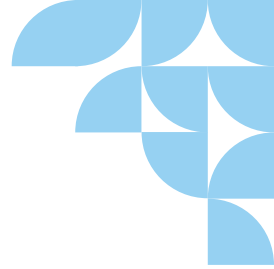


REINZ & TONY ALEXANDER REAL ESTATE SURVEY

February 2022



BUYERS MARKET NOW IN PLACE

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 asked 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.

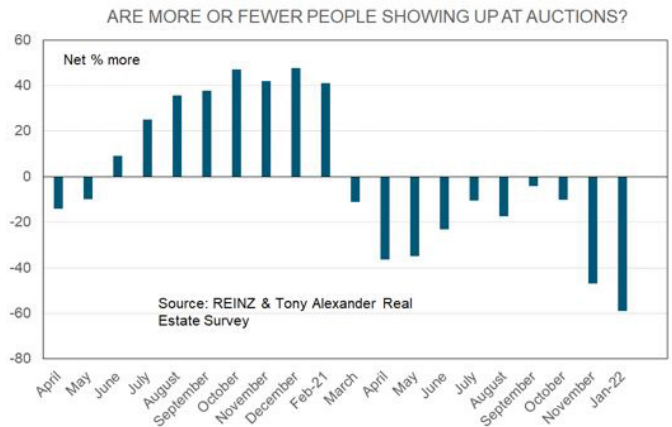
The Government's Credit Contracts and Consumer Finance Act (CCCFA) changes have had a substantial impact on the residential real estate market, especially for first home buyers. Whereas it was the 23 March announcement on tax changes that encouraged many investors to step back from purchasing anew, the CCCFA changes from December 1 have prevented even willing and well capitalised first home buyers and older people from making a purchase.

In this month's survey, which garnered 385 responses, records have been set for the pullback in first home buyer market presence, attendance at open homes, presence of first home buyers, and interest from offshore.

Our measure of FOMO – fear of missing out on the part of buyers – is at a record low, and a record 89% of agents say that a key concern of buyers is the inability to get finance. 69% of agents also say buyers are worried about interest rates, and a record low 26% say lack of listings is a concern.

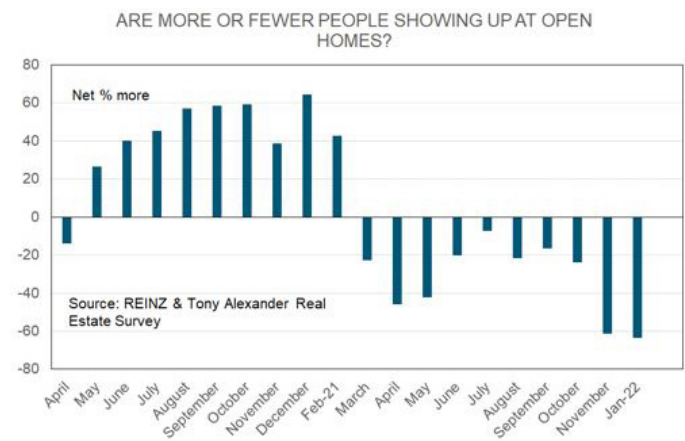
ARE MORE OR FEWER PEOPLE SHOWING UP AT AUCTIONS?

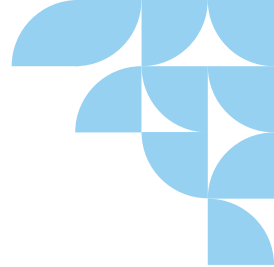
A record net 59% of real estate agents throughout New Zealand have reported that they are seeing fewer people at auctions this month. Agents report that buyers feel far less of a sense of urgency and that many are not in a position to buy because the new lending rules mean they are unable to secure bank financing. Some agents have noted that although auction attendance is down, buyers are preferring to negotiate with vendors directly.



ARE MORE OR FEWER PEOPLE ATTENDING OPEN HOMES?

The number of people attending open homes continues to decline. A net 64% of agents have reported seeing lower attendance, a record percentage of agents observing lower numbers for the second month in a row. The situation is weaker even than immediately after the late-March 2021 tax announcement from the Government which led to a quick easing in demand from investors for existing properties with some switching their attention instead to new builds.

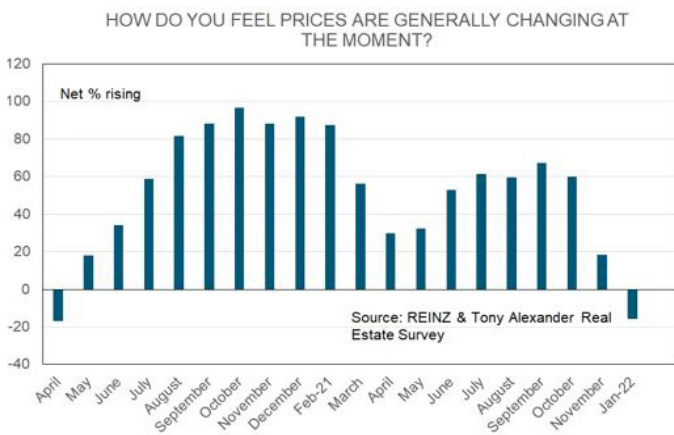




HOW DO YOU FEEL PRICES ARE GENERALLY CHANGING AT THE MOMENT?

REINZ has already reported that average house prices in New Zealand, as measured by their House Price Index, fell 1% in December. In our first survey of real estate agents for 2022, a net 16% have reported that in their area prices are declining. This is almost exactly equal to the net 17% who in our first survey in April 2020 reported that they were seeing prices declining.

The table at the end of this report showing regional responses lets us see that prices are not seen as falling everywhere around the country. For instance, in Canterbury a net 36% of agents feel that prices there are rising, as compared with a net 35% in Auckland and a net 31% in Wellington feeling that they are falling.

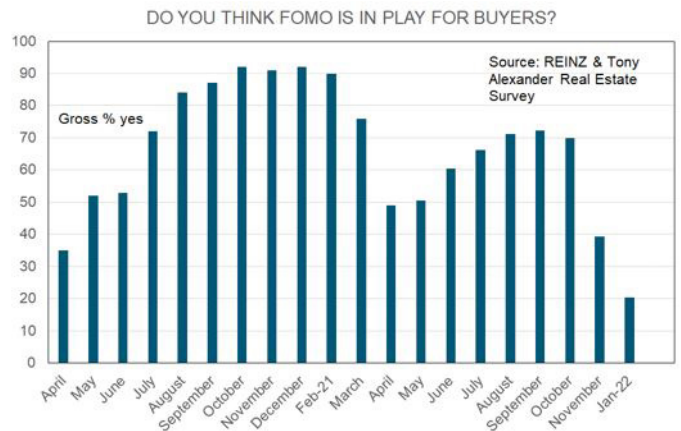


Note that on average between 2011 and 2014 when this same question was asked in a previous similar survey, a net 31% of agents responded that prices are rising. The nationwide pace of price increase back over that 2011-14 period of time averaged just over 5% per annum.

DO YOU THINK FOMO IS IN PLAY FOR BUYERS?

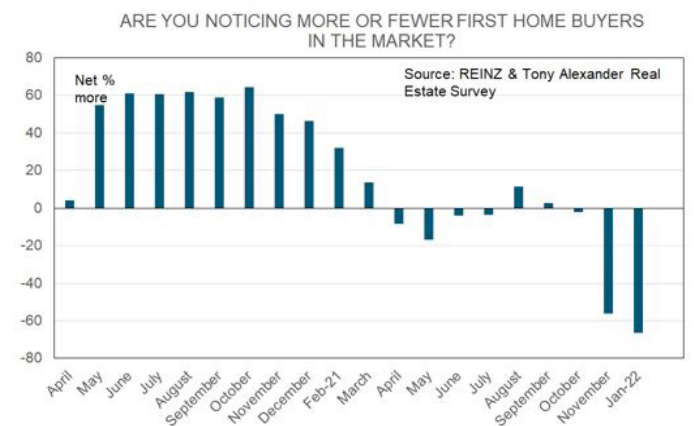
FOMO = Fear of missing out

FOMO has essentially disappeared from the mindset of buyers. Only a gross 20% of agents in our survey this month have reported seeing FOMO on the part of the buyers they interact with. This is down strongly from 70% late in October, it is below the average since April 2020 of 66%, and is even below the first reading in our survey of 35%. Buyer urgency has evaporated, although to a lesser extent than elsewhere in Northland, Taranaki, and Southland.



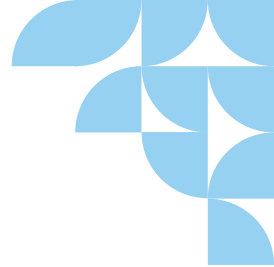
ARE YOU NOTICING MORE OR FEWER FIRST HOME BUYERS IN THE MARKET?

First home buyers have been hit especially hard by lenders applying new rules contained in the Government’s CCCFA legislation. A record net 65% of responding agents have reported seeing fewer first home buyers in the market. FHB presence has collapsed from November after showing little change for virtually all of 2021.

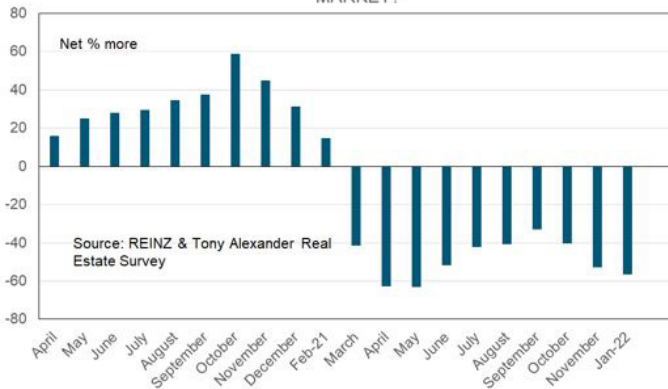


ARE YOU NOTICING MORE OR FEWER INVESTORS IN THE MARKET?

Last year immediately after the 23 March tax announcement from the Government, agents reported a substantial withdrawal of investors from the market. They have continued to report fewer investors exhibiting interest in purchasing residential property in every survey since then including this first survey for 2022. A net 57% of agents have reported reduced investor presence, slightly less bad than the net 63% results of April and May last year.

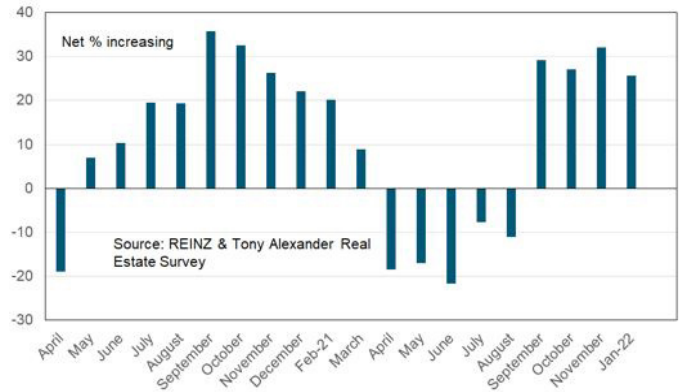


ARE YOU NOTICING MORE OR FEWER INVESTORS IN THE MARKET?



This is good news for potential buyers as it suggests the rise in listings observed late last year will continue as we head into Spring and the month of March which is traditionally the busiest for each year — subject to COVID-19 effects disturbing activity levels these past two years.

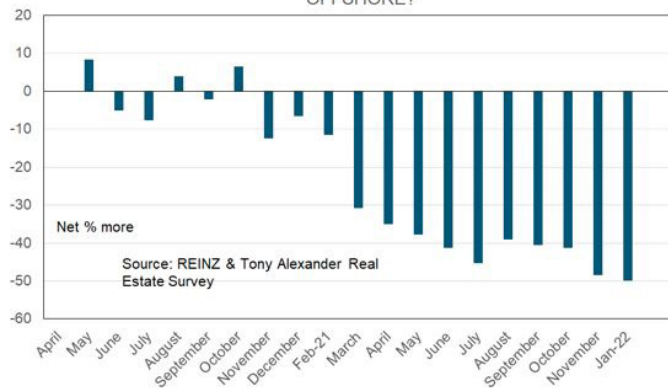
ARE PROPERTY APPRAISAL REQUESTS INCREASING OR DECREASING?



ARE YOU RECEIVING MORE OR FEWER ENQUIRIES FROM OFFSHORE?

On the basis of our monthly survey, there is no reason for believing that the eventual reopening of New Zealand’s borders will produce a wave of buying from people currently offshore. Since late-2020 after prices had already risen substantially and many Kiwis had made it back home, there have been more agents reporting falling interest from offshore than rising interest. This month a record net 49% of agents have reported declining enquiries from overseas.

ARE YOU RECEIVING MORE OR FEWER ENQUIRIES FROM OFFSHORE?



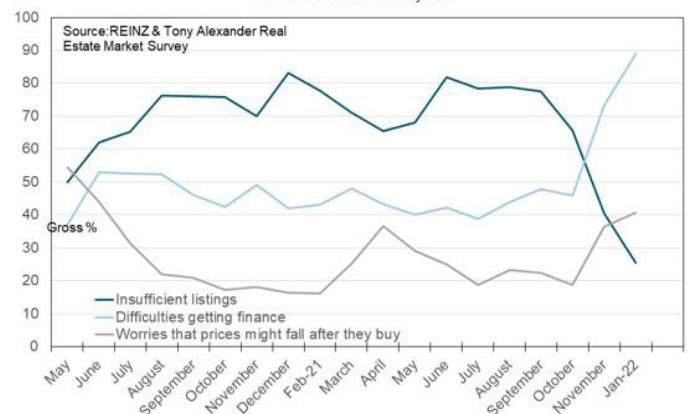
WHAT ARE THE MAIN CONCERNS OF BUYERS?

The past few months have brought some substantial shifts in the things about which buyers are showing the most concerns. Worries about a lack of listings have all but disappeared, as shown by the dark blue line in the following graph. Problems in finding finance have soared — shown by the pale blue line. Worries that prices might fall have risen — meaning FOOP is up (fear of over-paying).

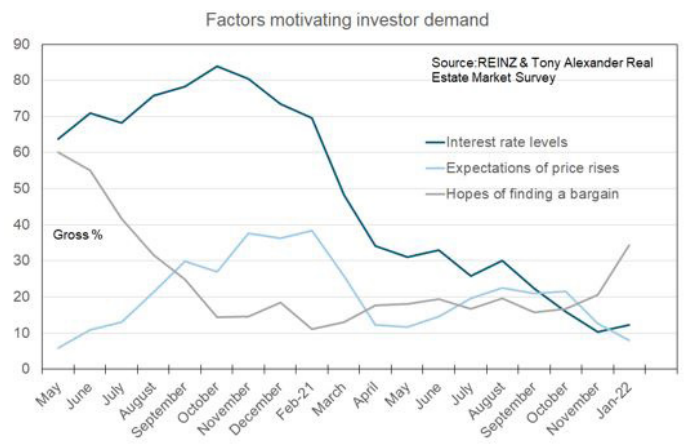
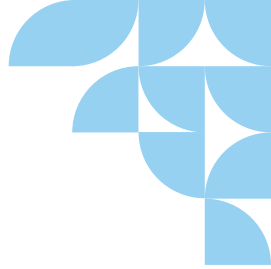
ARE PROPERTY APPRAISAL REQUESTS INCREASING OR DECREASING?

Real estate agents since September have been reporting more enquiries from property owners regarding the market value of their property. This perhaps was an early sign that some potential vendors felt the peak in the strength of buyer demand was near and that the time might be right to sell while demand was good. Demand now however has fallen away substantially, listing numbers are rising, yet a net 25% of agents are reporting more requests for appraisals coming through.

Main concerns of buyers

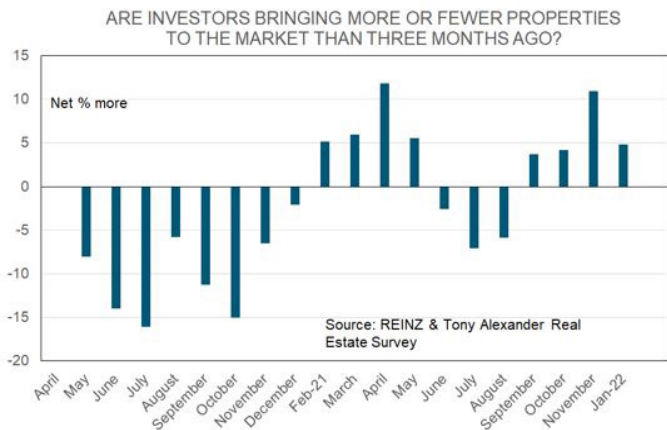
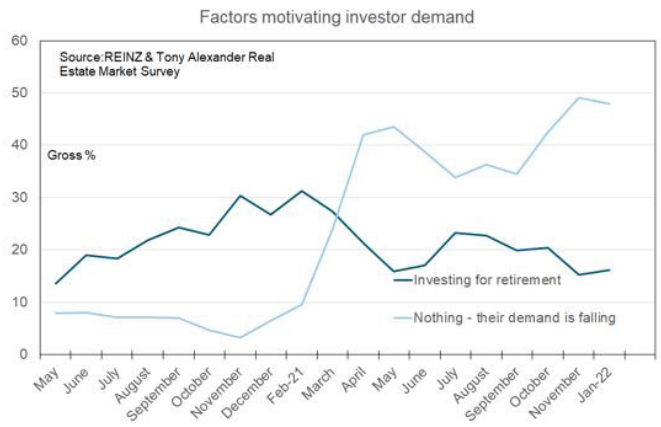


Fewer agents report that the high level of prices is a concern for buyers, but the upward march in worries about interest rates has continued. 69% of agents now say buyers are worried about rising interest rates while 89% say they are worried about the inability to get finance.



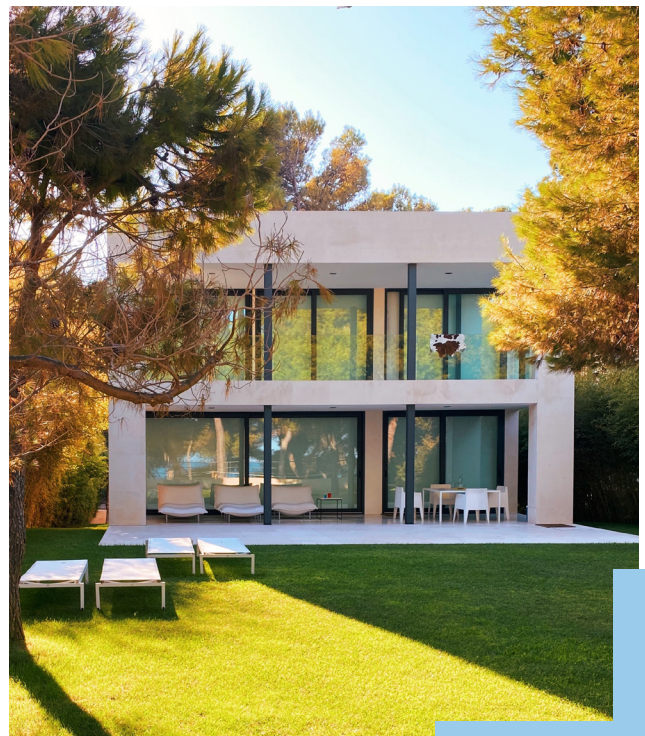
ARE INVESTORS BRINGING MORE OR FEWER PROPERTIES TO THE MARKET TO SELL THAN THREE MONTHS AGO?

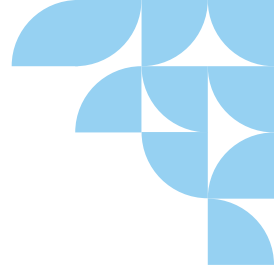
Many agents report that they are seeing more investors looking to sell their properties in response to things such as worsening cash flows and regulatory imposts. But despite the tax changes of last year, there is still no wave of selling appearing from investors in an environment where tenants are relatively easy to find, inflation is high, and the investment time horizon for over 60% is beyond 10 years. Only a net 5% of agents say that they are seeing more investors looking to sell. This is down from 11% in our last survey for 2021 at the end of November. But that change could just be a statistical blip.



WHAT FACTORS APPEAR TO BE MOTIVATING INVESTOR DEMAND?

There has been a slight rise in the proportion of agents saying that hopes of finding a bargain is the main motivation for investors. This is an interesting reminder that debt levels are not onerous for the bulk of investors and tax changes announced last year are not the be-all and end-all determinant of buying and holding decisions.





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, nationwide a net 4% of agents have reported that they are seeing more investors coming forward to sell. But in Auckland and Northland agents report seeing less selling action from investors.

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	28	36	-36	-32	25	50	-71	-43	-39	-11
Auckland	159	11	-73	-69	-34	17	-58	-57	-63	-10
Waikato	34	32	-68	-68	-18	15	-74	-79	-59	15
Bay of Plenty	23	57	-70	-65	4	4	-70	-65	-26	26
Hawke’s Bay	15	20	-53	-87	-13	13	-87	-73	-47	33
Taranaki	8	25	-13	-75	0	38	-75	-38	-25	25
Manawatu-Whanganui	14	57	-50	-57	-21	14	-79	-57	-29	0
Wellington	34	41	-53	-82	-35	12	-74	-62	-41	24
Nelson/Tasman	12	33	-50	-42	-8	33	-75	-50	-42	17
Canterbury	33	27	-33	-24	36	30	-39	-18	-30	15
Queenstown Lakes	5	0	0	0	0	0	0	0	0	0
Otago exc. Q’town	12	8	-58	-83	-33	33	-92	-83	-42	17
Southland	8	38	-25	-63	13	38	-75	-25	-38	0
New Zealand	385	25	-59	-64	-16	20	-65	-56	-49	4

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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