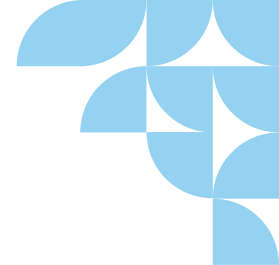


REINZ & TONY ALEXANDER REAL ESTATE SURVEY

November 2020



STRONG MARKET CONTINUES

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.

Conditions remain very strong in the residential real estate market all around the country, with all measures of demand and price pressure in our survey rising over the month – as most did also in early-October. A net 47% of the 381 agents completing the survey said that more people are attending auctions, and a net 59% are seeing more people attending Open Homes.

Unsurprisingly, with buyer interest so strong, a net 97% of agents report that in their area prices are rising while a net 88% say buyers are gripped by FOMO – fear of missing out.

The key change over the past month has been a rise in the proportion of agents reporting that they are seeing more investors, to a net 59% from 38% in our October survey.

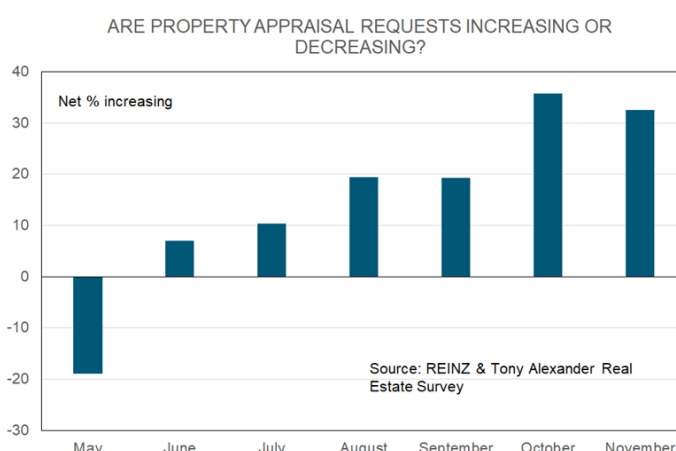
Is there hope for the increasing number of frustrated buyers? A net 32% of agents report that they are receiving more requests for property appraisals with a view to selling. So, new listings numbers look like they will continue to rise. However, a net 15% of agents say that they are seeing fewer investors selling. When asked what is motivating investors to buy, 83% cite interest rate levels, but a far lower 27% cite expectations of price rises.

Of relevance for the market's ability to keep rising, and perhaps wider consumer spending growth heading into Christmas and the New Year, is the continuing decline in reports of job worries. Only 16% of agents report that buyers are concerned about their job and income prospects. In our

first survey in June this gross proportion was much higher at 48%. The strength of the labour market is one of the large number of factors helping to underpin housing markets all around New Zealand.

ARE PROPERTY APPRAISAL REQUESTS INCREASING OR DECREASING?

Compared with October, there was a minor decline in the net percent of agents reporting an increase in requests from potential sellers of property for appraisals of what their asset may be worth. The proportion fell to 32% from 36%. This is not a large enough decline to conclude that fewer potential sellers are coming forward, and the results of the past two months tell us that the strength of the real estate sector is encouraging more people to think about listing. If they do this will come as a relief to potential buyers – although evidence from realestate.co.nz is that listings overall remain well down from levels of the past decade.



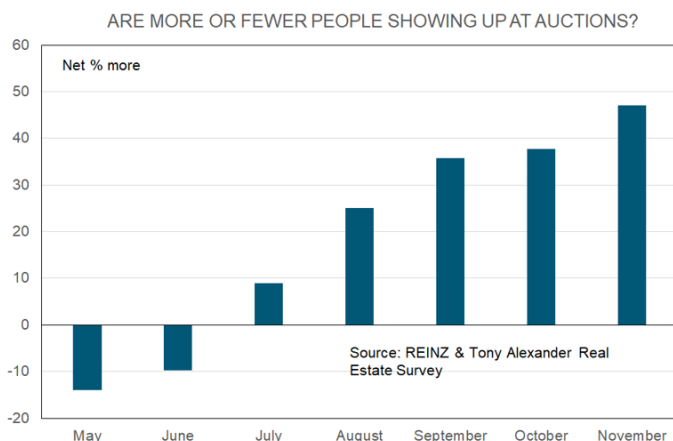
ARE MORE OR FEWER PEOPLE SHOWING UP AT AUCTIONS?

In every month since our first survey, the net proportion

of real estate agents reporting more people showing up at auctions has risen. This month a net 47% of agents report more people in attendance, up from a net 38% last month and as the graph below shows, a net 10% seeing fewer people back in June.

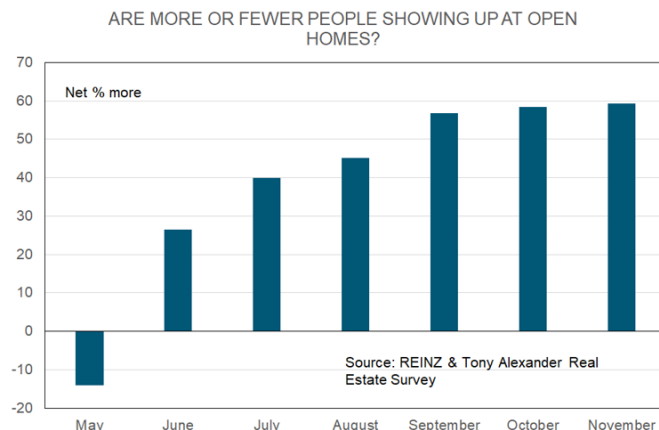
History shows us that when there is substantial media coverage of the housing market and prices are firming, there is a strong tendency for more people to attend auctions to get a feel for where the market is at. Such up to date information is vitally important for both buyers and sellers considering their own future transactions.

A net 61% of agents report more people attending auctions in Auckland, and 50% in Canterbury. But Wellington sits at a relatively low net 24%, while in Nelson/Tasman, and Otago excluding Queenstown Lakes, attendance is also seen only rising slightly.



ARE MORE OR FEWER PEOPLE ATTENDING OPEN HOMES?

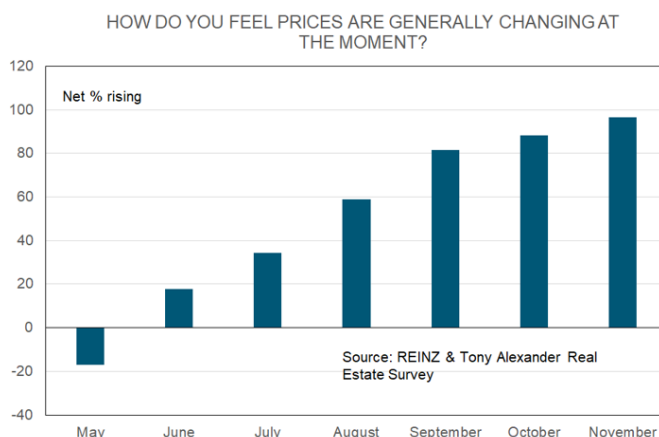
As above for auction attendance, every month of our survey has revealed an increasing proportion of real estate agents noting more people showing up at Open Homes. The November result of a net 59% seeing more people is however only slightly ahead of October at 58% and September at 57%. Growth in attendance is strong, but not accelerating. Later on, in this report we look at some key factors affecting buyer demand to see if we can gain insight into why this plateauing may be occurring.



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

REINZ monthly statistics have been showing firmly increasing house prices around the country, and our survey shows that the upward movement is continuing. A record high net 97% of agents report that they are seeing prices rising in their region. This is an exceptionally strong turnaround from the net 17% reporting falls just six months ago in May. All regions show strong price rise perceptions.

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.



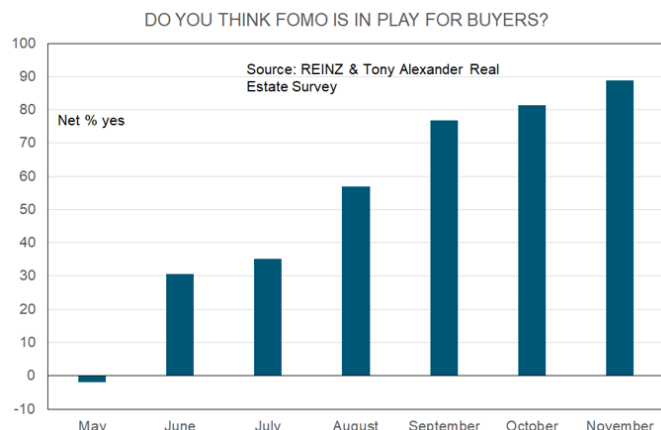
DO YOU THINK FOMO IS IN PLAY FOR BUYERS?

FOMO = Fear of missing out

A net 88% of agents are now reporting that they are observing FOMO in their region. There is widespread discussion and awareness now of the strength in the housing market, and a noticeable shift in media commentary away from simple reporting of market activity

toward discussion of the speed of price gains and the lack of factors seen as impeding further rises.

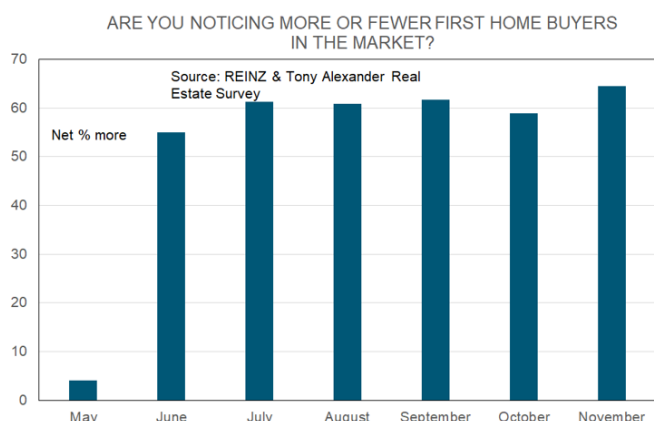
Back in May a net 2% of agents reported that they were not seeing FOMO, and clearly there is a strong correlation between our prices measure above and FOMO. Again, all regions report high levels of FOMO.



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

A net 64% of agents report that they are seeing more first home buyers in the market. This reading has been above that for investors in every month since June (59% for investors this survey). As the graph shows, immediately after lockdown ended, first home buyers entered the housing market, perhaps encouraged by hopes of increased numbers of listings, mortgage interest rate reductions, and the removal of Loan to Value Ratio rules (LVRs).

In Auckland, a net 74% of agents report seeing more first home buyers. This is equalled by Taranaki, but less than Wellington's 79%. Canterbury is at 70%. The weakest

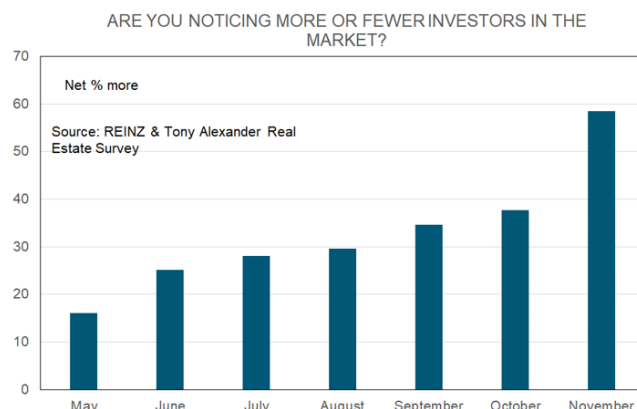


location for first home buyer activity is Queenstown Lakes at just 22% - which seems understandable considering the current inbound tourism situation and the prevalence of many higher-priced properties.

ARE YOU NOTICING MORE OR FEWER INVESTORS IN THE MARKET?

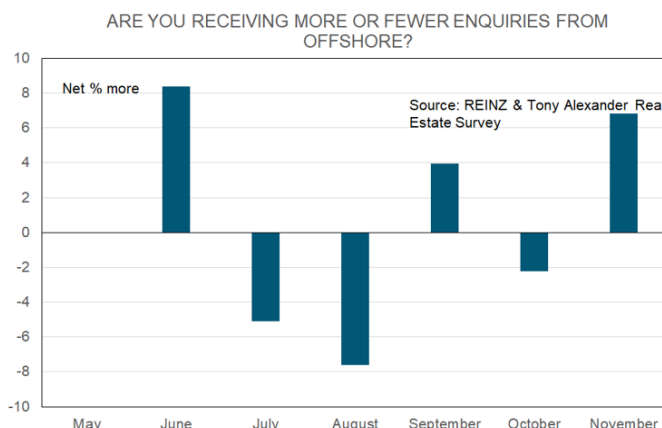
The biggest change in all of our nationwide readings this month has been for investor activity in the market. A net 59% of agents have reported that they are seeing more investors. This is up from 38% in October and 16% in June. This pattern of a slow rise and now a jump in investor demand is different from that for first home buyers which rose right away in June.

Investors are seen as more present than in our October survey in all regions for which we have sufficient agent responses to make conclusions.



ARE YOU RECEIVING MORE OR FEWER ENQUIRIES FROM OFFSHORE?

Unlike all our other headline indicators, this one measuring buyer interest from offshore has shown no upward pattern



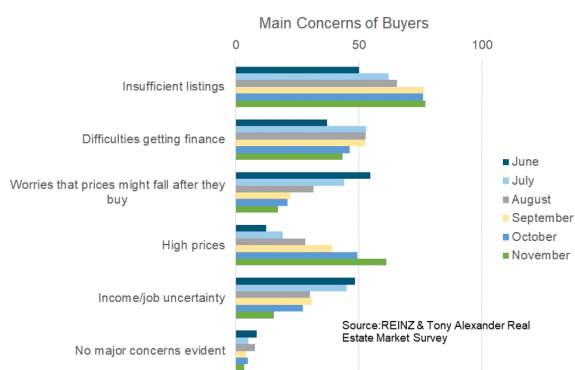
– or any pattern at all. Therefore, it would seem premature to read much into the jump this month in the net percent of agents reporting more offshore enquiries to 7% from -2%.

At the regional level, a net 24% of agents in Waikato report more offshore interest, 50% in Taranaki, and 22% in Queenstown Lakes.

WHAT ARE THE MAIN CONCERNS OF BUYERS?

The main concern which buyers have is a shortage of listings, with a gross 76% of agents citing this concern. As the graph following shows, concerns about listings have risen strongly since we first asked this question in June.

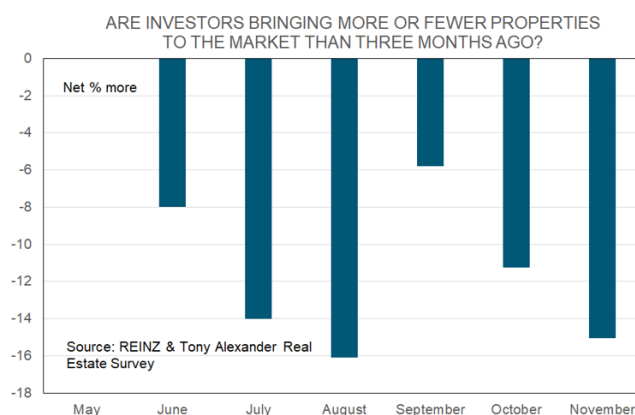
The next greatest concern has now become the high level of prices at 60%. In June only 12% of agents noted this concern being present. For three months now, access to finance appears to have improved, worries about prices falling (after one makes a purchase) are quite rare now at just 17% of agents noticing this concern. Of substantial interest from the point of view of people generally having money to finance consumer spending as well as property purchases, is concerns about income and jobs. Only 16% of agents now see such concerns in the marketplace compared with 48% in June. Job security has improved.



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

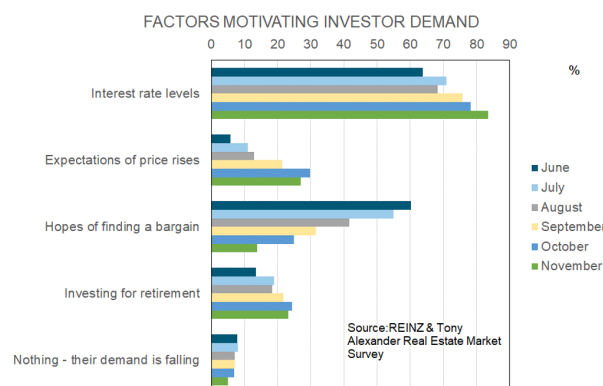
Some people are of the view that when the housing market rises strongly investors will look to cash in by selling properties. So, we ask agents if they are seeing more or fewer investors coming forward to sell. In this month's

survey, a net 15% of agents said that they are seeing fewer investors looking to place their properties on the market. The results for this measure have all been negative since the question was first asked in June.



WHAT FACTORS APPEAR TO BE MOTIVATING INVESTOR DEMAND?

In June when we first asked agents what the factors were motivating investor demand, a gross 60% reported that the investors had hopes of finding a bargain. Now, only 14% report that such hopes exist. Instead, investors are becoming more and more driven by low interest rates (covering both low mortgage rates and low term deposit rates). Only 27% report that investors are motivated by expectations that prices will keep rising – though this result is well up from just 6% in June.



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. Even for regions with responses between 7 and 20, caution needs to be applied as results may prove quite volatile from one month to the next.

Key variations between regions have been discussed in each of the sections above.

- | | |
|---|---|
| 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 #obs	B Appraisals	C Auction	D Open H.	E Prices	F FOMO	G FHBs	H Invest.	I O/seas	J Inv. selling
Northland	21	24	48	57	95	71	43	52	10	-30
Auckland	144	48	61	56	97	87	74	62	8	-8
Waikato	34	47	50	59	97	88	47	59	24	-6
Bay of Plenty	28	0	46	64	96	75	54	75	-4	-29
Gisborne	1									
Hawke's Bay	14	7	50	86	100	86	57	64	-29	-7
Taranaki	8	25	13	50	100	100	75	25	50	-13
Manawatu-Wanganui	14	-7	14	57	100	100	64	57	-21	-50
Wellington	29	28	24	62	97	97	79	48	14	-31
Nelson/Tasman	15	7	7	47	100	87	53	20	-7	-27
Marlborough	2									
West Coast	1									
Canterbury	40	48	50	70	100	93	70	70	10	-10
Queenstown Lakes	9	33	56	56	89	100	22	56	22	-44
Otago ex Qtown Lakes	12	8	17	33	83	100	50	50	-25	8
Southland	7	0	57	57	86	100	57	57	0	-29
New Zealand	381	33	47	59	97	88	64	59	7	-15



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