The NZHL Property Report

by Tony Alexander.

February 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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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 upturn stalls for now

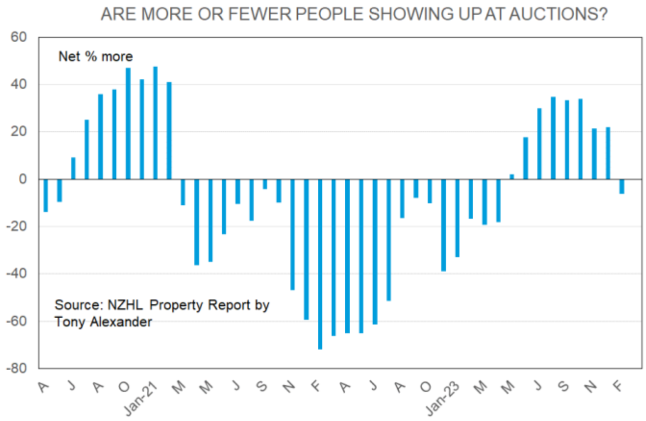
Welcome to the NZHL Property Report by Tony Alexander. This survey gathers together the views of licensed real estate agents all over New Zealand regarding how they are seeing conditions in the residential property market in their areas. We ask them how activity levels are changing, what the views of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

- There has been a noticeable decline in buyer presence in the market although first home buyers remain active.
- Buyer concerns have grown about their employment, and the earlier decline in worries about interest rates has reversed in the face of discussion about monetary policy tightening again.
- Appraisal requests to agents are running at very high levels suggesting that for the moment motivated sellers are exceeding motivated buyers. As a result, FOMO levels have fallen away.

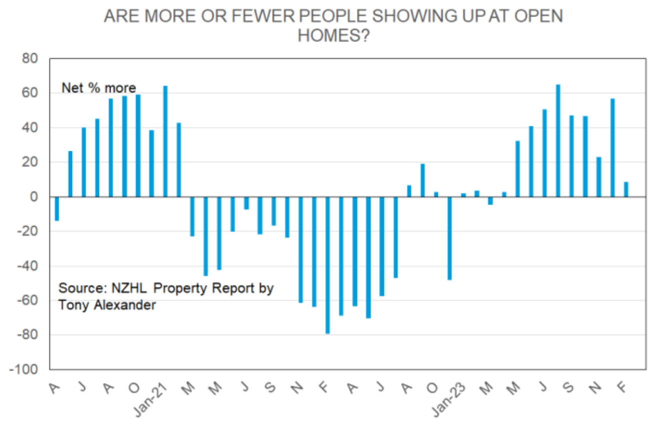
Are more or fewer people showing up at auctions?

Our survey this month yielded 391 responses and a net 6% of agents have reported that fewer people are showing up at auctions. As the graph here shows this is a turnaround from the firmly positive attendance observations in our surveys from June through to late-January. The result does not take us back to the high disinterest levels of 2021 into 2023 but it does tell us that for the moment buyers have stepped back in their purchase or market research plans.



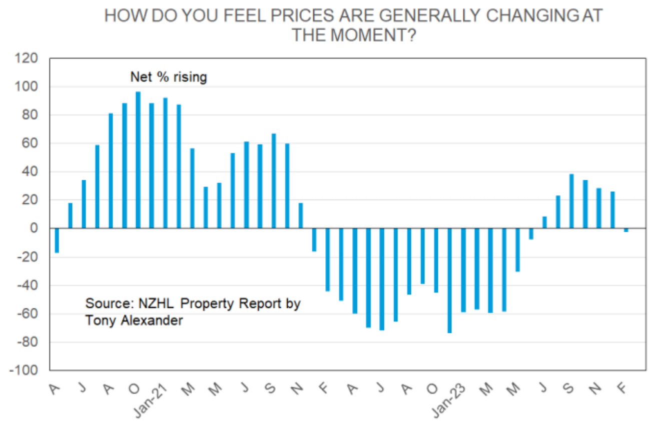
Are more or fewer people attending open homes?

As above with auction attendance so too with open home attendance have, we just seen a substantial decline in buyer interest. Only a net 9% of agents responding in our survey this month have said that they are seeing more people at open homes. The result is positive, but it is well down from a net 57% in late-January observing more people appearing at open homes. Again, as with our discussion about auction attendance above, this tells us that for the moment a new wave of caution has swept through potential home buyers.



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

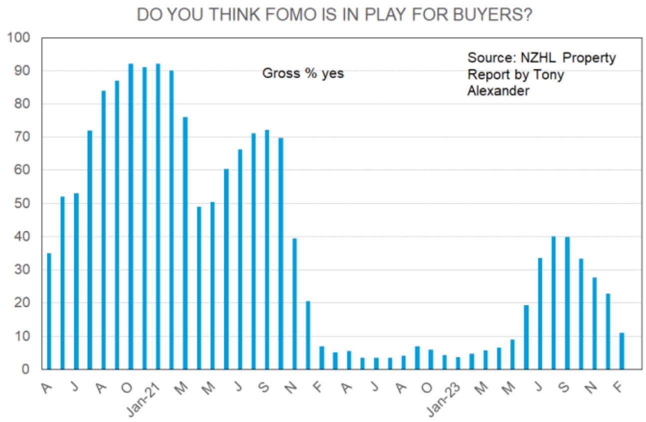
For the first time since June our survey has revealed more agents feeling prices are falling in their location than rising. At a net 2% the result is only weakly negative. But it does gel with other measures in this survey and elsewhere which indicate that the pace of house price growth has slowed and perhaps stalled over summer.



Do you think FOMO is in play for buyers?

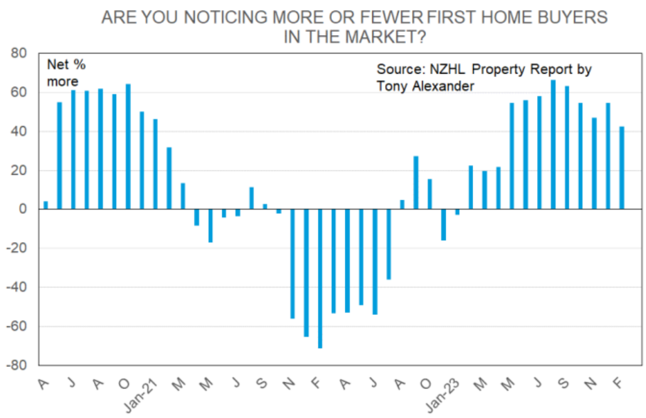
FOMO = Fear of missing out

At the peak of the pandemic frenzy in late-2020 a gross 92% of agents said that buyers were displaying FOMO. This fell away to between only 4% and 9% from February 2022 to May last year. Then as the market recovered FOMO lifted to 40% of agents seeing it in August and September. Now, only 11% of agents observe it, down from 23% late in January. This result tells us that buyers feel in no hurry to make a purchase and do not feel that delaying will necessarily cost them in terms of eventually having to pay a much higher price.



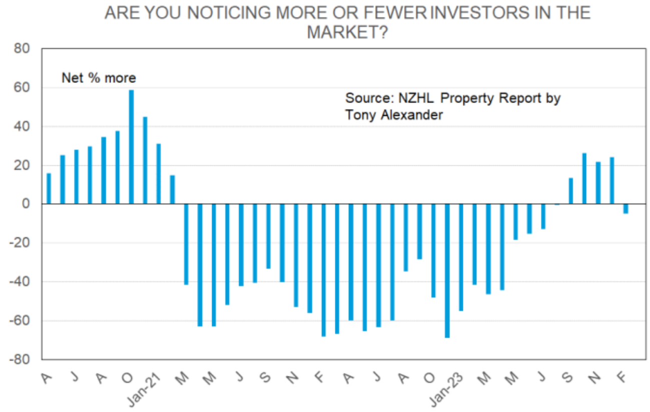
Are you noticing more or fewer first home buyers in the market?

Now, considering the newly weak results above, we can start to get into details about why the market has newly eased off, starting with first home buyers. They have been the driving force behind the market upturn from the middle of 2023 and remain firmly present in the market. The net proportion of agents saying that they are seeing more first home buyers has only declined to 43% in this month's survey from 55% last month and a peak of 66% in August. This result stands in some contrast to almost all others in our survey this month including that for investors just below.



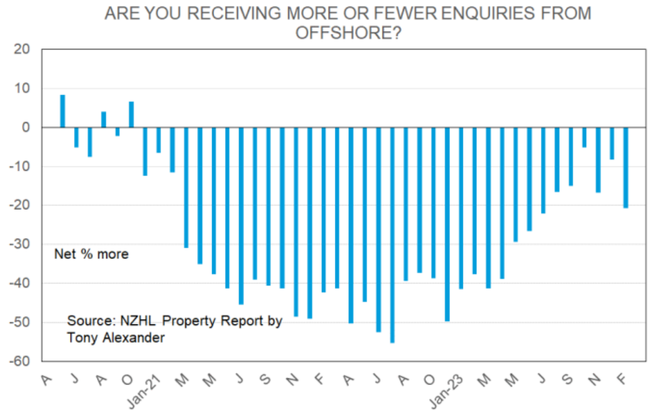
Are you noticing more or fewer investors in the market?

A net 5% of agents in this month's survey have said that they are seeing fewer investors in the market. This is the first negative result after a run of four positives but does not take us back to the market-withdrawal readings of 2021 through to mid-2023. Investors have grown newly cautious, perhaps in the face of soaring costs, still high interest rates, and the need to ensure cash flow is available for one's personal spending, other investments, and business.



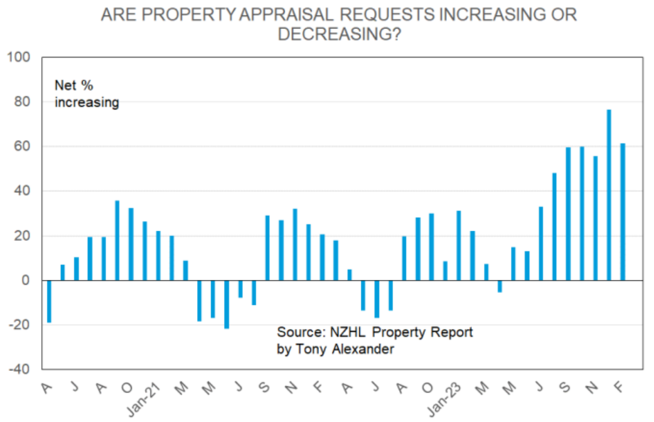
Are you receiving more or fewer enquiries from offshore?

A net 21% of agents have reported that they are receiving fewer enquiries form offshore. This ends the improving trend in this measure which started early in 2023 but mainly indicates a stalling rather than reversal necessarily in the degree of foreign interest.



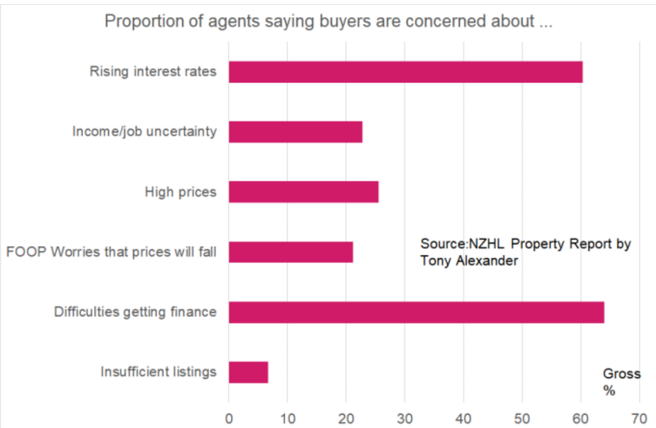
Are property appraisal requests increasing or decreasing?

This is where we start to get to the heart of what may be going on in the NZ residential real estate market at the moment. Last month a record net 76% of agents reported that they were receiving more requests for property appraisals from potential sellers. This month that measure has eased only slightly to a net 61%. What this result tells us in conjunction with the surge in listings so far this year reported by realestate.co.nz is that the queue of sellers on hold since late in 2021 has become more activated at the moment than the queue of frustrated buyers which has built up from that time. The increase in supply has taken away feelings on the part of buyers that they need to hurry.

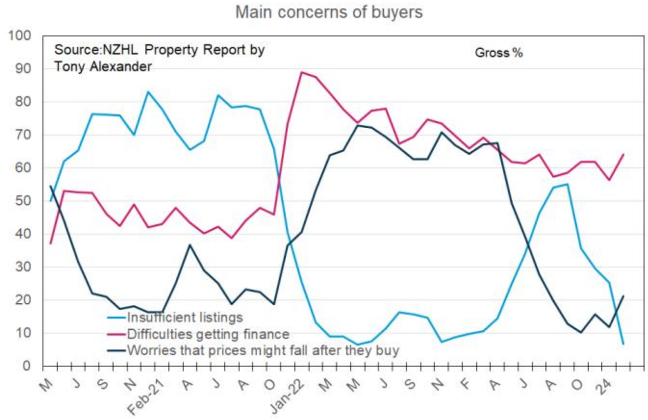


What are the main concerns of buyers?

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.



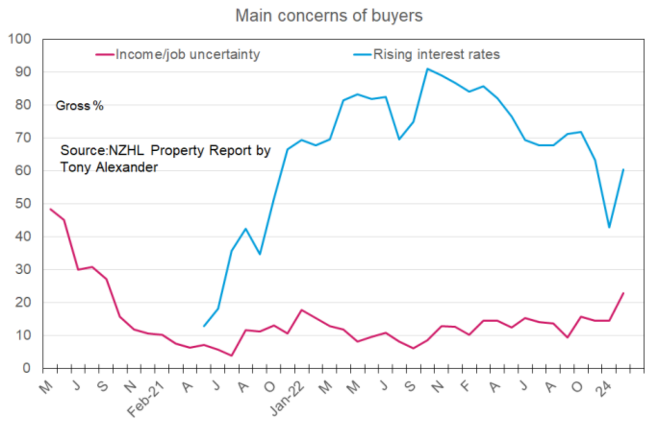
The following two graphs plot for each month since May 2020 the proportion of agents saying that buyers are concerned about each factor. The first graph tells us that concerns about getting access to finance (dark pink line) have risen slightly (64% from 56% last month) but the change is not much in the context of the past year. But worries about prices falling (black line) have increased this month (21% from 12% last month) while worries about a shortage of listings have gone right back to where they were at low levels late in 2022 at 7% from 25% of agents noting this concern last month. Buyers clearly feel that there are many properties for them to peruse.



Our second graph of concerns contains two interesting results. First, the blue line shows a sharp jump in buyer worries about interest rates. Given that this jump has happened at a time when banks have been making small cuts in their fixed mortgage rates it seems reasonable to assume that this jump is associated with the forecast from one bank that monetary policy will be tightened further by the Reserve Bank.

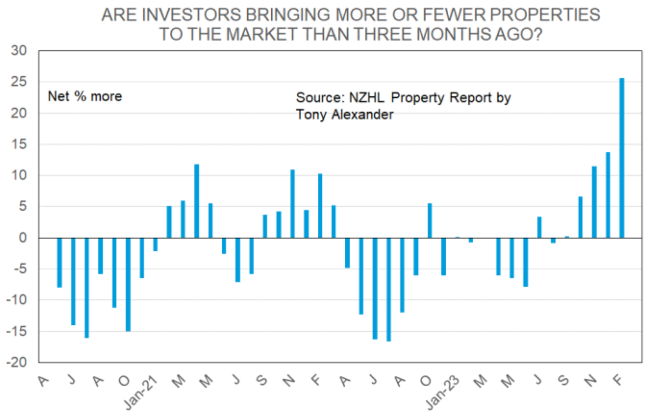
That is interesting. But of potentially greater interest given that the interest rate concerns might back off quickly, is the rise in the proportion of agents noting that buyers are worried about their employment and incomes to 23% from 14% last month. This is the highest reading since September 2020, and it tells us that the weakening in the economy sought by the Reserve Bank and the subsequent weakening in the labour market it needs to reduce wages growth may at last be affecting people's feelings of job security.

This is not positive for the people concerned but it is positive for falling inflation and easing monetary policy – potentially before the end of this year.



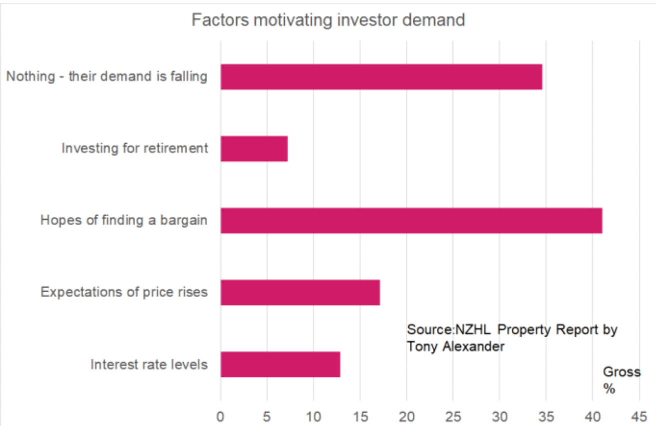
Are investors bringing more or fewer properties to the market to sell than three months ago?

In this month's survey a net 26% of agents have reported that they are seeing more investors looking to sell their property. This is the highest reading on record and tells us that cash flow pressures and other factors are outweighing the potential positive impact on willingness to hold of the return of 80% interest expense tax deductibility for investors from April 1.

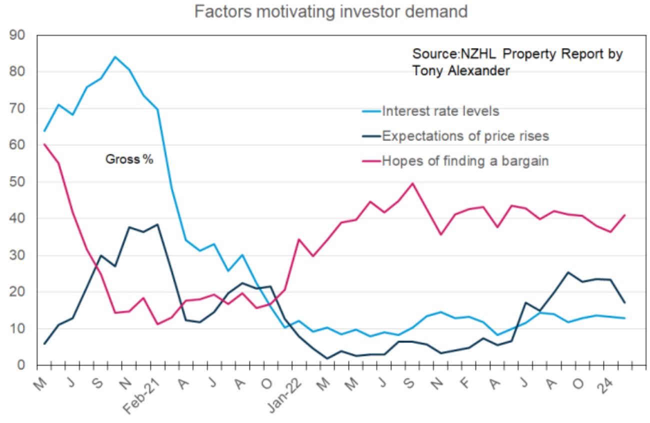


What factors appear to be motivating investor demand?

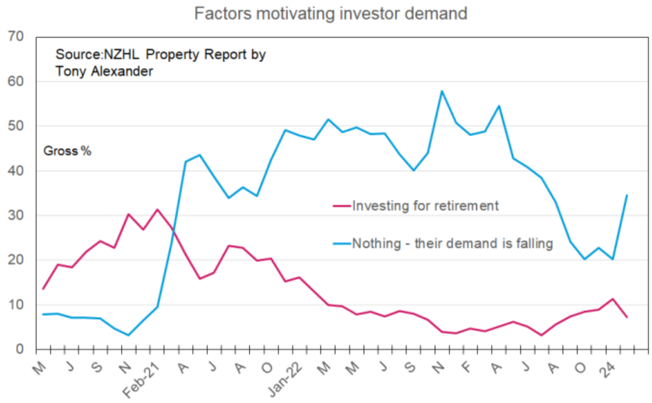
If investors are motivated to buy, then the main factor in play is the hope of finding a bargain.



When we look at how factors driving investor buying have changed over time, we see that this month there has been a noticeable decline in expectations that prices will go up.



The biggest change however has been a firm lift in the proportion of agents saying that actually, investors are not interested in buying.



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 3% of agents have said that they are seeing fewer investors, in Canterbury a net 38% are seeing more.

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 #obs	B Appraisals	C Auction	D Open H.	E Prices	F FOMO	G FHBs	H Invest.	I O/seas	J Inv. selling
Northland	26	50	-15	-38	-50	0	12	-19	-23	-16
Auckland	166	60	-13	-2	-13	7	36	-11	-20	34
Waikato	35	89	3	23	-9	14	43	14	-17	31
Bay of Plenty	24	46	-8	-4	-21	4	38	-8	-17	17
Hawke's Bay	15	73	7	80	40	33	100	53	-40	33
Taranaki	4									
Manawatu-Wanganui	18	67	17	33	22	6	50	0	-17	28
Wellington	30	57	13	13	10	17	57	-33	-20	40
Nelson/Tasman	22	82	-5	32	27	18	45	-14	-14	5
Canterbury	29	45	7	24	34	17	59	38	-3	14
Queenstown Lakes	4									
Otago exc. Qtown	14	71	0	29	36	0	50	7	-43	57
Southland	4									
New Zealand	**391**	**62**	**-4**	**11**	**-1**	**11**	**43**	**-3**	**-20**	**26**

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