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TONY ALEXANDER Regional Property Insights

JUNE 2023



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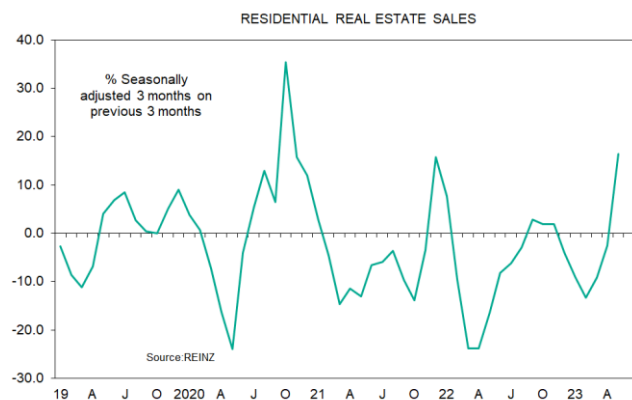
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Introduction

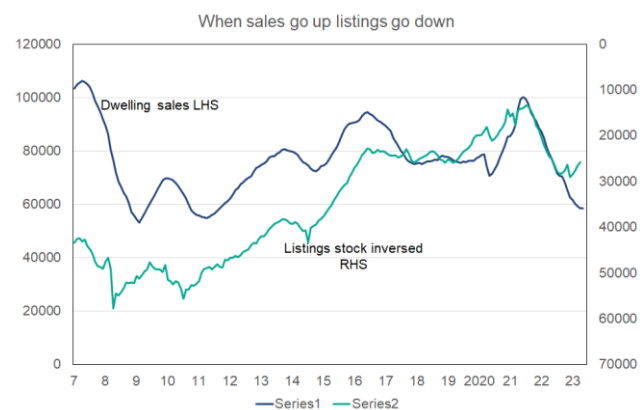
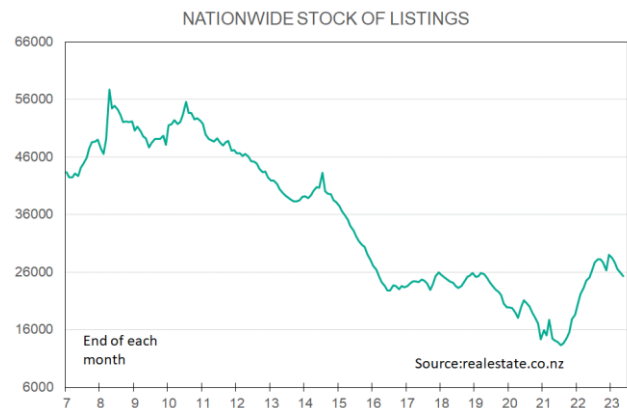
Welcome to the June issue of Regional Property Insights for 2023, prepared by Tony Alexander with the support of First Mortgage Trust.

In this month's Regional Property Insights, I look at the latest data from REINZ regarding seasonally adjusted volumes of sales. Nationwide in April sales rose by 9% then they rose again by 3% seasonally adjusted, in May. In the three months to May sales around the country were still down 8% from a year earlier, but the seasonally adjusted numbers show that improvement is underway as seen in the following graph.



We look at each region to see if a similar upturn in activity levels is underway. We also look at what is happening with the stock of properties listed for sale. Many people are of the view that rising sales and evidence of prices no longer falling will bring vendors back into the market and this will cause the stock of properties for sale to rise.

But stock levels have already fallen almost 13% between December and May in seasonally adjusted terms, and history shows that when sales rise stocks go now. That is especially likely to be the case this time around, given the lack of pressure to sell caused by the continuing strength in the labour market, yet a two-year queue of buyers who have been holding off purchasing since early-2021.



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.

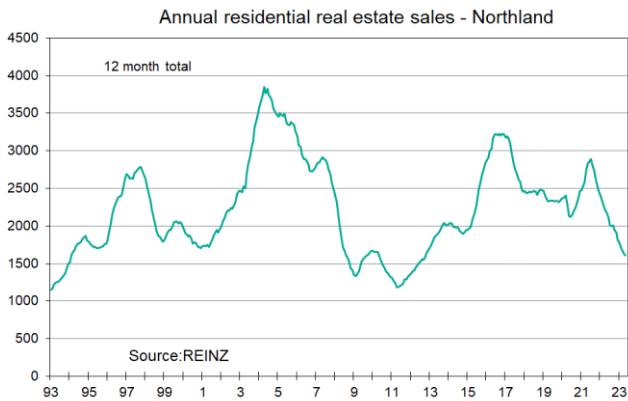
Previous issues of Regional Property Insights are available here. [First Mortgage Trust Articles](#)

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

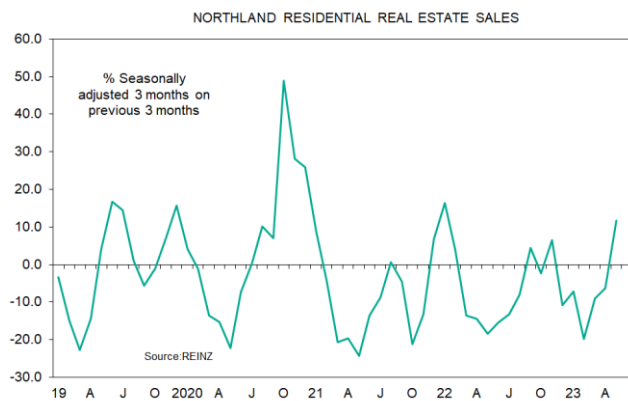
Northland

Sales recovering

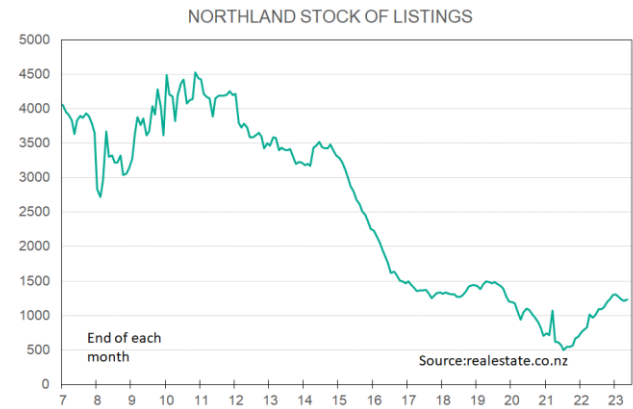
In Northland there were 416 dwellings sold in the three months to May. This was a 20% decline from a year earlier and the annual number of sales at 1,610 was 31% below the annual average for the past decade. Sales have been quite weak.



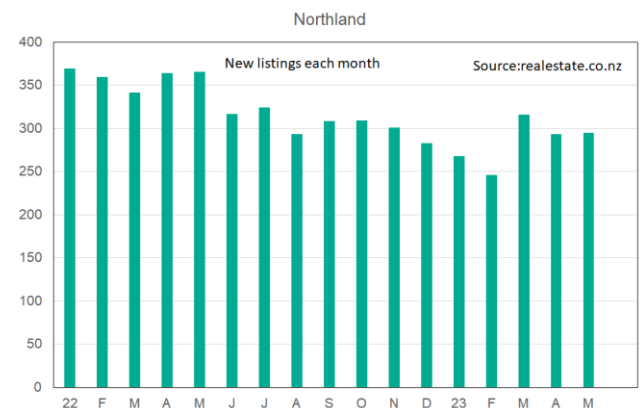
But in the three months to May the rise in sales from the three months to February was 8% after adjusting for seasonal factors. There is an upturn in sales underway in the Northland region from low levels.



Are there plentiful listings available which will allow sales to appreciably rise from current levels? At the end of May the stock of listings in Northland stood at 1,234 properties. This was down 5% from the end of December which is slightly less than the nationwide decline in listings of 13%.



The number of new property listings in the three months to May was up 13% from the three months to February after adjusting for seasonal factors. So, vendors are bringing more properties to the market. But as the final graph here shows, the rise in listings is more of a recovery from weakness late last year than a true step upward in property availability.

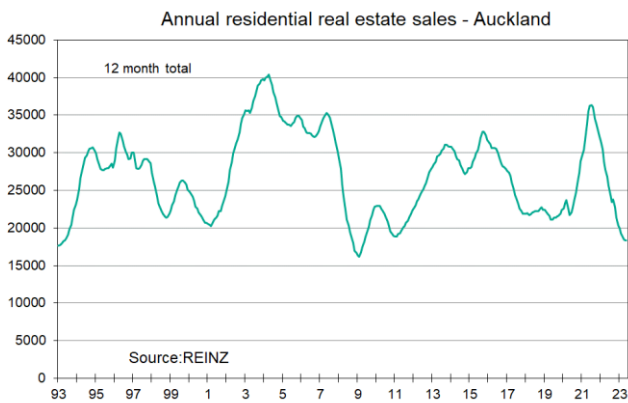


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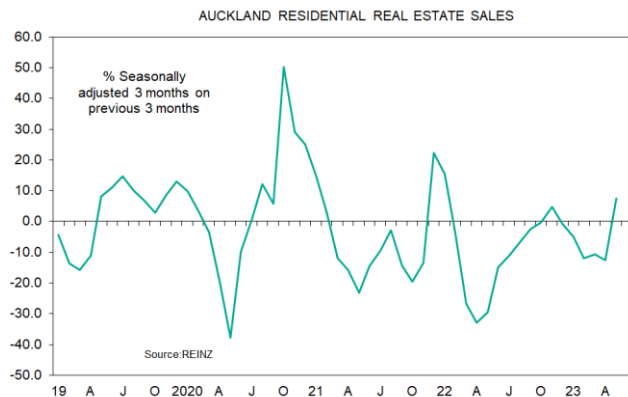
Auckland

Slow sales rise underway

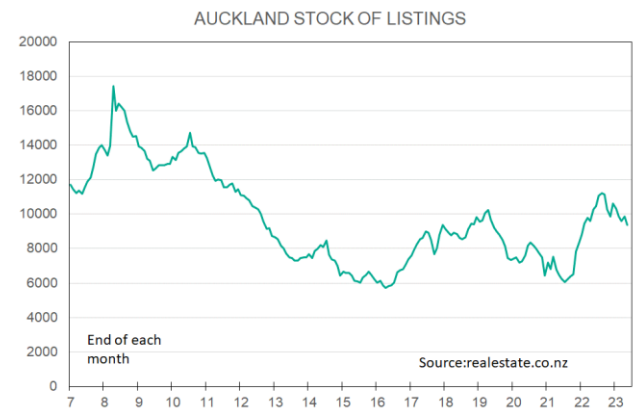
In Auckland there were 4,984 dwellings sold by licensed real estate agents in the three months to May which was 16% fewer than the same period a year earlier. The annual number of sales came in at 18,331 which was 31% below the average 12-month number for the previous ten years.



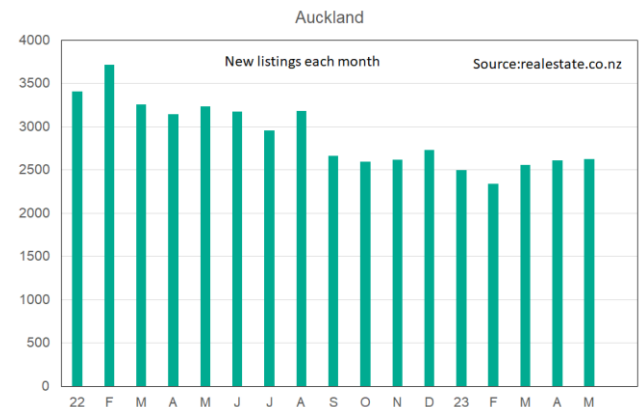
Our second graph shows an estimate of the three month rolling change in dwelling sales in Auckland after adjusting for seasonal factors. There has been a small improvement of 8% which is less than the improvement outside of Auckland which is about 20%. The graph shows the pulling away of sales momentum from the weak conditions of 2021-22 with an obvious impact early in 2022 from the credit crunch initiated late in the previous year.



As a result of the underlying slight lift in sales there has been a decline in the stock of listings available for buyers to peruse. At the end of May the stock stood at 9,317, down 12% from 10,610 at the end of December. This 12% decline is about the same as the 13% decline for the rest of the country gathered together.



Is the lift in sales leading to more vendors bringing their properties forward to sell? No. Our final graph shows the monthly number of new listings brought forward in seasonally adjusted terms. The downward trend has ended, but no list as such is underway.

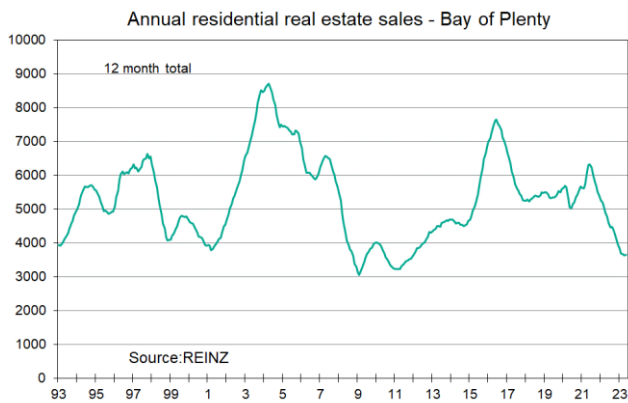


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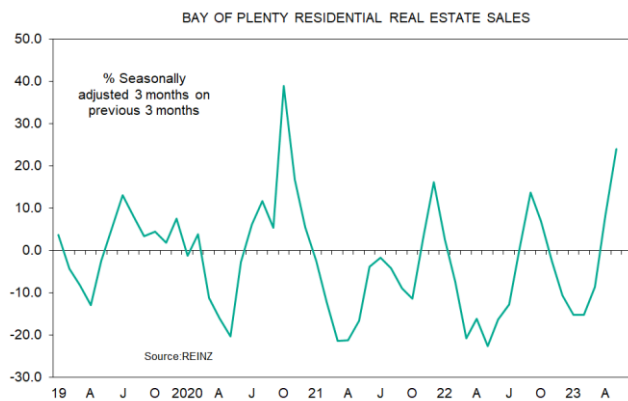
Bay of Plenty

Good sales bump up recently

Over the year to May the number of dwellings sold in the Bay of Plenty region was 33% below the average ten year total at 3,650. This was only just above the record low reached early in 2009 as the Global Financial Crisis was well underway.

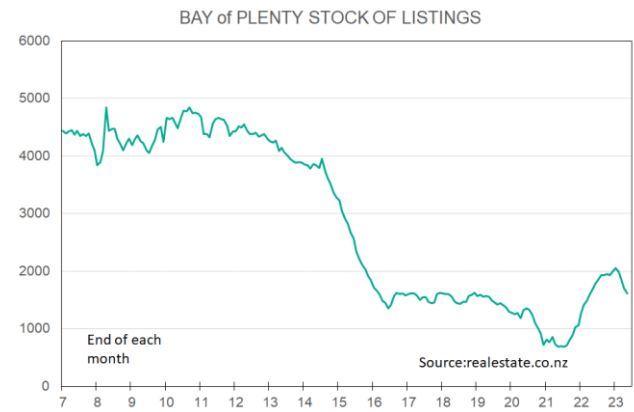


There are signs that sales are improving, however. In seasonally adjusted terms sales were ahead by a strong 24% in the three months to May compared with the three months to February.

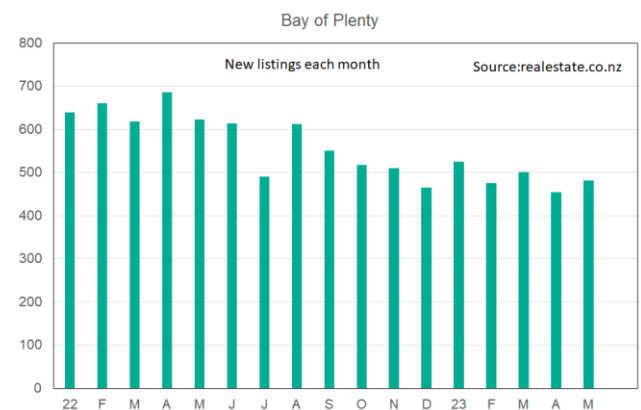


The 24% bounce is larger than the temporary surges late in 2021 and mid-2022 so maybe represents a bottoming out of the decline in sales and perhaps an upward trend now becoming established.

This conclusion perhaps is supported by the number of properties sitting on the market available for purchase falling by a stronger than average 19% between December and May. The average NZ decline is 13%.



Is this firm decline in property availability to the lowest number since early-2022, leading vendors to bring more properties to the market? No. Our final graph shows that as is the case with Auckland the decline in fresh monthly listings has ended. But an upward trend has not set in.

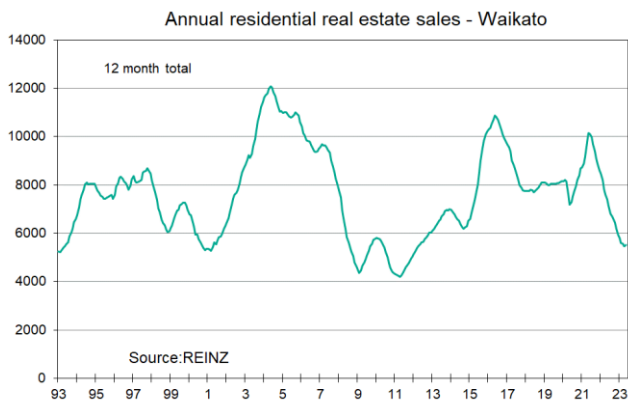


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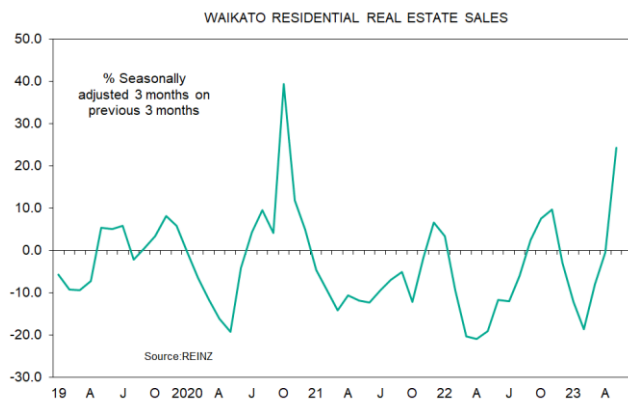
Waikato

Sales rising

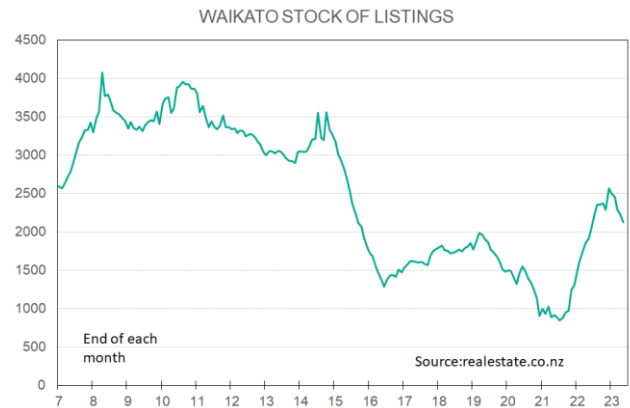
In the Waikato region in the year to May there were 5,502 dwellings sold and bought. The total is not far above the record low level of sales seen during and immediately after the Global Financial Crisis.



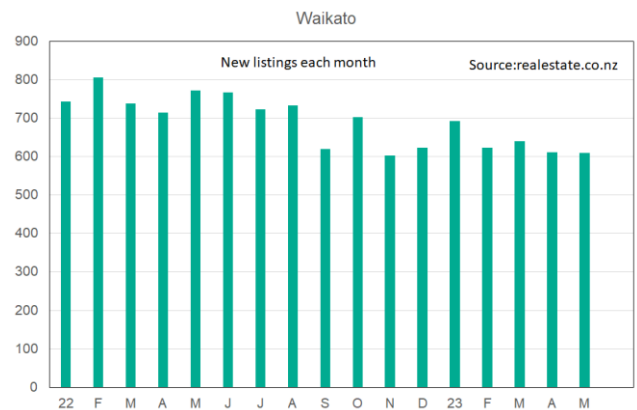
As is the case with the Bay of Plenty region discussed above, the past three months to May has produced a strong lift in sales after adjusting for seasonal factors. The 24% rise means that sales were running only 6% down from a year earlier.



The lift in sales activity has contributed to a decline in the stock of listings available for sale to 2,219 at the end of May from 2,565 at the end of December. This 17% decline is greater than the average decline across the country of 13%.



But as has been the case for the other regions discussed so far, while we can say that the downward trend in the number of properties newly being listed has ended, there is no upward trend in place as yet. Buyers are stepping forward in greater numbers but vendors as yet are not.

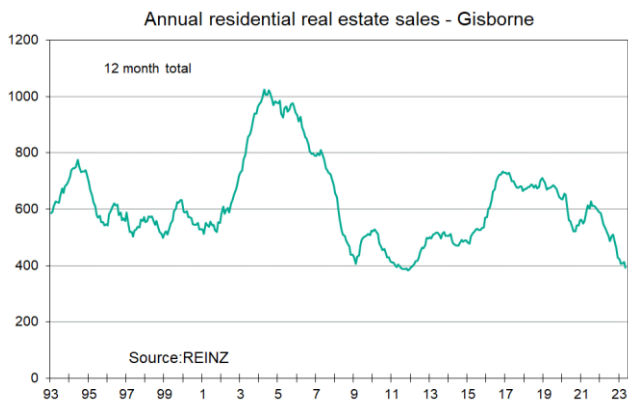


This dynamic is important and could conceivably continue and produce solid declines in regional listings stocks as we move through 2023 and 2024. High job security is going to more actively limit the number of people feeling they need to trade down this cycle as compared with previous economic cycles.

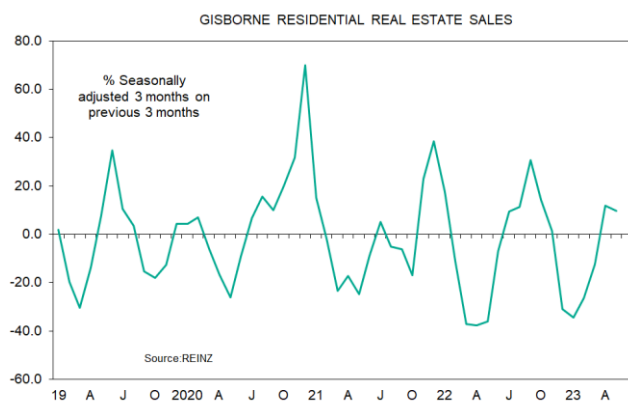
Gisborne

Some cyclone impact evident

In the Gisborne region there were 391 dwellings sold in the year to May. This was equal to the record low seen early in 2012 and 33% below average annual sales for the past ten years.

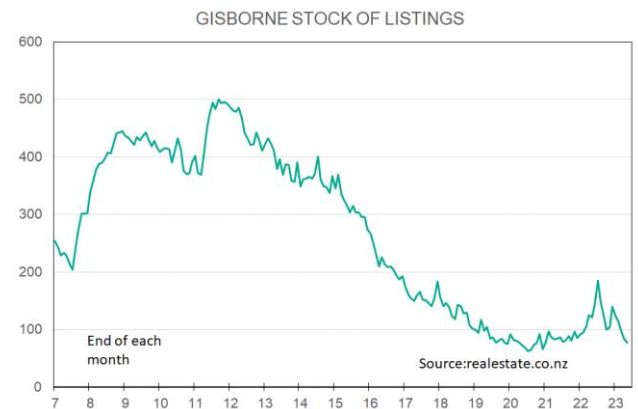


Is this weakness for the past year continuing? Our next graph shows that in spite of the bad weather earlier this year there has still been a seasonally adjusted lift in sales amounting to an estimated 10% in the three months to May. But unlike many other regions, this rise in sales is not large by standards of past periods of upturn and has already edged down a bit. That is probably where the cyclone impact is showing through.



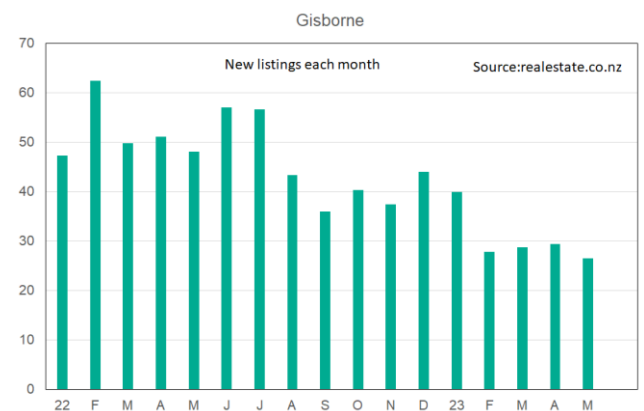
A key aspect of the Gisborne real estate market which we have noted many times before here is the relative shortage of listings.

The next graph shows end of month listings for Gisborne since 2007. We see the same sort of stock decline in the post-GFC period as for most other parts of the country. But the lift in listings stock over 2022 was very small and at 78 the number of properties available for purchase at the end of May was down almost 50% from 140 a year earlier and back near the record lows seen in 2020.



Again, there will be some impact here from the cyclone earlier this year. But the solid decline in stock was evident before that event.

Our final graph shows that new monthly listings stepped down in February as the region began grappling with the effects of the cyclone. As yet there has been no recovery in new listings coming through.



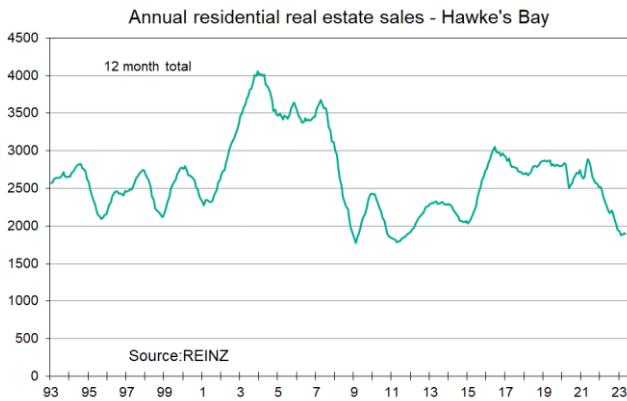
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Hawke's Bay

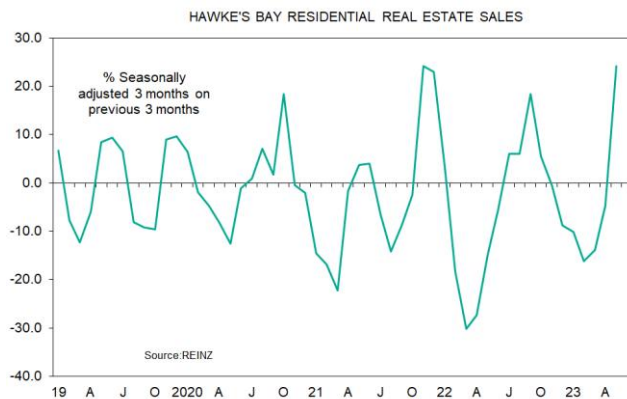
Listings falling away

The Hawke's Bay region was, like Gisborne, badly affected by the cyclone early this year so it is probable that some of the impact discussed just above for that smaller region will also be evident – though probably to a lesser degree.

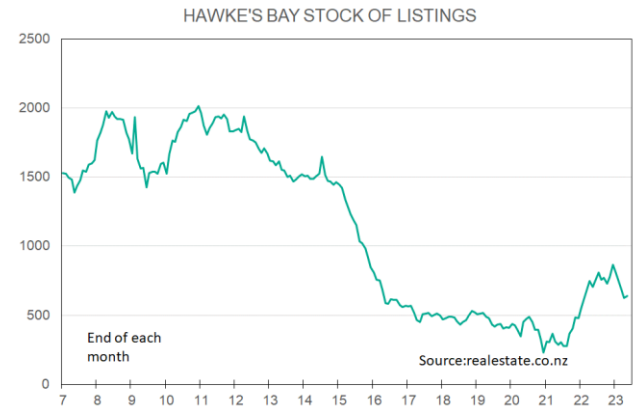
In the year to May the number of dwellings sold in the region was 26% below the ten year average at 1,898 and down 16% from a year earlier. The sales total was only 120 higher than the record low seen early in 2009.



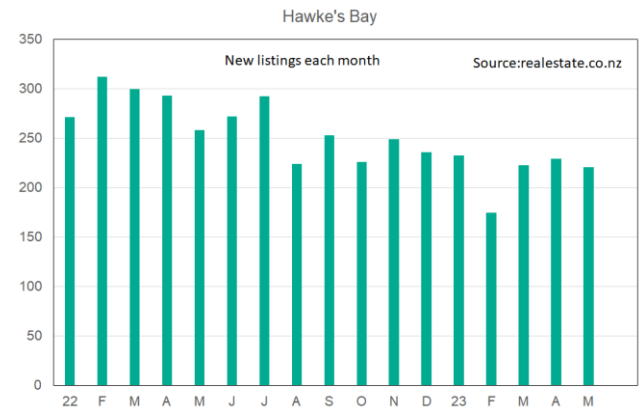
Are sales improving as has been the case for other regions discussed so far? Yes. In seasonally adjusted terms sales were up by a strong 24% in the three months to May compared with the three months to February. But note the high volatility in this measure for the Hawke's Bay region over the past four and a half years. The current surge is unlikely to continue.



In fact a shortage of listings may well soon appear again. The stock of listings at the end of May was down a strong 26% from the end of December at 641 units.



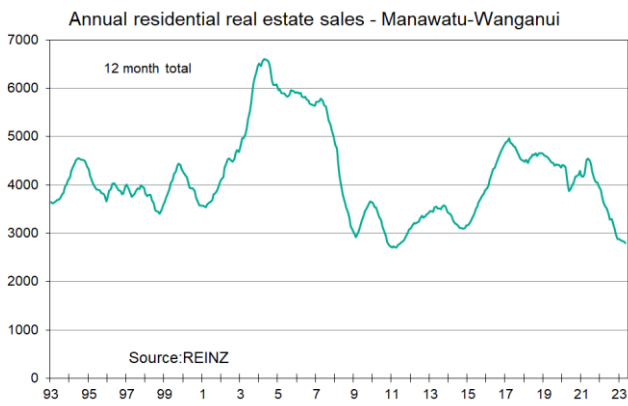
The trend down in fresh numbers of listings coming forward each month has ended. But no upward trend is in place as yet. Note that while there is an obvious cyclone impact on new listings in February, unlike Gisborne the listings flow has quickly recovered.



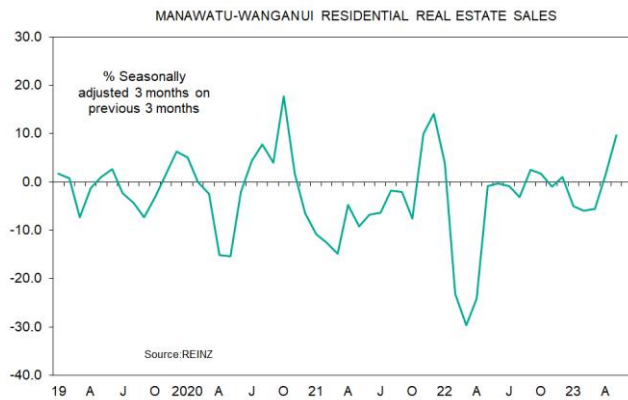
Manawatu-Wanganui

Weaker than average sales improvement

The number of dwellings sold in the Manawatu-Wanganui region in the year to May was almost equal to the record post-GFC at 2,801. This 20% decline from a year earlier left sales 30% below average for the past decade.

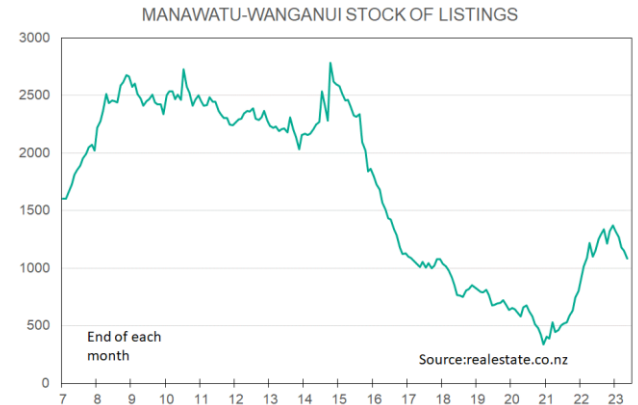


A small recovery in sales has recently occurred with a seasonally adjusted gain of 10% in the three months to May making sales just 6% down from the same period a year before.

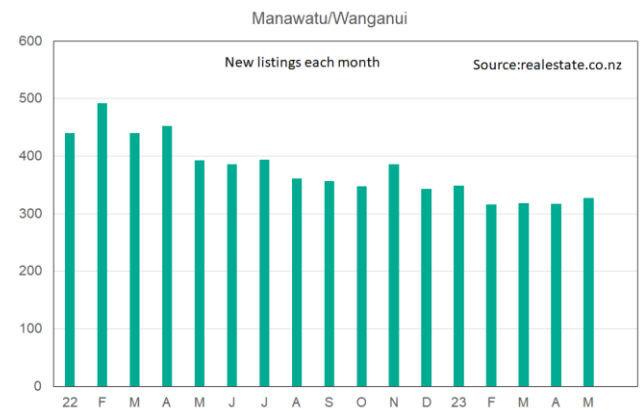


The 10% gain in the past three months is half of the gain seen by the rest of the country excluding Auckland and tells us that for the first part of this year the recovery in the Manawatu-Wanganui region is weaker than average. But it is there.

As a result of the slight lift in sales and with few vendors pressured to sell because of their employment situation, the stock of listings has fallen by 21% between December and May to hit 1,084. This 21% decline is more than the nationwide 13% fall, but the region still has a stock of listings appreciably above the lows seen in 2020-21.



As has been the case for all other regions so far discussed in this month's report, the downward trend in the number of properties being newly listed each month has come to an end. But no recovery is yet underway.

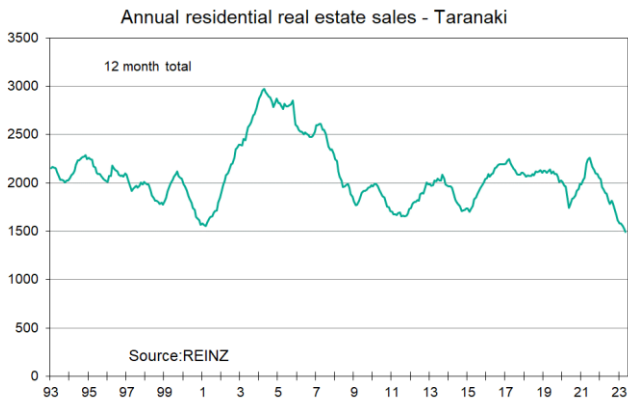


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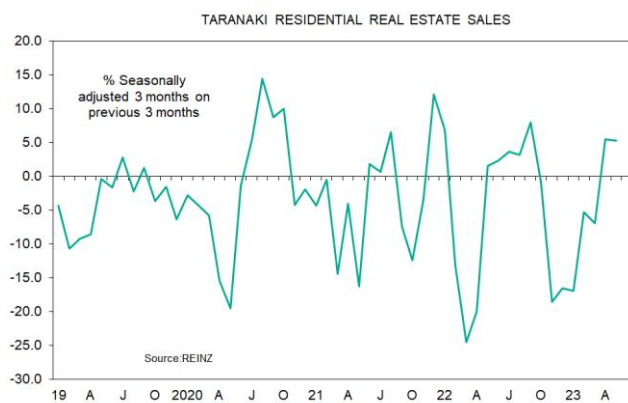
Taranaki

Sales still very weak

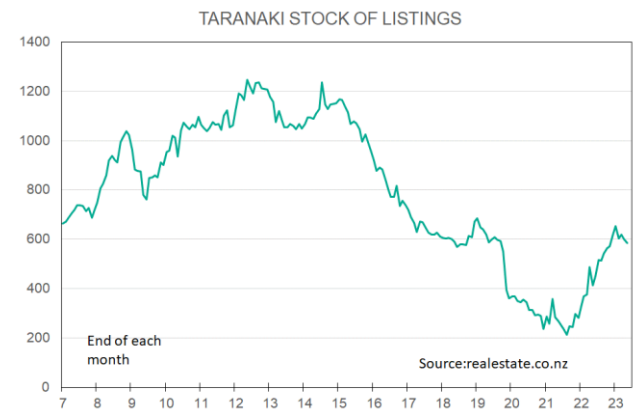
In the Taranaki region over the year to May the number of dwellings sold was at a record low since 1993 of 1,490. This number was down by 21% from the year before and 25% below average for the preceding ten years.



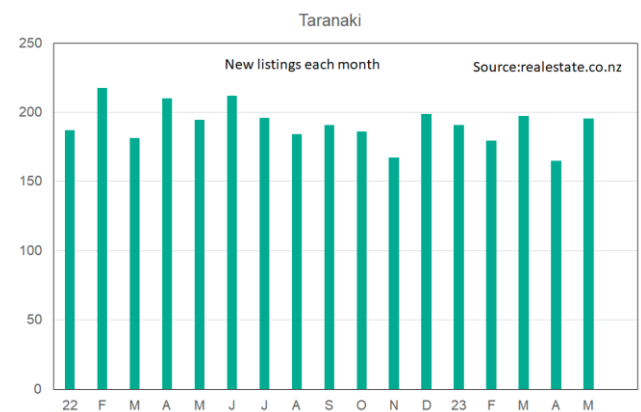
Our analysis of data adjusted for seasonal factors shows that there is a small recovery underway with growth of 5% in the three months to May compared with the three months to February. But this is substantially less than the 20% gain for the country excluding Auckland.



So far, the slight increase in sales has made only a small dent in the stock of properties listed for sale. At the end of May the stock of 585 properties available for people to purchase was down just 6% from the end of December. The nationwide decline has been 13%.



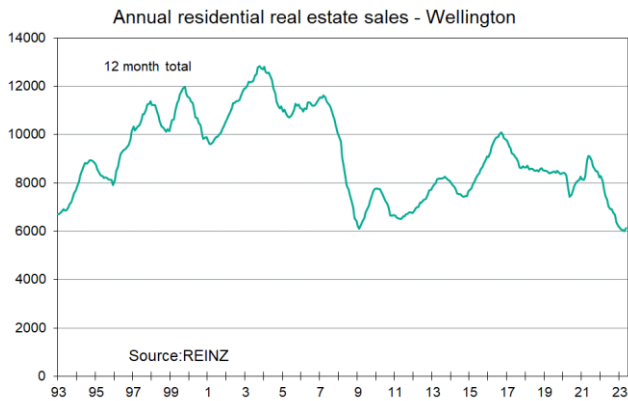
Our final graph shows the number of properties being freshly listed for sale each month. Unlike all other regions so far discussed in this month's report there has been no downward trend in listings from the start of 2022.



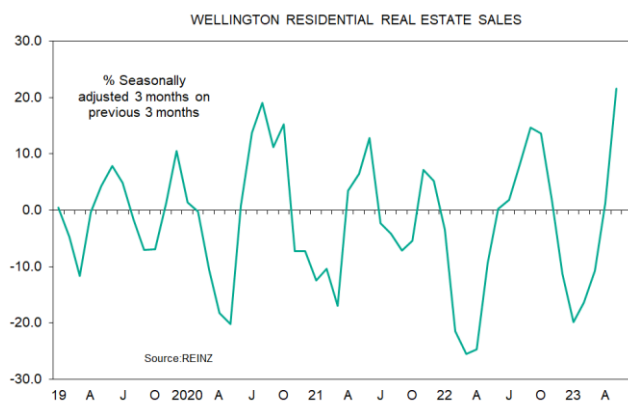
Wellington

Listings falling away

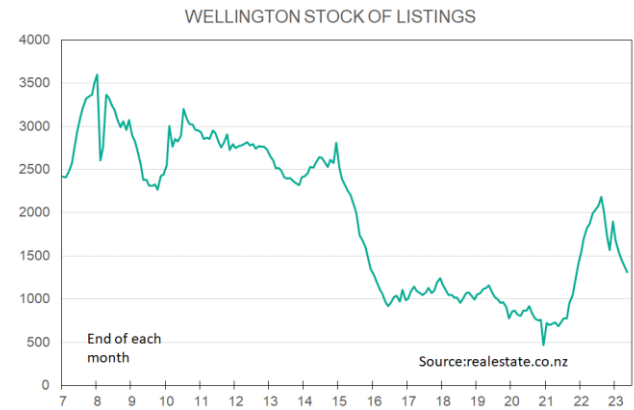
In the year to May the number of dwellings sold in the Wellington region was down by 16% from a year earlier and 26% below average sales levels for the past ten years. In fact, sales were at a record low of 6,004 in the year to April. The latest total is 6,133.



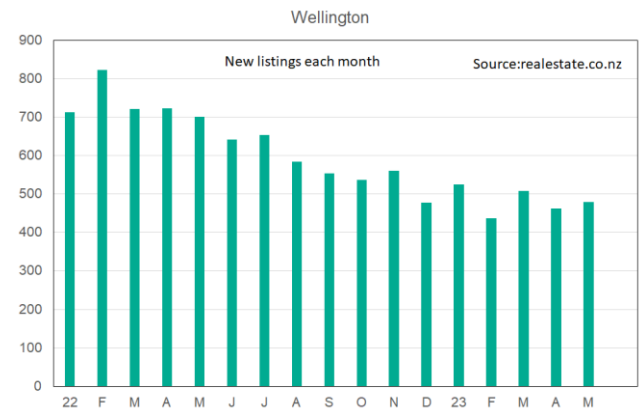
But our second graph shows that a firm recovery in sales is underway. In the three months to May seasonally adjusted sales numbers were 22% ahead of the three months to February and 4% ahead of a year earlier. Nationwide sales in the three months to May were still 8% lower than the same period in 2022.



With sales rising firmly recently there has been a solid 31% decline in the stock of listings between December and May to reach 1,312. The record low was close to 700 early in 2021 if we ignore the weird blip down at the end of 2020.



As has been the case for all other North Island regions apart from Taranaki discussed just above, the number of fresh listings being brought to the market has been falling up until recently. Since March fresh listings have stabilised but no upward trend is yet evident.

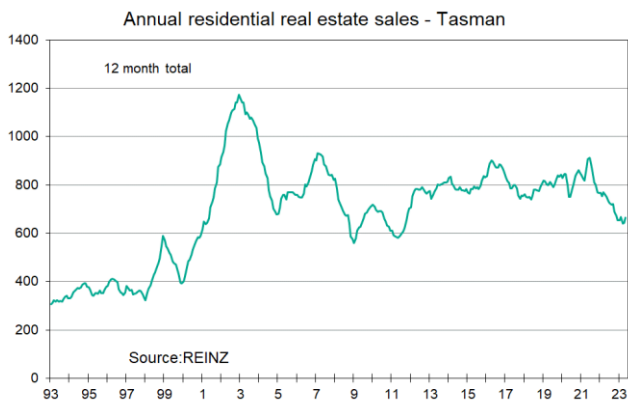


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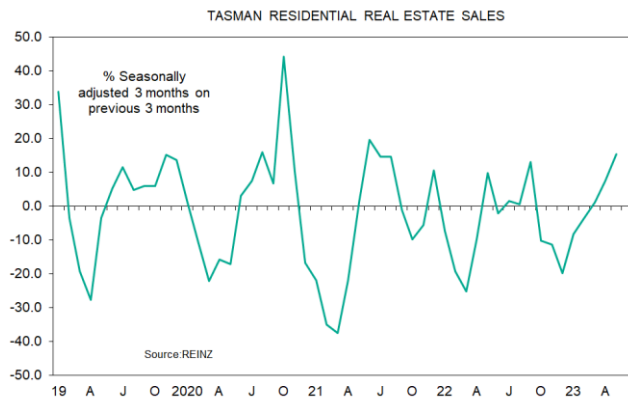
Nelson, Tasman, Marlborough

Sales surge in Marlborough

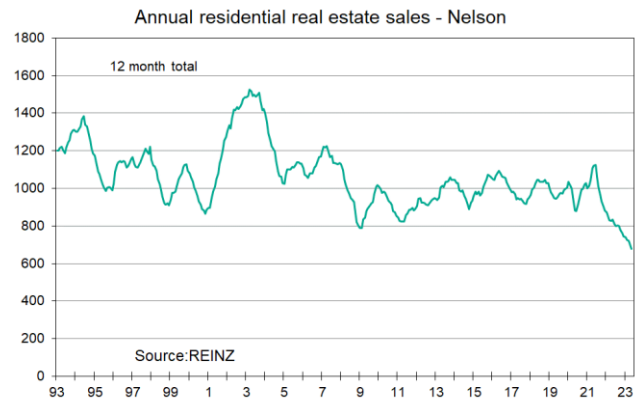
In the Tasman region dwelling sales of 665 units in the past year were down 11% from a year earlier and only 16% below the ten year average. This compares with nationwide sales being 27% below average.



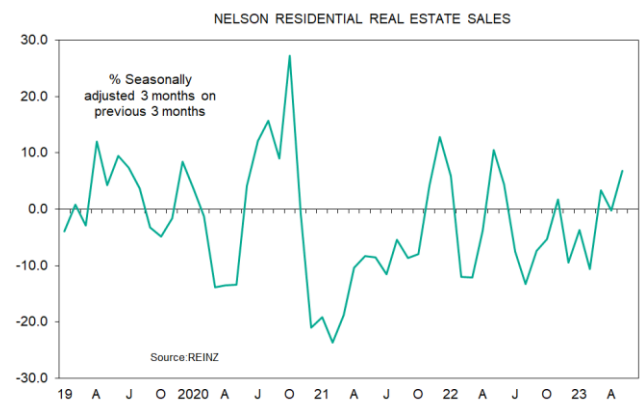
There is evidence of sales improving recently with seasonally adjusted growth in the three months to May of 15%. This is however less than the 20% growth rate for all of the country excluding Auckland.



In the Nelson region dwelling sales totalled almost the same as Tasman at 677 units. But this was a number 30% below average and 19% lower than a year earlier.

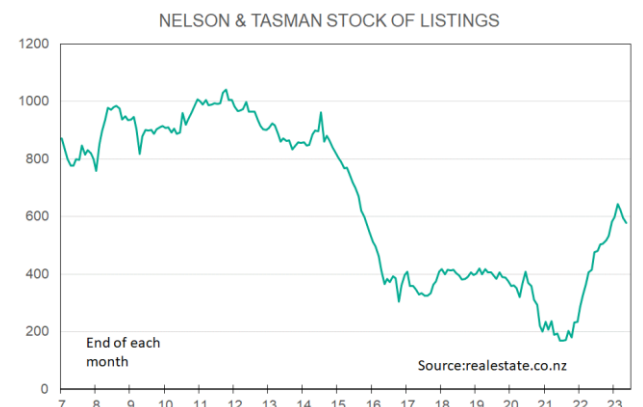


Like Tasman, in Nelson there is also a small recovery in sales underway with a seasonally adjusted rise of 7% in the three months to May as compared with 15% for Tasman.



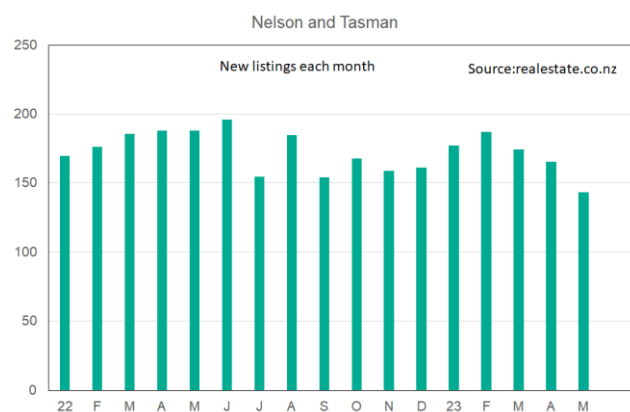
The data supplied by realestate.co.nz for listings groups Tasman and Nelson together. The stock of listings at the end of May was down only 1% from the end of December as compared with a 13% decline nationwide.

The graph below shows that listings remain at quite high levels by standards of recent years.

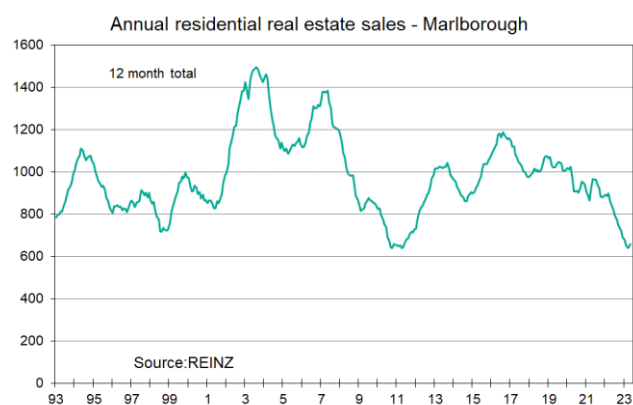


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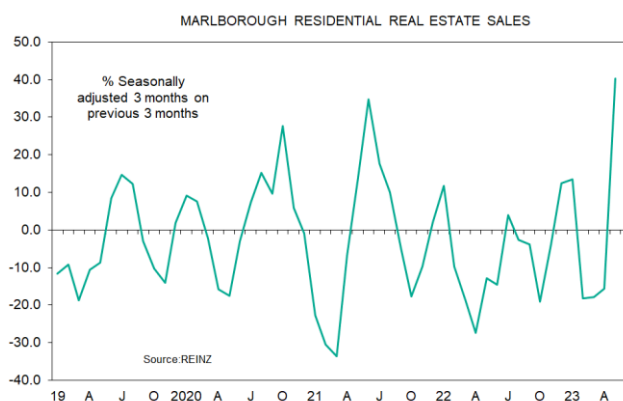
But unlike all other regions discussed so far in this month's report, there is still a downward trend underway in the number of fresh listings being brought forward to the market.



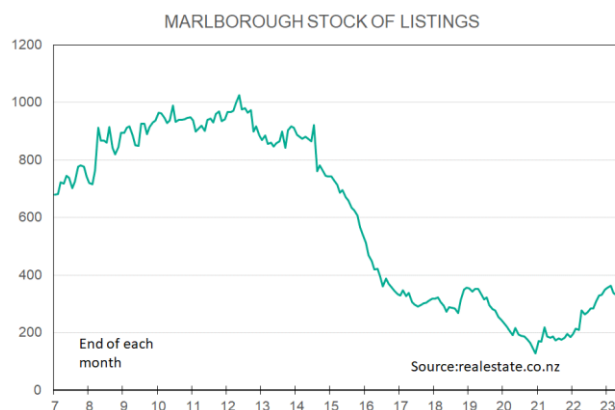
In Marlborough dwelling sales added up to 659 in the year to May – a total eerily close to outcomes for Tasman and Nelson. But this total was down 22% from the year before and 32% below average whereas nationwide sales were 27% below average for the year to May. In fact, Marlborough sales have been almost at a record low recently.



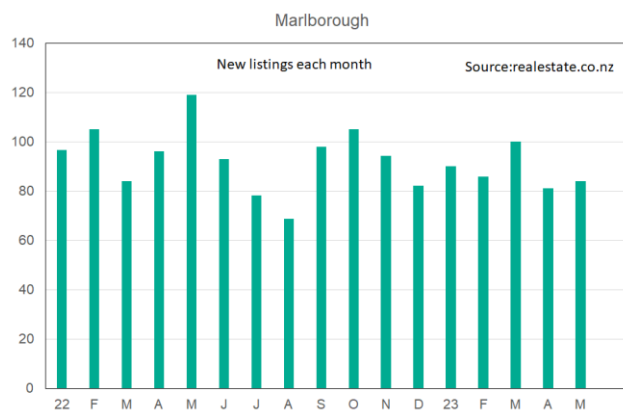
But is recovery underway as has proven to be the case for all other regions so far? Yes. In fact, seasonally adjusted sales in the three months to May were ahead 40% from the three months to February. Only Queenstown Lakes has a stronger surge at 46%.



The stock of listings at the end of May was down 12% from December which about matches the NZ-wide decline.



The graph below suggests that there has been no trend upward or downward in the monthly number of fresh listings coming forward in the Marlborough region since at least the start of 2022.

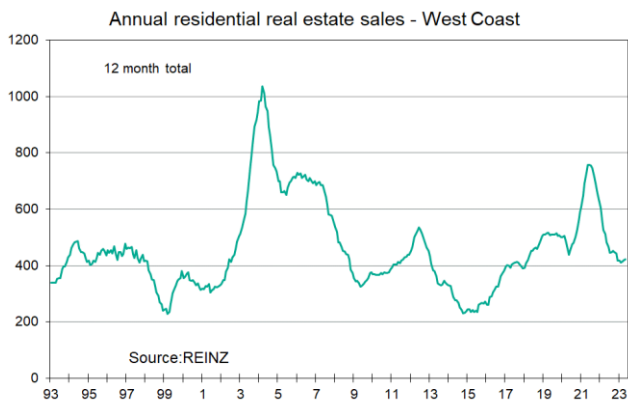


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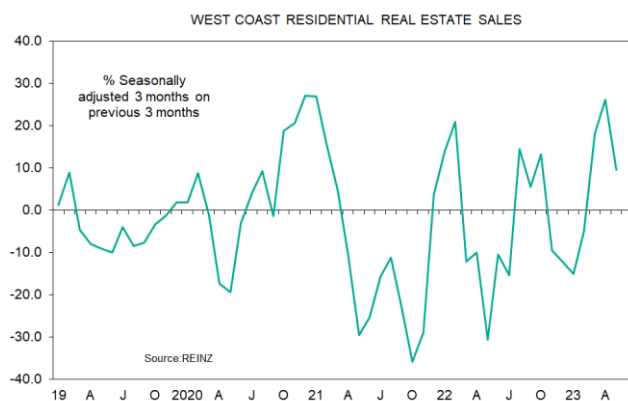
West Coast

Strong sales by historic terms

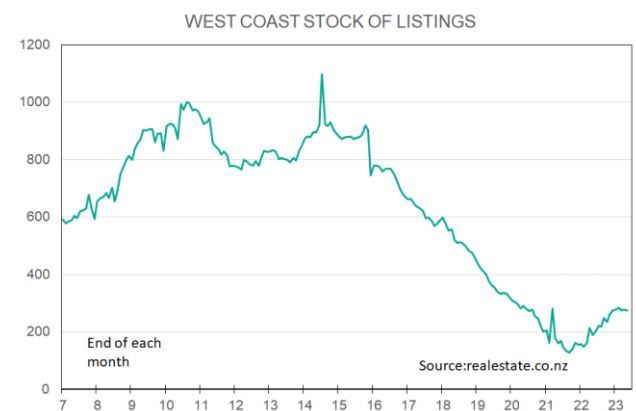
On the West Coast of the South Island the number of dwellings sold in the year to May was down 12% from a year earlier at 423 as compared with a 20% year on year decline for all the country.



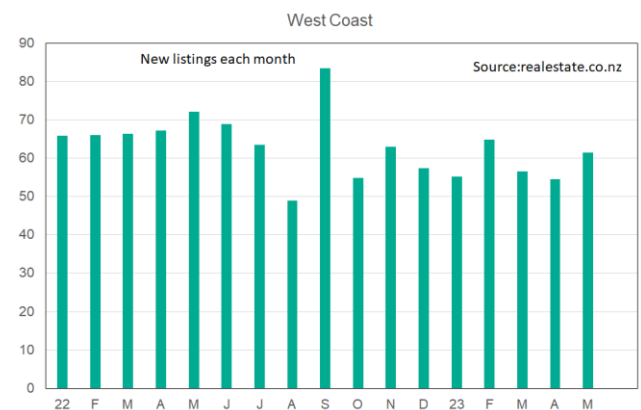
Unlike many other regions, sales this past year have been appreciably above lows seen in the post-GFC years. In fact sales are right on their ten year average. No other region comes close to this volume performance. There has also been a seasonally adjusted rise in sales over the past three months of 10%.



But the pace of this recovery has eased slightly recently. Between the end of 2021 and the end of May the rise in the stock of listings in the West Coast region has been relatively small. End-May stocks were however unchanged from the end of December 2022 compared with a 13% fall nationwide.



The number of fresh property listings took a step down on the West Coast late in 2022 and there has so far this year been no trend up or down.

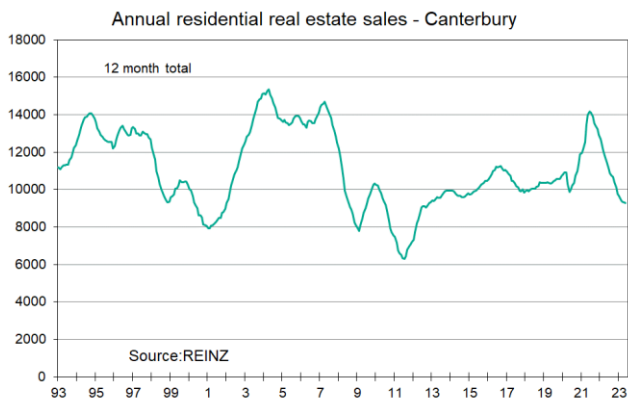


Regional Property Insights

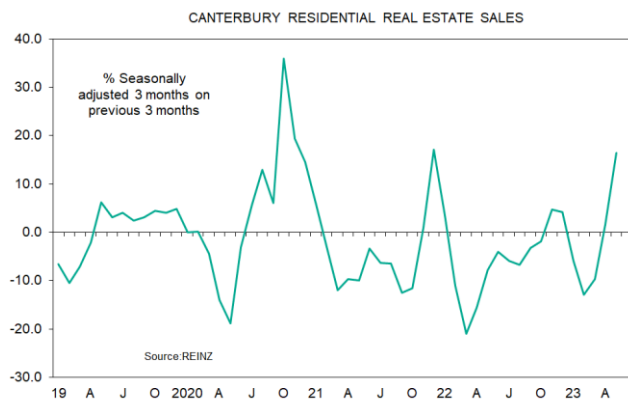
Canterbury

Stocks not falling much yet

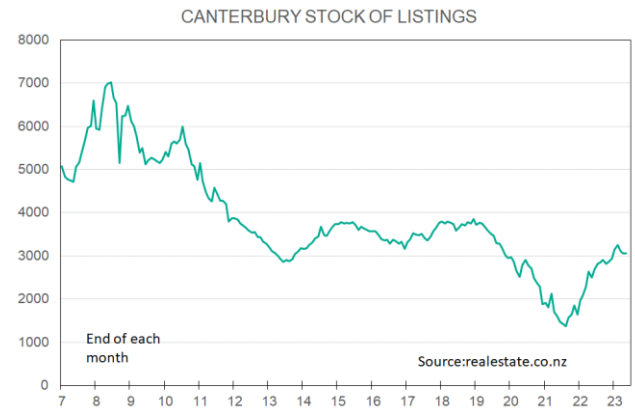
In the Canterbury region over the year to May there were 9,271 dwellings bought and sold. This was a decline of 19% from the year before and an outcome only 13% below the ten year average as compared with a 27% below average level of sales for the country as a whole.



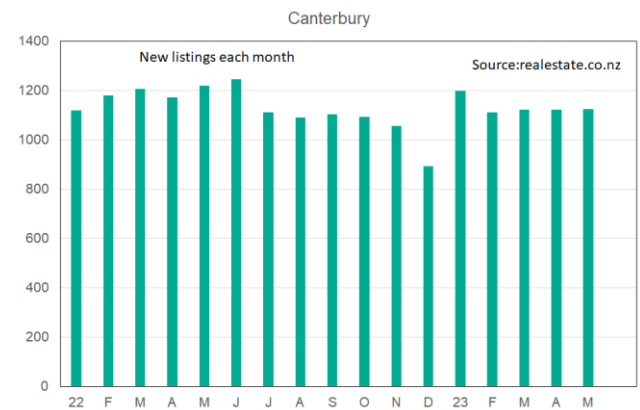
Sales are well above the low levels reached immediately after the 2011 earthquake. In seasonally adjusted terms sales volumes have strengthened by 16% in the three months to May. Canterbury is experiencing a sales recovery just as every other region is doing, at exactly the national average pace.



Compared with December the stock of properties listed for sale at the end of May was down only 4% as compared with a 13% decline nationwide.



There is perhaps some evidence that the number of fresh listings coming forward in Canterbury is growing. But if there is a trend upward seen in the following graph in the most recent months then it is a very mild rise only.

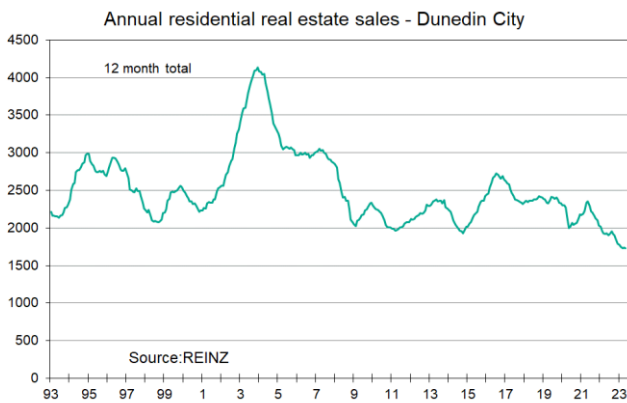


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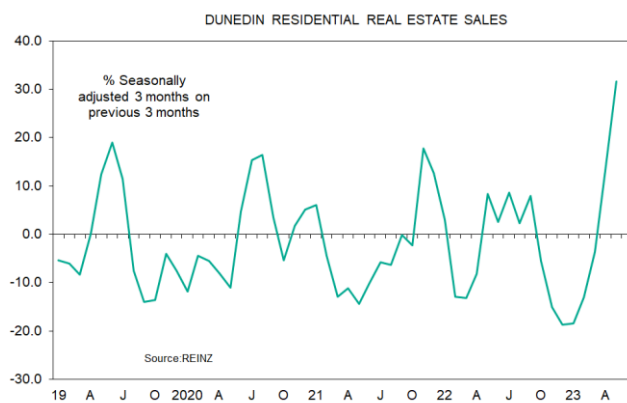
Dunedin City/Otago

Fresh listings easing

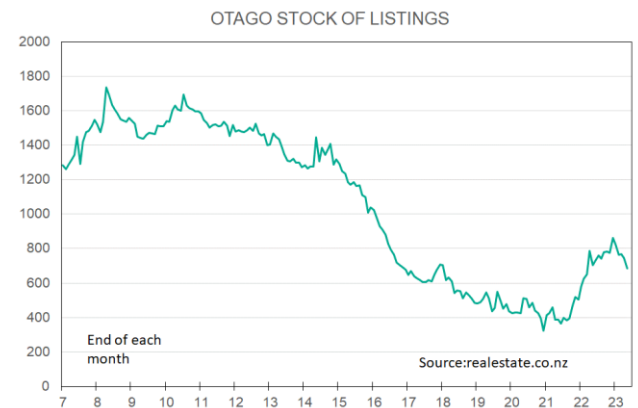
Dwelling sales in the year to May for Dunedin City were the lowest on record at just 1,731. This was 10% lower than a year earlier and 23% below average volumes for the past ten years.



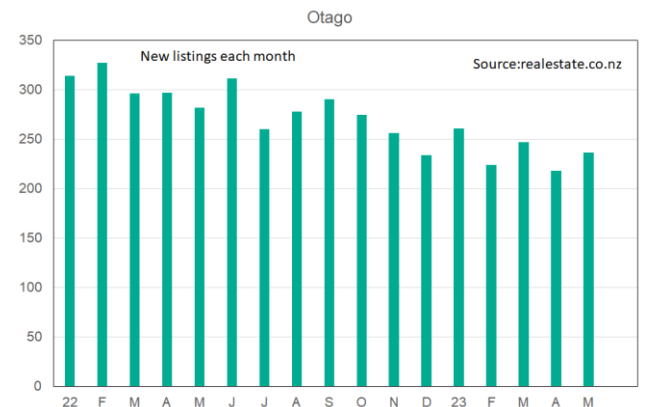
However, as our second graph shows, there is a recovery in sales underway for Dunedin as there is for all the other regions we cover in this publication. Sales in seasonally adjusted terms were ahead by 32% in the three months to May compared with the three months to February. Compared with a year earlier sales were down 10% for this three month period.



The recent recovery in sales has contributed to a 20% fall in the stock of properties listed for sale at the end of May as compared with the end of December. Note that the data from realestate.co.nz is split into Otago and Central Otago so the Otago result noted here will include some settlements outside of Dunedin City.



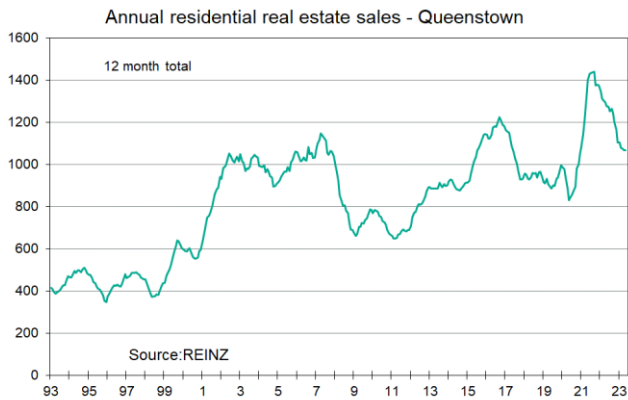
Of interest perhaps is the fact that the number of properties being brought forward to the market is continuing to trend downward, as shown in our final graph in this section.



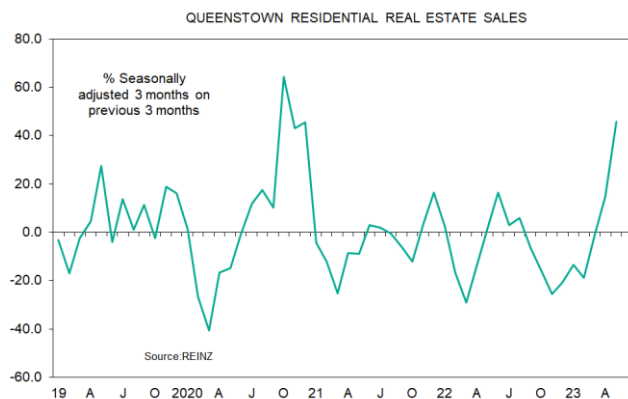
Queenstown Lakes

Uniquely strong sales upturn

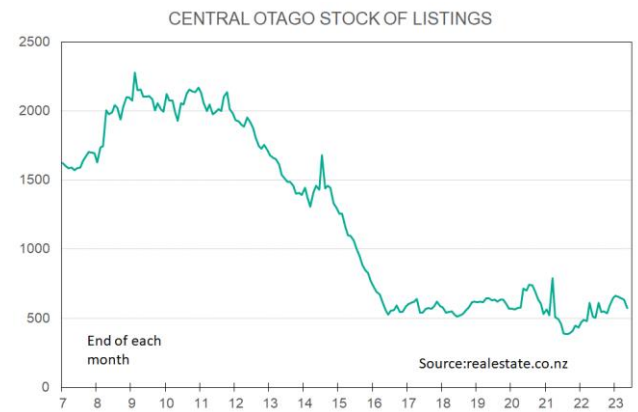
Queenstown is the most unique property market in New Zealand, and it often performs in ways which defy the analysis of both outsiders and locals alike. In the year to May sales of dwellings totalled 1,067 which represented a fall of 16% from a year earlier. But note how far away sales have been from earlier years and this means that despite the pullback in the past year sales were still 1% above the average for the past ten years.



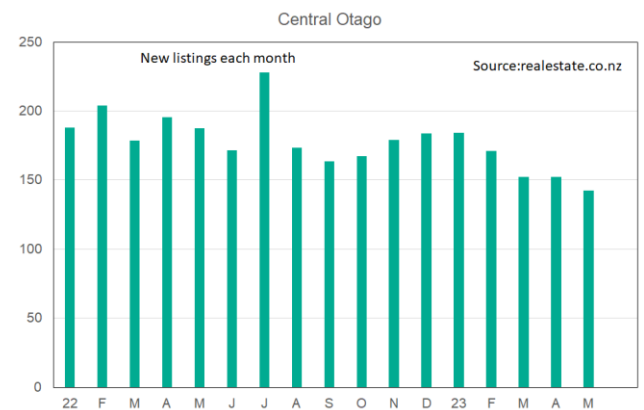
As is the case for all other regions there has been a lift in sales recently. In seasonally adjusted terms sales in the three months to May were ahead 46% from the three months to February. This is the strongest rate of growth for all regions and well above the 16% growth recorded for the country overall.



The stock of properties available for purchase in the region at the end of May was 11% down from the end of December and unlike all other regions this means stock levels are not appreciably distant from the lows reached in the middle of 2021.



Shortages of listings can be a strong driver of feelings of FOMO and prices and our final graph suggests extra price upside beckons. The number of fresh property listings coming forward is declining.

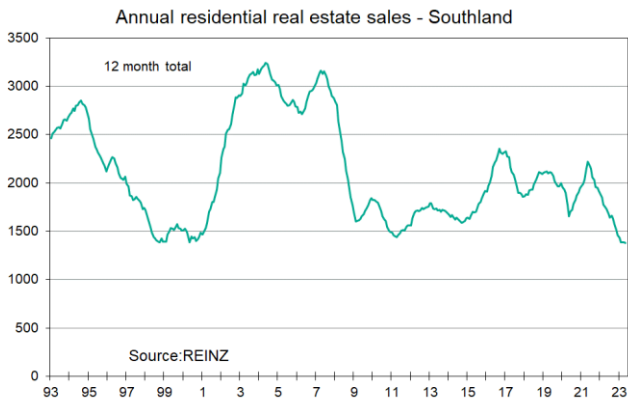


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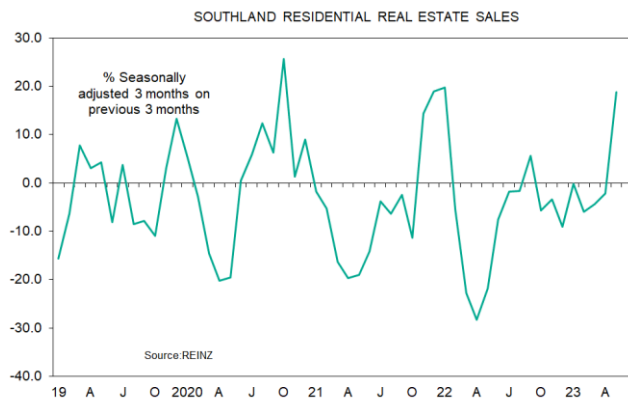
Southland

Ample stock to handle rising sales

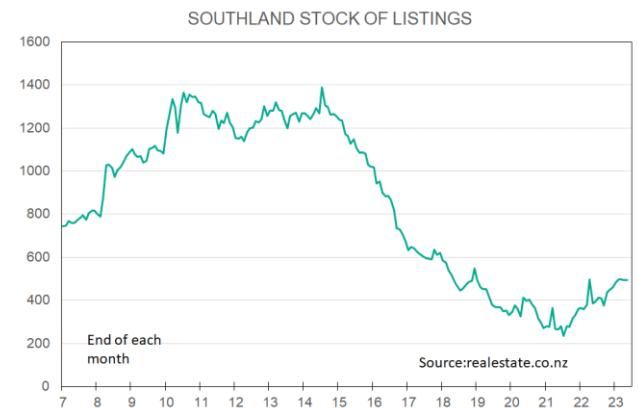
In the Southland region over the year to May the volume of dwelling sales was the lowest on record at 1,381. This number represented a decline of 20% from a year earlier and was 27% below the average number of sales for the past ten years.



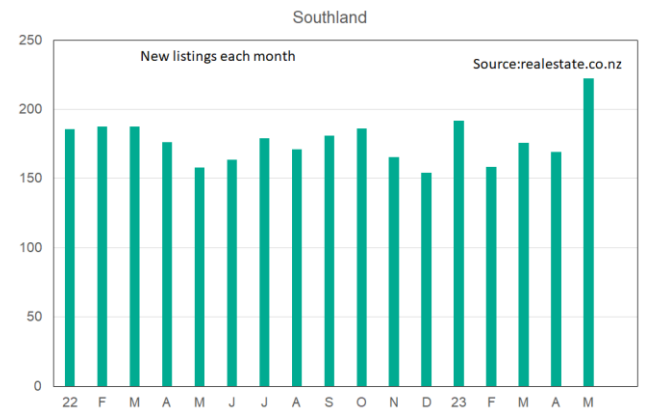
But as we have noted for all other regions already discussed in this month's report, the number of sales is improving. In the three months to May sales in seasonally adjusted terms were ahead 19% from the three months to February.



Regarding the stock of properties available for purchase, at the end of May the 494 on offer represented an 8% rise from the volume available at the end of December. This is the highest increase for all regions with Canterbury the only other region showing growth – of 4%.



And unique amongst all the regions we cover here, there was a firm seasonally adjusted jump in the number of properties freshly brought to the market in May.



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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 Regional Property Insights

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