

# TONY'S VIEW – Barfoot & Thompson Survey Supplement

## Input to your Strategy for Adapting to Challenges

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To enquire about having me in as a speaker, same address.

### My Aim

To help Kiwis make better decisions for their businesses, investments, home purchases, and people by writing about the economy in an easy to understand manner.

### Barfoot & Thompson Agent Survey

Some of you might recall that between 2011 and 2014 I ran a survey of licensed real estate agents throughout New Zealand using the REINZ database. It yielded good insight into how people at the coalface of the residential property sector were seeing things, and gave some insight into the contribution which foreign buyers were making at the time to buyer demand.

I have set up a similar survey with Barfoot & Thompson who account for approximately 40% of the Auckland residential real estate market, but the survey may in future be extended to other parts of New Zealand.

The survey will be run quarterly and the first one was sent out last week. Data were downloaded on Friday 31 January showing responses from 367 agents. The survey consists of 15 questions. Graphs will be produced after the survey has been run over a number of quarters.

The survey produced the following responses broken down by area classifications. The number reporting from Northland is small, so we shall refer to the outcomes as simply Auckland.

Response numbers.

Northland	14
Rodney	22
North Shore	52
West Auckland	64
Central Eastern Suburbs	87
South Auckland	47
Eastern Suburbs	68
Franklin	13
<b>All</b>	<b>367</b>

Over time we shall gain insight into baseline averages for the various measures and that will allow more accurate interpretation of the results and especially the changes between time periods.

### Summary

There has been a noticeable lift in buyer activity in recent months, more from first home buyers than investors. But listings are in short supply and vendors are becoming less willing to accept low offers.

### At the moment do you think this is a buyer's or a seller's market?

A net 24% of respondents feel we are currently in a seller's market. This is one where seller's face greater opportunities to choose amongst buyers than buyers have to choose amongst sellers compared with average conditions. Generally, in a seller's market prices rise, whereas in a buyer's market price rises tend to be less and properties sell less rapidly.

On average from 2011 into 2014 a net 6% of agents said they felt buyers were more motivated to act. So, our result of a net 24% tells us that currently there is above average buyer demand in Auckland. This gels with the anecdotal evidence and data from Barfoot & Thompson's monthly report.

Note the extra strength in Central Eastern Suburbs, Eastern Suburbs, and West Auckland.

Net % saying "seller's" – meaning in favour of the seller.

Northland	36
Rodney	50
North Shore	4
West Auckland	38
Central Eastern Suburbs	36
South Auckland	0
Eastern Suburbs	26
Franklin	-23
<b>All</b>	<b>24%</b>

### Are requests for property appraisals increasing or decreasing versus 3 months ago?

A net 54% of agents say they are seeing more appraisal requests from potential vendors. This is well above the 2011-14 average of 12% and suggests some extra properties might soon be coming onto the market. If so then this could help alleviate the relative shortage of listings evident recently.

Net % increasing.

Northland	29
Rodney	45
North Shore	52
West Auckland	52
Central Eastern Suburbs	76
South Auckland	34
Eastern Suburbs	53
Franklin	62
<b>All</b>	<b>54%</b>

### Are more or fewer people showing up at auctions than 3 months ago?

A net 62% of agents feel that more people are showing up at auctions than three months ago. This strong result is evident everywhere except Northland.

Net % saying more.

Northland	7
Rodney	55
North Shore	65
West Auckland	59
Central Eastern Suburbs	68
South Auckland	70
Eastern Suburbs	66
Franklin	38
<b>All</b>	<b>62%</b>

### Are more or fewer people attending Open Homes than 3 months ago?

Interest in Open Homes is seen to be stronger now than three months ago. This is well above the 2011-14 average of 15% and is consistent with reports of buyers becoming increasingly aware of the turning in Auckland's housing market last year

and perhaps deciding there is little payoff left to waiting much longer to transact.

Net % saying more.

Northland	21
Rodney	82
North Shore	75
West Auckland	84
Central Eastern Suburbs	80
South Auckland	45
Eastern Suburbs	71
Franklin	69
<b>All</b>	<b>71%</b>

### How are prices generally changing at the moment?

A strong net 70% of respondents feel that prices are rising at the moment. That is, 265 agents felt prices were rising, 7 felt they were falling and 95 felt they are holding steady. This result is consistent with numerous data sources showing an acceleration in the pace of Auckland house price gains over the second half of 2019.

Net % saying rising.

Northland	43
Rodney	73
North Shore	67
West Auckland	80
Central Eastern Suburbs	79
South Auckland	64
Eastern Suburbs	74
Franklin	8
<b>All</b>	<b>70%</b>

### Do you think FOMO is in play for buyers (fear of missing out)?

This question has been asked in order to build up a measure over time giving us insight into the extent to which people might think they have to make a purchase now, earlier than they were planning, or because they see many other people active in the residential property market. Until we get a number of quarters' observations it is difficult to know how significant the net 35% reporting FOMO is. Perhaps one interesting result is the relatively low level of perceived FOMO on the North Shore compared with other locations.

## Tony's View – BT Survey Supplement

Net % saying yes.

Northland	50
Rodney	23
North Shore	10
West Auckland	50
Central Eastern Suburbs	44
South Auckland	28
Eastern Suburbs	35
Franklin	23
<b>All</b>	<b>35%</b>

### Are you noticing more or fewer first home buyers in the market than 3 months ago?

A net 63% of agents are noticing more first home buyers than three months ago. This tells us that although anecdotes bespeak of more investors in the market from the middle of last year following declines in interest rates and confirmation of no new capital gains tax, first home buyers have also become more active – across all locations.

Net % noticing more first home buyers.

Northland	36
Rodney	50
North Shore	44
West Auckland	77
Central Eastern Suburbs	72
South Auckland	70
Eastern Suburbs	57
Franklin	54
<b>All</b>	<b>63%</b>

### Are investors buying more or fewer properties than 3 months ago?

This is perhaps our most interesting result. As noted just above, anecdotes have suggested far more demand from investors over the past 7 or so months. This may be true for West Auckland and

Rodney, but is not evidently so for all other locations covered. As many respondents overall feel that there are more investors as feel that there are fewer. This stands in contrast to the net 63% feeling more first home buyers are active.

Net % noticing more investors buying.

Northland	-14
Rodney	14
North Shore	-10
West Auckland	17
Central Eastern Suburbs	5
South Auckland	2
Eastern Suburbs	-18
Franklin	-8
<b>All</b>	<b>0%</b>

### Are investors bringing more or fewer properties to the market to sell than 3 months ago?

Just as in net terms there is no clear perceived rise in investors buying most recently, there also is no obvious jump in investors selling, except maybe in West Auckland where more investors selling and more buying appear evident. Perhaps this supports expectations that trading by investors will diminish under the extended brightline test.

Net % noticing more investors selling.

Northland	-29
Rodney	0
North Shore	-8
West Auckland	-19
Central Eastern Suburbs	11
South Auckland	-15
Eastern Suburbs	3
Franklin	15
<b>All</b>	<b>-4%</b>

Our next four questions contain multiple potential answers and for that reason caution must be exercised when looking at locational results given the sometimes small number of particular responses. Data displayed are numbers of respondents for each option. Nationwide percentages are included only in each table's bottom line.

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### What are the main factors specifically motivating investors to buy?

This question has been included mainly to show that investors purchase residential property for a variety of reasons, but predominantly (64%) as an investment intended to yield a mixture of ongoing yield and capital gain.

	Yield compared with other investments	Capital gain potential	Portfolio distribution	Retirement planning	Building capital for a future home purchase	Other
Northland	9	4	2	6	0	2
Rodney	9	5	2	5	1	6
North Shore	18	32	6	13	6	5
West Auckland	22	33	3	14	15	5
Central Eastern Suburbs	28	47	9	18	9	7
South Auckland	24	29	7	7	7	6
Eastern Suburbs	28	35	9	16	11	6
Franklin	8	4	1	2	1	4
<b>All</b>	<b>146</b>	<b>189</b>	<b>39</b>	<b>81</b>	<b>50</b>	<b>25</b>
	<b>28%</b>	<b>36%</b>	<b>7%</b>	<b>15%</b>	<b>9%</b>	<b>5%</b>

### What main factors are specifically motivating investors to sell?

An unusually high number of investors (35%) are perceived to be selling because of concerns about upcoming or potential changes to tenancy regulations. This may support a view that these rule changes are reducing the quantity of stock available for renters to choose amongst and therefore may help explain upward pressure on rents.

	Realising a profit	Selling to buy a different property	Funding retirement	Funding a home purchase for self-occupancy	Concerns about costs and/or returns	Concerns about upcoming or potential changes to tenancy regulations	Other
Northland	3	2	4	0	3	10	0
Rodney	3	1	4	1	5	12	3
North Shore	14	10	10	4	12	27	4
West Auckland	16	22	6	6	18	27	2
Central Eastern Suburbs	19	16	11	7	15	50	6
South Auckland	15	16	6	4	11	26	2
Eastern Suburbs	25	19	10	2	21	36	3
Franklin	4	2	1	0	3	9	1
<b>All</b>	<b>99</b>	<b>88</b>	<b>52</b>	<b>24</b>	<b>88</b>	<b>197</b>	<b>21</b>
	<b>17%</b>	<b>15%</b>	<b>9%</b>	<b>4%</b>	<b>15%</b>	<b>35%</b>	<b>4%</b>

### What time period do investors generally indicate they plan holding a property for?

There is a tendency when dwelling prices rise at an above average pace to blame speculators – people looking to buy and sell quickly for a profit. But our survey reveals that very few agents believe that is what their clients are interested in. The majority of investors, 78%, are seen as wanting to hold their properties for between 3 and ten years. Only 9% see investors as planning to resell within 3 years.

	Less than 3 years	3 to 5 years	5 to 10 years	More than 10 years
Northland	0	6	6	2
Rodney	0	9	9	4
North Shore	3	18	26	5
West Auckland	10	22	24	8
Central Eastern Suburbs	5	28	36	18
South Auckland	10	17	15	5
Eastern Suburbs	4	26	32	6
Franklin	0	5	7	1
<b>All</b>	<b>32</b>	<b>131</b>	<b>155</b>	<b>49</b>
	<b>9%</b>	<b>36%</b>	<b>42%</b>	<b>13%</b>

### What is the main issue facing or noted by active first home buyers at the moment?

While 23% of agents report that first home buyers are struggling with high purchase prices, of far greater significance for these buyers is the availability of finance and the supply of listings. Perhaps reflecting the good state of the economy and therefore the labour market, only 1% of first home buyers see their income as holding them back – though that would be relevant in the category of Getting Finance.

	High prices	Getting finance	Income/job uncertainty	Insufficient suitable listings to look at	Other (please specify)
Northland	5	5	0	3	1
Rodney	1	9	0	11	1
North Shore	12	19	2	17	2
West Auckland	15	22	0	25	2
Central Eastern Suburbs	14	35	1	36	1
South Auckland	11	18	1	16	1
Eastern Suburbs	26	16	0	26	0
Franklin	2	8	0	3	0
<b>All</b>	<b>86</b>	<b>132</b>	<b>4</b>	<b>137</b>	<b>8</b>
	<b>23%</b>	<b>36%</b>	<b>1%</b>	<b>37%</b>	<b>2%</b>

### **What is the biggest change you have noticed in Auckland's residential real estate market over the past 3 months?**

This final question has been included in the survey essentially as a double-check of the responses in the above questions. Do agents on average directly write as a summary what they have revealed on average in the questions with set choices. The answer is yes.

An overwhelming proportion of respondents volunteered in response to this question that they are seeing the following.

1. Primarily an increase in activity and positivity in the market.
2. Worsening shortages of listings.
3. Increased demand from first home buyers.

Very few respondents volunteered that they were seeing more investor buyers and this contrast with their comments on first home buyer demand is in line with the results above.

### **Summary**

Overall this first quarterly survey of Barfoot & Thompson real estate agents has revealed a residential market picking up activity levels. As revealed from other sources, listings are becoming harder to find and are already in short supply. Feelings that negatives dominate have virtually evaporated, prices are seen as rising by a firm majority of agents, and investors are not the driving force.

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