The NZHL Property Report

by Tony Alexander.

November 2023

About NZHL

NZHL is a passionately Kiwi, passionately local home loan and insurance network currently helping more than 50,000 New Zealanders collectively save millions of dollars in interest costs every year.

Part of Kiwi Group Capital Ltd (KGC) which are 100% Government owned, NZHL operates with an Independent Board and 70 local business owners nationwide. NZHL believes in helping Kiwis achieve financial freedom, faster and takes a structured, personalised approach to bring this to life.

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My 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.

Market upturn steadies

Welcome to the NZHL Property Report by Tony Alexander. 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. 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.

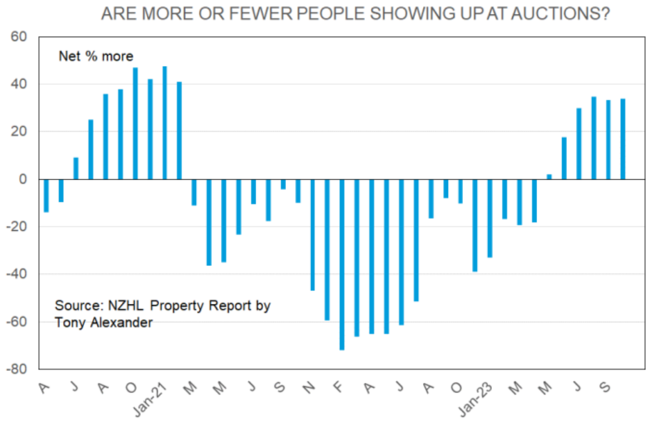
The key results from this month's survey include the following.

- Investors are becoming more obvious in the residential real estate market.
- Very few buyers are now worried that prices will fall after making a purchase. FOOP (fear of over-paying) has reached a record low.
- The market is strengthening, but there are no solid signs of a frenzy, seen most clearly in FOMO easing marginally this month.

Are more or fewer people showing up at auctions?

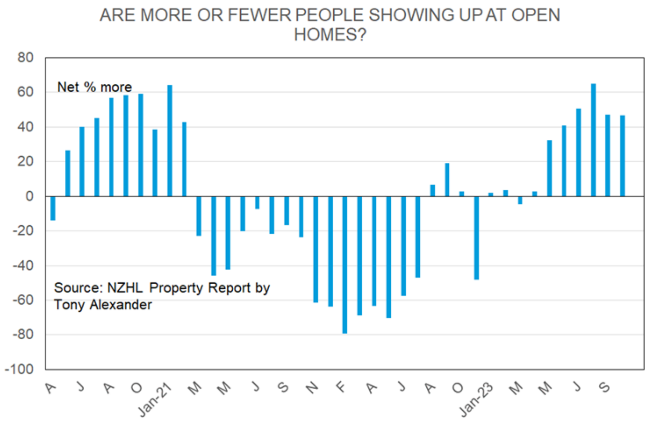
A net 34% of the 395 real estate agents responding in this month's survey have said that they are seeing more people showing up at auctions. This is essentially unchanged from a net 33% last month and tells us that the market is not running away on itself. More people are looking to buy or at least get a feel for the market, but there is no frenzy. Note that when prices were soaring late in 2020 and in the early part of 2021, at the peak a net 48% of agents said that more people were appearing at auctions.

Thus, we may be able to say that there is no frenzy. But we have to say that interest is strong. The average reading for this measure since 2020 has in fact been a net 10% negative.



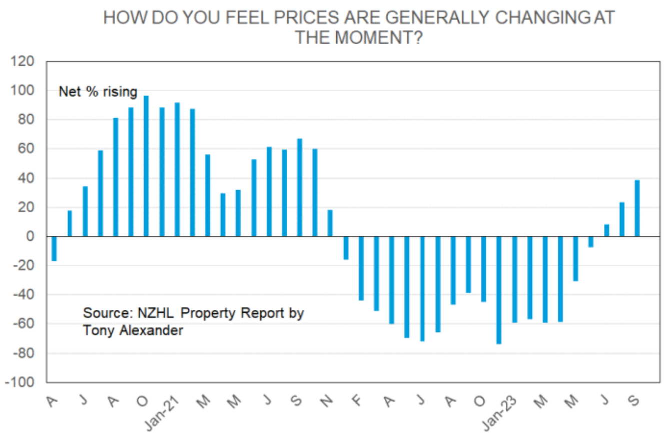
Are more or fewer people attending open homes?

In similar vein to the result above, the net 47% of agents saying they are seeing more people attending open homes is exactly the same as our result last month. The result is strong and tells us that there is a firm level of interest in property buying. But again, the key conclusion from this month's figures is that there is no frenzy – just a firm upturn.



How do you feel prices are generally changing at the moment?

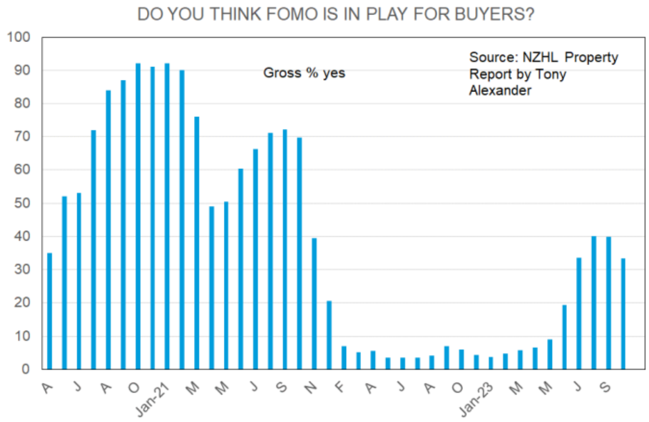
Our third indicator leads to comments the same as we have made just above. The market is turning up, but no feeling of frenzy is in force. A net 34% of agents have said that prices are rising in their location. This is down marginally from a net 38% last month but nonetheless consistent with the new rising trend in prices underway since June according to REINZ data.



Do you think FOMO is in play for buyers?

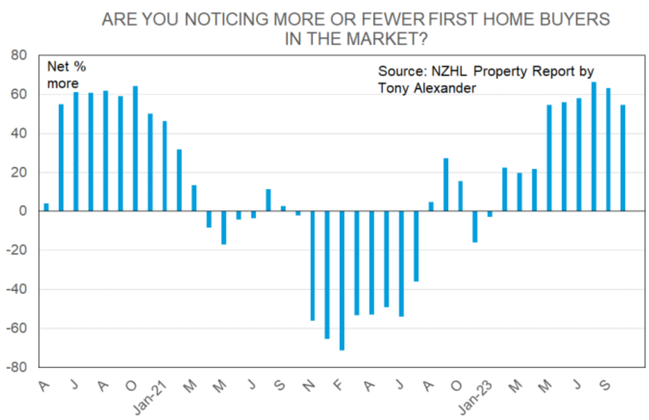
FOMO = Fear of missing out

Our best indication that no frenzy is in play just because the election is over and tax changes for investors are coming is seen in our measure of FOMO. A gross 33% of agents have said that they are seeing buyers show concern that if they delay, they will miss out. This reading is down slightly from 40% at the end of September and marginally below the average reading since early-2020 of 39%. FOMO is back but it is not booming and that perhaps is understandable when we consider the level of mortgage interest rates and the recent small increases.



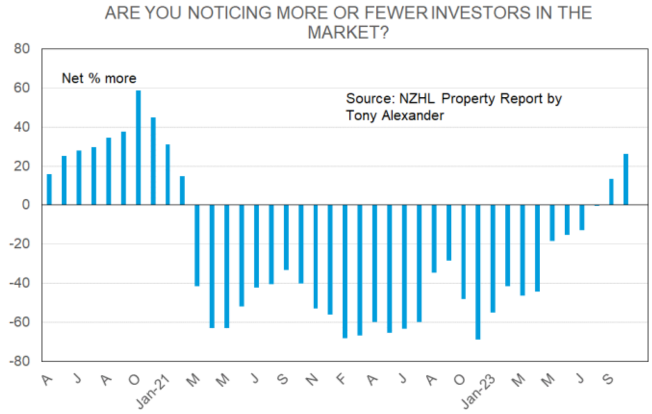
Are you noticing more or fewer first home buyers in the market?

Real estate agents continue to report the firm presence of first home buyers in the housing market. This month a net 55% have reported seeing more young buyers, down slightly from 63% last month but well above the average of 12%. First home buyers remain a firm driving force in the market.



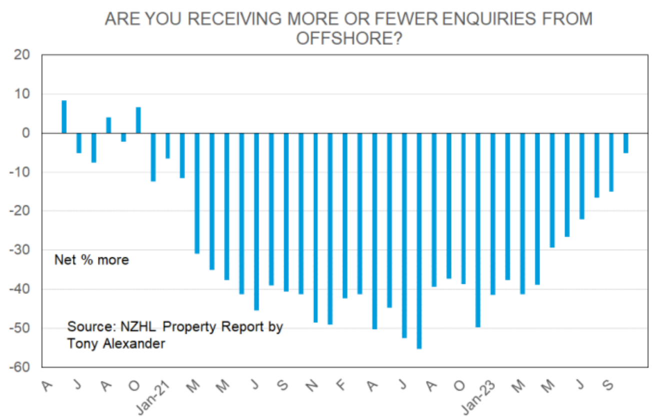
Are you noticing more or fewer investors in the market?

The clearest strengthening result in this month's survey is the further rise in the net proportion of agents reporting that there are more investors in the market. This reading has risen to 26% from 14% last month and a net 44% six months ago still saying that they were seeing fewer investors. This is now the portion of the residential real estate market which is undergoing change.



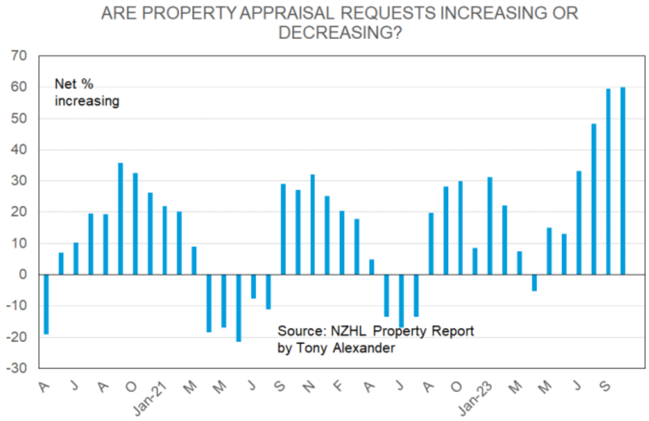
Are you receiving more or fewer enquiries from offshore?

Are agents seeing more enquiries from overseas? There are certainly anecdotes saying yes. But overall, a net 5% still report that they are receiving fewer queries from people located offshore. This is however the least weak result since October 2020 and tells us that just as investors are already shifting into a net buying phase, so too may offshore transactions soon shift from the net selling of the past five years to net buying at some stage in 2024 once the foreign buying rules change.



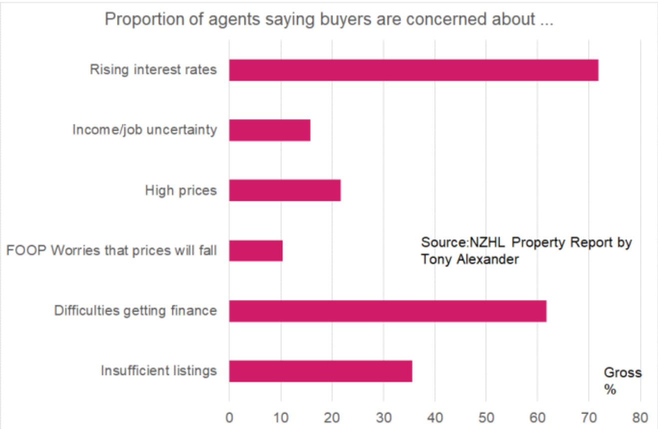
Are property appraisal requests increasing or decreasing?

A record net 60% of agent respondents this month have reported receiving more requests for property appraisals. This suggests that more properties may soon come onto the market. But interpreting this measure can be difficult and the graph shows how it has gone through some cycles not really correlated with much else over the past three and a half years.

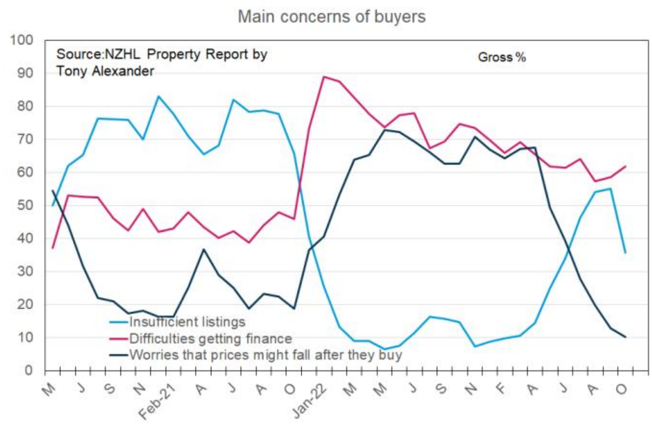


What are the main concerns of buyers?

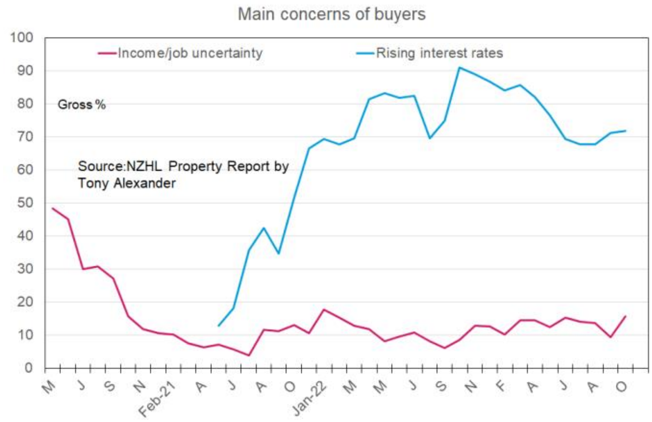
There are two main things which are causing buyers considerable concern. Top of the list is rising interest rates and that is understandable given the tight setting for the Reserve Bank's monetary policy. The second major concern is difficulties securing finance. This tells us that there is a reason why no banks have initiated traditional Spring mortgage campaigns this year – they are not chasing business.



The next two graphs rank changes in levels of buyer concern about different things. The first graph shows a downward trend in worries about getting finance since the credit crunch of late-2021 imposed by the Reserve Bank in November and the government in December. The graph also shows a firm decline this month in concerns about an inadequate number of listings along with a falling number of agents saying that buyers are worried about prices falling. This perhaps is the second main result from this month's survey. People increasingly recognise that prices are rising and are losing their fear of being caught out by new price dips. Only 10% of agents say they are seeing FOOP – fear of over-paying.

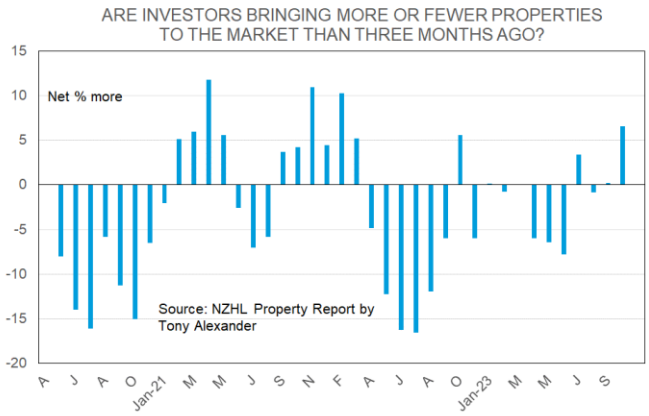


Worries about rising interest rates continue to track at high levels though were higher earlier this year. There has been a small rise in concerns about employment which will be worth monitoring for the coming year now that the unemployment rate has just risen from 3.6% to 3.9% and is expected to go higher.



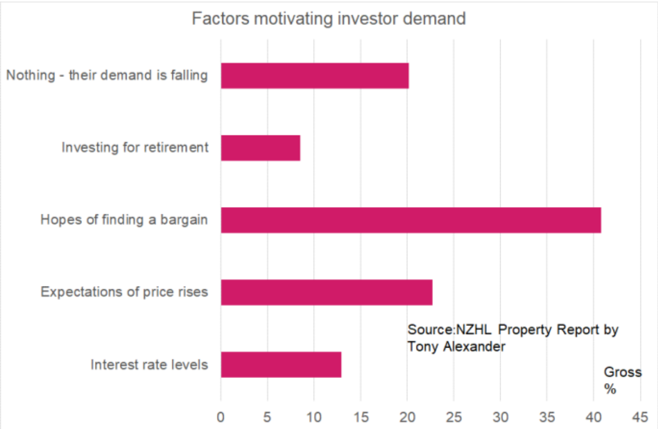
Are investors bringing more or fewer properties to the market to sell than three months ago?

There has been a rise in the net proportion of agents saying they are seeing more investors bringing properties to the market to sell – to 7% from 0% last month. But this is just one month which could be a blip. This has happened before. We shall wait and see what impact the coming removal of the ten year brightline test and substitution of a two year period will have on investor selling by those who have been holding off.

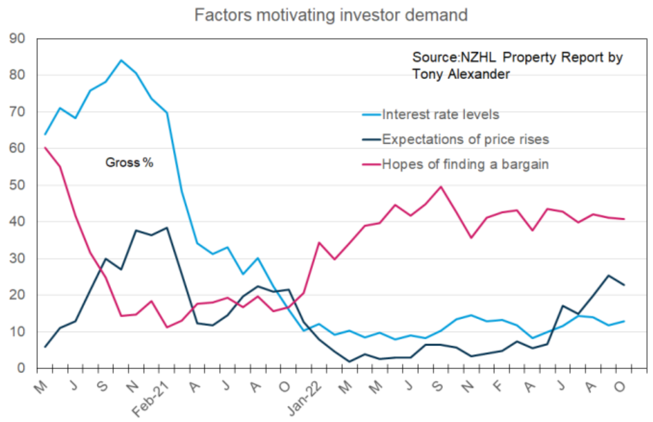


What factors appear to be motivating investor demand?

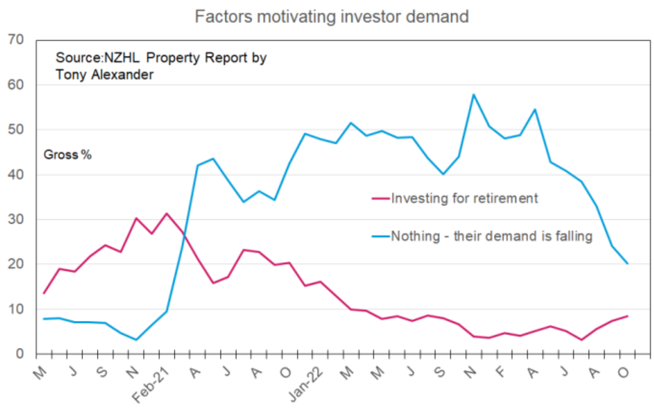
We ask what factors appear to be motivating investors to buy. Hopes of finding a bargain are the greatest motivator.



There is a trend rise underway in the proportion of agents saying, they feel that investors who are buying are motivated by the potential for price gains.



There is a strong downward move in the proportion of agents asked about what motivates investors to buy who say that the investors are in fact not buying. This is a way of confirming our earlier result about more agents seeing investors entering the market as buyers.



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 55% of agents have said that they are seeing more first home buyers. But in Hawke's Bay this is a strong 67% versus a low 30% in the three regions at the top of the South Island.

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.

	A	B	C	D	E	F	G	H	I	J
	#obs	Appraisals	Auction	Open H.	Prices	FOMO	FHBs	Invest.	O/seas	Inv.selling
Northland	22	86	23	27	5	14	27	-14	-5	0
Auckland	148	63	52	52	36	36	53	24	1	11
Waikato	39	77	33	51	8	26	64	41	10	0
Bay of Plenty	24	42	63	46	29	42	58	25	-8	38
Hawke's Bay	24	71	25	50	54	33	67	50	-17	4
Taranaki	6									
Manawatu-Wanganui	17	53	6	35	18	18	53	47	-29	-12
Wellington	31	42	23	61	52	39	65	26	-10	16
Nelson/Tasman	20	35	0	10	25	15	30	5	-25	15
Canterbury	37	57	19	46	59	43	68	35	-8	-16
Queenstown Lakes	9	67	11	44	56	56	44	56	44	0
Otago exc. Q'town	12	58	33	67	50	50	75	8	-8	25
Southland	6									
New Zealand	395	60	34	47	34	33	55	26	-5	7

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?

*Please note –Tony Alexander is an independent economist. His views are his own and not necessarily shared by NZHL or vice versa. The NZHL Property Report by Tony Alexander is based on the findings of a monthly survey of real estate agents conducted by Tony and is brought to you by NZHL in a sponsored capacity.

This publication is written by Tony Alexander, independent economist. You can contact me at tony@tonyalexander.nz

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