RAY WHITE
NOW

REAL-TIME RESIDENTIAL
MARKET INSIGHTS

2 MARCH 2021

VOLUME 38

Dear Property Owner,

Our 38th edition of Ray White Now welcomes the first week of real estate trading for March 2021.

Higher alert levels were reintroduced for an initial seven days from 6am last Sunday morning following further 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.

We have been able to transition quickly on to a virtual platform for properties that are being submitted to auction during the week and while only early we see that there continues to be significant strength across the majority of markets and we are also welcoming new listings coming onto the market for buyers.

The month of February 2021 showed the highest number of sales on record with the sales results coming through from our network members showing a value increase of 84.4 per cent higher at $1.4 billion worth of sales in comparison to the same time last year. In regards to the number of released sales the network completed an increase of 38.6 per cent showing 1,673 properties completed and this is a more modest increase against the value increase which shows predominantly how prices have risen during the past 12 months.

Importantly is the area of supply and demand and we will take a closer look at released data from realestate.co.nz in our main sections. The Ray White listing numbers increased marginally by 2.3 per cent up to 1,815 in comparison to 1,775 this time last year. So while the demand side of the business continues at the highest level listings while still coming on board in good numbers are being sold at a high percentage combined with low days on market.

The Reserve Bank of New Zealand released their expectations around house price inflation in their latest policy statement and within this forecast they have suggested that house price inflation is set to peak at 22.4 per cent for the year before falling to 10.2 per cent by the end of the year. This has changed markedly from the November forecast which suggested that price inflation for housing would be 7.9 per cent. Amidst this is the recent commentary from Westpac saying that the potential of rising interest rates and increasing house supply will assist the housing market to cool.

Both have an interesting dynamic for the buyer and the seller and we look more deeply in our report this week as to how this inconsistent commentary comes about.

We believe that it is still critically important to remain with actual data that provides for short forecasting, particularly in respect of the buyer and seller who are considering what is the impact of the depth of the buyer pool, affordability of purchasing a home, and in the area of supply in respect to purchasing another property.

We need to continue to take into consideration the first home buyer and also the investor buyer classifications who don't necessarily bring property onto the market to replace the demand that has been created within these sectors. This of course fluctuates in different areas and is an important factor in the price outcomes for sellers and buyers.

Ray White Now is produced in conjunction with real-time data from our 184 offices across New Zealand. Ray White, on an average 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

Carey Smith
Ray White New Zealand Chief Executive

CHANGES IN ALERT LEVELS DOES NOT STOP MARKET MOMENTUM

SALES FOR FEBRUARY 2021 LIFT BY 84.4 PER CENT IN COMPARISON TO THE SAME TIME LAST YEAR.

As each month's data is presented there is considerable interest in the area of new property listings, inventory of listings, overall housing stock and, importantly, property asking prices. The best measure of data is to give comparison to the same month last year and although February has less days of trading, this time last year we were first hearing about the potential issues of Covid 19 and the transmission of cases through the community. Although sales did not slow down there was commentary towards the end of the month around the housing market and what may occur in the next 12 month period.

New property listings are a measure of new supply and generally add to the portfolio of stock. More new listings need to come to the market than the amount of property selling for inventory to build and while across New Zealand there was a marginal lift in the number of new listings at 1.8 per cent, there was a considerable lift in number of sales which saw a balance in February in regard to inventory levels.

Overall, there were 10,736 properties listed nationally and the markets to see increases above 10 per cent included Auckland, Central Otago, Otago, and Gisborne. While there were a band of markets that had little change, in the Wairarapa, Nelson and the West Coast, new property listings declined by more than 10 per cent.

Inventory of listings shows the number of weeks each region has for stock availability if there were no new properties coming onto the market. There is comparison to the long-term average which is based on the past 13 years of seasonally adjusted data.

New Zealand has a national inventory of 10 weeks worth of stock in comparison to the long-term average of 28 weeks. While 10 weeks is considered to be less than desired, there are several markets well below this level and that may be having an impact on supply depending on the amount of new property listings and demand coming into the market.

The markets under 10 weeks include the Bay of Plenty (8), Waikato (8), Taranaki (9), Hawke's Bay (8), Nelson (8), Manawatu (6), Wairarapa (5), Wellington (7) and Canterbury (9). The inventory of listings moves towards being a sellers market across all areas of New Zealand.

Overall housing stock has fallen by 24.2 per cent during the last 12 months which means there are now 15,829 properties available for purchasers to consider. Across all markets housing stock has dropped considerably, with the only market that is different being Gisborne. We believe there are factors, including the predominance of auction marketing and exposure to the property price increase, in this area that is giving confidence to sellers to continually list their property. There are 19.8 per cent more properties available in Gisborne than the same time last year.

When we look at property asking prices, the average across New Zealand now sits at $796,789. And while property pricing is an important factor, we believe that on occasions setting a price in a market that is moving at a rate of close to 20 per cent is a difficult exercise and all sellers should consider marketing without directly disclosing price and utilising competition to create the market value.

The buyer classification is an important aspect of supply and demand and how we view this in the replacement of stock becomes a type of erosion of supply given that investors or first home buyers now purchase close to 50 per cent of all property available on the market.

There are many other factors that will now need to be considered particularly by investors but also by first home buyers as the Reserve Bank of New Zealand has this week brought 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 changed. As of Monday 1 March 2021 restrictions were 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.

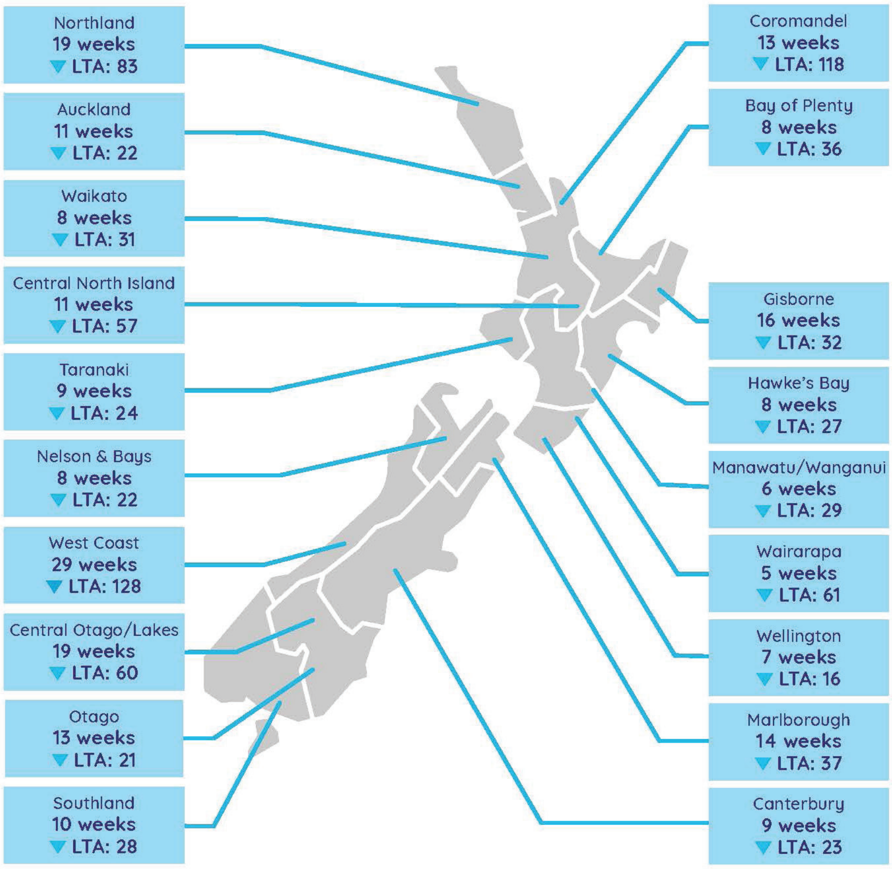
In the space of owner occupier loans, 20 per cent deposit will now be required to be paid for anyone purchasing an owner-occupied property. While these are similar lending policies to previous, the bank's total lending can be no more than 20 per cent in this sector.

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

Inventory of listings

realestate.co.nz

NZ inventory of listings for February 2021
10 weeks
Compared to Long Term Average (LTA)
28 weeks



Market sentiment rating

Inventory means if no new listings were to come onto the market, all the existing properties in each region would be sold within the number of weeks stated, based on historical trends.

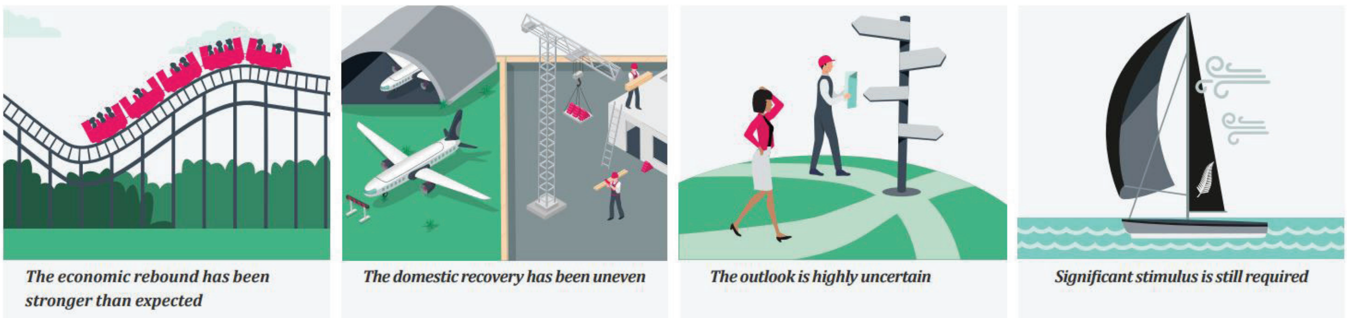
The inventory levels reflect the projected number of weeks to clear existing inventory of unsold homes on the market matched to the Long Term Average (LTA) for the region based on 13 years of seasonally adjusted data.

establish grants and use KiwiSaver 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.

The Reserve Bank has left their key monetary settings unchanged and this means the official cash rate stays at 0.25 per cent and, more importantly, the introduction of large-scale asset purchases remains on target with the purchase of $100 billion worth of bonds by June next year.

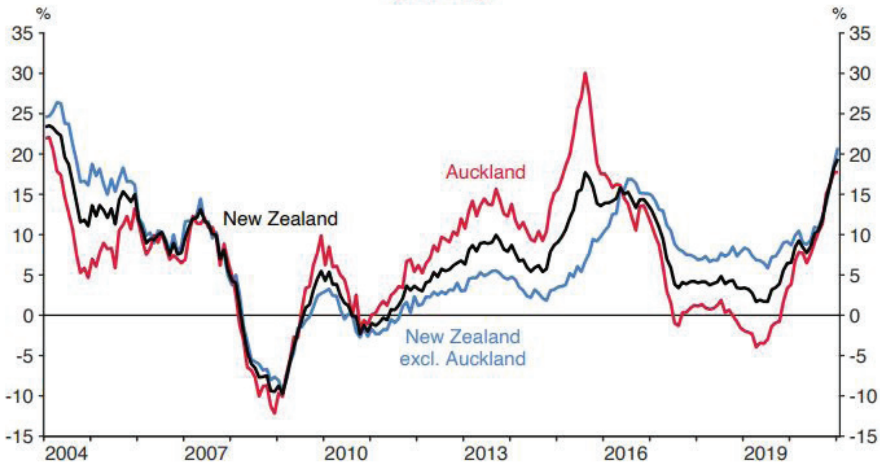
*The Official Cash Rate remains at **0.25 percent**, and we will continue to keep interest rates low through our Large Scale Asset Purchase and Funding for Lending programmes.*



Source: rbnz.govt.nz - Monetary Policy Snapshots - February 2021

When you put these factors together the Reserve Bank then consider their housing policy and what this may mean particularly in regards to house price inflation and what their forecasts may be for 2021.

Figure 6.9
House price inflation
(annual)

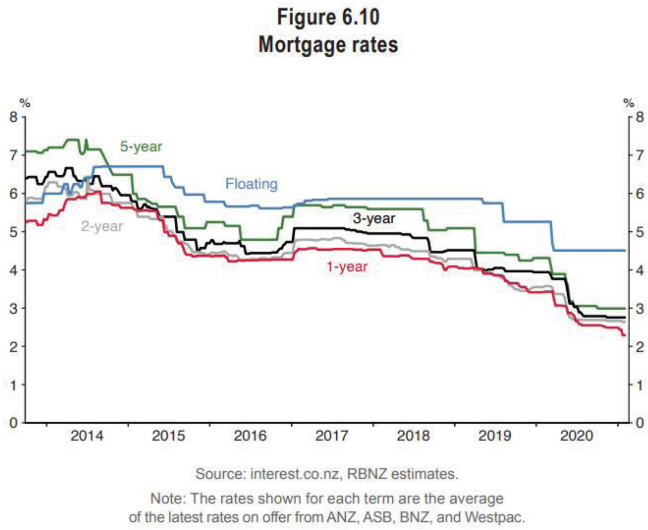


Source: REINZ.

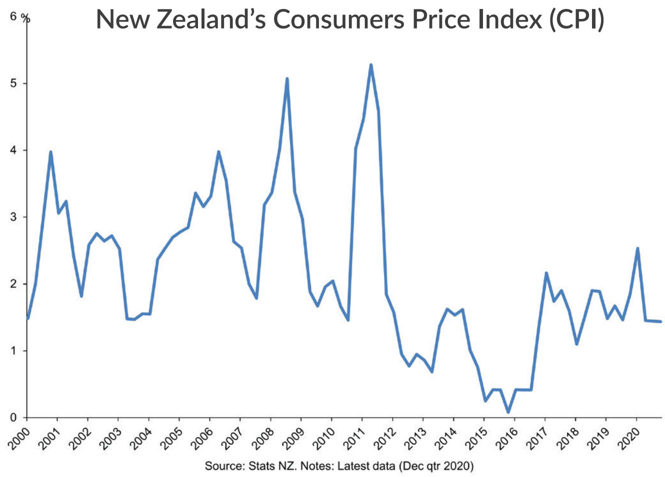
Source: Monetary Policy Statement - February 2021

The Reserve Bank Governor in the monetary policy made reference to price growth and housing supply by saying "High house price growth can also be attributed to constrained housing supply, declines in interest rates, rebalancing of investment portfolios, and the temporary removal of restrictions on high loan-to-value ratio (LVR) lending in April 2020," the RBNZ said.

If we look at the key factors in regards to house price inflation the scenario horizon is from 22 per cent in mid 2021 migrating slowly towards 5.6 per cent in 2023. When these numbers are put together there is substantial growth in house prices remaining in the forecast of the Reserve Bank. While opposed to some views by bank economists, there are factors which include interest-rate declines, low net migration over 2020 and 2021 and the potential for economic and unemployment to rise if there is an ongoing cause from the



Source: Monetary Policy Statement - February 2021



Source: rbnz.govt.nz - Inflation

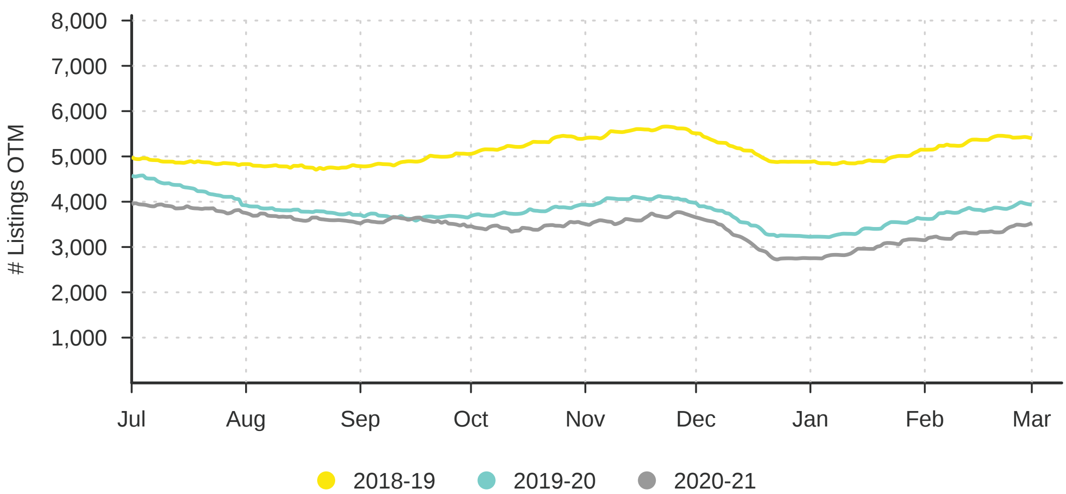
Covid-19 pandemic. As an outlying factor the reintroduction of LVR restrictions are also expected to give rise to lower inflation outcomes.

One of the main aspects of house price growth is firstly confidence and secondly competition. It is reasonable to think that if house prices are going to go up and have shown that over a long period of time then you add in to the factor competition through the ability of more people to get into the housing market via lending then you will have property prices continue to go upwards.

The Reserve Bank acknowledged that a large proportion of New Zealand's wealth sits in housing and for individuals this is very much a statement of fact. Inflation rates currently sit at 1.4 per cent and while this is predicted to go up towards 2 per cent when you put in property prices expected to rise by more than 20 per cent and lending to be approximately within half a percentage point of inflation forecasts then you have an obvious outcome for those who own property which is a steady migration of wealth through equity.

The strength of the real estate market is evident when we have a look at the annual change, both in the percentage rise of house prices and also the number of sales that are occurring. Our data at Ray White clearly shows there is a high level of demand and a good level of supply while respecting the fact that if supply does not come to the market it will continue to see prices rise. We expect the month of March to be active in the area of new properties coming on to the market as this has been evidenced each year in the past.

LISTING ON THE MARKET



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.

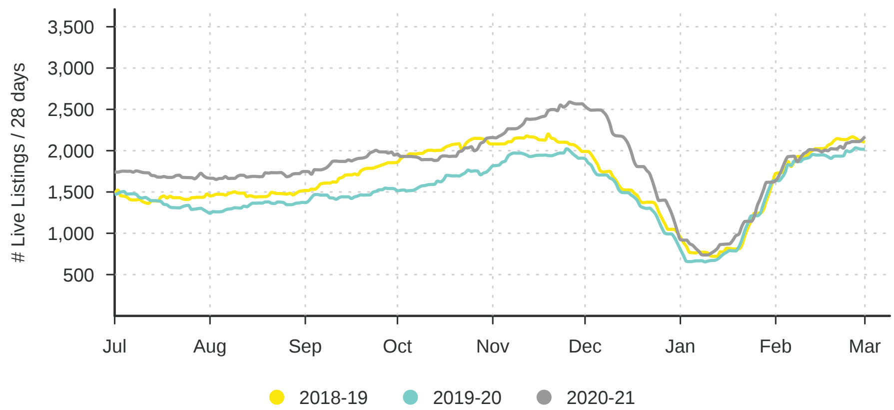
So what are we seeing now?

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 first week of March, the number of new listings coming to market is up 7.54 per cent when compared to the same period last year with a total of 2,169 live listings. Traditionally we tend to see higher levels of listing activity in the latter half of February and into March, which is now evident.

Chart 1:
Live listings

This chart shows the total number of live listings are up 7.54 per cent compared to the same time last year.



58.20%

Online enquiries

The number of online enquiries made through Ray White websites are 58.20 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 84.2 per cent with an average of 4.6 registered bidders, with Level 3 lockdown in Auckland proving no barrier.

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, 19.66 per cent of property offered for sale by auction with Ray White sold prior to the scheduled auction date.

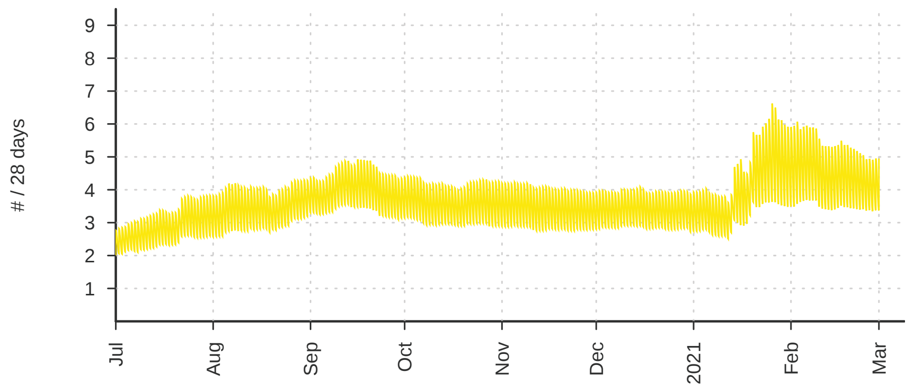
So what factors are continuing to create confidence in the market?

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

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.

Chart 2:
Bidding by month

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



TOP: Avg. Active Bidder per auction BOTTOM: Avg. Reg. Bidder per Auction

84.2%

Auction day clearance rate

Our auction day clearance rate is currently 84.2 per cent with an average of 4.6 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.

- 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 4 below 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.

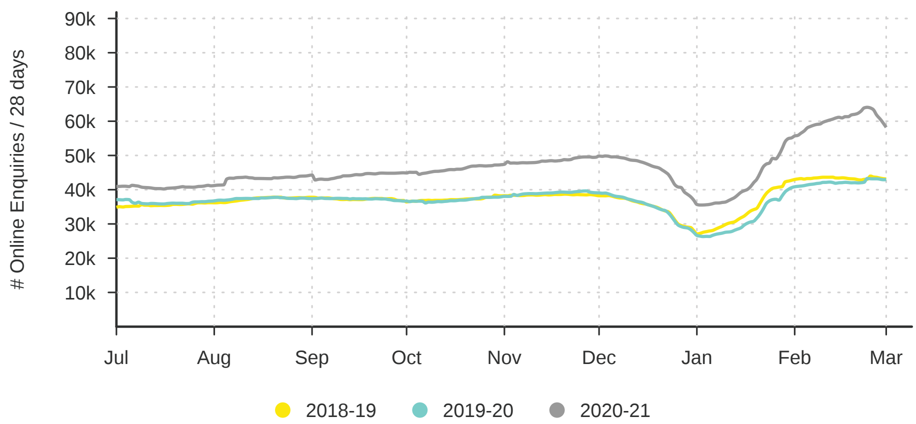
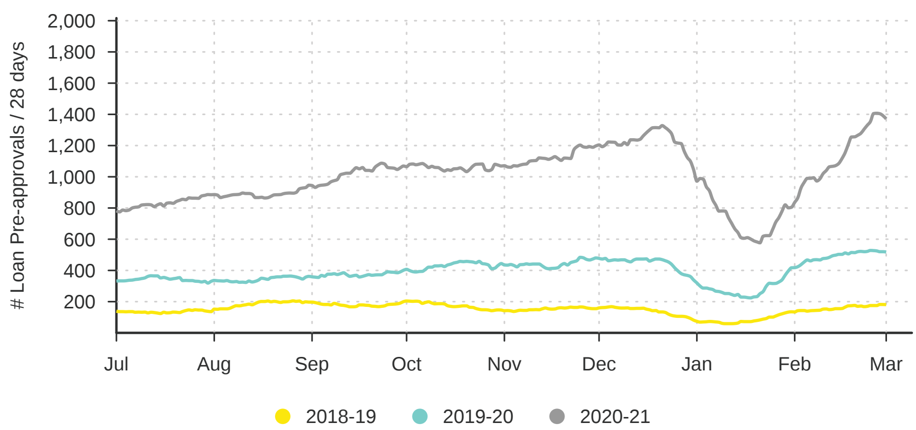


Chart 4:
Loan pre-approvals

This chart compares the number of loan pre-approvals submitted via Loan Market brokers over the 2019, 2020 and 2021 calendar years.



CONSIDERING SELLING?
WHY GO TO MARKET NOW?

While the recent reintroduction of alert level restrictions on Sunday came as a surprise to many, our salespeople once again proved that pivoting to alternative methods of transacting quickly enables our sellers and potential buyers in the market to still be able to move forward with their plans. With auctions in Auckland particularly moving to online and remote platforms there has been very little disruption in timelines. What this has highlighted for us is, regardless of the relative uncertainty in many other aspects, residential property at present remains stable and secure.

In light of the move to online for those in our biggest city, 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, are we continuing to see strong sales results right now?

The property market right across 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. In addition to this, the LVR restrictions for those purchasing residential property as an investment have just been increased and investors will need 30 per cent deposit to be able to borrow in these circumstances.

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
- Potential further macroeconomic restrictions on 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'.

Reflecting upon the market a year ago, there was much uncertainty as we experienced lockdowns and restrictions on a scale none of us had seen before. The predictions for the market were in most cases, dire. What the past 12 months has taught us is that predicting what the market will do in these times remains difficult. Many are predicting prices to continue to increase, but this should be cautioned with the fact that many of these people also predicted it to fall significantly last year. What we do have certainty around, is that right now, if you are considering selling, the conditions are very favourable.

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 2,169 live listings, with the number of sales up 19.43 per cent year-on-year.

In April, May, July and November 2020, Ray White achieved the highest listing months of property across New Zealand and again in February 2021.

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

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

In February, Ray White New Zealand had 864 properties scheduled to go to auction (an increase of 92.4 per cent compared to February 2020), leading to a strong auction day clearance rate of 84.2 per cent - an increase of 10.37 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.

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 February, the Ray White Group as a whole achieved more than NZ$47.097 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.

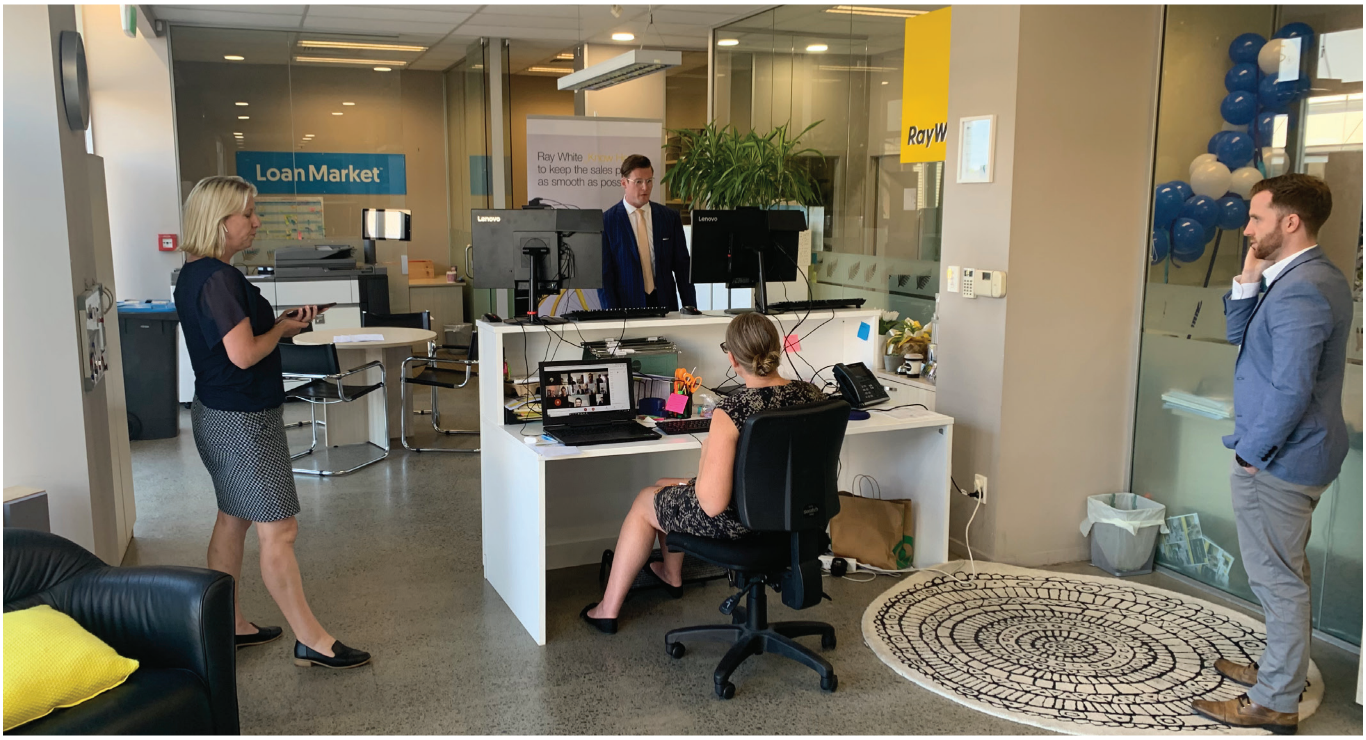
Our experienced in-house journalists can get your property the exposure that money can't buy.

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.



Ray White New Zealand Auctioneer Ben East calling the online auctions for Ray White Kingsland on Sunday, selling all four houses under the hammer.

"On Saturday night when higher alert levels were put in place we were able to quickly move to our virtual platform and our systems allowed us to update all of our clients and customers in real-time so that we could transition our auction programs on Sunday which resulted in a 100% success rate and over $10 million worth of sales under the virtual hammer."

Tim Hawes, Director and Licensee Salesperson of Ray White Kingsland

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