

SPONSORED BY



TONY ALEXANDER Regional Property Insights

JULY 2023



Contents

Introduction	2
Northland.....	3
Auckland	4
Bay of Plenty	5
Waikato.....	6
Gisborne	7
Hawke's Bay.....	8
Manawatu-Wanganui	9
Taranaki	10
Wellington	11
Nelson, Tasman, Marlborough	12
West Coast.....	13
Canterbury	14
Dunedin City/Otago	15
Queenstown Lakes	16
Southland.....	17

Introduction

Welcome to the July issue of Regional Property Insights for 2023, prepared by Tony Alexander with the support of First Mortgage Trust.

In this month's Regional Property Insights I update material last presented in February looking at regional insights able to be gleaned from some of the monthly surveys I run. I look at some key results from my regular survey of real estate agents and where possible add in material also from my Spending Plans Survey.

As with all the material presented in RPI, my aim is to provide information which can be collected up over time and used as input into one's property purchase and divestment decisions.

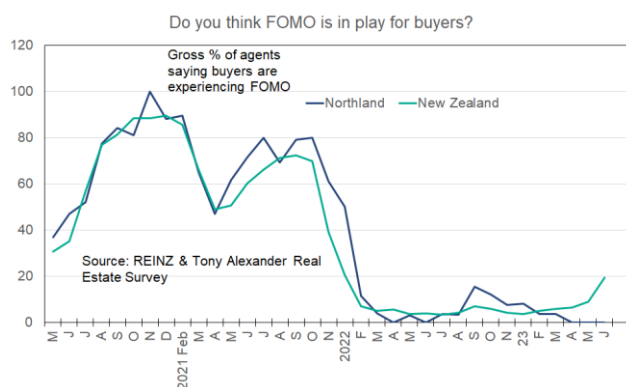
Previous issues of Regional Property Insights are available here. [First Mortgage Trust Articles](#)

Further extensive discussion of house price movements and factors affecting prices can be found in the weekly Tony's View publication available from www.tonyalexander.nz

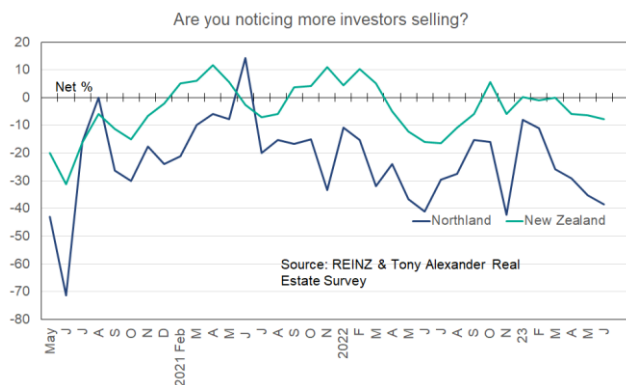
Northland

Investors not eager to sell

Over the past three months no agents in Northland have been saying that they are seeing buyers display FOMO. This absence is an interesting development, shown as the dark blue line in the first graph here. The green line shows FOMO for the country as a whole. The tendency for FOMO readings to move together across regions has broken apart just for the moment in our northern most region. It will be interesting to see when the feeling by buyers that time is not on their side returns.

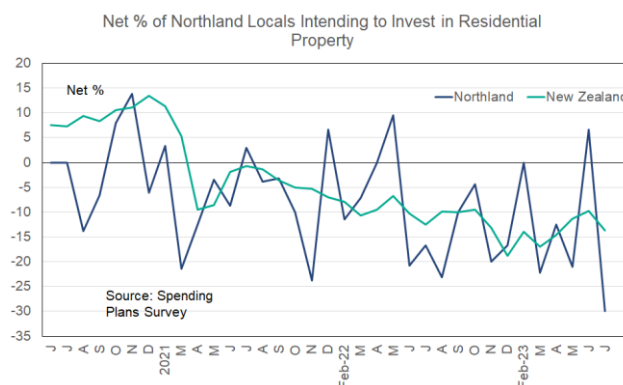


However, in Northland a relatively large net 38% of real estate agents in my survey say that they are seeing fewer investors wanting to sell. So, buyers may not be fairly nervous, but investors are definitely not of a firm mind to sell.



This result is much stronger than the national average, again shown as the green line. But it has been the case for all but three months since the survey started in 2020 that agents in Northland are seeing fewer investors selling in net terms than around the country as a whole. Fine, but the gap between the two measures has grown somewhat unusually over the past three months.

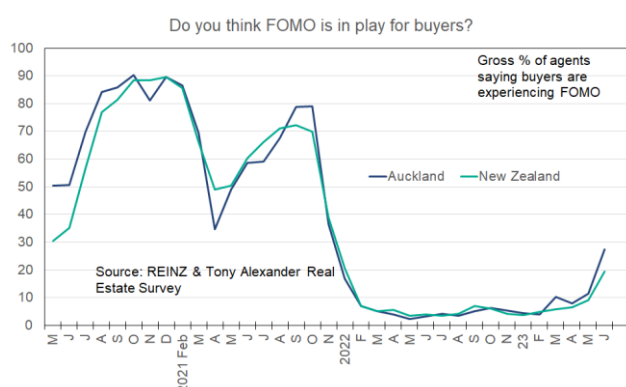
From my monthly Spending Plans Survey I also ask respondents if they are thinking about selling an investment property they might have in the next 3-6 months. If we allow for the inherent greater volatility of all readings at the regional level than the national level, we cannot convincingly say that the latest very weak reading for Northland of -30% represents true greater than average investor woe.



Auckland

Stronger than average FOMO

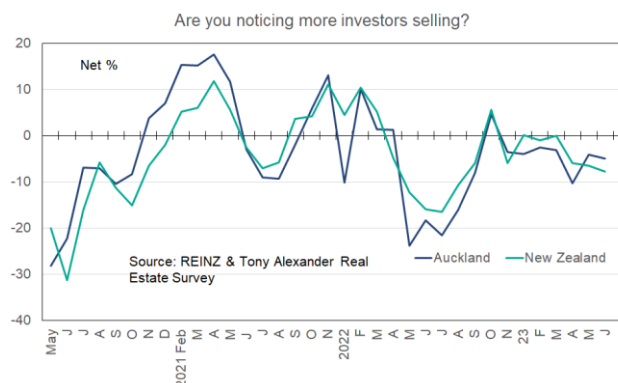
In Auckland and outside of Auckland FOMO readings tend to move closely together. We can glean this from the following graph. The dark blue line shows the proportion of real estate agents in Auckland saying that they are seeing fear of missing out on the part of buyers. The green line covers all of the country.



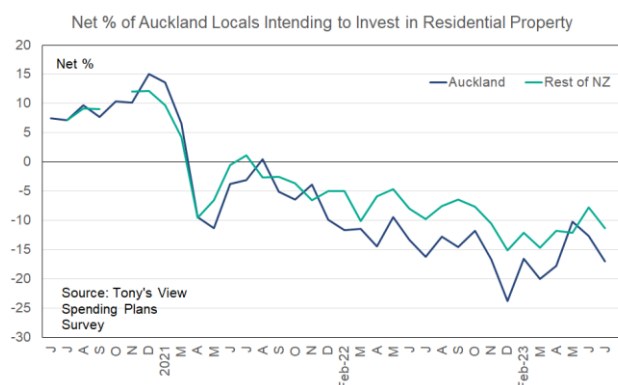
Recently, the FOMO reading in Auckland has risen above the NZ average, to 27 versus 19, or quite a bit less than that if we were to exclude Auckland (which I will do one day when I get time to reanalyse all the data from May 2020).

There are a number of measures in my collection which suggest Auckland will out-perform the national average through the upward leg of the house price cycle this time around. Perhaps this is one of them.

When I ask agents about whether investors are selling, the graph below suggests that there is no great difference between Auckland and the rest of the country. Investors overall are not displaying rising propensity to sell according to real estate agents.



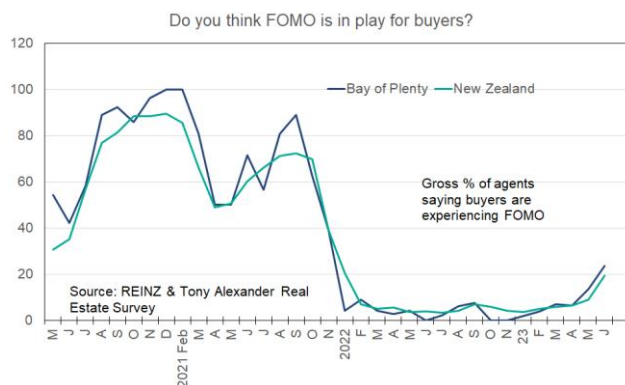
From my monthly Spending Plans Survey we can see that as a rule, since early in 2021 the interest of people in investing in residential property in Auckland has been less than for the rest of the country. The cost of purchasing in Auckland may be one factor in play, along with the tendency for Auckland's housing market to perform less strongly than the rest of the country since 2017. Hence why Auckland may now be set up for a period of recovery versus the other parts of New Zealand on average.



Bay of Plenty

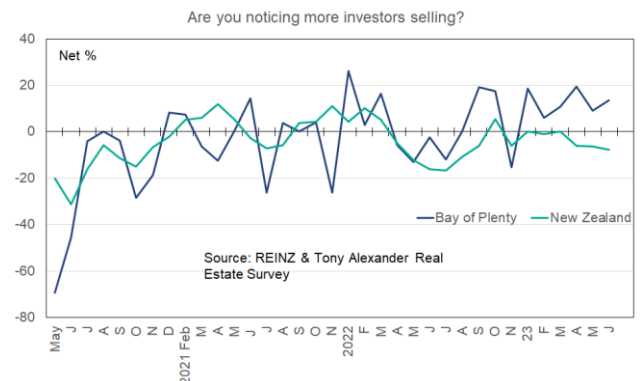
Investors exiting

In the Bay of Plenty region the upturn in FOMO is marginally stronger than for the country overall. At a reading of 24% of agents in the region seeing buyers display some fear of missing out on a purchase or price the level is just under Auckland at 27% and above the country overall at 19%.



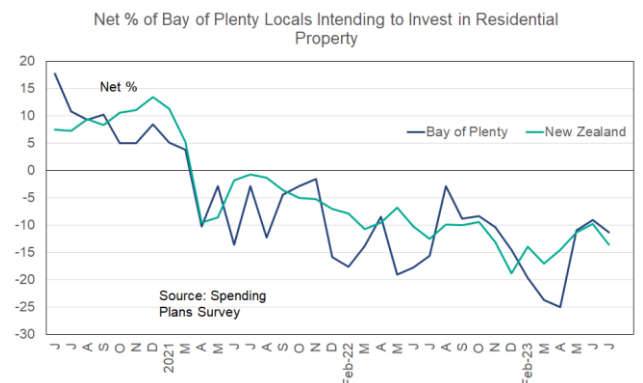
The FOMO trend in the Bay of Plenty region is upward but at a pace which so far is slower than that of the decline late in 2021 when the credit crunch struck. With interest rates still at cyclically high levels this is not a surprising situation.

One result which perhaps is surprising is the extent to which investors are showing decreasing interest in the region. A net 14% of agents say that they are noticing more investors selling. This is well away from the net 8% of agents nationwide who say that they are seeing fewer investors selling.



This under-performance position has broadly been in place since the middle of 2022 though there is no recent improving trend as such for this gauge.

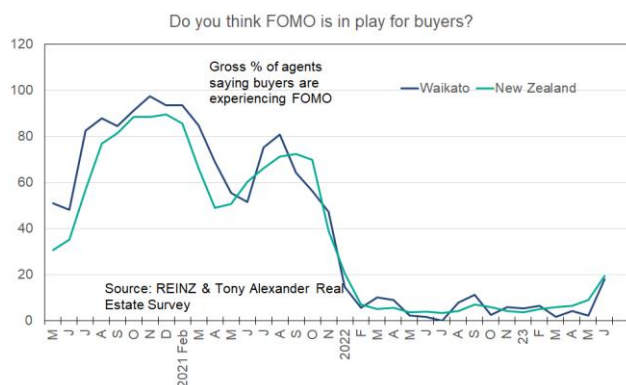
My monthly Spending Plans Survey shows that a net 11% of people in the Bay of Plenty region are thinking about selling their investment property. This is about equal to the national average of 14%.



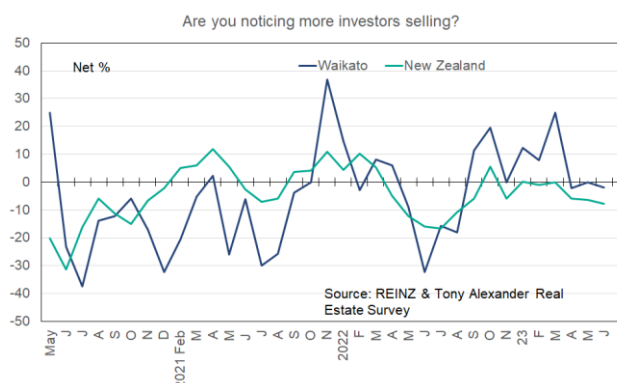
Waikato

Slightly weaker than average

In the Waikato region there has recently been a firm lift in the proportion of real estate agents noting that they are seeing buyers display some fear of missing out. This gauge has risen to 18% in my survey of late-June compared with just 2% late in May. The latest result essentially matches the NZ-wide outcome of 19% of agents seeing FOMO on the part of buyers. These results are however still well below levels of 2020-21 before the credit crunch of late in 2021.

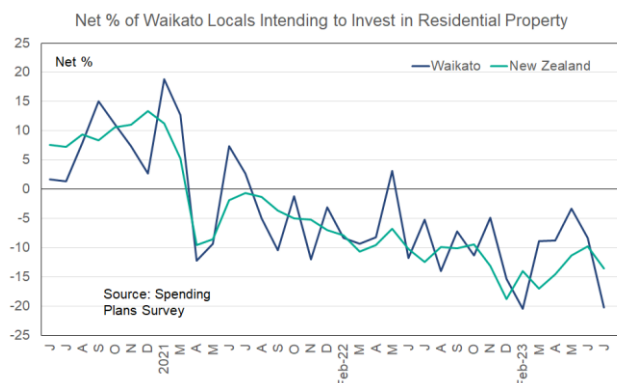


A net 2% of agents in the Waikato region report that they are seeing fewer investors looking to sell their property. This is slightly less firm than the net 8% of agents nationwide seeing fewer investors wanting to sell. The difference is not large, but the shift in the Waikato region away from a net 25% of agents in March saying investors were looking to sell is notable.



From my monthly Spending Plans Survey which covers average Kiwis rather than just real estate agents, a net 20% of Waikato respondents this month have said that they are looking to sell investment property. This is weaker than the 14% NZ-wide outcome and suddenly so as compared with two months ago.

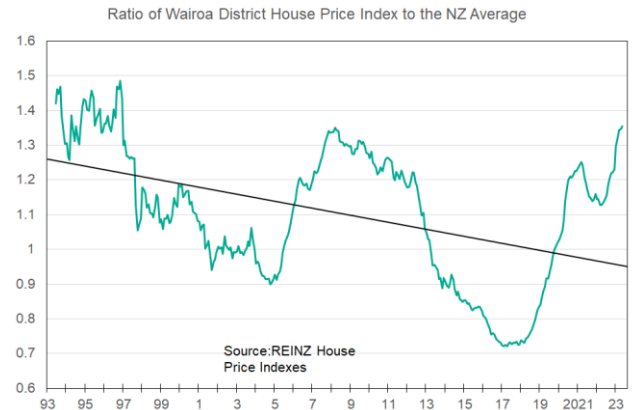
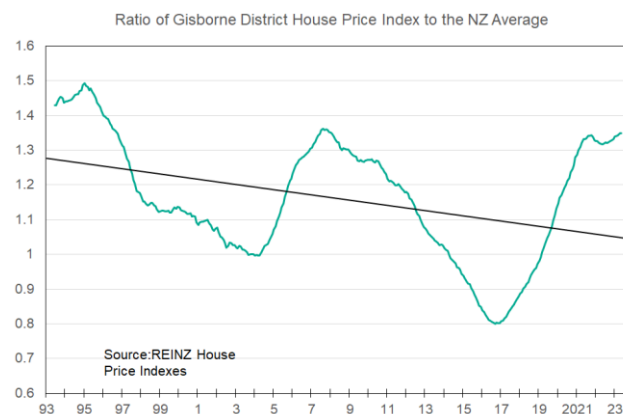
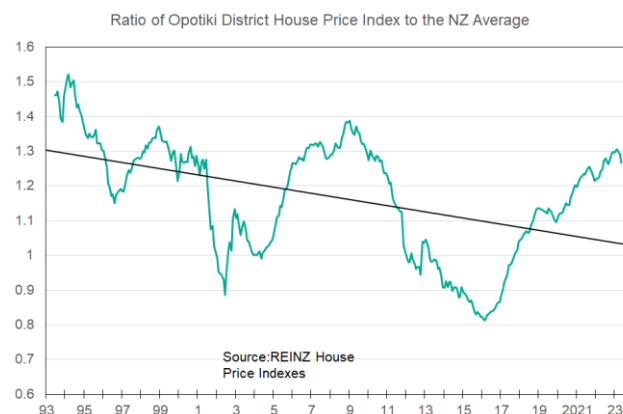
Taken together the results suggest currently that there is more investor weakness relevant to the Waikato property market than for the country as a whole.



Gisborne

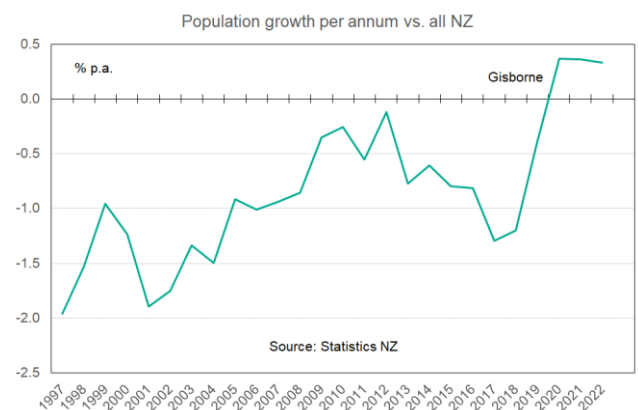
Over-priced

Unfortunately, but perhaps not surprisingly, I always receive insufficient replies in my five monthly surveys to ever allow presentation of data just for the Gisborne region. So, in the absence of survey data to comment on, here are some relevant graphs. The first three graphs show how prices in each local authority area compare with the national average (using indexes) and where current prices sit versus the long-term trend. Prices are well above trend meaning there is a high probability of under-performance in the next few years.



Statistics New Zealand project that between 2023 and 2048 New Zealand's population will grow by 18%. But for Opotiki growth of just 4% is expected, Gisborne 5%, and Wairoa 4%. Nearby Kawerau is expected to shrink 4% and Whakatane grow just 2%.

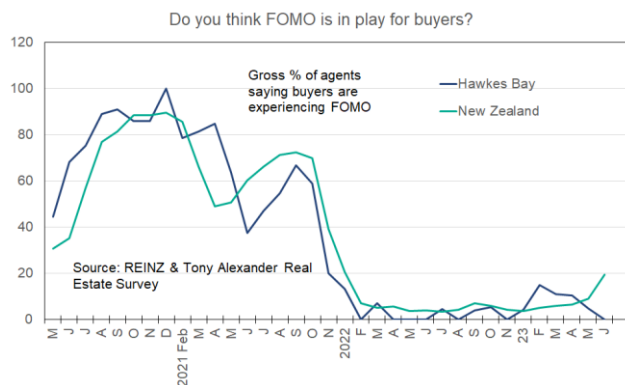
As discussed in this publication previously, there is very little chance that outside of the pandemic-affected environment Gisborne's population growth will out-perform.



Hawke's Bay

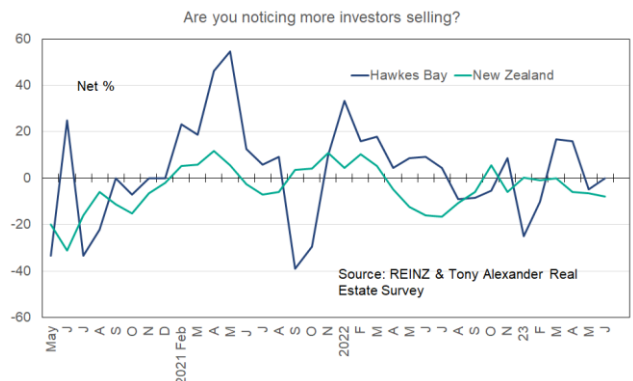
Buyer caution

While FOMO nationwide has recently risen from just 9% of agents observing it to 19%, in the Hawke's Bay region the proportion has dropped from 11% in April to now 0%. The recent flooding has likely driven expectations of some people leaving the region and that could account for agents not observing that potential buyers feel they need to hurry in order to secure a purchase.

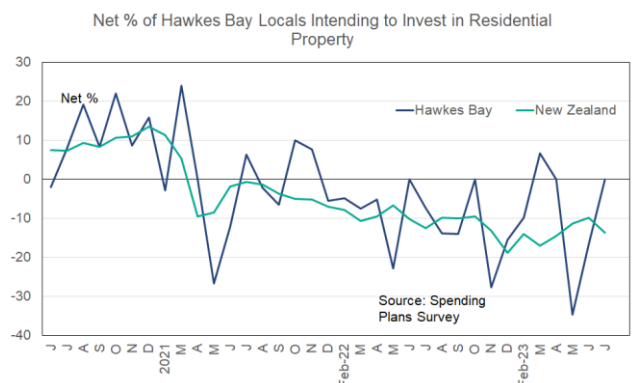


Perhaps however the passage of time will see some recovery in this and other measures for the region as we enter Spring which traditionally can favour regions as nature blooms – especially the beautiful blossom trees heading into Havelock North.

With regard to the net proportion of agents noticing more investors looking to sell, the following graph shows there is no great difference recently between Hawke's Bay and the country as a whole. The graph shows that the region has a tendency to go through periods when investor selling intentions are above average, then below average.



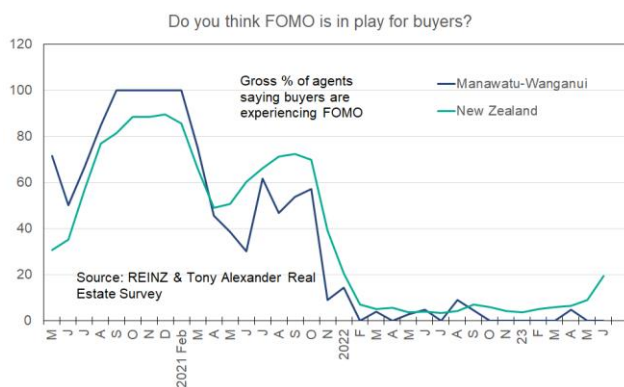
In my monthly Spending Plans Survey I ask people in the region if they are thinking about investing in residential property. The results shown as the dark blue line have been quite volatile for the past year and for that reason the recent above average net buying proportion of 0% versus -14% nationwide needs to be taken with a grain of salt. It probably will not be sustained.



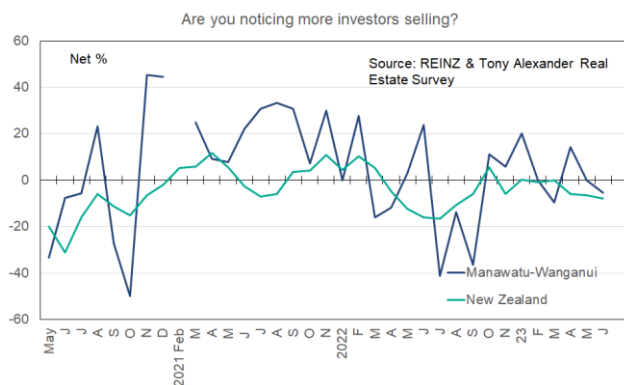
Manawatu-Wanganui

Holding its own

In the Manawatu-Wanganui region real estate agents responding in my monthly survey feel that there is as yet no FOMO even though this is starting to appear in other regions. The past relationship between FOMO in the region and the country as a whole, shown in the first graph here, suggests however that we will soon see this measure of buyer interest improve. But history also suggests that the monthly readings will usually remain lower than average for the country.

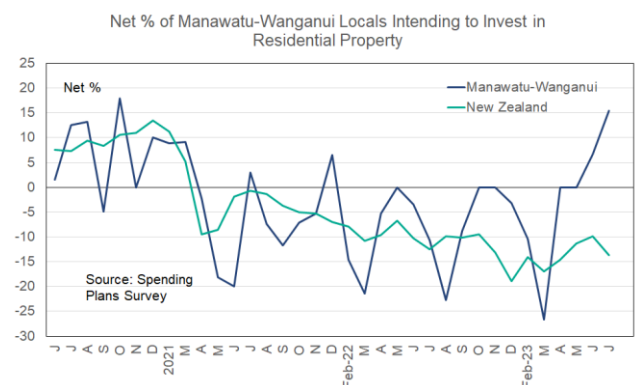


The Manawatu-Wanganui region offers a good level of housing affordability for both first home buyers and investors. Even before the pandemic there was a flow of buyers to the likes of Palmerston North and Wanganui in particular looking to secure home ownership at an affordable price.



But there is a tendency for markets to overshoot and the clear risk for the region has been that the ending of the pandemic would contribute to a sustained period of market under-performance. It is too early to judge if this will be the case or not. We can see from the second graph in this section that there is no meaningful difference between the proportion of agents seeing investors selling in the region as is the case nationwide.

However, in our last graph we can see as the dark blue line a far larger proportion of respondents in the region saying that they are thinking about undertaking a property investment.



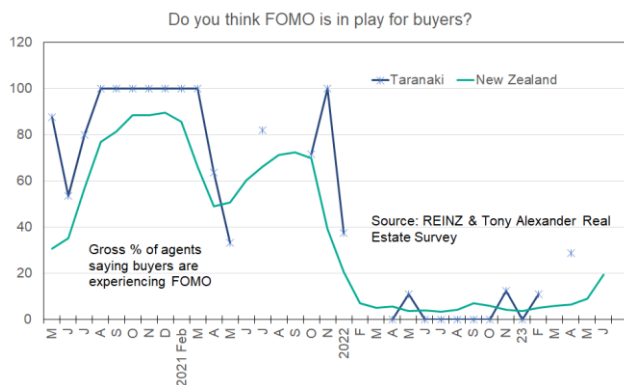
On this basis one would struggle as yet to say that the Manawatu-Wanganui region to the north of Wellington is unusually weak.

Taranaki

Lack of data

The graphs here for Taranaki look slightly unusual. This is because some months there are not sufficient replies from real estate agents and average consumers to allow calculation of net and gross percentages. Nonetheless, we can present the results which are statistically robust and perhaps draw some implications for what the trends are underneath.

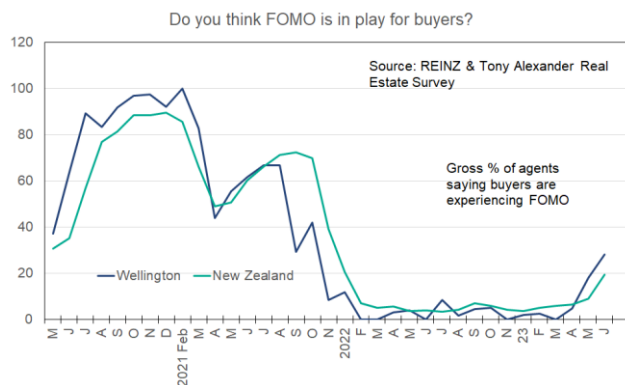
With regard to the proportion of agents saying that they are seeing FOMO on the part of buyers in the Taranaki region, the most recent reading is 29% in April. The graph tells us that FOMO in the region broadly moves with the national trend, which maybe is a tad surprising because this is the only region in the North Island which does not have average prices well above long-term trends with the country overall. That is, Taranaki does not present as being over-priced and at risk of doing little price-wise for the next 2-3 years while Auckland powers ahead.



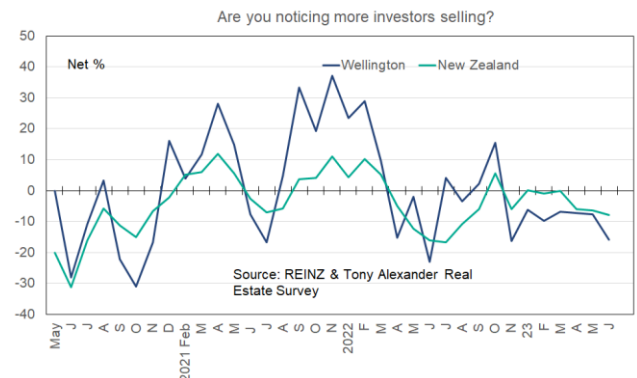
Wellington

Strong market than average

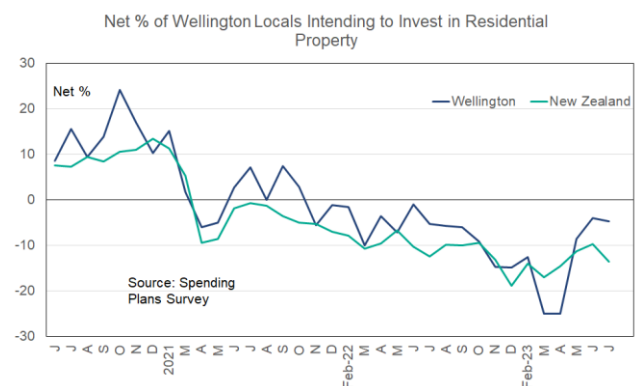
My monthly survey of residential real estate agents around the country has shown a lift in the proportion seeing fear of missing out on the part of buyers to 19% late in June from 7% in April. The reading for Wellington over the same time period has gone from 5% to an above average 28%. The outcome implies greater upturn potential in the Wellington region housing market than the country overall.



The implication of greater relative strength is supported by the net 16% of agents in the region saying that investors are not selling as opposed to the net 8% nationwide. The relationship between the Wellington and all-NZ readings for this measure has tended to chop and change over the past three years during which the survey has been run. But Wellington has presented as being relatively stronger for all this year.



My monthly Spending Plans Survey shows that a net 5% of people in the Wellington region are not considering an investment property purchase in the next 3-6 months. This is less weak than the net 14% nationwide.



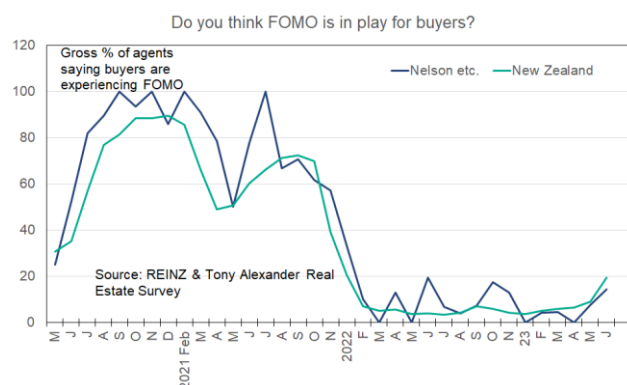
All three measures which I have chosen to present this month show Wellington's residential real estate market as being stronger than the national average. This may be because the market sold off to a greater degree between the credit crunch late in 2021 and the recent bottoming out.

Regional Property Insights

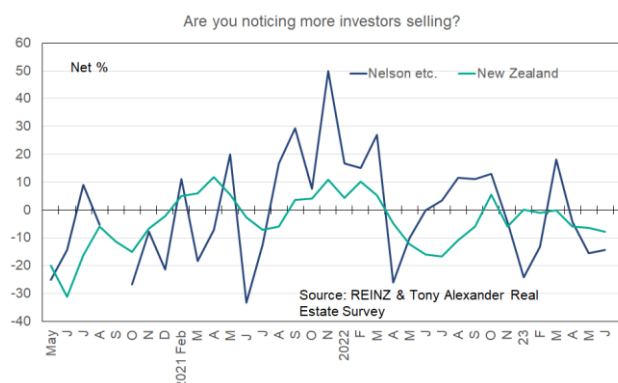
Nelson, Tasman, Marlborough

Perhaps weaker than average

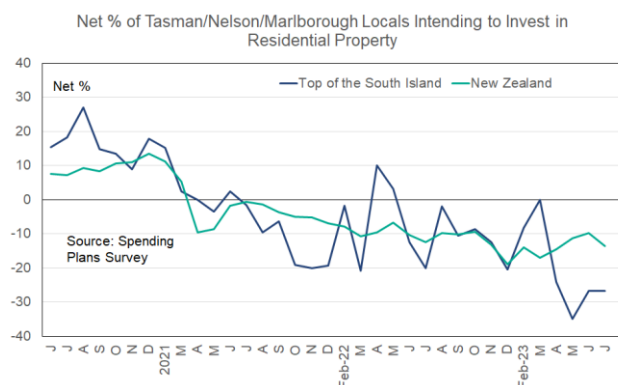
In my monthly surveys there are not always enough responses from each of the three regions at the top of the South Island to allow presentation of data for each. Therefore, for the analysis this month I have grouped the regions together. With regard to the level of FOMO observed by real estate agents at the top of the South Island (TOTS) we can see from the first graph that things are about average. Not only that, the region hardly ever differs much from the national level of FOMO.



For the past two months a greater proportion of real estate agents at the top of the South Island have said they are seeing investors not selling than has been the case nationwide. But the data for this issue tend to be quite volatile and unlike the period from mid-2021 to mid-2022 we cannot comfortably say that there is less selling interest in Nelson/Tasman/Marlborough than the country overall.



However, it is interesting to note the results from my monthly Spending Plans Survey. In the past four months consistently fewer people in net terms at the top of the South Island have indicated that they intend investing in residential property than the average for the country overall. There is therefore on the face of it some extra potential weakness in the TOTS market than the country average.



Regional Property Insights

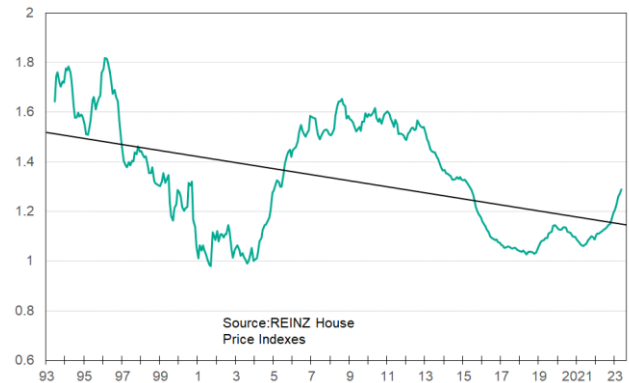
West Coast

Not over-priced

I don't think any of my surveys has ever yielded enough replies from the West Coast region to allow presentation of data which one could assign reasonable statistical validity to. Therefore, to fill up the space in this month's issue of Regional Property Insights, here are the long-term price graphs for the region's three local authority areas of Buller, Westland, and Grey.

The graphs tell us that prices in a relative sense are on a path of recovery compared with the country overall. The three territories do not present as over-priced.

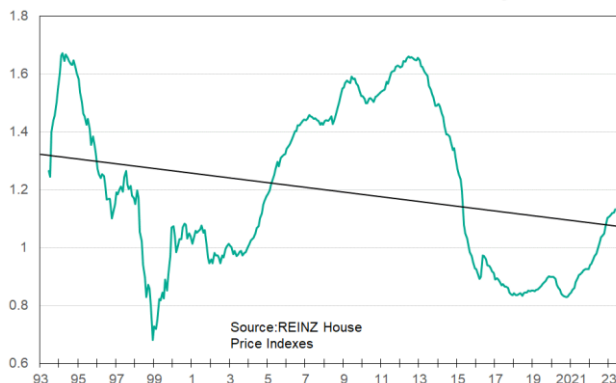
Ratio of Westland District House Price Index to the NZ Average



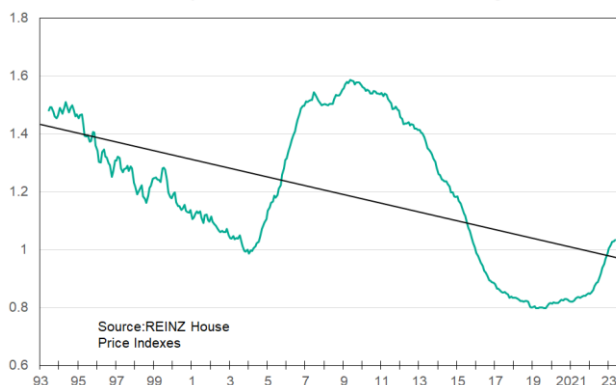
However, buyers need to keep in mind that if they are thinking about purchasing on the beautiful West Coast of the South Island, it rains a lot. Statistics NZ project population changes for the region between 2023 and 2048 as follows.

Buller	-15%
Grey	-5%
Westland	-6%

Ratio of Buller District House Price Index to the NZ Average



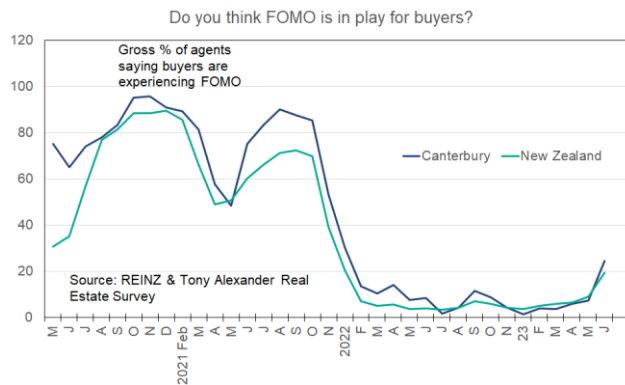
Ratio of Grey District House Price Index to the NZ Average



Canterbury

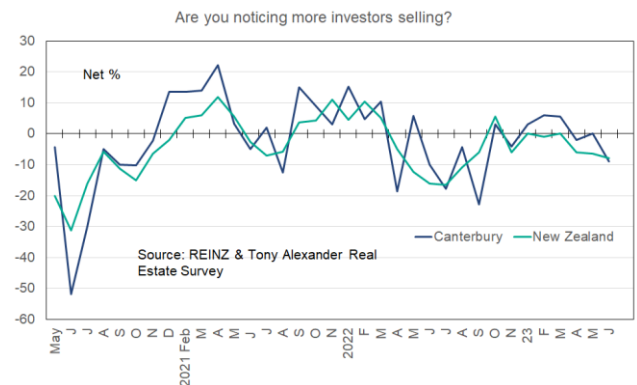
Starting to look average

My monthly survey of residential real estate agents has shown a series of results consistent with something observed in the average pace of change in house price indexes for the Canterbury region versus the country overall. In the June quarter of 2021 the region started a price catch-up with the rest of the country after many years of under-performance following the 2011 earthquake. We can see that FOMO readings for the region were firmly above the national average from the middle of 2021.

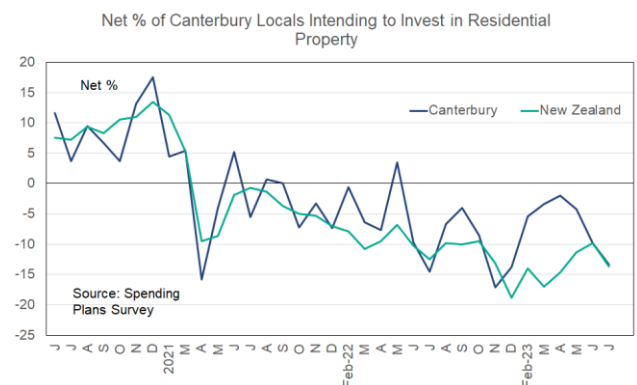


Recently however, the region's FOMO reading has fairly closely tracked that for the country overall. This again is consistent with the ongoing extent of price catch-up getting smaller and smaller. The bulk of that catch-up now appears to have occurred.

With regard to real estate agent observations of investor selling activity, the region tracks very closely with the national outcome but with slightly more perceived willingness of investors to sell being reported by agents so far this year – except for the most recent survey undertaken at the end of June.



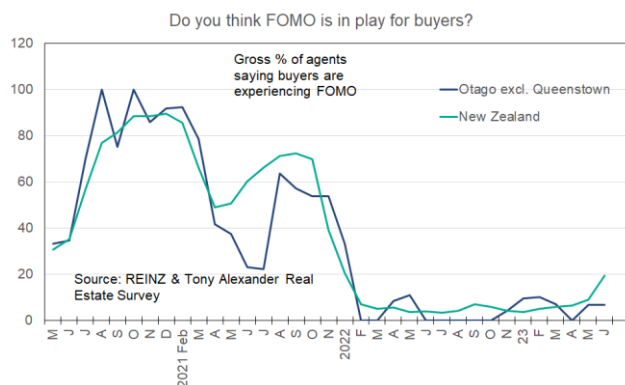
From my monthly Spending Plans Survey we can gauge the net property investment plans of people. Nationwide a net 14% of people say they plan cutting back on their property investment. The Canterbury level of buying intentions has exactly matched the NZ level for the past two months. This followed an extended period when on average there was less weak investor interest than for the country overall.



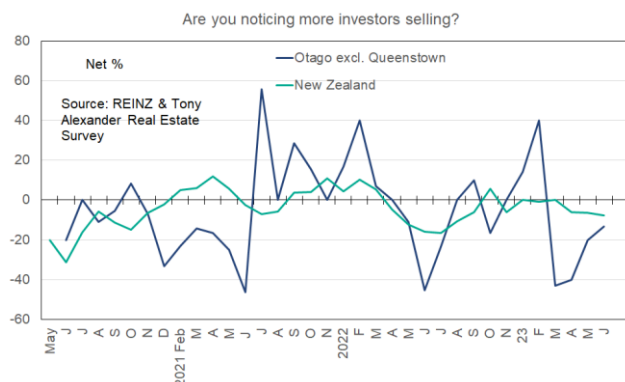
Dunedin City/Otago

Buyers unhurried

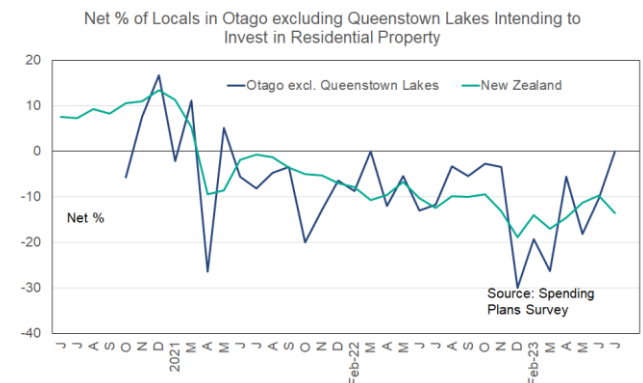
Unlike the FOMO reading for the country as a whole which over the past two months has strengthened – from 7% to 19% - the reading for Dunedin and a small number of agents reporting from the rest of Otago outside Queenstown Lakes has shown no change. FOMO remains low.



However, when we ask residential real estate agents whether people are showing willingness to sell their investment properties, we see weaker levels of such intentions reported by agents in the region than is the case nationwide. This is represented by the dark blue line below sitting below the green line in the most recent months.



In addition, from my monthly Spending Plans Survey we can see an improving trend in the net investment property purchase intentions revealed by people. This improving trend is more rapid than that for the country as a whole.



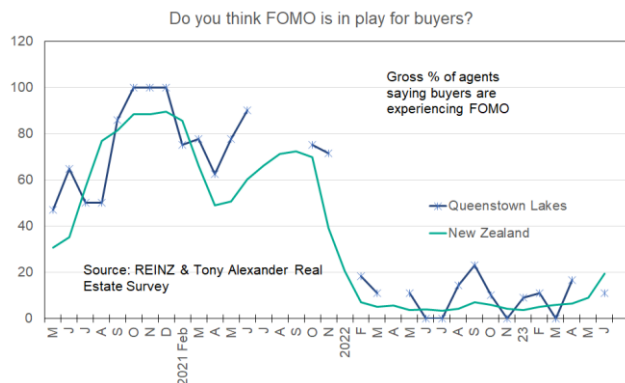
Whether this rising trend brings a period of out-performance by the (largely) Dunedin real estate market remains to be seen. The FOMO readings suggests that for now things down south are still fairly quiet.

Queenstown Lakes

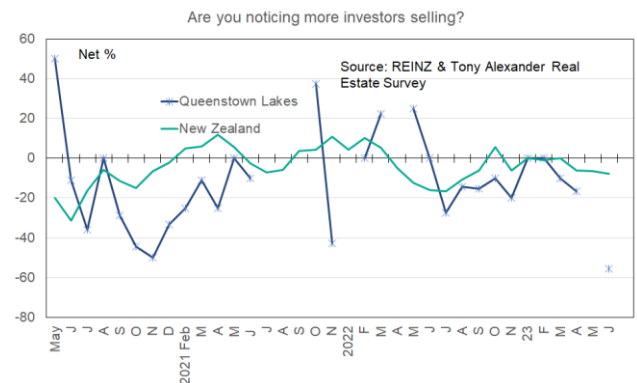
Firm investor demand

Just a reminder – the Queenstown Lakes residential real estate market has unique characteristics which make analysis difficult, let alone allowing reasonable predictions of where things are headed. The market was relatively badly affected by the pandemic because of the economic dependence upon inbound tourism. But this means the region will now enjoy greater than average economic and potentially housing market recovery as foreign visitor numbers recover.

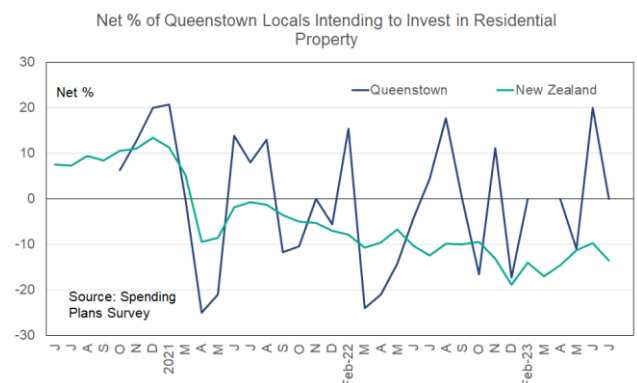
My monthly survey of real estate agents around the country shows that the proportion of agents in the region late in June who felt that FOMO was being displayed by buyers was below the 19% national average at 11%. Note how FOMO readings were actually stronger than average from early-2021 through into early-2022. This may reflect the strong buying interest of Kiwis.



Readings for agent observations of investors selling have proven to be highly volatile in the Queenstown Lakes region. The most recent result however is a net 56% of agents saying that they are seeing fewer investors looking to sell. The nationwide number is a net 8%. The region is much stronger by this measure than the country as a whole.



From my monthly Spending Plans Survey we see in the graph below that for the vast majority of months more agents in the Queenstown Lakes region report buying interest from investors than is the case nationwide.

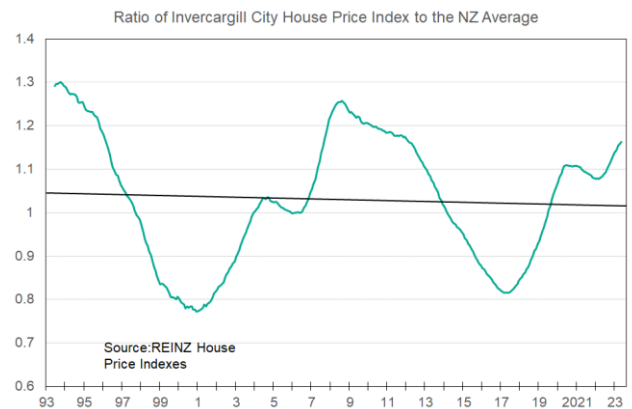
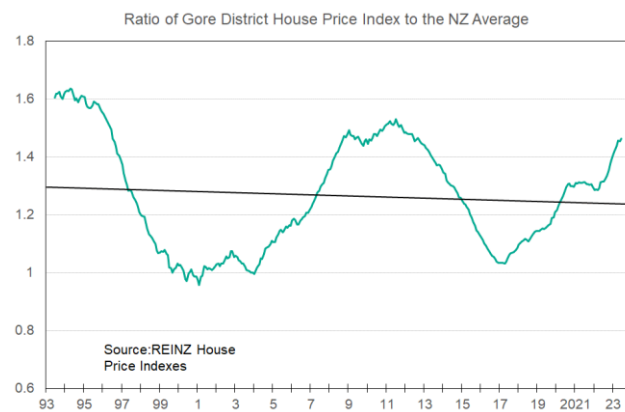
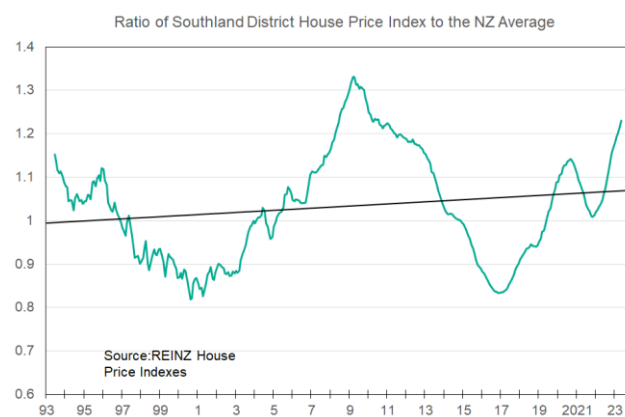


The main thing we can say then from the small discussion in this month's Regional Property Insights section for Queenstown Lakes is that investor interest in the region is quite firm.

Southland

Price out-performance

As is the case for the West Coast and Gisborne, it is rare to receive enough responses from people in my monthly surveys to allow presentation of statistically believable data for the Southland region. So, here are graphs of long-term price trends for the region’s local authority territories.



The region has experienced faster than average growth in prices, and slower than average decline in prices, for the period from 2017. The still firmly rising lines to the right in each graph show that price out-performance is continuing. The fact that the end positions of each line remain below previous peaks suggests (but does not guarantee) that the region will continue to out-perform in the near future.

The local economies are benefitting from the return of international tourists.

Statistics New Zealand project the following population changes between 2023 and 2048.

Southland	3%
Gore	-3%
Invercargill	5%


This publication is written by Tony Alexander, independent economist. You can contact me via LinkedIn or email tony@tonyalexander.nz

Subscribers to Tony Alexander's free weekly "Tony's View" receive additional information on the economy and housing markets to that contained here, through such add-ons as the monthly Spending Plans Survey, mortgages.co.nz & Tony Alexander Mortgage Advisors Survey, Sharesies and Tony Alexander Portfolio Investments survey, and REINZ & Tony Alexander Real Estate Survey. Subscribe for free here.
<https://forms.gle/qW9avCbaSiKcTnBQA>

This publication has been provided for general information only. Although every effort has been made to ensure this publication is accurate the contents should not be relied upon or used as a basis for entering into any products described in this publication. To the extent that any information or recommendations in this publication constitute financial advice, they do not take into account any person's particular financial situation or goals. We strongly recommend readers seek independent legal/financial advice prior to acting in relation to any of the matters discussed in this publication. No person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

Consistent returns during uncertain times

We've delivered consistent investment returns for over 27 years, and while past performance is not a reliable indicator of future performance, we can proudly say **no FMT investor has ever lost a cent of capital.**



6.71
% p.a. Investment
return

Annualised pre-tax return
for the quarter ending
30 June 2023



Start investing with a minimum of \$500.

►► For peace of mind investing contact us today.

0800 321 113 fmt.co.nz

First Mortgage Managers Ltd is the issuer of the First Mortgage Trust Group Investment Fund and the First Mortgage PIE Trust. Past performance is not a reliable indicator of future performance. Returns are not guaranteed. Product Disclosure Statements are available at fmt.co.nz

SPONSORED BY



TONY ALEXANDER Regional Property Insights

JULY 2023

This publication is written by Tony Alexander, independent economist. You can contact me via LinkedIn or email tony@tonyalexander.nz

Subscribers to Tony Alexander's free weekly "Tony's View" receive additional information on the economy and housing markets to that contained here, through such add-ons as the monthly Spending Plans Survey, Mortgage Advisors Survey, and REINZ & Tony Alexander Real Estate Survey.

Subscribe for free here. <https://forms.gle/qW9avCbaSiKcTnBQA>

This publication has been provided for general information only. Although every effort has been made to ensure this publication is accurate, the contents should not be relied upon or used as a basis for entering into any products described in this publication. The material in this report is obtained from various sources (including third parties) - neither First Mortgage Trust nor Tony Alexander warrant the accuracy, reliability or completeness of the information provided in this report, nor do they accept liability for any omissions, inaccuracies or losses incurred, either directly or indirectly, by any person arising from or in connection with the supply, use or misuse of the whole or any part of this report. Any and all third party data or analysis in this report does not necessarily represent the views of First Mortgage Trust or Tony Alexander. To the extent that any information or recommendations in this publication constitute financial advice, they do not take into account any person's particular financial situation or goals. We strongly recommend readers seek independent legal/financial advice prior to acting in relation to any of the matters discussed in this publication. No person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

