

The NZHL Property Report

by Tony Alexander.

May 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.

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To enquire about having me in as a speaker or for a webinar email 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.

Market weak heading into winter

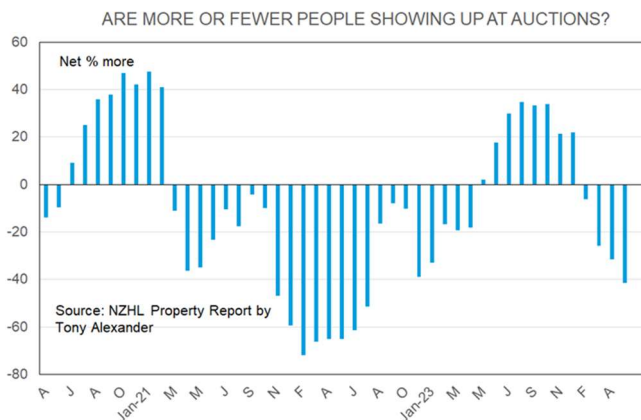
Welcome to the NZHL Property Report by Tony Alexander. This survey gathers together the views of licensed real estate agents all over New Zealand regarding how they are seeing conditions in the residential property market in their areas. We ask them how activity levels are changing, what the views of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

- FOMO has almost completely disappeared.
- There is evidence that the wave of fresh listings may be easing off. But a flow of investor sellers is still apparent.
- Most agents feel that prices are falling in their area.

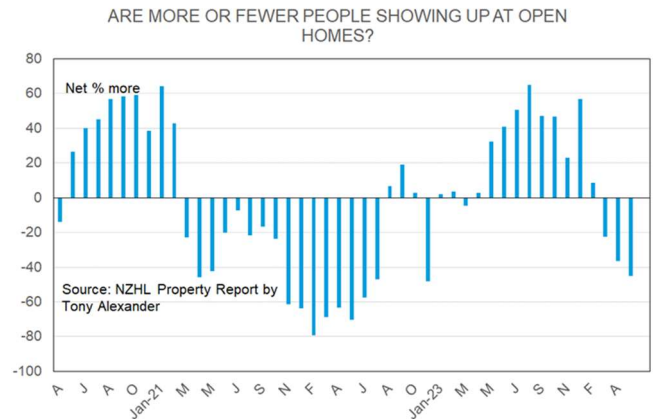
Are more or fewer people showing up at auctions?

A net 41% of the 331 agents replying in this month's survey have said that they are seeing fewer people attending auctions. This is a decline from a net 31% last month and 26% two months ago and the weakest outcome since July 2022. Buyers are holding back perhaps not just from buying but also from attending auctions to research the market.



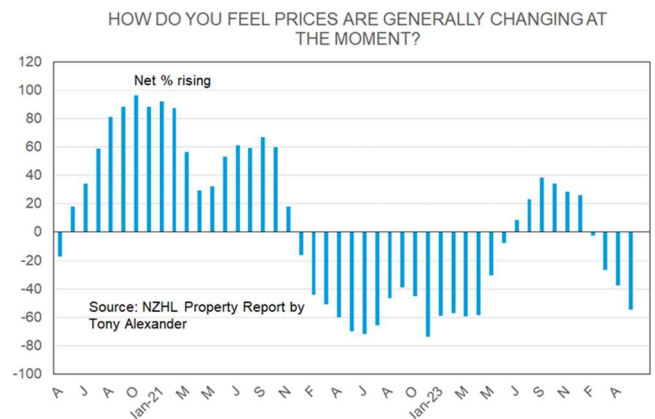
Are more or fewer people attending open homes?

In line with the decline in auction attendance we have a net 45% of agents reporting that fewer people are attending open homes. This is the weakest result since November 2022 and the graph here like our other ones shows the clear deterioration in the market early this year. That deterioration likely reflects new worries about employment alongside new hits to the cost of owning a property as council rates and insurance premiums have soared with promises of further rises to come.



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

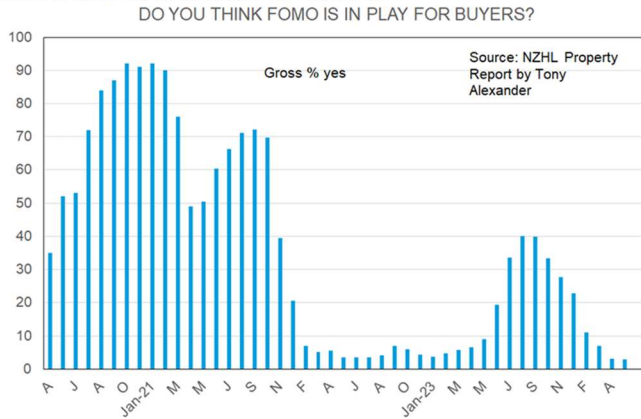
A net 55% of our responding agents feel that prices are falling in their area. This is a deterioration from a net 37% last month and 26% two months ago. Again, the pattern is the same as for auctions and open home attendance – a clear deterioration since early this year with strength also ebbing before the start of 2024.



Do you think FOMO is in play for buyers?

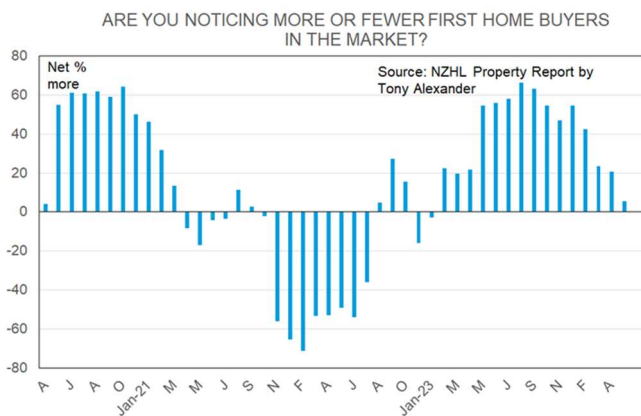
FOMO = Fear of missing out

For the second month in a row we can say that there is essentially no FOMO in New Zealand on the part of prospective home buyers. Only 3% of agents say that there is FOMO. This is a result unchanged from last month and equal record lowest. Buyers feel no need to hurry and make a purchase as they don't feel there is any cost to waiting



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

We have almost but not quite returned to a situation where there are more agents saying they are seeing fewer first home buyers than more – but not quite. A net 5% say they are seeing more FHBs, but this is well down from 55% at the start of the year. Young buyers are increasingly pulling back from the market.

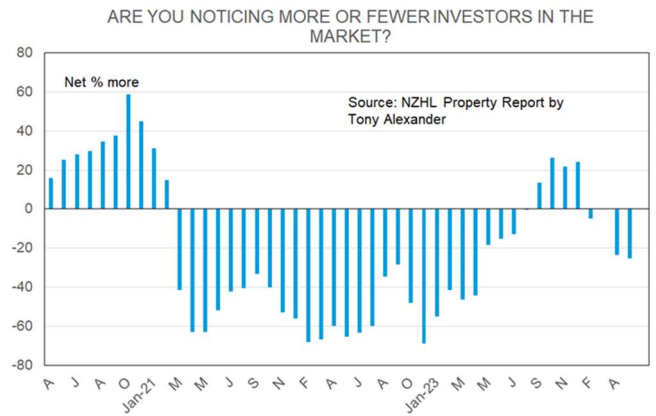


Are you noticing more or fewer investors in the market?

A net 25% of agents have reported that they are seeing fewer investors in the market looking to make a purchase. This is little changed from the net 23% of

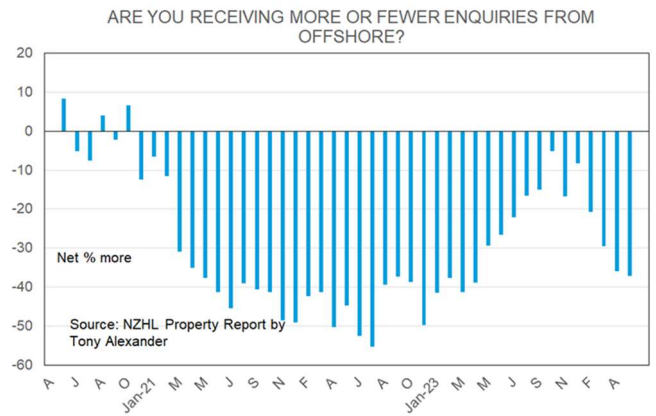


last month and actually the first of our indicators discussed here not to show a new strong deterioration – apart from FOMO for which a reading below zero is not possible.



Are you receiving more or fewer enquiries from offshore?

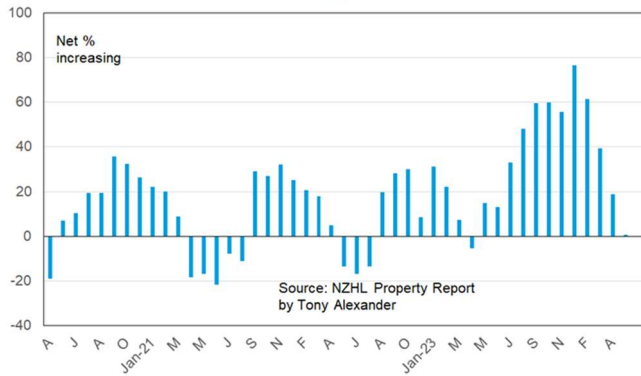
A net 37% of agents have reported receiving reduced property enquiries from people – Kiwis and foreigners – located out of the country. The deterioration from early this year lines up with weakness of locals measured above.



Are property appraisal requests increasing or decreasing?

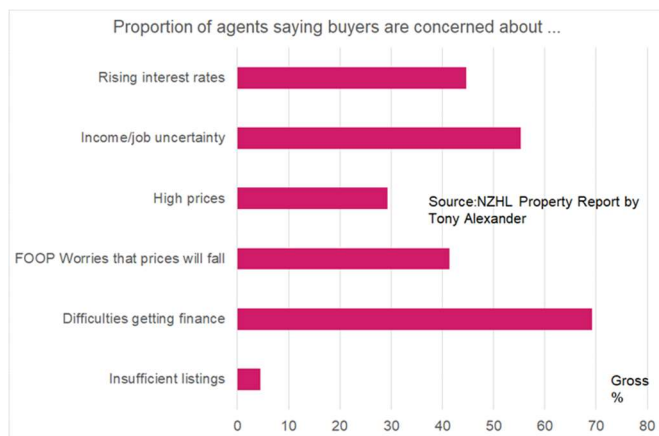
There are solid signs that the flood of listings which came about in response to the lift in market activity and prices before the middle of last year is easing. Only a net 1% of agents have reported more requests for appraisals. The market therefore may be settling back into a new balance following the up then down of the past year.

ARE PROPERTY APPRAISAL REQUESTS INCREASING OR DECREASING?

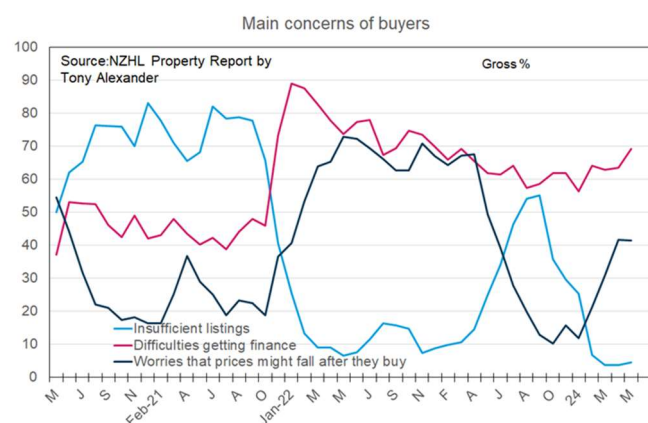


What are the main concerns of buyers?

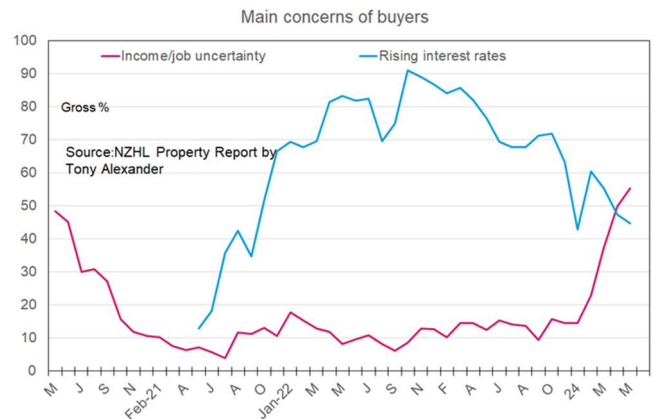
Each month in this section we start with an all-encompassing graph showing the things which are of concern to buyers. The top concern of buyers is still securing finance and for the second month in a row job worries are the second highest concern.



There has been a small trend upward in buyer concerns about access to finance this year. But hardly anyone now feels that there are not enough listings to peruse. Worries that prices will fall after making a purchase have soared. FOOP (fear of over-paying) is now seen by 41% of agents from only 12% in January.



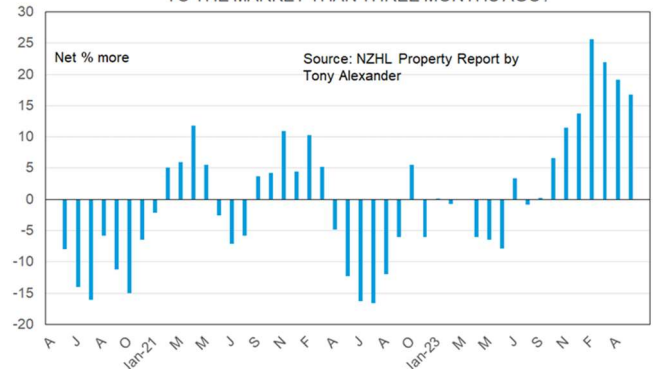
Despite the recent comment from the Reserve Bank that they discussed increasing the official cash rate we have seen a further small decline in the gross proportion of real estate agents saying that people are concerned about interest rates to a still high 45% from 47% last month. The pink line in the following graph shows how strongly job concerns have soared this year after falling away strongly in the second half of 2020 as the wage subsidy scheme and over-stimulus applied to the economy by the Reserve Bank and Labour government took the unemployment rate down eventually to an unsustainably (as in inflationary) low 3.2%.



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

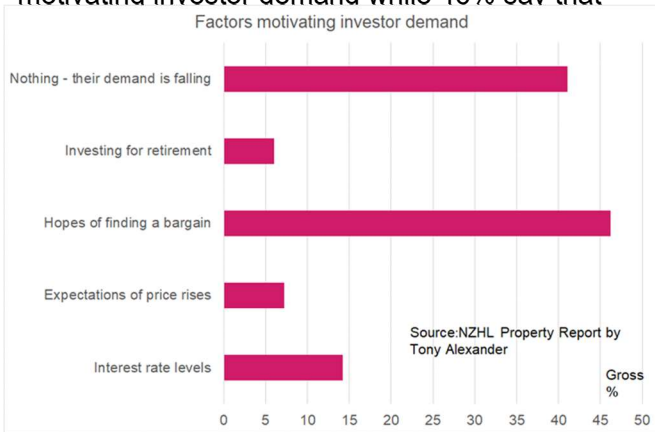
A net 17% of agents have reported that they are seeing more investors bringing property to the market to sell. The point to note here perhaps is that this reading has remained high at the same time as net reporting of more appraisal requests has weakened to almost a net 0% of agents. The data support the argument that there is a new element in play of investors looking to shrink their portfolios despite tax rule changes removing earlier imposts.

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

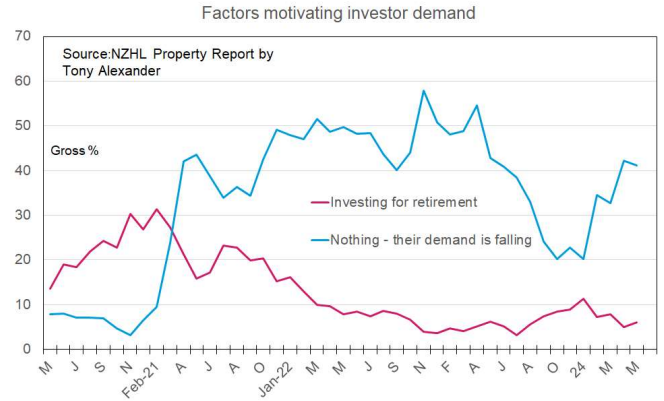
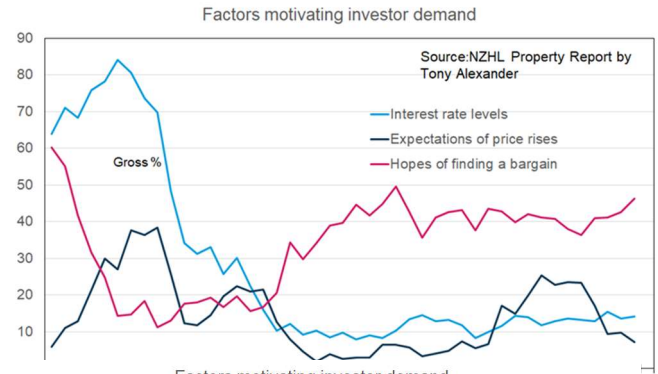


What factors appear to be motivating investor demand?

A gross 41% of agents say that there is nothing motivating investor demand while 46% say that



Note the lift shown here in hopes of securing a bargain despite reduced expectations of prices going up. Counter-cyclical buying may be underway on the part of some investors prepared to look through the current economic woes and despondent consumers and businesses.



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 55% of agents said that prices are falling, in Otago outside of Queenstown (mainly Dunedin) only a net 8% say this.

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	25	32	-36	-40	-52	0	16	-12	-32	8
Auckland	127	-19	-45	-48	-62	2	-7	-29	-29	15
Waikato	33	9	-42	-58	-85	0	6	-24	-33	18
Bay of Plenty	24	25	-50	-58	-54	4	13	-25	-33	25
Hawke’s Bay	17	0	-47	-29	-35	12	24	-24	-53	29
Taranaki	6									
Manawatu-Wanganui	13	31	-31	-23	-38	0	38	-8	-46	8
Wellington	28	4	-32	-39	-54	7	11	-54	-43	21
Nelson/Tasman	12	25	-17	-67	-50	8	42	-25	-50	17
Canterbury	24	0	-58	-42	-38	0	0	-8	-42	21
Queenstown Lakes	5									
Otago exc. Qtown	13	-8	-31	-38	-8	0	23	-15	-46	15
Southland	3									
New Zealand	331	1	-41	-45	-55	3	5	-25	-37	17

- 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?

*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

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