

# The NZHL Property Report

by Tony Alexander.

December 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](http://nzhl.co.nz)

## Input to your Strategy for Adapting to Challenges

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

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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 recovery consolidates

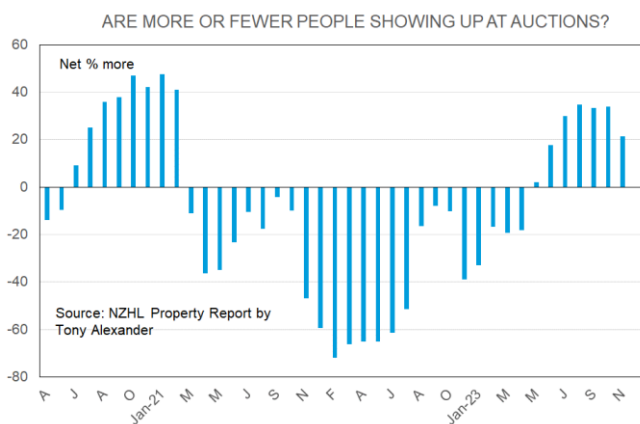
Welcome to the NZHL Property Report by Tony Alexander. This survey gathers together the views of licensed real estate agents all over New Zealand regarding how they are seeing conditions in the residential property market in their areas. We ask them how activity levels are changing, what the views of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

- Worries about interest rate levels remain firm but some earlier concerns about listings volumes have eased off.
- Both first home buyers and investors are present in the market but the approach of Christmas has cooled the heels of many.
- Agents still see prices as rising in their areas but feelings of FOMO have eased for the second month in a row.

## Are more or fewer people showing up at auctions?

Our survey this month yielded 324 responses and a net 21% of these residential real estate agents reported that they are seeing more people showing up at auctions. This is down slightly from a net 34% last month and is the weakest result since June. However, the outcome still means that extra people are appearing and what it tells us is that an initial surge in buyer interest over the September quarter has slowed down.

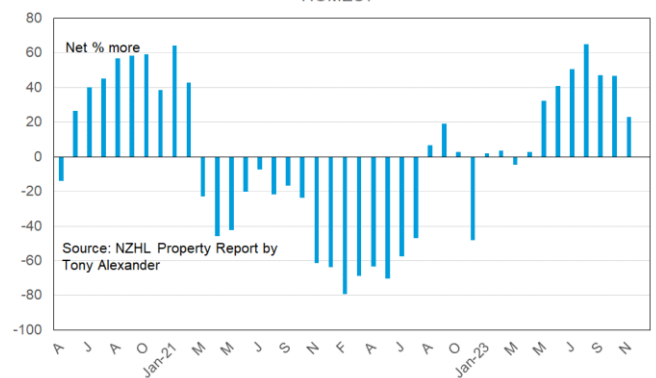


## Are more or fewer people attending open homes?

As above with regard to the number of people attending auctions, the net proportion of agents seeing more people attending open homes has eased this month. A net 23% of agents have reported seeing more people visiting open homes. This is down from a net 47% in our November survey and a peak of 65% in August. This tells us that the market is continuing to turn upward with more potential buyers actively searching for property. But the initial burst of interest from those who might perhaps have otherwise entered the market earlier in the year has clearly passed.



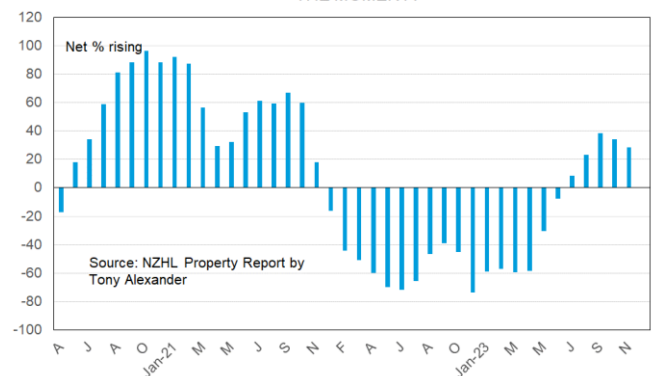
ARE MORE OR FEWER PEOPLE SHOWING UP AT OPEN HOMES?



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

House prices continue to rise. A net 28% of real estate agents responding in our survey say that they feel prices are rising in their location of operations. This is down just slightly from a net 34% last month and tells us that although an initial burst of buyer demand has passed the momentum for prices remains upward.

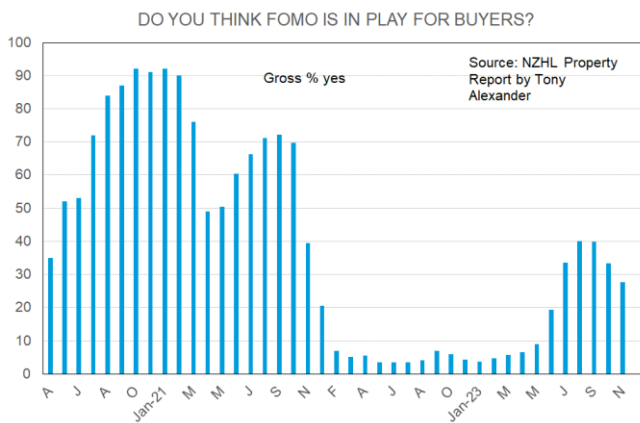
HOW DO YOU FEEL PRICES ARE GENERALLY CHANGING AT THE MOMENT?



## Do you think FOMO is in play for buyers?

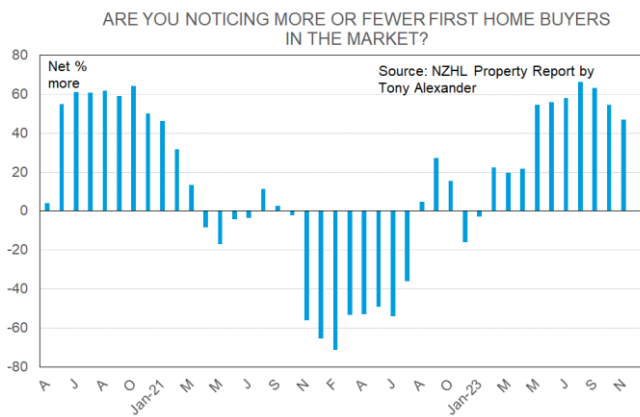
FOMO = Fear of missing out

A gross 28% of agents this month have reported that they are seeing buyers display some fear of missing out on a purchase. This is down from 33% last month and 40% two months ago and below the average reading of 39%. This indicator allows us to comfortably say that there is no frenzy underway in the residential real estate market on average throughout New Zealand. But feelings of FOMO are some distance from the period of early-2022 to May this year when buyers strongly felt that there was little need to hurry a purchase.



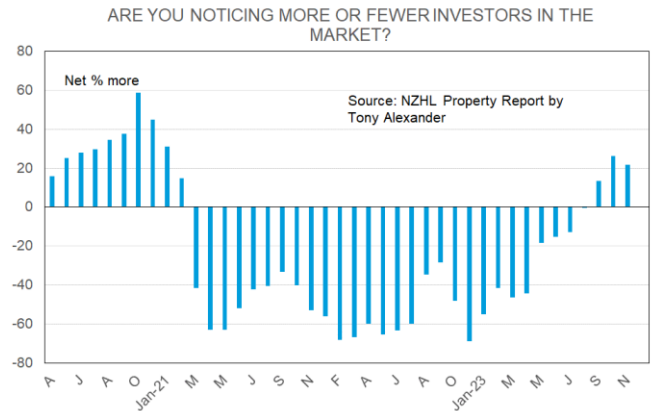
## Are you noticing more or fewer first home buyers in the market?

A net 47% of agents have reported that they are seeing more first home buyers in the property market. This is well above the average for the past three and a half years of only 13% and suggests the recent high proportion of sales being accounted for by young buyers will continue through summer – unless there is now a rush of investors underway.



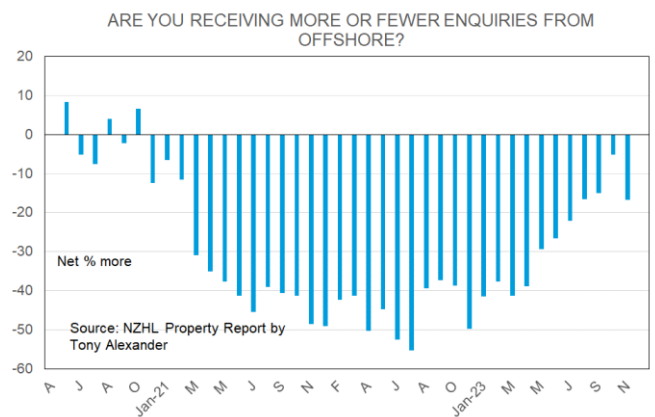
## Are you noticing more or fewer investors in the market?

There has been no obvious lift in agent observations of extra investors looking to buy following the election and more recently the announcement that interest expense deductibility will return earlier than previously signalled. A net 22% of agents this month have said that they are seeing more investors contemplating a purchase. This is well above the average of a net 22% seeing fewer investors and as is displayed in the graph below, tells us that we are no longer in a period when investors are absent.



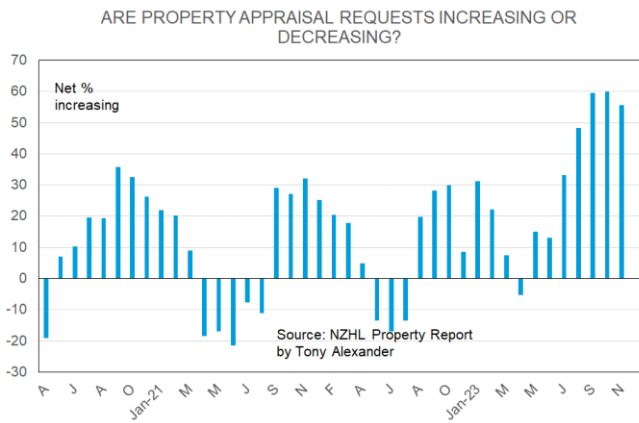
## Are you receiving more or fewer enquiries from offshore?

From the start of this year there has been a decrease underway in the net proportion of agents saying that they are receiving reduced levels of enquiry from people located offshore (covering Kiwis and foreigners). That level of disinterest declined to just 5% a month ago. But now, following confirmation that there will be no relaxing of the foreign buyers regime a net 17% of agents have reported reduced offshore interest.



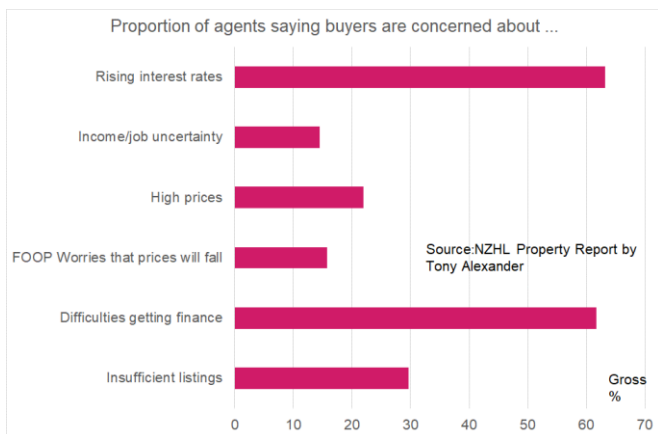
## Are property appraisal requests increasing or decreasing?

A net 56% of agents have reported seeing more people asking for appraisals of their property. This continues a string of four months of high appraisal demand and suggests that there are a good number of people thinking about listing their property for sale. But this measure has a tendency to go up and down without any obvious change in listings numbers, so some caution is required in interpretation.



## What are the main concerns of buyers?

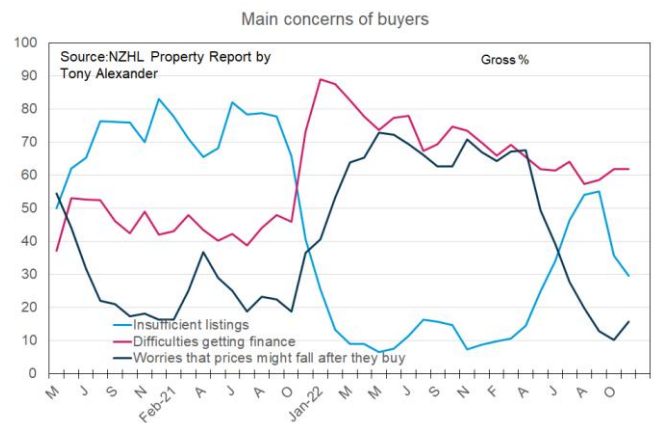
The top three things which buyers are concerned about according to agents are rising interest rates, access to finance, and the availability of listings. Few agents feel that buyers are worried about their jobs, the level of house prices, or that prices will decline.



The next two graphs show how buyer concerns have changed over the past three and a half years. The dark pink line below in the first graph showing concerns about access to finance is trending down. But these concerns remain at levels far above those before the late-2021 credit crunch. We await any clarification from the new coalition government on when the CCCFA will be changed and how.

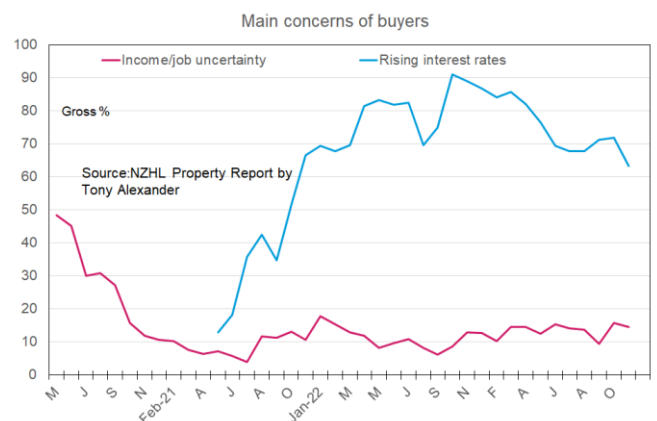
The black line shows the collapse in FOOP – fear of over-paying – from the middle of this year when data began to emerge showing house prices going up. But consistent with other measures showing the initial surge in buyer action over the September quarter has faded, FOOP has edged up slightly to 16% of agents observing it from only 10% last month.

The blue line is most interesting. It shows that this year worries about the availability of listings soared as soon as sales and prices picked up. But over the past three months those worries have fallen away again and now only 30% of agents say buyers seem worried about there not being enough listings. The late-September reading was 55%.



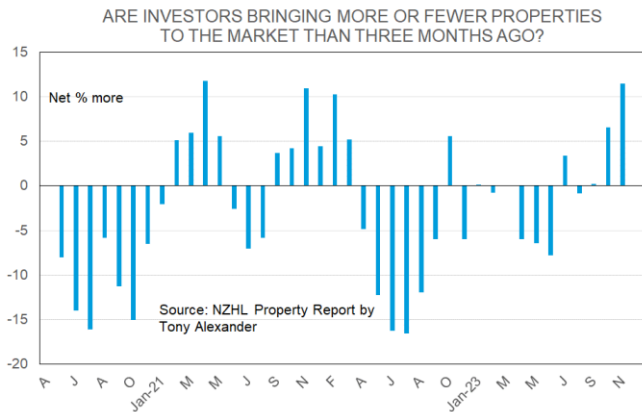
Our second graph of concerns tells us via the dark pink line that the labour market is not considered detrimental to buyer interest. Only 15% of agents say that people seem worried about employment. In contrast 63% of agents say that buyers are worried about high interest rates. This measure has declined throughout 2022 despite fixed mortgage rates moving steadily higher as the year has progressed.

But the reading nonetheless remains at high levels, and this will please the Reserve Bank as it recently emphasised its unwillingness to allow thoughts of falling interest rates to start affecting people's behaviour.



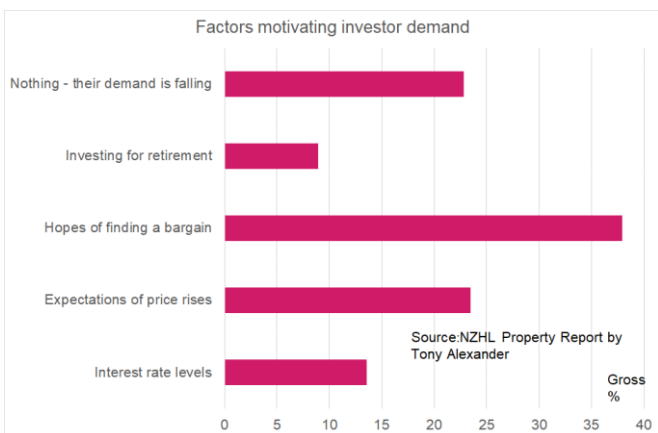
## Are investors bringing more or fewer properties to the market to sell than three months ago?

It may be the case that earlier than expected restoration of interest expense deductibility for investors will bring more people to the market looking to make a purchase – probably when the interest rates outlook is a lot better. But for now, our survey shows that agents are observing an increasing number of investors looking to sell a property. A net 11% of agents reported such this month compared with a net zero pre-election observing such selling desires.

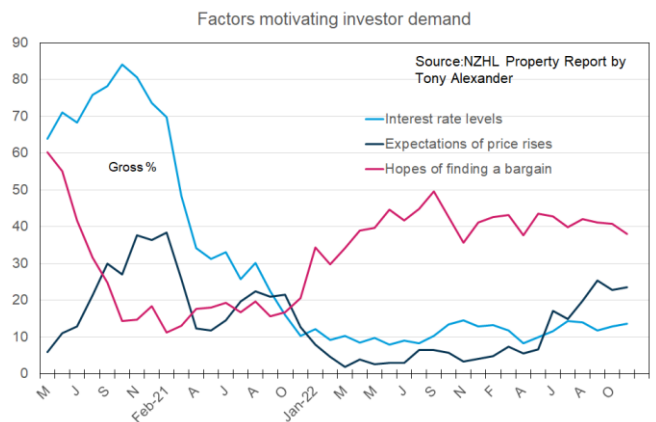


## What factors appear to be motivating investor demand?

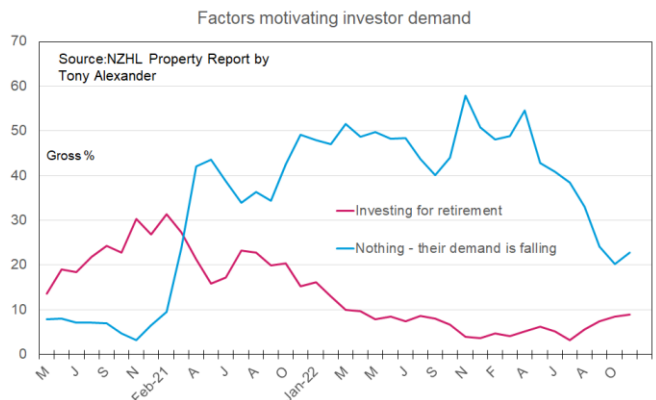
We ask what factors appear to be motivating investors to buy. Hopes of finding a bargain still remain the greatest motivator. The question unfortunately does not include the option of Restoration of Interest Expense Deductibility which would be interesting at the moment.



The following two graphs show trends in the factors which may motivate investor demand. Hopes of finding a bargain have altered little this year but since the middle of the year expectations of price rises have increased in importance as a buying motivator.



The past three months have seen small rises in the proportion of agents feeling that investors are becoming more motivated by thoughts of preparing for their retirement.



## 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, while a gross 28% of agents nationwide have reported seeing FOMO on the part of buyers, in Hawke's Bay the reading is 44% and Wellington 48%. The readings for Wellington do not support the recent media headline regarding expectations of public service layoffs badly affecting the Wellington housing market. Wellington is firmer than average for all measures bar investor demand.

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	15	93	20	27	7	7	60	7	-13	7
Auckland	117	54	21	17	28	26	33	18	-20	14
Waikato	32	69	25	19	13	13	56	38	-3	25
Bay of Plenty	25	68	36	0	0	28	44	24	-16	28
Hawke's Bay	16	56	13	13	56	44	69	25	-38	6
Taranaki	3	0	0	0	0	0	0	0	0	0
Manawatu-Wanganui	12	33	8	50	0	42	58	8	-17	-25
Wellington	33	39	30	45	45	48	76	15	-15	9
Nelson/Tasman	16	75	6	19	19	19	38	6	-31	-13
Canterbury	27	37	19	4	63	37	48	26	-7	11
Queenstown Lakes	10	40	30	60	60	30	50	20	0	20
Otago exc. Q'town	14	57	7	57	21	14	36	50	-14	14
Southland	4	0	0	0	0	0	0	0	0	0
<b>New Zealand</b>	<b>324</b>	<b>56</b>	<b>21</b>	<b>23</b>	<b>28</b>	<b>28</b>	<b>47</b>	<b>22</b>	<b>-17</b>	<b>11</b>

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

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This publication is written by Tony Alexander, independent economist. You can contact me at [tony@tonyalexander.nz](mailto:tony@tonyalexander.nz)

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