

BNZ-REINZ Residential Market Survey

7 September 2011

Mission Statement

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

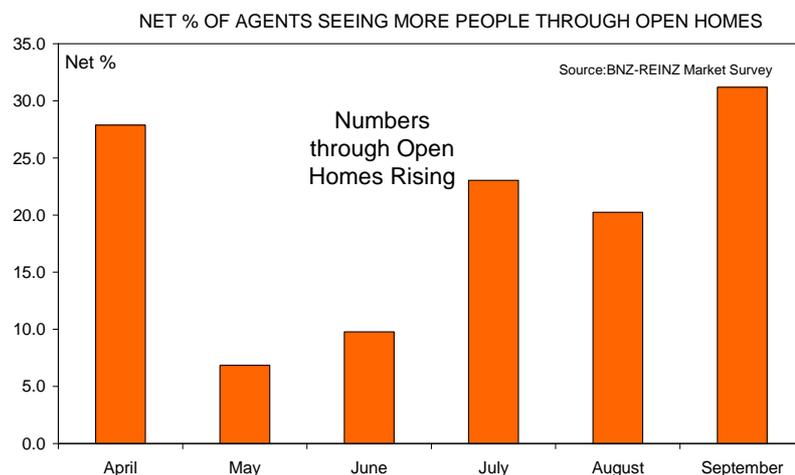
Market Moving Upward

All of the main eight measures we use to gauge the current strength of the residential real estate market around New Zealand have strengthened over the past month indicating that slowly but surely on average things are shifting to a sellers market. More and more first home buyers are appearing, prices are perceived to be edging upward, and auction clearance rates are considered to be improving. However there has been a sizeable lift in potential vendors seeking appraisals of their properties, and in the opinion of agents the market balance is only marginally in favour of sellers. Regional variations remain strong.

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

Interest Rising At Open Homes

A net 31% of agents this month have indicated that they are seeing more people going through Open Homes. This is the strongest result in the six months we have been running the survey and above the average reading so far of a net 20% positive. However, being the start of Spring there is a risk that the result is simply seasonally biased upward and it will take a couple of years before we get a good feel for whether this is a strong factor in September or not. Regardless, the trend from June, in the depths of Winter, is fairly clear. More people are kicking the tyres.

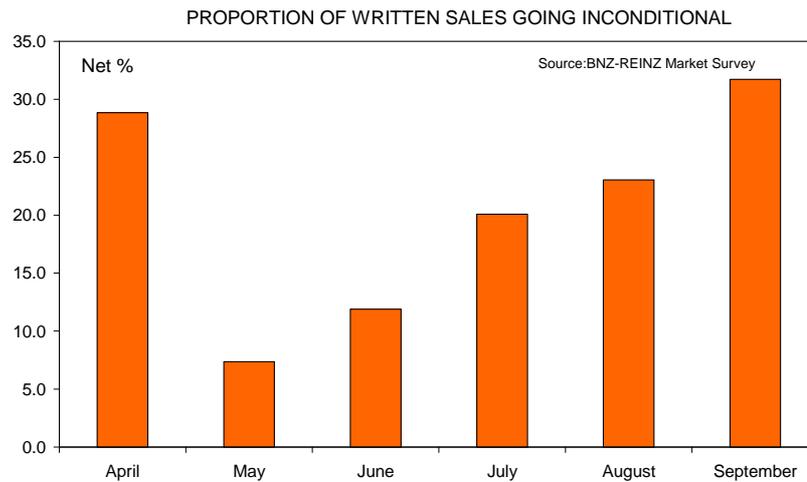


Is the proportion of Written Sales going unconditional increasing or decreasing?

Buyers More Committed

Fewer and fewer buyers are backing out of their contracts meaning that even if attending Open Homes could be classified as simply window shopping, and even if signing offers does not necessarily clinch the deal, more and more buyers are seeing the process through to the end. This month a net 31% of agents responded that they are noticing buyers completing their Written Contracts. This is the strongest result on record.

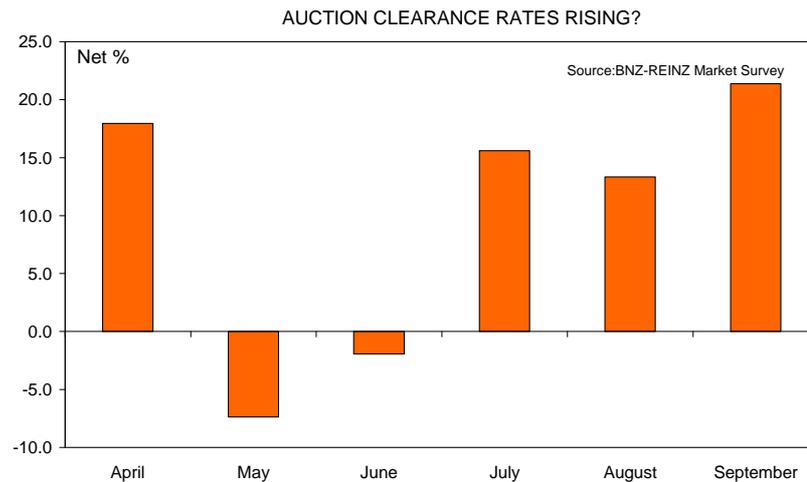
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Are auction clearance rates increasing or decreasing?

Auction Activity Strong

This month's survey has revealed that a net 21% of licensed agents feel that the clearance rate at auctions is rising. This strong result correlates well with the previous two showing buyer activity increasing.

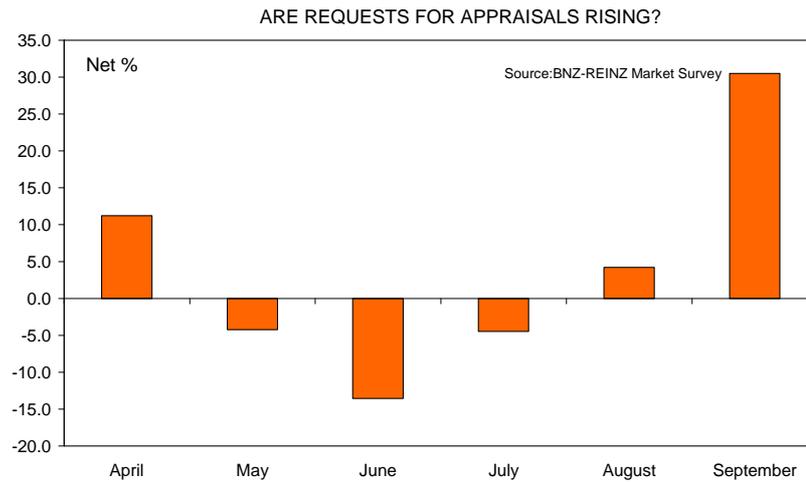


Are requests for appraisals increasing or decreasing?

Many More Vendors Appearing

This measure has undergone a substantial change this month with a high net 31% of agents reporting that more potential vendors are coming forward and seeking appraisals. The August result was just a net 4% positive and for the three months before that agents were noting fewer potential vendors appearing. This result could simply be the result of Spring starting, or it could represent one of the waves of vendors we suspect could appear as the market improves.

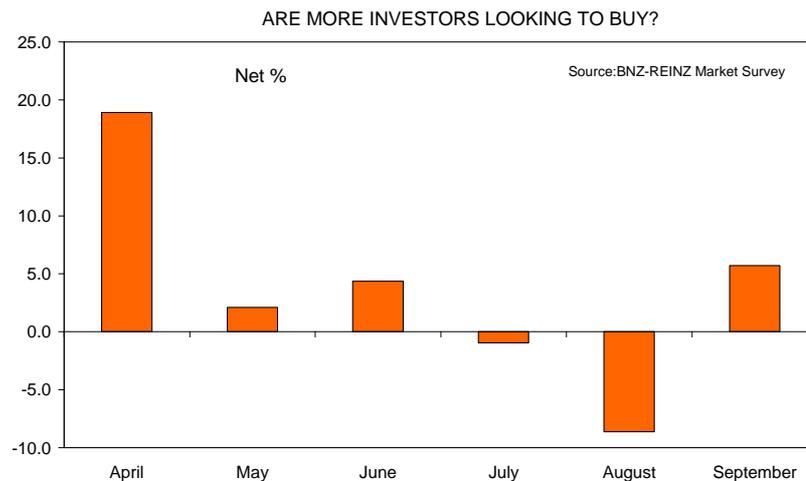
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Is the number of investors looking to buy increasing or decreasing?

Investors Only Mildly Sniffing

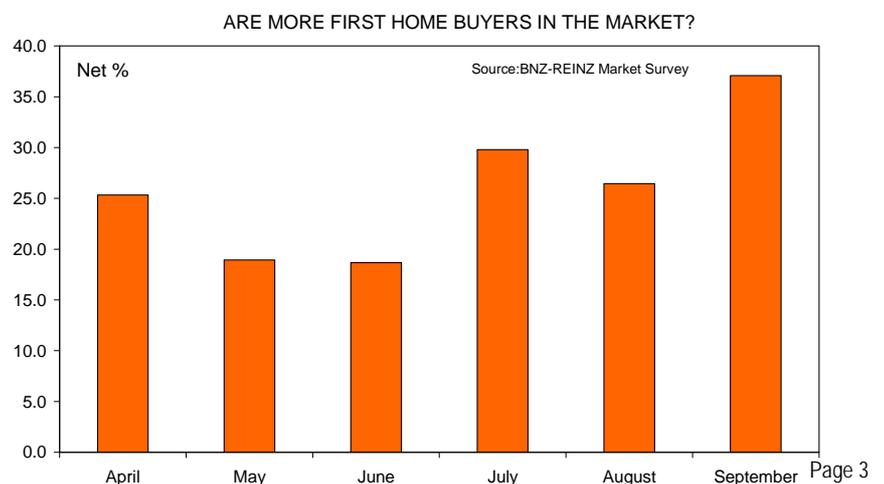
Although this measure has improved to a net positive 6% this month from negative 9% in August, there is no clear upward trend from June as with many of the other measures. Plus at 6% the result is still low, and low enough to allow us to say that there is little serious evidence that more investors are looking to buy in the current market. Having said that, there is increasing anecdotal evidence of more Asian investor purchasing in the Auckland market.



Is the number of first home buyers increasing or decreasing?

First Time Buyers Surging

This measure has been in positive territory for all six months of our survey and hit a record high of a net 37% of agents noticing more first home buyers this month. The result is in stark contrast with the results for those noticing more investors.

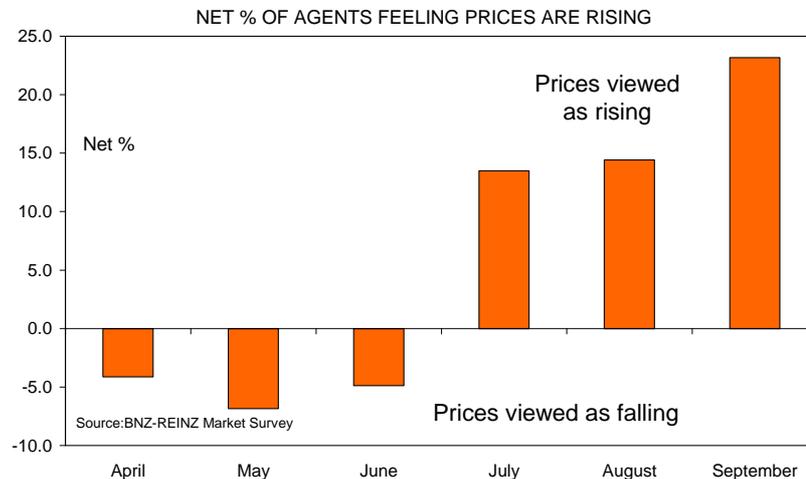


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Do prices appear to increasing, flat or decreasing?

Price Pressures Are Upward

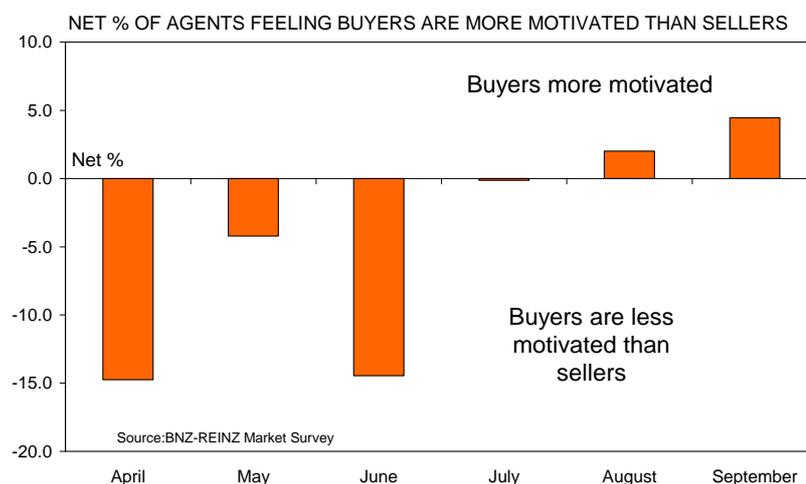
A net 23% of respondents have reported that they feel prices are rising. This measure has turned sharply in the past three months when compared with the three month period ending in June. Back then most agents felt prices were falling.



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

Mildly Veering Toward A Sellers Market

This measure acts as a check as it were on over-enthusiasm one might feel from reading some of the earlier measures. Agents are asked explicitly whether in their opinion the current residential real estate market is a buyers one or a sellers one. For the second month in a row more agents have reported they feel the market favours sellers. But at a net 5% positive the latest result is low and not suggestive of sellers being able to flick properties quickly for strong prices.



What are the main factors holding buyers back?

Worries about securing finance have increased this month but to only slightly above average levels, while at the same time fewer potential buyers are holding off because they feel prices will decline. In fact at 19% the proportion of agents citing this reasons is the lowest in the six months of the survey and below the average of 26%. This result therefore helps support the one earlier on regarding a net 23% of agents feeling prices are rising on average.

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	Latest %	Month Ago %	Average %
They feel prices will decline	19.2	21.1	26.0
Worries about securing finance	18.7	17.1	17.5
Not confident they can sell their house	15.5	15.3	18.6
Poor quality of listings	36.3	36.1	28.7
Other	10.3	10.4	9.2

What are the main reasons people are buying?

Again none of these reasons have changed much over the past month. We shall monitor the results over time for any interesting developments.

	Latest %	Month Ago %	Average %
Fear of missing out/Feel time is right for prices	13.3	12.0	10.6
Trading up	13.5	14.0	14.7
Trading down	16.4	16.3	16.9
Shifting into town	14.0	15.8	14.6
Arriving from overseas	5.2	5.8	5.8
Relationship breakdown	11.6	11.3	12.2
Commuting costs	2.2	2.8	3.0
Schooling	8.3	8.8	8.4
Want closer proximity to shops	2.1	2.2	2.0
Want closer proximity to relatives	2.8	2.2	2.9
Want closer proximity to health care services	2.7	1.7	2.1
Investing	0.4	0.5	0.6
First home	1.1	1.4	1.4
Earthquake	2.1	2.1	2.1
Good interest rates	0.2	0.6	0.4
Other	3.9	2.5	2.8

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

In contrast with the result two questions above suggesting more people are holding back because they cannot get finance, this question shows fewer agents citing finance being unavailable as reason for buyers backing away from Written Contracts. What we read from these divergent results is that there is no real change in the significance of the finance availability factor over the past month.

	Latest %	Month Ago %	Average %
Finance	35.6	37.4	40.1
LIM report	5.9	6.4	6.3
Builders report	46.6	49.8	46.1
Earthquake/insurance	4.5	3.6	3.4
Can't sell own house	1.3	0.6	1.5
Other	6.0	2.2	3.2

What are the main factors motivating vendors to sell?

None of these measures have changed much over the past month or lie much away from their six month averages.

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	Latest %	Month Ago %	Average %
They think prices are going to fall	2.7	3.3	3.4
Need the money	19.5	19.7	21.0
Trading up	12.3	11.1	11.1
Trading down	15.9	16.5	15.0
Leaving town	14.7	12.8	13.5
Leaving the country	7.8	8.3	7.8
Relationship breakdown	14.5	15.3	15.7
Commuting costs	1.0	0.8	1.2
Schooling	3.9	3.8	3.6
Want closer proximity to shops	1.2	0.8	0.9
Want closer proximity to relatives	1.3	1.9	1.8
Want closer proximity to health care services	2.2	2.1	2.1
Earthquake	0.3	0.4	0.5
Bank request, job loss	0.0	0.1	0.2
Retirement	0.1	0.4	0.3
Estate sales	0.0	0.1	0.2
Other	2.6	2.6	1.9

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CITIES

Feedback from licensed real estate agents in Auckland clearly shows a market with strong interest from first home buyers and with vendors increasingly holding the reins. In Wellington buyers have the upper hand, though views on prices have shifted from strong majorities feeling they were falling in our August survey to mildly positive views this month. In Christchurch there is strong buyer demand though not much change in the number of first home buyers appearing and decreasing interest from investors. In Dunedin all indicators are strong.

	# 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	58	41.4	34.5	40.7	29.3	20.7	43.1	56.9	32.8
North Shore City	48	39.6	35.4	59.1	18.8	6.3	45.8	54.2	18.8
Christchurch City	44	68.2	36.4	58.8	31.8	-29.5	6.8	68.2	43.2
Wellington + Porirua	20	50.0	20.0	0.0	45.0	-5.0	75.0	15.0	-30.0
Hutt Valley	13	46.2	38.5	0.0	23.1	38.5	53.8	0.0	-23.1
Manukau City	36	36.1	47.2	24.0	22.2	11.1	33.3	50.0	27.8
Waikato/BOP Region									
Other	26	3.8	26.9	14.3	23.1	-7.7	3.8	-15.4	-30.8
Whangarei/Northld	23	-4.3	13.0	-5.6	43.5	-21.7	21.7	-13.0	-17.4
Waitakere City	26	50.0	38.5	40.0	30.8	23.1	42.3	50.0	23.1
Rodney District	20	30.0	20.0	20.0	55.0	5.0	35.0	10.0	30.0
Napier City	15	53.3	60.0	-7.7	33.3	20.0	60.0	13.3	-26.7
Tauranga	13	30.8	30.8	50.0	23.1	-15.4	53.8	0.0	-38.5
Hamilton City	21	14.3	23.8	15.8	19.0	9.5	47.6	-4.8	-14.3
Other Auckland	15	6.7	0.0	15.4	26.7	-6.7	73.3	20.0	-13.3
Waikato Country	16	31.3	43.8	20.0	43.8	25.0	18.8	-43.8	-6.3
Dunedin City	13	76.9	46.2	30.0	46.2	23.1	38.5	46.2	7.7
Manawatu/Wanganui and Palmerston North	12	41.7	41.7	0.0	16.7	-8.3	25.0	8.3	-25.0
Canterbury/Westland & Other West Coast	13	30.8	53.8	12.5	15.4	30.8	23.1	30.8	-7.7
Queenstown/Central Otago Lakes/Other	15	20.0	53.3	0.0	53.3	40.0	40.0	6.7	-26.7
Mount Maunganui & Papamoa	7								
Hastings City & Hawkes Bay Other	15	20.0	26.7	-11.1	20.0	20.0	40.0	6.7	-6.7
Timaru/Mid/South Canterbury	8								
New Plymouth City	11	0.0	0.0	-40.0	27.3	9.1	36.4	9.1	18.2
Wairarapa	2								
Rotorua + Taupo	12	0.0	-8.3	-36.4	41.7	16.7	66.7	-16.7	-25.0
Kapiti Coast	12	-8.3	41.7	-33.3	-25.0	-33.3	16.7	-16.7	-50.0
Invercargill + Gore	9								
All	561	19.8	20.5	9.8	3.9	3.6	26.0	5.9	-4.5

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.

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Summary

This month's survey results show a market increasingly driven by first home buyers, power slowly shifting toward vendors and perhaps a surge in the number of potential vendors looking to take advantage of this situation by placing their properties on the market.

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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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