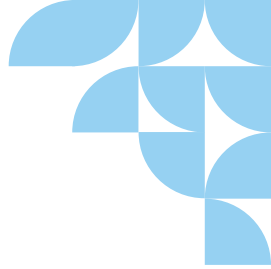


REINZ & TONY ALEXANDER REAL ESTATE SURVEY

May 2022



BUYERS ARE IN NO HURRY FOR NOW

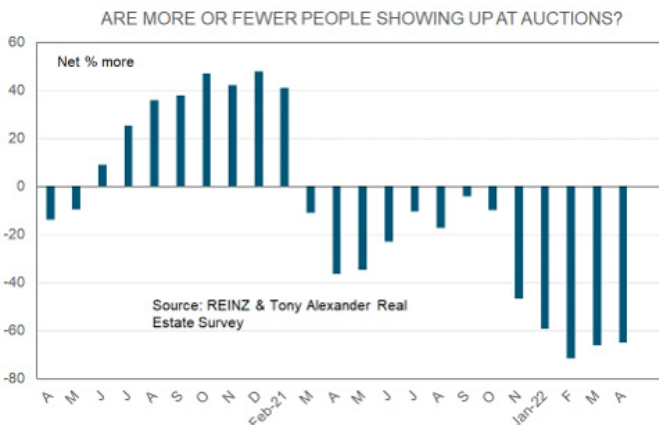
Welcome to the REINZ & Tony Alexander Real Estate Survey. This survey gathers together the views of licensed real estate agents all over New Zealand regarding how they are seeing conditions in the residential property market in their areas at the moment. We ask them how activity levels are changing, what the views of first home buyers and investors are, and the factors which are affecting the sentiment of those two large groups.

Our fourth survey of licensed real estate agents for 2022 has revealed conditions to be as weak as they have been since the start of the year. First home buyers and investors have backed away, agents report that prices in their area are falling, FOMO is all but gone to be replaced by a record level of FOOP (fear of overpaying) and interest in property from offshore has reached a two-year low.

Agents continue to report that buyers have few worries about their employment and listings are abundant. However, rising interest rates are increasingly concerning and while worries about securing finance has eased slightly, it still remain a significant concern of buyers.

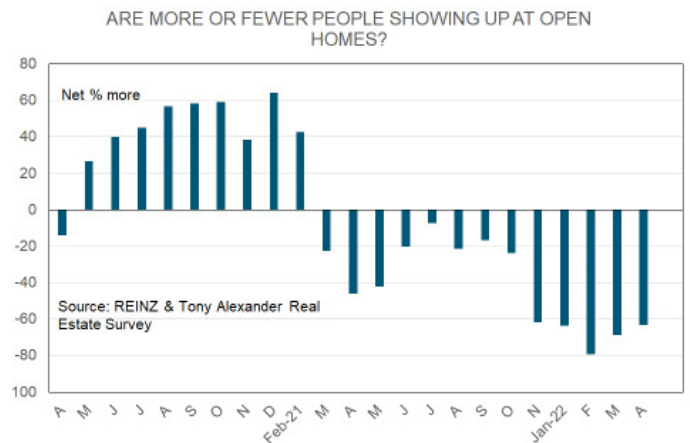
ARE MORE OR FEWER PEOPLE SHOWING UP AT AUCTIONS?

A net 65% of responding real estate agents in this month's survey have said that they are seeing fewer people attending auctions. This is about the same negative level as all other months this year and consistent with media reports of low success rates at auctions and decreasing auction numbers. In an environment where FOMO has all but disappeared, potential buyers are not having to attend auctions to gain insight into market conditions as much as they had to previously.



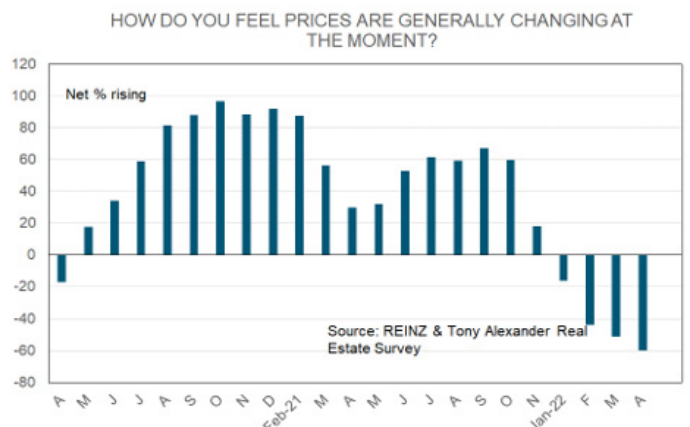
ARE MORE OR FEWER PEOPLE ATTENDING OPEN HOMES?

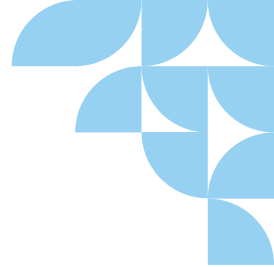
Consistent with agents continuing to report poor attendance at auctions is the high net 63% still reporting that fewer people are showing up at open homes. Buyers are facing restraining pressures from rising interest rates, decreased access to bank credit, soaring cost of living expenses, visibly rising house supply, and uncertainty surrounding events offshore.



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

A record net 60% of agents nationwide reported this month that prices are falling in their area of operation. Last month this was a net 51% and back as recently as October a net 60% reported that prices were rising. Prices have turned sharply very quickly over the past few months with the biggest shift occurring in November as the new LVR restrictions on bank lending at low deposits took hold and banks got ready for Credit Contracts and Consumer Finance Act changes.

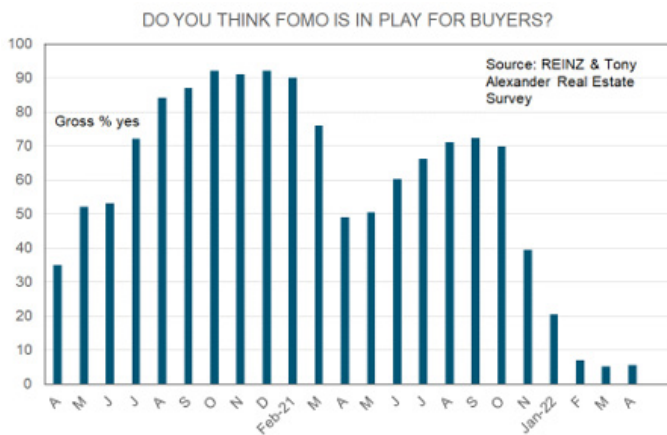




DO YOU THINK FOMO IS IN PLAY FOR BUYERS?

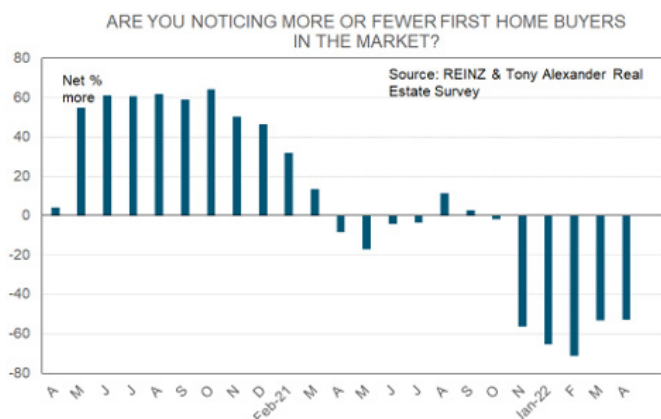
FOMO = Fear of missing out

Only a gross 6% of agents report that they can see FOMO on the part of buyers. This is essentially the same as last month's result of 5% and the 7% recorded late in February. In contrast, 70% of agents reported that they were seeing FOMO in October last year. As is the case with our other measures, the turning of FOMO since new LVR and CCCFA restrictions came into force has been extreme.



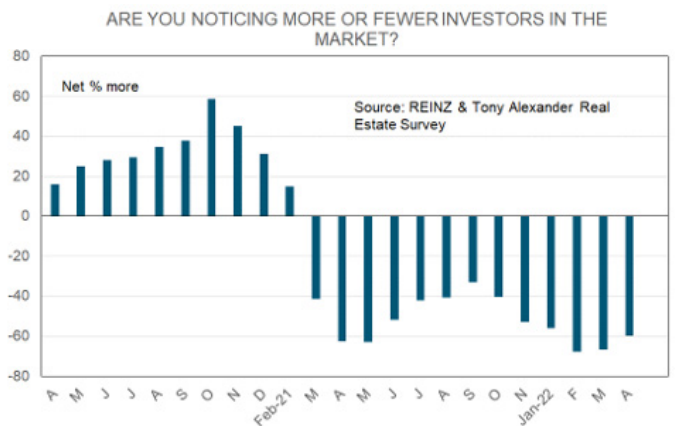
ARE YOU NOTICING MORE OR FEWER FIRST HOME BUYERS IN THE MARKET?

Late last month a net 53% of agents reported that they were seeing fewer first home buyers in the market. This percentage is unchanged from our previous month's survey and consistent with strongly negative results since late November last year. The turnaround has been sharper than in late 2020 when soaring prices caused a lot of first home buyers to step away from the market.



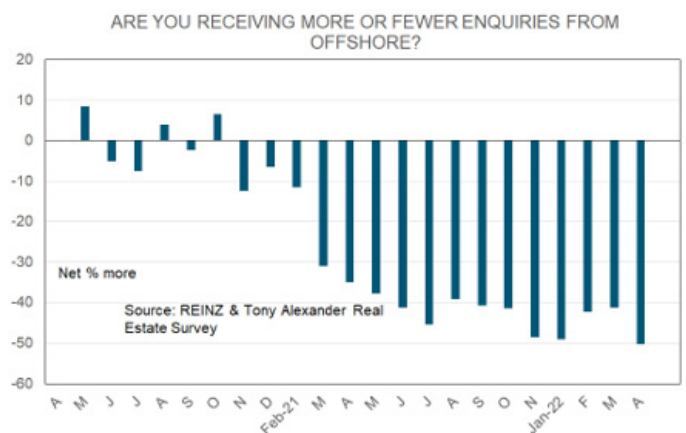
ARE YOU NOTICING MORE OR FEWER INVESTORS IN THE MARKET?

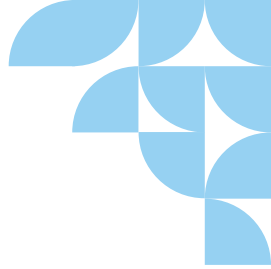
A net 60% of agents have reported seeing fewer investors in the market. Whereas the presence of first home buyers collapsed after the Reserve Bank and Government restricted credit access with the LVR and CCCFA changes, investors stood back and have remained in reduced evidence since tax changes of late-March 2021.



ARE YOU RECEIVING MORE OR FEWER ENQUIRIES FROM OFFSHORE?

A record net 50% of agents have this month reported receiving less enquiry about NZ properties from people located offshore. There is no border-opening induced flood of Kiwis looking to resettle back in NZ in a purchased home, and no rush of enquiry by migrants anticipating residency visas either.

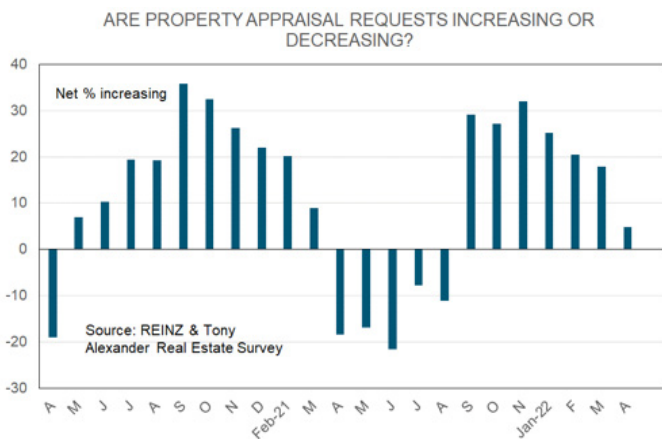




ARE PROPERTY APPRAISAL REQUESTS INCREASING OR DECREASING?

Just a net 5% of agents this month reported seeing an increase in requests for property appraisals. This is down from a net 18% last month and the lowest reading since August last year. It can be challenging to interpret what shifts in this measure mean. But it would seem reasonable to consider this latest decline as a sign that there is no rush of properties set to be placed on the market. Data from realestate.co.nz already tell us that although weaker sales levels are leading to rapidly rising stocks of listings around the country, there is no firm upward trend in the number of new listings being received by agents each month.

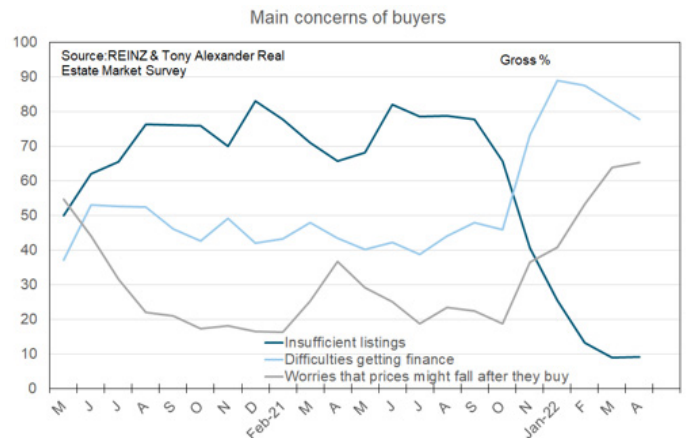
Factors such as rising interest rates and removal of expectations for immediate capital gains are not encouraging a wave of selling — just reduced buying.



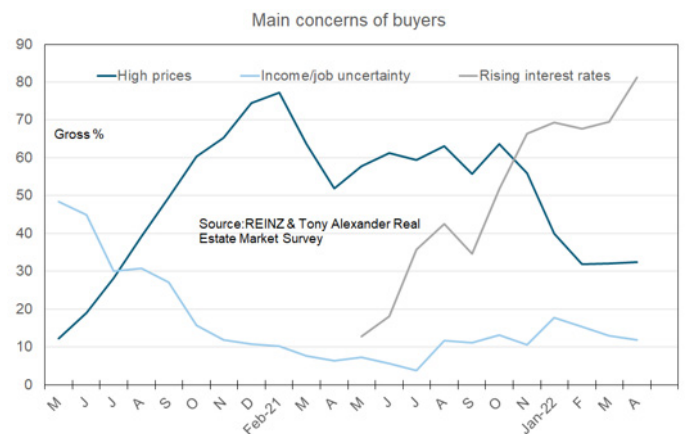
WHAT ARE THE MAIN CONCERNS OF BUYERS?

We ask agents to note which things are concerning buyers most of all. The main concern noted is rising interest rates, cited by a record 81% of agents. Next comes 78% of agents citing difficulties getting finance, then 65% citing worries that prices will decline after one has made a purchase.

The two following graphs tell us that price decline worries continue to grow, but that there has been a small reduction in worries about getting finance. This is consistent with results from my survey of mortgage advisers with mortgages.co.nz which has just shown a small net percentage of advisers observing that bank willingness to lend has improved.

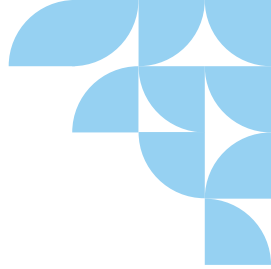


Our graphs also show that worries about employment remain low. This is a distinguishing characteristic of this current phase of the New Zealand economy and housing market. Unemployment is low, shortages of staff abound, and job security is high. This is an important factor which will help cushion weakness in many sectors such as housing and retailing.

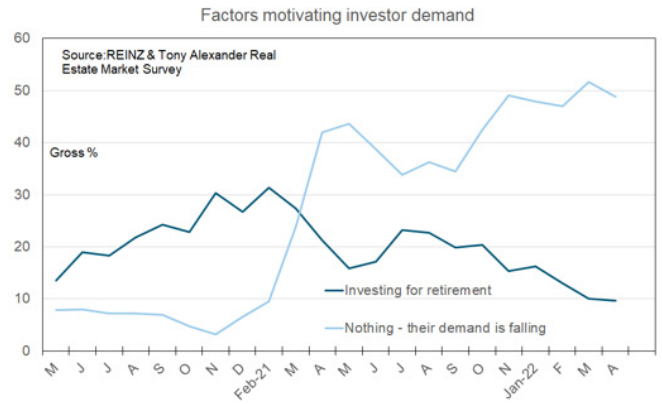
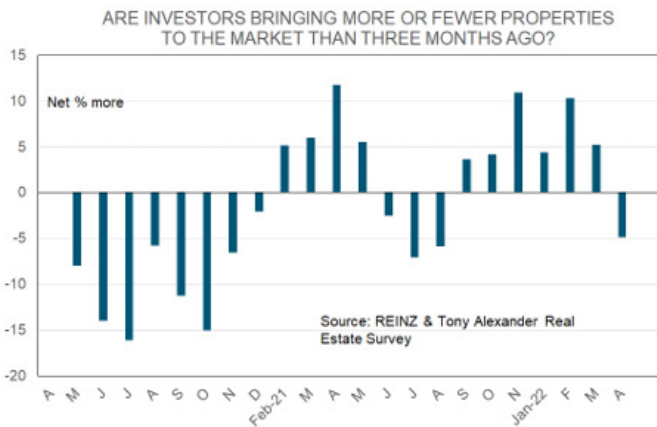


ARE INVESTORS BRINGING MORE OR FEWER PROPERTIES TO THE MARKET TO SELL THAN THREE MONTHS AGO?

To repeat something written here and in other outlets many times over the past year — there is no wave of investor sellers hitting the market. Despite rising interest rates, tax changes, Healthy Homes legislation, and altered landlord flexibility in management of tenants, investors continue to see the benefits of long-term holdings of residential investment property.

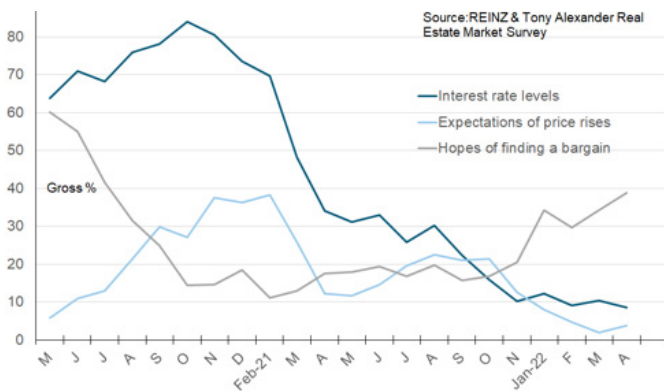


Shortages of rental accommodation continue, and rents are rising at a firm pace nationwide. Property is often viewed as a hedge against high inflation, there is new volatility in markets for other assets such as shares, real returns on bank deposits and other fixed interest assets are firmly negative, and still rising construction costs will act to place a general floor underneath house prices.



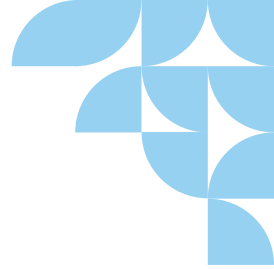
WHAT FACTORS APPEAR TO BE MOTIVATING INVESTOR DEMAND?

The main factor which agents cite as motivating demand from investors still looking to make a purchase is hopes of finding a bargain. This factor is cited by 39% of agents and is shown as the grey line in the graph immediately below. Interest rate levels and price rise expectations barely feature as motivators now as compared with late-2020.



Our second graph of investor motivations clearly shows that following the March 2021 tax announcement demand from investors backed off substantially.





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 three top of the South Island regions are amalgamated into one and Gisborne is joined with Hawke's Bay.

The 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, downward pressure on prices is observed by agents everywhere, but to the least extent in Taranaki, Nelson/Tasman/Marlborough, Canterbury, and Dunedin.

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 than the percentage saying it will go down.

If anyone is interested, I can make available time series for each measure shown here. Contact me at tony@alexander.nz.

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

	A #obs	B Appraisals	C Auctions	D Open H.	E Prices	F FOMO	G FHBs	H Invest.	I O/seas	J Inv.selling
Northland	25	24	-44	-32	-44	0	-64	-52	-44	-24
Auckland	172	-17	-72	-60	-69	4	-47	-61	-53	1
Waikato	33	39	-82	-67	-45	9	-42	-45	-48	6
Bay of Plenty	35	37	-74	-74	-74	3	-43	-51	-37	-6
Hawke's Bay	23	74	-70	-100	-70	0	-83	-83	-48	5
Taranaki	7	57	-43	-86	-29	0	-57	-86	-71	29
Manawatu-Wanganui	17	-6	-47	-71	-65	0	-88	-35	-65	-12
Wellington	33	6	-42	-42	-82	3	-30	-64	-58	-15
Nelson/Tasman	23	30	-48	-65	-43	13	-70	-70	-74	-26
Canterbury	43	-7	-74	-70	-35	14	-58	-44	-42	-19
Queenstown Lakes	6	n/a								
Otago exc. Q'town	12	-8	-25	-67	-42	8	-67	-100	-42	0
Southland	4	n/a								
New Zealand	434	5	-65	-63	-60	6	-53	-60	-50	-5



ISSN: 2703-2825

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