



The NZHL Property Report

by Tony Alexander.

October 2023

FINANCIAL FREEDOM. FASTER.

About NZHL

NZHL is a passionately Kiwi, passionately local home loan and insurance network currently helping more than 50,000 New Zealanders collectively save millions of dollars in interest costs every year.

Part of Kiwi Group Capital Ltd (KGC) which are 100% Government owned, NZHL operates with an Independent Board and 70 local business owners nationwide. NZHL believes in helping Kiwis achieve financial freedom, faster and takes a structured, personalised approach to bring this to life.

nzhl.co.nz

Input to your Strategy for Adapting to Challenges

Feel free to pass on to friends and clients wanting independent economic commentary

ISSN: 2703-2825

October 2023

To subscribe click this link <https://forms.gle/qW9avCbaSiKcTnBQA>

To enquire about having me in as a speaker or for a webinar email tony@tonyalexander.nz

Back issues at www.tonyalexander.nz

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

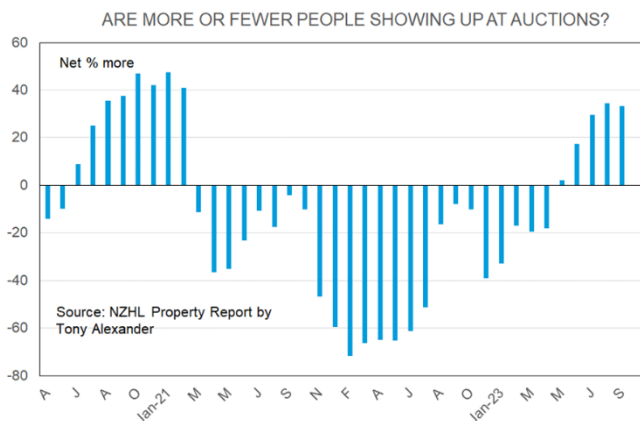
Welcome to the NZHL Property Report by Tony Alexander. This survey gathers together the views of licensed real estate agents all over New Zealand regarding how they are seeing conditions in the residential property market in their areas. We ask them how activity levels are changing, what the views of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

- Agents note strong attendance of people at open homes and auctions, but readings do not suggest a frenzy.
- Investors are taking note of prices rising however and showing increased interest at the highest levels since February 2021.
- A net 38% of agents now say that they are observing prices rising in their location – the strongest result since October 2021.
- Only 13% of agents report that buyers are worried about prices falling after they make a purchase. FOOP – fear of over-paying – is now at a record low.

Are more or fewer people showing up at auctions?

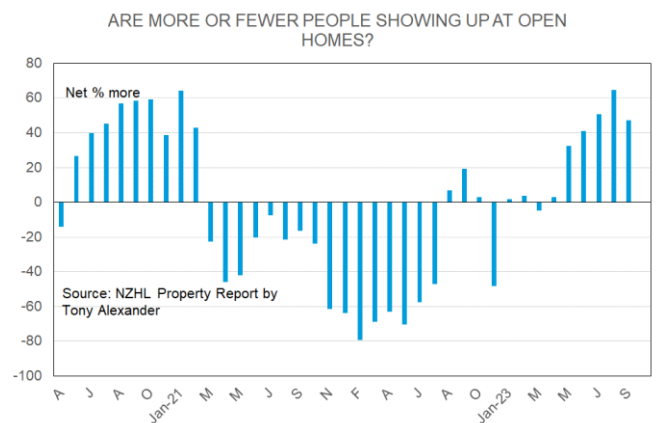
In this month's survey a net 33% of the 406 responding real estate agents reported that they are seeing more people showing up at auctions. This is essentially the same as the results for the previous two months and as is the case with many indicators here and in my other surveys tells us that there is no frenzy in the residential real estate market. There is a recovery from the bottom with so far mild upward momentum.



Are more or fewer people attending open homes?

After last month's record net 65% of agents reporting that they were seeing more people attending open homes, it is not surprising that this month there has been a slight pullback to a net 47%. This is still a strong result which tells us that many people are out and about actively perusing the housing stock being offered by vendors. In their written comments some agents noted that some buyers, and some sellers,

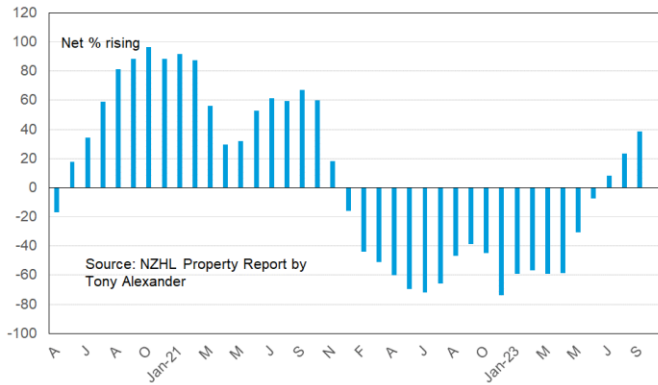
have pulled back from engaging with the market, preferring to wait to see what the outcome is of the October 14 general election.



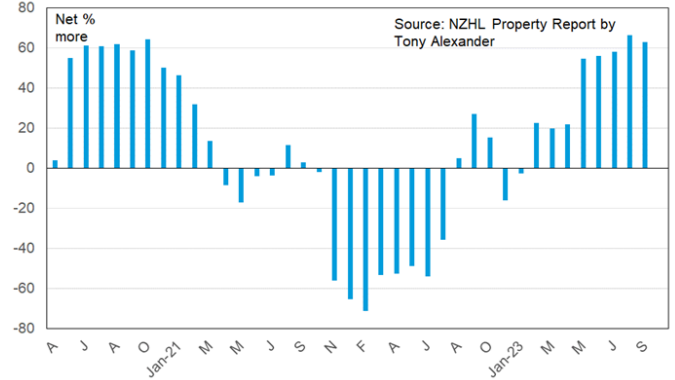
How do you feel prices are generally changing at the moment?

A net 38% of real estate agents have reported that prices are rising in their location. Unlike the results for open home and auction attendance discussed above this result is an increase on other readings in the most recent months and not a pullback. It tells us that generally the price pressure is upward and becoming slightly stronger as time goes by. But as the following graph shows, we are still well away from the frenzied price gain days of 2020-21.

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



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

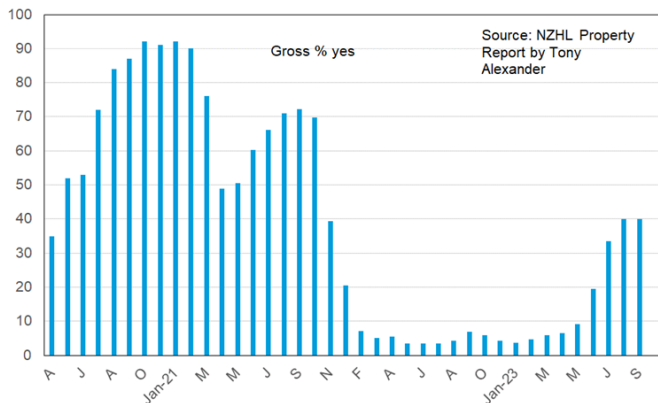


Do you think FOMO is in play for buyers?

FOMO = Fear of missing out

Further supporting our view that there is not a frenzy in place is the unchanged proportion of agents saying that they are observing buyers display concerns about missing out if they do not make an immediate purchase. The gross 40% of agents reporting FOMO sits right on the average reading for this measure over the past three and a half years.

DO YOU THINK FOMO IS IN PLAY FOR BUYERS?



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

A continuing very high proportion of agents say that they are seeing more first home buyers in the market looking for a property. This month a net 63% reported seeing more young buyers, little changed from 66% last month and 58% two months ago. Note the way in which young buyer activity rose in the second half of 2022 only to fall away again after the higher than expected inflation number of mid-October and subsequent increases in interest rates. That shock did not last long.

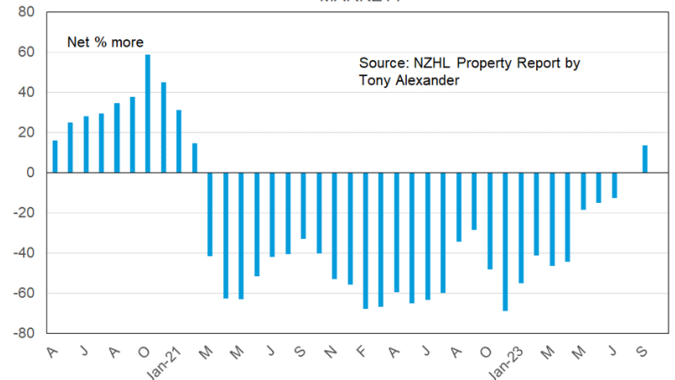
Are you noticing more or fewer investors in the market?

For the first time in our survey since February 2021 more agents report seeing increased numbers of investor buyers than decreased numbers. This outcome is consistent with information already gleaned from my survey of mortgage advisors undertaken three weeks ago, and also generally consistent with the comments of real estate agents regarding investors becoming more interested.

While some investors may be thinking that interest rate levels have peaked, it is far more likely that the increase in their demand is being motivated by three things.

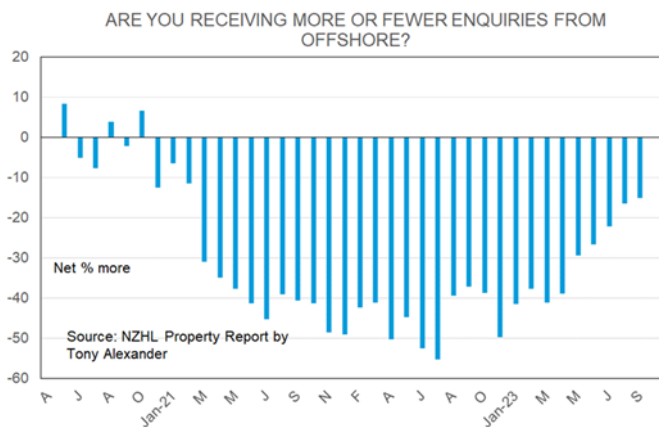
1. Booming net immigration and the clear implications for availability of tenants, rents, and house prices.
2. A record now established over three months to August of house prices rising.
3. Potential for a slow return of interest expense deductibility after the general election.

ARE YOU NOTICING MORE OR FEWER INVESTORS IN THE MARKET?



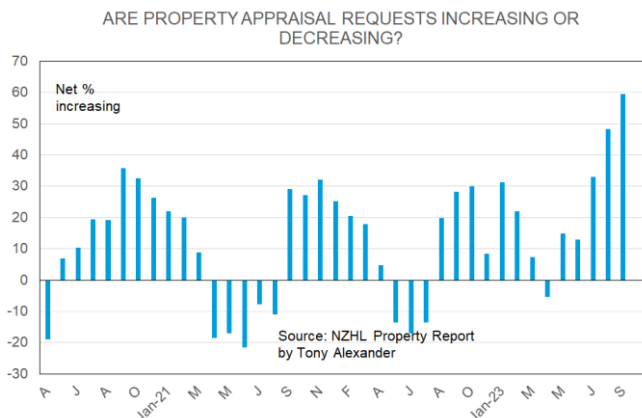
Are you receiving more or fewer enquiries from offshore?

Since early this year there has been a slow decline underway in the net proportion of real estate agents reporting that they are seeing fewer people from offshore making enquiries about purchasing property in New Zealand. There is no sign in the following graph that the improvement in this measure has accelerated since the National Party announced plans for allowing offshore buying of houses priced over \$2mn if they win the election. It needs to be noted also that the measure is still firmly negative with a net 15% of agents saying that they are receiving less enquiry from offshore.



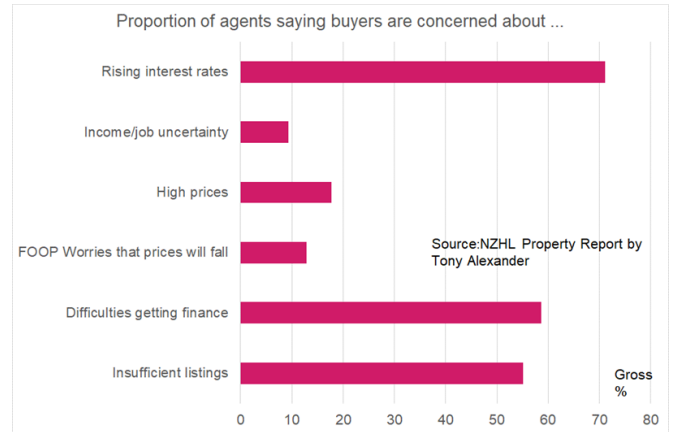
Are property appraisal requests increasing or decreasing?

There has been a noticeable surge in recent months in the net proportion of agents saying that they are receiving more requests for property appraisals. The latest reading of a net 60% is the highest on record. This tells us that many people are thinking about selling their property which will be good news for buyers who will face a greater range of choice. But unless the people concerned are leaving the country they will also face greater competition from the vendors buying again.

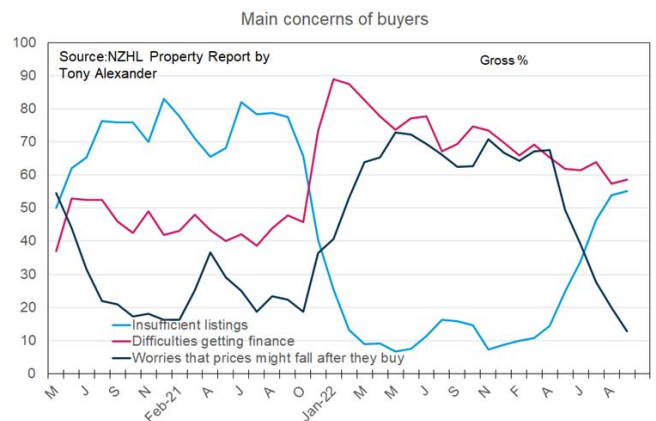


What are the main concerns of buyers?

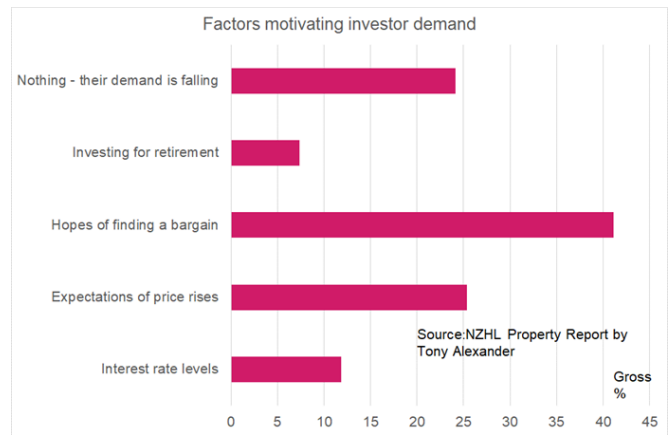
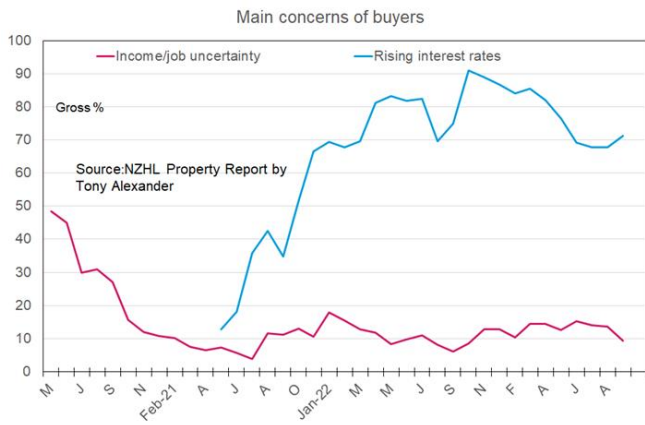
The two main things which real estate agents say buyers are most concerned about continue to be rising interest rates and difficulties securing finance. Worries about prices falling have declined substantially, to be replaced by worries about the availability of listings.



This next graph shows the levels of concern agents have observed buyers displaying about listings, finance, and price declines. Note the clear jump in concerns about a lack of listings over the past four months. Note at the same time the substantial drop in agents noticing buyers being worried about FOOP – fear of over-paying.

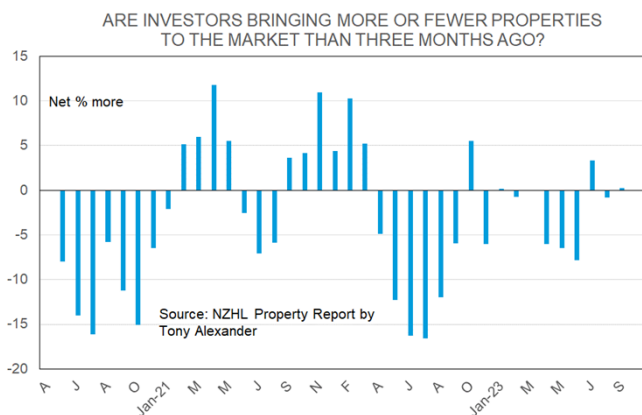


Concerns about the levels of interest rates are seen in this next graph to be continuing at elevated levels. But consistent with the many anecdotes and other data showing strength in the labour market, few agents report that potential property buyers are worried about their employment.

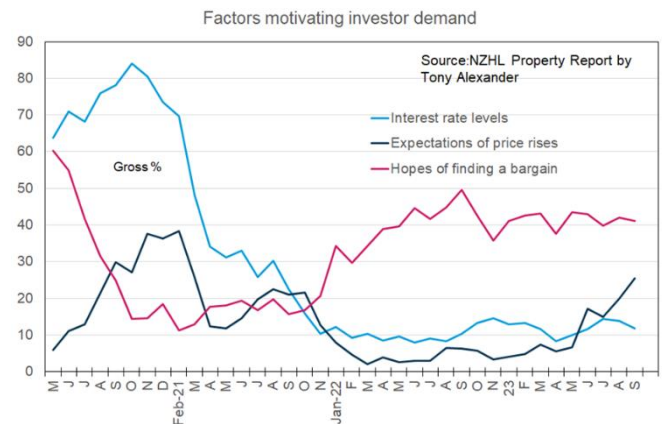


Are investors bringing more or fewer properties to the market to sell than three months ago?

There continues to be no evidence of a wave of investors looking to offload their properties since the March 2021 changes in interest expense deductibility rules. At the moment just as many agents say that they are seeing more as say they are seeing fewer investors looking to quit their assets.



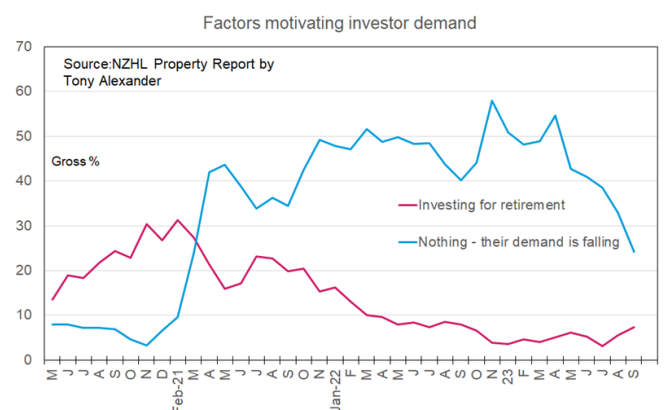
This next graph tracks changes in what agents feel investors are being motivated by. Hopes of finding a bargain have not changed much at all since early-2022 as we all digested the extent to which prices were declining after their unusual 2020-21 surge. But expectations of price rises are firmly increasing as shown by the black line. 25% of agents now say this is a factor motivating investors, up from just 7% four months ago.



The proportion of agents saying that investors have essentially no interest in buying is falling away quite quickly, shown as the declining blue line in our final graph.

What factors appear to be motivating investor demand?

We ask what factors appear to be motivating investors to buy. Hopes of finding a bargain are the greatest motivator. But this first graph doesn't really show the true situation.



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, in Wellington a high net 77% of agents report that they are seeing more people at open homes. Nationwide the reading is 47% and in the Nelson/Tasman/Marlborough area it is just 21%.

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	23	65	13	22	9	13	17	-17	-17	-26
Auckland	147	59	59	46	43	45	56	16	-11	-1
Waikato	41	66	10	41	7	32	56	2	-22	0
Bay of Plenty	27	67	44	48	30	41	85	19	-11	19
Hawke's Bay	22	59	18	59	50	45	86	41	-23	18
Taranaki	6									
Manawatu-Wanganui	16	19	13	63	44	31	69	31	-6	13
Wellington	35	54	17	77	66	57	86	20	-20	-3
Nelson/Tasman	19	32	11	21	32	21	58	0	-32	5
Canterbury	44	73	34	50	50	45	68	5	-20	7
Queenstown Lakes	8	88	25	75	50	50	88	50	25	-13
Otago exc. Q'town	15	60	7	27	33	27	60	0	0	-20
Southland	3									
New Zealand	406	60	33	47	38	40	63	14	-15	0

- | | |
|-----------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| 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? | |

*Please note –Tony Alexander is an independent economist. His views are his own and not necessarily shared by NZHL or vice versa. The NZHL Property Report by Tony Alexander is based on the findings of a monthly survey of real estate agents conducted by Tony and is brought to you by NZHL in a sponsored capacity.

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

Subscribe here <https://forms.gle/qW9avCbaSiKcTnBQA>

This publication has been provided for general information only. Although every effort has been made to ensure this publication is accurate the contents should not be relied upon or used as a basis for entering into any products described in this publication. To the extent that any information or recommendations in this publication constitute financial advice, they do not take into account any person's particular financial situation or goals. We strongly recommend readers seek independent legal/financial advice prior to acting in relation to any of the matters discussed in this publication. No person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.