

REINZ & TONY ALEXANDER REAL ESTATE SURVEY

December 2020

ONLY A MINOR MARKET COOLING DETECTABLE

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.

This month we have seen slight decreases in the net proportions of real estate agents around New Zealand reporting more attendance at auctions and Open Homes, and presence of first home buyers and investors.

It is possible that the restoration of LVR rules by banks may have encouraged some backing off of buyers with limited resources. However, it is also possible that some people may simply be getting tired of weekends in a row spent attending Open Homes and frequent presence at auctions. Support for this possibility is seen in the fact that an unchanged net 88% of agents still report the presence of FOMO (fear of missing out) on the part of buyers.

Additionally, a still very high net 88% of agents see prices as rising in their location, only 12% report that buyers have employment concerns (down from 48% in June), and just 49% report that buyers are having difficulties getting finance. This last proportion is up from 43% in November, but below results from July to September.

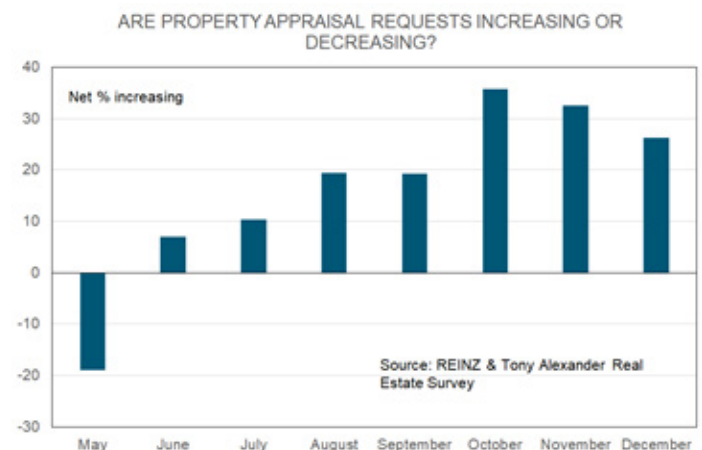
We have now passed the traditional Spring peak in real estate turnover in New Zealand, and summer is approaching with plenty of people adopting a view that Kiwis will be celebrating their freedom from Covid-19 by travelling extensively around the country. If so, this might see some determined buyers back off from their home markets for the next 4-8 weeks. But it may also mean some interesting property demand appearing in traditional holiday locations around the country.

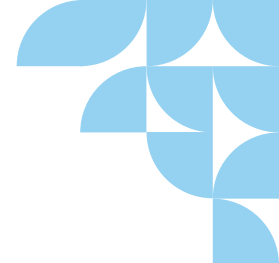
ARE PROPERTY APPRAISAL REQUESTS INCREASING OR DECREASING?

Data from realestate.co.nz tell us that nationwide at the end of November there were 15% fewer properties listed for sale than a year earlier. However, new listings received during the month numbered 13% more than a year ago. Each month we ask agents whether they are noticing more people asking for valuations on their property, which we can use as an early proxy for whether new listings might be getting stronger or weaker.

Over the past two months, while such requests have been strong, new listings flows have been good. But the decrease this month in the net proportion of agents saying they are seeing more such requests, to 26% from 33% and a peak of 36% in October, suggests that the listings binge might be easing off. If so, then this could reflect a seasonal pattern and it would as yet be premature to conclude that a fresh worsening in stock availability is necessarily at hand.

In Queenstown a net 25% of respondents have noted that they are in fact receiving fewer requests for appraisals. But in the rest of Otago, Wellington, and wider Nelson, the proportion of agents receiving more appraisal requests is quite high near 36% - 39% for each of these regions.





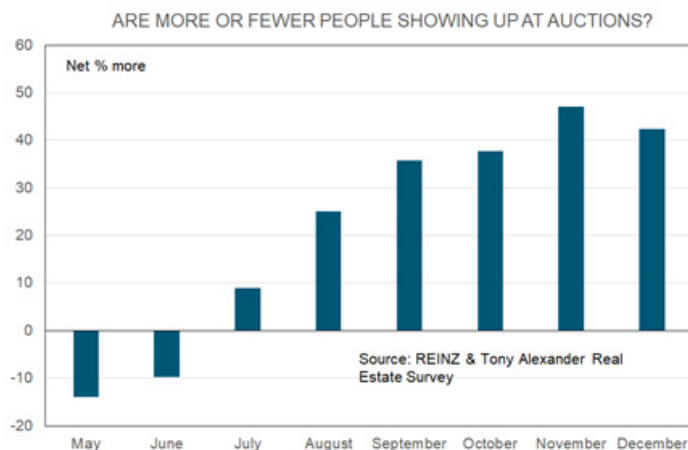
ARE MORE OR FEWER PEOPLE SHOWING UP AT AUCTIONS?

For the first time since our survey started, there has been a decline in the net percent of agents reporting that more people are showing up at auctions. At a net 42% the result is still strong and therefore indicative of a market with plenty of interest from potential buyers. However, the decline is encouraging in the context of clear concern by the government about the recent surge in real estate prices and the desire of the Reserve Bank to take some of the heat out of higher risk bank lending by indicating an intention to restore Loan to Value Ratio regulations (LVRs) from March 1 next year.

Banks have in fact already reimposed the old LVRs, and this probably accounts for some easing off of buyer presence. However, history shows that when the 30% minimum deposit requirement was first imposed in Auckland-only late in 2015, the impact on turnover and price movement was relatively short-lived. Only when the 40% minimum deposit (60% LVR) was imposed nationwide effective from July 2016 did a sustained impact on house price inflation occur.

Whether the Reserve Bank ahead of March 1 decides to raise the deposit requirement to the 40% which prevailed up to early-2018 may well be influenced by the sort of results we see in our monthly survey – though the next one will not be undertaken until early-February.

In Northland a high net 71% of agents report that more people are showing up at auctions. But in Wellington this is just 25%.

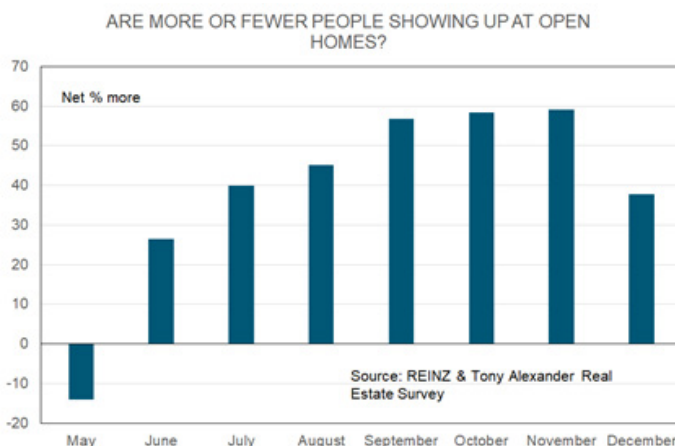


ARE MORE OR FEWER PEOPLE ATTENDING OPEN HOMES?

In step with the result for auction attendance, for appearances at Open Homes we have also found the first decline since our survey started. A net 38% of agents have reported that more people are showing up at Open Homes. But this is down from 59% in November and 58% in October, and the lowest result since a net 26% in June when people were flooding out of lockdown to embrace their restored freedoms.

The pullback again likely reflects awareness of banks restoring LVRs. But it may also reflect some tiredness on the part of frustrated buyers who have been spending many weekends in a row attending Open Homes. As such, even if this measure declines further, it might not necessarily indicate that buyers are deserting the market, but instead could be taking a summer break.

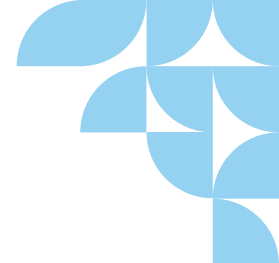
Only a net 17% of agents in Auckland note that more people are attending Open Homes. This is the lowest reading for all regions.



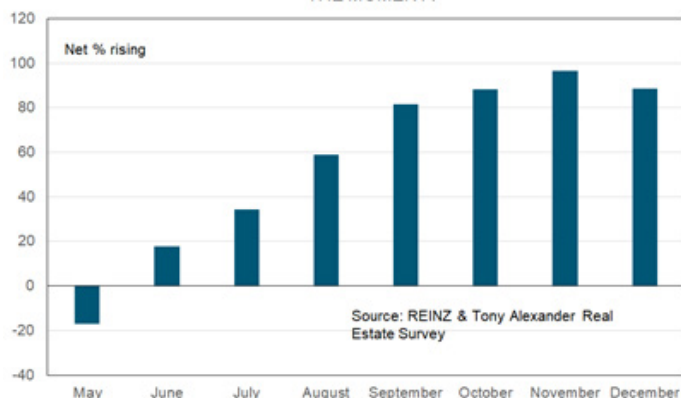
HOW DO YOU FEEL PRICES ARE GENERALLY CHANGING AT THE MOMENT?

A net 88% of agents report that prices are rising in their area. This is a decline for the first time since our survey started – but not a large one. Price perceptions remain extremely high and do not suggest that even as some people back away from auctions and Open Home attendance that price pressures are necessarily abating. After all, key driving forces behind market strength of record low mortgage and deposit rates remain in place.

Apart from Queenstown Lakes where a net 75% of agents note that they perceive prices to be rising, all other regions have net perceptions above 85%.



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



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.

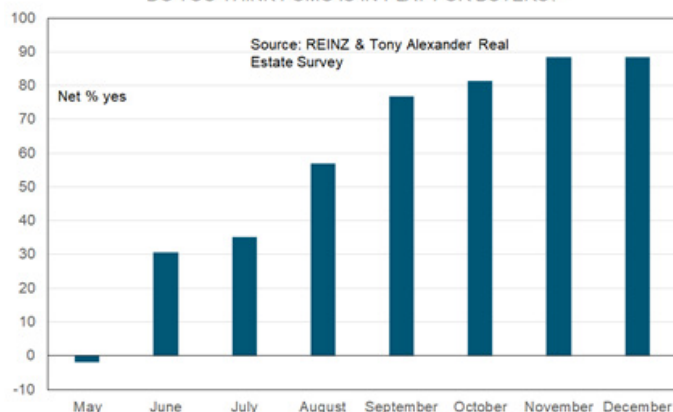
DO YOU THINK FOMO IS IN PLAY FOR BUYERS?

FOMO = Fear of missing out

In discussion of the three indicators above which have all shown mild easing, we have noted the possible presence of some tiredness and perhaps some buyers backing off because of inadequate capital to meet new bank deposit requirements. We have mentioned these factors because they gel with the fact that agents report FOMO remains extremely high at a net 88% noticing it. Were people actually concerned about where the market might be headed, we would expect to have seen this measure decline in this month's survey. The fact that it remains so high suggests vendors will continue to find a good number of prospective buyers for their properties.

FOMO is at very high levels across all regions.

DO YOU THINK FOMO IS IN PLAY FOR BUYERS?

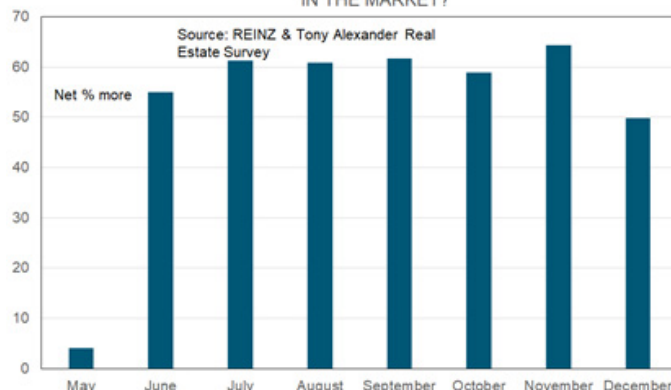


ARE YOU NOTICING MORE OR FEWER FIRST HOME BUYERS IN THE MARKET?

This month there has been a small decline in the net proportion of agents saying that they are seeing more first home buyers in the market to 50% from a net 64% in November. This month's result is strong, but it is the lowest since May. Some young buyers are backing away, and as mentioned above, this could reflect some tiredness creeping in. After all, data from the Reserve Bank show that the increase in low deposit lending which prompted the Reserve Bank to announce an early reassessment of LVR reinstatement has occurred only for investors and not for first home buyers.

In Queenstown Lakes a net 0% of agents note that they are seeing more first home buyers, Northland a net 6%, and Taranaki a net 14%. Proportions are high in all other regions.

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

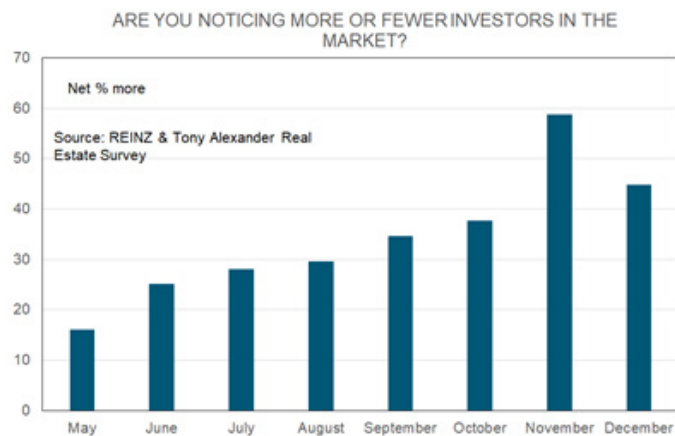


ARE YOU NOTICING MORE OR FEWER INVESTORS IN THE MARKET?

The Reserve Bank is likely to be pleased with this particular result. A net 45% of agents have reported that they are seeing more investors in the market. This is strong, but it is a decrease from a net 59% in our November survey. The results from our February survey may be key to determining whether or not the Reserve Bank imposes a 40% minimum deposit requirement for investors come March 1. That is because although the result for investor presence in this latest survey is a decrease from last month, the outcome is still on the same upward trend as seen over the five months before November.

If anything, all we can really say is that the aberration of November has perhaps been and gone. But the investors fundamentally remain.

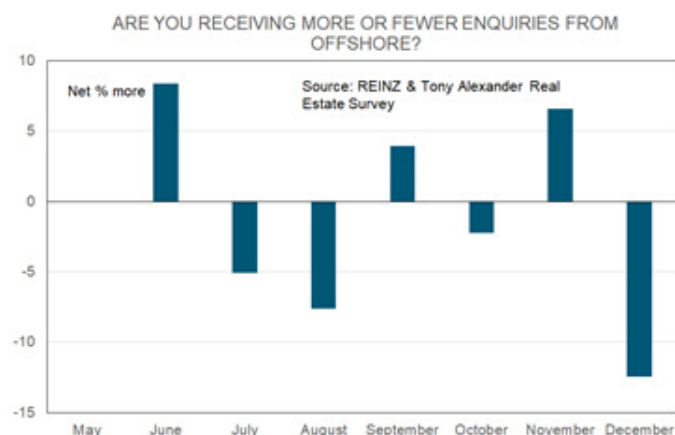
In Hawkes Bay only a net 21% of agents report that they are seeing more investors, and in Wellington 25%. But in Waikato, Queenstown Lakes, and the rest of Otago, over a net 70% of agents report more investor presence.



ARE YOU RECEIVING MORE OR FEWER ENQUIRIES FROM OFFSHORE?

We have noted previously that there is no clear trend in the proportion of agents reporting that they are receiving more enquiries from potential buyers offshore. That lack of any trend has continued with a net 12% of agents this month reporting less enquiry, whereas in November a net 7% reported more enquiry.

The results do not lend any support for the popular discussion regarding hordes of Kiwis flooding back to our shores and buying houses ready to live in as soon as they can find space in quarantine and eventually exit those facilities.



WHAT ARE THE MAIN CONCERNS OF BUYERS?

The main concern of buyers remains a deficiency of listings, with a gross 70% of responding agents reporting the presence of this concern. The next greatest concern is high prices, cited by a gross 65% of agents. This is the highest reading for concerns about the level of prices and compares with just 12% back in June before the surge in prices started.

Few agents report that buyers have concerns about prices falling (18%), and there has been a further fall in the proportion of agents noting that buyers have employment concerns. This factor was cited in June by 48% but now only 12% report such concerns as present. This likely reflects the rapid return of labour shortages in many sectors and the numerous businesses scrambling to hire back staff they have previously laid off.

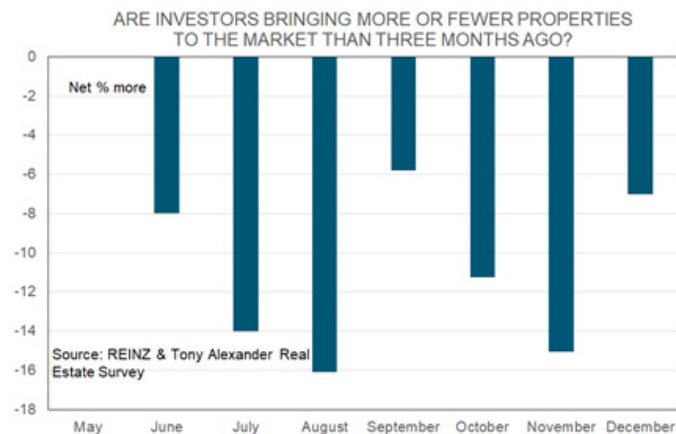
Supporting our theory that the restoring of LVRs by banks may not necessarily be having that great an impact in the marketplace is the fact that there has been only a small rise in the proportion of agents reporting that buyers are having finance difficulties. Our December survey reading is 49%, up from 43% last month but less than readings from July to August.



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

A theory has been advanced in some quarters recently that investors are looking to take advantage of the current high level of demand from buyers by offloading some of their properties. There is little evidence of that happening. A net 7% of agents report that fewer investors are bringing their

properties to the market. This is actually an improvement (from a buyer's point of view) from a net 14% in November. But the result was lower at a gross 6% in September.

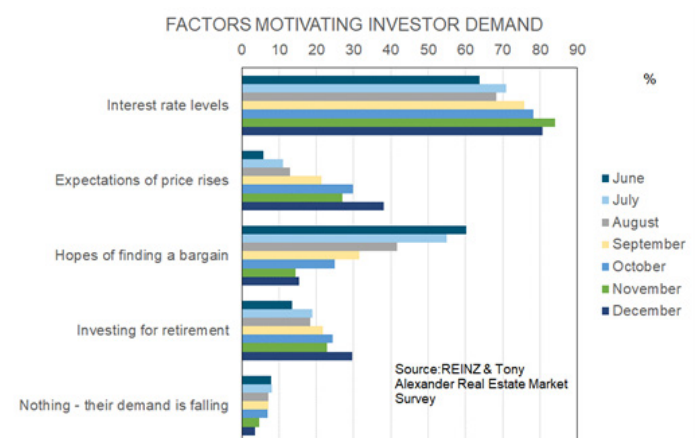


WHAT FACTORS APPEAR TO BE MOTIVATING INVESTOR DEMAND?

Right from our first survey, agents have reported that interest rate levels are a key factor motivating purchasing by investors. There was a slight easing in this reading in December to a gross 80% from 84% in November. But the result remains very high.

Hopes of finding a bargain remain low with just a gross 15% of agents reporting investors having this motivation – down from an initial 60% in June. But expectations of price rises are more prevalent with a gross 38% of agents reporting this factor as present, up from 27% last month.

Interestingly, there has been a rise in the proportion of agents noticing that retirement plans seem to be more on the minds of investors. A net 30% report this as present, up from 23% in November.



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. Nelson and Tasman results have been joined together.

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	17	0	71	35	88	100	6	41	0	-18
Auckland	132	33	38	17	80	77	51	37	-14	4
Waikato	35	14	69	63	97	94	43	71	-20	-17
Bay of Plenty	27	22	52	41	89	93	52	48	-7	-19
Gisborne	1									
Hawke's Bay	14	43	50	21	100	86	57	21	-21	0
Taranaki	7	14	29	71	86	100	14	43	-14	-71
Manawatu-Wanganui	11	27	27	55	91	100	73	73	-36	45
Wellington	36	39	25	36	97	97	64	25	-8	-17
Nelson/Tasman	13	38	31	38	100	100	54	46	23	-8
Marlborough	3									
West Coast										
Canterbury	46	24	35	67	89	96	59	48	-15	-2
Queenstown Lakes	8	-25	50	38	75	100	0	75	0	-50
Otago exc. Q'town	14	36	29	64	100	79	57	71	0	-7
Southland	3									
New Zealand	369	26	42	38	88	88	50	45	-12	-7



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