

The NZHL Property Report

by Tony Alexander.

January 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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ISSN: 2703-2825

October 2023

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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 has settled down

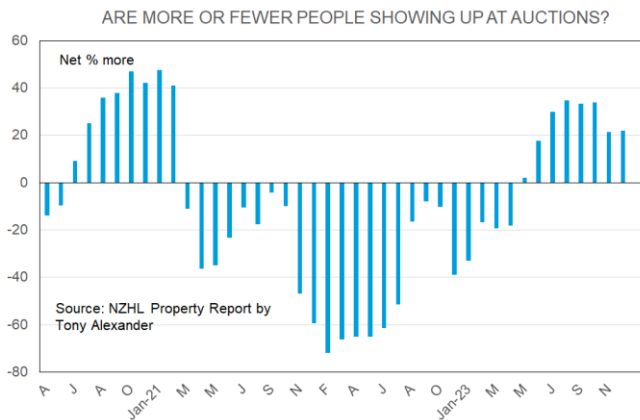
Welcome to the NZHL Property Report by Tony Alexander. This survey gathers together the views of licensed real estate agents all over New Zealand regarding how they are seeing conditions in the residential property market in their areas. We ask them how activity levels are changing, what the views of 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 remain in the market but with little feeling that they need to get a purchase across the line as soon as possible.
- Prices are rising but not at an accelerating pace.
- Lack of finance is a high barrier for many buyers.
- More and more investors are looking at selling their rental property assets.

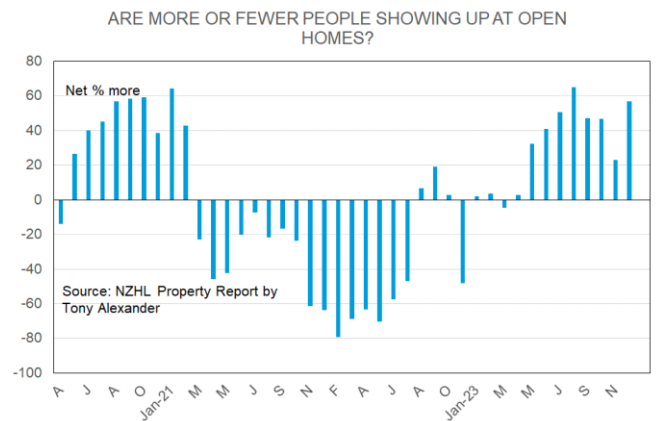
Are more or fewer people showing up at auctions?

Our survey this month yielded 387 responses and a net 22% of the responding agents have said that they are seeing more people showing up at auctions. This is basically the same as the net 21% in our last survey undertaken two months ago at the end of November. What the outcomes recently tell us is that there was a distinct change in the market in the middle of 2023 but since that step-shift things have settled down for now. Comments from agents indicate that access to finance is a key impediment for many buyers and a reason why a still large proportion of deals are falling over.



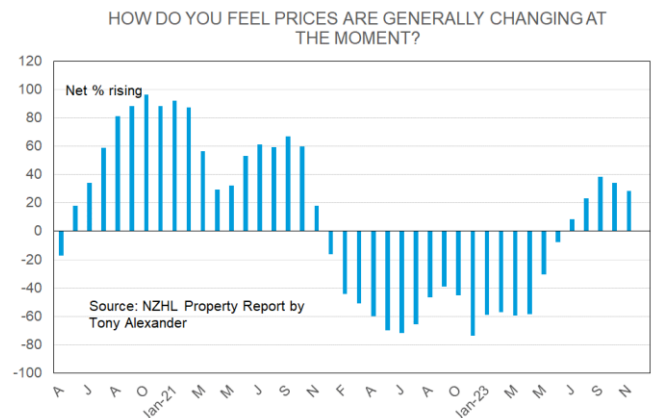
Are more or fewer people attending open homes?

A net 57% of agents have just reported that more people are showing up at open homes. This is a firm recovery from the relatively low net 23% result two months ago and tells us that buyers do have good interest in the market. Open house attendance appears especially firm in Hawke's Bay, Manawatu-Wanganui, Wellington, and Queenstown.



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

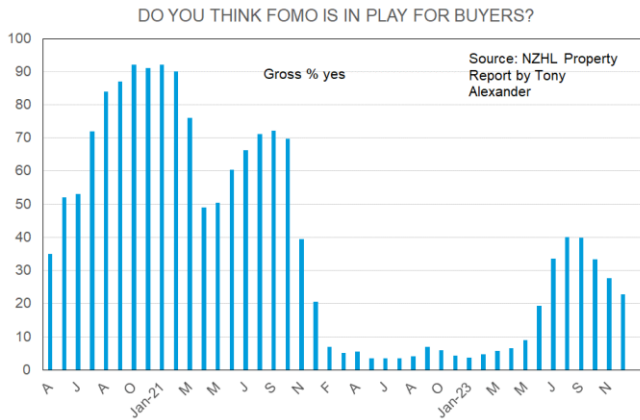
A net 26% of agents on average around New Zealand feel that prices are rising in their area of operations. This is consistent with November's net 28% result and tells us that for the moment the pace of price increase is probably not accelerating. Consistent with the two results above for open home and auction attendance this measure is on the positive side but not running away on itself. Many issues remain for buyers of properties.



Do you think FOMO is in play for buyers?

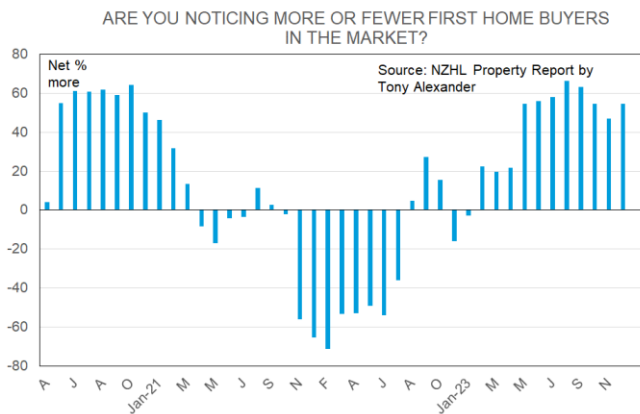
FOMO = Fear of missing out

A gross 23% of agents in this month's survey have said that they are observing buyers display fears of missing out. This is the least strong result since July last year and tells us that for the moment buyers do not feel that the market has such strong upward momentum that they need to make extra effort to get a purchase made as quickly as possible. FOMO is quite low in Northland and Waikato.



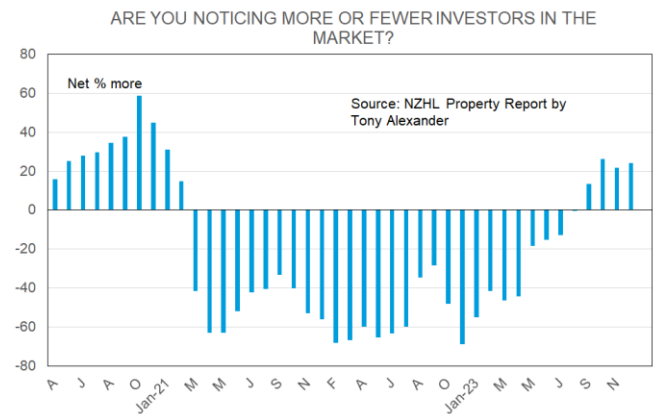
Are you noticing more or fewer first home buyers in the market?

First home buyers appear to still be in good presence in the residential real estate market. A net 55% of agents have said that they are seeing more young buyers out there and this result is consistent with all others since May last year. Again, the data tell us that in the middle of 2023 buying activity picked up but since then things have settled down to upward but not accelerating momentum.



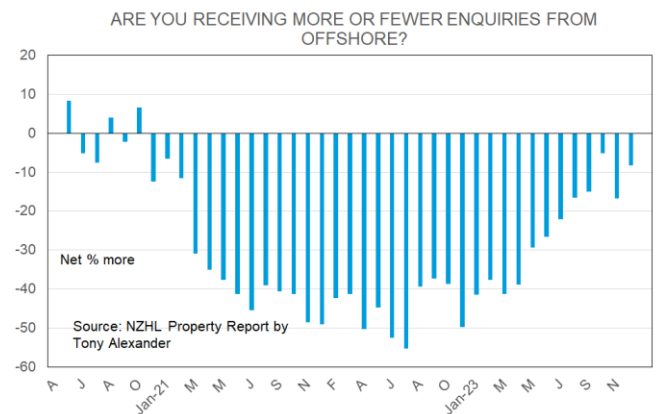
Are you noticing more or fewer investors in the market?

Agent observations of investor presence became less negative in the middle of last year at the same time as the other indicators already discussed above turned upward. But it was not until the end of September that more agents said they were seeing more investors than said they were seeing fewer. Since this happened investors have retained their firmer presence, but the extent of positivity is still relatively mild. Investors remain constrained by sharp cost increases.



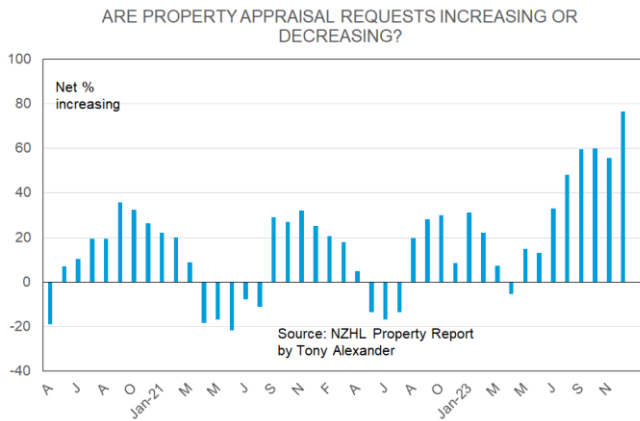
Are you receiving more or fewer enquiries from offshore?

There has been an improvement in the degree of offshore disinterest in NZ residential property ever since the start of 2023. That improvement has continued this month with only a net 8% of agents saying they are seeing less offshore enquiry, better than the net 17% of late-November but still not positive territory. There are reports of more offshore Kiwis showing interest, but they do not appear to be moving the market much as yet – except maybe in Dunedin.



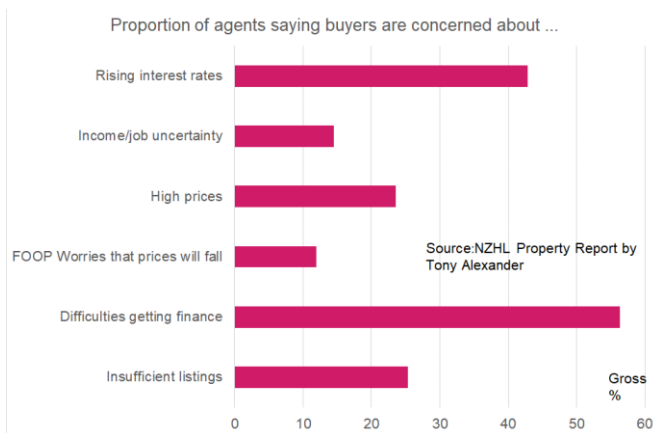
Are property appraisal requests increasing or decreasing?

In this month's survey a record net 76% of agents have noted that they are seeing more people asking about property appraisals. This suggests that listings availability during the first half of this year may remain good in many parts of the country.



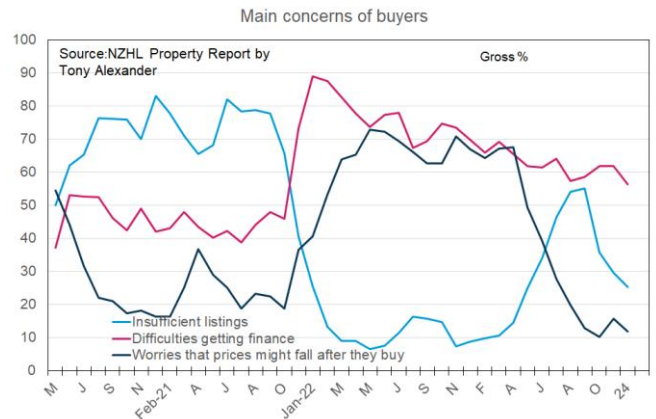
What are the main concerns of buyers?

The main concern buyers have currently is gaining access to finance. Second place on the list of concerns goes to interest rates followed by insufficient listings.

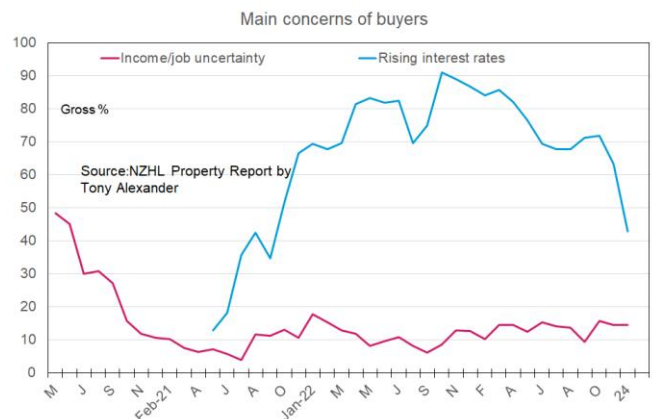


The next two graphs show how buyer concerns have changed over the past three and a half years. Worries that prices will fall fell away sharply last year between April and October but have now settled near 12% of agents rating this as a key buyer concern. Worries about listings rose quite a bit from mid-2023 as the market lifted but now those worries have settled back down again as buyers have satisfied their initial demand and more vendors have stepped forward.

Of note is the way concerns about the availability of finance from banks have declined barely at all through this period. Credit remains hard to get for many people and this is the cause of many purchase deals falling over according to agents.



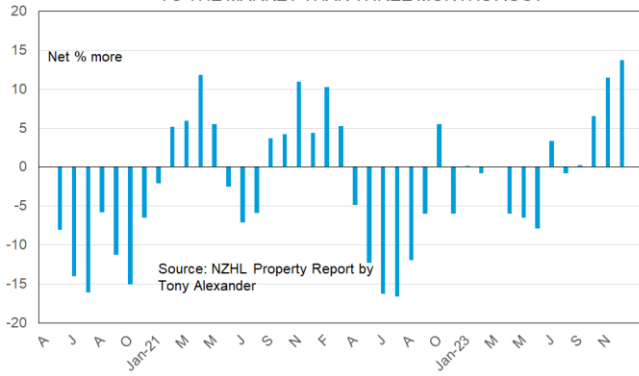
Worries about interest rates have recently decreased and now just 43% of agents cite this as a major buyer concern. This is the lowest reading since September 2021. Finally, the dark scarlet line in the graph below shows that while the unemployment rate has risen from 3.2% to 3.9% the state of the labour market is not something of particular concern to buyers as yet.



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

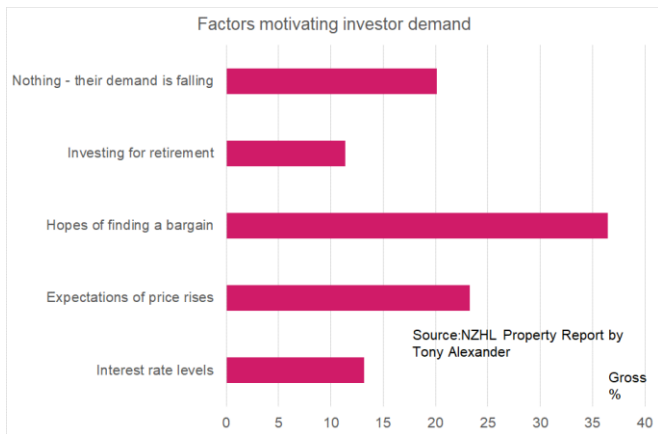
A net 14% of agents have reported that investors are bringing more properties to them to sell. This is the highest reading on record and tells us that for the moment despite upcoming tax changes for investors many investors are of a mind to reduce their presence in the rental sector.

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

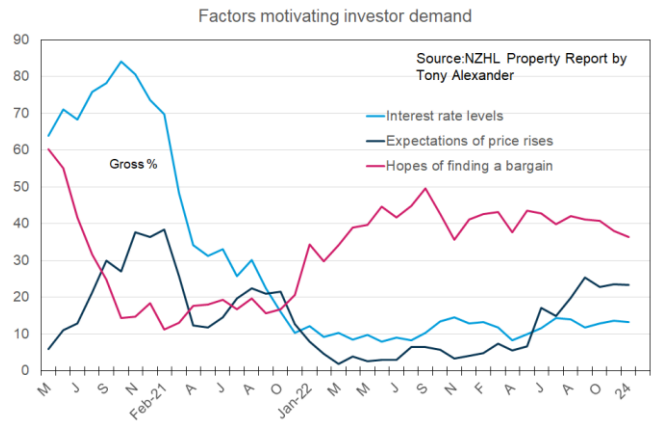


What factors appear to be motivating investor demand?

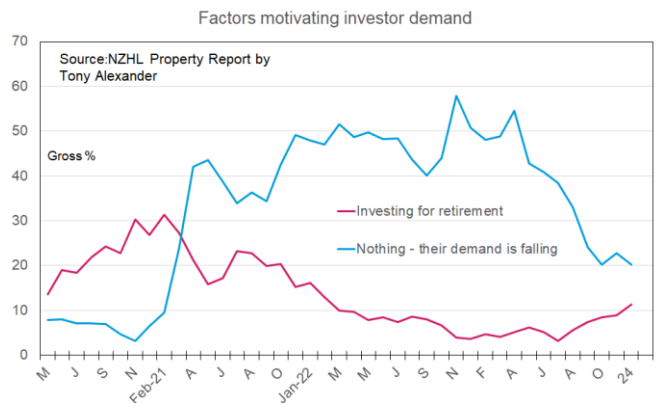
For those investors who are looking to make a residential property purchase the main motivation is the hope of finding a bargain.



The following two graphs show trends in the factors which may motivate investor demand. There was a lift in expectations of price rises over the September quarter, but that gain has now steadied. Interest rates are still too high to act as a buying motivator – in contrast to the case during 2020.



There is a slow upward drift in the proportion of agents that feel investors are motivated by a desire to provide 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 net 26% of agents nationwide have said that prices are rising, a net 5% in Northland say they are falling up there.

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	20	75	10	20	-5	10	0	-10	-15	-35
Auckland	146	75	30	46	18	21	50	16	-12	17
Waikato	37	76	22	49	19	8	62	30	-5	-3
Bay of Plenty	30	80	13	63	20	27	63	23	-3	27
Hawke's Bay	18	89	33	89	39	44	83	50	-11	6
Taranaki	9	100	0	67	22	22	22	56	-22	0
Manawatu-Wanganui	17	82	18	82	24	18	76	6	-12	18
Wellington	30	73	20	83	60	30	83	23	-13	40
Nelson/Tasman	15	53	0	33	20	13	53	67	13	13
Canterbury	39	82	21	77	36	28	56	26	-8	15
Queenstown Lakes	11	73	36	82	64	45	45	45	0	9
Otago exc. Q'town	14	79	7	57	50	29	50	50	21	29
Southland	1									
New Zealand	387	76	22	57	26	23	55	24	-8	14

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

*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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