

Tony Alexander Real Estate Survey

Input to your Strategy for Adapting to Challenges

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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 strengthens

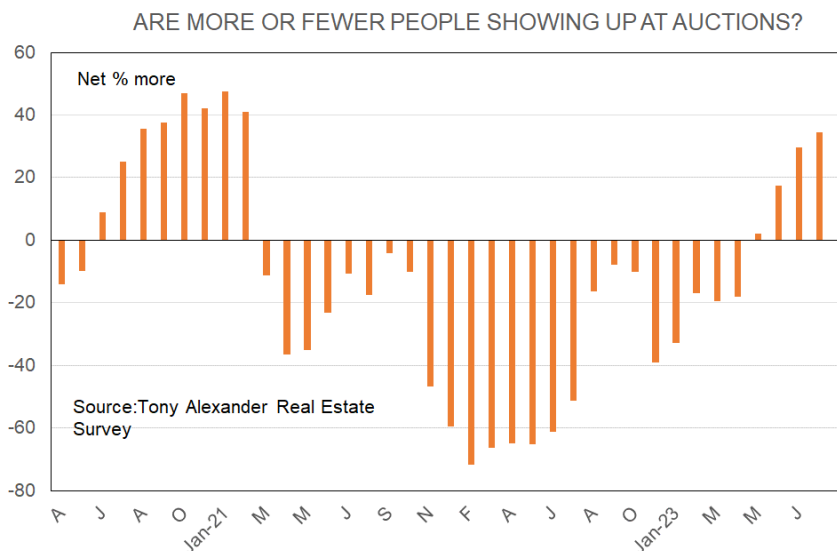
Welcome to the Tony Alexander Real Estate Survey. This survey gathers together the views of licensed real estate agents all over New Zealand regarding how they are seeing conditions in the residential property market in their areas. We ask them how activity levels are changing, what the views of first 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.

- More and more people are showing up at auctions and open homes.
- There has been a firm lift in the number of potential vendors seeking property appraisals.
- As many agents report they are seeing more investors as fewer.
- Buyer concerns are growing about the availability of listings while worries about prices falling have firmly declined.

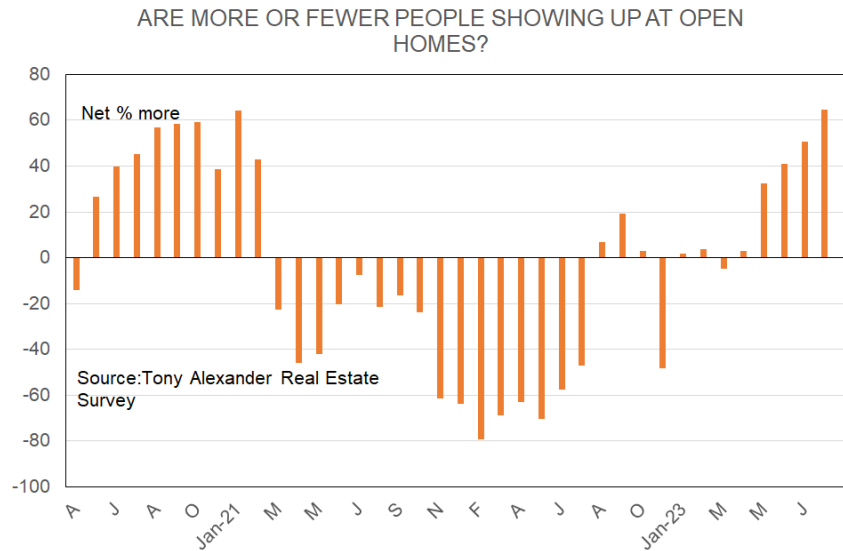
Are more or fewer people showing up at auctions?

In this month's survey a net 35% of the 489 responding agents have reported that more people are showing up at auctions. This is consistent with recent media discussion about auctions and in line with the surge over recent months in numbers of people attending open homes. The result is the strongest since February 2021 just before investor tax rules changed and LVRs returned.



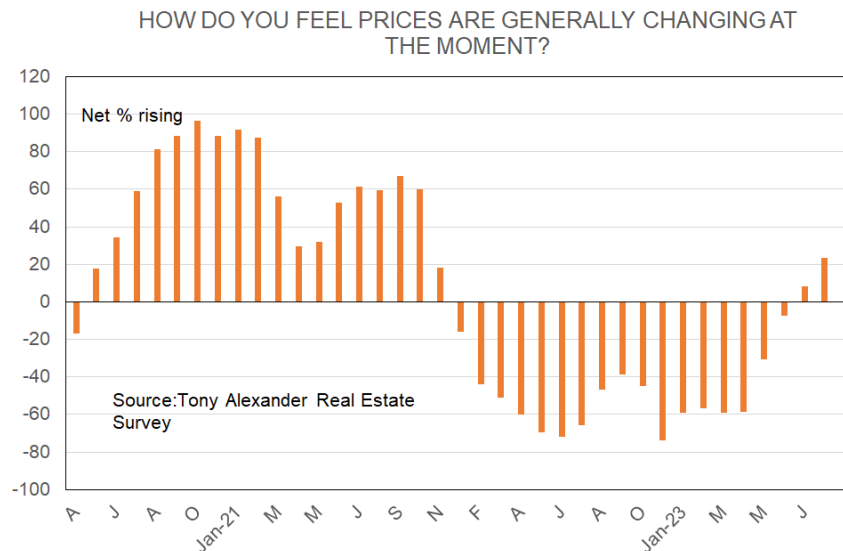
Are more or fewer people attending open homes?

A record net 65% of agents this month have reported that more people are attending open homes. As above for auctions this is consistent with media reports, particularly in Wellington, of sometimes large numbers of people showing up for home viewings. Home viewing has soared over the past four months as awareness has grown of house prices bottoming out.



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

The graph above shows a record proportion of agents noting more people attending open homes. But while the proportion shown here noticing prices rising in their location is trending up and positive at 24%, this is nowhere near a record result. During the pandemic frenzy my survey at times showed over a net 80% of agents noting rising prices.

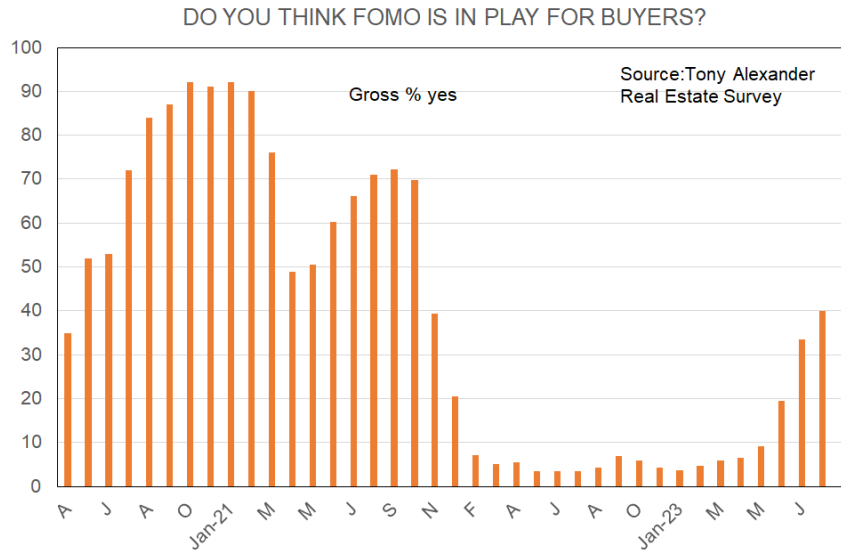


Do you think FOMO is in play for buyers?

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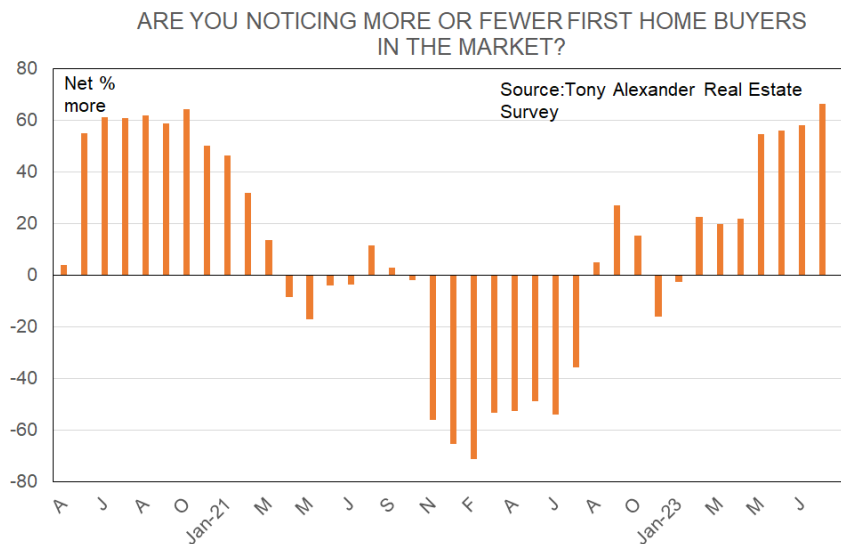
FOMO = Fear of missing out

The proportion of real estate agents saying that buyers are showing concerns at missing out (whether that be on price or choice) has risen to a 21 month high of 40% from 34% last month and just 9% three months ago. The average reading for this measure since this survey started early in 2021 is 39% so in no way can one claim that the market is once again in a frenzied state. But the direction of change for this measure as for all others in this survey is clear.



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

The driving force behind the upturn in the residential real estate market since early this year has been young buyers taking advantage of lower prices, higher saved up deposits, higher wages, good job security, more listings, and a recent easing in lending conditions. This month a record net 66% of agents have reported seeing more first home buyers in the market. Just over a year ago a net 36% were seeing fewer young buyers active in the market.

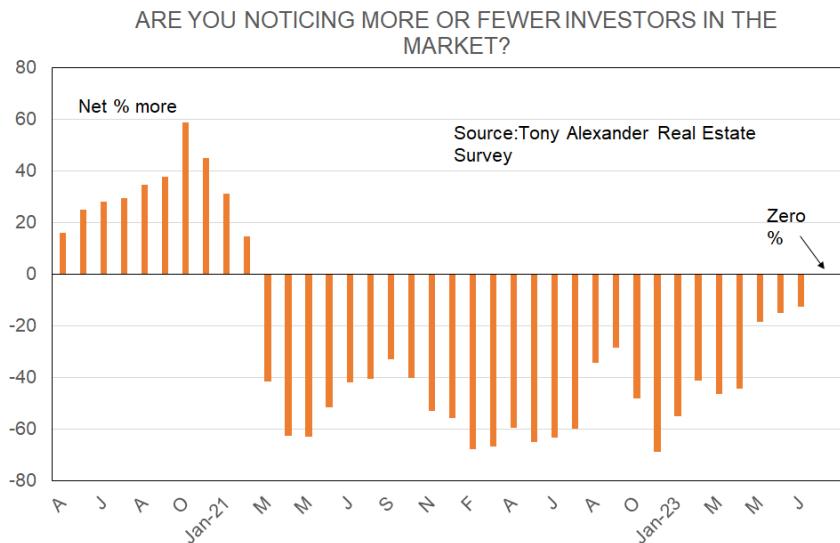


Are you noticing more or fewer investors in the market?

It remains the case that investors are standing back from the market as they have been doing since the tax changes of March 2021. But whereas before I have written in terms of buying a house represented by boarding a train and young buyers stepping back behind the yellow line while investors walked completely away from the platform, now the investors are back near the yellow line again.

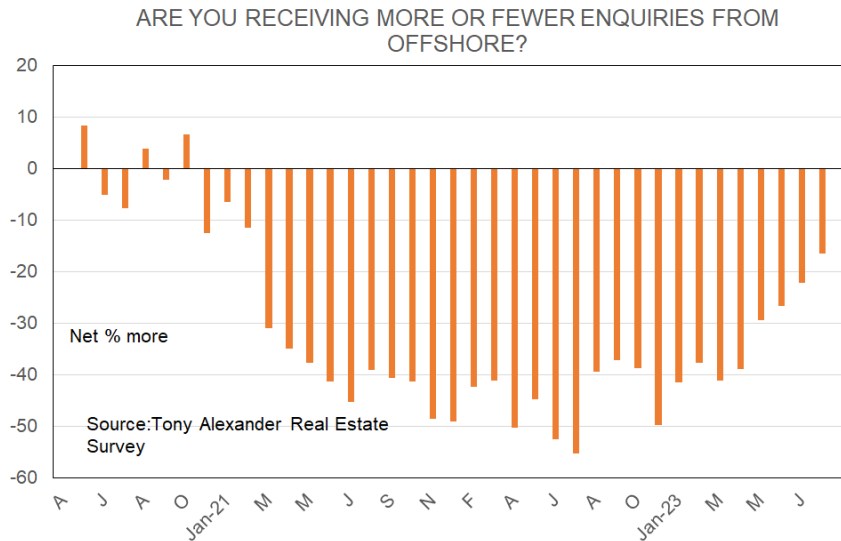
This month as many agents have said that they are seeing more investors as have reported that they are seeing fewer. This month's survey was undertaken after political opinion polls had shifted to showing more support for National+ than Labour+, but before National unveiled their tax policy. Part of that policy involves the progressive return to investors of the ability to deduct interest expenses from gross rental incomes.

Given the stark withdrawal of investors from the market from the last week of March 2021 when the removal of interest deductibility was announced we have to anticipate progressive reversal of the change to bring investors back into the market. But this will happen over an extended period of time and be mitigated in the coming year by still high interest rates – or not at all if Labour continue to hold the reins of power after October 14.



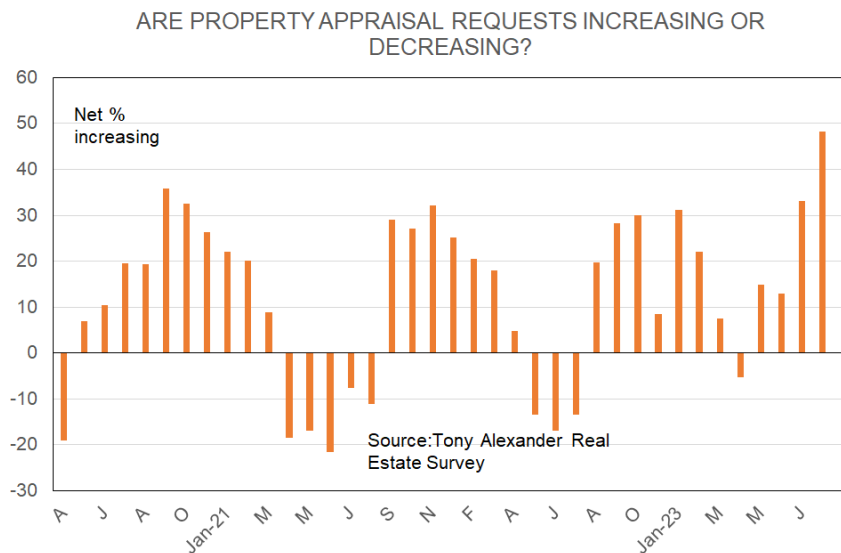
Are you receiving more or fewer enquiries from offshore?

Interest in offshore demand for NZ houses has suddenly become a matter of moment following the National Party's manifesto promise to allow taxed purchases by foreigners of properties sold for over \$2mn. For over two and a half years very few agents have reported offshore enquiry which is understandable considering the ban in place since 2018 for all but Australians and Singaporeans. It will be interesting to see if this changes now that following this month's survey National have announced their policy. This month a net 17% of agents reported reduced offshore interest. Note the easing trend in this particular measure since May.



Are property appraisal requests increasing or decreasing?

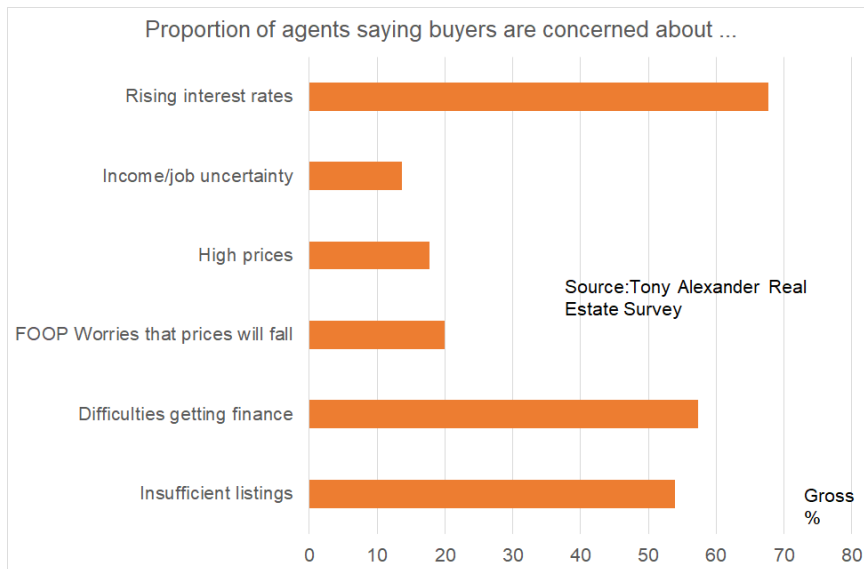
In this month's survey a relatively high net 48% of agents have noted more requests coming forward for appraisals of properties. This bespeaks of potential more listings coming forward as we go through Spring into Summer and data from realestate.co.nz have already shown a near 15% lift in seasonally adjusted fresh listings through August.



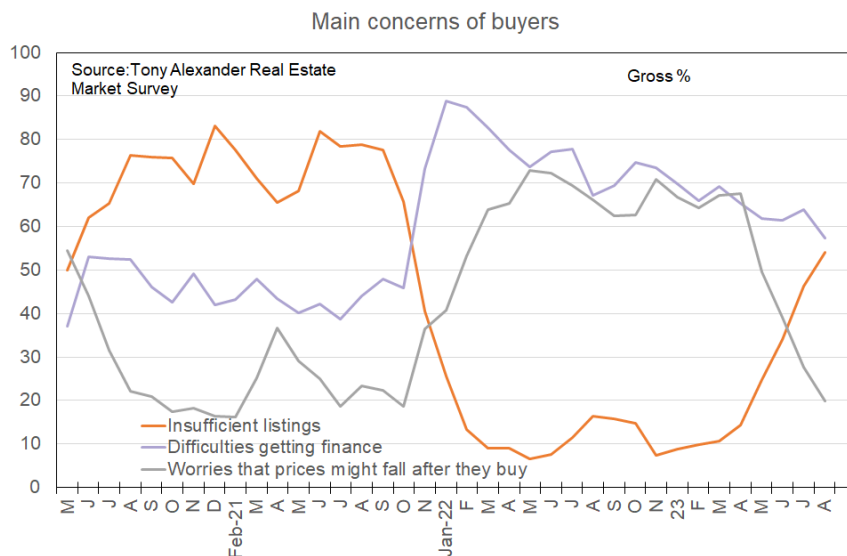
What are the main concerns of buyers?

We ask agents to identify from a list the main things which buyers seem to be concerned about. Their main concern currently remains rising interest rates followed by difficulties in getting finance. But whereas for a long time third place has gone to concerns that prices will fall, now that position has been taken by worries about a shortage of listings. The trend graphs below show this better.

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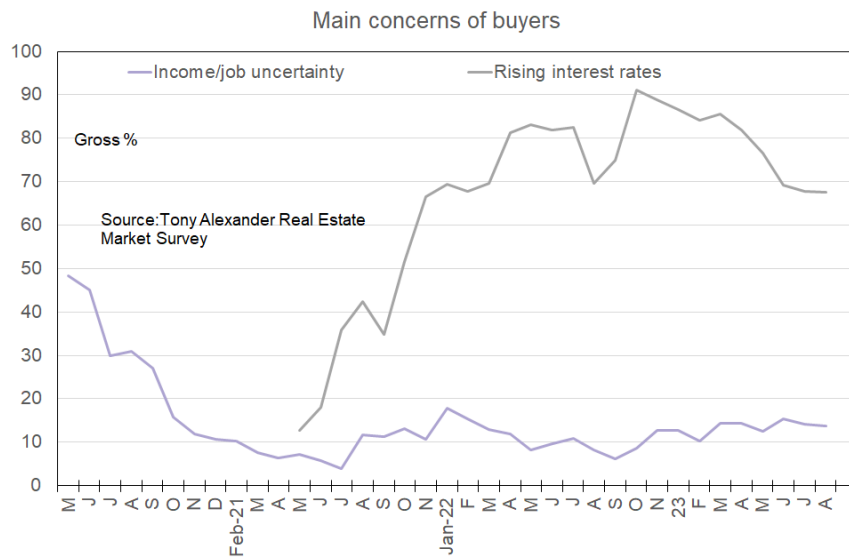


In this next graph of buyer concerns the orange line shows strongly rising concerns about availability of listings. The grey line shows a near equal pace of decline in worries about prices falling after making a purchase (FOOP – fear of over-paying). Concerns about credit access remain high but are trending down.



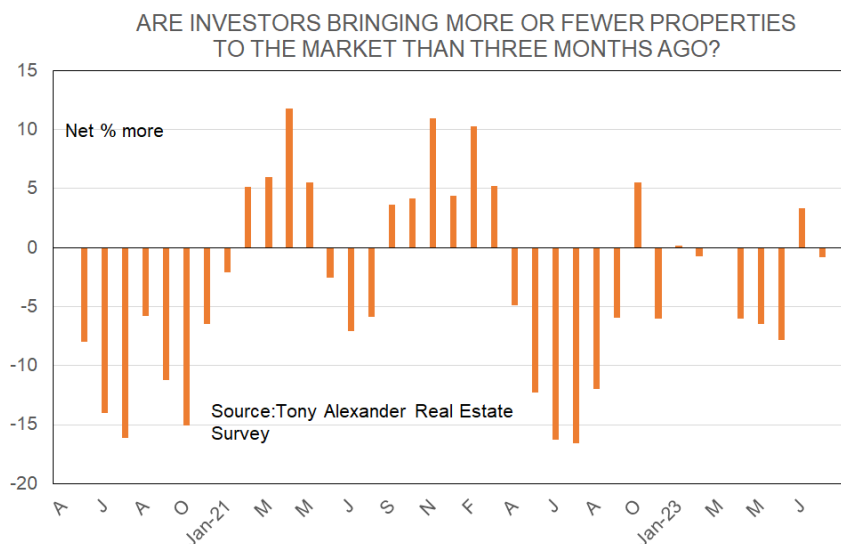
Worries about high interest rates have eased only marginally recently which is understandable given that mortgage rates have continued to in fact go up despite no extra tightening of monetary policy. Reflecting the strong state of the labour market few agents note that buyers are worried about their jobs.

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

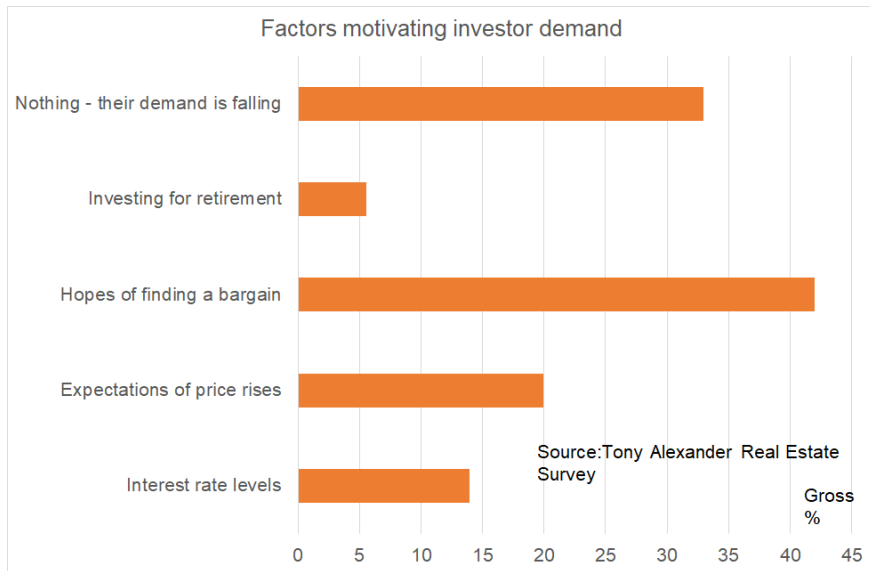
It remains the case that despite the tax changes of March 2021 and the comments of investors, there has been no wave of selling reported by agents. This month a small net 1% of agents have reported seeing fewer investors selling – zero essentially.



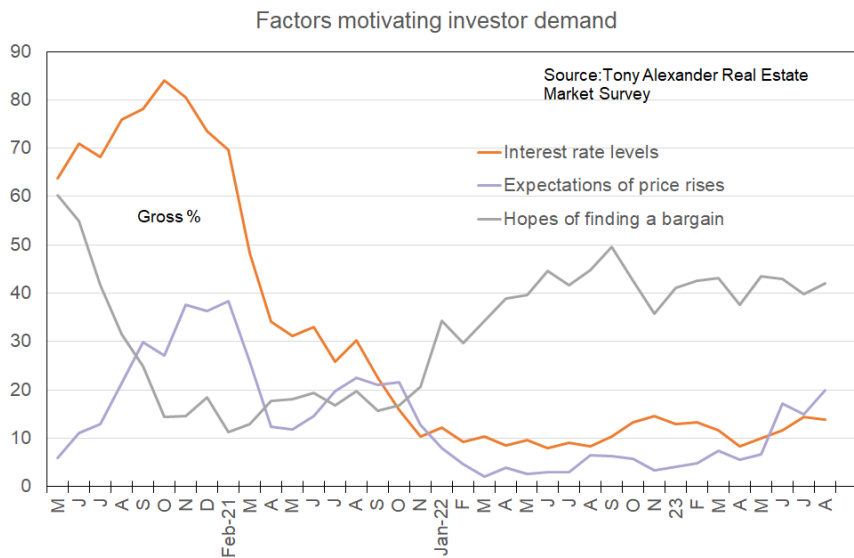
What factors appear to be motivating investor demand?

We ask what factors appear to be motivating investors to buy. 33% of agents have reported nothing is motivating them while 42% say those buying are motivated by hopes of finding a bargain. 20% say they are motivated by hopes that prices will rise.

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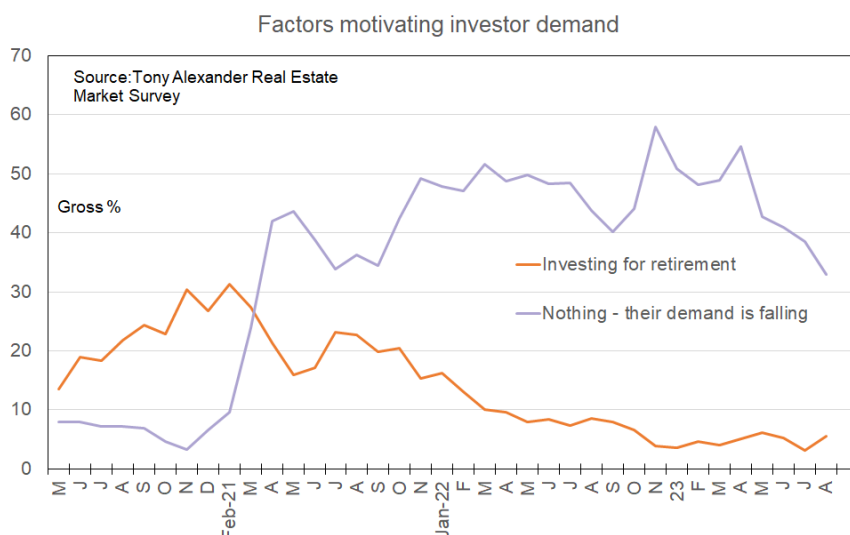


Recently the proportion of agents saying investors appear motivated by rising prices has climbed to 2% from 7% three months ago.



As discussed above, the proportion of agents noting falling investor demand has eased off, as represented in the following graph by the light purple line.

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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 24% of agents say prices are rising in their location. But for Northland a net 21% say they are falling while in Wellington a net 62% say they are rising.

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	19	63	0	37	-21	16	47	-26	0	-26
Auckland	187	50	66	66	28	44	58	3	-11	7
Waikato	47	30	11	48	11	37	65	-4	-26	11
Bay of Plenty	38	41	43	65	16	30	81	-3	-41	-11
Hawke's Bay	20	50	15	70	5	45	90	0	-50	-5
Taranaki	6									
Manawatu-Wanganui	22	19	10	76	38	38	90	-5	-14	-10
Wellington	40	49	22	86	62	65	86	3	-8	-11
Nelson/Tasman	23	68	14	59	-5	32	59	-9	-9	0
Canterbury	51	67	27	79	35	46	69	4	-17	6
Queenstown Lakes	11	45	-18	9	45	18	36	36	18	-36
Otago exc. Q'town	18	53	12	76	12	35	88	0	-6	0
Southland	5									
New Zealand	489	49	36	65	24	40	67	0	-16	0

- 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?

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- 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?

This publication is written by Tony Alexander, independent economist. You can contact me at tony@tonyalexander.nz. Subscribe here <https://forms.gle/qW9avCbaSiKcTnBQA>

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