



REINZ & TONY ALEXANDER REAL ESTATE SURVEY

August 2023

CONTENTS

Page 1

- Are more or fewer people showing up at auctions?
 - Are more or fewer people attending open homes?
-

Page 2

- How do you feel prices are generally changing at the moment?
 - Do you think FOMO is in play for buyers?
 - Are you noticing more or fewer first home buyers in the market?
 - Are you noticing more or fewer investors in the market?
-

Page 3

- Are you receiving more or fewer enquiries from offshore?
 - Are property appraisal requests increasing or decreasing?
 - What are the main concerns of buyers?
-

Page 4

- Are investors bringing more or fewer properties to the market to sell than three months ago?
 - What factors appear to be motivating investor demand?
-

Page 5

- Regional results

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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MARKET UPTURN 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 the sentiment of those two large groups.

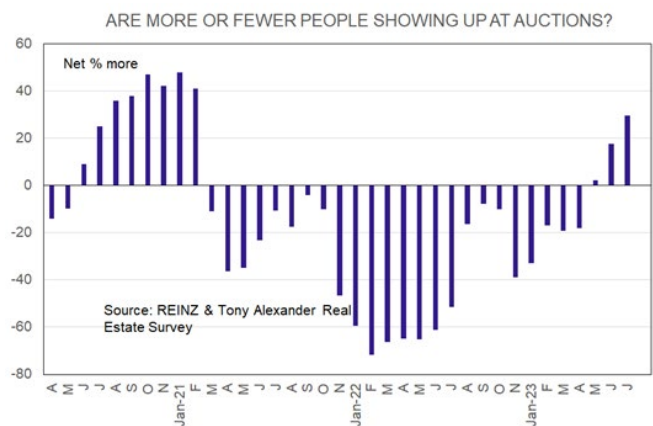
The key results from this month's survey include the following.

- For the first time since November 2021 FOMO (fear of missing out) exceeds FOOP (fear of over-paying), that is, more agents say buyers are worried about missing out than say they are worried about making a purchase and then watching prices fall away.
- There has been a rise in requests recently for property appraisals, suggesting more stock coming forward soon for buyers to peruse.
- Attendance numbers at auctions and open homes continue to rise.
- First home buyers remain the key driving force in the market while investors have only a small market presence.

ARE MORE OR FEWER PEOPLE SHOWING UP AT AUCTIONS?

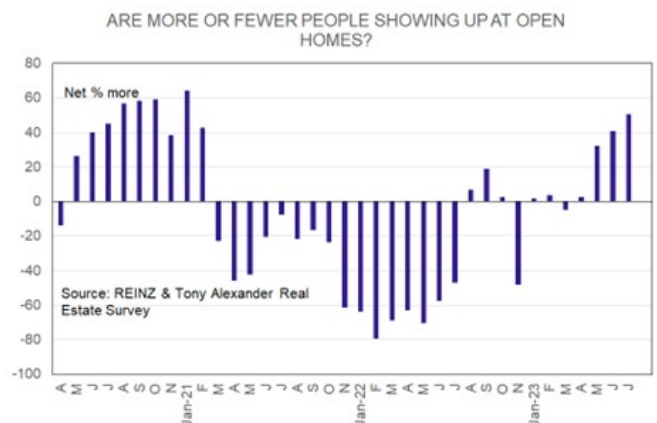
A net 30% of the 447 agents responding to this month's nationwide survey have reported that they are seeing more people showing up at auctions. This is the strongest result since February 2021 and continues a string of improvements in this gauge of buyer interest in the market which has been underway since the start of this year.

Note how like many of our other gauges of buyer interest the graph of auction attendance shows a sharp deterioration in our November survey, undertaken at the very end of October. This reflects the higher than expected inflation number released on October 18 causing an eventual extra 1% to be added to fixed mortgage rates as monetary policy got tightened more than had been previously expected – or at least hoped.



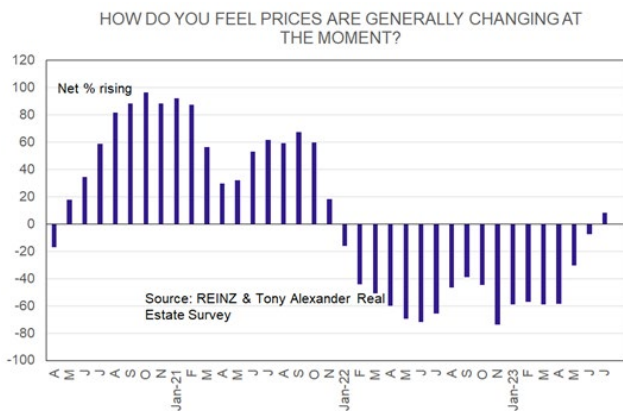
ARE MORE OR FEWER PEOPLE ATTENDING OPEN HOMES?

A net 51% of our survey respondents have said that they are seeing more people at open homes. This is the fifth highest reading for this measure in the three years our survey has been running and a long way from the net 48% who in November last year said they were seeing fewer open home attendees. Perusing houses is a precursor to buying them.



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

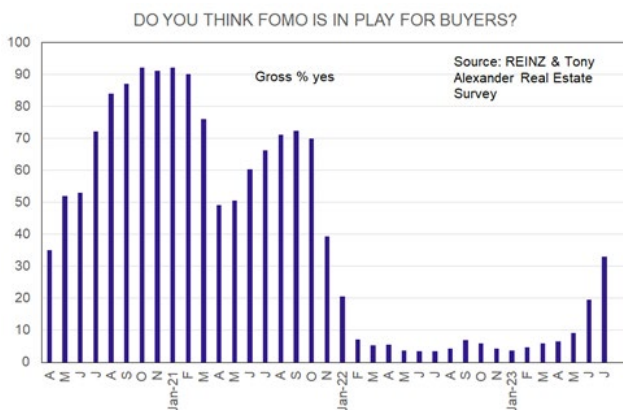
For the first time since November 2021, when the credit crunch hit, there are more agents saying that prices are rising in their area than say they are falling – a net 9%. Prices change in lagged response to changes in sales and other measures we track, and it seems probable that this measure will move to higher readings in the near future. This may be especially so when we consider that the housing market is picking up despite not just the absence of any declines in mortgage interest rates but some fresh increases recently despite no extra monetary policy tightening.



DO YOU THINK FOMO IS IN PLAY FOR BUYERS?

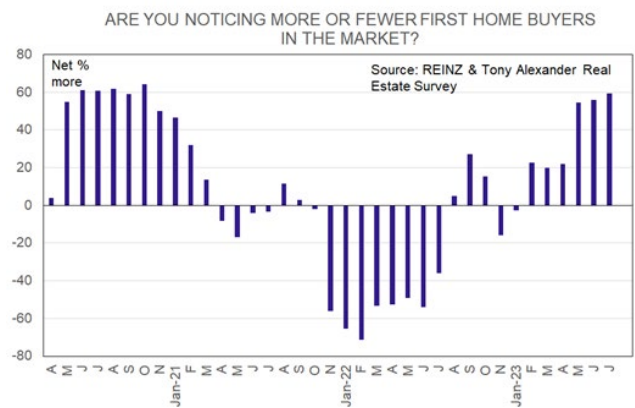
FOMO = Fear of missing out

FOMO is making a firm return but has yet to scale the heights seen in 2020 and 2021. A gross 34% of agents this month have said that they see buyers displaying signs of worry about missing out. That can mean either missing out on a particular type of purchase or range of choice or failing to buy before prices go higher.



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

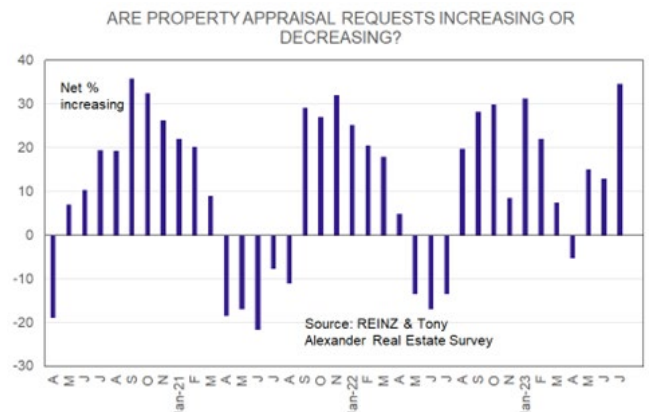
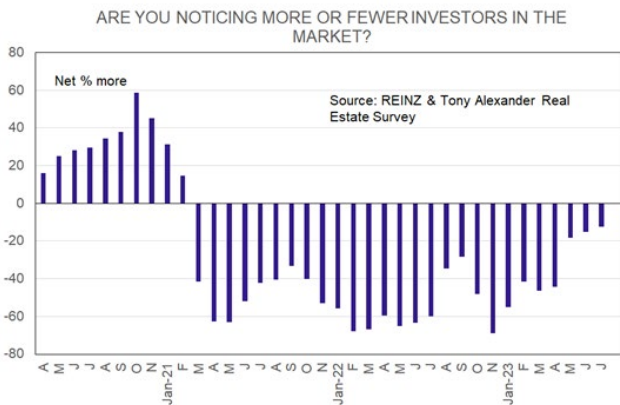
For three months now just below a net 58% of agents have reported that they are seeing more first home buyers in the market. This measure moved into sustained positive territory in February this year and experienced a big jump up in our May survey undertaken at the end of April. Note that this jump then from 22% to 55% occurred before the Reserve Bank stopped raising interest rates.



ARE YOU NOTICING MORE OR FEWER INVESTORS IN THE MARKET?

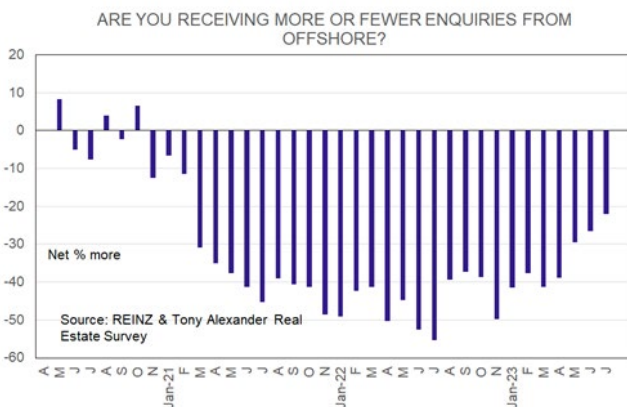
One of the distinct characteristics of the turnaround in the residential real estate market which is currently underway is the absence of investor buyers. Individuals buying in order to provide accommodation for the one-third of New Zealanders needing rental space have stood back from the market ever since the tax change of March 2021. To date, the effect on the rental supply of this lack of buying and slightly greater than average selling has had its impact obscured by the record surge in house construction over the past decade. But as that boom now fades away and we see the exit of some long-term accommodation to serve holidaymakers and foreign students, conditions are likely to tighten considerably in rental markets. This is especially likely in the main cities.

This month a net 13% of agents still report that they are seeing fewer investors in the market. This is the least weak reading since March 2021 – but it is still negative and well removed from the net 59% positive reading for first home buyers.



ARE YOU RECEIVING MORE OR FEWER ENQUIRIES FROM OFFSHORE?

We track this measure just in case one day it becomes again a matter of moment. The degree of negativity in this measure has lessened slightly over the past three months. But at -22% it is still telling us that agents are not experiencing much enquiry from offshore. Note that such enquiries can include Kiwis and foreigners – the latter group not being able to make a purchase however, unless Australian or Singaporean.

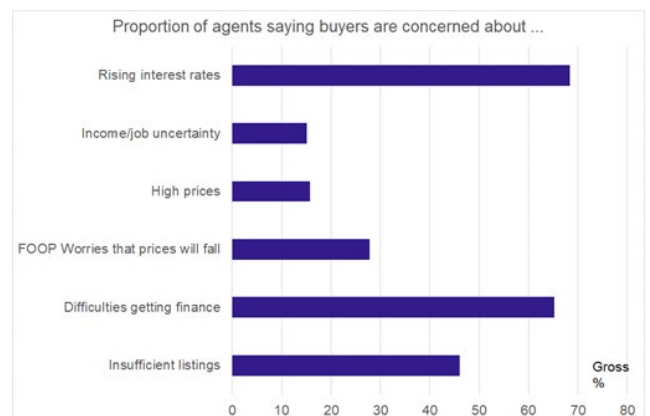


ARE PROPERTY APPRAISAL REQUESTS INCREASING OR DECREASING?

This month a net 33% of agents have said that they are receiving more requests for property appraisals. This is a firm rise from a net 13% in last month’s survey and tells us that there should be some new listings coming forward in the near future. Note however that history tells us when the housing market picks up the arrival of buyers tends to exceed the number of new vendors and the end-month stock of listings trends down as has already been happening since the start of this year.

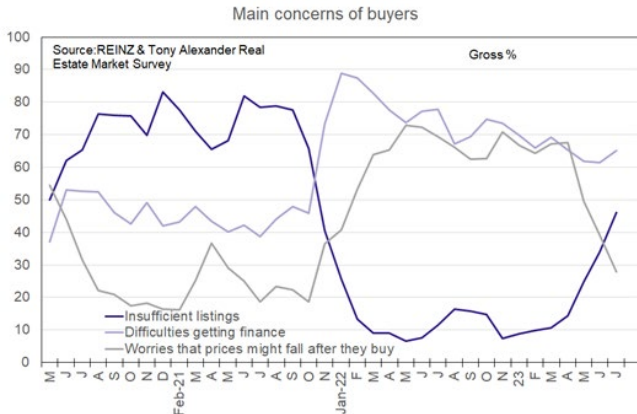
WHAT ARE THE MAIN CONCERNS OF BUYERS?

We ask agents to identify from a list the main things which buyers seem to be concerned about. Their main concern currently is rising interest rates followed by difficulties getting finance and then insufficient listings.

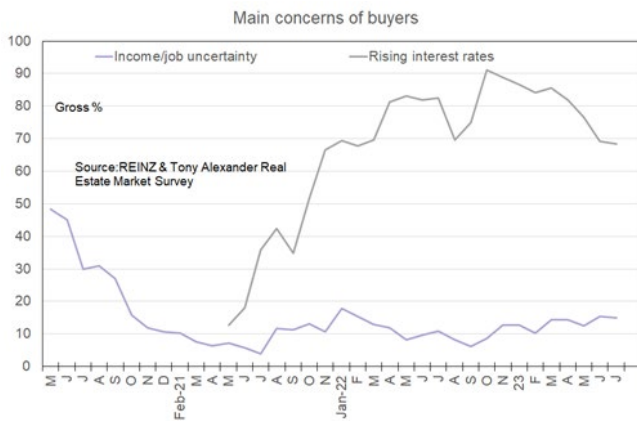


We have two graphs showing the changes over time in areas of buyer concern and they warrant extra study by readers this month. In this first graph note the grey line. It shows the proportion of agents noting that buyers are worried about prices falling after they make a purchase. This is our FOOP measure – fear of overpaying. Only 28% of buyers now say FOOP is a concern. This is the lowest reading for this concern since October 2021. Note how it has fallen as FOMO has risen and for the first time since November 2021, FOMO exceeds FOOP.

Second, note the dark purple line. It records the proportion of agents saying buyers are worried that there are not enough listings. It has risen to 46% from only 14% just three months ago. The window of opportunity for buyers to casually peruse a good number of properties on offer is closing quickly.

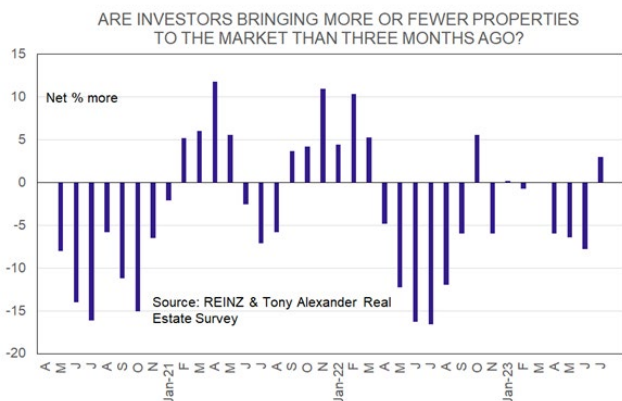


This second graph shows the proportion of agents noticing that buyers are concerned about their incomes and rising interest rates. Worries about employment remain low, while worries about finance costs are still high though easing off slowly.



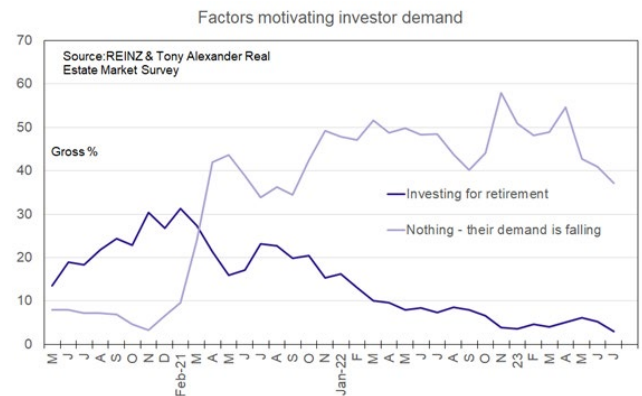
ARE INVESTORS BRINGING MORE OR FEWER PROPERTIES TO THE MARKET TO SELL THAN THREE MONTHS AGO?

For the first time since October last year, our survey has revealed more agents observing investors bringing their properties to the market to sell than holding them back. We can take this rather complicated measure as an indication of the general change in the willingness of investors to sell. Under pressure from high interest rates and another year bringing additional reduction in the proportion of interest payments which can be offset against rental income, thoughts of selling are growing.

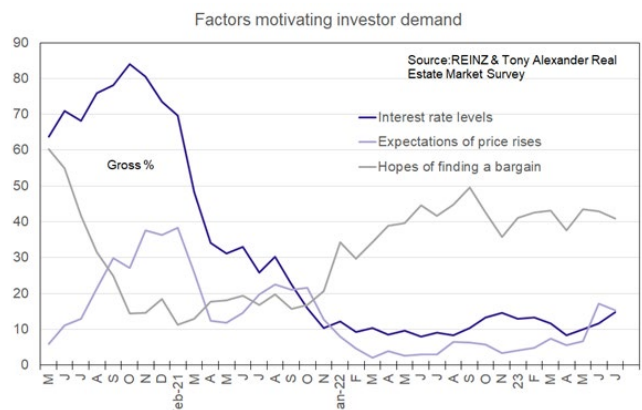


WHAT FACTORS APPEAR TO BE MOTIVATING INVESTOR DEMAND?

We ask what factors appear to be motivating investors to buy. 37% of agents have replied nothing is, meaning investors are not buying. As the graph below this one shows, this measure of disinterest is becoming slowly less large.



There has been a slight rise recently in the proportion of agents saying investors are looking to buy because they anticipate price rises – to 15% from 7% two months ago and 17% last month. The rise is not a straight-line increase.



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.

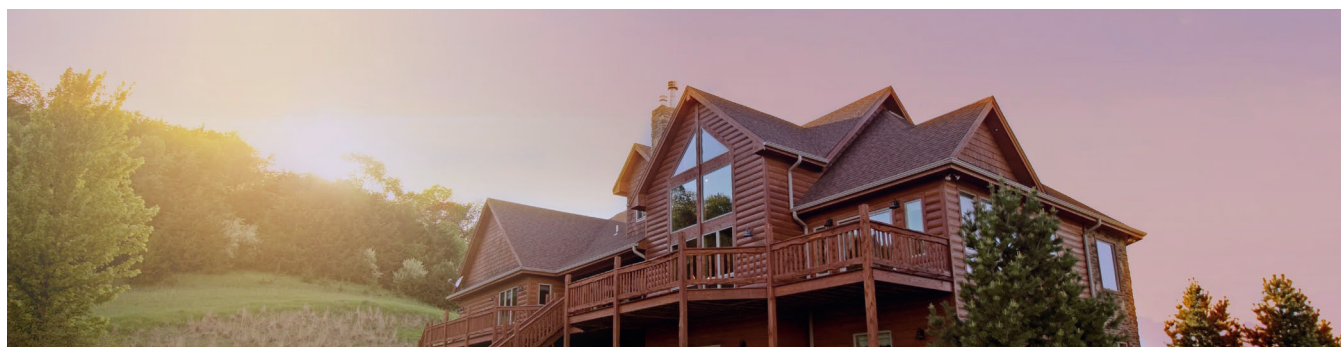
The best use of the table is achieved by picking a variable and comparing a region's outcome with the national result shown in bold in the bottom line. For instance, nationwide 34% of agents are seeing buyers display FOMO. In Auckland the proportion is higher at 43% but not as high as in Wellington at 47%.

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. # 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 Auctions	D Open H.	E Prices	F FOMO	G FHBs	H Invest.	I O/seas	J Inv.selling
Northland	24	50	-4	4	-33	17	29	-33	-21	-8
Auckland	159	36	57	65	17	43	53	-1	-12	9
Waikato	52	46	13	42	12	27	69	-13	-21	-4
Bay of Plenty	32	9	50	63	9	44	56	3	-19	3
Hawke's Bay	25	20	20	64	-4	24	84	-16	-36	-4
Taranaki	9	11	0	11	11	22	33	-22	-33	67
Manawatu-Wanganui	18	39	-6	39	-17	6	56	-11	-39	6
Wellington	38	34	26	92	34	47	92	-34	-32	-11
Nelson/Tasman	22	23	0	9	-36	5	68	-27	-32	14
Canterbury	44	34	14	36	16	39	45	-32	-43	-5
Queenstown Lakes	5	0	0	0	0	0	0	0	0	0
Otago exc. Q'town	13	15	8	8	-8	23	46	-8	-8	0
Southland	6	0	0	0	0	0	0	0	0	0
New Zealand	447	33	30	51	9	34	58	-13	-22	3

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