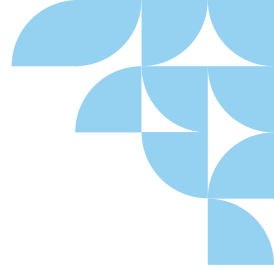


REINZ & TONY ALEXANDER REAL ESTATE SURVEY

July 2020



MARKET STRENGTH EVIDENT



Welcome to the second issue of the REINZ and 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.

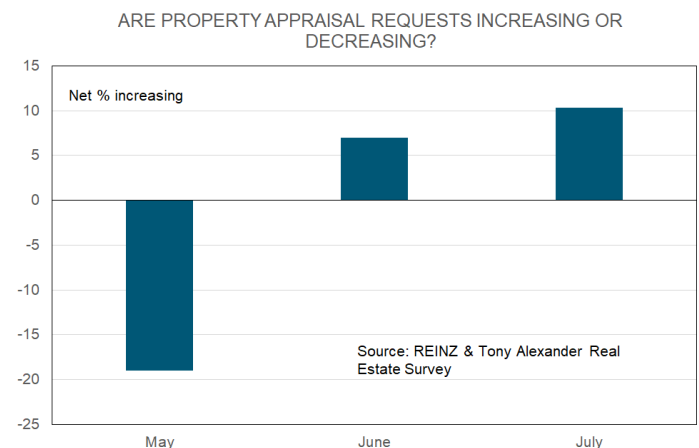
In this month's survey, all but one of the measures we track has improved from both the June and May results (earlier test survey). The trends evident in the various measures are consistent with not just the generally positive anecdotes swirling around the residential real estate market such as high numbers attending Open Homes, and good prices being achieved. They are also consistent with the absence as yet of stories of substantial price falls driven by pressed vendors having to meet a reluctant market. If anything, the opposite development seems to be under way with strong interest from home buyers but few sellers as yet feeling the need to radically alter asking prices to achieve a sale.

ARE PROPERTY APPRAISAL REQUESTS INCREASING OR DECREASING?

In general, if requests for appraisals are rising this suggests more vendors may soon enter the market. This month our survey reveals that a net 10% of agents are seeing more appraisal requests. This is only slightly up from a net 7% in June. Thus, the passage of one more month out of lockdown has not produced a potential listings surge.

However, at the regional level there are some big differences. In Central Otago Lakes, a net 47% of responding agents are seeing more appraisal requests compared with just 4% in Otago, 11% in Auckland, and 18%

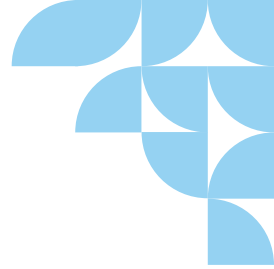
in Canterbury. The June survey outcome for Central Otago Lakes was 0%. Therefore, in this instance, the passage of one month appears to have brought forth more willingness by potential vendors to test the waters in New Zealand's prime tourism destination.



ARE MORE OR FEWER PEOPLE SHOWING UP AT AUCTIONS?

A net 9% of responding agents indicate that more people are showing up at auctions compared with a net 10% in June who said that fewer people were showing up. The rise in this measure is likely to be a combination of more people becoming willing to be amongst a group of people post-lockdown, along with an actual rise in the level of demand for and/or interest in property.

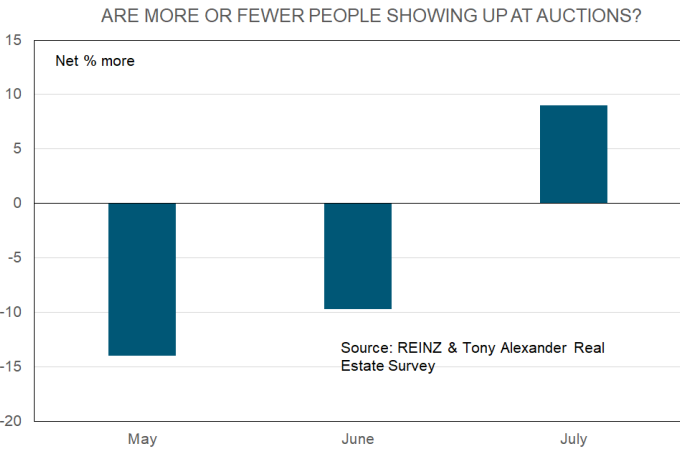
On a regional basis Canterbury was strongest on this measure with a net 22% of agents reporting more people showing up, followed by Auckland at 16%. Thus, our



two biggest real estate markets are seeing more people at auctions. In contrast, a net 35% of agents in Otago excluding Central Lakes are seeing fewer people attending auctions compared with last month.

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

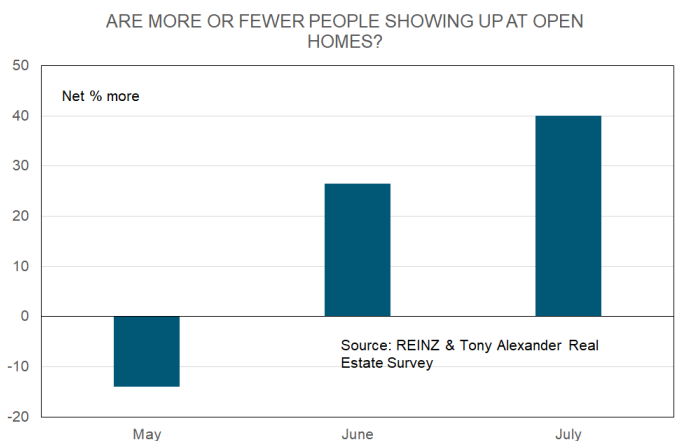
A net 34% of responding agents nationwide feel that prices are rising. This is up from a net 18% in June and is consistent with other measures showing increasing strength in the residential real estate market over the past 1-2 months.



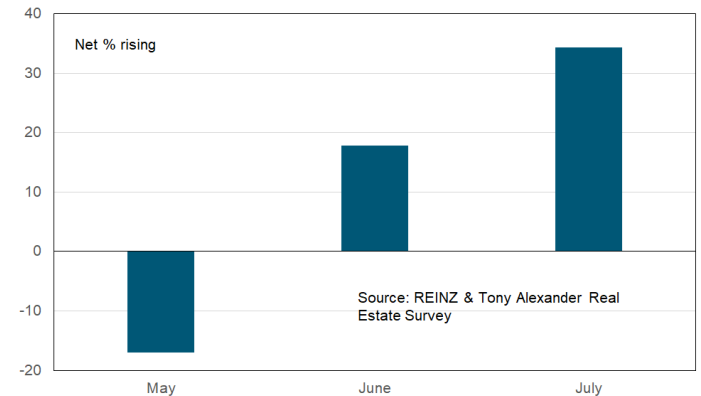
ARE MORE OR FEWER PEOPLE ATTENDING OPEN HOMES?

Nationwide, a net 40% of agents report that they are seeing more people attending Open Homes. This is up from a net 26% in June and a net 14% in May who were seeing fewer people – immediately post-lockdown. As with auctions, the improvement in this measure will be a combination of increased individual comfort with being around other people post-lockdown, and increased interest from potential property buyers.

All regions except Otago are seeing more people attending Open Homes, with a net 19% of Otago agents reporting fewer. This is consistent with the low result for auction attendance. Again, Canterbury has the strongest result with a net 75% of agents seeing higher Open Home attendance, followed by Taranaki at 67%, then Manawatu-Wanganui at 53%.



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



There is only one region with a negative result for this measure – Central Otago Lakes where a net 18% of the 17 responding agents feel prices are weakening. In Taranaki a net 73% of respondents feel that prices are rising, in Manawatu-Wanganui a net 70%, and in Hawke’s Bay a net 68%.

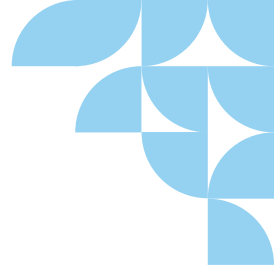
On average between 2011 and 2014 when this same question was asked in a previous similar survey, a net 31% of agents responded that prices are rising.

DO YOU THINK FOMO IS IN PLAY FOR BUYERS?

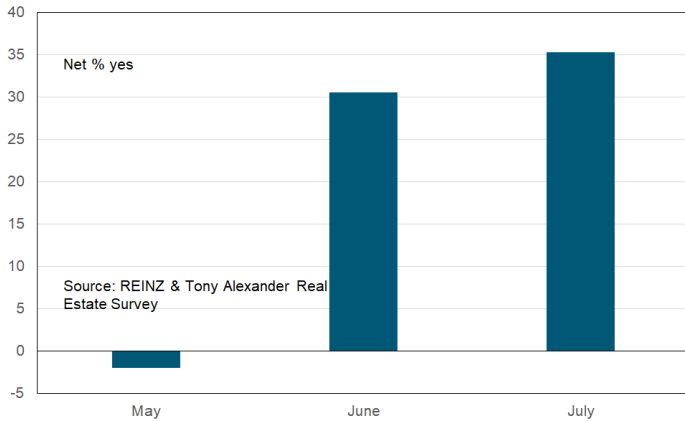
FOMO = Fear of missing out

This measure is essentially unchanged from the June survey with a net 35% of agents reporting that they feel FOMO is in play, compared with 31% in June. This lack of change tells us that although more people are showing up at auctions and attending Open Homes, there is no “scramble” as such to get whatever might be available on the market.

Consistent with the previous three measures, in Otago only a net 8% of the 26 respondents feel FOMO is in play. In contrast, a net 59% of respondents in Hawke’s Bay, 53% in Wellington, and 52% in Canterbury feel this way.



DO YOU THINK FOMO IS IN PLAY FOR BUYERS?

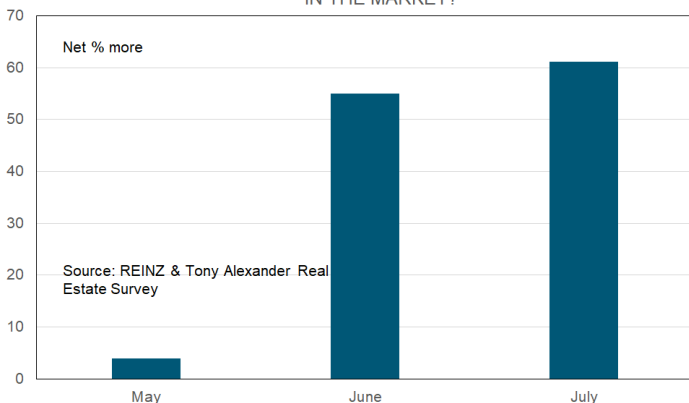


ARE YOU NOTICING MORE OR FEWER FIRST HOME BUYERS IN THE MARKET?

A net 61% of the 647 responding agents feel that there are more first home buyers in the market. This is statistically the same as June’s net 55% and shows that the passage of a month has not dimmed the desire of first home buyers to make a housing purchase. While it is true that the bulk of people losing their jobs as a result of the fight against COVID-19 are young, many of these people have been working in sectors where wages are lower than average, and sometimes high variability in income can mean thoughts of home ownership have not been strong – or banks have indicated low willingness to lend.

What this means is that the bulk of first home buyers who were in the market or at least watching things pre-COVID-19, are still in a position to buy and clearly are hoping that the current weak economic environment may bring forth listings which were not there before March. But as our other results above suggest, no listings rush is in fact occurring.

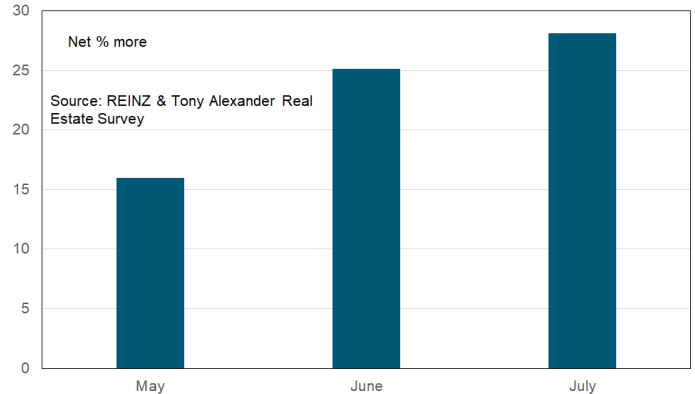
ARE YOU NOTICING MORE OR FEWER FIRST HOME BUYERS IN THE MARKET?



ARE YOU NOTICING MORE OR FEWER INVESTORS IN THE MARKET?

A net 28% of responding agents feel that there are more investors in the market. This is essentially unchanged from a net 25% in June. Investors seem particularly present in Northland (net 44%), Bay of Plenty (net 42%), and Taranaki (net 53%).

ARE YOU NOTICING MORE OR FEWER INVESTORS IN THE MARKET?



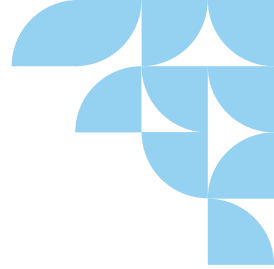
IN WHAT PRICE RANGE ARE ALL TYPES OF BUYERS TENDING MOST TO BE INTERESTED?

As in June, exactly 70% of agents note that buyers are mainly interested in properties priced below the top-third of the range relevant for their location. At the moment, interpreting this result is difficult. But over time we will slowly gain a feel for what is normal and then we will be able to make comments regarding meaningful shifts in price preferences.

Top-third	7%
Mid-third	37%
Bottom third	33%
Don't know/evenly spread	23%

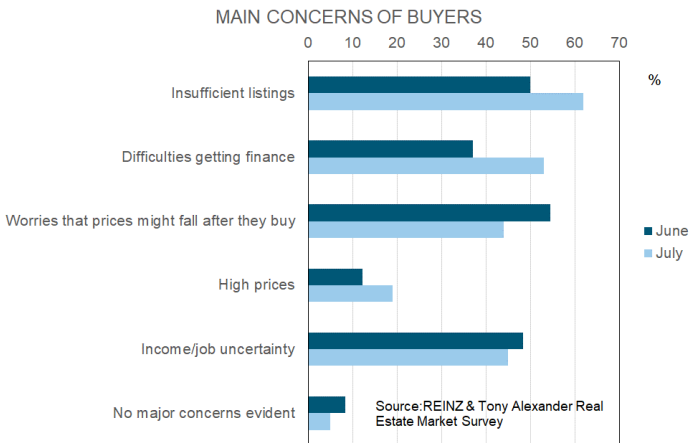
ARE YOU RECEIVING MORE OR FEWER ENQUIRIES FROM OFFSHORE?

This is the only indicator which has deteriorated over the past month at the NZ-wide level. A net 5% of respondents feel that they are seeing fewer enquiries from offshore, whereas in June a net 8% felt that there were more offshore enquiries. This might suggest that we should be cautious with regard to the many stories of people offshore (Kiwis and others) looking to secure a property in COVID-free New Zealand.



WHAT ARE THE MAIN CONCERNS OF BUYERS?

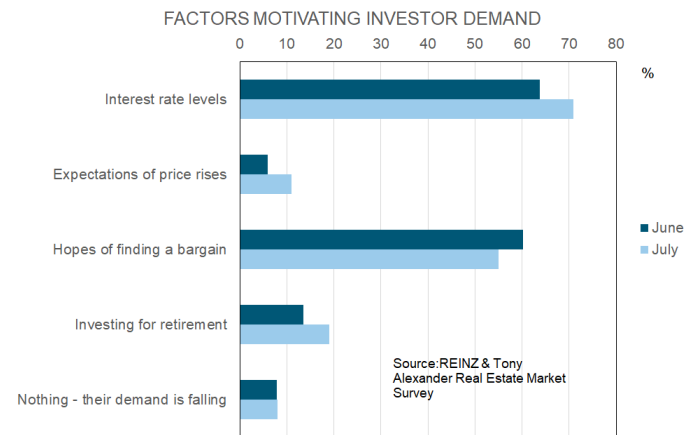
Over time the responses to this question will deliver some good insights into buyers' views, and perhaps have done so already. Whereas in June 50% of agents felt that buyers were worried about a shortage of listings, now 62% feel that listings are a major concern. In other words, a view is increasingly afoot that supply is not responding sufficiently to demand. Buyers are less worried that prices will fall, but their concerns about getting finance have increased. A few more agents (19%) feel that buyers are of the view that prices are still too high. Yet they remain in the market.



WHAT FACTORS APPEAR TO BE MOTIVATING INVESTOR DEMAND?

Looking at the other side of the investor equation, those looking to buy, what is it that is motivating these people? 71% of agents say investors are motivated to buy by low interest rates. Only 11% say expectations of price rises are a motivation, though this is up from 6% in June. It will be interesting to keep an eye on this measure.

55% of agents say investors are motivated by hopes of finding a bargain. But this is down from 60% in June so perhaps those hopes are easing.



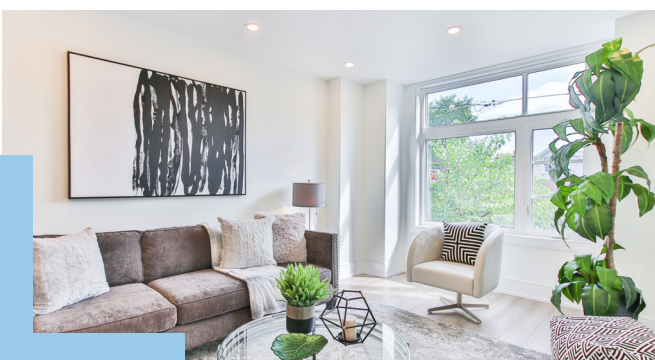
ARE INVESTORS BRINGING MORE OR FEWER PROPERTIES TO THE MARKET TO SELL THAN THREE MONTHS AGO?

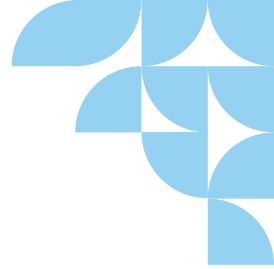
There is no rush of investors looking to sell their properties. A net 31% of agents report that they are seeing fewer investors looking to sell which is an increase from a net 20% in June. Pressure to sell is not there in most quarters in the face of record low interest rates. However, in Hawke's Bay a net 25% of agents do feel that there are more investors looking to sell, which is a turnaround from a net 33% seeing fewer investor vendors last month.

REGIONAL RESULTS

The table on the following page breaks down answers to the numerical questions above by region. No results are presented for regions with fewer than 8 responses as the sample size is too small for good statistical validity of results. Even for regions with responses between 8 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. But in summary, price expectations (column E) are highest in Manawatu-Wanganui, Hawke's Bay, and Tasman. First home buyers (column G) are seen as particularly active in Canterbury, Nelson (note small sample size though) and Auckland. Investors are particularly present in Marlborough (small sample size), Northland, and Bay of Plenty.





NET PERCENTAGE INCREASING

- 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?

	A #obs	B Appraisals	C Auction	D Open H.	E Prices	F FOMO	G FHBs	H Invest.	I O/seas	J Inv. selling
Northland	32	19	3	38	38	31	44	44	38	-71
Auckland	219	11	16	37	19	29	68	19	-3	-22
Waikato	54	7	9	46	35	31	59	11	-24	-23
Bay of Plenty	45	20	2	29	22	13	51	42	-11	-45
Gisborne	5									
Hawke's Bay	22	23	9	36	68	59	36	9	-9	25
Taranaki	15	7	7	67	73	53	53	53	-40	-71
Manawatu-Wanganui	30	-7	3	53	70	33	37	30	-33	-8
Wellington	66	3	2	44	48	53	64	38	-5	-28
Tasman	11	0	0	27	64	36	45	36	-9	-100
Nelson	10	30	0	30	40	20	70	30	-30	50
Marlborough	9	-11	-11	33	44	56	44	56	-22	-50
West Coast	3									
Canterbury	77	18	22	75	47	52	82	38	6	-52
Central Otago Lakes	17	47	6	12	-18	41	35	29	65	-11
Otago	26	4	-35	-19	23	8	50	19	-19	-20
Southland	6									
New Zealand	647	10	9	40	34	35	61	28	-5	-31



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