties from bidders, but background interest from people generally wanting to get a feel for how things are going. As a fairly strict rule, the more people showing up, the greater the underlying level of buyer demand. In October a net 38% of agents reported seeing more people at auctions. This is virtually unchanged from a net 36% in September, telling us that interest is high but not soaring.

In Auckland a high net 57% of agents reported more people attending auctions, as compared with just 9% in Manawatu-Wanganui. Such differences can sometimes reflect variations in traditions regarding selling of property. Queenstown Lakes’ net percent was also low at just 14% and in their instance probably is more a reflection of lowish demand. Having said that – many people buy property in Queenstown Lakes whilst living elsewhere.



ARE MORE OR FEWER PEOPLE SHOWING UP AT AUCTIONS?



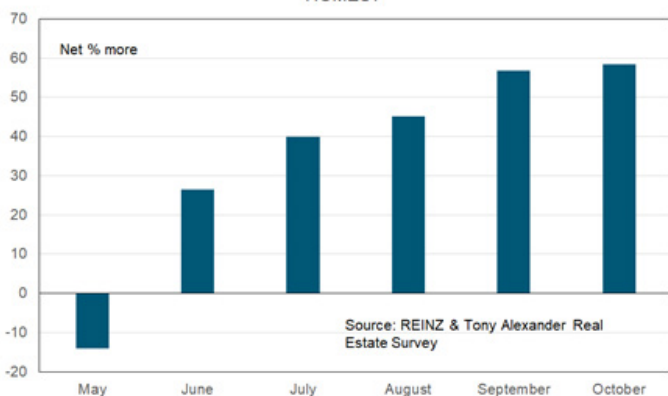
nationwide for the past three months to achieve a gain of 4.6%. This followed a 3% fall over the April-May period.

The lowest reading for this measure at the regional level is Queenstown Lakes at +71%, and the highest 100% for Taranaki and Manawatu-Wanganui.

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

A net 58% of agents reported more people attending Open Homes. But as was the case with auction attendance, this measure was virtually unchanged from September and suggestive also of a strong but not running away market. The biggest lift in perceptions of Open Home attendance occurred over the immediate post-lockdown period – as would seem natural. However, the continued firm level of attendance tends to challenge any view that low stocks of listings around the country are making potential buyers exit the market, as possibly has been the case in recent years.

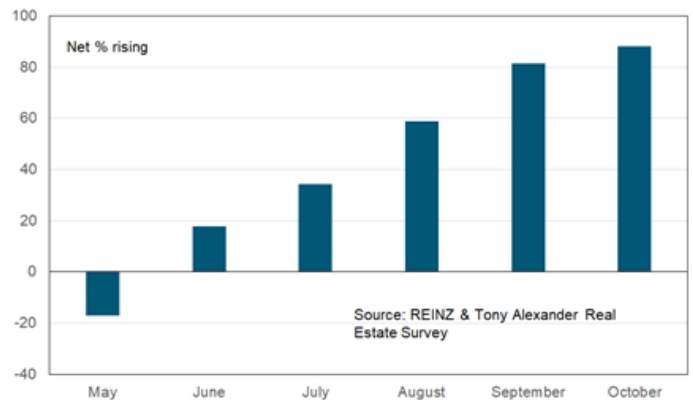
ARE MORE OR FEWER PEOPLE SHOWING UP AT OPEN HOMES?



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

Back in May when our survey started, a net 17% of agents said that they expected average property prices to decline. Since the ending of the lockdown this proportion has risen every month and now stands at a net 88% positive. Monthly data from REINZ show that prices – whilst volatile at the regional level month to month – have been rising

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



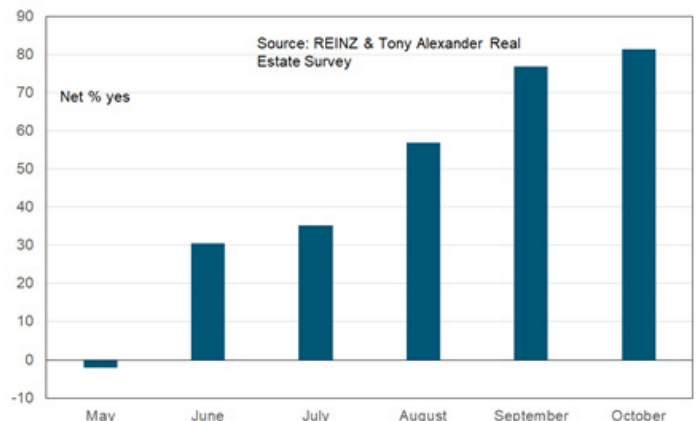
**DO YOU THINK FOMO IS IN PLAY FOR BUYERS?**

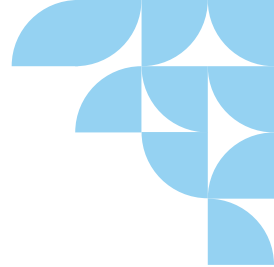
FOMO = Fear of missing out

As has been the case for perceptions of prices rising, observations of FOMO by agents have increased every month since our survey began. In October a net 81% of agents said that FOMO is in play, up from -2% in May. FOMO does not tell us what the intentions of potential buyers are. But a high reading does suggest a high number of potential buyers are likely to be trying to make their purchase earlier than they originally planned. This is one reason why mortgage lenders are so busy at the moment processing purchase pre-approval loan applications.

FOMO is high all-around New Zealand, but again, it is lowest in the Queenstown Lakes District at a net 71% positive.

DO YOU THINK FOMO IS IN PLAY FOR BUYERS?





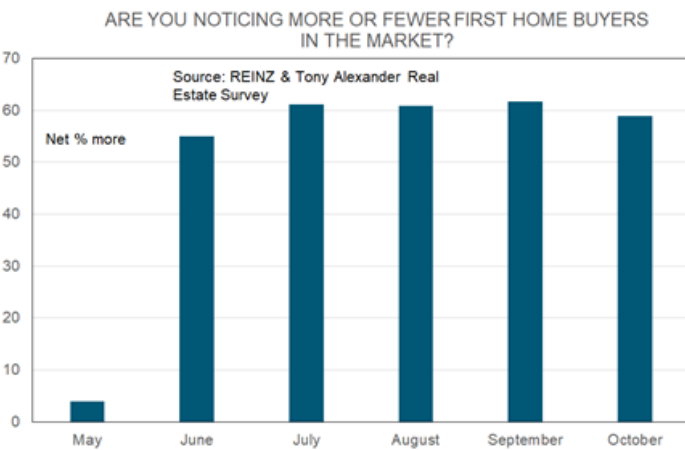
**ARE YOU NOTICING MORE OR FEWER FIRST HOME BUYERS IN THE MARKET?**

First home buyers – almost by definition – lack experience in the way housing markets and house price cycles move and can tend to move into and out of the real estate market in response to shifts in perception regarding potential price changes. That is, they can scare easily, and they can regain confidence quickly which then turns to the above FOMO.

Back in May a net 4% of agents said that they were seeing more first home buyers in the market. But in June that reading jumped to a net 55% positive and has barely moved from that level ever since. For a contrast consider the next section addressing investor interest where the rise in demand occurred at a slower pace.

The suddenness of the jump in June supports the belief that heading into COVID-19 there was a substantial level of pent-up demand from young buyers which was not necessarily evident in the marketplace because many had found listings unavailable. The stock of listings remains low, but perhaps hoping for availability, and now perhaps fearful of prices rising quickly, these young buyers are remaining in the market, not leaving again.

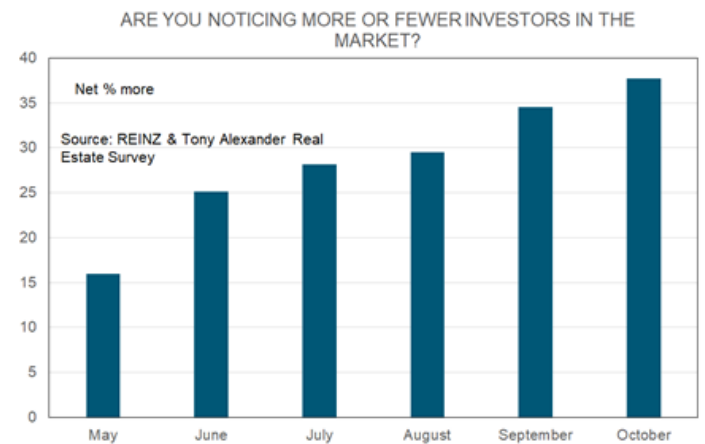
First home buyers are seen in strong evidence all around the country except in Northland where only a net 16% of agents report more in evidence.



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

In contrast to the sudden jump in first home buyer interest once lockdown ended, demand from investors was never as weak back in May at a net 16% positive and has not soared as much since. The October reading is a net 38% of agents seeing more investors.

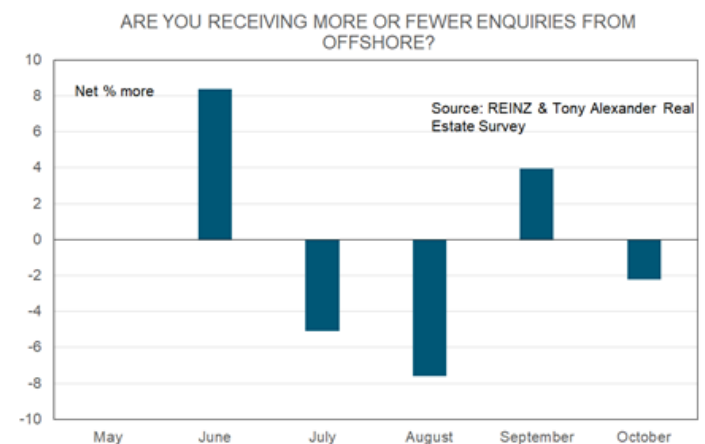
That 38% should finally put to rest the argument that the government’s imposition of new rules raising landlord costs and shifting tenancy power to renters, will generate an exit of investors from the sector and produce a sharp reduction in rental accommodation availability. If some investors are selling, many more are buying.

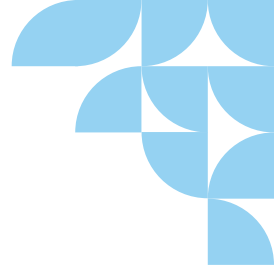


**ARE YOU RECEIVING MORE OR FEWER ENQUIRIES FROM OFFSHORE?**

Foreigners have been unable to buy residential property in New Zealand (except in restricted circumstances) since October 2018, and data since that time tell us that they have in fact been net sellers. Yet prices still rise. There is no clear trend in the proportion of real estate agents noting interest from people offshore, who by definition would largely have to be Kiwis.

In October a net 2% of agents reported less offshore enquiry. This validates the fact that currently the gross inflow of Kiwis to our shores is very low, and suggests that when international travel becomes more available and quarantine-free, we will not see the rush of one million Kiwis back to our shores as some might be thinking. However, it should be noted that ahead of lockdown the net flow of Kiwis back home hit a record +20,000 after averaging an annual loss of that amount the previous two decades.

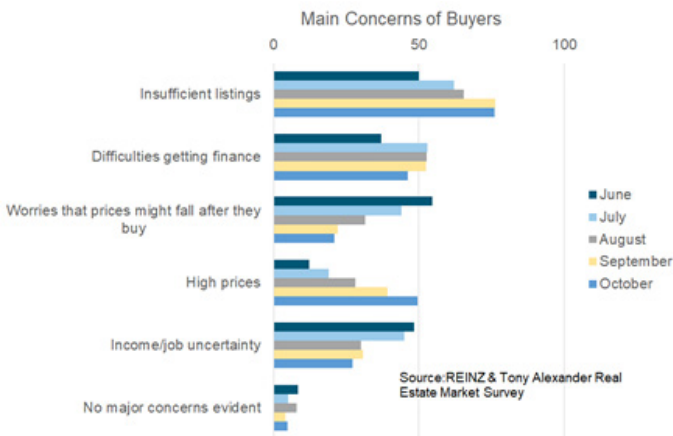




**WHAT ARE THE MAIN CONCERNS OF BUYERS?**

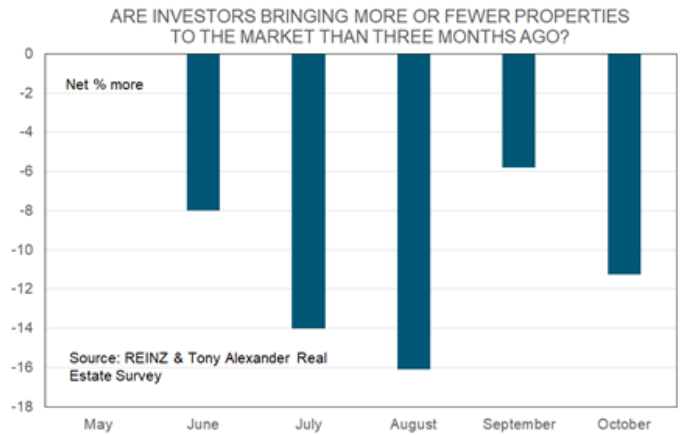
When we first asked this question of agents in June, a gross 55% reported that buyers were worried about prices falling after they made their purchase. Now that proportion stands at only 21%. In contrast, concerns expressed about the high level of prices have increased from a gross 12% of agents reporting this in June to 49% in October. The period during which people did not have concerns about prices being high was very short-lived.

Getting finance still appears to remain relatively difficult with a gross 46% of agents reporting this as a concern. But concerns about insufficient listings have remained very strong at a gross 76%. And, perhaps reflecting the fact that the employment impact of COVID-19 is turning out to be less severe than near universally feared, a gross 27% of agents report income and employment concerns as evident in their marketplace, down from 48% in May.



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

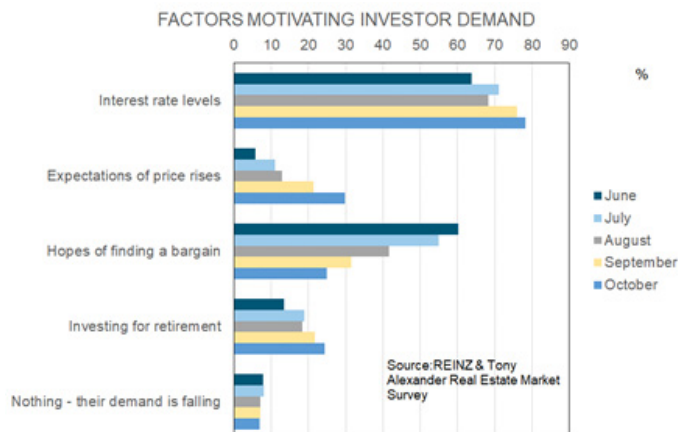
For every month since our survey started asking this question in June, more agents have reported fewer investors looking to sell than have reported that they are seeing more. As we concluded above for the question related to presence of investor buyers, there is a lack of evidence to support the contention that government efforts to improve the conditions of increasingly long-term tenants in New Zealand are having a net negative impact on investor interest in residential property.



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

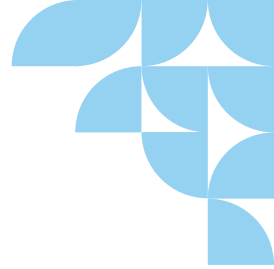
There are four clear trends evident in the answers to this question regarding investor motivations.

1. Low interest rates are increasingly driving people to invest in residential property
2. Price growth expectations are strengthening
3. Hopes of picking up something cheap are steadily fading month by month
4. People are thinking about their retirement and how to fund it.



**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.

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

- 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>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I</b>	<b>J</b>
	#obs	Appraisals	Auction	Open H.	Prices	FOMO	FHBs	Invest.	O/seas	Inv. selling
Northland	19	26	32	63	84	74	16	11	16	-26
Auckland	144	49	57	57	85	78	58	41	-3	-10
Waikato	33	18	18	52	94	79	58	39	15	-12
Bay of Plenty	27	26	22	52	89	85	48	52	0	-4
Gisborne	2									
Hawke's Bay	11	-9	27	82	91	91	82	45	0	0
Taranaki	11	45	18	73	100	100	55	18	-18	0
Manawatu-Wanganui	11	-18	9	45	100	100	64	36	-27	-27
Wellington	37	41	27	68	95	92	76	16	-5	-22
Tasman	4									
Nelson	2									
Marlborough	0									
West Coast	0									
Canterbury	30	33	43	63	93	77	80	47	0	-10
Queenstown Lakes	7	43	14	86	71	71	57	43	14	-29
Otago	18	56	28	17	83	72	56	50	-11	-6
Southland	2									
New Zealand	358	36	38	58	88	81	59	38	-2	-11



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.*