



BNZ-REINZ Residential Market Survey

ISSN 2253-3656

17 June 2013

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

Data received over the past month show that the housing market in New Zealand continues to improve. Most notably the REINZ data for May show that on average in the month it took 35 days to sell a dwelling which was 2.9 days faster than average compared with sales occurring 1.9 days faster than usual in April. The number of dwellings sold was 7.5% ahead of a year earlier though smoothing over three months to remove the effects of changes in the timing of Easter we get sales growth of 13.7% from 11.3% three months earlier. Prices on average in the three months to May were ahead 4% from the three months to February with Auckland prices up 7.2%, Wellington 1.8%, and Christchurch 1.3%. Annual rates of change were 9.1% for the entire country then 15%, 5.7%, and 11% for the three main cities respectively.

Data from Barfoot and Thompson for Auckland show a ratio of sales to listings at a record high with the number of listings at the end of the month down over 30% from a year earlier. And with Auckland City Council having a goal of 13,000 consents being issued per annum for new dwellings, the total in the year to April was only 4,835. Nationwide consent numbers were 17,922 compared with an average for the past decade of 22,000 and 22,400 in the decade to April 2003.

The data add up to a rising market with listings in short supply and construction below average still. So what does our survey of 439 licensed real estate agents tell us this month? The most significant result is that a record net 19% of agents say that they are receiving fewer requests for property appraisals from potential vendors. This tells us that the supply of listings is continuing to dry up. Unsurprisingly then a net 48% of agents feel that prices are rising and a record net 21% consider it to be a seller's market.

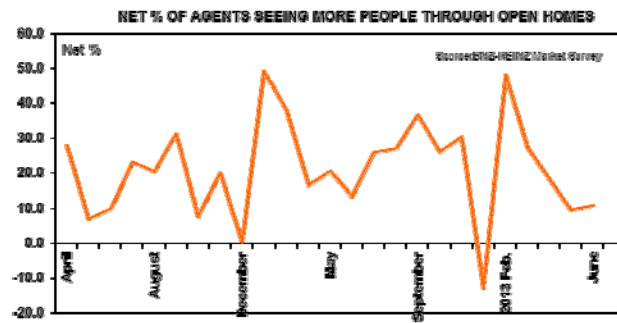
The results strongly show a still rising residential real estate market with falling listings and rising prices with both investors and first home buyers continuing to be strongly present in the market.

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

Buyers Still Evident

A net 11% of agents report that they are seeing more people going through Open Homes. This was essentially the same as May's result of 10% though down from 21% a year earlier. People are still out in firm numbers looking for properties it appears, though the rate of growth looks to have slowed since earlier this year in particular according to the graph below.

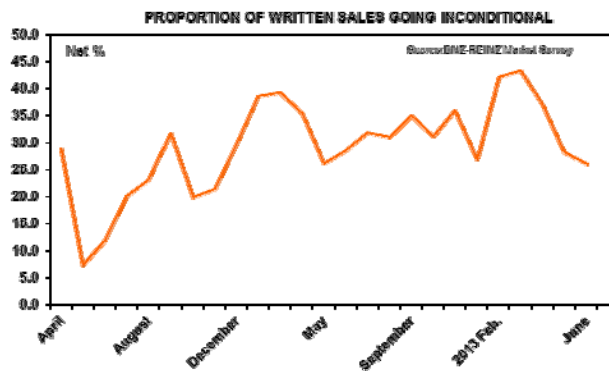
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Is the proportion of Written Sales going unconditional increasing or decreasing?

Average Follow-Through

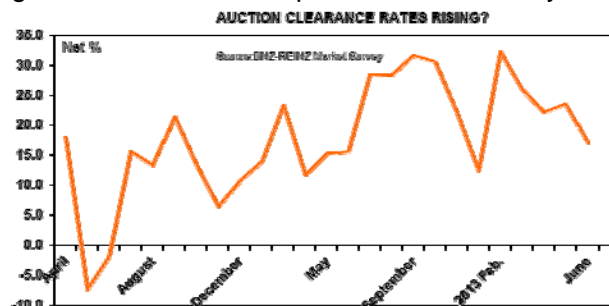
A net 26% of agents this month report that more Written Sales are going Unconditional. This measure is one we track specifically for its ability to one day capture the effects of a shock to the market (interest rate rises) which might or might not cause buyers to suddenly back off. It may be one of the better gauges which the Reserve Bank will be able to use to see any early impact of monetary policy tightening or lending rule changes. For the moment it is merely telling us that a still average proportion of sales commitments are being adhered to by the buyers and we read that as a sign of market strength.



Are auction clearance rates increasing or decreasing?

Average Clearance

A net 17% of agents report that auction clearance rates are increasing. This is down from 24% in May and the lowest result since December. Maybe it is telling us that high prices are causing a few people to back off just as the fall in Open Home growth numbers in the past two months may have reflected buyer caution.

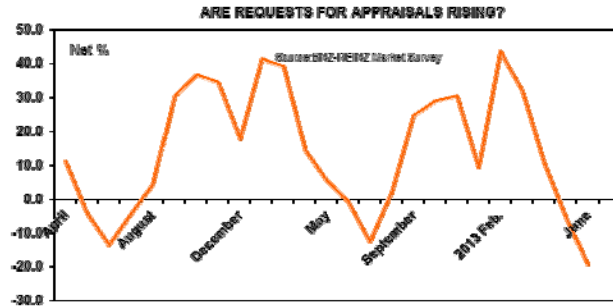


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Are requests for appraisals increasing or decreasing?

Sellers Disappearing

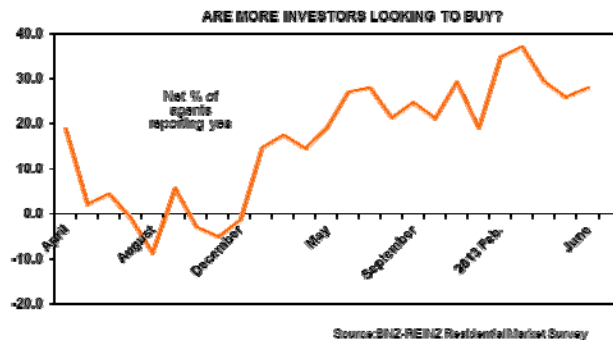
Just as the Barfoot and Thompson numbers for Auckland show sellers increasingly in short supply so too does our survey suggest listings falling away. A net 19% of agents this month report that they are seeing fewer potential vendors asking for appraisals. This is the lowest result on record for our survey and implies increasing upward pressure on house prices unless it is being matched by an equal backing off of buyers. That is not sufficiently suggested by our other indicators therefore the result portends further house price gains.



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

People Want Property Investments

A net 28% of agents report that they are seeing more investors wanting to buy. This is a strong result though down from higher levels of interest being shown by investors between February and April.

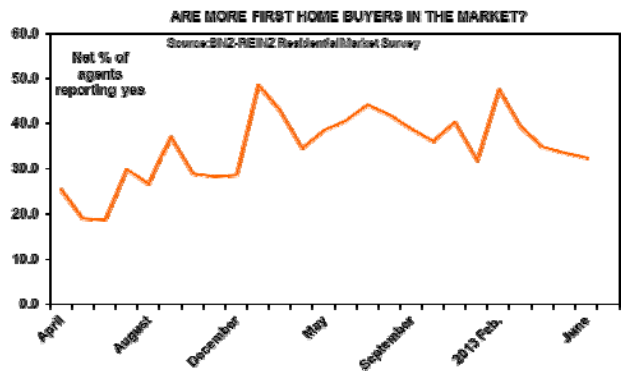


Is the number of first home buyers increasing or decreasing?

First Home Buyers – No Great Change

A net 32% of agents report that they are seeing more first home buyers in the market. This is the fourth month in a row that this measure has declined but it remains close to the average result of 35% and tells us that no substantial change is underway in first home purchaser interest.

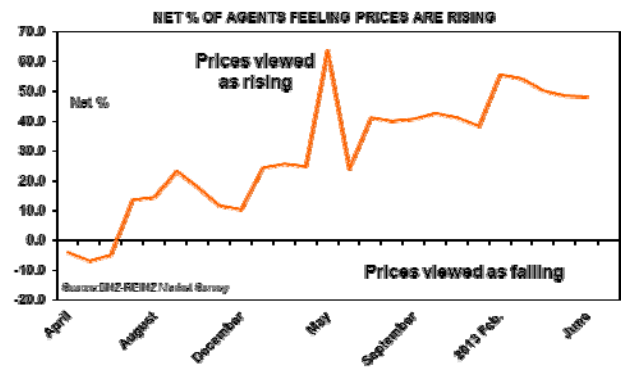
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Do prices appear to be increasing, flat or decreasing?

Prices Are Rising

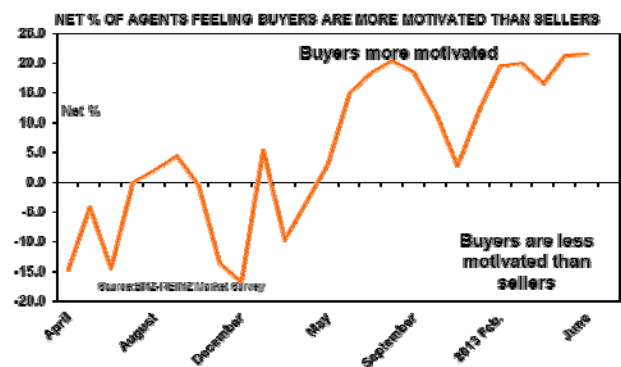
A still strong net 48% of agents report that they feel prices are rising. This result is unchanged from May's and sits well above the average reading of a net 30%.



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

Buyers Want Houses Now

Agents continue to overwhelmingly report that it is buyers who are the most motivated with a net 21% feeling this way – unchanged from May.



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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
June	439	10.7	26.0	17.2	-19.4	28.0	32.3	48.3	21.4

Supplementary Questions

What proportion of the vendors you sell for are overseas?

This month we asked agents to estimate what proportion of the vendors they represent are located offshore. Our aim is to see if this is vastly different from the estimated 7.8% of sales in May which agents said were to people located offshore. The March result for this offshore sales measure was 9.2%. Our survey gave the following results by percentages which we calculated adds up to some 4.5% of vendors being located offshore.

% vendors Offshore	Number of agents
0%	169
1-2	122
3-4	53
5-6	29
7-8	5
9-10	24
11-15	5
16-20	5
21-30	4

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31-60	10
Over 60%	4
	4.5%

This is interesting because taking the many sampling uncertainties into account the proportion comes close to the proportion of sales we estimate are to people offshore who do not intend shifting to New Zealand – some 3.6%. The implication? There could be close to zero net transfer of NZ home ownership occurring to offshore investors. Further study is needed to verify this result especially in the context of the development of any government policy regarding controls on foreign purchasing of NZ property.

Where are the offshore vendors you represent largely located?

As with our question in March and May regarding where the offshore buyers are located we have also made an attempt to gauge where the offshore vendors live. These results need to be treated with caution because although we ask agents to apportion the percentage of their offshore vendors across a range of countries, their replies rarely add up to the logical 100%.

Nevertheless, scaling the results we get the following broad estimates of where the offshore vendors reside shown in the first column. In the second column we show the proportion of offshore sales which agents estimated in May were to people located in the countries shown. The results are quite similar.

	Vendors	Buyers	% All NZ Dwelling Sales To Offshore Investors
	%	%	
Australia	22	22	0.5
China	16	20	0.6
Europe excl. UK	10	8	0.2
India	7	7	0.2
Other Asia	11	9	0.3
South Africa	6	7	0.2
United Kingdom	12	13	0.2
United States	11	6	0.2
Other	5	8	0.3

Note that the results for where offshore buyers are estimated to be located differ slightly from those presented one month ago when writing up our May survey with the most notable changes being lifts for Australia and China to the 22% and 20% shown from 14% and 15%. The changes reflect coding errors which meant agent responses of “>80% of offshore sales” were not captured. Thankfully the changes are not all that great.

REGIONAL RESULTS

Prices are perceived by agents on average to be rising in all regions. In Wellington, although a net 44 of agents feel that prices are rising agents still consider it to be a buyer’s market. That might change soon however given the net 32% of agents saying they are receiving fewer requests for property appraisals. In Canterbury all indicators are strong, just as is the case also for Auckland. Note however that a net 16% of agents in Canterbury say that they are receiving more requests for appraisals though this strong level could reflect simple curiosity about valuations following the earthquake.

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	# 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	19	26	26	13	-21	37	0	26	-16
Auckland	165	19	37	37	-23	41	33	72	50
Waikato	42	5	24	-14	-14	14	31	31	29
Bay of Plenty	38	3	16	-6	-11	24	45	21	-8
Hawkes Bay/Gisborne	24	8	33	14	-21	33	25	4	0
Taranaki	14	36	29	25	7	43	36	64	7
Manawatu/Wanganui	14	-43	-14	-40	-50	-29	-7	7	-14
Wellington	41	2	12	0	-32	12	39	44	-20
Nelson/Marl. W. Coast	14	7	29	11	-14	14	21	36	14
Canterbury	38	26	34	21	16	32	45	76	45
Otago	22	-18	0	-7	-41	9	36	18	-14
Southland	6	Sample size too small for analysis							
All	439	11	26	17	-19	28	32	48	21

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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.

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 The website www.braingainnz.co.nz contains all sections from Brain Gain NZ.

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