



# BNZ-REINZ Residential Market Survey

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## **Mission Statement**

**To help Kiwi businesspeople and householders make informed financial decisions by discussing the economy in a language they can understand.**

## **Housing Market Remains Very Strong**

Our survey with the REINZ of licensed real estate agents around New Zealand has now been running for just over two years and is providing valuable insights into what is driving our residential property market. The survey shows how awareness of the shortage rose strongly during the summer of 2011/12 and it is suggesting to us this month that although buyers remain determined and want a property, they may increasingly despair of finding one.

That is the conclusion we reach below after noting first how the proportion of agents seeing more people at Open Homes is low, but fewer potential vendors are seeking appraisals while buyers remain very motivated to transact.

The survey gives no indication of the housing market easing up and suggests strongly that prices will continue to rise and that the shortage will worsen. To counteract this shortage is not easy as it requires much stronger growth in new house supply. Yet the number of consents issued for the construction of new dwellings was not only well below the ten year average of 22,000 in March at 17,397, that result was down from February's 17,481.

Last week the Reserve Bank made it immediately harder for first home buyers to get into a home with their increase in the amount of capital banks must now hold for lending above 80% of a property's value. This appears to have added 0.15% or so to such lending interest rates. But the positive news regarding proposals to sharply accelerate the discovery and opening up of tracts of land for building in Auckland will have no immediate impact and may only boost supply over an extended number of years – especially as the now ever larger size of the Christchurch rebuild will strain even more the availability of builders.

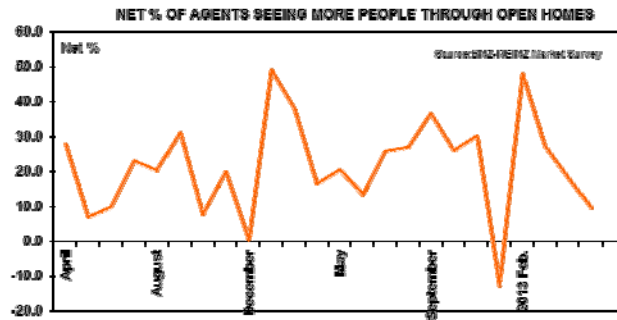
Short of an outbreak of foot and mouth devastating the economy there appears little reason for believing other than that house prices will continue to rise strongly. And as they do so in an environment where more and more investors are chasing yield the risk of a bubble will grow. But slow debt growth and simple economics of a supply shortage and many buyers catching up on delayed purchases says we are nowhere near that point yet.

## **Is the number of people going through Open Homes increasing or decreasing?**

### **Buyers Step Back Slightly**

A net 9.5% of the 549 people who responded in our survey this month say that they have noticed more people going to Open Homes over the past month. This is positive but the lowest result since December when buyers backed away on average. The slight decline from a net 18.2% in April takes this particular measure to a below average reading. So we now need to look through the other indicators to try and discern what may lie behind this easing of interest.

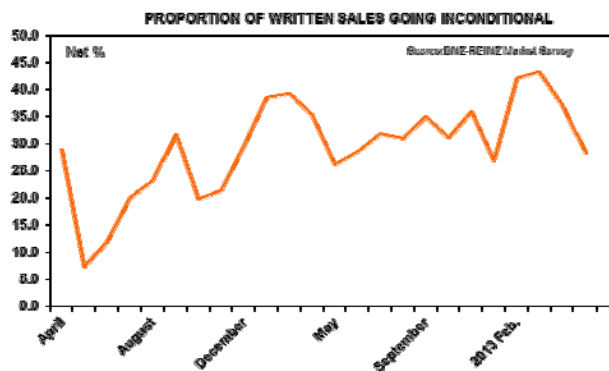
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## Is the proportion of Written Sales going unconditional increasing or decreasing?

### Average Follow-Through

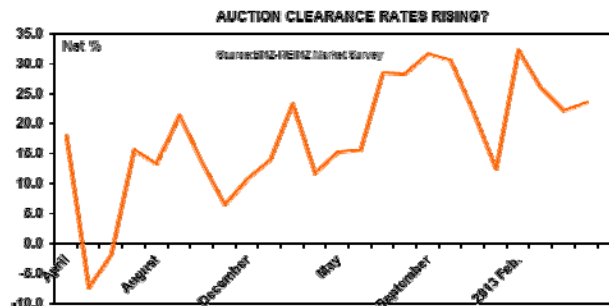
This measure gives no particular insight this month with a net 29.3% of responding agents saying more written sales are going unconditional. This is equal to the average since our survey started just over two years ago.



## Are auction clearance rates increasing or decreasing?

### Above Average Clearance

A net 23.5% of responding licensed agents say that they are noticing auction clearance rates to be increasing. This is above the two year average of 17.8% but not by a large amount. What this tells us however is that it may not be a lack of determination to buy which has seen interest at Open Homes ease off a tad.

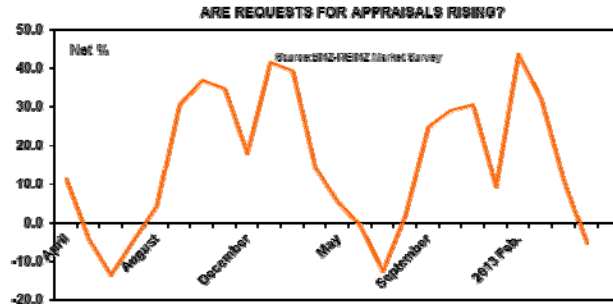


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## Are requests for appraisals increasing or decreasing?

### It Looks Like Fewer People Want To Sell

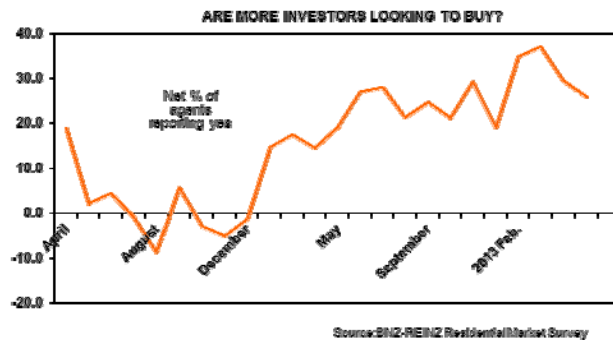
This is interesting. A net 5.1% of agents say that they have received fewer requests for appraisals over the past month. The way to read this variable is that if suddenly people wanted to take advantage of high prices and cash up the reading would be very strong. The opposite has happened. This tells us that the listings shortage we have long written about is getting worse.



## Is the number of investors looking to buy increasing or decreasing?

### People Want Property Investments

A net 25.9% of the 549 responding agents note that they are seeing more investors in the market. This is the lowest reading in four months however it is not far off the April result of a net 29.4% and importantly remains above the two year average of a net 15.6%. Our interpretation therefore is that there are a lot of investors in the residential real estate market looking for property. Note the upward trend in this measure shown in the graph just below.

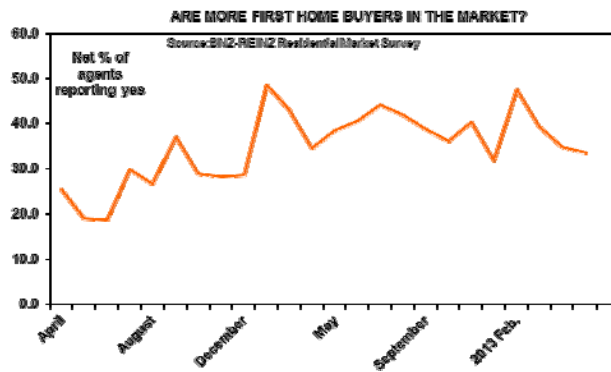


## Is the number of first home buyers increasing or decreasing?

### First Home Buyers Still Out There

A net 33.5% of agents say that they are noticing more first home buyers in the market. This reading is about equal to the two year average of 34.8% and broadly consistent with the past year apart from the spike in February which could easily be seasonal. One could not therefore look at this outcome and say that the reason there are fewer people obviously appearing at Open Homes is that first home buyers are backing away. They remain in the market though next month's result will be interesting following the Reserve Bank's move to make it harder for first home buyers to purchase a property by raising bank capital required for high loan to value lending.

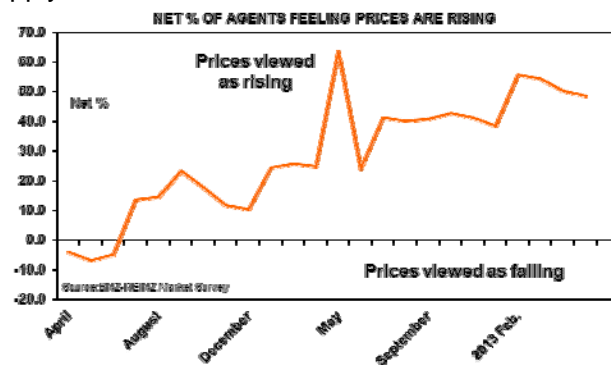
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## Do prices appear to increasing, flat or decreasing?

### Prices Are Rising

A net 48.5% of agents report that they feel prices are rising. Let's put that in gross terms looking at the raw numbers. Of the 549 respondents 289 believe house prices are rising, 237 believe they are flat, and 23 feel that they are falling. This net 48.5% outcome is statistically the same as April's 50.2% and almost twice the two year average of 28.7%. Prices are rising. Note the upward trend, but also note that this measure has now eased slightly for three months in a row. In the context of arguing that the rise in the housing market is not a bubble this is a positive thing. But it will do nothing to assuage the concerns of first home buyers regarding house prices moving out of their reach. Each month more and more houses will be unattainable without a massive boost in supply.



## Who appear more motivated to transact – the buyers or the sellers?

### Buyers Want Houses Now

Agents overwhelmingly see buyers as more motivated to get a deal done than sellers – a net 21.3% positive. This is the highest result in our two year survey and well above the average of 4.7%. What this perhaps indicates then when taken in conjunction with the easing off in Open Home numbers and still high interest coming from investors and first home buyers, is that buyers may simply be sick of looking at homes they feel they have no hope of buying. One would not call this buyer fatigue but perhaps buyer despair.



# BNZ-REINZ Residential Market Survey

## DATA TABLE

	# of Responses	# of people through Open Homes	% of Written Sales Unconditional	Auction Clearance rate	Requests for Appraisals	Investors buying	First home buyers	Prices	Buyers more motivated?
April 2011	312	27.9	28.8	17.9	11.2	18.9	25.3	-4.1	-14.7
May	190	6.8	7.4	-7.4	-4.2	2.1	18.9	-6.8	-4.2
June	635	9.8	11.9	-1.9	-13.6	4.4	18.7	-4.9	-14.5
July	742	23.0	20.1	15.6	-4.4	-0.9	29.8	13.5	-0.1
August	498	20.2	23.0	13.3	4.2	-8.6	26.5	14.4	2.0
September	561	31.2	31.7	21.4	30.5	5.7	37.1	23.2	4.5
October	600	7.7	19.8	13.4	36.8	-3.0	28.8	17.7	-0.5
November	486	20.0	21.4	6.5	34.6	-5.1	28.2	11.5	-13.6
December	435	0.2	29.7	10.7	17.9	-1.4	28.5	10.3	-16.8
2012 Feb.	392	49.2	38.5	13.9	41.3	14.5	48.5	24.2	5.4
March	362	38.1	39.2	23.3	39.2	17.4	42.8	25.7	-9.7
April	339	16.5	35.4	11.7	14.5	14.5	34.5	24.8	-3.5
May	414	20.5	26.1	15.4	5.3	19.1	38.4	63.6	2.9
June	256	13.3	28.5	15.5	-0.8	27.0	40.6	23.8	14.8
July	333	25.8	31.8	28.4	-12.6	27.9	44.1	41.1	18.3
August	485	27.0	30.9	28.3	1.9	21.2	41.9	40.0	20.4
September	429	36.6	35.0	31.6	24.7	24.7	38.7	40.8	18.4
October	289	26.0	31.1	30.6	29.1	21.1	36.0	42.6	11.8
November	367	30.2	36.0	22.1	30.5	29.2	40.3	41.1	2.7
December	421	-12.8	26.8	12.4	9.3	19.0	31.8	38.2	12.1
2013 Feb.	572	48.0	42.1	32.3	43.6	34.7	47.5	55.5	19.5
March	355	27.2	43.3	26.0	32.3	37.1	39.3	54.2	19.9
April	500	18.2	37.1	22.1	11.0	29.4	34.8	50.2	16.6
May	549	9.5	28.2	23.5	-5.1	25.9	33.5	48.5	21.3

## Supplementary Questions

### What percentage of your sales are to first home buyers, investors (whatever the source), and offshore buyers?

Results to this question are basically the same as in our March survey. A gross 23% of sales for our 549 agents nationwide are to first home buyers, 19% are to investors, and 8% to people located offshore. There is no upward trend evident in the proportion of sales offshore.

	May	March
First home buyers	23%	24%
Investors (all sources)	19%	19%
Offshore	8%	9%
Other	50%+	48%+

# BNZ-REINZ Residential Market Survey

## Where do your offshore buyers largely come from?

These results are also basically the same as in March. The largest source of offshore buyers is the United Kingdom at 16%, followed by China at 15% then Australia at 14%.

	% of all sales offshore	
	May	March
Australia	14	14
China	15	15
Europe excl. UK	11	11
India	11	10
Other Asia	11	12
South Africa	11	11
United Kingdom	16	18
United States	8	8
Other	8	8

## Do your offshore buyers on average intend living in New Zealand?

And yet again here the results are essentially the same as two months ago.

	% who intend shifting here	
	May	March
Australia	54	51
China	38	37
Europe excl. UK	38	39
India	32	30
Other Asia	30	23
South Africa	48	53
United Kingdom	65	69
United States	15	19 (Question – why so low one wonders?)
Other	10	6

From these numbers we can derive the proportion of all house sales in NZ which go to buyers from offshore who have no intention of shifting here – including half of the “Don’t Know” responses.

Australia	0.4%
China	0.6%
Europe excl. UK	0.4%
India	0.4%
Other Asia	0.5%
South Africa	0.3%
United Kingdom	0.3%
United States	0.4%
Other	0.4%
<b>All</b>	<b>3.6%</b>

That is, 3.6% of dwellings sold each month go to people staying out of the country. This is the gross sales figure and were we to have the proportion of properties being sold occurring on behalf of an offshore buyer we would be able to calculate a net figure.

# BNZ-REINZ Residential Market Survey

## REGIONAL RESULTS

Treat with caution the results for any region with fewer than 20 responses. The way to read the table below is to compare each region's result with the national average first up. I like to start at the far right looking at whether local agents feel it is the buyers or the sellers who are the most motivated. Doing that you will see why the discussion regarding the rampant housing market in New Zealand is couched largely in terms of the boom happening in Auckland and Christchurch because of housing shortages. Only those two regions and Otago have agents seeing buyers as the most motivated. Next I look at the column regarding where prices are going. They are seen as rising everywhere except Manawatu/Wanganui though note the sample size is only 18 people.

First home buyers are out in force everywhere though not so much in Northland. Investors are also active everywhere, though not in Manawatu/Wanganui thus perhaps explaining why agents there see prices as falling. Again, note Manawatu/Wanganui sticks out as having agents say they are getting more requests for appraisals. People want to sell – not so anywhere else except a tad in the Waikato.

	# of Responses	# of people through Open Homes	% of Written Sales Unconditional	Auction Clearance rate	Requests for Appraisals	Investors buying	First home buyers	Prices	Buyers more motivated?
Northland	33	-3	36	18	21	15	9	9	-9
Auckland	212	10	33	30	-14	29	39	70	50
Waikato	38	11	21	27	11	26	26	21	-3
Bay of Plenty	49	4	24	17	-4	24	29	20	-4
Hawkes Bay/Gisborne	31	0	0	9	0	23	55	19	-3
Taranaki	8	Sample too small for analysis							
Manawatu/Wanganui	18	-6	22	18	28	0	39	-17	-39
Wellington	42	21	29	4	-14	26	40	57	-2
Nelson/Marl. W. Coast	20	-5	0	-10	-25	15	30	25	0
Canterbury	65	29	32	31	-6	34	25	78	45
Otago	22	14	50	31	-18	36	36	45	23
Southland	10	Sample too small for analysis							
<b>All</b>	<b>549</b>	<b>9</b>	<b>28</b>	<b>24</b>	<b>-5</b>	<b>26</b>	<b>34</b>	<b>48</b>	<b>21</b>

### What percentage of your sales are to first home buyers, investors (whatever the source), and offshore buyers?

For the following cross tabulations I have excluded all regions with fewer than 30 responses as the sample size is not big enough for meaningful analysis. The results for May are very similar to those for March which are reprinted below this month's table.

May	First home Buyers	Investors	Offshore buyers
Northland	10	17	11
Auckland	25	23	10
Waikato	22	20	6
Bay of Plenty	18	14	7
Hawkes Bay/Gisborne	21	14	6
Taranaki			
Manawatu/Wanganui			
Wellington	31	15	5
Nelson/Marl. W. Coast			
Canterbury	22	20	6
Otago			
Southland			
<b>All</b>	<b>24</b>	<b>18</b>	<b>9</b>

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March	First home Buyers	Investors	Offshore buyers
Northland	8%	19%	8%
Auckland	23	22	11
Waikato	25	16	7
Bay of Plenty	27	18	6
Hawkes Bay/Gisborne	17	12	7
Taranaki			
Manawatu/Wanganui	35	12	9
Wellington	32	11	5
Nelson/Marl. W. Coast	15	16	9
Canterbury	19	17	8
Otago	23	19	10
Southland			
<b>All</b>	<b>24</b>	<b>18</b>	<b>9</b>

## Where do your offshore buyers largely come from?

I have decided to simplify the presentation of data here and include just one table. It shows for each region the estimated proportion of properties sold to people offshore who will not be shifting to New Zealand. This seems to be what most people are interested in. It shows that nationwide 3.6% of dwellings sold go to people staying offshore. The March result was also 3.6%. In Auckland the proportion is 3.7%. The March result was 4.6% so this is the first actual point of difference between our March and May enquiries into foreign buying of properties – a drop for Auckland.

However, given the techniques used to generate these estimates we read little into this result and would doubt it is a downward trend as such.

	Australia	China	Europe ex. UK	India	Other Asia	South Africa	UK	USA	Other	All
Northland	0.4	0.3	0.4	0.8	0.2	0.3	0.2	0.8	0.6	4.0
Auckland	0.4	0.7	0.4	0.4	0.4	0.3	0.3	0.3	0.4	3.7
Waikato	0.2	0.1	0.1	0.2	0.1	0.2	0.1	0.2	0.1	1.3
Bay of Plenty	0.3	0.2	0.3	0.2	0.3	0.3	0.2	0.3	0.4	2.5
Hawkes Bay/Gisborne	0.1	0.2	0.2	0.2	0.3	0.2	0.3	0.2	0.2	1.9
Taranaki										
Manawatu/Wanganui										
Wellington	0.3	0.3	0.2	0.1	0.2	0.2	0.2	0.1	0.2	1.8
Nelson/Marl. W. Coast										
Canterbury	0.3	0.4	0.2	0.2	0.3	0.2	0.2	0.3	0.3	2.2
Otago										
Southland										
<b>All</b>	<b>0.4</b>	<b>0.6</b>	<b>0.4</b>	<b>0.4</b>	<b>0.5</b>	<b>0.3</b>	<b>0.3</b>	<b>0.4</b>	<b>0.4</b>	<b>3.6</b>

For further information contact Tony Alexander, Chief Economist, 04 474-6744, [tony.alexander@bnz.co.nz](mailto:tony.alexander@bnz.co.nz) [www.tonyalexander.co.nz](http://www.tonyalexander.co.nz)

The BNZ-REINZ Market Survey is run (usually) on the first Tuesday of the month after the first Thursday. In the email sent to REINZ member email addresses respondents are asked to click on a URL which takes them to a survey site. Respondents are asked if they feel various measures of real estate market activity are increasing or decreasing and to identify various factors in play influencing buyer and vendor behaviour. Results are collated within 2-3 days and this report is distributed to all BNZ Weekly Overview recipients, REINZ members, and the media.



# BNZ-REINZ Residential Market Survey

This publication is one of a stable of regular releases which include the following.

- Monthly Growing With China publication, <http://tonyalexander.co.nz/topics/china/>
- Monthly Brain Gain NZ publication <http://tonyalexander.co.nz/topics/brain-gain-nz/>
- Monthly BNZ Confidence Survey, <http://tonyalexander.co.nz/topics/surveys/bnz-confidence-survey/>
- Monthly BNZ-REINZ Residential Market Survey. <http://tonyalexander.co.nz/topics/surveys/bnz-reinz-survey/>
- Weekly BNZ Weekly Overview <http://tonyalexander.co.nz/topics/regular-publications/bnz-weekly-overview/full-weekly-overview-pdf/>
- monthly BNZ-Nine Rewards Consumer Trends Survey <http://tonyalexander.co.nz/topics/surveys/bnz-nine-rewards-consumer-trends-survey/>
- Monthly column for the NZ Property Investor magazine, <http://www.propertyinvestor.co.nz/>
- Most of these publications plus research into impediments to NZ's economic growth are available on this website. [www.tonyalexander.co.nz](http://www.tonyalexander.co.nz) The website [www.braingainnz.co.nz](http://www.braingainnz.co.nz) contains all sections from Brain Gain NZ.

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