

RAY WHITE NOW

REAL-TIME RESIDENTIAL
MARKET INSIGHTS

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04

MARKET MOVES INTO A VIRTUAL MODE
WITH NO SLOWDOWN FOR BUYERS.

08

WHY ARE WE SEEING STRONG RESULTS NOW?

11

CONSIDERING SELLING?
WHY GO TO MARKET NOW?

12

HOW DO WE CREATE THE MOST COMPETITION
FOR YOUR PROPERTY?

15

FOR THOSE SEEKING MORTGAGE ADVICE
ABOUT RAY WHITE

Dear Property Owner,

Our 37th edition of Ray White Now welcomes the third week of real estate trading for February 2021.

Higher alert levels were introduced for initially three days last week following the emergence of Covid-19 cases in the community in the Auckland area. This meant that the Auckland region moved up to Alert Level 3 while the rest of New Zealand were raised to Alert Level 2. This was reviewed and subsequently Auckland moved back to Alert Level 2 and this week moved down to Alert Level 1, to join the balance of New Zealand which effectively means that there are limited safe restrictions in a mainly free trading environment.

Although trading has been interrupted during the past seven days, there continues to be significant strength across the majority of markets and we are also welcoming new listings coming onto the market for buyers.

National data released this week by the New Zealand Treasury shows the strong momentum in the housing market observed at the end of 2020 continued into the first month of January 2021, with house prices rising 1.8 per cent and this aggregates to a lift of 19.2 per cent in comparison to the same time last year. This is the highest annual growth rate since June 2004 and the median house price for New Zealand is now \$730,000 compared to \$612,000 in January 2020, a difference of 19 per cent.

Although national housing sales fell 30 per cent in January against the previous month of December 2020, the aggregated three months shows that sales are still well over 30 per cent higher than the same time last year. Demand in the market remains high with low interest rates providing support and the median days to sell a property at its lowest level in 17 years.

The question of 'is it a good time to sell' remains one of the key considerations being made by sellers currently. With almost 50 per cent of the market being represented by first home buyers and investors, stock remains scarce however there is a steady flow of new property coming onto the market. It is really a matter of supply and demand and the ability for new property to be exposed broadly into the marketplace.

One of the factors which is not necessarily considered is net migration, which remains low. Given the border restrictions, the limited migration continues to fall with a provisional gain of 44,000 people at the end of December 2020. This has dropped considerably and is one of the lowest in the last five years.

With interest rates remaining low and affordability being able to be serviced there continues to be strong reasoning to purchase property and this is supported by the current growth in prices which is offsetting the low interest rates.

Competition at auctions remains high with registered and active bidding numbers showing record results for the start of campaigns in February 2021.

Ray White Now is produced in conjunction with real-time data from our 184 offices across New Zealand. Ray White, on a monthly basis, completes \$1.904 billion worth of property transactions and currently manages a portfolio of 19,228 properties through our property management division.

Regards

A handwritten signature in black ink, appearing to read "Carey Smith", is located below the "Regards" text.

Carey Smith
Ray White New Zealand Chief Executive

MARKET MOVES INTO A VIRTUAL MODE WITH NO SLOWDOWN FOR BUYERS.

MORE COMPETITION ON THE HOME LOAN FRONT WHICH WILL PROVIDE BUYERS WITH HIGHER LEVELS OF AFFORDABILITY.

While there has been a lot of comment around supply and demand, one of the significant lifts in demand has been from the investor sector which now claims to purchase 28 per cent of all available residential property across New Zealand. Added to this the first home buyer which is a classification that is now at a high level of 26 per cent there is an invariable lift in demand which at this stage supply is not keeping up with which is lifting prices across all residential markets.

The Reserve Bank plans to bring in loan to value ratio restrictions which were first introduced in October 2013 but were restricted and revised because of the economic impact of the Covid-19 pandemic. A loan to value ratio, better known as an LVR, is a measure of how much a bank lends against a mortgaged property compared to the value of that property. Temporary limits on high

LVR residential mortgage lending are now about to change and as of 1 March 2021 restrictions will be reinstated at the same levels they were prior to the onset of Covid-19. Additional further tightening for investors restrictions will take place on 1 May 2021. When we look at these restrictions, they will differ depending on whether a loan is secured by residential investment property or whether it is owner occupied. Investor loans require 30 per cent deposit of the value of the property. The current policy classifies investor loans as high LVR lending and restricts banks to no more than 5 per cent of the new lending to be to investors.

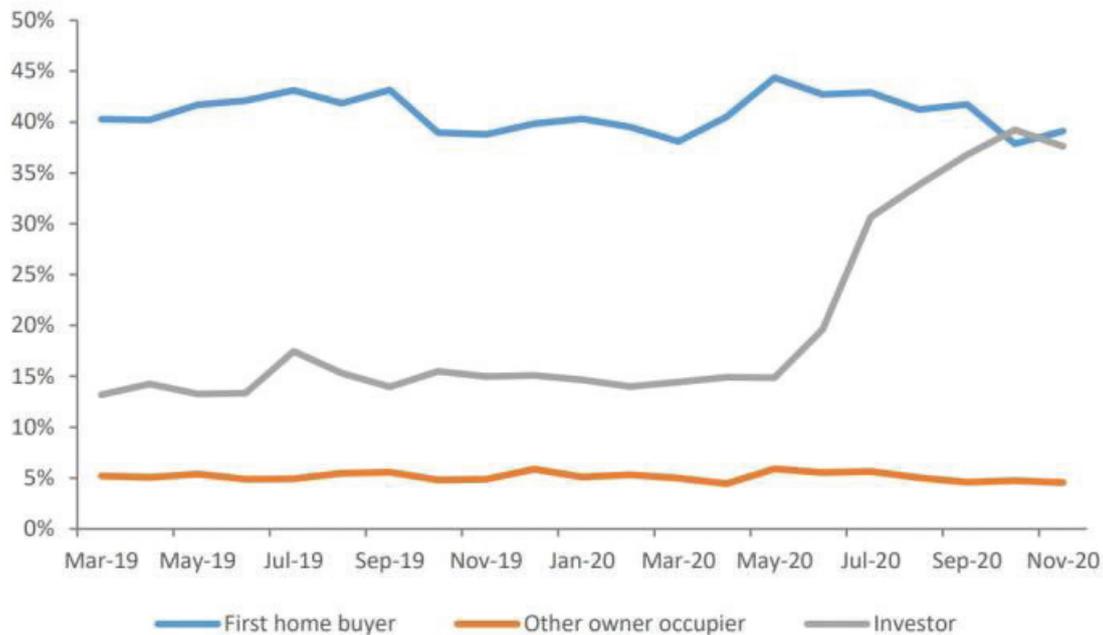
In the space of owner occupier loans, 20 per cent deposit will now be required to be paid for anyone purchasing an owner-occupied property. While these are similar

lending policies to previous the bank's total lending can be no more than 20 per cent in this sector.

There are special cases and exemptions relating to building of a new home, bridging finance, and refinancing existing loans. First home buyers have the opportunity to establish grants and use Kiwi Saver for deposits.

The question of if this will make a difference to the supply and demand side within the current housing market is a question that is yet to be realised. Low interest rates of course allow people to assess their borrowing capacity and in respect of banks' lending they must be prudent and ensure that their lending protects not only the lender but those who may be more vulnerable to an economic or financial shock such as a recession or the increase in interest rates.

Monthly change in new mortgage commitments with high LVR by borrower type (%)



Source: interest.co.nz

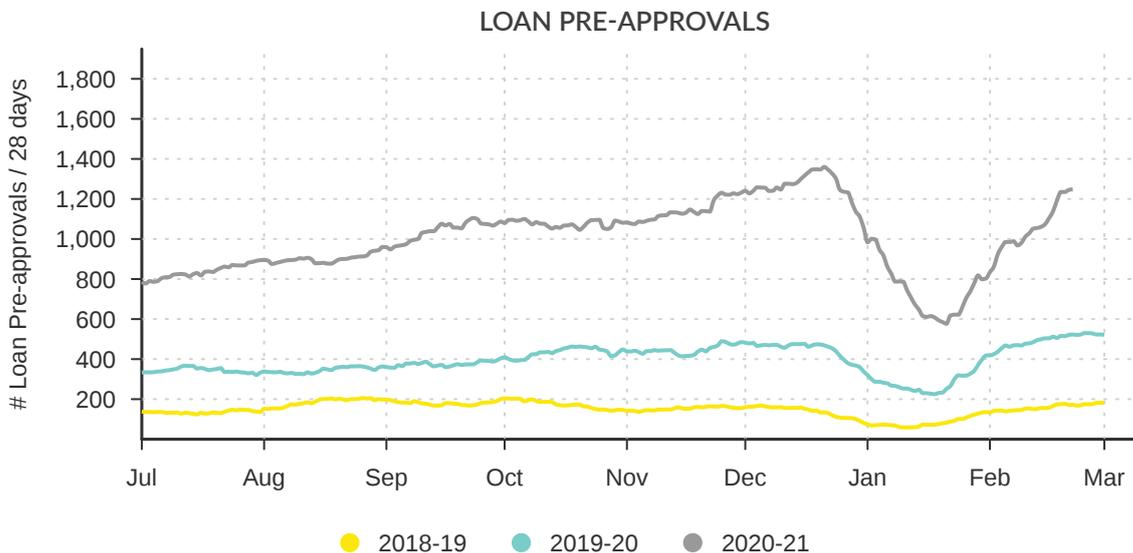
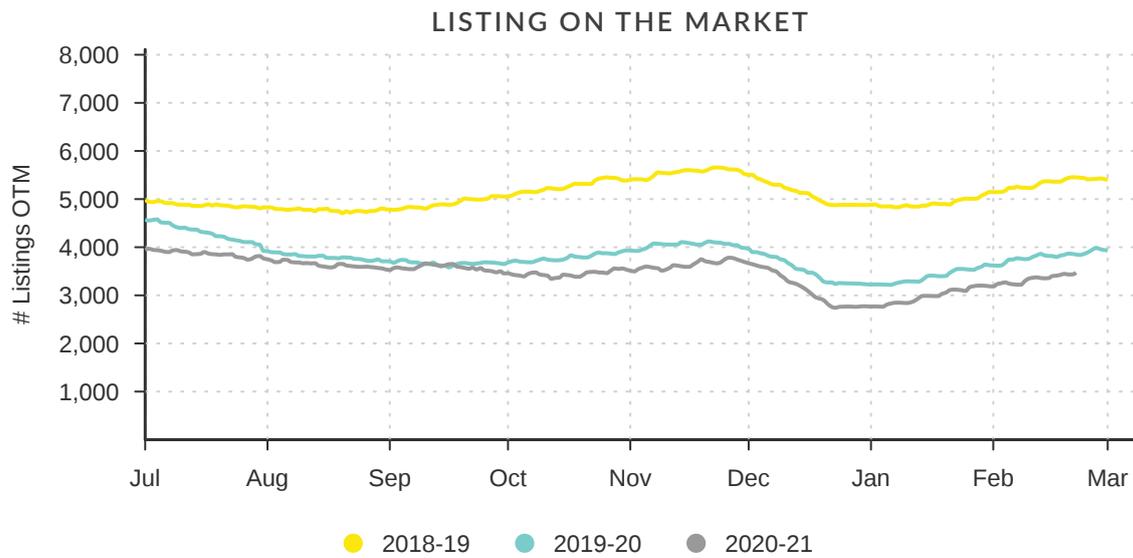
This is the latest graph from the Reserve Bank of New Zealand which shows a jump in the high LVR lending to investors from the time that the restrictions were relaxed. While first home buyers have shown a slight decline the investor market has continued to surge while other owner occupiers have remained at a stable 5 per cent of all lending.

The Reserve Bank sees that the investor is the main driver of higher prices and this is shown through the potential yield of rental return against the current interest rates paid on lending for residential property. There is no difference between lending for an owner-occupied property and an investment property although there is some research that would

indicate that if there are different loan structures then lending for first home buyers could potentially reduce to allow more lower deposit entry into the market.

“There is no doubt that there is increased momentum in the market across our region. While the Rodney District, particularly Warkworth, have been popular areas, this has only increased with prices rising across various areas and with this Rodney is seen as being an affordable alternative with direct access to Auckland.”

Terrence Banks, Director Ray White offices at Warkworth, Snells Beach, and Maungaturoto.



Our Ray White Pulse data measures various aspects of buyer and seller movement in regard to their activity in real estate mode. Two aspects that are indicators of supply and demand are the level of overall listings we currently have on the market and home loan pre approvals through our lending subsidiary Loan Market.

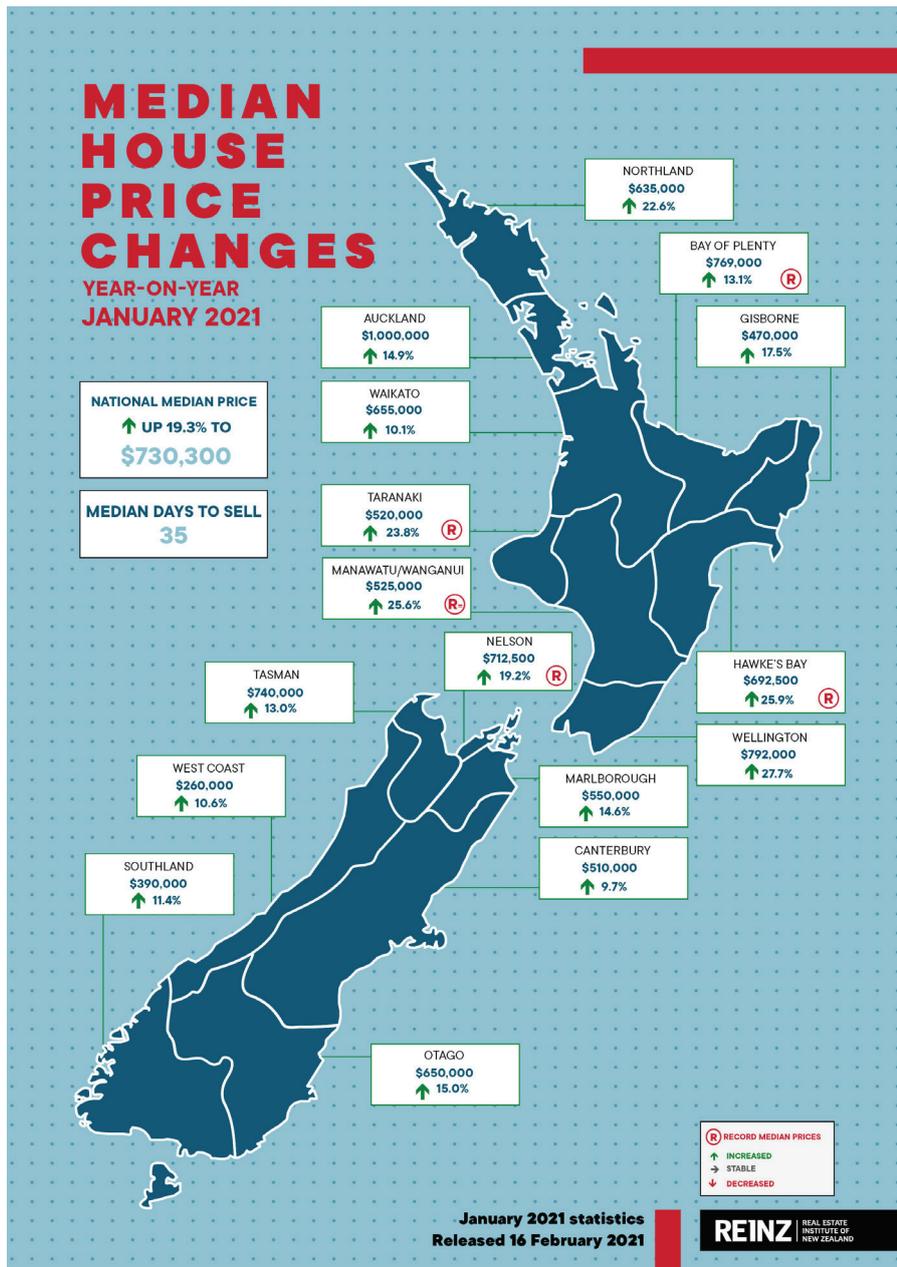
Listings on the market are known as available inventory which is a clear indicator of supply and demand. While there remains record sales within the market this cannot necessarily come about without a record number of

new properties being presented to the market by sellers. It is however not enough property to satisfy demand. While it is only 8.67 per cent down on the same time last year, it is a total of 28.92 per cent on two years ago when the stock levels were over 5,000.

You will see from our home loan approval graph that the numbers are continuing an upward trend and are now over 1,200 for the first time since mid-November 2020. This was a previous record at that time, so we are seeing strong interest from purchasers re-engaging in the home

loan pre approval area. This gives confidence for purchasers to be able to go into the market and understand their relative financial commitment to the potential property they are purchasing.

In national data released this week by New Zealand Treasury the strong momentum in the housing market observed at the end of 2020 continued into the first month of January 2021, with house prices rising 1.8 per cent and this aggregates to a lift of 19.2 per cent in comparison to the same time last year.



This is the highest annual growth rate since June 2004 and the median house price for New Zealand is now \$730,000 compared to \$612,000 in January 2020; a difference of 19 per cent.

Although national housing sales fell 30 per cent in January against the previous month, the aggregated three months shows that sales are still well over 30 per cent higher than the same time last year. Demand in the market remains high, with low interest rates providing support and the median days to sell a property at its lowest level in 17 years.

Further information released by the Real Estate Institute of New Zealand shows that house prices across New Zealand, excluding Auckland, rose by 14.7 per cent year-on-year while Auckland's average price moved to \$1 million, up 14.9 per cent on the previous year.

In a summary of movements, the region of Napier City has had the greatest growth over the past year at 36.6 per cent closely followed by the Hastings District at 27.8 per cent. When we look at the Hutt Valley area, Lower Hutt has registered an increase of 33.4 per cent in the last 12 months and Upper Hutt 30.5 per cent. In the main centres Wellington City showed a rise of 22.1 per cent followed by Christchurch City on 17.3 per cent and overall, the Auckland region showed an increase of 17.7 per cent during 2020.



SUMMARY OF MOVEMENTS

House Price Index	Index level	One Month	Three Months	One Year	Five Years*
New Zealand	3,482	1.3%	7.5%	19.2%	9.0%
NZ excl. Auckland	3,518	2.6%	10.4%	20.4%	11.7%
Auckland	3,436	-0.3%	4.1%	17.7%	6.1%
Rodney District	3,258	0.8%	4.2%	12.3%	5.9%
North Shore City	3,425	-0.6%	3.3%	14.8%	5.0%
Waitakere City	3,723	1.1%	5.9%	18.9%	6.1%
Auckland City	3,262	-2.0%	2.2%	18.6%	6.4%
Manukau City	3,707	1.9%	7.0%	20.0%	6.6%
Papakura District	3,749	1.1%	6.5%	17.7%	6.4%
Franklin District	3,587	1.5%	7.4%	13.3%	5.4%
Other North Island					
Whangarei District	3,416	-3.5%	4.6%	11.7%	10.2%
Hamilton City	3,760	2.3%	7.6%	21.0%	9.8%
Tauranga City	3,421	1.5%	11.6%	22.4%	10.6%
Rotorua District	4,157	2.2%	9.6%	23.1%	16.1%
Hastings District	3,990	6.6%	12.8%	27.8%	18.1%
Napier City	3,811	12.5%	23.0%	36.6%	18.4%
New Plymouth District	3,705	2.3%	8.5%	18.6%	9.1%
Palmerston North City	3,774	-0.1%	24.5%	24.9%	15.7%

House Price Index	Index level	One Month	Three Months	One Year	Five Years*
Wellington	3,717	3.0%	12.2%	26.0%	15.4%
Porirua City	3,695	-0.5%	9.9%	20.5%	16.3%
Upper Hutt City	4,385	3.8%	9.3%	30.5%	17.8%
Lower Hutt City	4,190	5.4%	10.6%	33.4%	17.1%
Wellington City	3,300	1.9%	13.9%	22.1%	13.4%
South Island					
Nelson City	2,708	1.2%	4.7%	10.9%	10.7%
Christchurch City	2,804	1.3%	6.3%	17.3%	4.2%
Queenstown-Lakes District	2,952	1.2%	5.4%	7.6%	10.3%
Dunedin City	4,240	2.1%	13.7%	16.4%	15.4%
Invercargill City	3,912	3.7%	10.9%	18.4%	15.0%

Source: REINZ *Compound Growth Rate



WHY ARE WE SEEING STRONG RESULTS NOW?

Real estate markets are driven by several factors; however, the two basic fundamentals of supply (the number of total properties for sale) and demand (the number of buyers active in the marketplace) play

a significant role in establishing market conditions that favour sellers or buyers.

In general terms, when supply is low and demand is high conditions are

favourable for sellers. Conversely, when supply is high and demand is low, conditions are favourable for buyers.

So what are we seeing now?

Supply

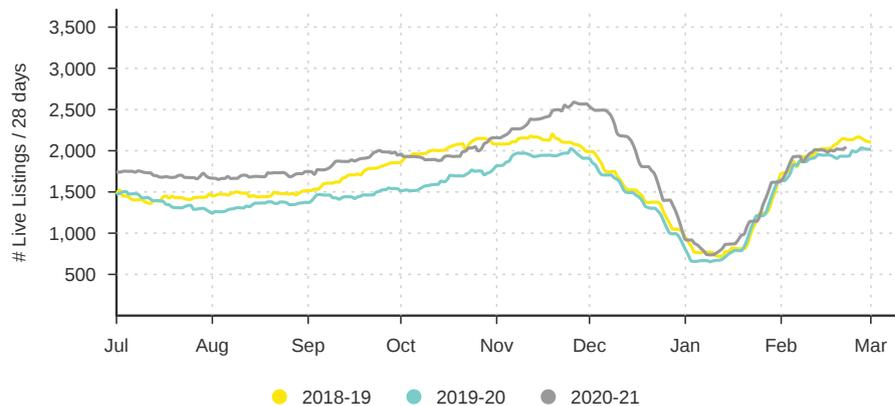
We can accurately report on the number of new listings coming to the market through our real-time Pulse data, and as we enter the third

week of February, the number of new listings coming to market is up 5.90 per cent when compared to the same period last year with a total of

2,047 live listings. Traditionally we see higher levels of listing activity in the latter half of February and into March, which is becoming evident.

Chart 1:
Live listings

This chart shows the total number of live listings are up 5.90 per cent compared to the same time last year.



48.35%

Online enquiries

The number of online enquiries made through Ray White websites are 48.35 per cent above levels at the same time last year.

Demand

There are several considerations we take into account when looking at the number of potential buyers in the market. The number of buyers looking online for property, the number of buyers who enquire on properties for sale, the bidding activity we see each week across our auctions, and the number of people actively gaining pre-approval for finance to purchase a property.

The high level of demand is underpinned by the number of active buyers and registered bidders which, when compared to previous years, are at record levels. Our auction day clearance rate is currently 85.9 per cent with an average of 5.2 registered bidders.

A feature of the auction market at present is the prevalence of auction dates being brought forward. This is a scenario that unfolds when an acceptable unconditional offer is made on a property prior to the auction date. The offer becomes the reserve price which is disclosed at the beginning of the auction and offers above that level are invited. Last week, 16.81 per cent of property offered for sale by auction with Ray White sold prior to the scheduled auction date.

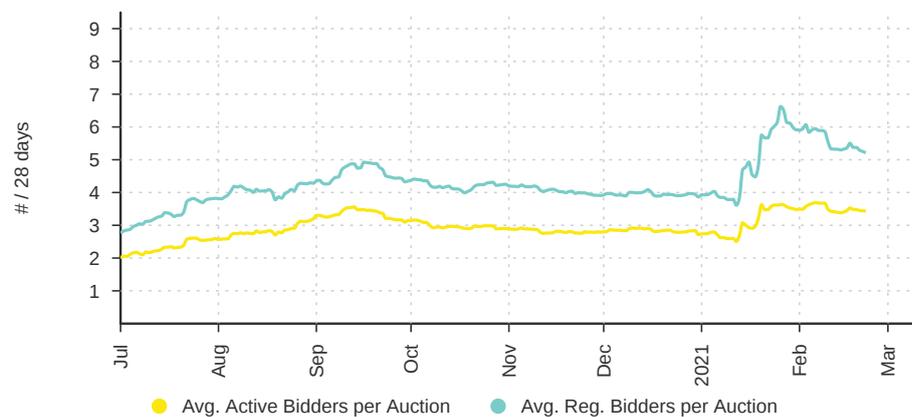
The number of first home buyers coming into the market is increasing significantly as they take their opportunity to purchase at interest rates that are the lowest on record, starting from 1.99 per cent. This, coupled with the fact that banks are now testing serviceability at lower levels, means buyers can stretch further for a home and subsequently vendors are seeing increased levels of competition.

So what factors are continuing to create confidence in the market?

The long-term forecast of low interest rates and affordability around the purchasing of property.

**Chart 2:
Bidding by month**

This chart illustrates the average number of registered bidders per auction has increased throughout 2020 and continued into 2021.



85.9%

Auction day clearance rate

Our auction day clearance rate is currently 85.9 per cent with an average of 5.2 registered bidders.

So what factors are contributing to buyer confidence?

Interest rates continue to underpin purchasers buying power and today interest rates are at record low levels, advertised from 1.99 per cent fixed for one year with the OCR remaining at 0.25 per cent since 16 March 2020.

- Importantly, the consensus among economists is that they will remain at these low levels for the foreseeable future.

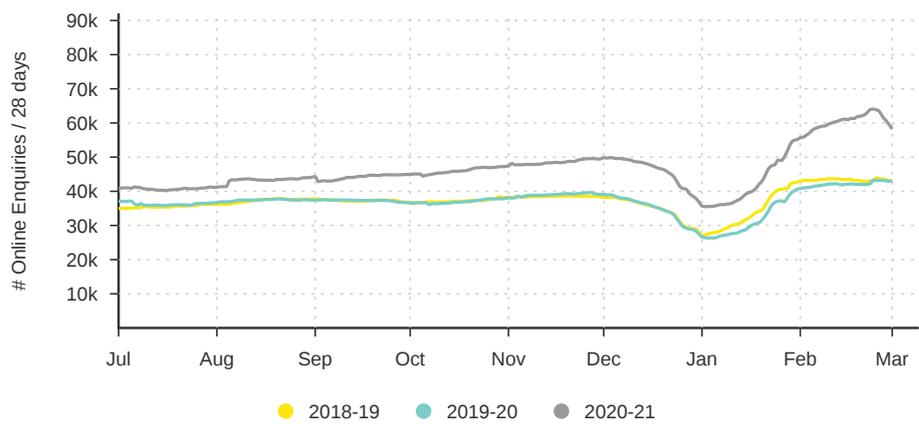
- Interest rates are a driver of home affordability and in many areas, while prices have risen in the last 12 months, corresponding interest rates have reduced.
- Banks and lenders remain very supportive of lending for residential property. The chart on page 6 shows the monthly home loan pre-approvals recorded by the Loan Market Group, which is our loan brokerage partner and New Zealand’s largest independent broker that settles

over NZ\$650 million in loans per month. Pre-approvals are indicative loan approvals obtained by buyers before they buy a property to enable them to bid confidently.

- Record levels of government stimulus are part of the supporting reason behind a high proportion of buyer sentiment.
- General confidence in a well-performing economy, with the exception of some sectors such as tourism.

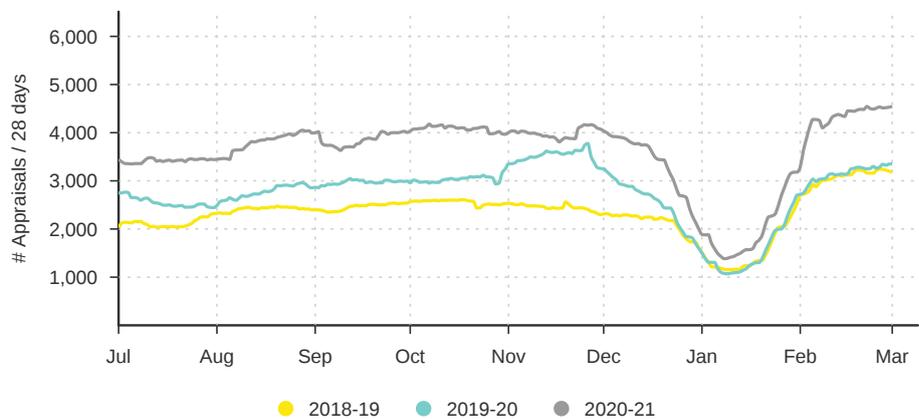
**Chart 3:
Online enquiries**

This chart compares the number of online enquiries made through Ray White websites over the 2019, 2020 and 2021 calendar years. It shows that online enquiries are 58.20 per cent above levels at the same time last year.



**Chart 4:
Appraisals**

This chart compares the number of appraisals Ray White salespeople have made over the 2019, 2020 and 2021 calendar year. Showing a significant lift in appraisals since the beginning of 2021.



CONSIDERING SELLING? WHY GO TO MARKET NOW?

The past fortnight has been a reminder to all that we still have some distance to travel until the potential re-emergence of Covid-19 is behind us. With the country experiencing varying levels of restrictions being reintroduced, there were moments of uncertainty for those on the journey to buy and sell real estate. Responding quickly with alternative methods of transacting real estate saw our salespeople able to continue the momentum that campaigns had built, as auctions were moved to an online format and remote bidding was once again the norm for participation.

Despite the move to online for many, transactions continued their strong sales results and the resilience of the residential property market once again proved true. So why, despite relative uncertainty in other areas, does the property market continue to perform the way it is?

The property market in New Zealand over the past few months has been very robust and most commentators are suggesting that this will continue. What we do acknowledge though is that the conditions we are

experiencing now were unpredicted by almost all commentators and economists and in addition to this, the property market is one of cycles and at some point, conditions will change again.

The factors contributing to the buoyancy of the market at present are the low cost of borrowing, increased levels of demand, comparatively low supply, demand for rental properties, and the long-term performance of real estate as an asset class generally. Whilst most of these factors are likely to remain stable; as we saw last year, an unexpected event at a national or international level can influence market confidence and the physical ability to transact.

There are several factors in the wider economy that are supporting confidence at present, but it is also important to be aware of potential factors that could influence market activity this year.

Economists believe the next 12 months may hold:

- Shipping difficulties impacting businesses ability to secure goods to sell

- Roll-out of Covid-19 vaccine in New Zealand
- Increasing LVR requirements to 40 per cent for investors in residential property
- Rising cost of household goods
- The potential of low mortgage rates rising
- Increasing levels of consents and construction for residential property
- More expats returning home
- Borders remaining closed
- Weak global economy
- Weakness in particular sectors of the housing market
- Potential re-emergence of Covid-19 in the community
- No trans-tasman 'travel bubble'

With the above factors in consideration, one thing that is very difficult to predict is what the next 12 or even six months may look like. It is for this reason that if you are considering selling this year, some are suggesting that now could be the best time to take advantage of the current conditions.

HOW DO WE CREATE THE MOST COMPETITION FOR YOUR PROPERTY?

1. MARKETING EXPOSURE

The most innovative marketing real estate business in New Zealand.

Our enviable position comes from an unwavering commitment to marketing and auctions - whether that be safely on-site or in-room.

Ray White New Zealand currently has 2,047 live listings, with the number of sales up 22.15 per cent year-on-year.

In April, May, July and November 2020, Ray White achieved the highest listing months of property across New Zealand.

In 2020, the Ray White Group passed through 21 per cent market share in New Zealand residential sales.

In January 2021, Ray White achieved record sales volumes in market turnover and record sales volumes in market numbers, a personal best for the month of January.

Last week, Ray White New Zealand had 226 properties scheduled to go to auction (an increase of 98.2 per cent compared to the same dates last year), leading to a strong auction day clearance rate of 85.9 per cent - an increase of 6.67 per cent.

Tender and Exclusive Listing

Our approach to tender and exclusive is aligned with our marketing methods of creating competitive situations between buyers to create the best outcomes for our vendor clients.

We have never lost faith in the value we can bring our vendors in a challenging market through effective marketing. If you choose to sell, we will be suggesting an investment in

marketing as we believe it enables us to maximise competition and clearly illustrate your intent to sell and therefore attract genuine buyers. We appreciate that some people

would prefer to sell quietly, or off-market, and while this is not a normal recommendation, we welcome discussion on all opportunities to take your property to the market.

2. GENERATING BUYER ENQUIRY

Being one of the largest real estate groups in the country has direct advantages for our sellers. Our ability to target the largest pool of buyers within a campaign is a strength which you can be confident will assist us in delivering the best possible result for you. In the current market conditions, it's critical to target the broadest possible audience and to be as efficient as possible in tailoring appropriate messaging to your potential buyers. After all, our focus is to seek out the buyer for your property that will pay more than everyone else.

We do this by having the greatest number of relationships with buyers in the market today. Combine

our relationships with our use of technology, we can engage with buyers on a level that will ensure we can find the premium buyer for your property.

In addition to our ability to target broad audiences, Ray White Concierge, our communication specialists, unique to Ray White, can target one of the most influential audiences, our local communities. Our 119 years of real estate experience has enabled us to understand that a catalyst for creating competition is leveraging the local community and our data shows that in some cases, up to 60 per cent of property purchasers come from neighbours and their friends.

Ray White Concierge can communicate to property owners in surrounding streets, positioning your property to ensure that it is at the centre of our communities' attention. With our dedicated team of 100+ Ray White Concierge specialists, in coordination with our appointed agent, can deliver a layered community communication program including telephone calls, SMS and email, ensuring that the most influential people are alerted early to the sale of your property.



Ray White New Zealand Auctioneer Ben East selling 30A Beach Road, Manly under the hammer at the in-room auctions.

3. UNRIVALLED BRAND PRESENCE AND **MEDIA PROFILE**

As Australasia's largest real estate group, we are supported by a dedicated and highly experienced team of newshounds in our PR team who work seven days a week. The team excels at winning "earned media", the exposure that money cannot buy, it must be earned.

Our media exposure dominates all other brands in terms of publicity - which is the sweet spot. Our profile in newspaper advertising and editorials

along with a large number of listings on oneroof.co.nz, realestate.co.nz and trademe.co.nz/property - is also huge.

To put a price on the power of our media coverage, in January, the Ray White Group as a whole achieved more than NZ\$37.531 million worth of earned media mentions in print, online, radio and TV, according to iSentia, our media intelligence agency. That's free publicity for the group and all its members.

Our experienced in-house journalists can get your property the exposure that money can't buy.

When a home is listed with Ray White, our clients are introduced to the national public relations service; a team that's plugged into the New Zealand media and has the sole focus of achieving more exposure for the properties we sell, to the audience that matters most.

4. DEEP **DATA SET**

In times of uncertainty property sellers need facts, not media speculation, to be able to create informed decisions. Whether that be a decision to list your property on the market or to be in touch with real-time market conditions. The reliance on

data and proof points has never been more important for good decision making.

As the most successful real estate group in Australasia, we have access to the largest pool of up to date

information available and have the experience to help you analyse relevant data to help you make the right decision.

In times of uncertainty property sellers need facts, not media speculation, to be able to create informed decisions.

FOR THOSE SEEKING MORTGAGE ADVICE

Loan Market, New Zealand's multi-awarding winning mortgage group, has been helping Kiwis with their financial goals for over 26 years

(and counting). In these trying times brokers have been supporting clients to understand their options and help navigate the complex banking world and ensure everyone can get access to a competitive deal when it comes to loans.

While interest rates are at "all-time" lows now well below 2 per cent across all parts of the interest rate curve, access to credit is tight, as such, advice is essential. Loan Market has access to New Zealand's widest range of banks and lenders you know and trust. Talking to our Loan Market advisers

will help navigate the options to ensure buyers are approved to their maximum buying power.

Banks are taking the Covid-19 outbreak as an opportunity to dramatically reduce their footprint permanently. Many Kiwis are now finding it very difficult to contact a banker to facilitate mortgage applications.

At Loan Market we are 100 per cent digitally enabled and able to assist right through all levels of lockdown. Covid-19 does not prevent us from providing advice and solutions to the buyers and sellers of real estate at Ray White.

We are currently sitting on over NZ\$2 billion of pre-approved buyers across New Zealand. This pool of pre-approved buyers is ready to make offers with no finance clause required and speaks to the strength of the market for vendors looking to sell now.

Lastly, if you are looking to buy currently you must get your mortgage application into us as soon as possible. The banking system is experiencing lengthy delays as they deploy extra resources into our channel to cope with the volume. Don't sit on your hands, contact your Loan Market adviser now.

loanmarket.co.nz

ABOUT RAY WHITE

Ray White is a fourth-generation family owned and led business. It was established in 1902 in the small Queensland country town of Crow's Nest and has grown into Australasia's most successful real estate business, with more than 1,000 franchised offices across New Zealand, Australia, Indonesia, and Hong Kong. Last fiscal year, Ray White sold \$44.22 billion,

up 8.6 per cent year on year, worth of property. Every day, Ray White helps 36 buyers find their home across New Zealand.

Ray White today spans residential, commercial, and rural property as well as marine and other specialist businesses. Now more than ever, the depth of experience and the

breadth of Australasia's largest real estate group brings unrivalled value to our customers. A group that has thrived through many periods of volatility, and one that will provide the strongest level of support to enable its customers to make the best real estate decisions.



raywhite.co.nz



loanmarket.co.nz