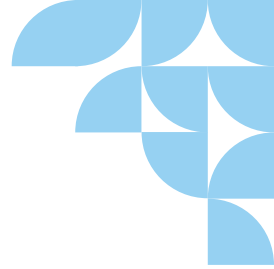


REINZ & TONY ALEXANDER REAL ESTATE SURVEY

December 2021



CREDIT CRUNCH CALMS THE BOOM

Welcome to the REINZ & Tony Alexander Real Estate Survey. This survey gathers 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 affecting sentiment amongst those two large groups.

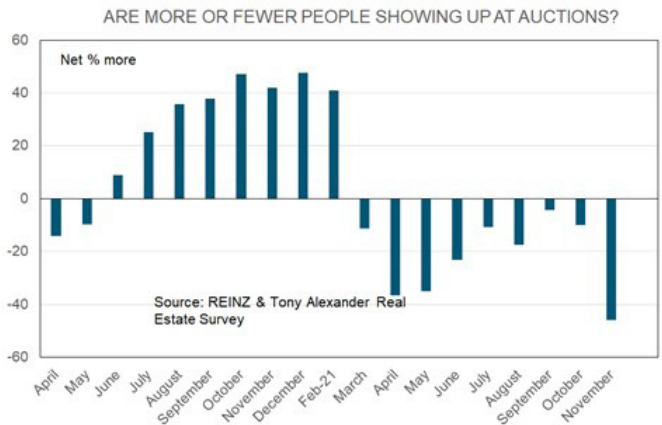
This month all of the main indicators we track and discuss have shown reduced buyer demand and decreased upward pressure on prices. Most notably our FOMO reading (fear of missing out), which is the only such gauge available in New Zealand, has fallen to a level not seen since April last year when the country was in its first nationwide lockdown and house prices were widely expected to decline.

Investors have become less willing to buy, but it is first home buyers who have strongly stepped back from making a purchase for now. Feedback from agents shows that prospective buyers have experienced substantial difficulties obtaining finance from banks as they apply debt to income ratios, assess expenses more deeply to meet requirements of the Credit Contracts and Consumer Finance Act, and temporarily stop low deposit lending other than for new builds to meet new LVR requirements.

The good news is that requests for appraisals have risen, more vendors appear to be stepping forward with more realistic assessments of market prices, and price growth is slowing to a pace likely to please both the Government and the Reserve Bank.

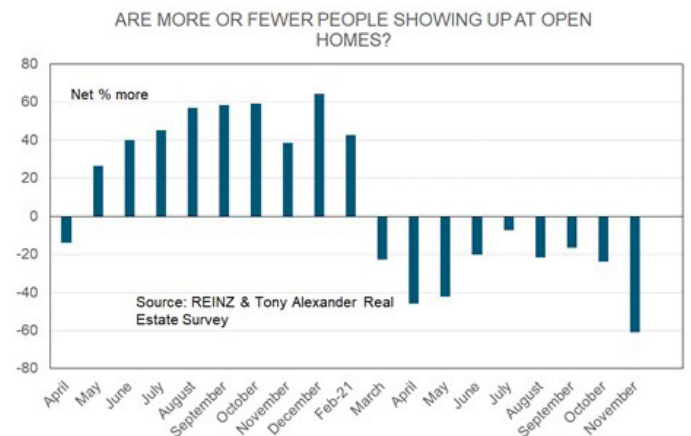
ARE MORE OR FEWER PEOPLE SHOWING UP AT AUCTIONS?

A net 46% of agents last week reported that they are seeing fewer people turn up at auctions. This result is weaker than the month after the 23 March 2021 tax announcement and a substantial decline from a net 10% last month seeing fewer people at auctions. The impact of the nationwide lockdown from 18 August and the extended Auckland lockdown have already been captured in our three previous surveys, therefore a new factor or factors are now in play to account for this pullback in attendance.



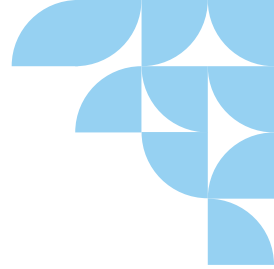
ARE MORE OR FEWER PEOPLE ATTENDING OPEN HOMES?

Commensurate with the decline in auction attendance has been a decline also in the number of people going to open homes. A net 61% of agents this month have reported seeing lower open home visits. As with auction attendance, this is the weakest result on record.



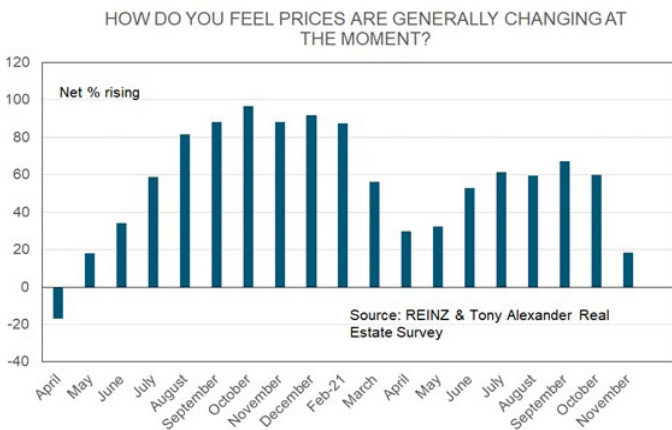
HOW DO YOU FEEL PRICES ARE GENERALLY CHANGING AT THE MOMENT?

One would naturally expect that if fewer potential buyers are attending open homes and auctions then there would be less upward pressure on prices. That is certainly the perception of agents with a net 18% this month reporting they feel prices are rising in their area. This is down from a net 60% last month and equal to the reading in late May 2020 as we emerged from the first nationwide lockdown.



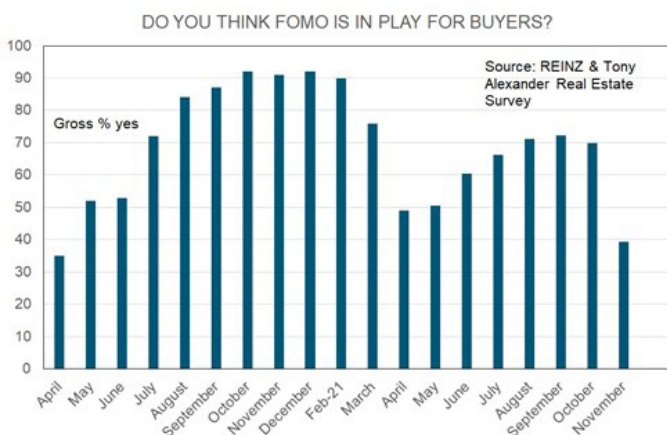
The average reading for this measure since our survey started has been a net 56% of agents reporting prices rising. Given the recent comments from the Reserve Bank that they consider prices to be above sustainable levels, and the Government’s stated desire to improve housing affordability, to the extent actual price growth does slow down this will be positive from a policy settings point of view.

That is, if price growth have substantially slowed, the chances of the Government considering the introduction of further measures aimed at dissuading investors from buying or retaining ownership of rental properties has decreased.



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 to 14 period averaged just over 5% per annum.

DO YOU THINK FOMO IS IN PLAY FOR BUYERS?

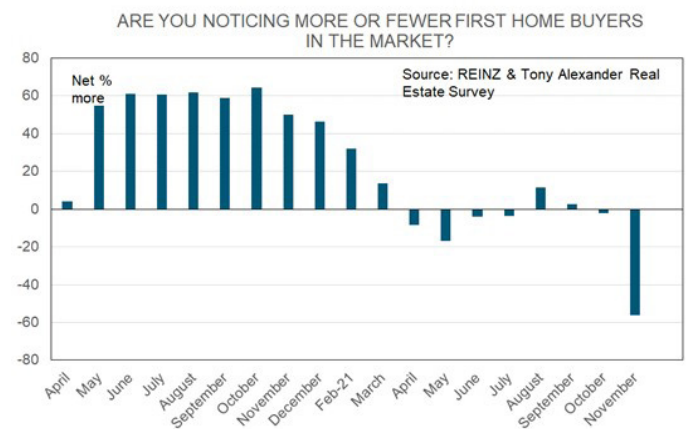


FOMO = Fear of missing out

On average since last April a gross 69% of agents each month have said that they are seeing FOMO on the part of buyers. This month only 39% report such buyer angst and this is the lowest reading since April 2020 when 35% said they were seeing FOMO.

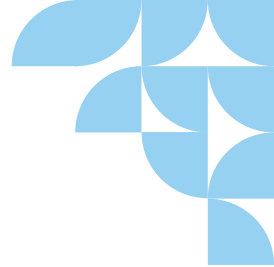
ARE YOU NOTICING MORE OR FEWER FIRST HOME BUYERS IN THE MARKET?

As with a separate survey of mortgage brokers run by Tony Alexander, this survey of real estate agents with REINZ has revealed a substantial stepping back of first home buyers from the market. A net 56% of agents have reported seeing fewer young buyers. The graph shows a clear sudden change in first home buyer presence. The feedback submitted by agents tells us that while higher mortgage rates account for some of this pulling back of demand, the bigger cause is a strong reduction in bank credit availability.

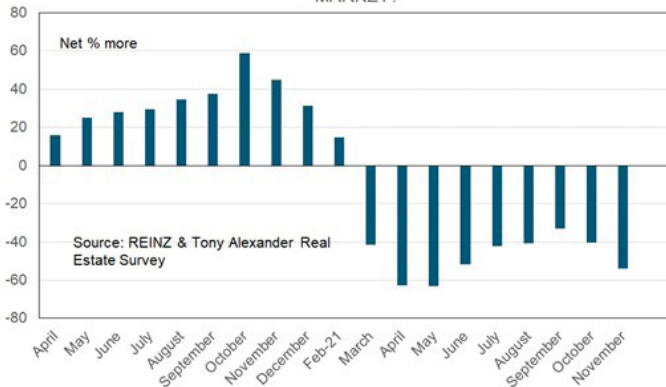


ARE YOU NOTICING MORE OR FEWER INVESTORS IN THE MARKET?

As with our other measures this month, the gauge of investor demand in the market has also declined. But with a net 54% of agents seeing fewer investors, this month’s outcome is only slightly lower than last month’s net 40%. The graph shows that the result is not as bad as earlier this year after the 23 March tax announcement.



ARE YOU NOTICING MORE OR FEWER INVESTORS IN THE MARKET?



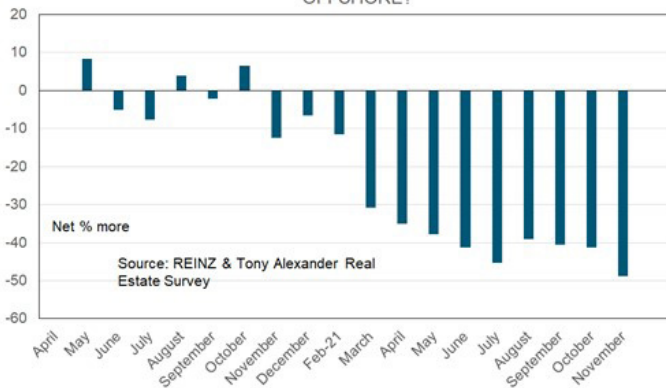
A possible development over the next few months heading into the busiest sales month for each year is vendors who have been holding out for very high prices accepting that buyers are less willing to pay virtually anything to secure a property.

Reserve prices are likely to become more realistic. Associated with this, we are likely to see that many potential vendors who are wanting to sell lose the fear of not being able to buy quickly again. More listings are likely to eventuate and this will provide increased opportunities for first home buyers, in particular, to make their first purchase – once banks ease back from their current hefty restricting of loan availability.

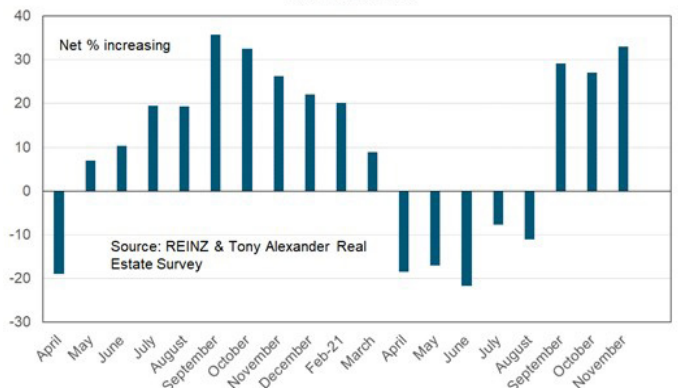
ARE YOU RECEIVING MORE OR FEWER ENQUIRIES FROM OFFSHORE?

Since late November last year, agents have been consistently reporting reduced interest in New Zealand property from offshore. The degree of interest fell after the 23 March tax announcement and has essentially kept falling since then. This month a net 48% of agents have reported seeing less offshore enquiry, down from a net 41% last month and the lowest reading on record.

ARE YOU RECEIVING MORE OR FEWER ENQUIRIES FROM OFFSHORE?



ARE PROPERTY APPRAISAL REQUESTS INCREASING OR DECREASING?



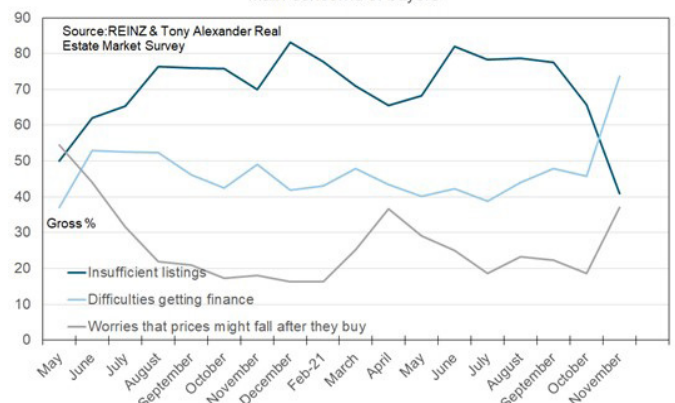
WHAT ARE THE MAIN CONCERNS OF BUYERS?

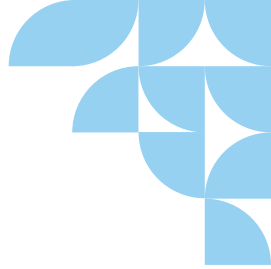
We use two graphs to display our readings of the main concerns which buyers express to real estate agents. The first graph shows a clear reduction in worries that not enough listings are available. It also shows a substantial increase in buyer worries about accessing finance (the light blue line), and a slightly lesser rise in concerns that prices might fall (FOOP – fear of over paying).

ARE PROPERTY APPRAISAL REQUESTS INCREASING OR DECREASING?

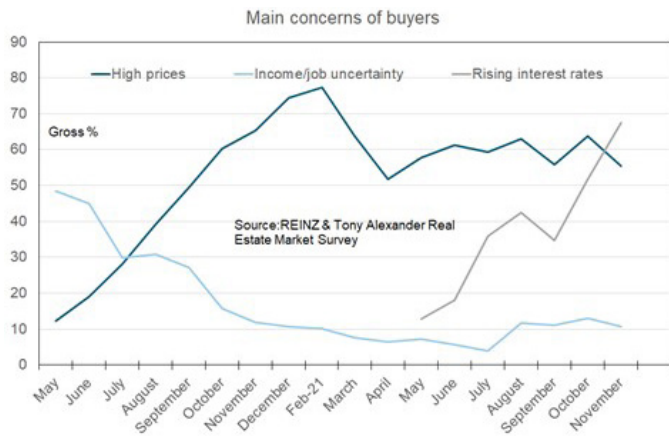
A key feature of the residential real estate market in the past few years and especially since the middle of last year has been poor availability of listings. That may be about to change. For the third month in a row, a high proportion of agents have reported receiving more requests from potential vendors to appraise the market value of their property. This month a net 32% of agents reported more appraisal requests, up from a net 27% last month and almost as high as September last year when surging prices initially brought forward many new sellers.

Main concerns of buyers





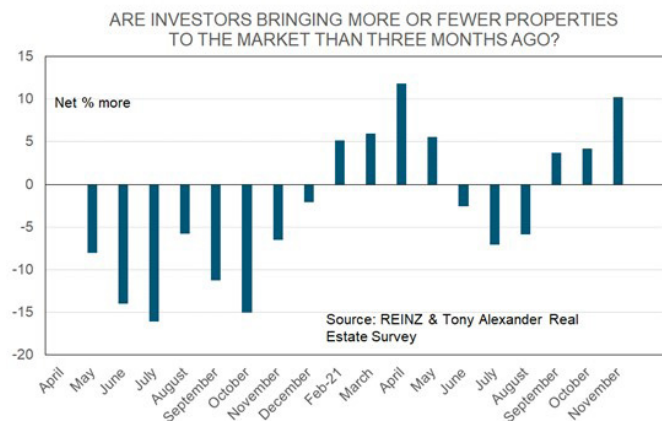
Our second graph shows a strong jump in concerns about rising interest rates (actual and expected) while there is pleasingly no change in worries about employment. A high 55% of agents continue to report that buyers are worried about high prices.



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

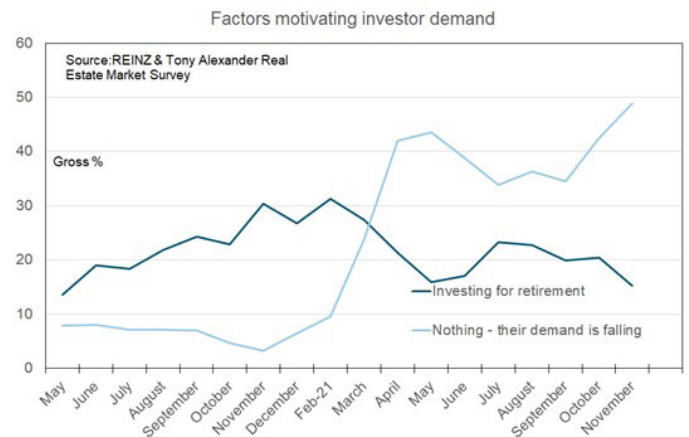
Soon after the 23 March tax change announcement was digested there was a rise in the net proportion of real estate agents feeling that more investors were stepping forward to sell – to a net 12%. That shift however was not sustained and come June, for a while, agents were seeing fewer investors looking to sell.

Now, a net 11% of agents are seeing investors stepping forward to make a sale. Since we have seen such a rise before, we cannot strongly state that the world has sufficiently shifted for many investors to now look toward shifting some of their wealth elsewhere. But it will be interesting to see how this measure develops over summer.

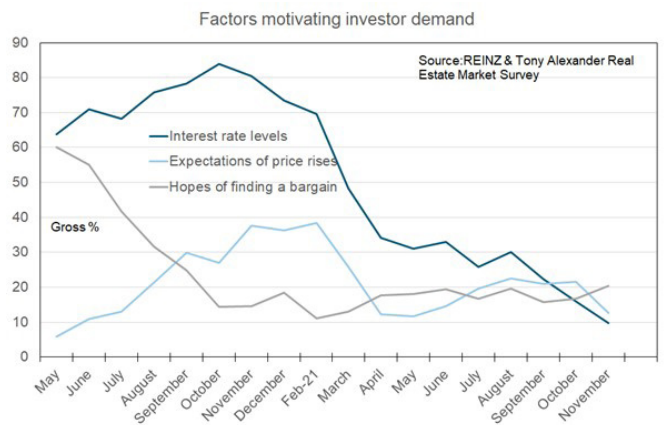


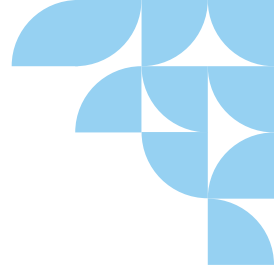
WHAT FACTORS APPEAR TO BE MOTIVATING INVESTOR DEMAND?

A key point to note with regard to this question is the sharp rise since late March in the proportion of agents noting that investor demand is falling. That rise plateaued for a few months but is once again increasing. This gels with our explicit question above regarding whether agents are seeing more or fewer investors looking to buy.



Interest rates have been becoming less and less of a factor driving investor demand since a year ago and now, only 10% of agents say interest rates are motivating investors to buy. Compare that with 84% in October 2020. Expectations of price rises by investors have stepped down a small degree this month, but not by all that much.





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. (I have made an exception for Southland this month where usually only three to five responses come through so I don't report them. But 6 is a good effort so I have included the data.) The three top of the South Island regions are amalgamated into one.

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 39% of agents nationwide. But it is relatively strong in Northland, Taranaki, top of the South Island, Canterbury, Queenstown Lakes and Dunedin.

In my next [Tview Premium weekly](#) I will look at regional developments in more detail.

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	18	22	-17	-33	61	61	-50	-22	-50	-33
Auckland	134	22	-58	-62	8	37	-54	-58	-55	12
Waikato	19	58	-42	-47	16	47	-47	-26	-47	37
Bay of Plenty	25	44	-44	-64	32	36	-32	-68	-48	-20
Hawke's Bay	10	-10	-80	-100	-20	20	-90	-70	-40	10
Taranaki	6	-17	-33	-33	50	100	-83	-100	-33	0
Manawatu-Wanganui	11	18	-27	-64	-9	9	-91	-73	-55	30
Wellington	36	64	-67	-86	-17	8	-92	-75	-50	39
Nelson/Tasman	14	64	-43	-79	36	57	-57	-71	-21	50
Canterbury	32	31	-28	-66	44	53	-41	-31	-53	3
Queenstown Lakes	7	29	29	14	86	71	-57	0	14	-43
Otago exc. Q'town	13	38	-23	-31	23	54	-23	-38	-31	0
Southland	6	33	-33	-67	67	17	-17	-17	-50	0
New Zealand	331	32	-47	-61	18	39	-56	-54	-48	11

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 than the percentage saying it will go down.



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