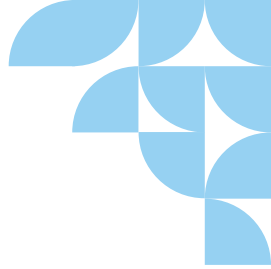


REINZ & TONY ALEXANDER REAL ESTATE SURVEY

July 2022



BUYERS STILL STANDING BACK AS PRICES EASE

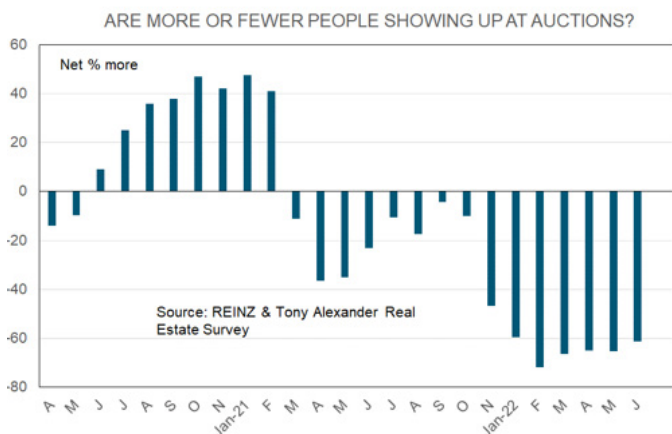
Welcome to the REINZ and Tony Alexander Real Estate Survey. This survey gathers the views of licensed real estate professionals all over New Zealand regarding conditions in the residential property market in their areas at the moment. We ask them how activity levels are changing, what the views of first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

There are many negative forces in play in the housing market currently — ranging from 3% to 3.5% increases in fixed mortgage rates, shortages of credit, shortages of construction staff and materials, net negative migration outflows, collapsed FOMO and soaring FOOP (fear of over-paying). The impact so far is an 86% rise in the stock of property listings from a year earlier, a decline in annual sales from 100,000 to 76,000, and an average 7.7% fall in prices.

The results of our latest survey of licensed real estate professionals throughout New Zealand have shown conditions to be broadly as weak as they were last month. Certainly not stronger.

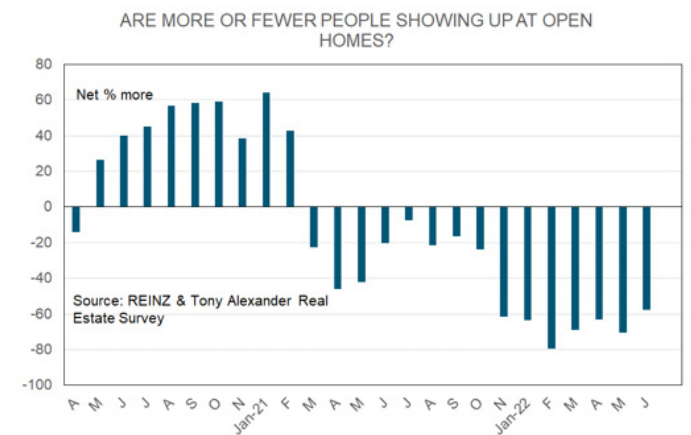
ARE MORE OR FEWER PEOPLE SHOWING UP AT AUCTIONS?

A net 61% of our 566 respondents this month have reported seeing fewer people showing up at property auctions. This aligns with the anecdotal evidence and reflects the impacts on buyers of decreased credit availability and higher interest rates, in particular.



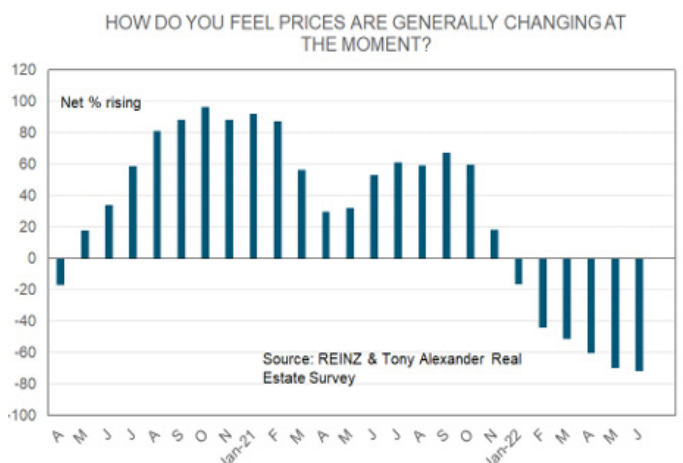
Lack of urgency in the market will also be in play, as discussed further regards FOMO. As the graph shows auctions have been lowly attended since November last year, when LVR rules were radically tightened and there is no sign of things improving as yet.

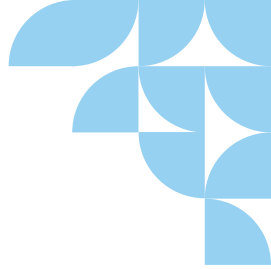
ARE MORE OR FEWER PEOPLE ATTENDING OPEN HOMES?



A net 58% of responding agents this month have reported seeing fewer people attending open homes. There might be a slight improvement in this measure underway since the depths in February. But, we are clearly in a market where buyers are holding back and not viewing properties in anywhere near the same numbers as previously.

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

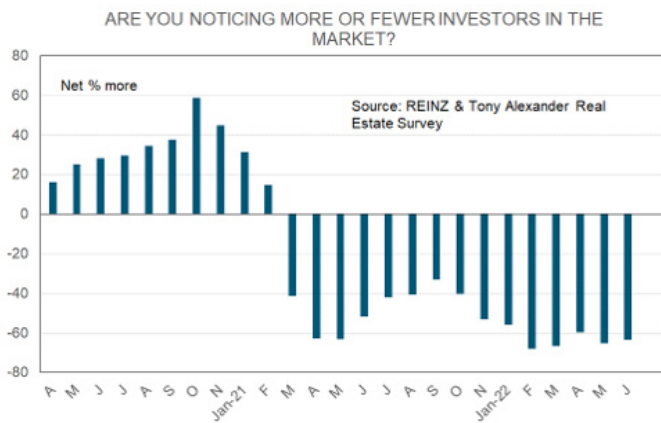




A record net 72% of agents feel prices are falling in their location. This is a deterioration from 70% last month and a sharp change from the net 53% who a year ago felt prices were rising. The data tell us that for now, New Zealand remains a country where house prices are easing.

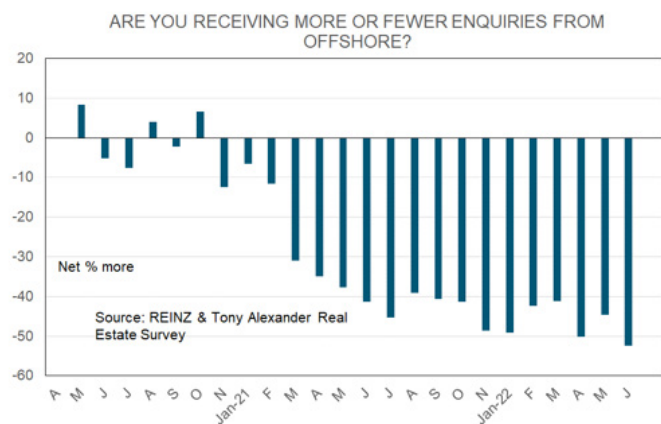
ARE YOU NOTICING MORE OR FEWER INVESTORS IN THE MARKET?

Investors remain as absent from the market as buyers now. This has been the case for virtually every month since late March 2021 following changes to investor tax rules. Perhaps we will not see this measure change until the 2023 general election if the polls suggest National will win and anticipation grows of their promised restoration of interest expense deductibility.



ARE YOU RECEIVING MORE OR FEWER ENQUIRIES FROM OFFSHORE?

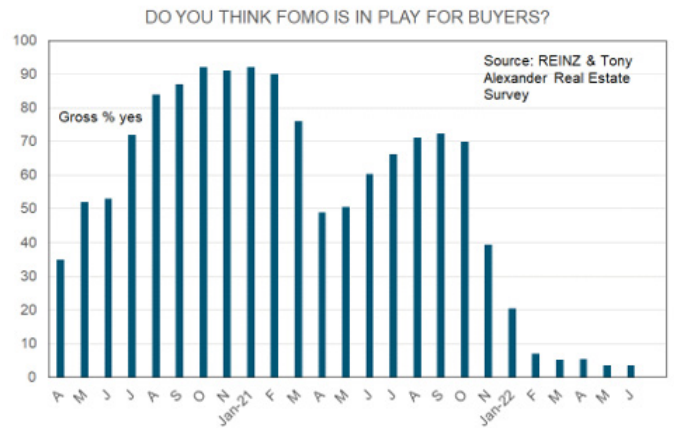
People offshore have had decreasing interest in New Zealand residential property since late November 2020. The degree of disinterest appears to be growing. This month, a record net 52% of responding agents have said they are receiving less enquiry from people overseas.



DO YOU THINK FOMO IS IN PLAY FOR BUYERS?

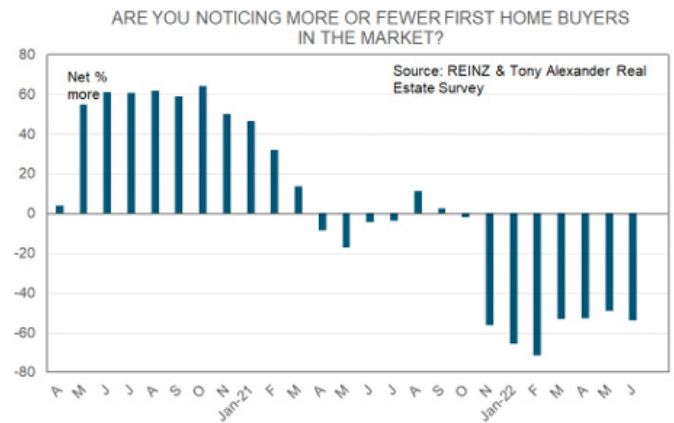
FOMO = Fear of missing out

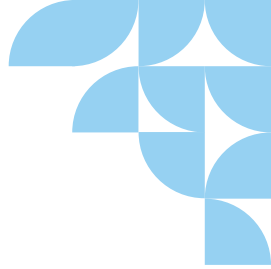
This month only 4% of agents have reported that they can see buyers displaying FOMO. This is unchanged from our late-May survey and about as low as this number can get. Buyers display no sense of urgency as they watch prices decline and feel time is on their side.



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

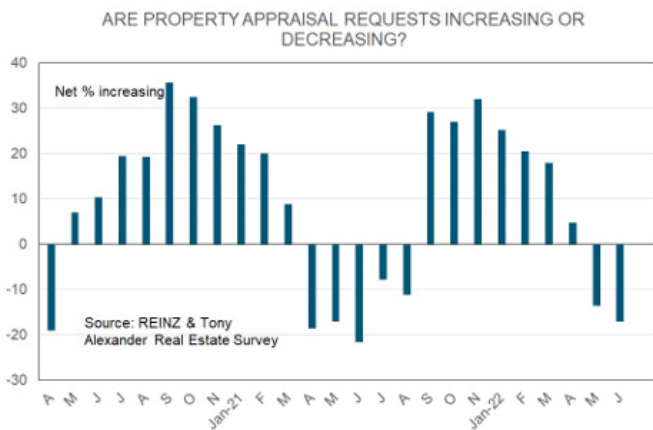
A net 54% of agents report seeing fewer first home buyers in the market. Things are not as bad as they were earlier this year when the credit crunch was at its peak. But, with many banks recently temporarily ceasing all lending at less than 20%, deposit conditions have tightened again after showing slight easing over March to May.





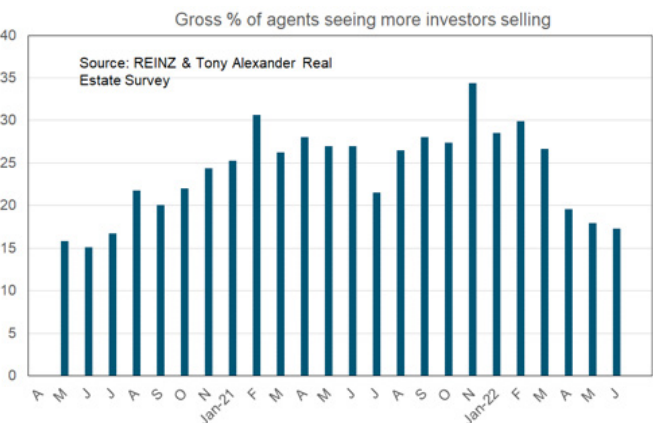
ARE PROPERTY APPRAISAL REQUESTS INCREASING OR DECREASING?

The monthly data from realestate.co.nz tell us that although nationwide listings are running 86% ahead year-on-year this is because there are less buyers rather than more sellers. There is no trend growth in new listings being placed on the market. Our survey suggests this will remain the case, with a net 17% of agents reporting fewer people enquiring about their property’s market value – presumably to list it.



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

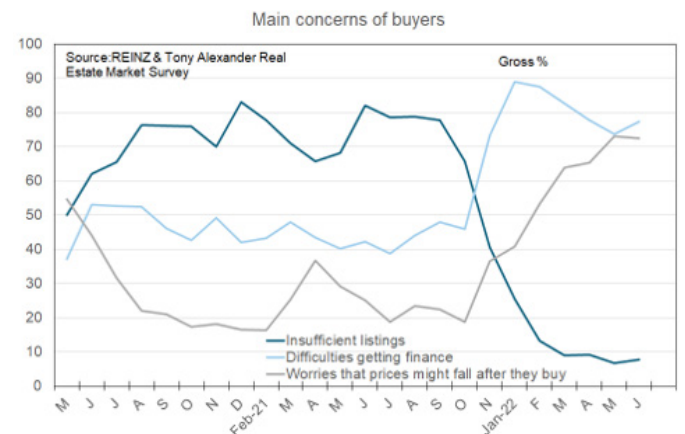
A survey conducted shortly after the tax changes on 23 March 2021 found 26% of investors surveyed intended to sell their property. Despite this, there is no evidence of a wave of investors looking to sell. Instead, our monthly survey shows fewer investors looking to sell as they face difficulties getting good tenants, capital losses, loss of interest expense tax deductibility, and rising financing costs.



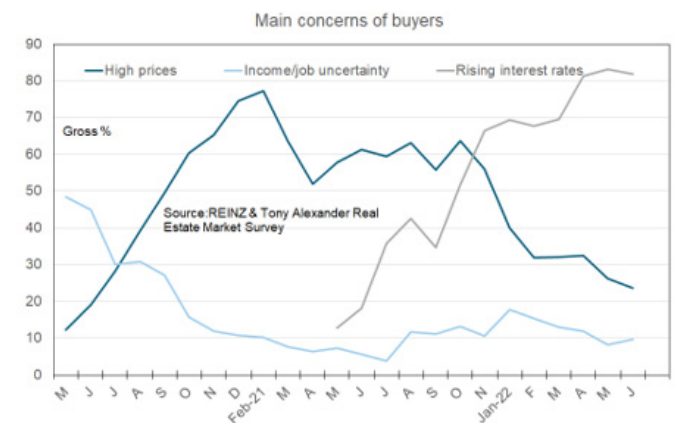
The Reserve Bank Chief Economist recently made a comment implying that Kiwis will be moving away from viewing residential property as a suitable means of building wealth for retirement. There is no evidence that shows existing investors feel things have changed enough to necessitate portfolio reallocation as yet.

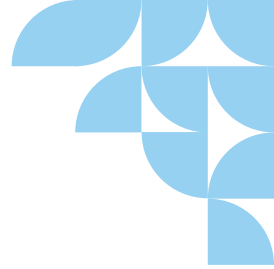
WHAT ARE THE MAIN CONCERNS OF BUYERS?

Agents say the biggest concern of buyers is rising interest rates (82%), followed by access to finance (77%). Few are now concerned with a lack of suitable property listings.



Concerns that prices are too high continue to decline, with just 24% of agents saying that buyers have this worry. A year ago, this proportion was 61% and as recently as October it was 64%.

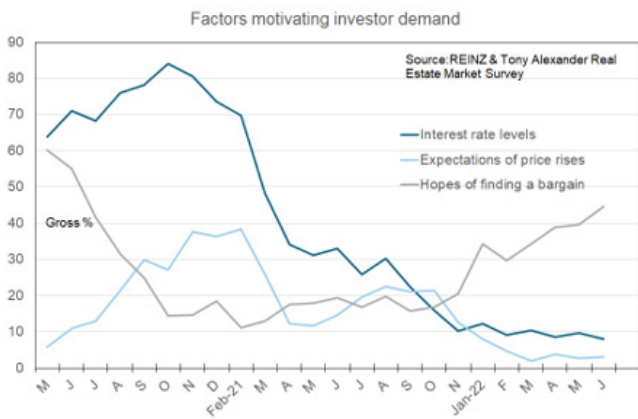




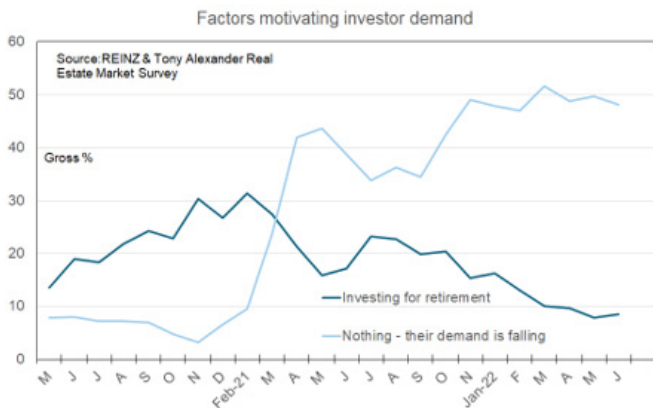
WHAT FACTORS APPEAR TO BE MOTIVATING INVESTOR DEMAND?

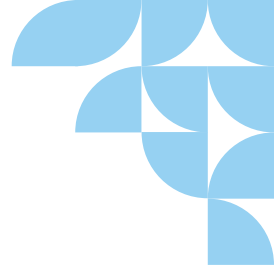
We asked agents what the main things motivating investors looking to buy, keeping in mind the volume of such buyers fell away substantially over a year ago. Only 3% of agents reported investors are hopeful of prices rising and 48% say the investors have no interest in buying — from only 8% two years ago.

The main point of interest is the proportion of agents saying that investors are looking to buy because they are hopeful of finding a bargain. At the end of June, this proportion was 45% compared with 40% a month ago and just 21% at the end of November last year.



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, nationwide a net 52% of agents in column I report that they are receiving less enquiry from offshore with this lack of enquiry greatest in Bay of Plenty at 78%. In Queenstown, a net 9% report seeing more enquiry.

The table shows net percentages apart from the FOMO question in column F. The net percentage 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	34	18	-41	-44	-56	0	-47	-56	-35	-41
Auckland	212	-33	-69	-61	-80	3	-59	-59	-50	-18
Waikato	59	-8	-69	-58	-69	2	-53	-71	-44	-32
Bay of Plenty	41	10	-88	-78	-76	0	-46	-61	-78	-2
Hawke's Bay	22	9	-64	-55	-95	0	-36	-50	-59	9
Taranaki	7	29	-57	-29	-43	0	-57	-57	-71	-29
Manawatu-Wanganui	21	-29	-57	-67	-90	5	-67	-81	-71	24
Wellington	52	-17	-46	-42	-92	0	-50	-88	-67	-23
Nelson/Tasman	31	-3	-26	-48	-65	19	-55	-58	-39	0
Canterbury	60	-23	-60	-58	-40	8	-52	-52	-52	-10
Queenstown Lakes	11	36	-64	-55	-9	0	-45	-91	9	0
Otago exc. Q'town	11	-82	-45	-73	-64	0	-64	-73	-64	-45
Southland	4									
New Zealand	566	-17	-61	-58	-72	4	-54	-63	-52	-16



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