

BNZ-REINZ Residential Market Survey

10 August 2011

Mission Statement

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

First Home Buyers Increasingly Apparent

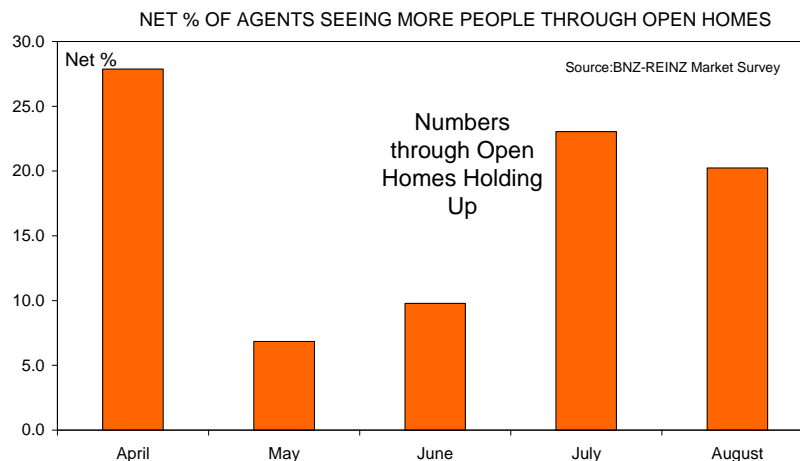
Our fifth monthly survey of licensed real estate agents around New Zealand has found continuing growing interest from first home buyers but increasing withdrawal by investors, and a strengthening perception that prices are rising rather than falling. However there are some substantial differences at the local level with Auckland characterised by strong buyer interest and rising prices whereas in Wellington the sellers dominate and prices appear to be falling.

These remain early days in what we believe is the start of the upward leg in the housing cycle, and it is likely that the turbulence in offshore financial markets will inject some caution. But assuming things settle down overseas we expect the simple fundamental of a growing under-supply of dwellings in New Zealand made worse by construction at a four decade low, and now renewed chances of interest rates holding low for longer, will see the market gain strength. Of interest however will be the extent to which the Rugby World Cup then the general election may disturb the real estate and other markets.

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

Strong Interest At Open Homes

A net 20% of agents report more people going through Open Homes. This is similar to the net 23% in July and continues a string of such positive results. More buyers are out and about kicking the tyres. .

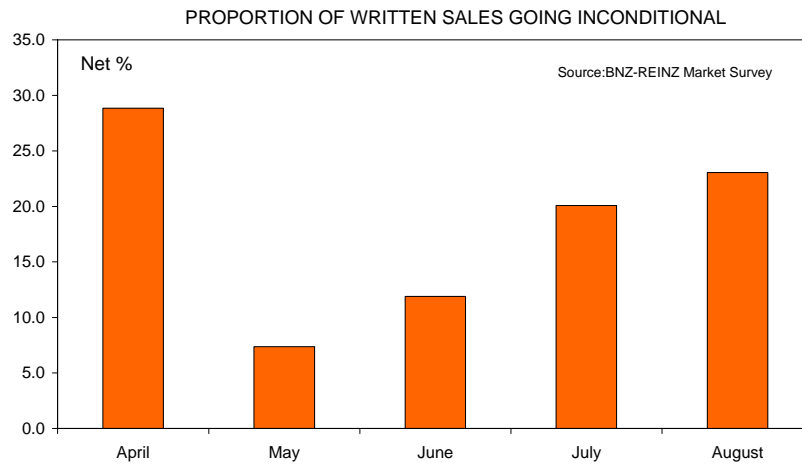


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Is the proportion of Written Sales going unconditional increasing or decreasing?

Buyers Seeing Contracts Through

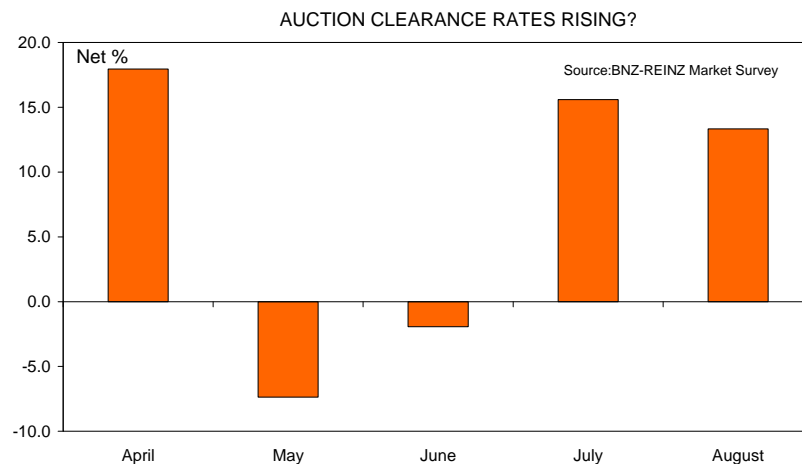
More and more written contracts are going unconditional with a net 23% of agents reporting this measure as improving compared with 20% in July.



Are auction clearance rates increasing or decreasing?

Auction Activity Rising

More agents are noting auction clearance rates as improving, this month a net 13% compared with a net 15% last month. This result backs up the first two above regarding buyers not just kicking the tyres but signing up and settling.

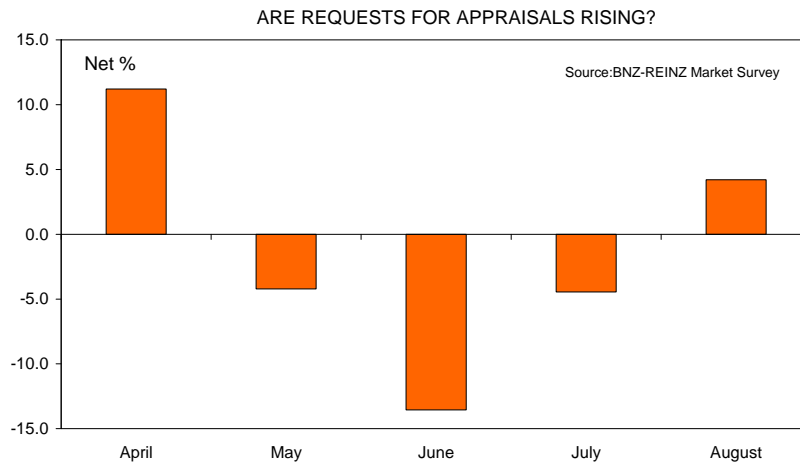


Are requests for appraisals increasing or decreasing?

Vendors Seek Information

Here we find a slight piece of evidence that a few vendors may be reacting to the increasing evidence of more buyers appearing by bringing their properties to the market. A net 4% of agents report that more potential vendors are seeking appraisals of their properties. This is the first positive result reported for this particular measure since April.

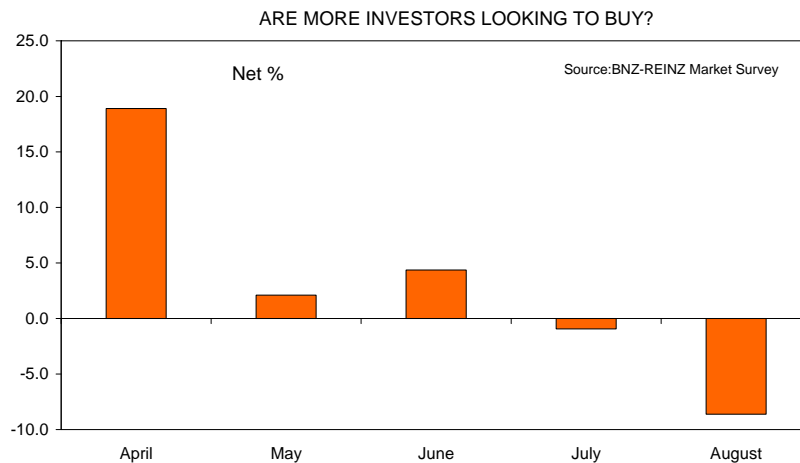
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Is the number of investors looking to buy increasing or decreasing?

Investors Not Appearing

This month a net 9% of agents have reported that they are seeing fewer investors in the market. That is, fewer people are showing interest in buying property as an investment. This is the weakest result for this measure in the five months during which our new survey has been running and as the chart here shows the trend in this measure is decidedly downward. One interpretation of this result is that tax changes are scaring fresh investors away, and an important implication is that the rental stock is likely to tighten up even further.

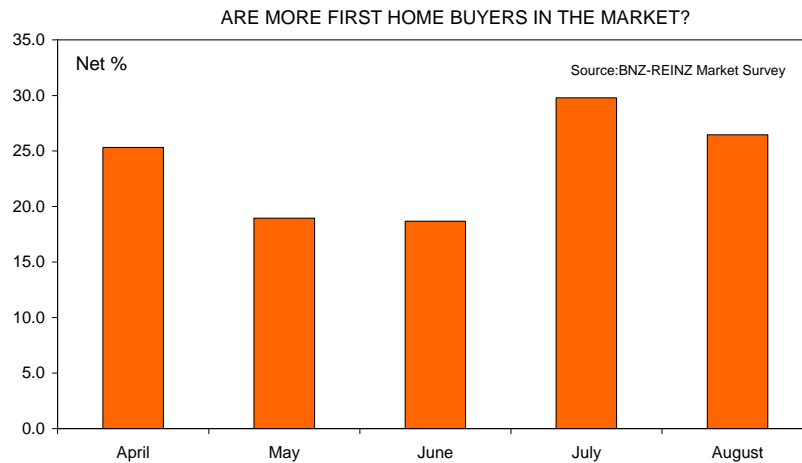


Is the number of first home buyers increasing or decreasing?

First Time Buyers Dominant

This measure remains strongly positive with a net 27% of responding agents reporting that they are seeing more first home buyers in the market. That is, the improving residential real estate market which we are seeing in a range of numbers is being driven not by investors, who are increasingly absent, but by first home buyers.

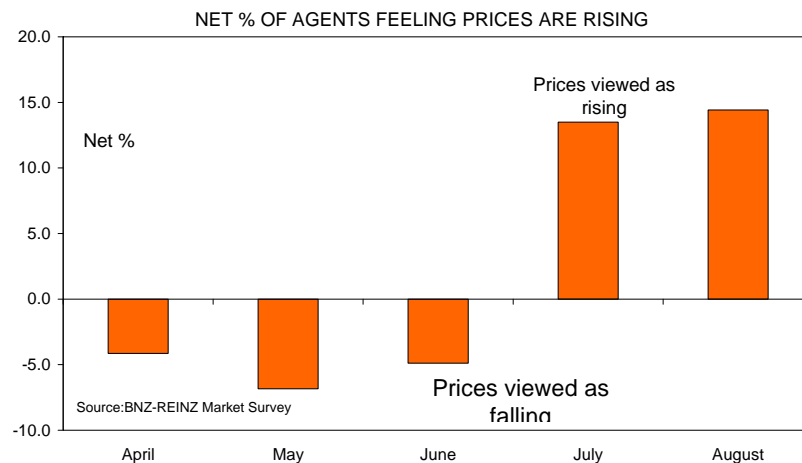
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Do prices appear to increasing, flat or decreasing?

Price Pressures Are Upward

A net 14% of agents report that they feel prices in the marketplace are rising. This is the second month in a row of such a positive result and undoubtedly it reflects the fact that the side of the housing trade moving here is more the buyers coming forward than the vendors.

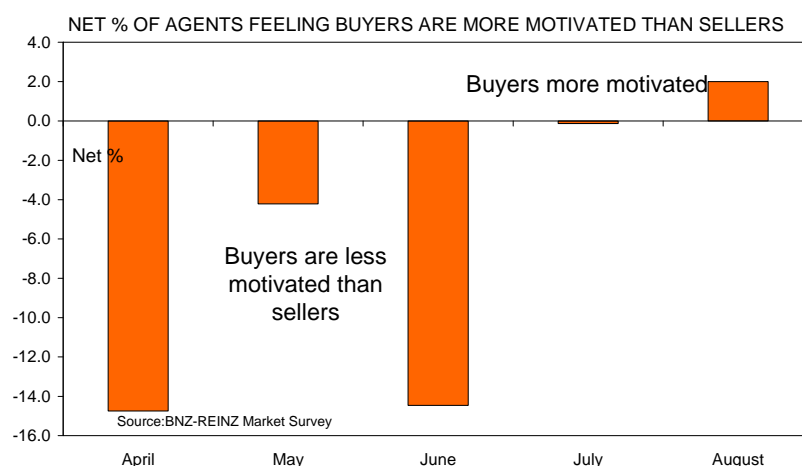


Who appear more motivated to transact – the buyers or the sellers?

Pure Balance Still Reigns

The result for this question is essentially the same as last month with only a net 2% of licensed agents reporting that they feel buyers are more motivated to act than sellers. Last month's result was pure balance. We interpret this to mean that although there are more and more buyers in the marketplace they are not snapping up properties.

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What are the main factors holding buyers back?

The problem with a shortage of listings has grown in the past month with 36% of the reasons given for buyers holding back being inadequate listings – either quantity or quality. Fewer and fewer buyers are holding back because they feel prices will decline, worries about selling one’s own property have eased, and perceptions of the difficulties involved in getting finance are about average. Having spent two days in Christchurch however earlier this week one can say that down their finance is a large issue, tied up as it is with the need to get insurance which is extremely difficult while insurance companies try to quantify the earthquake risk suburb by suburb.

	Latest %	Month Ago %	Average %
They feel prices will decline	21.1	23.0	27.3
Worries about securing finance	17.1	15.0	17.2
Not confident they can sell their house	15.3	18.5	19.2
Poor quality of listings	36.1	34.2	27.2
Other	10.4	9.3	9.0

What are the main reasons people are buying?

These measures are showing a tendency to not change much over time. However we shall monitor them because they may give some valuable insight further down the track as this upturn in the housing cycle becomes more developed. For the record, people are largely looking to buy a house because they are trading up or down, shifting town, or their relationship has broken up. There is a small upward trend in the number citing rising prices but the change is fairly small.

	Latest %	Month Ago %	Average %
Fear of missing out/Feel time is right for prices	12.0	11.5	10.1
Trading up	14.0	13.2	14.9
Trading down	16.3	16.9	17.0
Shifting into town	15.8	14.2	14.7
Arriving from overseas	5.8	5.9	6.0
Relationship breakdown	11.3	11.9	12.3
Commuting costs	2.8	2.7	3.2
Schooling	8.8	8.7	8.4
Want closer proximity to shops	2.2	2.3	2.0
Want closer proximity to relatives	2.2	2.9	3.0

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Want closer proximity to health care services	1.7	1.9	2.0
Investing	0.5	0.2	0.6
First home	1.4	1.1	1.4
Earthquake	2.1	2.3	2.1
Good interest rates	0.6	0.5	0.4
Other	2.5	3.9	2.5

What are the main reasons Written Sales fail to go unconditional?

Apart from the builders report becoming a slightly more important factor in people deciding not to let their purchase contract go unconditional, there is no obvious trend here.

	Latest %	Month Ago %	Average %
Finance	37.4	37.8	41.0
LIM report	6.4	5.8	6.4
Builders report	49.8	47.0	46.0
Earthquake/insurance	3.6	3.6	3.2
Can't sell own house	0.6	1.5	1.5
Other	2.2	4.2	2.4

What are the main factors motivating vendors to sell?

These measures have stayed very steady.

	Latest %	Month Ago %	Average %
They think prices are going to fall	3.3	3.2	3.5
Need the money	19.7	19.2	21.3
Trading up	11.1	10.7	10.9
Trading down	16.5	15.8	14.8
Leaving town	12.8	14.2	13.3
Leaving the country	8.3	8.9	7.8
Relationship breakdown	15.3	16.7	16.0
Commuting costs	0.8	1.5	1.3
Schooling	3.8	3.6	3.6
Want closer proximity to shops	0.8	0.8	0.8
Want closer proximity to relatives	1.9	1.6	1.9
Want closer proximity to health care services	2.1	1.2	2.1
Earthquake	0.4	0.8	0.6
Bank request, job loss	0.1	0.2	0.3
Retirement	0.4	0.2	0.4
Estate sales	0.1	0.0	0.2
Other	2.6	1.4	1.8

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CITIES

This month we had 499 responses whereas last month we received 742. That means fewer areas have reached the minimum of 10 responses we think are needed to allow valid interpretation of results. Therefore there are some gaps in the table below where we show as blanks those areas which were in last month's table but not this month's.

The main results at the local level include the following. In Auckland the buyers are highly motivated, but in Wellington the sellers are more motivated. Therefore in Auckland prices are perceived to be rising whereas in Wellington they are considered to be falling. In Christchurch many people are looking to buy, many are looking to sell, and prices are rising. In Tauranga and Hamilton sellers are far more motivated to move than buyers and there are few investors in Tauranga. Dunedin is showing interesting strength across all indicators and this bears watching as we have noticed in past cycles a tendency for Dunedin to lead the rest of the country.

	# 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?
Auckland City	48	46.9	24.5	27.9	12.2	6.1	36.7	61.2	46.9
North Shore City	44	48.9	24.4	39.0	-26.7	-20.0	51.1	57.8	51.1
Christchurch City	26	34.6	30.8	26.3	11.5	-23.1	-3.8	34.6	46.2
Central Wellington	12	16.7	16.7	-60.0	16.7	-16.7	58.3	-8.3	-58.3
Hutt Valley	17	23.5	-5.9	15.4	35.3	5.9	23.5	-23.5	-52.9
Northern Wellington	11	36.4	-9.1	33.3	-27.3	-27.3	54.5	-36.4	-18.2
Manukau City	24	-4.2	4.2	-35.3	-16.7	-4.2	8.3	37.5	20.8
Waikato/BOP Region									
Other	19	-31.6	15.8	-14.3	0.0	-10.5	-15.8	-42.1	-42.1
Whangarei/Northld	21	9.5	19.0	31.3	0.0	-23.8	14.3	-9.5	-33.3
Waitakere City	15	53.3	26.7	58.3	0.0	-13.3	26.7	73.3	53.3
Rodney District	11	16.7	25.0	0.0	-16.7	8.3	16.7	16.7	-8.3
Napier City	9								
Tauranga	10	0.0	20.0	22.2	0.0	-40.0	10.0	-10.0	-30.0
Hamilton City	23	17.4	34.8	39.1	4.3	8.7	43.5	8.7	-47.8
Other Auckland	15	31.3	31.3	0.0	-25.0	25.0	25.0	6.3	25.0
Waikato Country	21	-4.8	47.6	25.0	38.1	-4.8	23.8	-52.4	-4.8
Dunedin City	14	71.4	28.6	54.5	35.7	14.3	42.9	14.3	21.4
Manawatu/Wanganui									
Palmerston North	9								
Canterbury/Westland									
Other West Coast	17	52.9	64.7	20.0	11.8	29.4	47.1	64.7	35.3
Queenstown/Central									
Otago Lakes/Other	11	27.3	0.0	-40.0	27.3	-9.1	0.0	-18.2	-27.3
Taupo	4								
Mount Maunganui									
Papamoa	7								
Hawkes Bay Other	6								
Timaru/Mid/South									
Canterbury/Westland	6								
Hastings City	5								
New Plymouth City	10	0.0	20.0	-14.3	30.0	-10.0	20.0	0.0	-10.0
Wairarapa	4								
Rotorua	7								
Kapiti Coast	11	-25.0	0.0	0.0	-33.3	-58.3	-25.0	-16.7	-16.7
Invercargill	6								
All	499	20.2	23.0	13.3	4.2	-8.6	26.5	14.4	2.0

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Each month in this Cities section we shall report results for locales where at least 10 responses are received, or where we feel one can reasonably group some locations together and still have reasonably valid conclusions.

Summary

The market is picking up, driven by first home buyers but with investors becoming more and more scarce. Prices are rising though not in all areas.

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The BNZ-REINZ Market Survey is run (usually) on the first Tuesday of the month provided there is a three day gap with the end of the previous month. 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.

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