



# The NZHL Property Report

by Tony Alexander.

March 2024

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)

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

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To enquire about having me in as a speaker or for a webinar email [tony@tonyalexander.nz](mailto:tony@tonyalexander.nz)

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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.

# Housing market gets weaker

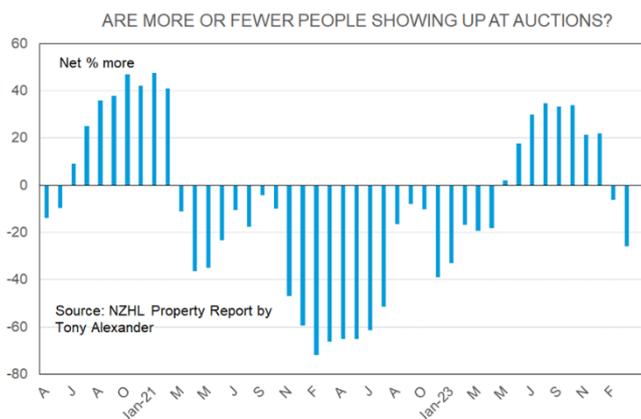
Welcome to the NZHL Property Report by Tony Alexander. This survey gathers together the views of licensed real estate agents all over New Zealand regarding how they are seeing conditions in the residential property market in their areas. We ask them how activity levels are changing, what the views of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

- Buyers have backed further away from the housing market amidst their deepening concerns about employment.
- Agents now widely see prices as falling in their location.
- More investors are looking to sell and fewer are looking to buy.

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

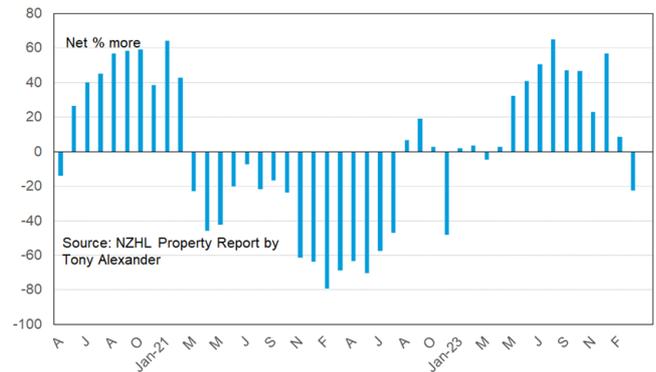
Our survey this month yielded 318 responses and has revealed the weakest result for agent observations of auction attendance since January 2023. A net 26% of responding real estate agents have reported that they are seeing fewer people showing up at auctions. This is a decline from a net 6% seeing fewer people last month and a net 35% in August seeing more people. That is when the market was displaying good strength on the back of a high level of demand from first home buyers.



## Are more or fewer people attending open homes?

In common with the decline in auction attendance we have a fall underway also in the proportion of agents seeing people at open homes. A net 22% have reported that fewer people are attending open homes compared with a net 9% last month seeing more people. This is the weakest result since November 2022 which was the month when the Reserve Bank warned about the economy heading into recession and boosted the official cash rate by 0.75%. We are now back in recession.

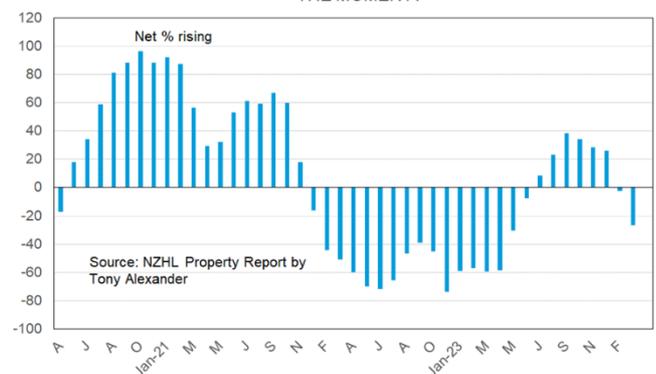
ARE MORE OR FEWER PEOPLE SHOWING UP AT OPEN HOMES?



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

For the second month in a row our survey has revealed that more agents believe prices are falling in their area of operation than feel they are rising. A net 26% of agents feel prices are falling and this is the weakest result since May last year. The period of price rises appears to have ended under the onslaught of a fresh decline in consumer confidence, confirmation that the economy is back in recession, and rising worries about household incomes discussed below.

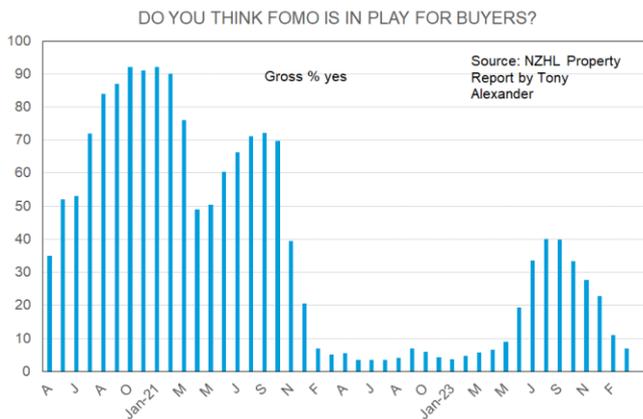
HOW DO YOU FEEL PRICES ARE GENERALLY CHANGING AT THE MOMENT?



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

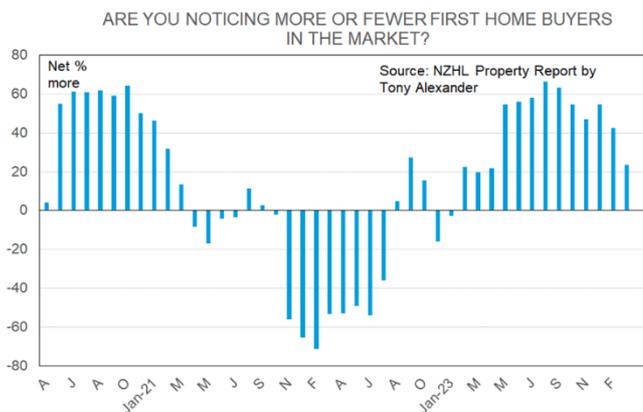
FOMO = Fear of missing out

Only a gross 7% of agents now feel that buyers are worried about missing out on a purchase. This outcome is a decline from 11% last month and a peak of 40% over August and September. At 7% worries about missing out are back where they were from the start of 2022 through to June of last year when the market was experiencing a credit crunch and falling house prices.



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

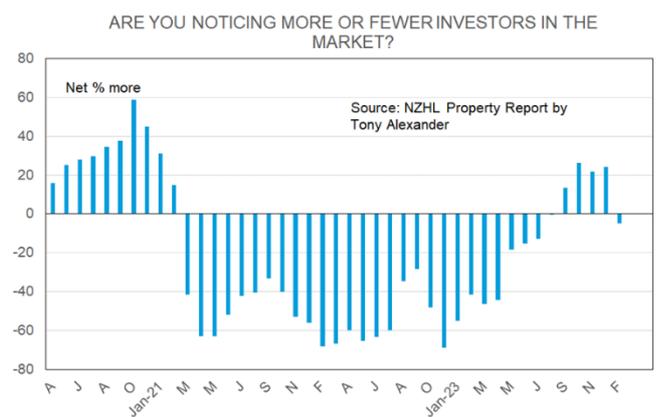
A net 24% of agents this month have reported seeing more first home buyers in the market. This is down from the peak of 66% reached in August last year but still in positive territory. Young buyers continue to show interest in taking advantage of the absence of investor buyers and good availability of stock for sale. At the end of March data from relaestate.co.nz tell us that the number of properties listed for sale was ahead 21% from July last year. The mid-2023 upturn in the market has brought forth more sellers than extra buyers motivated by FOMO.



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

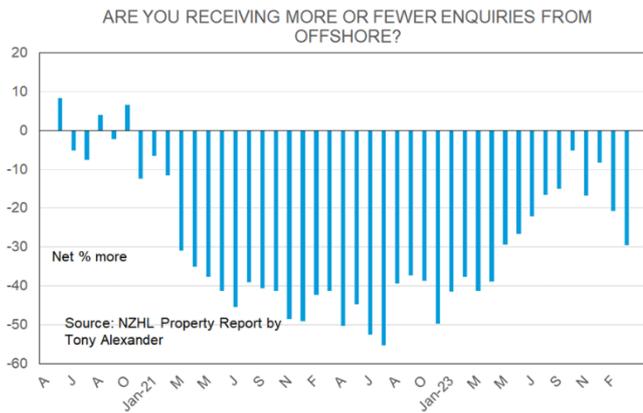
There are now exactly as many agents saying that they are seeing fewer investors looking to buy as say they are seeing more of them. At a net 0% this is the weakest result since August last year which going by the indicators already discussed here was the month when things were the strongest in the NZ residential real estate market. Investors showed some extra interest in buying following the mid-2023 rise in house prices and sales activity.

But even with the 80% restoration of interest expense deductibility from April 1 they are hesitant to buy. The comments submitted by agents indicate many investors are waiting in the wings for the July 1 change in the brightline test from ten years to two years so they can then place their property on the market. Having said that, seeing as that date is mid-winter when the market tends to be quiet, many may wait for Spring before listing. It is impossible to know how large this volume will be.



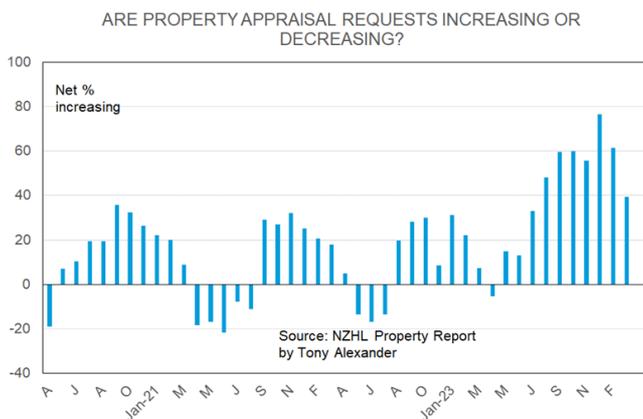
## Are you receiving more or fewer enquiries from offshore?

Buying by people offshore does not have the same relevance these days as was the case before purchasing by most foreigners was banned. But for what it is worth we can see that offshore demand is weakening. A net 30% of agents report seeing less offshore enquiry.



## Are property appraisal requests increasing or decreasing?

A net 39% of agents this month have reported that they are seeing more people coming forward to get their properties appraised for potential sale. This is a decrease from a net 61% last month and 76% in January but as the graph here shows are nonetheless still a relatively high level of appraisal activity. Potential vendors remain motivated to step forward to a greater degree than buyers for the moment.



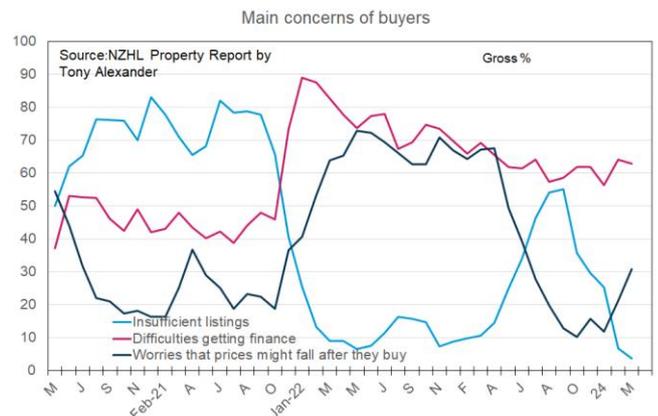
## What are the main concerns of buyers?

Each month in this section we start with an all-encompassing graph showing the things which are of concern to buyers. Top concerns are difficulties getting finance and rising interest rates. But it is the changes in these measures which can give greatest insights and it is to those we turn just below.



The dark pink line in this next graph shows that concerns about getting finance have not altered to any great degree in recent months. This therefore is not the factor explaining the market's weakness since the September quarter peak in many of our measures. The blue line shows that worries about there not being enough listings to choose from rose quite quickly last year as activity levels picked up. But the rush of vendors looking to take advantage of the market's mid-2023 strength has seen buyers become newly relaxed about stock levels.

In contrast, the black line shows that worries that prices may fall after making a purchase have gone back up again. This is our FOOP measure – fear of over-paying.

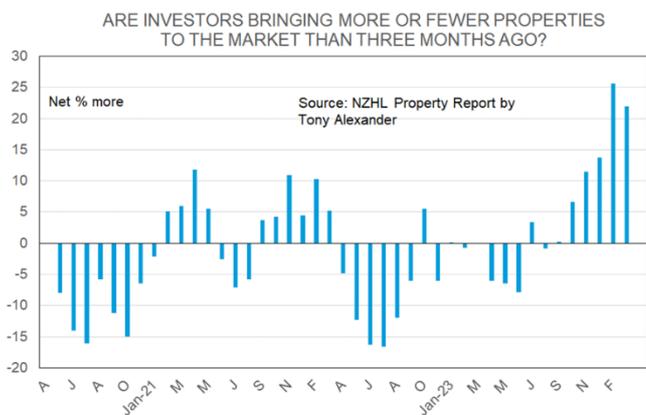


Our second graph in this section addressing buyer concerns shows that concerns about interest rates have been trending down since late-2022. This is not the factor explaining recent market weakness. But when we look at the dark pink line, we see a sharp increase in agent perceptions of people's worries about income and employment. This is the new factor underpinning weakness in housing activity, weakness in consumer sentiment revealed in my monthly Spending Plans Survey, and weakness in retail spending revealed in Statistics NZ data.



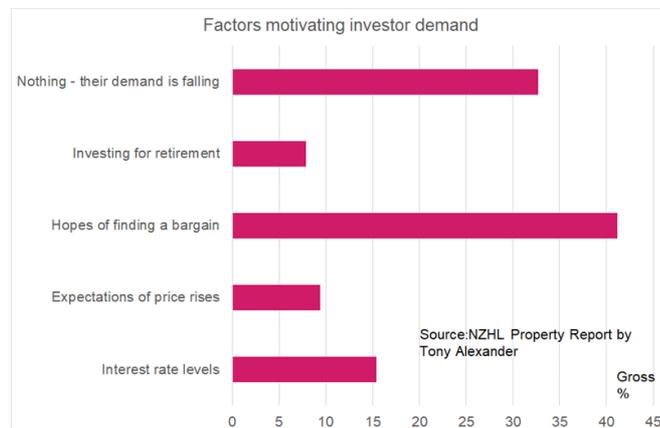
## Are investors bringing more or fewer properties to the market to sell than three months ago?

At the same time as many buyers are backing off, we have evidence that more investors are looking to sell. A net 22% of agents this month have said that they are seeing more investors looking to offload their property. This measure has noticeably risen since October last year just after the mid-2023 surge in activity and prices. Presumably this measure may surge again from a potentially lower level in coming months once the level of demand picks up again. When might that be? Probably not until interest rates have fallen maybe 1%.

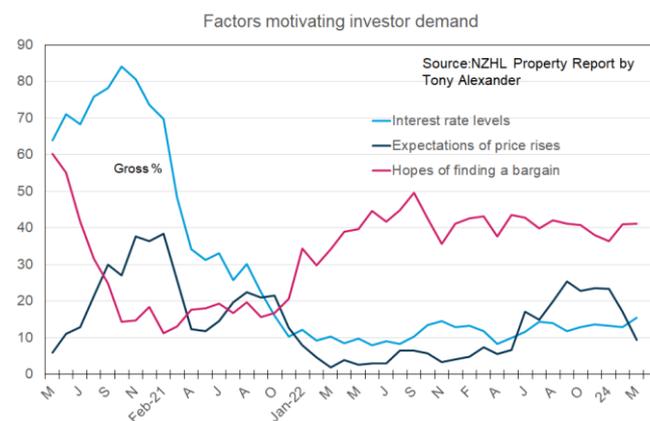


## What factors appear to be motivating investor demand?

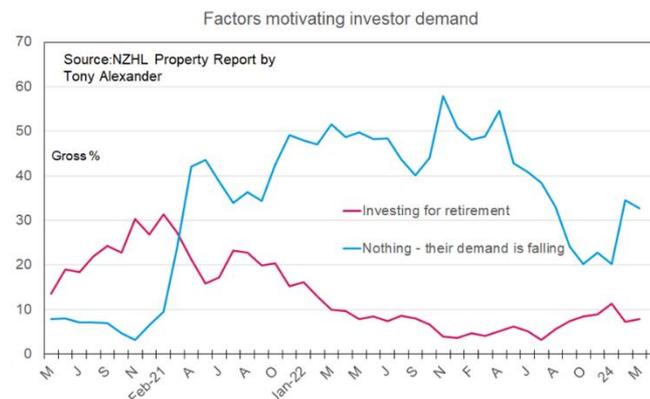
If investors are motivated to buy, then the main factor in play is the hope of finding a bargain.



There has been a fall recently in the proportion of agents feeling that investors are motivated by expectations of house prices going up. Their optimism regarding such has decreased.



Most telling is the blue line in our final graph. It shows a lift in the proportion of agents saying nothing is motivating investor demand – their demand is falling.



## 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, whereas nationwide a net 26% of agents say that prices are falling, in Queenstown Lakes a net 22% say they are rising.

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	16	63	-25	-38	-31	0	-6	-19	-56	0
Auckland	124	35	-43	-40	-38	6	12	-5	-24	18
Waikato	24	63	25	13	-38	17	54	13	-17	22
Bay of Plenty	17	47	-29	-12	-53	6	35	-12	-41	47
Hawke's Bay	22	55	-18	18	0	18	45	23	-32	18
Taranaki	4	0	0	0	0	0	0	0	0	0
Manawatu-Wanganui	9	11	0	-22	-22	0	56	-33	-44	22
Wellington	34	44	-3	-6	-12	3	35	-15	-24	27
Nelson/Tasman	21	33	-24	-19	-24	5	24	10	-24	45
Canterbury	30	23	-47	-37	-7	7	17	17	-43	17
Queenstown Lakes	9	0	-22	11	22	0	22	0	-22	11
Otago exc. Qtown	6	0	0	0	0	0	0	0	0	0
Southland	2	0	0	0	0	0	0	0	0	0
<b>New Zealand</b>	<b>318</b>	<b>39</b>	<b>-26</b>	<b>-22</b>	<b>-26</b>	<b>7</b>	<b>24</b>	<b>0</b>	<b>-30</b>	<b>22</b>

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>A. # of responses</li> <li>B. Are property appraisal requests increasing or decreasing?</li> <li>C. Are more or fewer people showing up at auctions?</li> <li>D. Are more or fewer people attending open homes?</li> <li>E. How do you feel prices are generally changing at the moment?</li> <li>F. Do you think FOMO is in play for buyers?</li> </ul> | <ul style="list-style-type: none"> <li>G. Are you noticing more or fewer first home buyers in the market?</li> <li>H. Are you noticing more or fewer investors in the market?</li> <li>I. Are you receiving more or fewer enquiries from offshore?</li> <li>J. Are investors bringing more or fewer properties to the market to sell than three months ago?</li> </ul> |
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\*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](mailto:tony@tonyalexander.nz)

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