



# 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.

## Sentiment Eases Slightly

All eight of our main measures of sentiment in the residential real estate sector have eased off in March after rising firmly in some instances in February. On balance one could not say nationwide that it is a buyer's or a seller's market though in Auckland it is still a seller's market with a net 9% feeling that buyers are more motivated, and in Canterbury a net 14% of responding agents feel the buyers are more motivated than sellers.

Nationwide a net 31% of agents feel that prices are rising with Auckland at a net 37%, Canterbury 52%, and Wellington 40%. A net 44% of agents still say that they are seeing fewer first home buyers compared with 40% last month and a net 24% seeing more first home buyers in September – just before the new credit controls came into force. However a net 15% of agents say that they are seeing more investors.

On average agents report that 19% of their sales are to investors which is the same as a year ago. But they report 17% of sales to first home buyers from 24% a year ago.

This month we repeated our question regarding foreign purchasing of NZ residential property, last asked in May last year. Last year our smallest response category was "Less than 10%" of sales to offshore buyers. This time we changed that to Zero, 0-5%, and 5-10%. The outcome is 6.4% of sales are to people offshore. Using last year's "Less than 10%" definition would have yielded an outcome of 9.3%. Given that in March last year our outcome was 9.2% of sales to people offshore and in May 7.8% one would struggle, statistically-speaking, to conclude that there is a lift or decline in foreign buying of NZ houses.

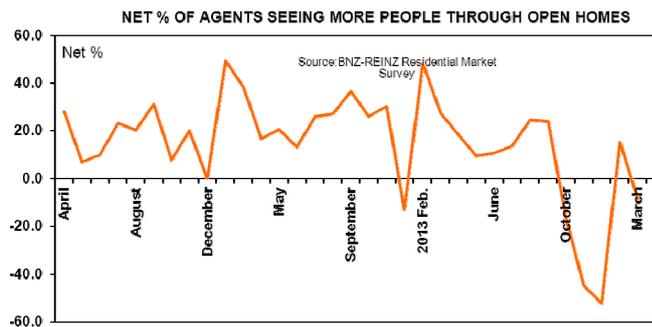
However whereas last year in March 15% of dwelling sales to people offshore were to people in China and in May 20%, this March the proportion is 25%. So a rising proportion of sales going offshore are to people in China of which about 41% are considered as likely to shift to New Zealand.

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

### Fall Recorded

After recovering in February this month there has been a deterioration in the number of agents seeing people going through Open Homes to a net 9% seeing fewer from 15% seeing more last month. This pullback however still leaves things better than in the three months from October to December.

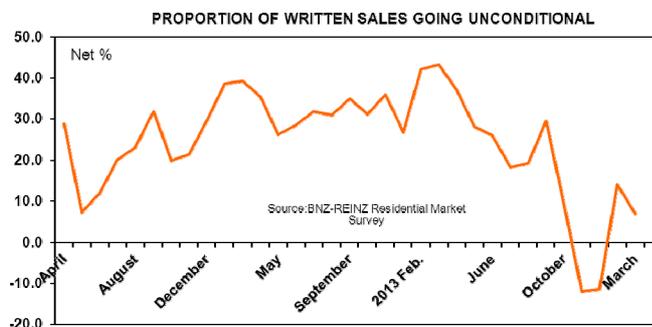
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## Is the proportion of Written Sales going unconditional increasing or decreasing?

### Lower

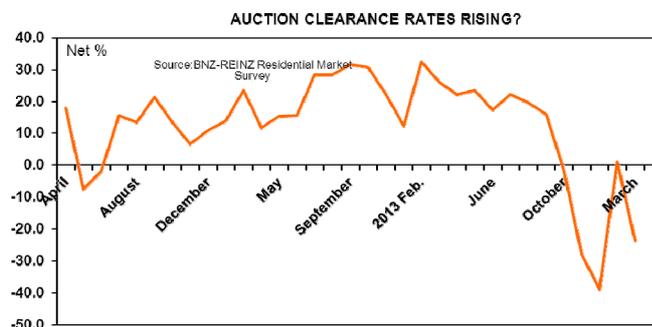
A net 7% of our 373 respondents say that they are seeing a rise in the proportion of their written sales which go unconditional. This is down slightly from 14% in February.



## Are auction clearance rates increasing or decreasing?

### Declining

Things have quietened down again in the auction rooms it seems with a net 24% of agents saying that they are seeing auction clearance rates declining.

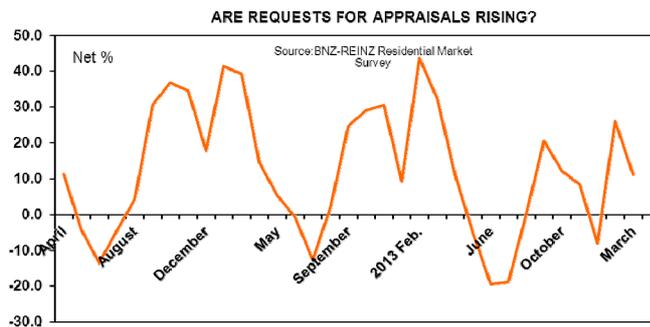


## Are requests for appraisals increasing or decreasing?

### Small easing off

There has been a small pullback in the net percent of agents seeing more requests for appraisals (a precursor to listings) to a net 11% from 26% in February.

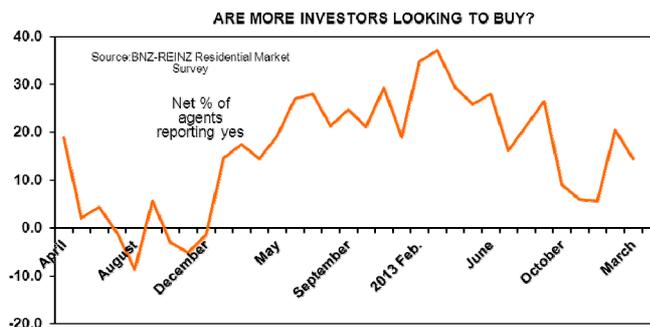
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## Is the number of investors looking to buy increasing or decreasing?

### Less affected than FHBs

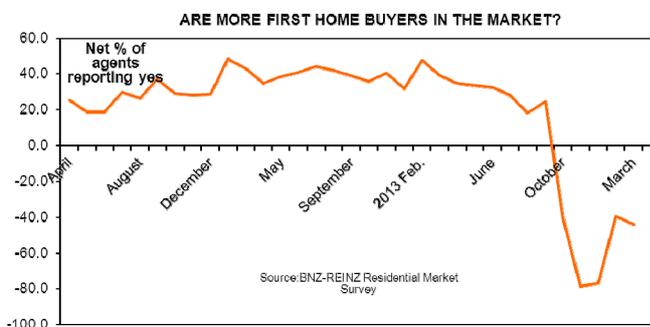
A net 15% of responding agents report that they are seeing more investors in the marketplace. This is down from a net 21% in February and below September's pre-LVR response of a net 26%. Thus while first home buyers have been most severely affected by the credit controls investors have also pulled back to a small extent.



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

### Still falling

A net 44% of agents report that they are seeing fewer first home buyers. This is little changed from February's net 40% result and while better than results close to -80% in November and December still tells us that FHBs have been radically scared away or shut out of the home ownership market by the new credit controls.

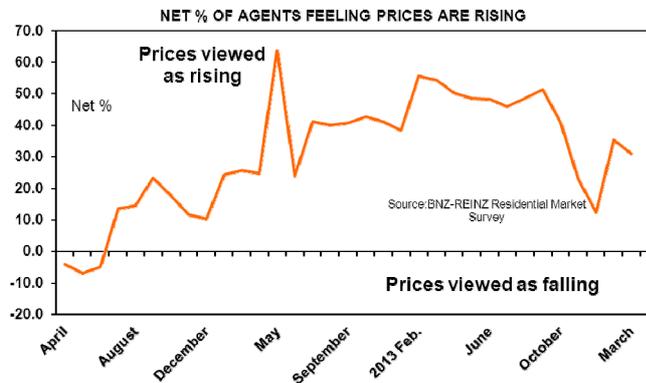


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## Do prices appear to increasing, flat or decreasing?

### Upward Pressure Still Apparent

A net 31% of respondents report that they feel house prices are still rising. This is down only slightly from the net 35% of February and well ahead of December's net 13%. Therefore price pressure still appears to be upward though not with the strength that was apparent before October 1.



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

### Neutrality

After flipping marginally back to being a seller's market in February this month agents see things as being almost exactly in balance.



## If you operate outside Auckland, are you finding the number of buyers shifting from Auckland increasing or decreasing?

### Little evidence of buyers looking outside Auckland

A net 34% of agents report more Auckland buyers appearing – a result little changed from previous months. Therefore one would struggle to run an argument as yet that there is much cashing up of property in Auckland or diversion of young buyers toward other markets.

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## First Home Buyers, Investors and Offshore Buyers

In March last year our respondents estimated that 24% of their sales were to first home buyers and in May they estimated 23%. The result in December, following introduction of minimum deposit rules, was 15%. This improved to 16% in February and this month has recovered to 17%. There is a slow recovery in the proportion of sales going to first home buyers.

Also in March and May last year we asked what proportion of sales went to investors whether located in New Zealand or offshore. The result was 19% in both months. We asked the question last month and again got 19%, and asked it this month – to again receive a result of 19%. There is no trend change in the proportion of sales going to investors. This implies that general trading up and down of houses has taken up the slack left by first home buyers backing off.

This month we also asked agents to estimate the proportion of their sales going to people located offshore – be they Kiwis or foreigners. When we asked this question in March last year the outcome was 9.2%. In May the outcome was 7.8%. This time the proportion is 9.3% if one uses the same classifications as we did back then.

Last year we had as the lowest percentage option “Less than 10%”. However this year we finessed the questions and included options of

- Zero
- Less than 5%
- 5 – 10%

This better presentations of options to respondents has yielded the result that **6.4% of dwelling sales go to people located offshore**. This is therefore a result closer to the truth than the 9.2%, 7.8%, and 9.3% outcomes using the broad “Less Than 10%” response only.

Therefore we produce two results

1. The already low proportion of sales estimated as going to people offshore last year would have been even lower had we better specified the questions.
2. There is no upward trend evident in the proportion of NZ dwelling sales to people located offshore.

Where do the foreign buyers come from? This table presents the results from this year’s survey in the first column then last May’s in the second. Last year the main group of buyers came from Australia. Now it is China at 25% from 20% last year. Thus while our data do not allow one to say that an increasing proportion of NZ houses being sold are going to people offshore, one can say that the proportion of sales going to people located in China has risen. But then so too have our exports to China by 54% over the past year while spending by Chinese visitors in New Zealand grew 6.7%.

|              | <b>March<br/>2014</b> | <b>May<br/>2013</b> |
|--------------|-----------------------|---------------------|
| Australia    | 20                    | 22                  |
| China        | 25                    | 20                  |
| Europe ex UK | 11                    | 8                   |
| India        | 6                     | 7                   |
| Other Asia   | 9                     | 9                   |
| South Africa | 7                     | 7                   |
| UK           | 11                    | 13                  |
| US           | 5                     | 6                   |
| Other        | 5                     | 7                   |
|              | 100                   | 100                 |

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This table shows the proportion of foreign buyers agents consider as likely to shift to live in New Zealand.

|              | <b>% expected to<br/>move to NZ</b> |
|--------------|-------------------------------------|
| Australia    | 50%                                 |
| China        | 41                                  |
| Europe ex UK | 52                                  |
| India        | 44                                  |
| Other Asia   | 34                                  |
| South Africa | 61                                  |
| UK           | 68                                  |
| US           | 27                                  |
| Other        | 22                                  |

In Australia the Quarterly Australian Residential Property Survey from National Australia Bank shows that 6.5% of all sales of established houses are to foreigners while 11% of all new property sales go offshore. Given that almost all houses are established rather than new the Australian 6.5% is statistically the same as our 6.4%.

<http://business.nab.com.au/quarterly-australian-residential-property-survey-q4-2013-5762/>

In Australia the Federal Treasurer Joe Hockey this weekend announced that he will ask the House of Representatives Economics Committee to investigate whether foreign property buying is being properly policed. There are growing concerns that first home buyers are being priced out of the market. A report recently released by Credit Suisse estimates that 18% of all new dwellings in Sydney and 14% in Melbourne are being sold to Chinese buyers.

<http://www.dailytelegraph.com.au/news/nsw/fears-chinese-investors-are-pricing-firsthome-buyers-out-of-the-market-will-be-investigated-by-parliament/story-fni0cx12-1226855755918>

## REGIONAL RESULTS

We report results where at least 20 responses have been received for a region.

|                       | <b># of<br/>Responses</b> | <b># of people<br/>through<br/>Open<br/>Homes</b> | <b>% of Written<br/>Sales<br/>Unconditional</b> | <b>Auction<br/>Clearance<br/>rate</b> | <b>Requests<br/>for<br/>Appraisals</b> | <b>Investors<br/>buying</b> | <b>First<br/>home<br/>buyers</b> | <b>Prices</b> | <b>Buyers more<br/>motivated?</b> | <b>Akid<br/>Buyers?</b> |
|-----------------------|---------------------------|---|---|---------------------------------------|--|-----------------------------|----------------------------------|---------------|-----------------------------------|-------------------------|
| Northland             | 24                        | 4   | 21  | -12                                   | 25                                     | 29                          | -38                              | 21            | -8                                | 61                      |
| Auckland              | 150                       | -14   | 1   | -40                                   | 11                                     | 13                          | -41                              | 37            | 9                                 |                         |
| Waikato               | 31                        | -16   | -13   | -39                                   | 10                                     | 6                           | -58                              | 16            | -3                                | 65                      |
| Bay of Plenty         | 23                        | 0   | 39  | 11                                    | 17                                     | 17                          | -65                              | 35            | -30                               | 61                      |
| Hawkes Bay/Gisborne   | 19                        |   |   |                                       |  |                             |                                  |               |                                   |                         |
| Taranaki              | 3                         |   |   |                                       |  |                             |                                  |               |                                   |                         |
| Manawatu/Wanganui     | 15                        |   |   |                                       |  |                             |                                  |               |                                   |                         |
| Wellington            | 25                        | 16  | 20  | 0                                     | 28                                     | 12                          | -32                              | 40            | -24                               | 6                       |
| Nelson/Marl. W. Coast | 23                        | 22  | 17  | 8                                     | 26                                     | 52                          | -22                              | 39            | 0                                 | 20                      |
| Canterbury            | 29                        | -24   | 3   | -10                                   | -10                                    | 10                          | -66                              | 52            | 14                                | 11                      |
| Otago                 | 26                        | -15   | 4   | -5                                    | 4                                      | 12                          | -46                              | 27            | 8                                 | 6                       |
| Southland             | 5                         |   |   |                                       |  |                             |                                  |               |                                   |                         |
| <b>All</b>            | <b>373</b>                | <b>-9</b>   | <b>7</b>  | <b>-24</b>                            | <b>11</b>                              | <b>14</b>                   | <b>-44</b>                       | <b>31</b>     | <b>-1</b>                         | <b>34</b>               |

Given the low number of responses outside Auckland we note only the Auckland region results for our questions regarding the proportion of sales going to people living offshore. There is a slight upward trend.

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2013  
 March 11%  
 May 11%  
 2014  
 March 12% 14% using the old classification

## NZ-WIDE 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? | Akld Buyers? |
|------------|----------------|--------------------------------|----------------------------------|------------------------|-------------------------|------------------|-------------------|--------|------------------------|--------------|
| 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                   |              |
| July       | 377            | 13.5                           | 18.3                             | 22.1                   | -18.8                   | 16.2             | 28.4              | 45.9   | 24.4                   | 42.4         |
| August     | 253            | 24.4                           | 19.3                             | 19.5                   | 0.0                     | 21.3             | 18.1              | 48.4   | 26.0                   | 35.3         |
| September  | 418            | 23.9                           | 29.4                             | 16.0                   | 20.6                    | 26.3             | 24.4              | 51.2   | 29.9                   | 38.8         |
| October    | 420            | -16.4                          | 9.3                              | -1.5                   | 12.1                    | 9.0              | -41.0             | 41.0   | 11.2                   | 39.3         |
| November   | 250            | -44.8                          | -12.0                            | -27.9                  | 8.4                     | 6.0              | -78.4             | 22.8   | -16.8                  | 22.3         |
| December   | 587            | -52.2                          | -11.5                            | -38.8                  | -7.8                    | 5.6              | -77.1             | 12.5   | -16.0                  | 32.7         |
| 2014 Feb   | 469            | 15.1                           | 14.1                             | 1.1                    | 26.0                    | 20.5             | -39.7             | 35.4   | 31.1                   | 39.7         |
| March      | 373            | -8.6                           | 7.0                              | -23.6                  | 11.3                    | 14.5             | -44.2             | 31.1   | -1.1                   | 34.4         |

For further information contact Tony Alexander, Chief Economist, [tony.alexander@bnz.co.nz](mailto:tony.alexander@bnz.co.nz)  
[www.tonyalexander.co.nz](http://www.tonyalexander.co.nz) 04 474-6744, 029 609-8960

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.

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