

REINZ & TONY ALEXANDER REAL ESTATE SURVEY

November 2022

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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 sentiment of those two large groups.

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This publication is written by Tony Alexander, independent economist.

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To enquire about having me in as a speaker or for a webinar contact me at tony@tonyalexander.nz

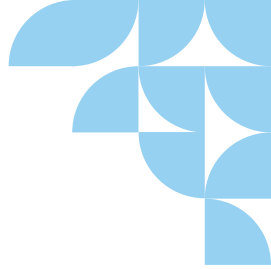
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Tony's Aim

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.

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RISE IN INTEREST RATES SLOWS FIRST HOME BUYERS, INVESTORS STEP BACK

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 the sentiment of those two large groups.

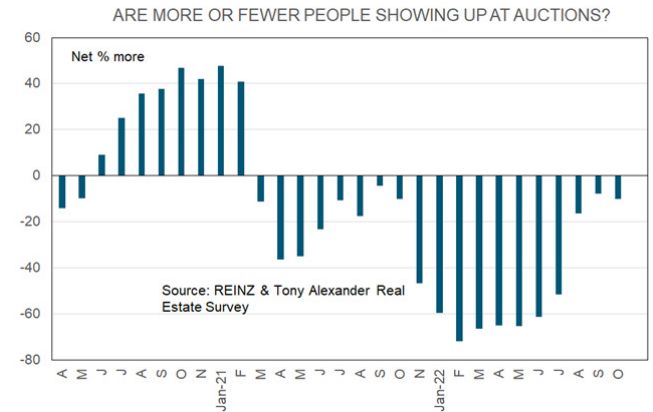
The key results from this month's survey include the following.

- First home buyers are increasingly present in the market, but their numbers have grown at a slower pace this month than last following the new rise in mortgage interest rates.
- There has been a noticeable stepping back of investors following the interest rate rises.

ARE MORE OR FEWER PEOPLE SHOWING UP AT AUCTIONS?

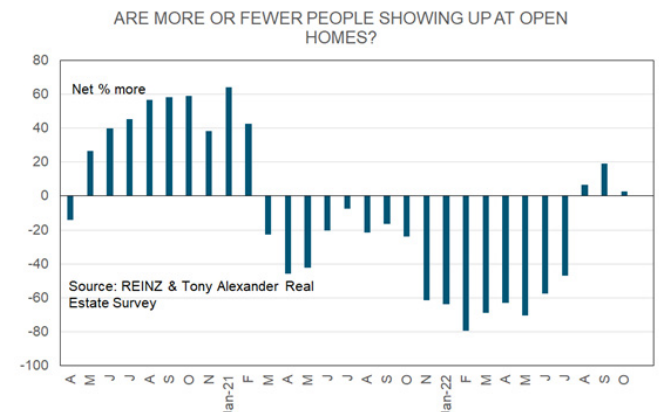
As is the case for most of our measures this month, there has been a slight deterioration in the net proportion of real estate agents saying they are seeing more people attending auctions. This month's result shows a net 10% of respondents seeing fewer people – down from 8% last month.

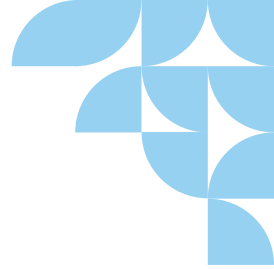
Statistically, there is no difference. But the main comment to be made here is that the improvement trend underway since March – which soared in August – has stalled for now. But things are nowhere near as bad as they were when the credit crunch was at its worst in the months surrounding the turning of 2021 into 2022.



ARE MORE OR FEWER PEOPLE ATTENDING OPEN HOMES?

As with our result for auction attendance, there has also been a small decline in perceptions of people showing up at open homes. At a net 3% positive, the result still tells us more people are physically perusing properties. However, this figure is down from the firm net 19% positive in September, and for now, the improvement in home viewing has stalled.

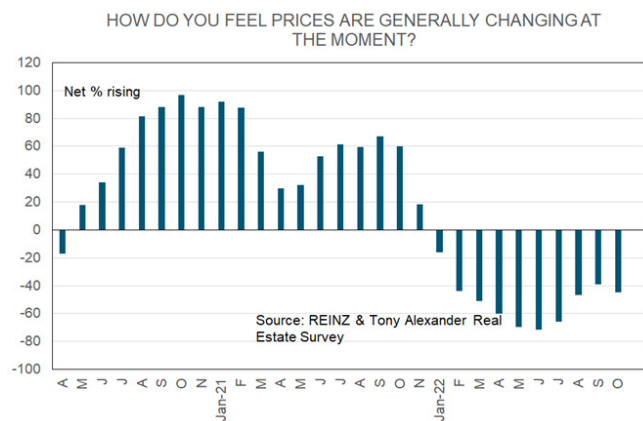




HOW DO YOU FEEL PRICES ARE GENERALLY CHANGING AT THE MOMENT?

A net 45% of our survey respondents feel prices are easing. This is a small deterioration from the net 39% recorded in the previous survey. It is still much better than the net 72% who felt that prices were easing in June.

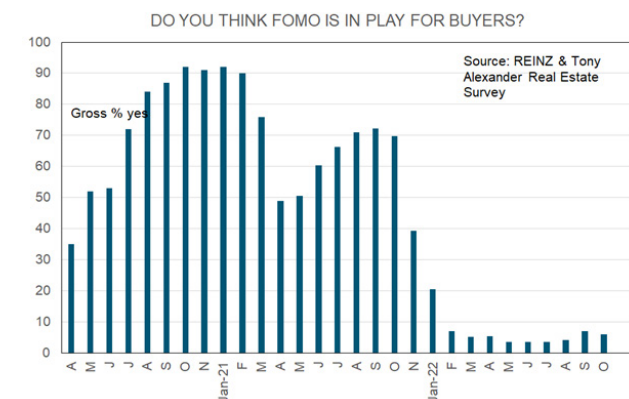
The important point is that agents still see prices going down around the country — just at a slowing pace.



DO YOU THINK FOMO IS IN PLAY FOR BUYERS?

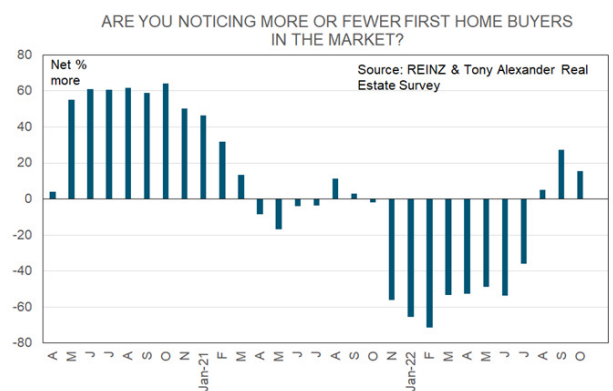
FOMO = Fear of missing out

Only a small gross 6% of agents have said that they can see buyers displaying FOMO. The measure has sat just above zero since February. It strongly tells us that turnover in the residential real estate market this year has been and remains up to the willingness of vendors to accept the weaker conditions and meet the lower offers submitted by the fewer buyers now actively engaged in searching for a property.



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

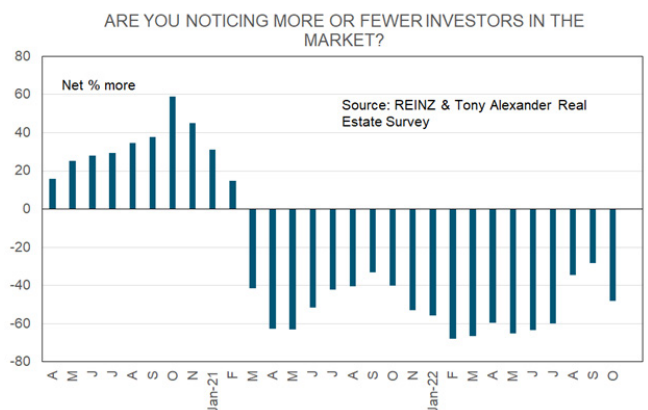
There has been a slight weakening in the net proportion of agents seeing more first home buyers — from 27% last month to 15% this month. The result tells us that this buyer group is returning to the market in greater numbers but that their stepping forward has slowed down for the moment — undoubtedly in the face of the extra jump up in interest rates recently.

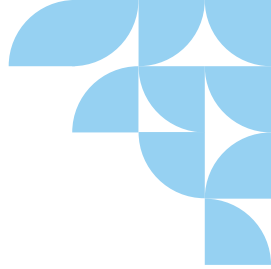


ARE YOU NOTICING MORE OR FEWER INVESTORS IN THE MARKET?

We now see the biggest impact of the recent lift in mortgage interest rates. Unlike the 12-point deterioration in the net proportion of agents seeing more first home buyers, there has been a 20-point deterioration in the proportion seeing investors — from -28% to -48%.

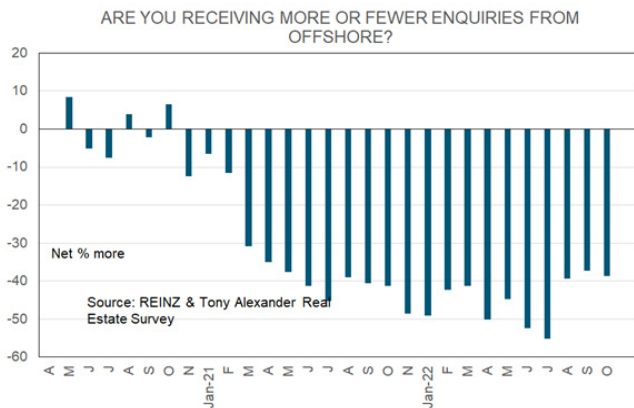
Investors have decidedly stepped back from the market anew over the past month. However, it pays to note that while they remain rare in the market, the degree to which they are absent is less severe than earlier this year when credit conditions were tighter and prices had not fallen as far as they have now.





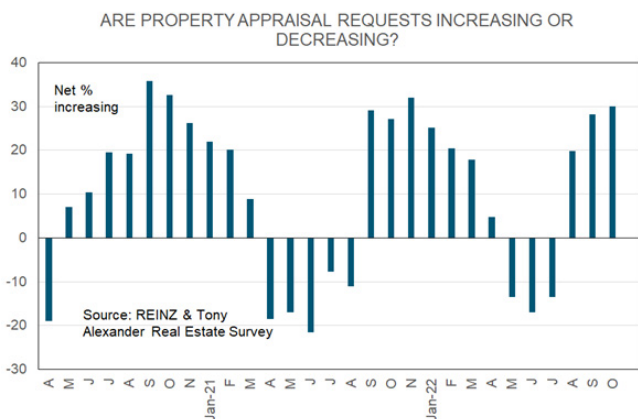
ARE YOU RECEIVING MORE OR FEWER ENQUIRIES FROM OFFSHORE?

There is minimal interest in New Zealand property from people located offshore, with a net 39% of agents reporting reduced enquiries. People overseas lost interest in the New Zealand residential real estate market late in 2020 and remain disinterested.



ARE PROPERTY APPRAISAL REQUESTS INCREASING OR DECREASING?

In contrast to the deterioration in all measures so far discussed here this month, there has been a slight increase in the net proportion of agents reporting that they are receiving more enquiries from potential vendors for property appraisals. However, if one looks at the graph below, it seems clear that this is just a seasonal effect — not a structural lift in the willingness or need for current owners to sell their properties.

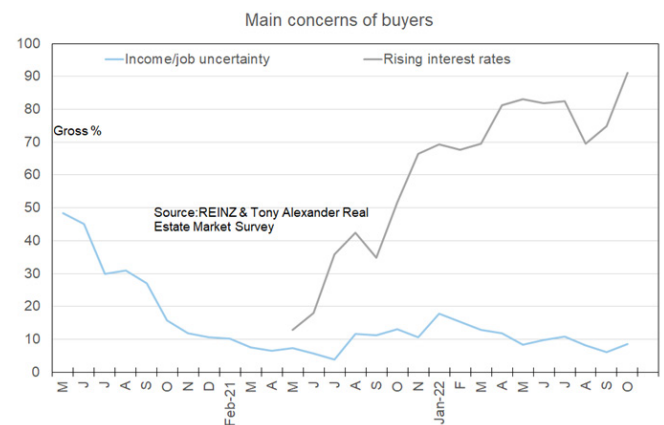


WHAT ARE THE MAIN CONCERNS OF BUYERS?

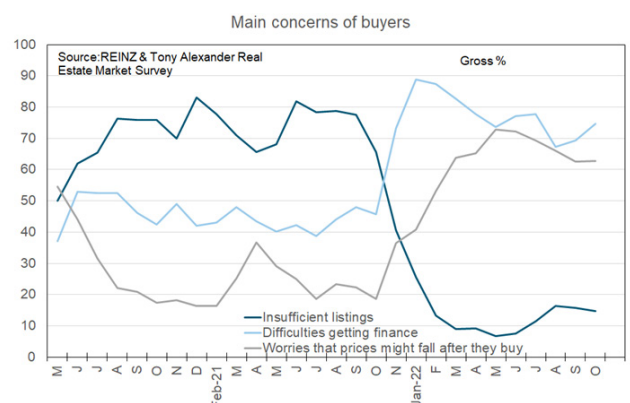
Each month we ask real estate agents to indicate buyers' main concerns. Consistent with all other months this year, the top three concerns are rising interest rates, reported by 91% of agents, difficulties getting finance reported by 75%, and worries that prices may fall after one has bought, noted by 63% of agents.

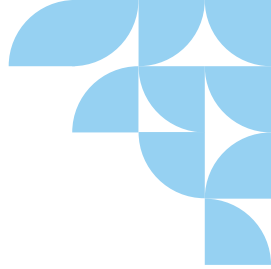


With the September quarter annual inflation number for New Zealand coming in almost 0.7% higher than expected and banks undertaking a round of mortgage rate rises near 0.5%, concerns about interest rates have gone back up again. This is shown as the grey line in the following graph. Worries about employment remain very low, reflecting the low availability of staff in New Zealand.



There has been a slight lift in worries expressed by buyers about getting finance in the past two months, but no renewed lift in FOOP — the concerns that prices will fall. Many do not perceive the availability of listings as a problem for buyers.

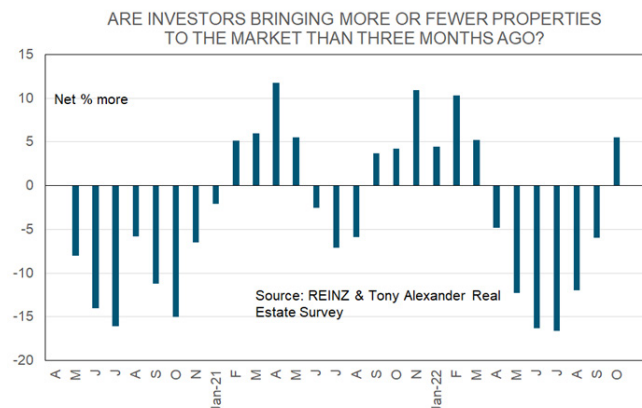




ARE INVESTORS BRINGING MORE OR FEWER PROPERTIES TO THE MARKET TO SELL THAN THREE MONTHS AGO?

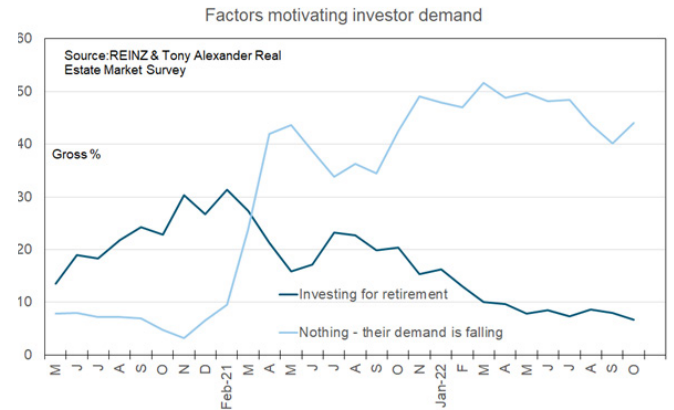
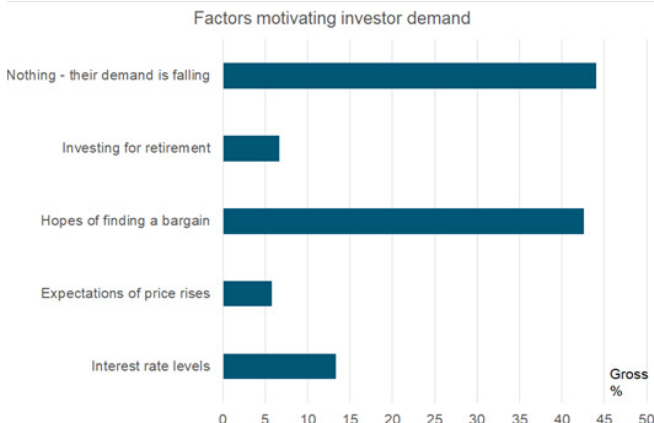
This is the only measure in our survey that has not seen a blip in its recent trend this month. There has been a further rise in the net proportion of real estate agents saying they are seeing more investors looking to sell.

That percentage now sits at 6% — compared to -6% last month and -12% the month prior. We cannot call this a wave of selling. Still, the correlation of this shift with the jump up in borrowing costs suggests that interest rates and the decreasing ability to deduct this rising expense when calculating taxable income are making some investors rethink their property holding timeframes.

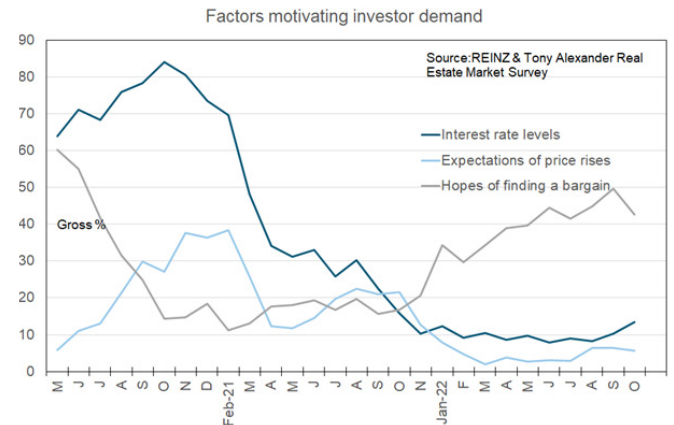


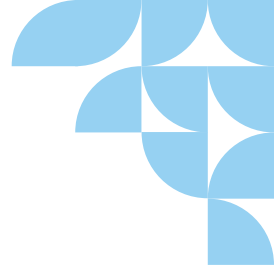
WHAT FACTORS APPEAR TO BE MOTIVATING INVESTOR DEMAND?

When asked what is causing investors to buy, 44% of agents replied nothing — noting investors are not buying. This is shown as the light blue line in the graph immediately after this next one showing the full distribution of reasons. Disinterest in making a purchase surged immediately after the tax changes announced late in March 2021.



Perhaps the most unusual result this month is the small rise in the proportion of agents saying that interest rate levels are motivating investor demand. It seems wisest to treat that as a statistical wobble for now. There is no improving trend in expectations for price gains, and fewer agents now report that those investors seeking to buy are hopeful of getting a bargain.





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. 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 gross 6% of agents say that they are seeing FOMO on the part of buyers. But this gauge is a firmish 17% in the Nelson/Tasman/Marlborough regions and 12% in Northland.

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 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	25	36	-12	-28	-60	12	-4	-44	-28	-16
Auckland	177	27	9	18	-46	6	19	-38	-37	5
Waikato	41	41	-41	-22	-54	2	12	-41	-51	20
Bay of Plenty	23	43	-35	-13	-57	0	22	-39	-22	17
Hawke's Bay	19	26	-32	0	-42	5	26	-74	-47	-5
Taranaki	8	13	-13	25	-25	0	25	-50	-63	0
Manawatu-Wanganui	18	0	-33	-39	-61	0	-11	-72	-56	11
Wellington	39	33	-8	38	-54	5	44	-72	-36	15
Nelson/Tasman	23	39	-17	-17	-57	17	-22	-65	-43	13
Canterbury	34	26	-24	-6	-12	9	18	-38	-50	3
Queenstown Lakes	10	20	-40	-50	0	10	-30	-70	10	-10
Otago exc. Q'town	12	33	0	0	-25	0	33	-75	-50	-17
Southland	3	0	0	0	0	0	0	0	0	0
New Zealand	434	30	-10	3	-45	6	15	-48	-39	6

