

BNZ-REINZ Residential Market Survey

ISSN 2253-3656

14 March 2013

Mission Statement

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

Market Very Strong

In our monthly survey of over 10,000 licensed real estate agents around New Zealand we included for the first time some detailed questions regarding the role which offshore buyers are playing in the housing market. Principally in Auckland anecdotes have been flying thick and fast regarding Chinese buyers snapping up properties. The evidence does not support these anecdotes.

Nationwide only 9% of all sales are to people from offshore. When we allow for at least 40% of these buyers indicating to agents that they intend shifting to New Zealand, we are left with a result that only between 4% and 5.6% of all NZ dwelling sales are to people not intending to live here.

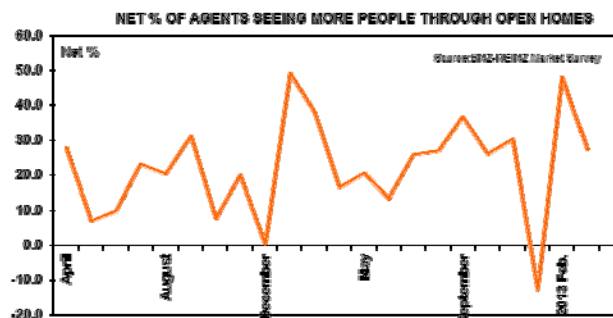
In Auckland an estimated 11% of sales are to people offshore. Only 19% of those buyers are from China. 42% of those buyers say they plan shifting to New Zealand. Therefore we can state that at most 1.2% of dwelling sales in Auckland are to buyers from China not planning to shift to New Zealand and all up just 2.1% of dwelling sales in Auckland are to people living in China. Another 2.1% of Auckland sales are to people living in the UK. 1.7% are to people living in Australia.

With regard to our more usual indicators of market strength discussed immediately below – all remain at elevated levels consistent with a housing market with continuing upward momentum.

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

Interest remains strong

A net 27% of agents report that more people are going through Open Homes. This measure moves around a bit but it remains strong overall suggesting many people looking at properties.

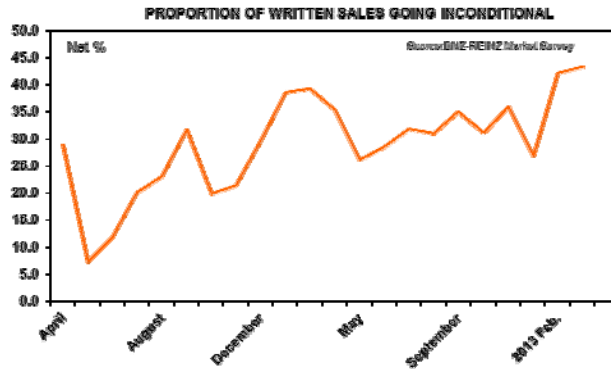


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Is the proportion of Written Sales going unconditional increasing or decreasing?

Sales firm

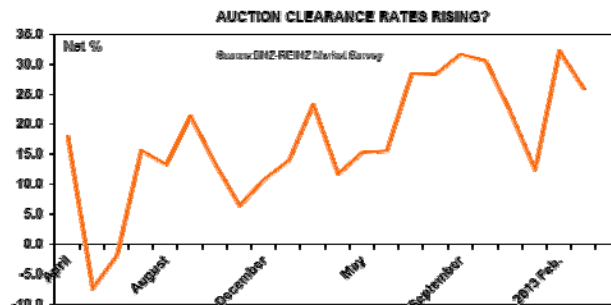
A record net 43% of agents report that more written sales go through to being unconditional. Few people back out in other words after signing to purchase.



Are auction clearance rates increasing or decreasing?

Clearance strong

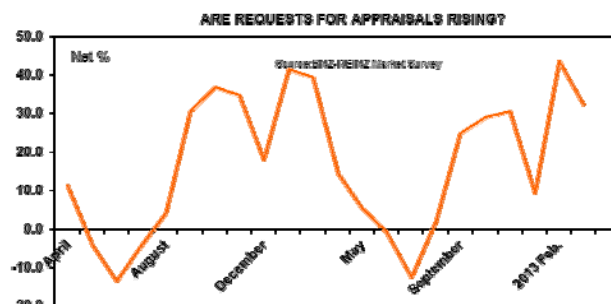
A net 26% of agents feel auction clearance rates are rising. REINZ actually have data on this and it is worth looking at their website www.reinz.org.nz



Are requests for appraisals increasing or decreasing?

Vendors not in abundance

A net 32% of agents report more vendors seeking appraisals. This is a strong reading but strength in the past did not lead to a rush of properties being placed on the market and we are unwilling to interpret this result as suggesting a listings rush now either.

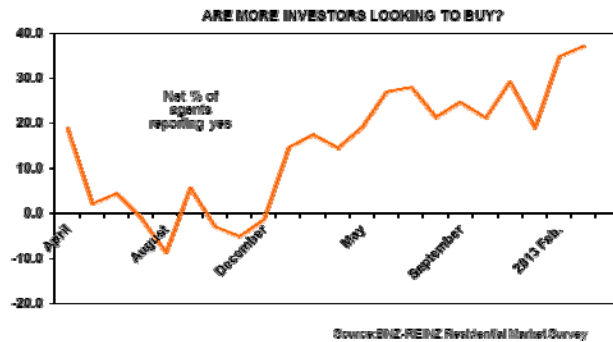


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Is the number of investors looking to buy increasing or decreasing?

Record Interest

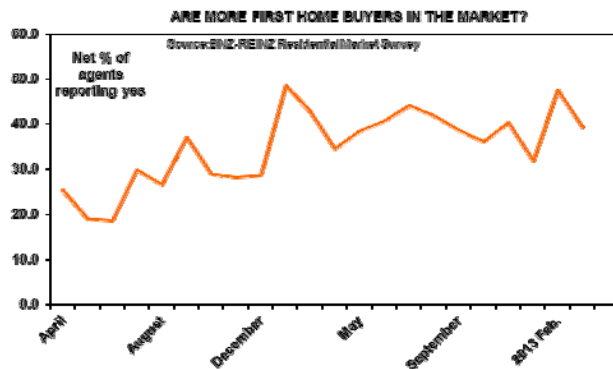
There is more and more interest being seen from investors with a record net 37% of responding agents reporting this. Note that across the country as a whole agents report that 19% of their sales are to investors. We do not have a time series for this measure to be able to say if this is exceptionally high or low, but the results here do suggest above average investor demand.



Is the number of first home buyers increasing or decreasing?

Easing a tad

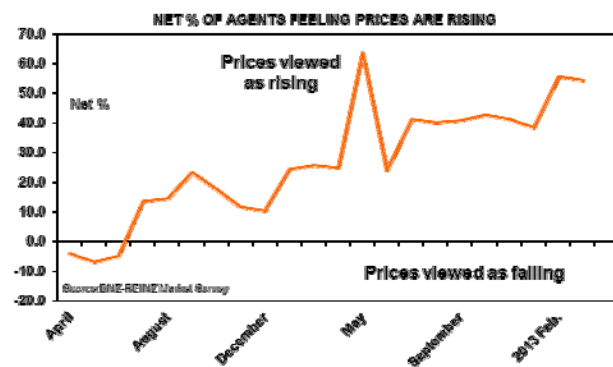
A net 39% of agents report seeing more first home buyers in the market. This is a key driving force behind the real estate upturn because agents report that 24% of their sales are to people purchasing a property for the first time.



Do prices appear to be increasing, flat or decreasing?

Prices rising

Given the anecdotes and evidence from REINZ and QVNZ it is unsurprising that a strong net 54% of agents report that prices are rising.

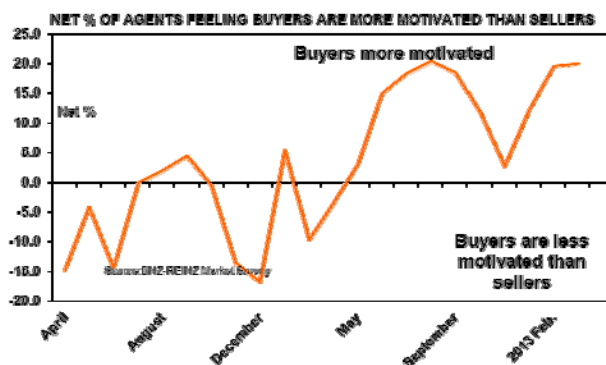


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Who appear more motivated to transact – the buyers or the sellers?

A sellers' market

The NZ housing market remains one strongly in favour of sellers (net 20% saying buyers are more motivated)– though it pays to note from the regional results that this is not the case across all of the country.



The following questions were introduced for the first time this month.

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

Asked about who the properties they are selling get bought by, agents note that on average nationwide 24% are going to first home buyers and 19% to investors. Only 9% of sales are to buyers from offshore. The remaining more than 48% of sales would be to people simply trading up or down, shifting town, shifting neighbourhood, fresh into the country etc. Note that our question regarding sales to investors captures both domestic and foreign buyers. But with only 9% of dwelling sales nationwide to people offshore and at least 40% of those people planning to move to New Zealand, at the absolute maximum 5.6% of dwelling sales in New Zealand are to offshore investors.

First home buyers	24%
Investors (all sources)	19%
Offshore	9%
Other	48%+

Where do your offshore buyers largely come from?

Nationwide the largest source of offshore buyers is the United Kingdom with 18% of sales offshore, followed by China at 15% then Australia at 14%. Given that just 9% of sales are to people offshore this means 1.6% of dwelling sales nationwide are to people in the United Kingdom, 1.4% to people in China, and 1.3% to people in Australia.

	% of all sales offshore	% of all sales
Australia	14	1.3
China	15	1.4
Europe excl. UK	11	1.0
India	10	0.9
Other Asia	12	1.0
South Africa	11	1.0
United Kingdom	18	1.6
United States	8	0.7
Other	8	0.7

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It is interesting to note that the percentages in the first column differ from those which we reported last month showing 27% of offshore buyers coming from the UK, 24% from China, and 21% from Australia – though it is very pleasing from a statistical accuracy point of view that the relationships are the same. Why the substantial drop for each of these countries? Probably because last month we did not ask agents to report **their** sales to offshore buyers, but their **opinion** of where the offshore buyers were coming from more generally.

Can we conclude that the divergence of surveyed reality from the hypothesised situation tells us something about Kiwi attitudes specifically toward buyers from China in the residential property market? After all, the furore over Chinese buying of the Crafar farms revealed biased attitudes toward Chinese purchases of farmland which do not exist toward purchasers from other countries. Our survey results do not show such a bias in that while actual sales to people from China account for 15% of all offshore versus the perception of 24%, the divergences for the United Kingdom and Australia are practically the same.

	Perceived % of offshore sales to buyers February survey	Actual sales March survey	Perception error
China	24%	15%	9 percentage points
Australia	21	14	7
United Kingdom	27	18	9

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

We asked agents whether they felt that the offshore people buying the properties they had sold intended to shift to New Zealand. They could answer Yes, No, or Don't Know. If we assume that all the Don't Know answers were No, then we get the results below showing for instance that at least one half of buyers out of Australia plan shifting to New Zealand, 69% of buyers in the UK plan shifting here, and 37% of buyers from China plan shifting. Taking these downwardly biased shifting intentions measures into account, and adjusting the results in the second column above, we get the second column here showing the proportion of all dwelling sales in New Zealand going to people offshore who don't intend living here.

	% who intend shifting here	% of all NZ sales to buyers <u>not</u> intending living in New Zealand
Australia	51	0.6
China	37	0.9
Europe excl. UK	39	0.6
India	30	0.6
Other Asia	23	0.8
South Africa	53	0.5
United Kingdom	69	0.5
United States	19	0.6
Other	6	0.7
NZ total	40	5.6

Therefore, less than 6% of dwelling sales in New Zealand are to people offshore with either no intention of shifting to New Zealand, or the agent did not know their intentions. The true result is likely to be closer to 4% as 35% of agents reported Don't Know with regard to offshore buyer shifting intentions.

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REGIONAL RESULTS

It is important to note in this section that if the number of responses for a region is less than 20 the statistical accuracy of the results must be treated with caution. In that regard we would be unwilling to say much with regard to Northland, Hawkes Bay, Manawatu/Wanganui, and Nelson/Marlborough/West Coast due to low numbers of real estate agents responding in those areas.

	# 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	10	50	80	25	50	50	30	10	-20
Auckland	161	23	41	30	26	38	37	73	40
Waikato	31	27	61	35	33	48	42	30	-15
Bay of Plenty	27	41	63	21	56	41	56	15	-15
Hawkes Bay/Gisborne	15	40	27	36	40	33	27	13	7
Taranaki	6	Only six responses. Not enough for analysis							
Manawatu/Wanganui	14	21	50	0	57	29	43	36	7
Wellington	25	28	48	11	28	24	40	48	-16
Nelson/Marl. W. Coast	10	36	55	0	45	18	55	36	0
Canterbury	35	29	23	29	29	46	40	89	43
Otago	20	20	15	7	15	25	25	30	5
Southland	Apologies. Missing from selection options.								
All	355	27	43	26	32	37	39	54	20

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

First home buyers are a strong force in Wellington, investors account for 22% of sales in Auckland (compared with say 11% in Wellington, and sales to people offshore only exceed 10% of all sales in Auckland and Otago (which would capture Queenstown and Wanaka, not to mention Kingston). Offshore buyers play little role in Wellington.

	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			
All	24	18	9

Where do your offshore buyers largely come from?

The points of interest to note here are that in Auckland some 19% of offshore buyers come from China which is statistically the same as the 18% who come from the UK. This is however the highest proportion of

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buyers from China for all regions though well away from the 45% result we got last month when we asked agents what their **opinion** was as to the proportion of foreign buyers in Auckland from China. Reality has proved substantially different from the dinner table suppositions.

Note that whereas the nationwide percentages add up near enough to 100% at 106% (the bottom line summed), this is not the case for some of the regional results with arithmetic proving somewhat more of a challenge for the respondents in Bay of Plenty, Hawkes Bay, Manawatu/Wanganui, and Otago.

	Australia	China	Europe ex. UK	India	Other Asia	South Africa	UK	USA	Other
Northland	13	13	12	12	20	13	18	5	5
Auckland	15	19	13	12	13	13	18	8	8
Waikato	11	13	8	8	12	7	13	7	8
Bay of Plenty	11	9	6	10	9	12	11	5	6
Hawkes Bay/Gisborne Taranaki	13	10	5	5	10	12	18	5	5
Manawatu/Wanganui	12	5	5	5	5	5	10	5	15
Wellington	15	13	12	5	14	8	22	15	6
Nelson/Marl. W. Coast	32	5	12	5	5	8	26	8	15
Canterbury	15	9	10	9	7	7	23	9	8
Otago	6	5	5	5	9	5	12	10	5
Southland									
All	14	15	11	10	11	11	18	8	8

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

The way to interpret these results is as follows. If we were to (incorrectly) assume that all Don't Know responses were actually No (not planning to shift to NZ), then 71% of Australians buying in Northland say they plan shifting there. But only 33% of people from the UK buying in Northland say they plan living there. In Auckland 42% at least of Chinese buyers say they plan living there, but only 25% of Americans plan moving to occupy the house which they have bought.

	Australia	China	Europe Ex. UK	India	Other Asia	South Africa	UK	USA	Other
Northland	71	33	60	50	0	50	33	0	0
Auckland	47	42	46	43	28	68	74	25	7
Waikato	56	25	44	0	13	29	78	29	0
Bay of Plenty	47	20	13	30	22	50	83	11	14
Hawkes Bay/Gisborne Taranaki	38	33	17	0	33	67	71	0	0
Manawatu/Wanganui	38	0	25	0	25	0	0	0	0
Wellington	42	36	50	20	29	33	45	33	17
Nelson/Marl. W. Coast	80	0	0	0	0	33	86	0	0
Canterbury	64	38	40	30	10	42	69	11	0
Otago	47	20	0	0	13	0	56	17	0
Southland									
All	51	37	38	30	23	53	69	19	6

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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 48 hours 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://www.braingainnz.co.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 column for the NZ Property Investor magazine, <http://www.propertyinvestor.co.nz/>
- Monthly column for the NZ China Trade Association. <http://www.nzcta.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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