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TONY ALEXANDER
Regional Property Insights

MARCH 2024



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Regional Property Insights

Introduction

Welcome to the third issue of Regional Property Insights for 2024, prepared by Tony Alexander with the support of First Mortgage Trust.

In this month's Regional Property Insights I look at what the latest results from my monthly survey of real estate agents with NZHL tell us about real estate conditions around the country. For the bigger regions there are usually enough responses to present the results. But for the smallest regions usually there are not, and, in that case, I have substituted in some other data.

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](#)

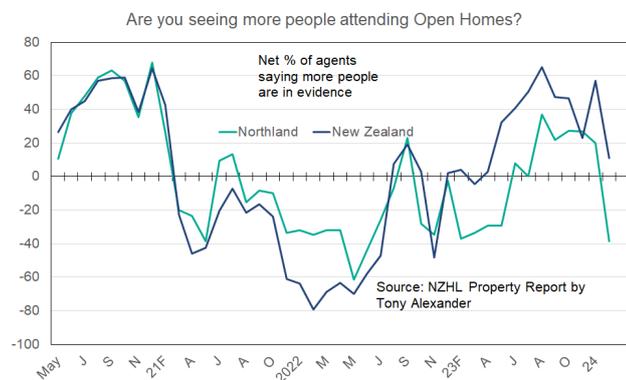
Further extensive discussion of house price movements and factors affecting prices can be found in the weekly Tony's View publication available from www.tonyalexander.nz

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Northland

Weaker than average

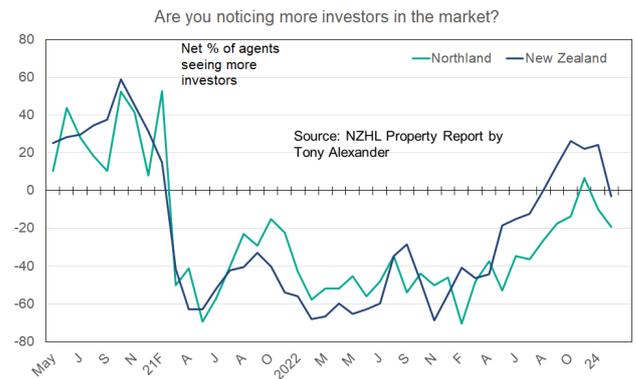
Since the start of 2023 real estate agents in Northland have noted less strong attendance of people at open homes than the country on average. Recently this gap has become unusually large with a net 38% saying fewer people are attending compared with a net 11% nationwide still saying that more people are showing up.



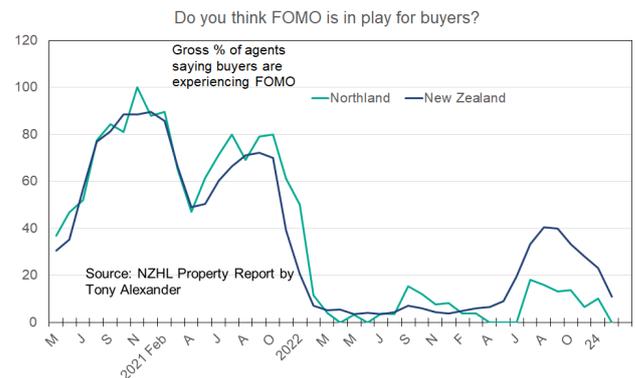
Is this weakness in people window shopping showing up in other measures? Yes. As the next graph shows the net proportion of agents reporting that they are seeing more first home buyers in the market has pulled back to just 12% in Northland compared with 43% nationwide.



Similarly, the net proportion of real estate agents in Northland noting that they are seeing more investors has fallen to 19% seeing fewer compared with 3% nationwide.



With these weak developments underway it is no surprise that the feeling by buyers that they need to hurry and make a purchase – their FOMO – is weaker in Northland than the country on average. A gross 0% of Northland agents say they are seeing FOMO – meaning none are seeing it. In contrast 11% of agents nationwide are seeing it.



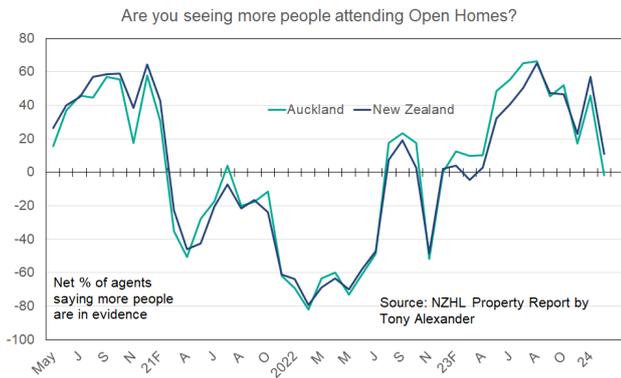
On virtually all measures the Northland residential real estate market is tracking in a weaker state than the country overall. This is a market which can be heavily influenced by Auckland and because Auckland is weak compared with the rest of the country now in our survey Northland is suffering in extra fashion.

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Auckland

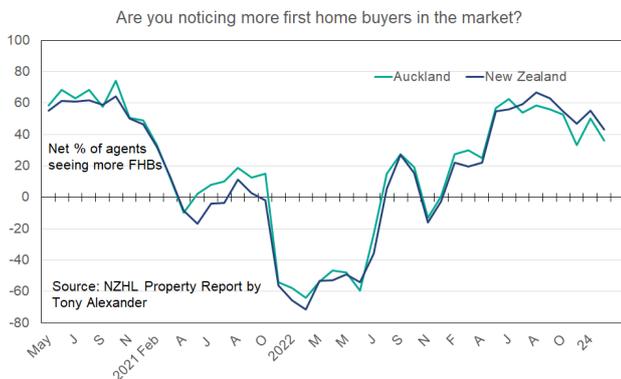
Weak despite the migrant surge

In Auckland the net proportion of agents saying that they are seeing more people attending their open homes has declined from a strong 66% in August to a net 2% now saying that fewer people are in fact showing up.



Nationwide there has been a similar change but a net 11% still say they are seeing more people. Auckland is weak compared with the rest of the country.

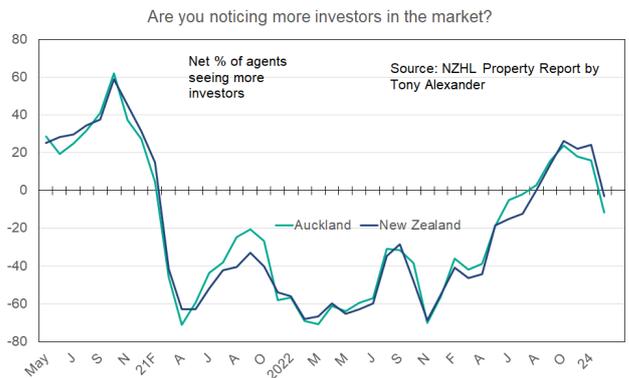
We see this relationship also when we look at the net proportion of agents saying that they are seeing more first home buyers. In Auckland a net 36% of agents say they are seeing more first time buyers compared with 43% nationwide.



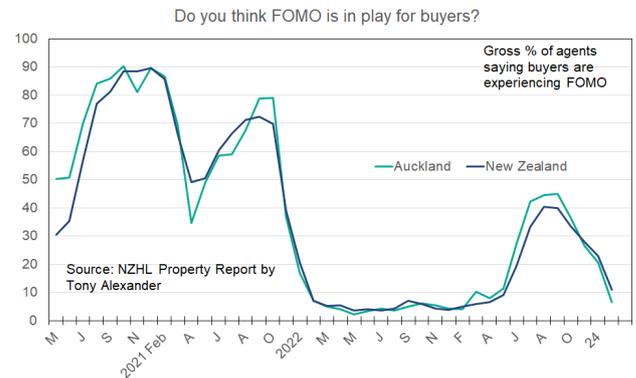
This measure is remaining at relatively firm levels in most parts of the country at the same time as other measures have substantially declined through summer.

Young buyers are continuing to enjoy a period of relatively low competition from other buyers.

As is the case with first home buyers so too do we see weaker observations of investor presence in the market in Auckland than elsewhere. A net 11% of agents in our biggest city note that they are seeing fewer investors whereas in October a net 24% were seeing more. Nationwide a net 3% of agents are seeing fewer investors.



Unsurprisingly, FOMO is weaker in Auckland than elsewhere with 7% of agents seeing buyers display it compared with 11% across all of the country.



Auckland's residential real estate market is weaker than average and this seems surprising considering the strong population surge associated with the net migration boom of the past year. But it may reflect the visible nature of the plethora of townhouse developments recently. Until they clear, Auckland may continue to lag.

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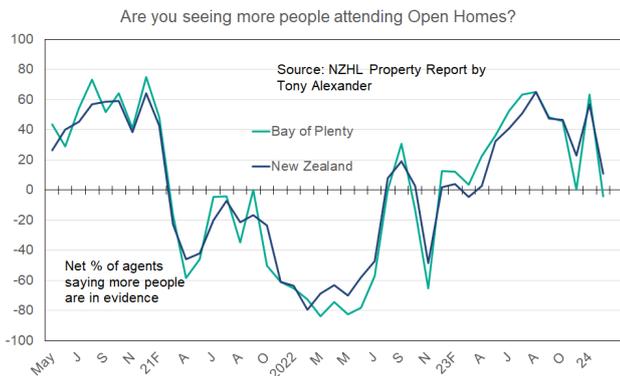
Bay of Plenty

Almost average

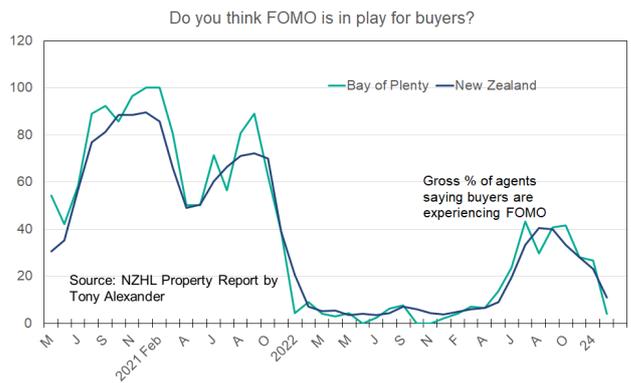
In the Bay of Plenty region, a net 4% of agents in our most recent survey have said that they are seeing fewer people attending open homes. Across the regions we track this is the second weakest result and below the net 11% of agents nationwide saying that they are seeing more people attending open homes.



Unsurprisingly, with the measures covered here all below average for the Bay of Plenty FOMO is also below average. Just 4% of agents in the region say buyers are displaying worries about missing out on making a purchase as compared with 11% nationwide.



The net proportion of agents saying they are seeing more first home buyers is also weaker than average but only marginally so at 38% versus 43% across all the country. The region usually tracks the country closely for this measure.



The Bay of Plenty region tends to track closely to the NZ average for almost all of the measures in my monthly real estate agent survey. For the moment the region is weaker than average and that likely more reflects the spillover from weakness in Auckland than necessarily some region-specific factors.



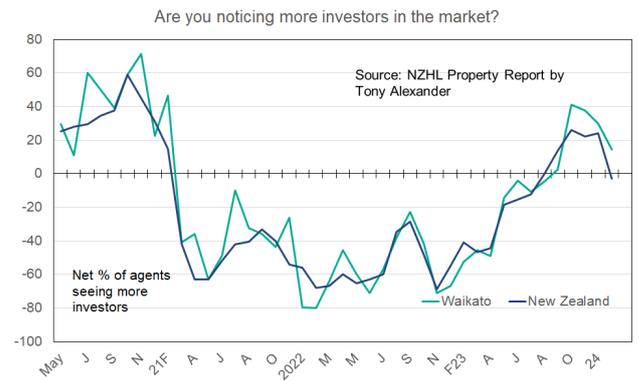
Similarly, a weaker than average net 8% of agents say that they are seeing fewer investors in the market looking to make a property purchase. The national average is a net 3% of agents seeing fewer investors.

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Waikato

Slightly stronger than average

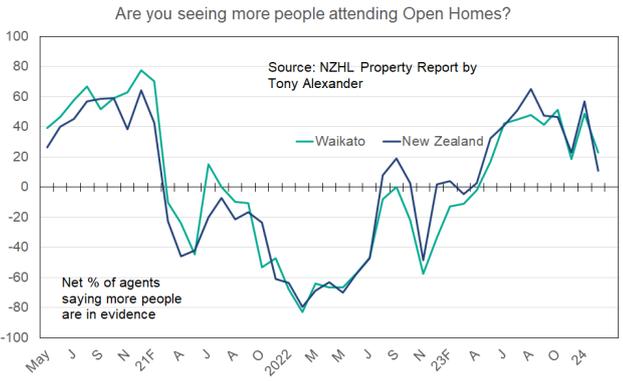
In the Waikato region a net 23% of real estate agents recently reported seeing more people attending open homes. This is better than the 11% result nationwide. However, the pattern of new weakness appearing over summer mirrors that seen elsewhere.



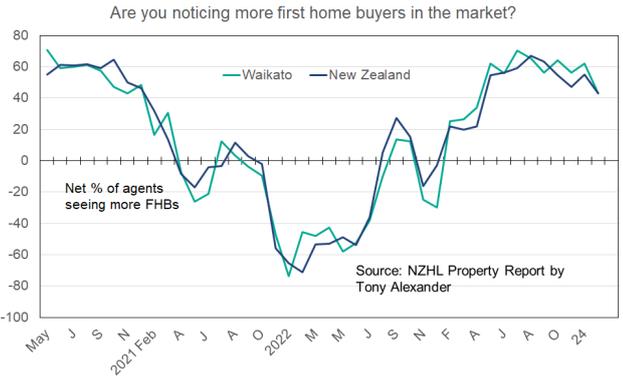
It is no surprise that our reading for FOMO in the Waikato region is almost exactly the same as the national average at 14% versus 11% nationwide.



The Waikato region is displaying slightly greater strength than the national average, Auckland, Northland, and Bay of Plenty. But the pattern of reduced strength through summer is the same as elsewhere.



The net proportion of agents seeing more first home buyers in the Waikato region exactly matches the NZ average at 43%. As is the case for the Bay of Plenty region discussed above, most measures in this monthly survey for Waikato track reasonably closely to the national outcomes.



This tracking is also seen in our measure of investor strength in the market. A net 14% of agents in Waikato note seeing more investor buyers as compared with a net 3% nationwide seeing fewer. The region is stronger, but as the graph shows, movements generally stay close to the country as a whole.

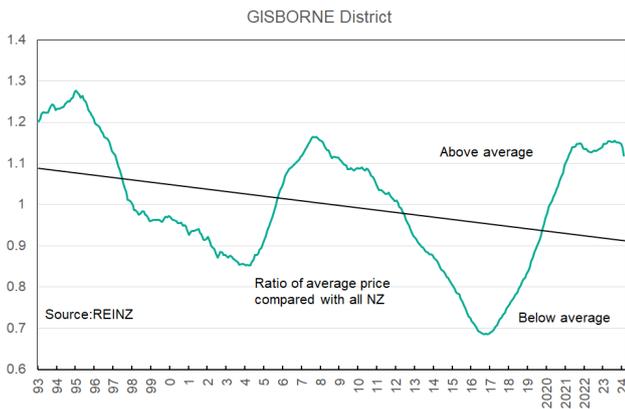
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Gisborne

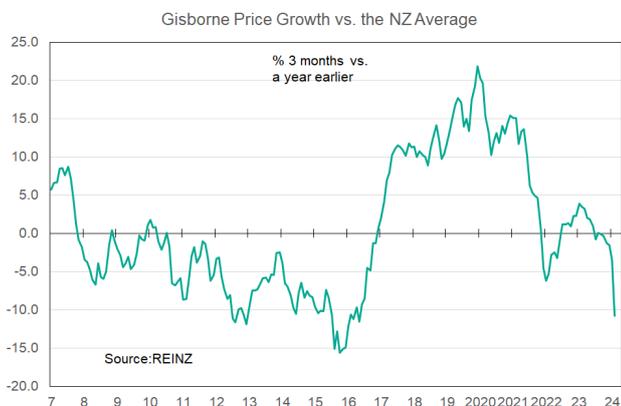
Highly priced for the moment

Because the Gisborne region is so small I almost never receive enough results in any of my monthly surveys to allow presentation of results and that is the case for real estate agents. So, let's have a look at a couple of things here instead of my survey outcomes.

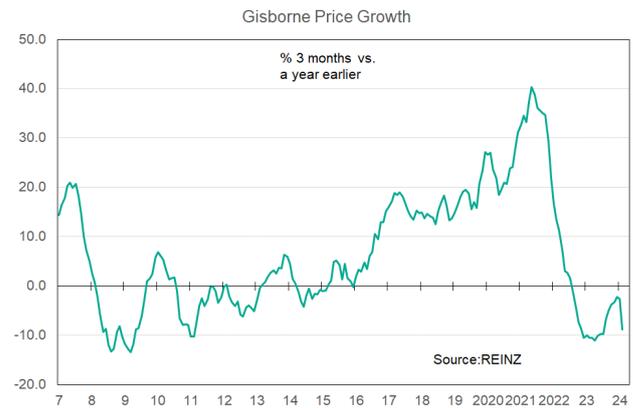
In the Gisborne region average house prices remain well above levels versus the country overall associated with a long-term trend since 1992. This doesn't mean that they are about to fall. Instead, it simply says that potential for gain relative to the rest of New Zealand is much less now than other regions may display.



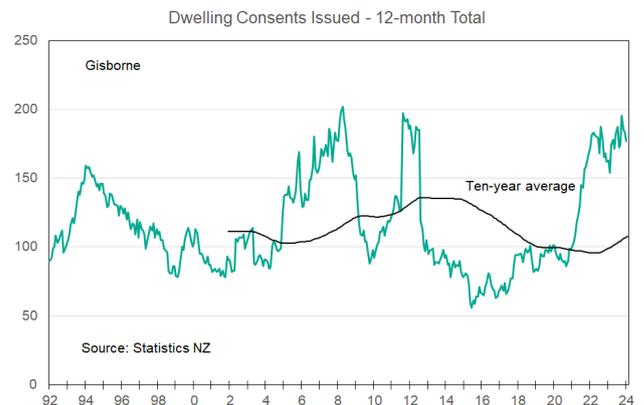
The period of superior price performance of Gisborne largely ended in 2022 and under-performance has now set in.



Prices in fact are falling away nowadays.



Gisborne has experienced a period of very strong construction growth. This surge in supply may initially have been soaked up by people shifting to the regions during the pandemic. But the pandemic is now over and cost of living pressures alongside a newly weakening labour market mean this flow if anything is likely to now be back the other way.



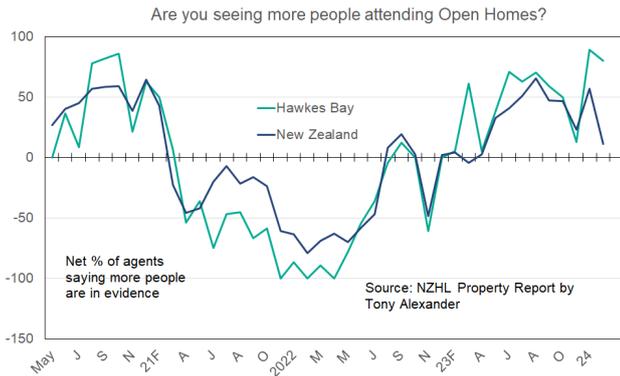
Housing markets move in cycles and for the near future the various pressures in play suggest under-performance of the Gisborne housing market.

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Hawke's Bay

Extra strength

In contrast to all of the regions covered so far in this month's RPI, Hawke's Bay sticks out as being relatively strong. A net 80% of agents have just reported that they are seeing more people attending open homes.

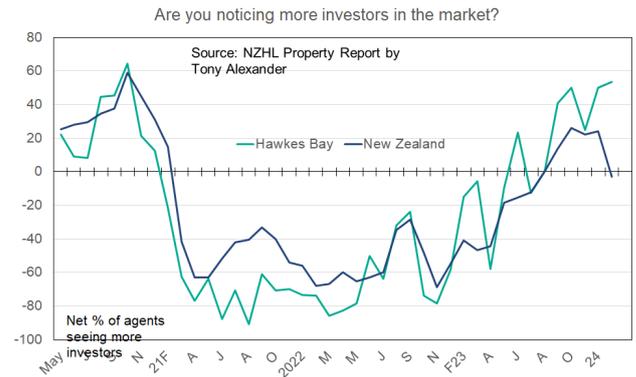


The result is at odds with other parts of the country in that it has improved strongly over summer. Is this apparent in other gauges of residential real estate market strength in the region?

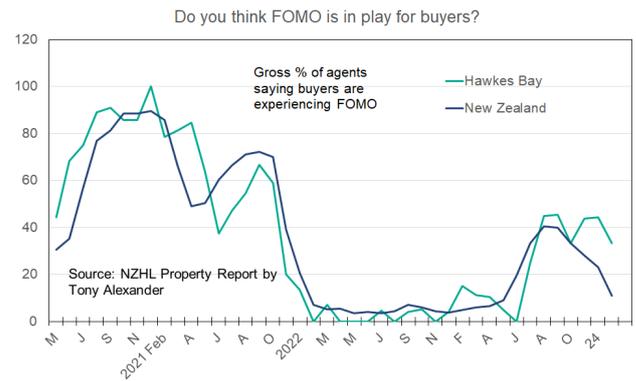
If we look at presence of first home buyers, we find a net 100% of agents reporting that they are seeing more. You can't get more positive than that.



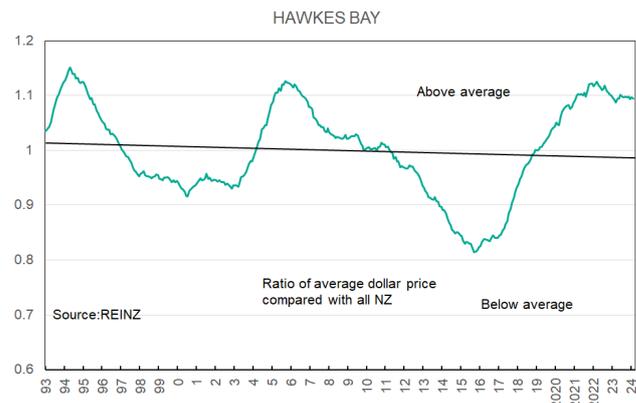
What about investor presence in the Hawke's Bay market? A net 53% of our survey respondents have said that they are seeing more investor buyers compared with a net 3% nationwide seeing fewer.



Despite the extra high strength, one might conclude is in the Hawke's Bay market currently based on the readings so far, the gross proportion of agents saying they see buyers displaying FOMO sits at 33%. The recent peak was 45% in September and this measure hit 100% at the end of 2020.



All up the Hawke's Bay market is displaying surprising strength considering the flooding of last year, dry growing conditions for farmers, and the extent to which prices are above trend versus the country as a whole.

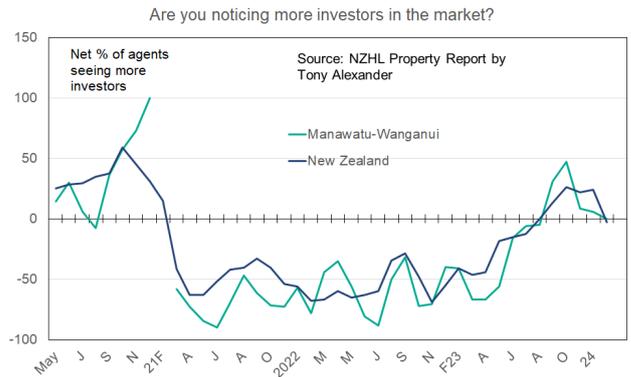


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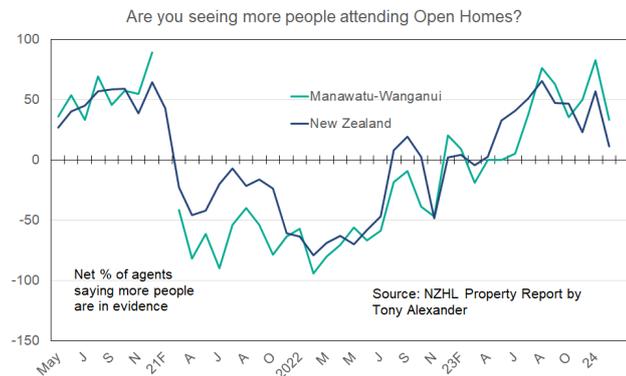
Manawatu-Wanganui

Holding stronger than average

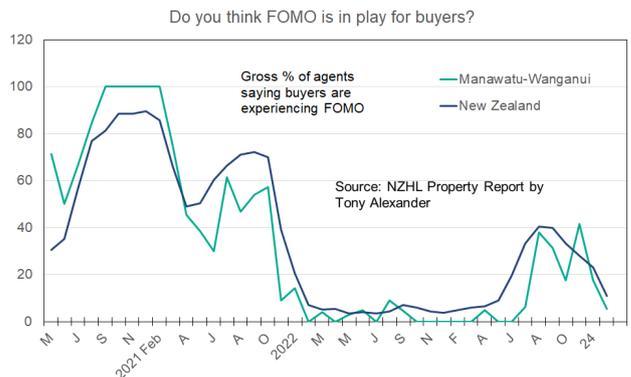
Can the Manawatu-Wanganui region on the west coast match the strength directly on the other side of the North Island? Our first measure looking at the net proportion of local agents seeing more people attending open homes is above the NZ average of 11% at 33%. Hawke’s Bay is 80%.



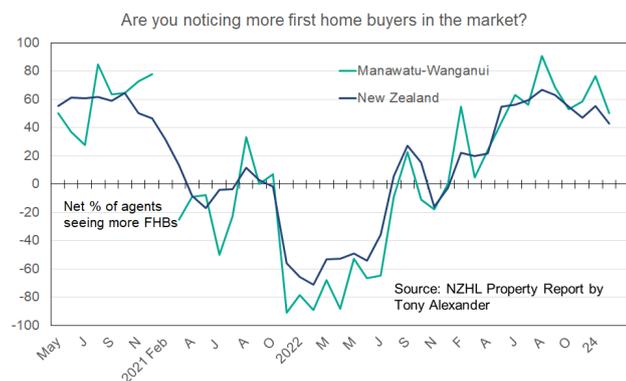
What does all this mean for FOMO in the region? It is slightly below average at 6% versus 11% with the same summer weakening as seen elsewhere around the country on average.



The net proportion of agents in Manawatu-Wanganui seeing more first home buyers also sits above average at 50% versus 43% nationwide. Hawke’s Bay is 100%.



Overall, the Manawatu-Wanganui residential real estate market seems to be holding up slightly better than the country overall – but not as much so as in Hawke’s Bay.



When we look at investors do we see similar above average strength? Not really. A net 0% of agents are seeing more investors versus a net 3% nationwide seeing fewer. The numbers are essentially the same. It looks like it is the young buyers driving strength in this central North Island region.

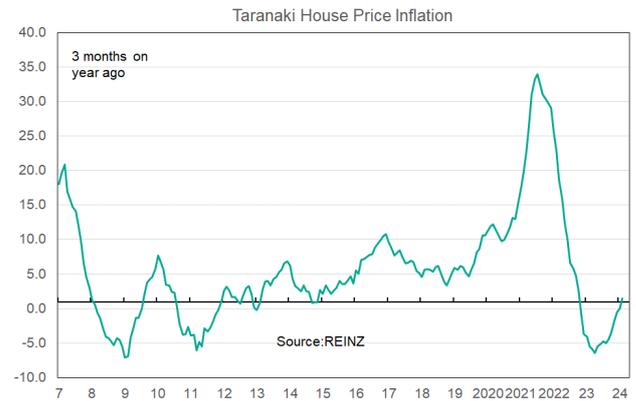
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Taranaki

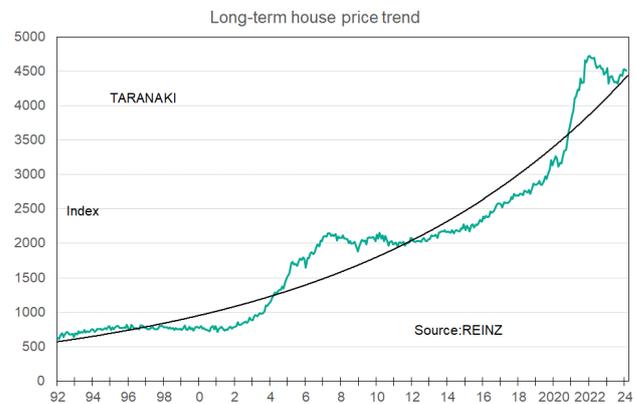
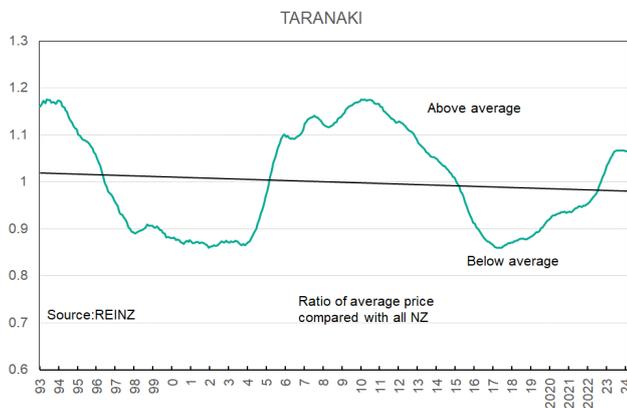
Hard to draw strong conclusions

For the Taranaki region we unfortunately do not have enough responses received in most months to allow presentation of the region's results. So, as done above for Gisborne, here are some other indicators.

Taranaki has prices which are above their average trend level with the rest of the country, but not to a sufficient degree to draw any particularly strong conclusions about how they may relatively perform going forward.

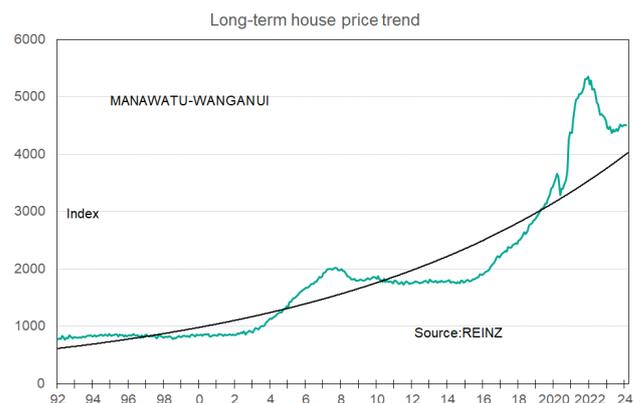
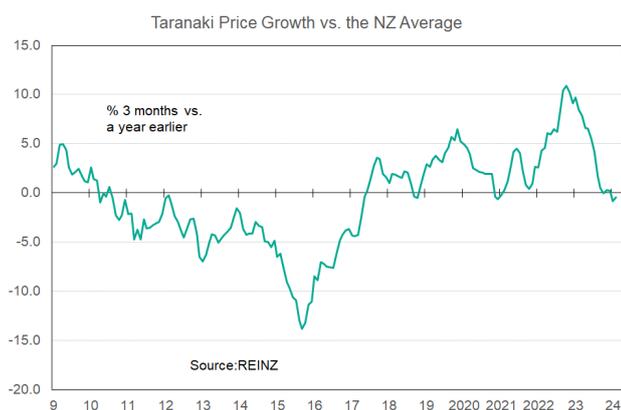


The region has shed any over-valuation one might consider exists based on its long-term price trend on a standalone basis.



An extended period of price out-performance from 2017 has however come to an end.

In contrast note this graph for Manawatu-Wanganui.



Prices were falling through 2022-23 as was the case elsewhere. But now some stability has appeared.

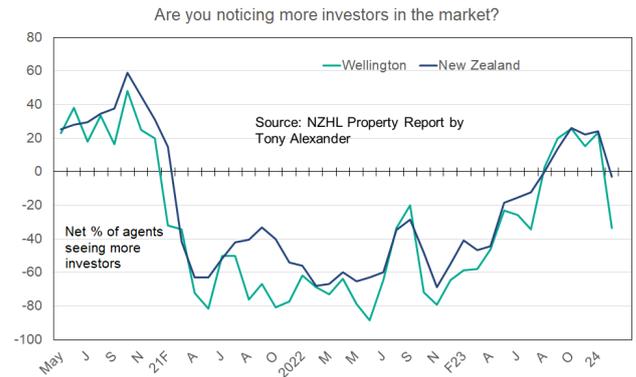
While Taranaki may not receive much of a population boost from booming migration, improving dairy incomes and a housing affordability argument come 2025 (not this year), imply strength down the track.

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Wellington

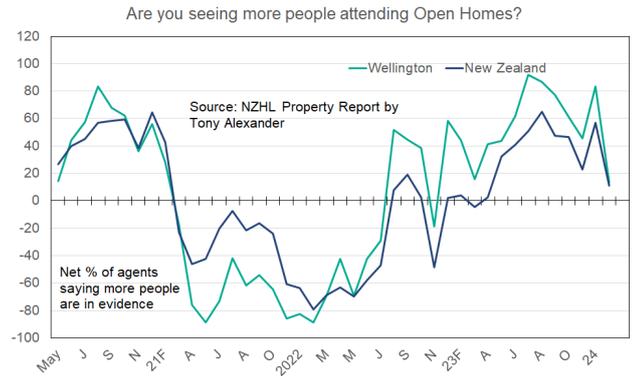
Less popular with investors for now

In the Wellington region this month a net 13% of agents have reported that they are seeing more people at open homes. This is a substantial decline from 82% a month ago and 50% two month's back. The region has slipped back to average on this measure.

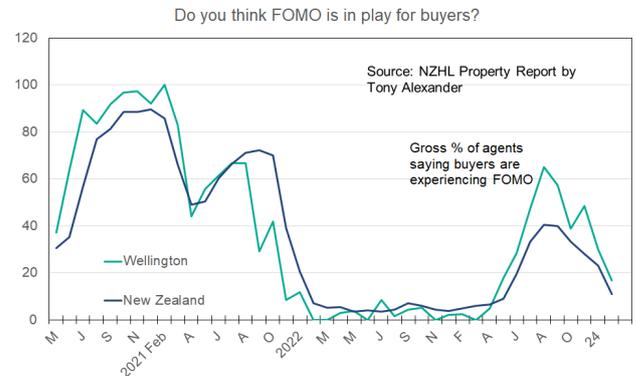


A net 33% have just reported seeing fewer investors as compared with 3% nationwide. The redundancies occurring in the public sector may be playing a role alongside the negative publicity regarding the city's infrastructure, nightlife, council finances etc. Add in earthquake risks and costs and the region presents as a hard sell to investors for the moment.

However, even taking investor reticence into account the proportion of real estate agents feeling that buyers are displaying FOMO still sits above average at 17% versus 11% nationwide.



The region remains slightly above average with respect to the net proportion of agents seeing more first home buyers at 57% versus 43% nationwide.



But when we look at agent observations of investors the situation is much weaker than average.

Will the recent increase in parts of the city able to be intensified for housing make a difference. It will take a potentially long time for any effect to be visible.

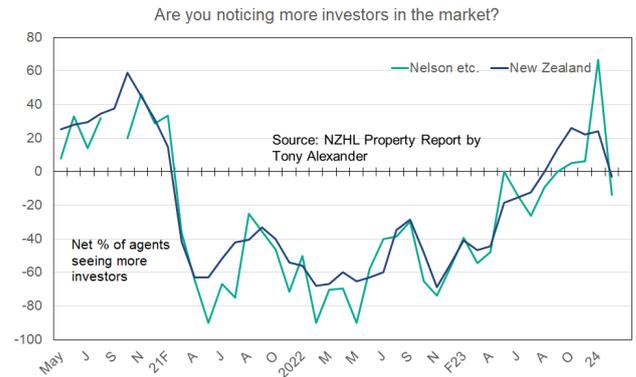
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Nelson, Tasman, Marlborough

Tracking near average

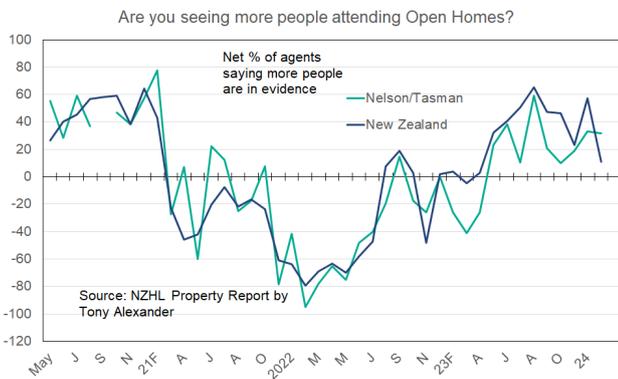
In my survey of real estate agents with NZHL I gather all responses from Tasman, Nelson, and Marlborough into one classification as often not enough replies are received for the regions individually. Doing this we see the following.

The net proportion of agents reporting that they are seeing more people showing up at open homes was 32% at the start of this month as compared with 11% nationwide. The regions show more activity than average by this measure.

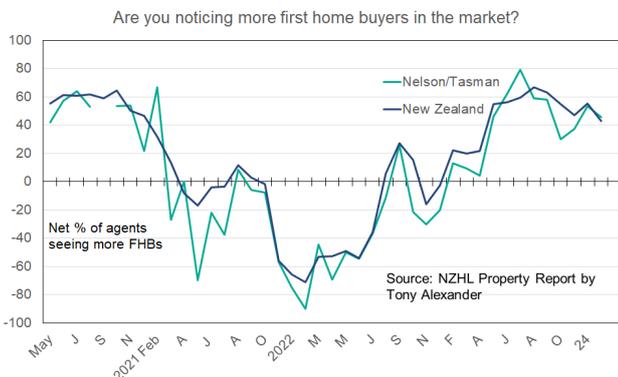
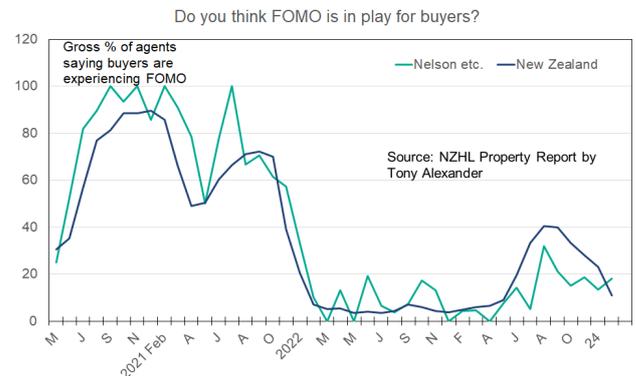


But the graph shows reasonably clearly that the regions covered here do tend to display degrees of investor interest which are quite close to average.

Perhaps with the closeness of the results so far it is not surprising that the reading for FOMO is about the same as elsewhere on average. 18% of agents say that buyers at the top of the South Island are displaying FOMO as compared with 11% nationwide.



The net proportion of agents seeing more first home buyers this month near exactly matched the nationwide reading of a reasonably healthy 43%.



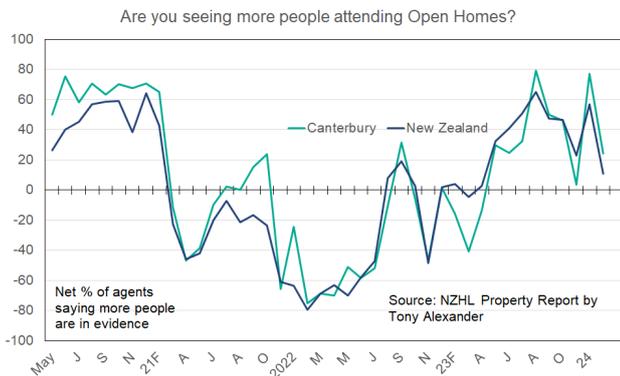
In contrast, a net 14% of agents at the top of the South Island said that they were seeing fewer investors which was weaker than the NZ-wide reading of -3%.

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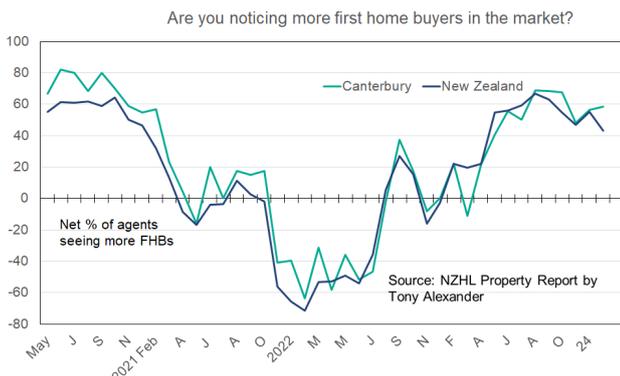
Canterbury

Stronger than average investor interest

A net 24% of agents located in the Canterbury region have this month reported seeing more people showing up at open homes. This is stronger than the NZ-wide reading of 11% but not consistently enough to allow us to truly say that the region is showing far greater interest from buyers than average.

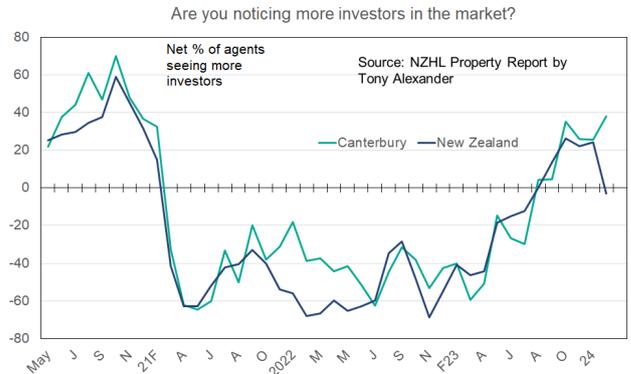


With regard to first home buyers however a net 59% of Canterbury agents say that they are seeing more in the market as compared with 43% nationwide. But again, this reading has tended to track closely with the NZ average so we cannot truly say that young buyers are in action to a greater degree than average.

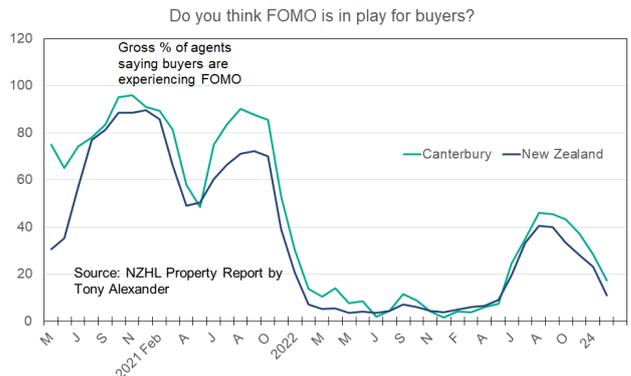


But we can draw this conclusion when we look at investors. A net 38% of agents in Canterbury report that they are seeing more investors. Nationwide a net 3% report that they are seeing fewer investors. This is a strong divergence and as the graph shows the change

in the past month is in the opposite direction from the country overall.



A gross 17% of agents report that in Canterbury they can see buyers displaying FOMO. This is not sufficiently different from the 11% situation nationwide to allow anything strong to be said.



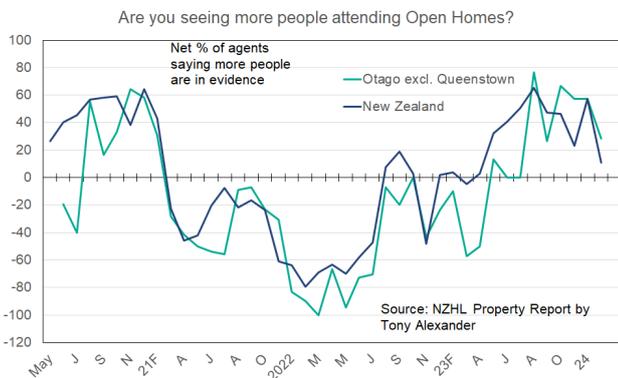
Nonetheless, overall the Canterbury region presents as being slightly stronger than the national average.

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Dunedin City/Otago

About average

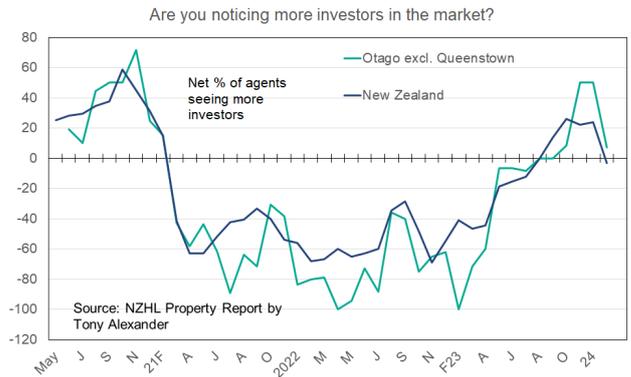
In the Otago region outside of Queenstown Lakes (largely Dunedin but some smaller locations now and then) a net 29% of residential real estate agents have recently reported that they are seeing more people appearing at open homes. This is above the NZ average of 11% and in the most recent months the region has tended towards being stronger than average.



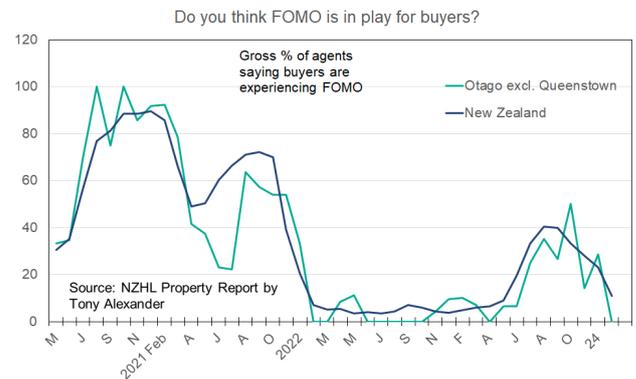
When we look at agent perceptions of market presence by first home buyers however we see that things are about average with a net 50% of agents seeing young folk compared with 43% nationwide.



Switching to agent observations of investors in the market we see that a net 7% of the region's agents are observing more investors. This is above the nationwide outcome of a net 3% of agents seeing fewer investors. But like the country overall there has most recently been a firm decline in investor presence in the market.



Looking at FOMO we find that for the Otago region outside of Queenstown Lakes agents say they are seeing no FOMO. Nationwide 11% of agents say they are seeing FOMO.



Putting it all together it looks like in this region things are not all that distant from the nationwide average.

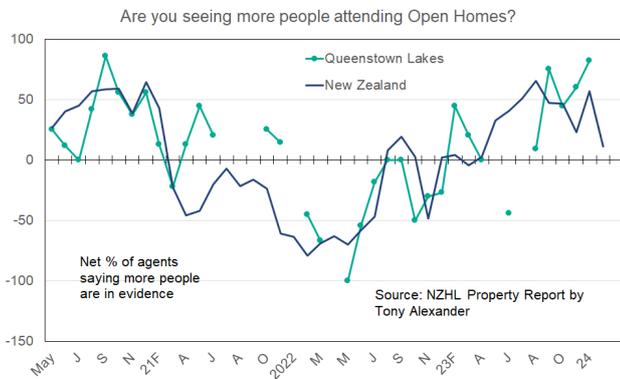
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Queenstown Lakes

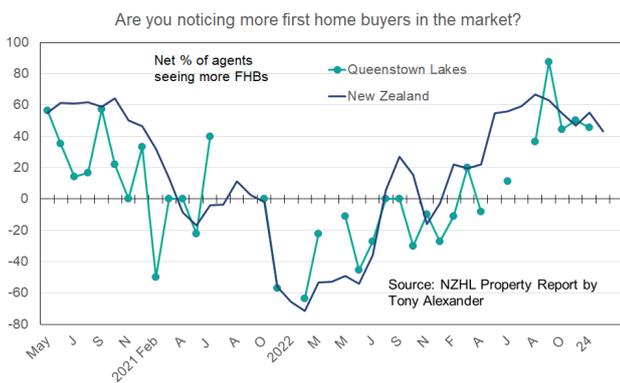
Stronger than average

We usually get enough responses from the Queenstown Lakes region to conduct our monthly analysis but unfortunately that has not been the case for this month. Nonetheless, we can get a feel for how things are tracking from the data we do have in hand.

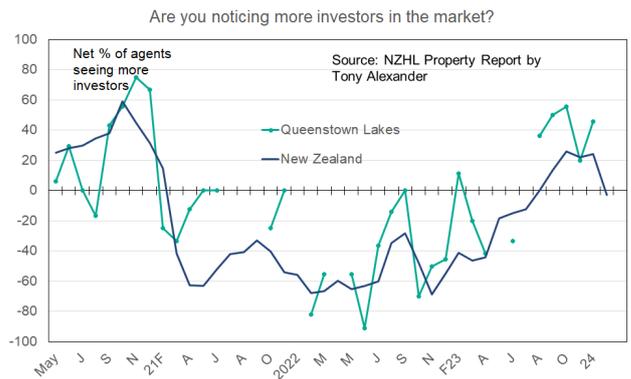
In recent months a higher-than-average net proportion of real estate agents in the Queenstown Lakes region have been observing more people at open homes.



With regard to the presence of first home buyers, in recent months the region has been tracking close to the NZ-wide average level of young buyer presence.



For investors the results of our survey in recent months suggest greater than average interest.



With regard to agent observations of buyers' feelings of angst, FOMO is seen as higher in the Queenstown Lakes region than elsewhere around New Zealand on average.



All up, the Queenstown Lakes region is running stronger than average, and this is seen most clearly in REINZ House Price Index data showing prices since June rising 13% versus 5% for all of the country.

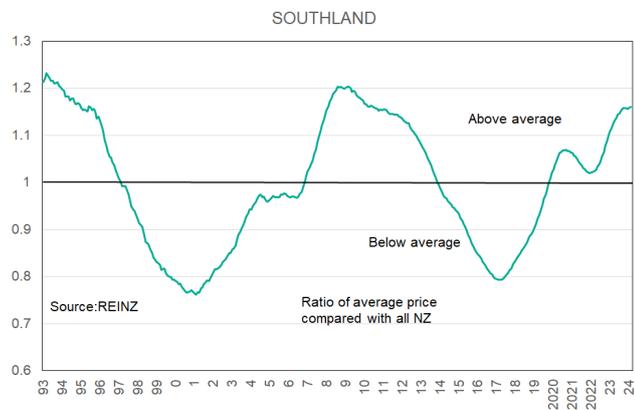
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Southland

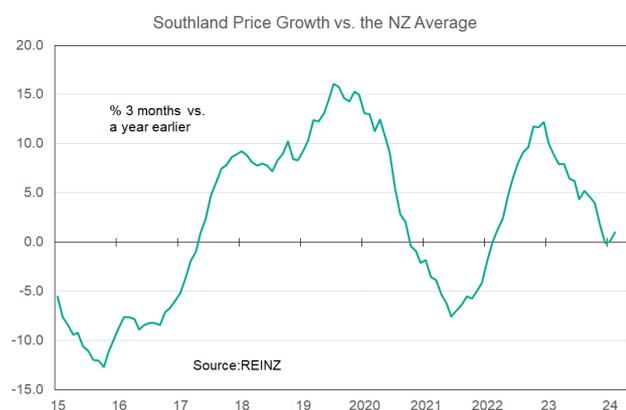
Good price gains recently

As a rule we never receive sufficient response in my monthly survey of real estate agents to allow presentation of data. Thus, as we have done above for Gisborne and Taranaki here are some other graphs showing how things are tracking.

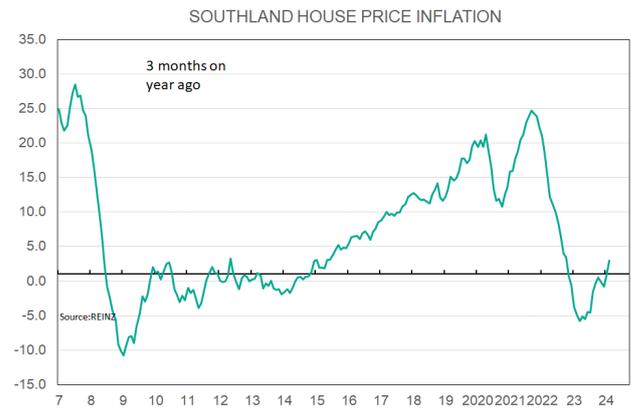
Prices for dwellings in Southland are sitting at unusually high levels compared with nationwide prices on average.



This reflects the outcome of the period from 2022 until the end of 2023 when prices in Southland rose at a faster than average pace.

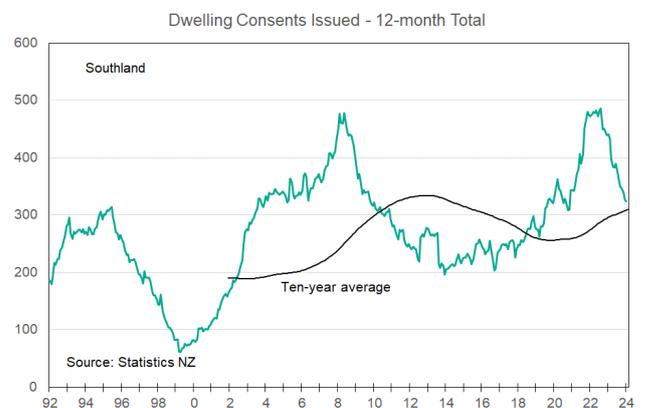


Like the rest of the country the Southland region experienced falling prices through 2022 into 2023. But also like almost all other parts of the country prices have recently been rising again.



Since the nationwide house price cycle turned upward in June last year prices on average have increased by 5.3%. In Southland the average gain since then has been 7.3%. Therefore, the region is showing stronger than average prices growth.

However, like the rest of the country Southland is seeing a decline in new home construction. But unlike Auckland at least the prevalence of standalone house construction as opposed to townhouse developments suggests that as the chickens come home to roost in this sector this year and next, Southland will be spared.



Regional Property Insights

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

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A light green map of New Zealand is positioned in the background, showing the outlines of the North and South Islands with regional boundaries.

TONY ALEXANDER

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