



REINZ & TONY ALEXANDER REAL ESTATE SURVEY

March 2023

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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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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.

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FIRST HOME BUYERS BACK

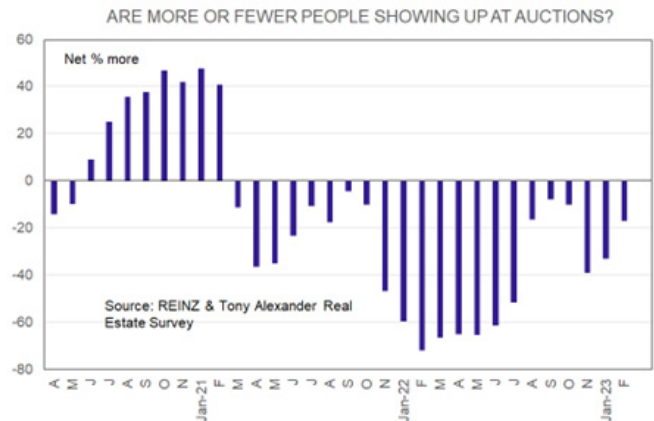
Welcome to the REINZ & Tony Alexander Real Estate Survey. This survey gathers together the views of licensed real estate agents all over New Zealand regarding how they are seeing conditions in the residential property market in their areas at the moment. We ask them how activity levels are changing,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

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

- An above average net proportion of agents report that they are seeing more first home buyers in the market — but investors remain solidly absent.
- A still high proportion of agents report that prices are continuing to decline in their location.
- Buyer concerns about accessing finance are high but on a downward trend. Few agents feel that buyers have concerns about their employment income.

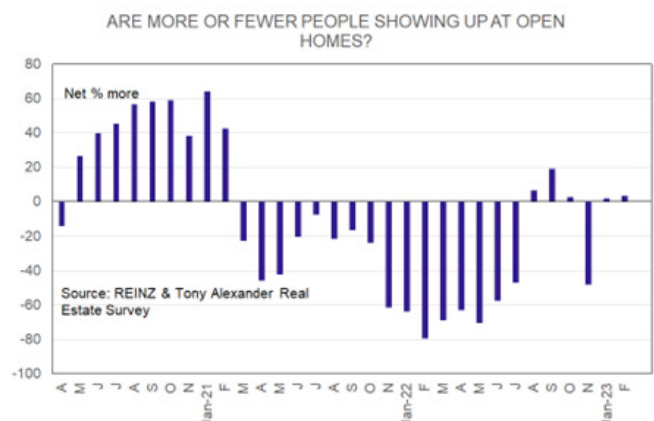
ARE MORE OR FEWER PEOPLE SHOWING UP AT AUCTIONS?

This month's survey continues to show that real estate agents around the country are observing low attendance at auctions. A net 17% have reported seeing fewer people in attendance. This is better than a net 33% at the end of January but still well away from positive territory. Attendance has been viewed as weakening ever since early-2021 when LVRs returned and tax rules were changed for investors.



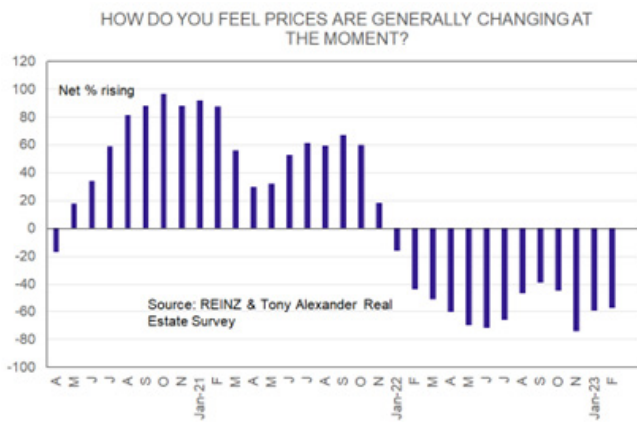
ARE MORE OR FEWER PEOPLE ATTENDING OPEN HOMES?

In contrast to the continuing deterioration in auction attendance observations, there is a small improvement underway in open home visitations. A net 4% of agents have reported seeing more people at open homes. The result is low but it confirms the improvement seen in the previous month. There are some more people kicking the tyres of properties they might potentially buy — an early indicator of a turning in the residential real estate cycle but by itself not strong enough to allow one to say such a turning is imminent.



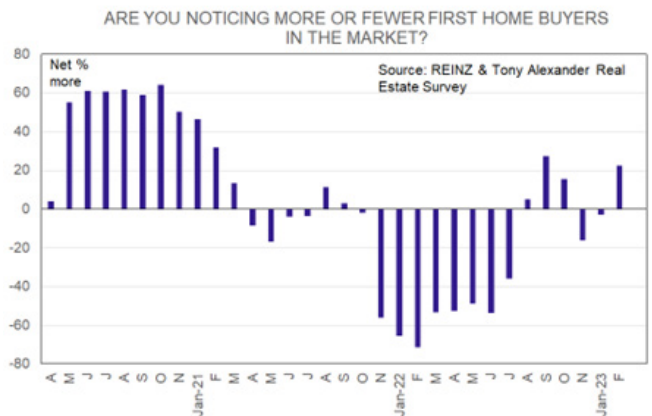
HOW DO YOU FEEL PRICES ARE GENERALLY CHANGING AT THE MOMENT?

There is no sign that prices for residential property around New Zealand have bottomed out let alone turned upward. A still very strong net 57% of agents have reported that prices are going down in their area. This is statistically unchanged from 59% a month ago and as the graph shows is in line with the weakness in place since the turning of 2021-22.



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

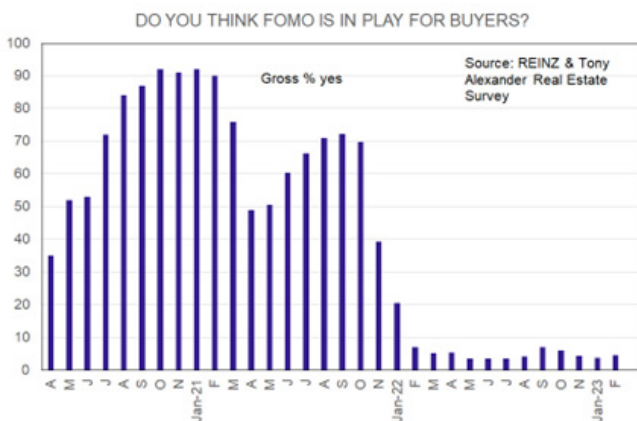
This is the strongest result from this month's survey. A net 22% of agents have reported that they are seeing more first home buyers. This is the strongest result since the end of September just before the higher than expected inflation number and upward lift in monetary policy tightening expectations. First home buyers are likely responding to signs of banks becoming more willing to lend, rising rents, the extent to which house prices have declined, good job security, strong wages growth, and discounted interest rates.



DO YOU THINK FOMO IS IN PLAY FOR BUYERS?

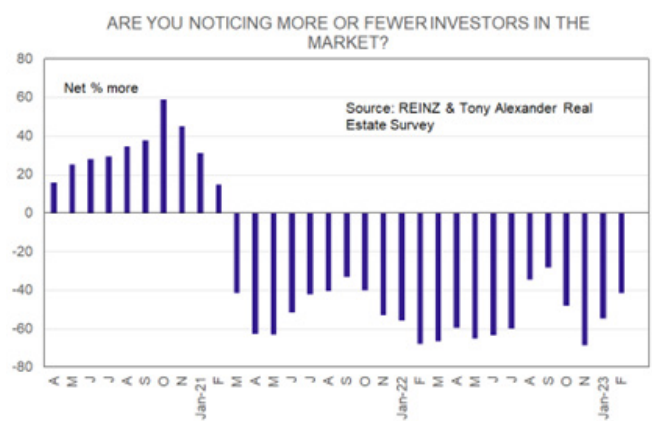
FOMO = Fear of missing out

There continues to be no sign of FOMO returning to the real estate market in New Zealand. Only a gross 5% of agents have reported seeing FOMO, statistically the same result as for every other month in the past year.



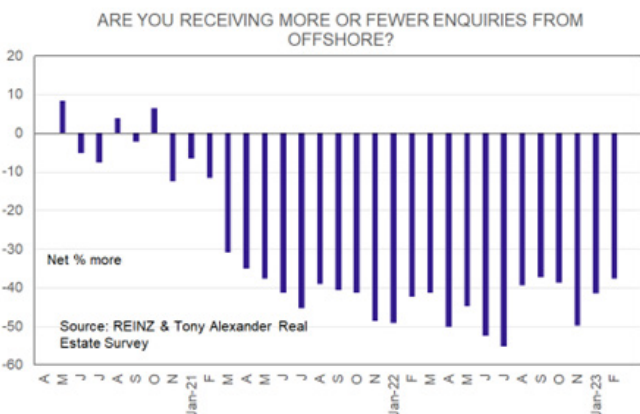
ARE YOU NOTICING MORE OR FEWER INVESTORS IN THE MARKET?

As observed in all of my other surveys, there is no indication that investors are returning to the market. They have been absent since early-2021 and that reflects the return of LVRs, their strengthening for investors (40% deposit) in May, and tax changes from March that year.



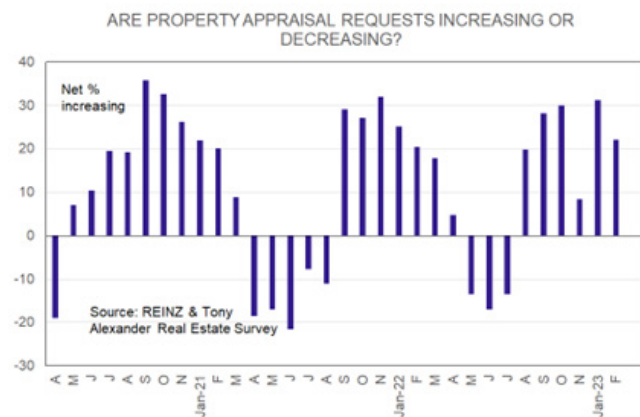
ARE YOU RECEIVING MORE OR FEWER ENQUIRIES FROM OFFSHORE?

It has been a long time since there has been discussion of people located offshore flocking in to buy NZ residential property. Even in the heights of the pandemic frenzy over late-2020 and early-2021 there were only mild signs of offshore interest. A net 38% of agents this month have reported seeing reduced offshore interest.



ARE PROPERTY APPRAISAL REQUESTS INCREASING OR DECREASING?

The net proportion of agents reported an increase in requests for property appraisals has eased this month to 22% from 31% a month ago. This reading is above the three year average of 11% but not suggestive of a wave of property hitting the market. In fact, the number of fresh listings of properties with realestate.co.nz has been falling steadily for over a year now. While rising interest rates are a source of budgeting pressure, job security is strong along with wages growth.

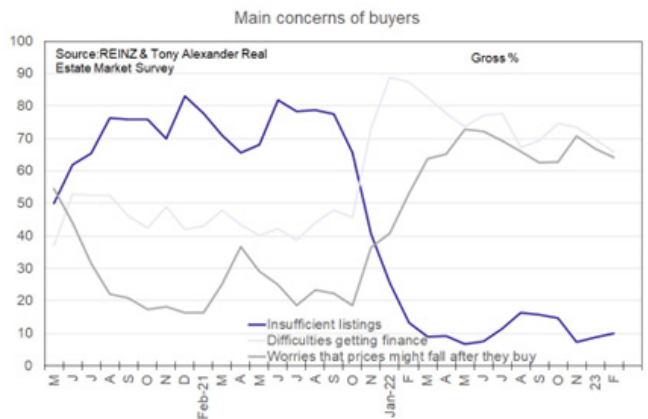


WHAT ARE THE MAIN CONCERNS OF BUYERS?

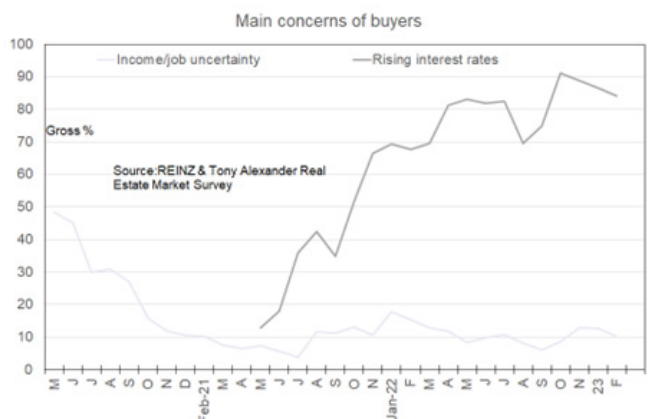
Buyers have worries that prices will fall after they make a purchase, access to finance, and the level of interest rates. Very few feel that there are insufficient listings and worries about employment are minimal.



The light blue line in the following graph shows that concerns about access to finance are declining slowly as each month goes by. Worries about prices falling remain high but are edging slightly lower.

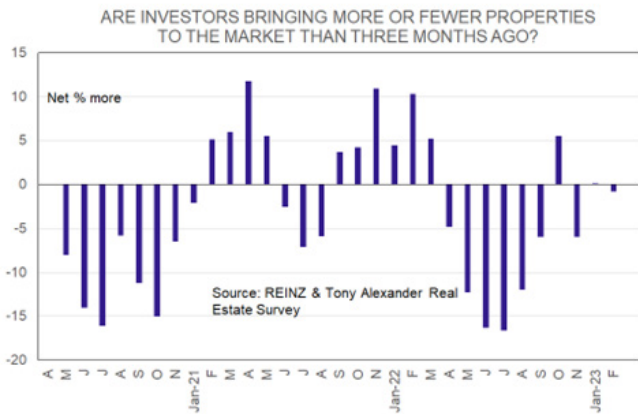


Concerns about rising interest rates might also be easing but it seems too early to definitively conclude that on the basis of our survey's results.



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

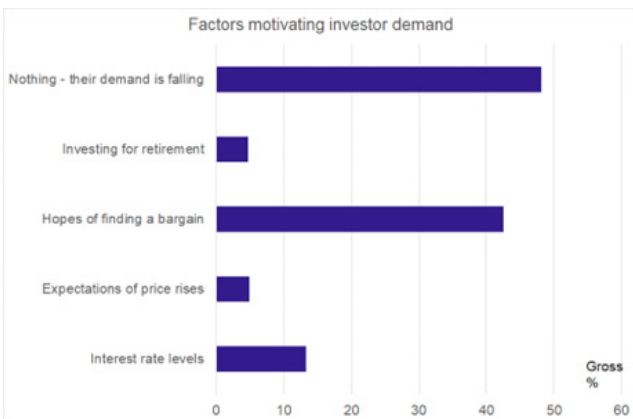
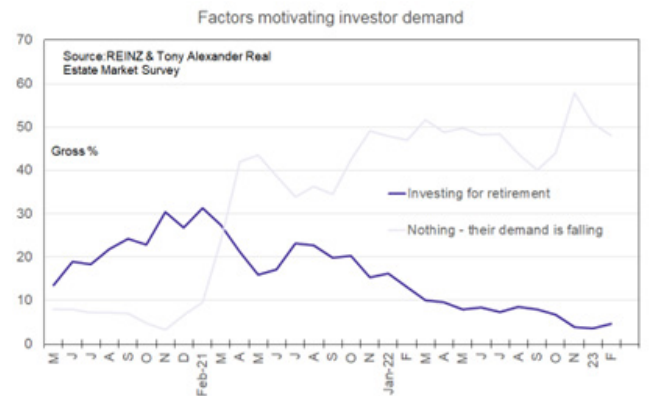
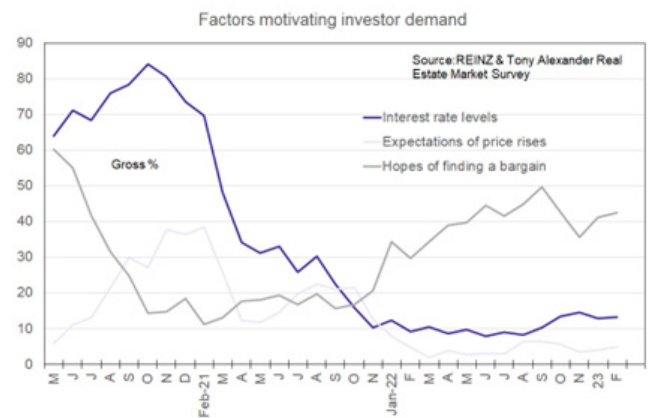
As has been the case for some time now there remains no evidence that investors are bringing extra properties to the market. It has been tempting to think they would following the tax changes of early-2021 and the way removal of ability to deduct interest expenses gets more onerous as each year passes. But the tax changes appear to have largely affected willingness to buy rather than willingness to sell.



WHAT FACTORS APPEAR TO BE MOTIVATING INVESTOR DEMAND?

For those investors who are thinking about buying, the main motivation remains hopes of finding a bargain.

Hopes of finding a bargain have recovered slightly after taking a dip late last year. Of interest perhaps is the slight rise in interest rate levels as an investor demand motivator. This might reflect the availability of specials or more likely the passage of time making people used to where interest rates are at. Reduced fears of further interest rate rises are also likely to be in play.



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 net 4% of agents say that more people are attending open homes. But in Auckland this is 13% and Canterbury -16%.

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 | G. Are you noticing more or fewer first home buyers in the market? |
| B. Are property appraisal requests increasing or decreasing? | H. Are you noticing more or fewer investors in the market? |
| C. Are more or fewer people showing up at auctions? | I. Are you receiving more or fewer enquiries from offshore? |
| D. Are more or fewer people attending open homes? | J. Are investors bringing more or fewer properties to the market to sell than three months ago? |
| E. How do you feel prices are generally changing at the moment? | |
| F. Do you think FOMO is in play for buyers? | |

	A	B	C	D	E	F	G	H	I	J
	#obs	Appraisals	Auctions	Open H.	Prices	FOMO	FHBs	Invest.	O/seas	Inv.selling
Northland	27	44	-26	-37	-74	4	-15	-70	-44	-11
Auckland	198	17	-1	13	-61	4	27	-36	-33	-3
Waikato	63	24	-41	-13	-71	6	25	-52	-44	8
Bay of Plenty	50	34	-26	12	-56	4	28	-30	-24	6
Hawke's Bay	20	-20	-30	5	-35	15	35	-15	-50	-10
Taranaki	9	56	-22	11	-22	11	11	-33	-56	-22
Manawatu-Wanganui	22	14	-9	9	-68	0	55	-41	-45	0
Wellington	41	15	-5	44	-56	2	32	-59	-49	-10
Nelson/Tasman	23	26	-30	-26	-61	4	13	-39	-22	-13
Canterbury	50	18	-34	-16	-42	4	22	-40	-36	6
Queenstown Lakes	9	67	0	44	11	11	-11	11	-22	0
Otago exc. Q'town	10	50	-20	-10	-30	10	-10	-100	-40	40
Southland	10	40	-40	-40	-40	0	-40	-40	-70	10
New Zealand	534	22	-17	4	-57	5	22	-41	-38	-1

