RAY WHITE **NOW**

EDITION 58

PROUDLY PRESENTING NEW ZEALAND
PROPERTY MARKET INSIGHTS IN REAL TIME

A MESSAGE FROM OUR **EXECUTIVE CHAIRMAN**

Dear Property Owner

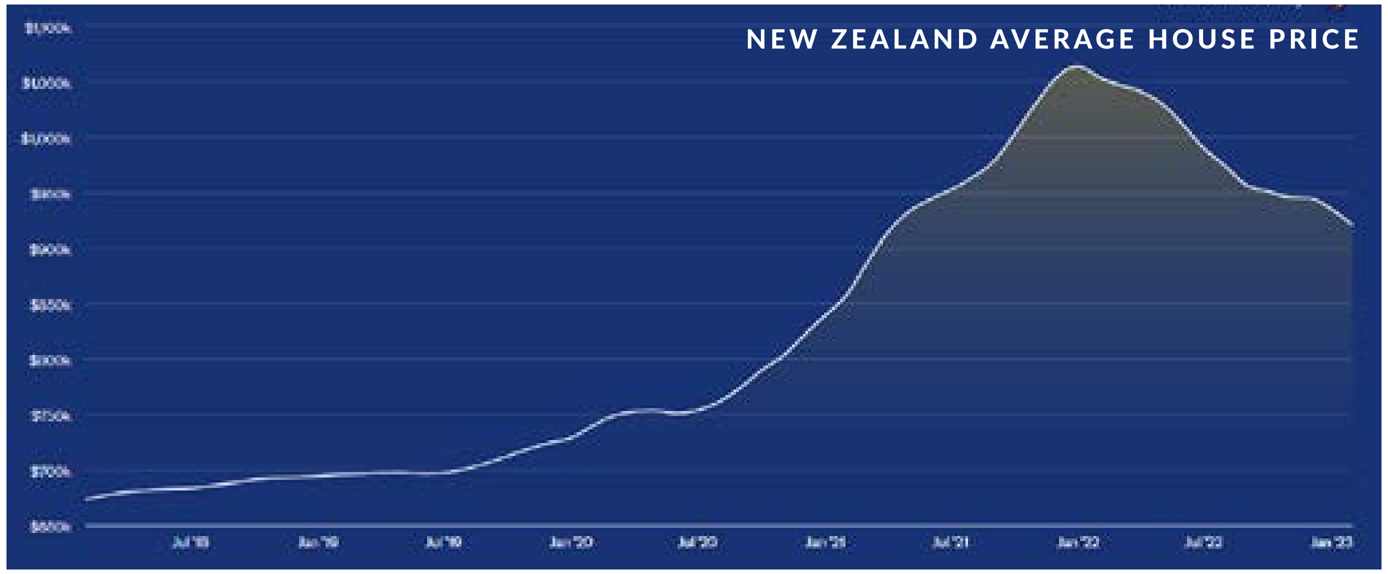
Welcome to our 58th edition of Ray White Now.

Firstly, we acknowledge those who have been affected by the recent weather events across New Zealand. It has been a very difficult time for many. We extend our very best wishes. Our Ray White members are available to help with any questions you have regarding property status or concerns.

The property market comprised a lower level of activity during February, partly due to the weather events but also the slower start with new listing activity and buyer interest. The Reserve Bank lifted the official cash interest rate to 4.75 per cent, a total rise of 50 basis points. This has resulted in a growing inventory of property available for sale.

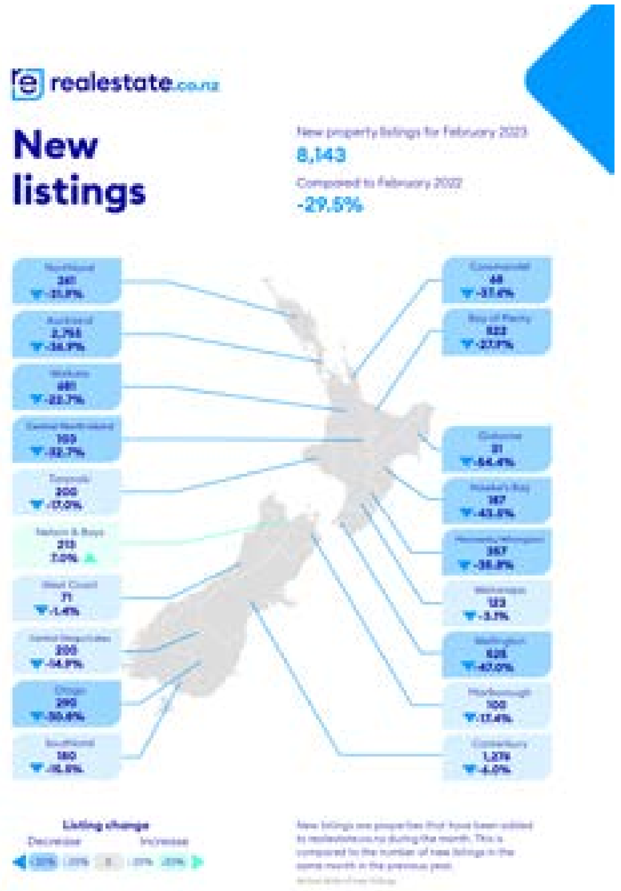
The residential property downturn continued this quarter, with the national average dropping 2.7 per cent to $920,366. That represents a 1 per cent increase in last month's quarterly rate of reduction. Across the main urban centres, the largest home value reductions occurred this quarter in Rotorua (-5.5 per cent), Auckland (-4 per cent), and Palmerston North (-3.9 per cent), with all three posting larger reductions in the most recent set of QV figures than in the last. Wellington (-3.4 per cent) and Hastings (-3.1 per cent) round out the top five, with property values in the South Island holding up much better on average than those in the north. Nelson (-0.6 per cent) and Invercargill (-0.8 per cent) saw the smallest home value reductions on average this quarter.

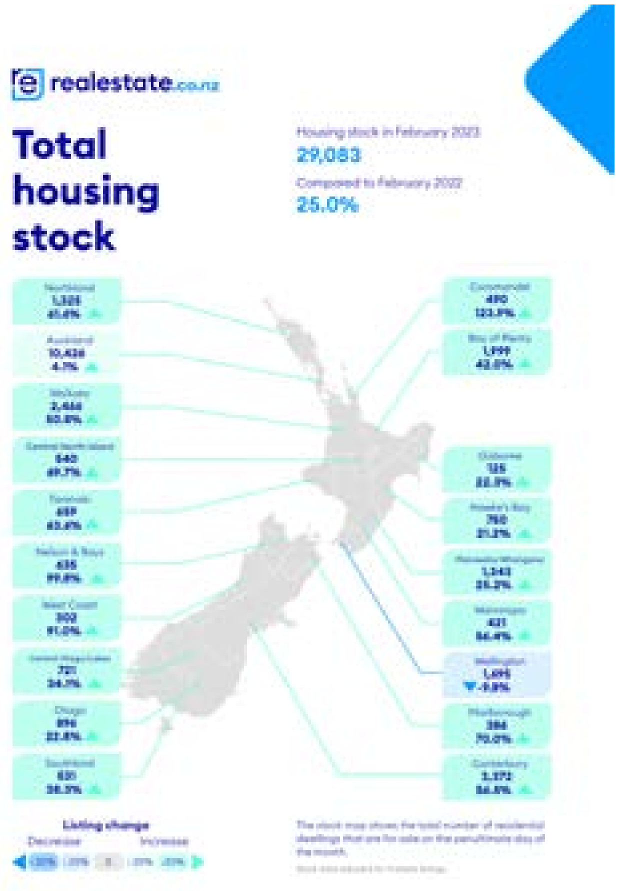
The latest QV House Price Index shows home values are still, on average, 24.5 per cent higher nationally than they were when the Covid-19 pandemic first began in Aotearoa-New Zealand three years ago – despite a 12.6 per cent average drop in the last 12 months.



Source: qv.co.nz/price-index/

Realestate.co.nz, which measures listing activity and listing portfolio, said that the February activity was the lowest since they began collating figures in 2007. 8,143 new listings nationwide in February, down 29 per cent compared to February last year. The lower activity in sales also compounded the amount of property available across the real estate market. They state that there are 29,083 residential properties throughout New Zealand available for sale, up 25 per cent compared to February last year.





There are bright spots, although limited, they are there. Those choosing to auction their property have a higher sell rate at 45.4 per cent in comparison to other methods. On average, the auction sale method is attracting two registered bidders per auction. First-home buyers have increased their activity in their property search, with the website Trade Me indicating a 7 per cent lift. Declining prices may help affordability for those who are considering upgrading their home. The increase in property also allows for a greater comparison of value in the purchasing process.

The competition between banks, given the reduced lending, has provided further opportunities for lenders to compare interest rates and this has provided better rates for approved purchasers.

Ray White has 195 offices across New Zealand, your local Ray White office has the information that will give you insights into not only the value of your property but the depth of potential buyer interest linked to the successful marketing of your property. For the month of April, Ray White has exclusive marketing upgrades available to give your property more exposure for less, enquire with your local office today.

Regards,

Carey Smith
Executive Chairman
Ray White New Zealand

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Loan Market

Loan Market
loanmarket.co.nz

BANKS OFFER HOME LOANS RELIEF
IN RESPONSE TO CYCLONE GABRIELLE

For only the third time in the country's history, a National State of Emergency was recently declared, to help in the response to Cyclone Gabrielle.

The declaration applies to Northland, Auckland, Tairāwhiti, Bay of Plenty, Waikato and Hawke's Bay CDEM Group areas, and the Tararua District.

"A National State of Emergency gives the National Controller legal authority to apply resources across the country in support of a national level response," Minister for Emergency Management Kieran McAnulty said.

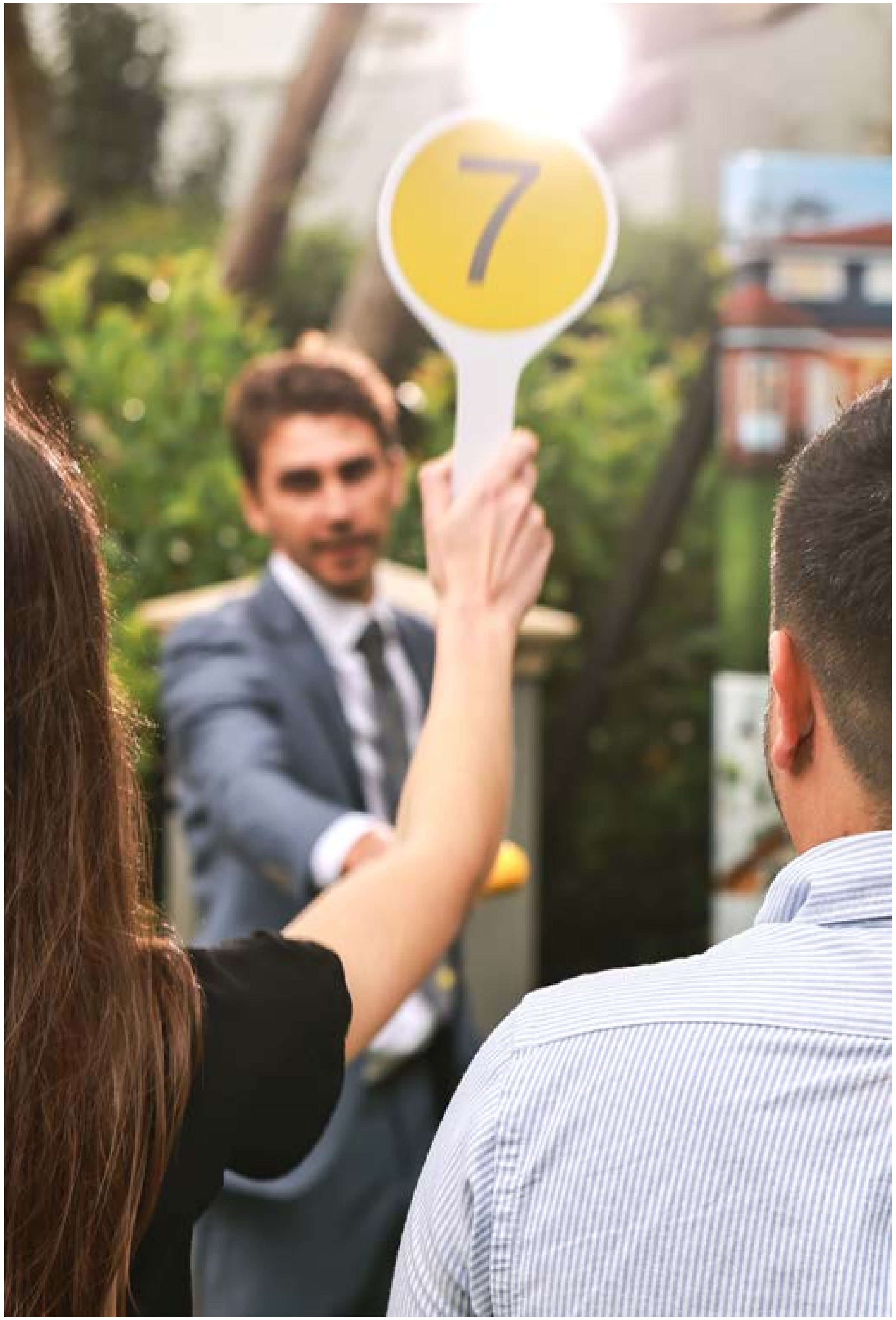
Banks offering relief to affected customers

A range of banks have offered support to customers affected by the North Island weather events.

Depending on your bank and your situation, you may be able to claim:

- Home loan relief, including repayment deferrals, repayment reductions and the chance to switch to interest-only repayments.
- Early access to term deposits.
- Credit card repayment reductions.
- 0 per cent interest overdrafts (for a limited period).
- KiwiSaver hardship withdrawals.

If you or someone you know needs help, don't hesitate to get in touch. Loan Market can let you know what support you may be entitled to, and how to claim it.



Daniel Coulson
Chief Executive
Ray White New Zealand

WHY SELL **NOW?**

Today we are in a market of necessity. The transactions that occur in these market conditions are with buyers and sellers that have genuine reasons for being active in this market. It is a return to the traditional drivers of activity - a change in family situation - either growing or reducing, forced relocation due to weather events, a change in the stage of life, such as downsizing, financial pressures and migration.

With that being said, the question then posed is, why is now a good time to sell? Simply put, you can be confident that those who are looking to purchase today are doing so because they are genuinely motivated to transact.

There are, however, some indications that market conditions may be more challenging later this year than they are today. The reasons sighted for this are:

- The increasing official cash rate
- RBNZ engineered recession to combat inflation
- Potential rising unemployment
- October General Election

Many borrowers that have taken out a mortgage over the past two years, will be experiencing significantly higher mortgage interest rates today, if their initial fixed term had come to an end. While many are speculating that we may be at the peak of the interest rate cycle, these same sentiments were offered in October last year, which since then, we have seen two further increases of 50 basis points each. Some are still expecting another interest rate hike if inflation continues at the present rate. When interest rates are higher, a purchaser that is borrowing to fund a property purchase will likely see their spending power decrease.

Economic uncertainty can significantly impact people's confidence in purchasing property. The Reserve Bank of New Zealand has given a clear indication that it is their intention to keep tightening fiscal policy until the economy returns to a level of more moderated growth and inflation is 'under control'. One of the potential outcomes of putting the handbrake on the economy is decreased job security. Again, if this comes to fruition, it will create an environment of heightened cautiousness among property buyers who may be less willing to over commit to a property purchase.

Typically, the General Election sees a period of hiatus in the property market and even more so when the outcome is less clear. This year, it appears that the outcome is far from certain, so for that reason it is expected that decision making on both the buyers and sellers side of the transaction will be delayed for a period of time leading up to October 14th.

While the above draws some speculation of the possible outcomes and many factors could influence and change our course, what we do know today is that if you are selling a property and you accept today's value you can insulate your sale price, if downward pressure on prices continues for the balance of the year.

William Clark
Data Analyst
Ray White Group

HOW DO NATURAL DISASTERS IMPACT PROPERTY MARKETS?

This month's edition of Ray White Now, I take a look at natural disasters and how they impact property markets.

As the fallout from Cyclone Gabrielle continues to impact communities all throughout the North Island, this month, we take a look at the impact of natural disasters on property markets. Ultimately, the impacts differ significantly depending on the damage caused, however, there is a general timeline as follows:

1. Early months following the disaster

   At this point, it is primarily rental markets that are impacted. The damage to housing means that many people are unable to return to their homes. This creates a significant rental housing shortage. In the aftermath of the 2011 Christchurch earthquake, this rental shortage was particularly widespread given that not only were many homes completely destroyed, but damage to regional areas meant that some towns were unsafe to return to.

2. Twelve months following the natural disaster

   This is the clean-up phase when homes are either being rebuilt or repaired. At this point, there are usually far fewer sales taking place, particularly if owners in the area are well-insured and there is significant Government support to rebuild the area.

   Loss in value can occur during this time, as we saw in some suburbs following the 2011 earthquake. Some of the most impacted suburbs saw a drop in value in the 12 months following. This may have been partly due to a number of homes being underinsured and perhaps concern that an earthquake would occur again.

3. Three years following the natural disaster

   By this point, homes have been rebuilt, and, ideally, there will have been significant Government spending to minimise the chance of a similar event impacting the community so profoundly. Home values typically increase as better and safer homes are built in place of older homes.

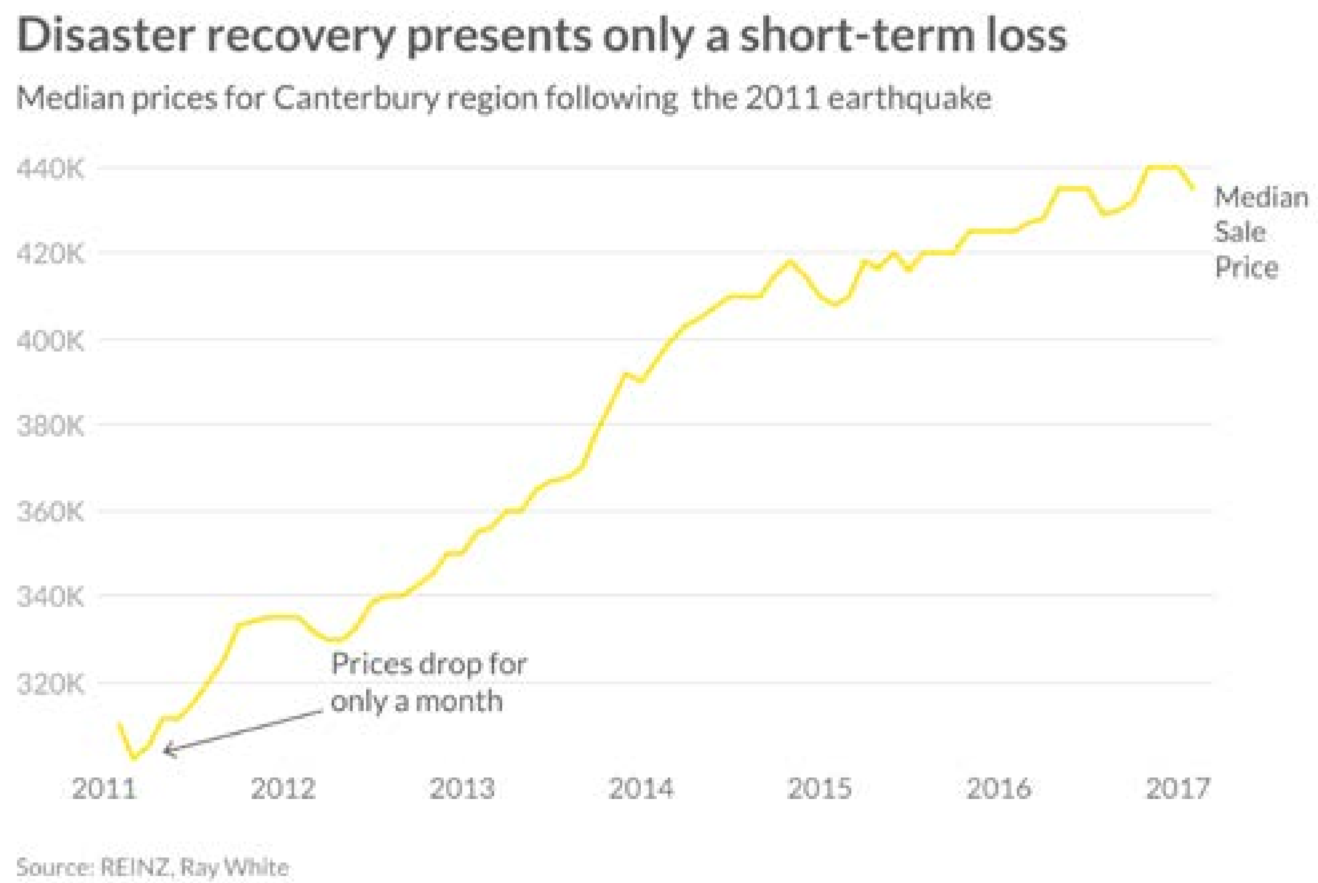
4. Six years following the natural disaster

   Provided the natural disaster hasn't re-occurred, house price growth is typically following the local market or is being driven by other factors such as population growth. By 2017, all suburbs in Christchurch were achieving median prices well above their pre-disaster levels.

The price recovery we saw in Christchurch following the earthquake in 2011 is not unusual for disaster-hit areas. South Dunedin, one of the worst hit areas in a 2015 flood, recovered prices within 18 months. This is partly due to the timeline outlined above - better and safer homes have been built, and there has been significant Government spending to try to mitigate another disaster.

The experience in South Dunedin isn't unusual. Often disasters have a minimal impact on home values. For example, areas close to rivers are prone to flooding, coastal areas are susceptible to erosion and areas in arid bushland can experience bushfires. Although more dangerous than other suburban areas, living near a river, the beach or in a bush setting is highly desirable for many buyers. This desirability tends to override the greater risk of a natural disaster and can worsen the financial impact when disaster strikes.

The impact on property markets following the cyclone will depend on how hard the area was hit. For example, places like Hawkes Bay are going to see significant housing shortages while the clean-up and rebuild takes place. It is likely that it will take more than 12 months for this community to recover.



Treena Drinnan
Chief Agency Officer
Ray White New Zealand

WHAT ARE WE SEEING IN THE MARKET RIGHT NOW?

Several factors drive real estate markets; however, the two basic fundamentals of supply (the total number of properties for sale) and demand (the number of buyers active in the marketplace) play a significant role in establishing market conditions.

1. Supply

   Over the past 28 days, we saw 1,671 'new listings' come onto the market, down year on year by 25.20 per cent. This was met by 1,103 sales, a decrease of 29.31 per cent compared to the same period last year. With a total of 5,721 listings on the market for buyers to choose from, this is up 27.56 per cent year-on-year.

2. Demand

   The initial buyer metric we consider is the number of buyers viewing properties online. Throughout February, we saw 4.227 million views across our Ray White websites, resulting in over 42,630 enquiries which when compared to the month prior is down 13.78 per cent.

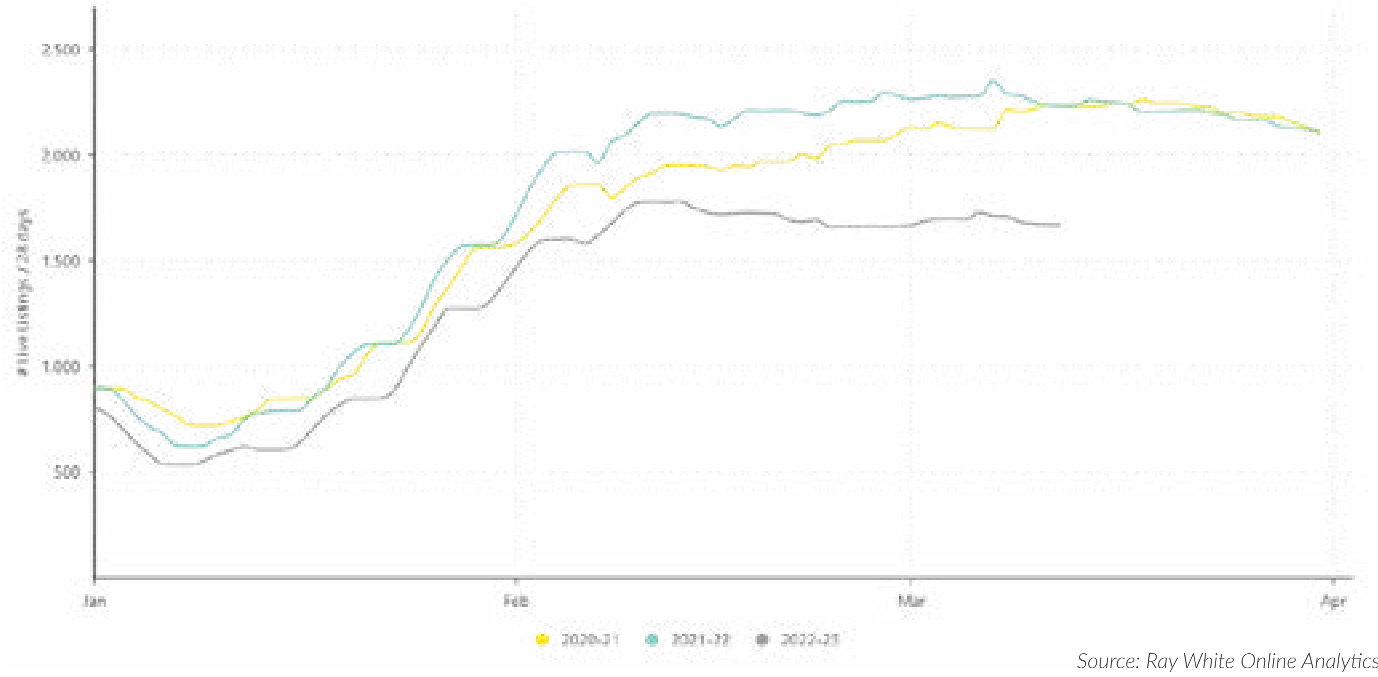
The final consideration we look at when measuring the volume of demand in the market, and arguably the most significant, is the number of people obtaining pre-approval for finance. Pre-approvals are a key indicator of buyer confidence, knowing they have the financial capacity to buy property today. Our partners at Loan Market are still seeing a good number of pre-approvals across the country, up 39.89 per cent on the same time last year.

We continue to analyse our numbers across the key buyer metrics, which clearly indicate the market's direction.

Currently, supply is high and demand is low, which means conditions are favourable for buyers with more selection and less pressure, availing time to carry out due diligence and make informed property decisions.

LIVE LISTINGS

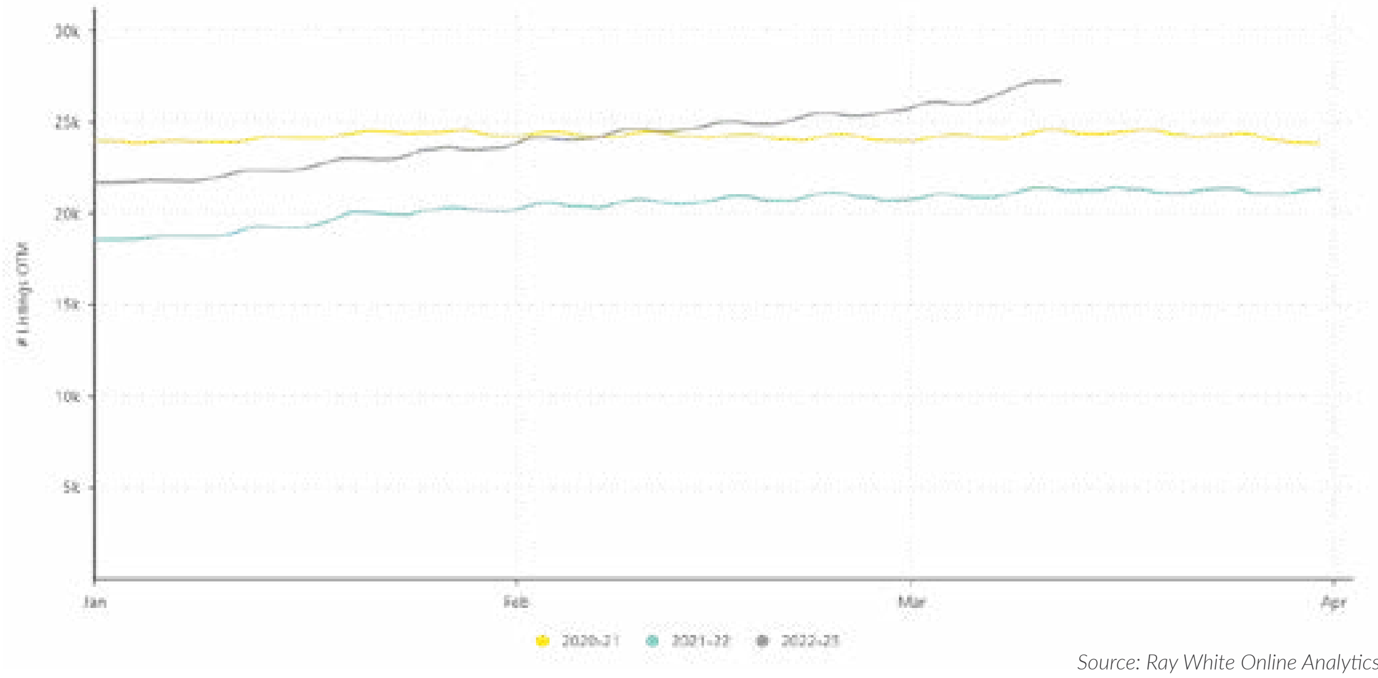
This graph shows the total number of live listings. 1,671 down 25.20 per cent year on year.



Source: Ray White Online Analytics

LISTINGS ON THE MARKET

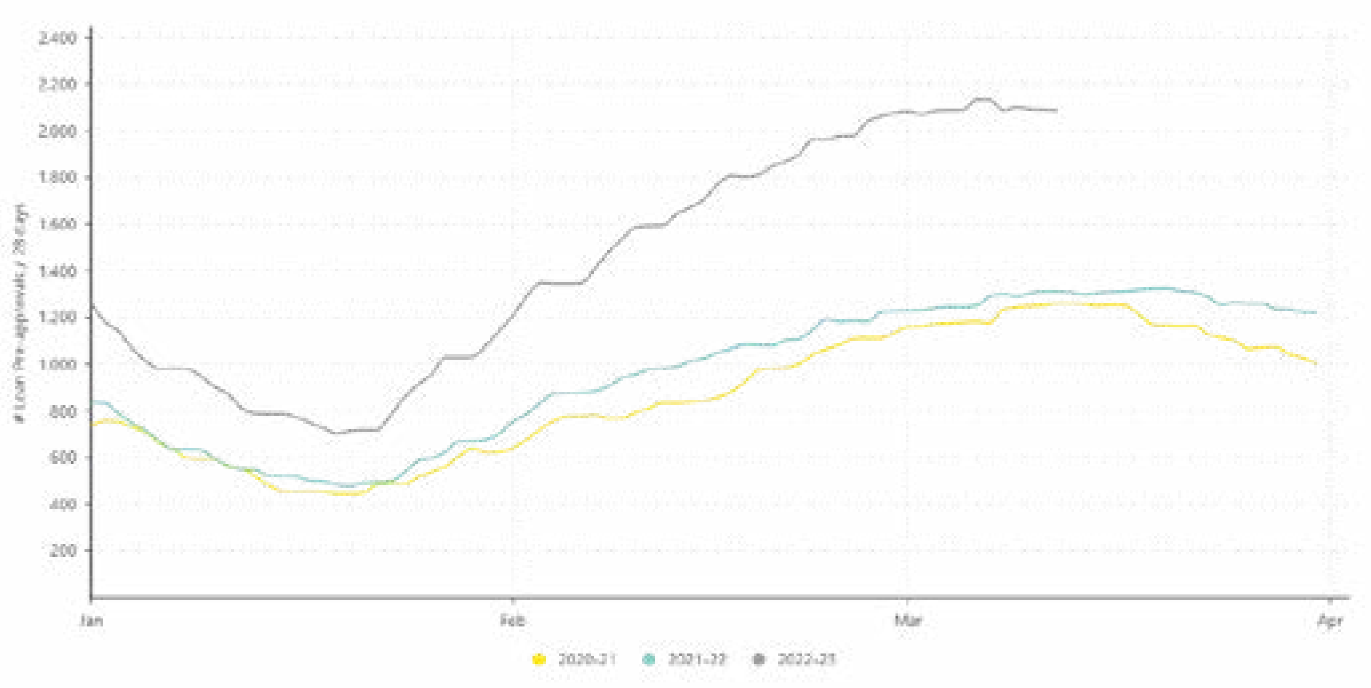
This graph shows the total number of current listings on the market. 5,721 up 27.56 per cent year on year.



Source: Ray White Online Analytics

LOAN PRE-APPROVALS

This graph compares the number of loan pre-approvals submitted via Loan Market brokers over the past three years.



Source: Ray White Online Analytics

Sam Steele
Lead Auctioneer
Ray White New Zealand

AUCTIONS KEEP DAYS ON MARKET LOW

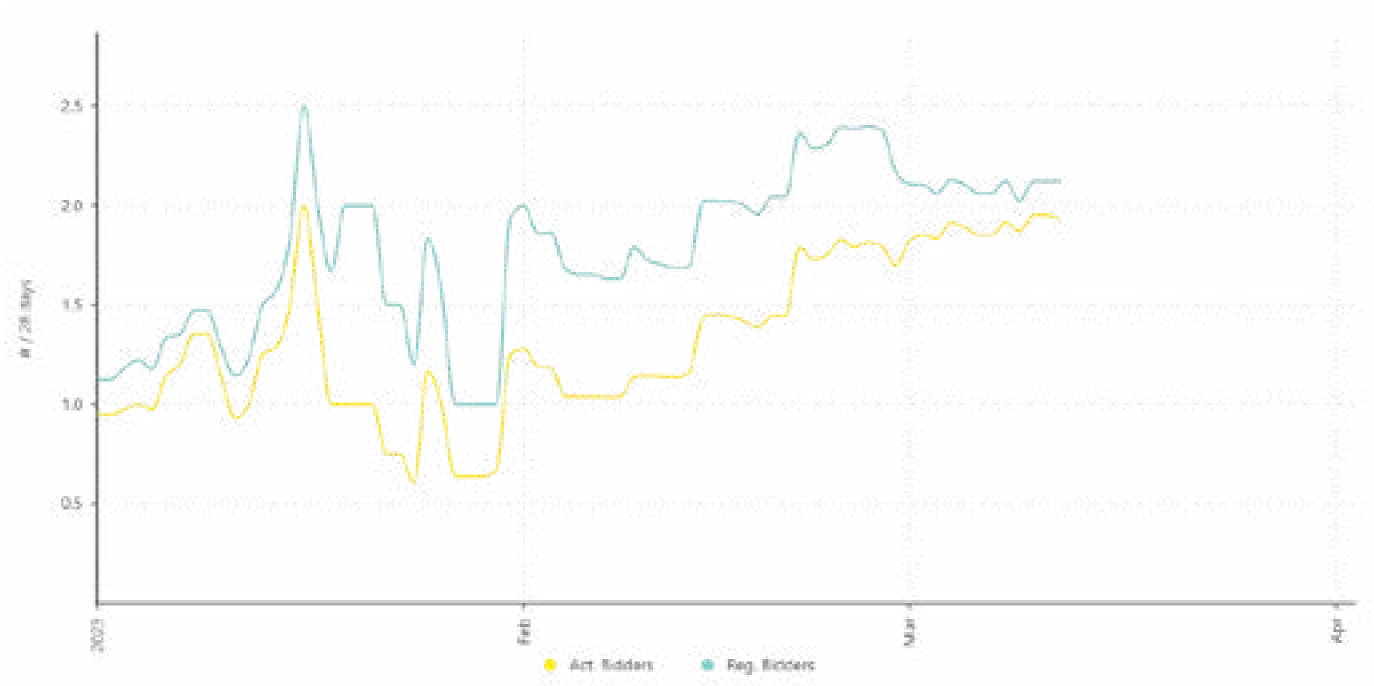
February saw an uplift in both buyer activity and new listings coming to market across New Zealand with 336 auctions conducted by Ray White for the month and an average of 2 registered bidders per auction. 45.4 per cent clearance rate for February showcased the market's desire to transact even with significant weather events across the country. As prices continue to adapt, the ability to get a property sold quickly is a vital decision for owners with auctions in February selling in an average of 29 days, compared to private treaty's 60 days.

Ray White was proud to call more than one in every four auctions across the country in February with a 26.5 per cent auction share.

Vendors looking to capture the current window of opportunity in the market should ask what method has the highest success rate and equally what will ensure days on market stay low.

BIDDING BY MONTH

This chart illustrates the average number of registered bidders per auction for the last three months.



Source: Ray White Online Analytics

Vanessa Rader
Head of Research
Ray White Group

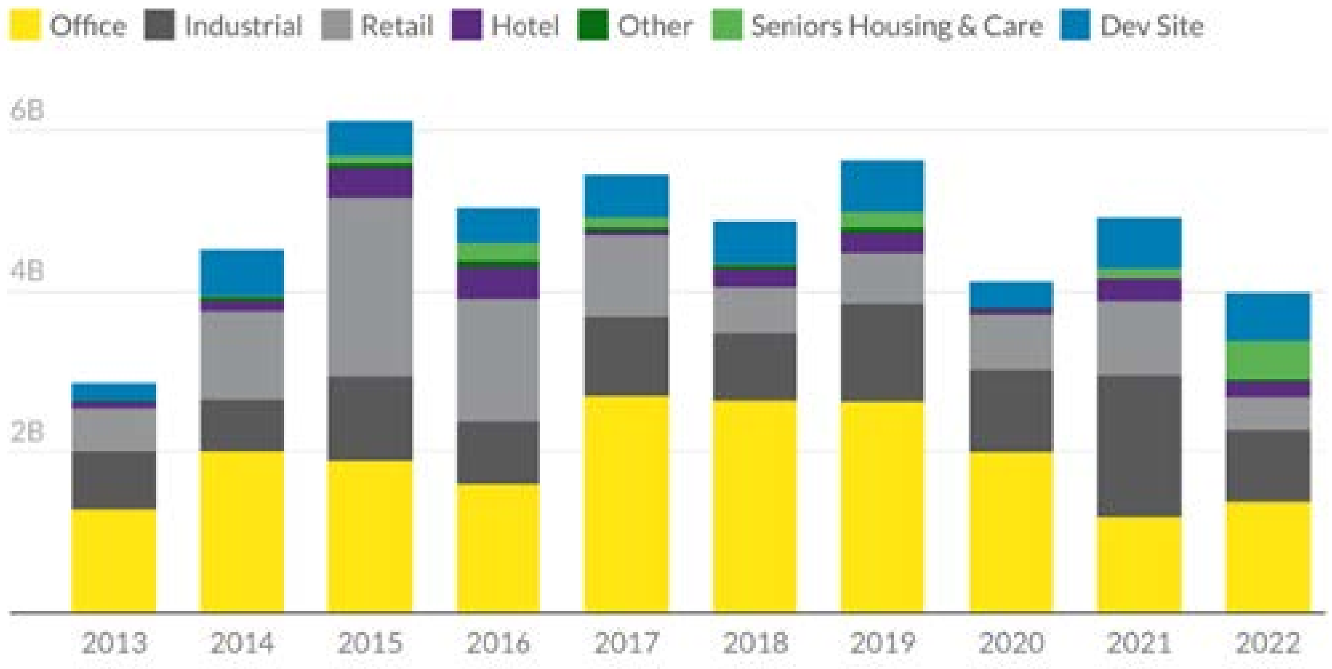
COMMERCIAL SALES ACTIVITY DOWN ACROSS NEW ZEALAND

During 2022, commercial property sales activity was recorded at $4.0 billion; this represents a 18.9 per cent decline on 2021 results ($4.9 billion) and closely aligned to the volumes during the peak of the pandemic period in 2020 of $4.1 billion. Growing interest rates during this time being the major catalyst for this downward movement in commercial sales transactions as various purchaser types quickly exited the market.

In 2021 we saw strong demand for commercial investment domestically as private investors, REITs, funds, institutions and owner occupiers actively sought out investments during a time of available finance and robust capital growth in the residential market. There was a strong drive toward industrial assets by owner occupiers seeking to shelter from rental growth as well as private investors across all price ranges looking to capitalise on low vacancy and expected uplift in rental rates. This buyer group represented a third of all sales in 2021 after accounting for less than 10 per cent the prior year.

Commercial Sales Turnover

By asset class, New Zealand ($)



Source: © 2022 Real Capital Analytics, Inc, Ray White

Industrial assets accounted for 36.1 per cent of all sales during 2021, a long term high, historically office has been the major contributor to total commercial transactions; however, this fell to just 24.1 per cent in this year. This decline in office sales activity was aligned with some uncertainty in the office market post lockdowns, with vacancies slightly up across CBD markets and strong flight to quality seeing greater tenant movements which put some dampener on stock coming to market. This is emphasised by the change in buyer profile in 2021 where foreign investment sat at just 19.3 per cent after historically accounting for approximately half of all commercial investment.

As we moved into 2022, the changing interest rate environment saw a reduction in finance availability and many buyers, notably first time investors quickly exited the marketplace. This resulted not only in the decline in investment activity, but the reversion back to more traditional breakdown of transaction volume by asset class, with office now accounting for the largest segment of 34.6 per cent followed by industrial (22.7 per cent) and development sites (14.9 per cent). Similarly we saw offshore buyer investment ramp up with 43.6 per cent of sales volume attributed to overseas buyers with Singapore and Australia, the major investors while private buyers moved back to 20.6 per cent of all sales.

Early signs in 2023 have shown a significant slow-down in demand. Uncertainty in the economy with high inflation and rapidly growing interest rates together with political changes and the various natural disasters has and will see both buyers and sellers adopt a "wait and see" attitude, similar to what we saw at the start of the pandemic. As a result we expect to record a continued dampening in total commercial sales turnover during a time where investment yields move upwards in response to bond rates. Encouragingly however, has been a strong rebound in development site sales activity over the last year, highlighting some confidence in the future of commercial real estate, particularly in the industrial class and emerging sectors such as build to rent.

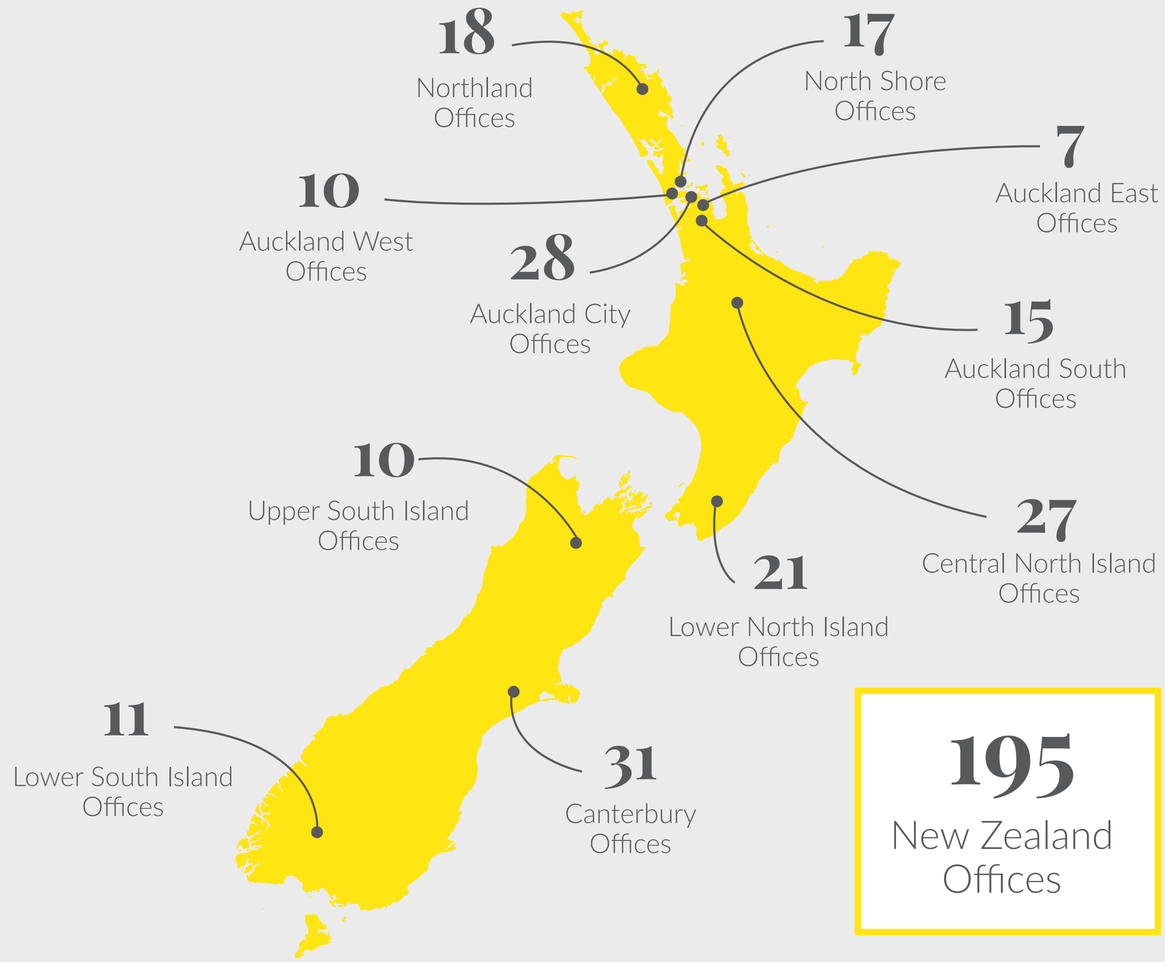
ABOUT **RAY WHITE**

Ray White is a fourth-generation family-owned and led business. It was established in 1902 in the small Queensland country town of Crows Nest and has grown into Australasia's most successful real estate business, with 937 franchised offices across New Zealand, Australia, Indonesia, and Hong Kong.

Ray White today spans residential, commercial, and rural property as well as marine and other specialist businesses. Now more than ever, the depth of experience and the breadth of Australasia's largest real estate group bring unrivalled value to our customers. A group that has thrived through many periods of volatility and one that will provide the strongest level of support to enable its customers to make the best real estate decisions.

Ray White's first auction house, 'The Shed' Crows Nest, Queensland.

WE'RE IN YOUR NEIGHBOURHOOD



LAST YEAR WE WERE PROUD TO:

- help 22,528 New Zealand families sell their home
- help 1 in 5 New Zealand buyers find their dream home
- have 11,758 local customers rate our service 10/10
- help 61 New Zealanders sell their home every day
- help over 19,600 investors manage their property across New Zealand
- list 1 in every 4 auctions across New Zealand

PROUDLY **RAY WHITE**

raywhite.co.nz raywhitecommercialnz.com loanmarket.co.nz