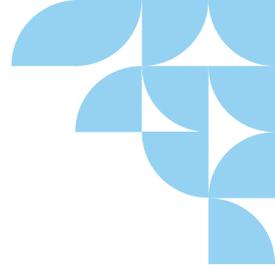


# REINZ & TONY ALEXANDER REAL ESTATE SURVEY

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September 2021



# LOCKDOWN HAS LITTLE IMPACT

Welcome to the REINZ & Tony Alexander Real Estate Survey. 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 at the moment. 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.

This month's survey was sent out on August 24, so fully captures any initial effects of the nationwide lockdown. The responses from 325 real estate agents from all around New Zealand show minimal impact on sentiment and observations beyond an obvious reduction in attendance at Open Homes and to a lesser degree auctions.

For the first time in five months agents have reported that they are seeing more first home buyers in the market, while the stepping back of investment buyers continues. But fewer investors are selling, a shortage of listings continues to rank as the biggest concern of buyers, and concerns about rising interest rates are increasing.

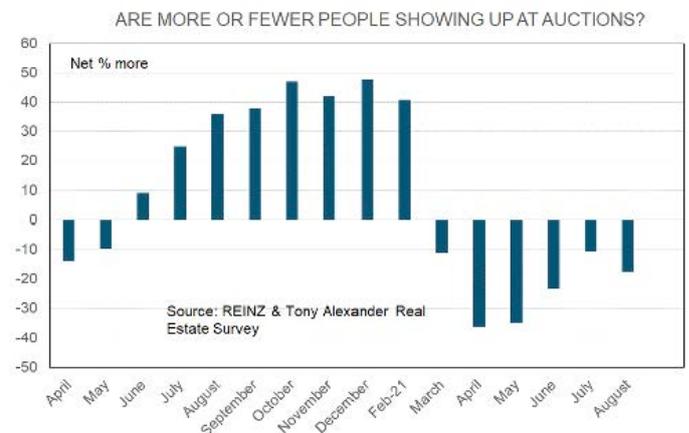
Each of the questions we ask agents is discussed below.

## ARE MORE OR FEWER PEOPLE SHOWING UP AT AUCTIONS?

For six months now there have been more agents reporting that they are seeing fewer people showing up at auctions than more. The intensity of buyer withdrawal eased in our surveys for May, June, and July, but late in August with lockdown underway there was understandably a small rise in perceptions (reality) of buyer withdrawal.

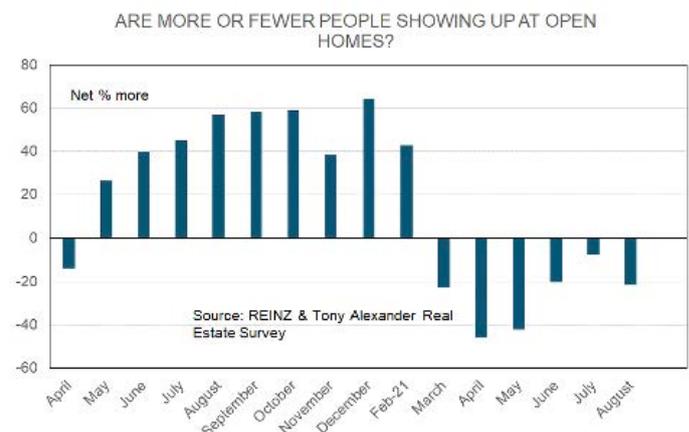
If we look back at our first survey in April last year during the last nationwide lockdown, we see a net 14% of agents reported fewer people at auctions compared with 18% now. The worse result now despite an absence of expectations of Depression, rising rate of unemployment, and falling house prices, bespeaks of the underlying effects in play from rising interest rates, LVR changes, prices having

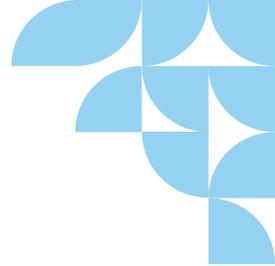
already increased, and government moves to discourage investor purchases of existing properties.



## ARE MORE OR FEWER PEOPLE ATTENDING OPEN HOMES?

A net 22% of agents have reported that they are seeing fewer people showing up at Open Homes. This deterioration from 7% in late-July is actually quite small considering the new lockdown in place preventing physical property inspections. It will be interesting to see what happens when lockdown ends because before two weeks ago there was a lessening in agent reports of the proportion of people backing away from visiting properties.





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

A net 59% of agents have reported that they feel prices are rising. This is essentially unchanged from 61% in July and is therefore suggestive of still rising underlying price pressures when we consider the easing of buyer attendance noted in the indicators above for auctions and open homes. The residential real estate market has entered this lockdown with upward momentum in monthly price gauges just as was the case for the first nationwide lockdown last year.



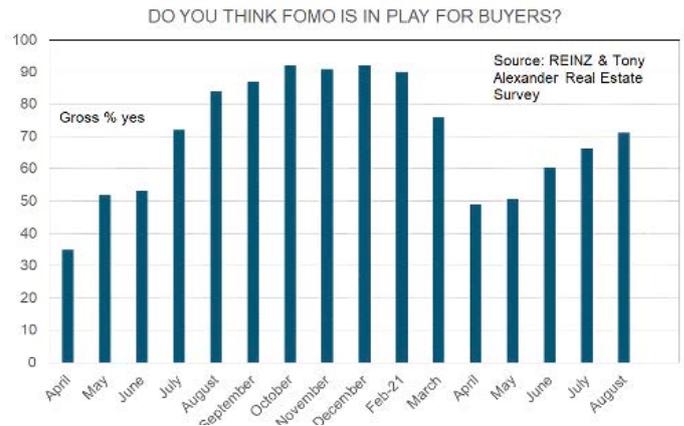
Note that on average between 2011 and 2014 when this same question was asked in a previous similar survey, a net 31% of agents responded that prices are rising. The nationwide pace of price increase back over that 2011-14 period of time averaged just over 5% per annum.

**DO YOU THINK FOMO IS IN PLAY FOR BUYERS?**

FOMO = Fear of missing out

The return of COVID-19 in the community and reimposition of lockdown has not prevented FOMO from continuing the rising trend it has been on since late-May. A gross 71% of agents have reported that they are observing nervousness from buyers regarding missing out and this is well up from the low of 49% in April. That low point came in our second survey after the tax changes announced on March 23 and illustrates that there can be a delay between something substantial happening and our FOMO gauge strongly altering.

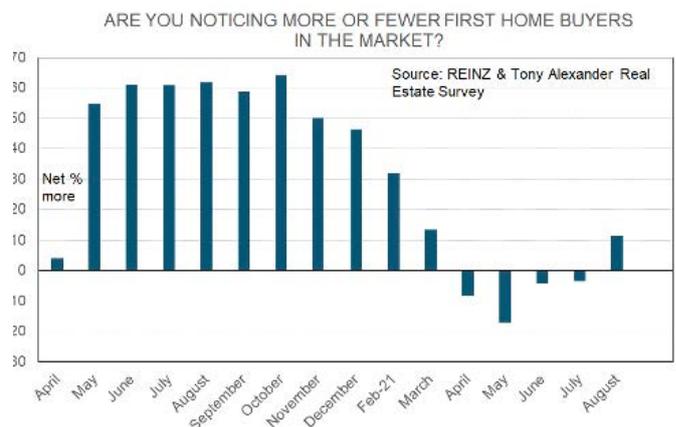
Therefore, it might be best to wait for the September survey's FOMO reading before strongly concluding that the lockdown has, if anything, boosted FOMO!



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

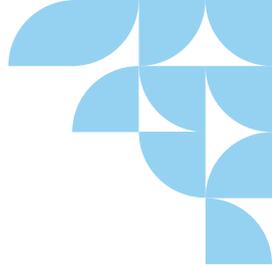
Following on from results in the recent mortgages.co.nz and Tony Alexander Mortgage Advisors Survey showing a return to net positive observations of first home buyers in the market, we have an even stronger result from our survey of real estate agents. A net 11% of agents have reported seeing more first home buyers in the market. This is well up from a net 4% last month and in June observing fewer young buyers, and well away from the net 17% in May seeing falls in first buyer market participation.

This development will please those wanting to see better market access for first home buyers when set beside the result below for investors.

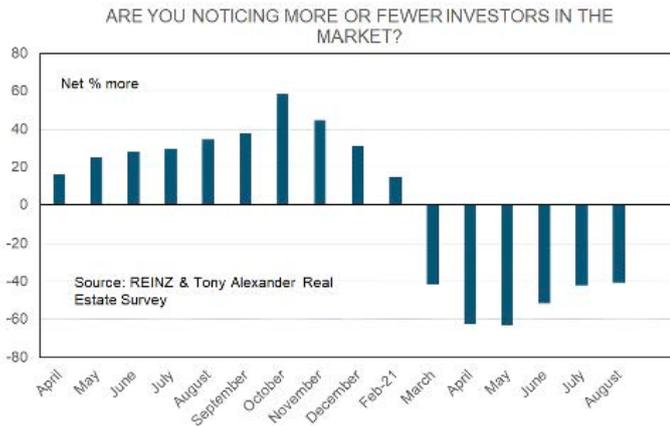


**ARE YOU NOTICING MORE OR FEWER INVESTORS IN THE MARKET?**

Real estate agents this month have continued to report substantial reductions in the number of investors looking to make a property purchase. This month a net 41% have reported seeing fewer investor buyers, essentially unchanged from July's net 42%. The degree of investor

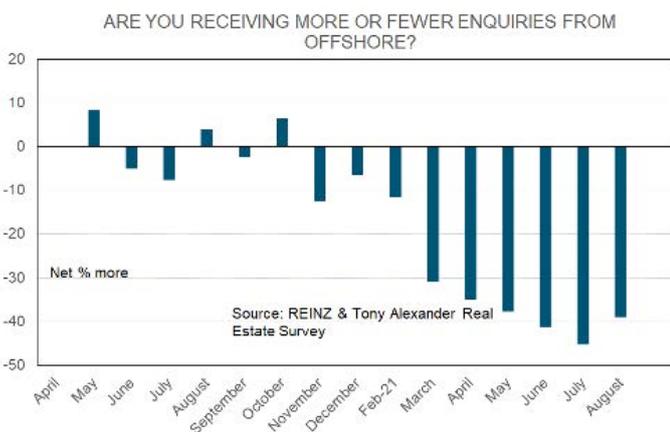


withdrawal has eased since May, but only slightly, and their continuing stepping back stands in stark contrast to the data above showing what first home buyers are doing.



**ARE YOU RECEIVING MORE OR FEWER ENQUIRIES FROM OFFSHORE?**

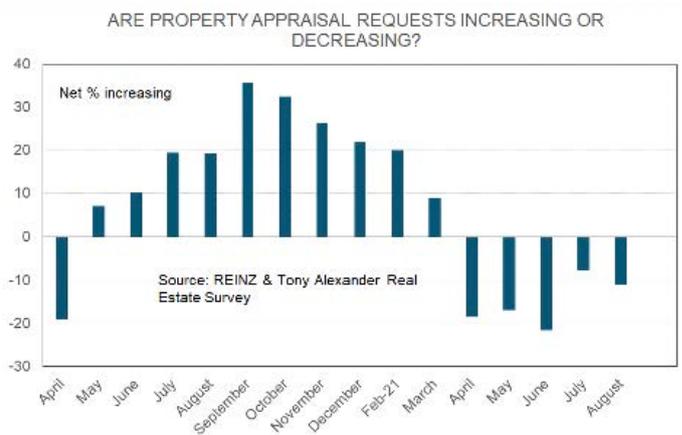
In New Zealand we have followed a very successful COVID-19 elimination strategy not able to be pursued in almost every other part of the world bar some other isolated islands. This has generated a belief on the part of Kiwis that the rest of the world, and expat Kiwis in particular, must surely be knocking on our doors to get in. Media in recent days have again chosen to run stories of strong offshore traffic to NZ real estate websites.



However, in every month since November last year more real estate agents have reported seeing a decline in offshore enquiries than an increase. In our latest survey a net 39% report reduced offshore enquiry, little changed from the net 45% of July and 41% of June.

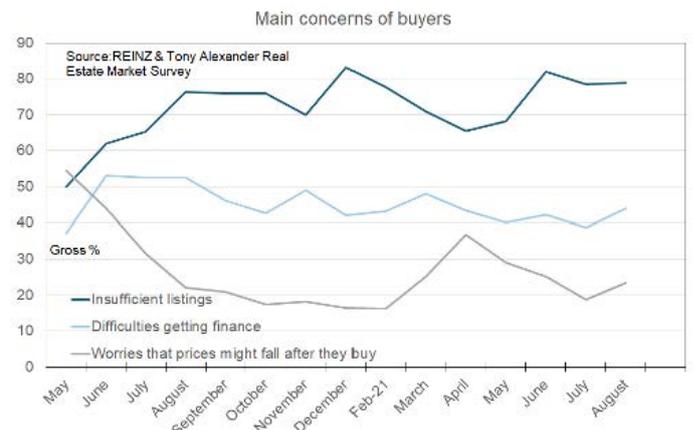
**ARE PROPERTY APPRAISAL REQUESTS INCREASING OR DECREASING?**

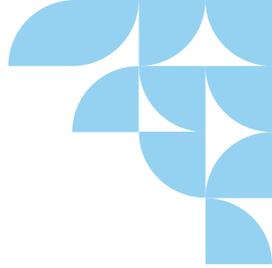
There is no upward trend yet in agent reports of the number of potential vendors seeking appraisals of their property’s market value. Were this indicator to rise sharply we could interpret it as capitulation on the part of potential vendors either holding their property back in anticipation of being able to achieve a higher price by waiting, or fearful of not being able to re-buy when they sell. As such, this measure does not suggest listings will be improving in the very near future.



**WHAT ARE THE MAIN CONCERNS OF BUYERS?**

The biggest factor concerning residential property buyers continues to be a shortage of property listings. Data from www.realestate.co.nz show that seasonally adjusted nationwide new listings have been declining for virtually all of this year, and the stock of listings is almost 30% lower than just before last year’s nationwide lockdown. There is no trend change in concerns about access to finance, and the slight rise in concerns about prices falling is minor.

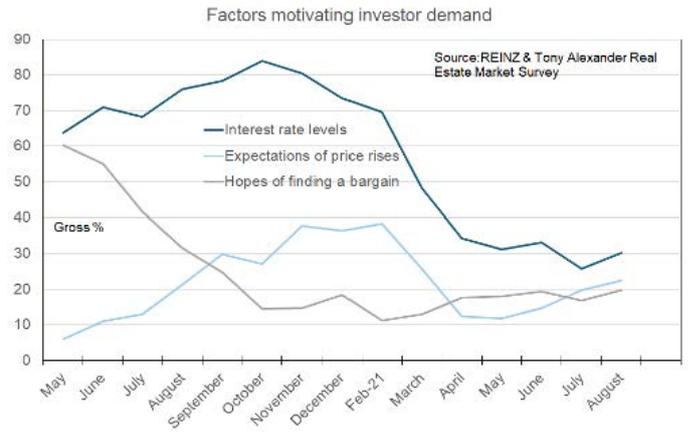




The area of buyer concern which is showing a definite trend change is worries about interest rates increasing. A gross 42% of agents have cited this as a major concern they are observing, up from 36% last month and just 13% the first time we asked this question in late-May.

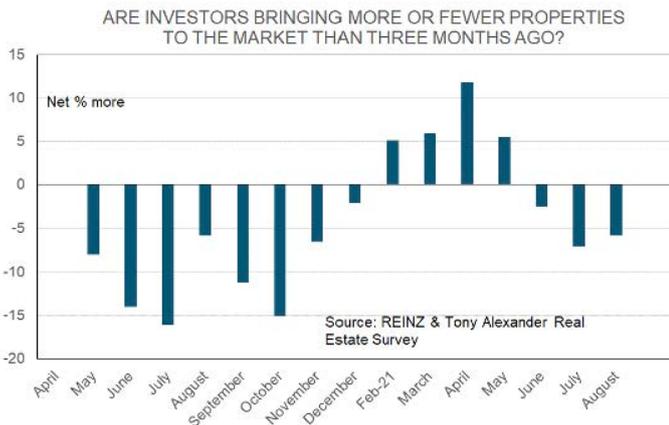


has barely budged in this survey from recent months and sits much lower than early in last year's nationwide lockdown when a gross 60% and then 55% of agents said hopes of getting a bargain were strong.



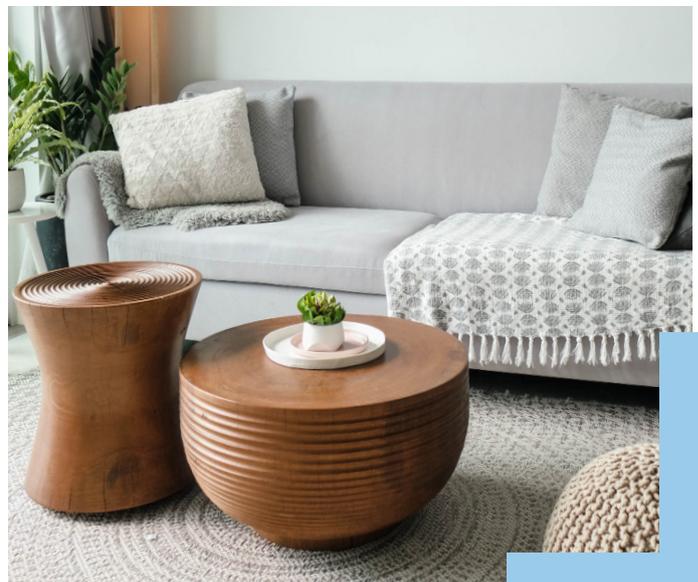
**ARE INVESTORS BRINGING MORE OR FEWER PROPERTIES TO THE MARKET TO SELL THAN THREE MONTHS AGO?**

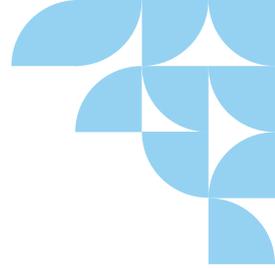
There continues to be no statistical evidence of a wave of investors selling since the March 23 tax announcement. A net 6% of real estate agents this month have reported that they are seeing fewer investors selling – not more.



**WHAT FACTORS APPEAR TO BE MOTIVATING INVESTOR DEMAND?**

None of the factors we ask agents about regarding motivators of investor demand have shown any large changes this month. The most cited driver of investor demand remains interest rate levels for 30%. 20% say they are motivated by hopes of finding a bargain. This measure





**REGIONAL RESULTS**

The following table breaks down answers to the numerical questions above by region. No results are presented for regions with fewer than seven responses as the sample size is too small for good statistical validity of results. The table also does not show West Coast or Southland as we never receive sufficient results to allow presentations. The three top of the South Island regions are amalgamated into one.

The table tells us that FOMO is strongest in Canterbury, Waikato, and Bay of Plenty, but weakest in Manawatu-Wanganui and Hawke's Bay. Perceptions of prices rising are strongest in Canterbury and Dunedin, and weakest in Hawke's Bay and Wellington. If anyone is interested, I can make available time series for each measure shown here.

Contact me at [tony@tonyalexander.nz](mailto:tony@tonyalexander.nz)

- 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?

	A #obs	B Appraisals	C Auctions	D Open H.	E Prices	F FOMO	G FHBs	H Invest.	I O/seas	J Inv.selling
Northland	13	15	-8	-15	46	69	-15	-23	-8	-15
Auckland	129	-21	-26	-20	62	67	19	-25	-44	-9
Waikato	31	-16	-13	-10	65	81	3	-32	-61	-26
Bay of Plenty	26	-15	-38	-35	58	81	-8	-65	-38	4
Hawke's Bay	11	-27	-18	-45	36	55	-18	-91	-36	9
Taranaki	4									
Manawatu-Wanganui	15	-13	7	-40	47	47	33	-47	-27	33
Wellington	21	0	-29	-62	29	67	5	-76	-38	5
Nelson/Tasman	12	0	-25	-25	67	67	8	-25	-50	17
Canterbury	40	-5	10	0	73	90	18	-50	-18	-13
Queenstown Lakes	4									
Otago exc. Q'town	11	36	-9	-9	82	64	36	-64	-18	0
<b>New Zealand</b>	325	-11	-18	-22	59	71	11	-41	-39	-6



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This publication is written by Tony Alexander, independent economist.

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