

RAY WHITE **NOW**

REAL-TIME RESIDENTIAL
MARKET INSIGHTS

9 MARCH 2021

04

NEW LISTING SURGE STARTING TO SHOW IN THE MONTH OF MARCH.

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 39th edition of Ray White Now welcomes the second week of real estate trading for March 2021.

We have welcomed lower Alert Levels as we enter what is considered one of the most active times for the real estate market, with new properties coming onto the market and sales continuing to remain at a high level.

While the previous week had slowed momentum, there have been good numbers of new listings coming to the market and while these are at similar levels to the same time last year, what is noticeable is that we have reached a high point for 2021 with our live listings now above 2,000. On the sales side, the numbers continue to be well above the same time last year and while we passed through a lift of 50 per cent higher, this has somewhat plateaued and returned to a level over 30 per cent currently. We expect with the lower level of restrictive trading to allow auctions to take place across Auckland and all forms of marketing across New Zealand; then both new listings coming onto the market and sales will increase to higher levels.

The LVR restrictions come into their first phase this week which means that all borrowers will require higher levels of deposits. This is particularly designed for investors to ensure they are not overly geared in respect of individual properties which means that the deposit requirements for the buyer classification of investors will not only lift in the first phase, but will also lift again on 1 May 2021.

Our real-time data enables us to view the current market as it happens. This is of high importance for both buyers and sellers, particularly when they are seeking to understand the depth of the market, current competition, and also the trends in regard to the number of buyers attending auctions. This in itself has become a more active way to market property through auction and has been adopted by one in every two properties that is put to the market through the Ray White Group in New Zealand.

The results of this have been a transparency that has been welcomed by buyers and allows the sellers to take account of the depth of the market when making the decision to sell their property. The number of registered buyers and the number of active bidders at each property has risen to be at its highest level in the last 12 months.

When we look at our live listings, we still take into consideration the first home buyer and 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

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

Carey Smith
Ray White New Zealand Chief Executive

NEW LISTING SURGE STARTING TO SHOW IN THE MONTH OF MARCH.

REGISTERED AND ACTIVE BIDDERS HIT AN ALL-TIME HIGH AT RAY WHITE AUCTIONS.

According to the latest QV House Price Index, the average value of New Zealand residential homes continues to increase and has shown over the last three months a rise of 6.8 per cent to the end of February.

The range for the main regional centres showed increases from 2.1 per cent in Invercargill to a high of 9.4 per cent in Palmerston North. The twin Hawke's Bay cities of Napier and Hastings aren't far behind, with both cities showing quarterly growth of 8.9 per cent.

In the main city centres, average values were up by 6.4 per cent in Auckland, 7.9 per cent in the Wellington region, 6.1 per cent in Christchurch, and 5.6 per cent in Dunedin.

All of these numbers represent an increase of 15.9 per cent year-on-year. An increase from annual growth of 15.1 per cent last month for residential property.

With the re-introduction of Loan-to-Value Ratio (LVR) restrictions on new mortgage lending, with investors required to have a minimum 30 per cent deposit from 1 March (increasing to 40 per cent from 1 May) and most owner-occupiers needing a 20 per cent minimum deposit, could see a dynamic market change, with the first home buyer having more opportunity together with those who are considering upgrading. What effect the LVR reintroduction will have on investors is unknown, however, given the current yield and return against what other offerings are available, property will still remain a strong class of asset.

While the impacts are not immediately known, the recent change in alert level restrictions combined with the consequence of vaccine rollouts and increased confidence that there is finally an end in sight to the worst effects of the COVID-19 pandemic, may give the ability for New Zealanders to move

home from overseas with increasing confidence. Will this add pressure to the housing market.

When we look at the smaller provincial centres, there have been some dramatic increases and in the North Island, Wairoa leads all provincial centres this month. The average house price in the Hawke's Bay town has increased by almost 17 per cent to \$371,465 in just three months. It's followed by Ruapehu – last month's leader – on 14.8 per cent growth for the quarter, and South Taranaki in third place at 13.5 per cent.

Wairoa also tops the list for annual growth over the past 12 months 31.3 per cent, followed by Whanganui 30.0 per cent and South Wairarapa 27.7 per cent.

Across the provincial centres in the South Island, Gore is top of the list – and fourth overall across New Zealand – for quarterly price growth.

The average house price here has increased by 13.4 per cent to \$354,885. Buller 11.2 per cent and Westland 11.1 per cent) are second and third respectively.

In terms of average house price growth over a 12-month period, only fractions of a percentage point separate Buller 23.9 per cent from Gore 23.8 per cent.

A recent example by Core Logic on house prices and their effect on affordability is in the area that stands out over a longer, 12-month horizon - Gisborne, with an increase of 30.6 per cent since February last year - or more than \$127,000. Based on a 20 per cent deposit, this means buyers have had to raise at least an extra \$25,400 in the past year alone. In other words, the flipside of rapidly rising house prices is a sharp decline in affordability, which is likely to progressively weigh on property growth rates. Gisborne's house price to income ratio (4.8) and the number of years to save a deposit (6.4) are at their highest levels since at least



Source: qv.co.nz

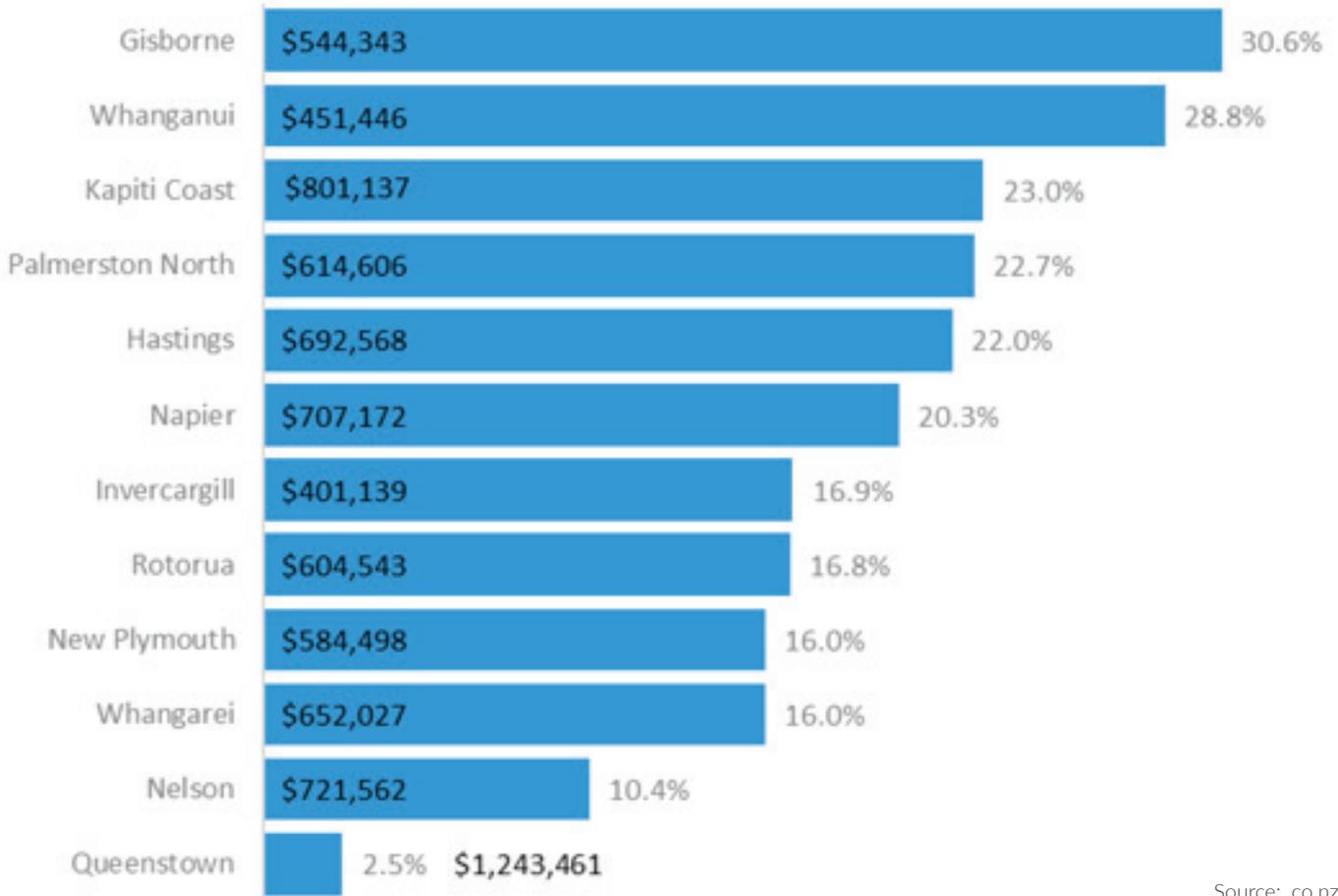
2004, and despite low interest rates, the share of income required to service a typical mortgage is currently 23.0 per cent; the highest for more than a decade.

On the supply side, while sales continue to occur with strong momentum it is the area around the inventory of listings held by the real estate industry across New Zealand which puts most of the pressure on the housing market. Where there still remains a strong depth of buyer given the low interest rates, the

supply of property coming onto the market is matching the current buyer appetite however there is a long-term erosion of the overall portfolio of the inventory of listings given the constant buyer demand. According to realestate.co.nz, the housing stock at the end of February 2021 set at 15,829 in comparison to February 2020; down 24.2 per cent. When you put this across the inventory, it gives New Zealand a long-term average of 10 weeks worth of property available in the marketplace.

“We started our agency four months ago with Ray White and it has been extraordinary. The community support, the real estate market and the activity from buyers and sellers is not only giving both parties more confidence, but the uniqueness of our market is seeing the majority of properties also lift in price through the auction method of marketing.”

Shelley Donaldson, Director and Licensee Salesperson of Ray White Gisborne.



Source: .co.nz

This simply means that on average there is around 7,000 sales per month and this is put against the total stock available for buyers.

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. 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

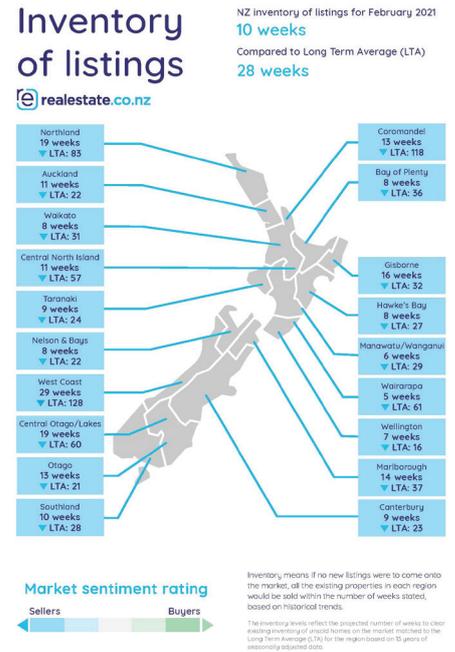
this level and that may be having an impact on supply depending on the amount of new property listings and demand coming into the market.

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.

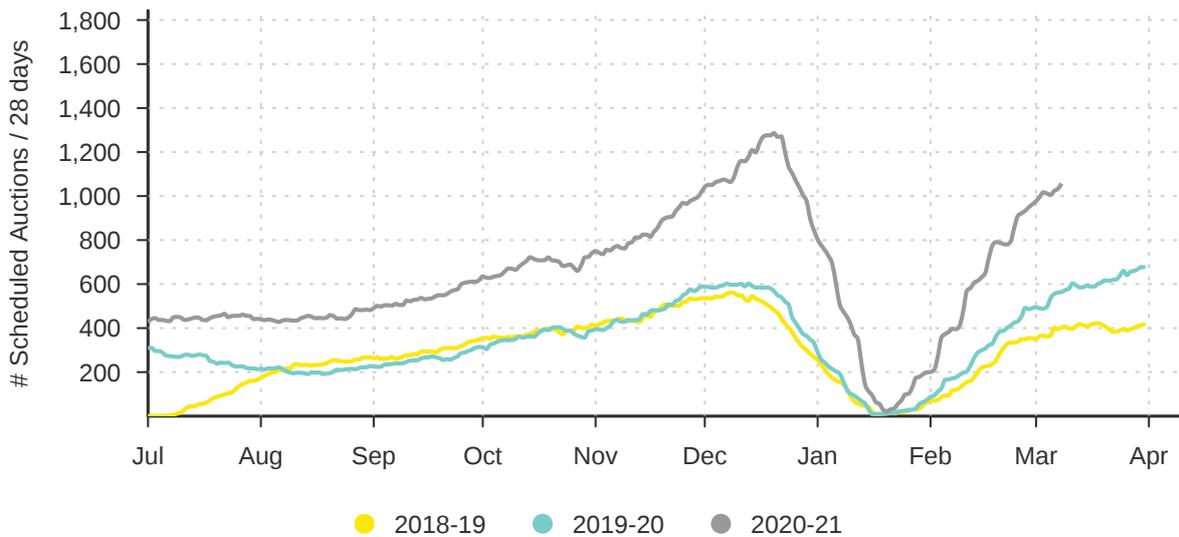
Our scheduled auctions continue to lift and have reached a high for 2021 with 1,033 properties scheduled for auction, which is 161.3 per cent higher than the same time last year. This shows the confidence and transparency around the auction

method of marketing and how this has become preferred across many centres where buyers can establish market value against competition while sellers can have the confidence that the depth of the buyer pool is being influenced by competition rather than by an established price. Added to this the registrations for those attending auctions and also bidding have reached a new high and this shows how auctions have adapted to becoming the preferred method of selling across many centres in New Zealand.

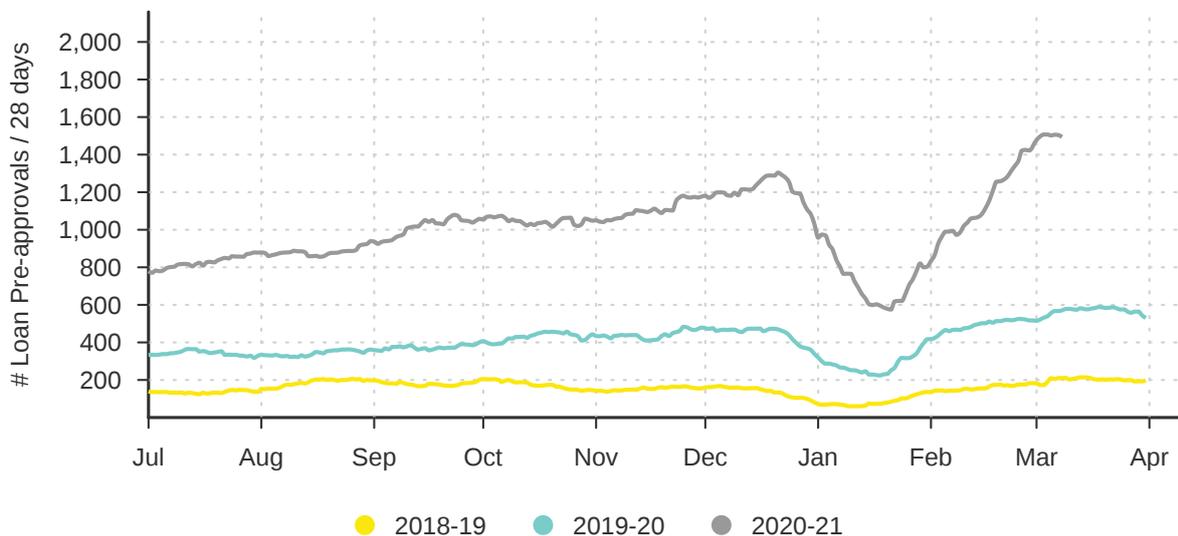
What is of most interest is the loan pre approval stage that buyers who are having finance checked and approved for potential purchasers has now risen to an extraordinary level which is the highest on record for the Loan Market Group. A staggering 165 per cent higher than the same time last year which would indicate that there is a continued build in the market for those who are considering purchasing property across all buyer classifications.



SCHEDULED AUCTIONS



LOAN PRE-APPROVALS



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

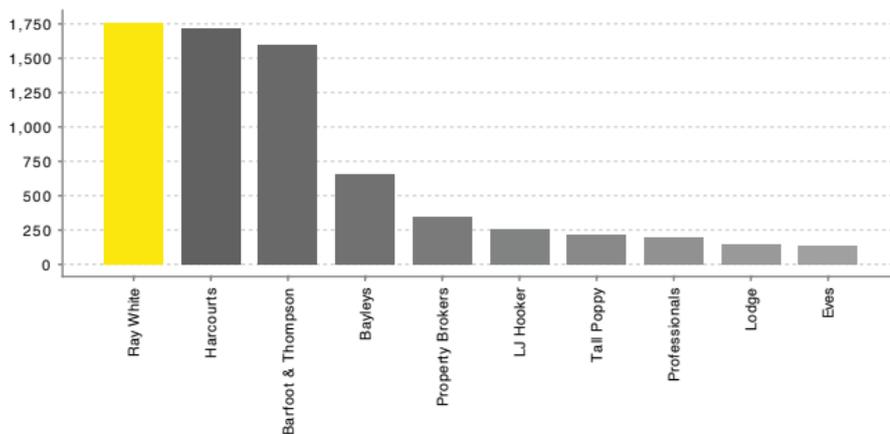
a significant role in establishing market conditions that favour sellers or buyers.

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?

Listings by Brand - Feb 2021 - NZ



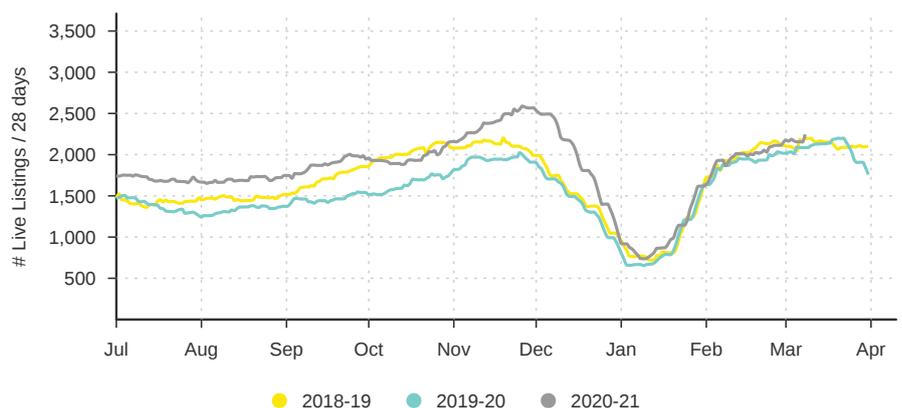
Supply

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 second week of March, the number of new listings coming to market is up 7.67 per cent when compared to the same period last year with a total of 2,246 live listings.

Ray White nationally had the highest number of listings of any real estate brand for the month of February.

Chart 1: Live listings

This chart shows the total number of live listings are up 7.67 per cent compared to 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 which for the loan market group is up a

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 87.4 per cent with an average of 4.6 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, 17.89 per cent of property offered for sale by auction with Ray White sold prior to the scheduled auction date.

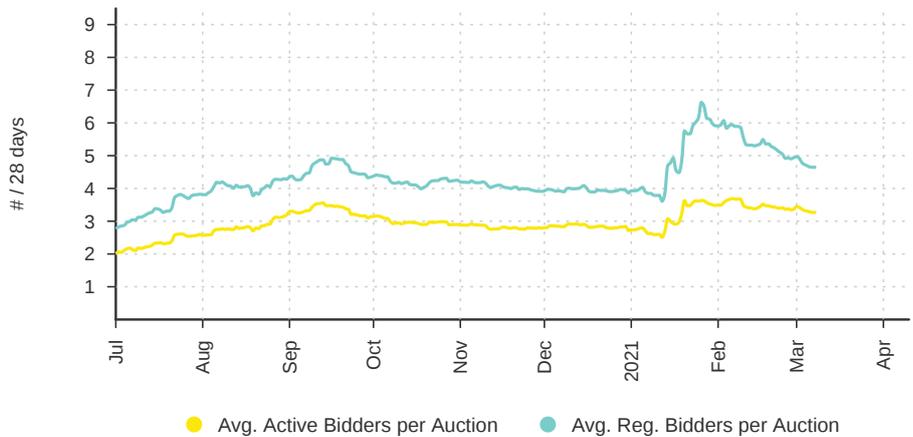
So what factors are continuing to create confidence in the market?

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.

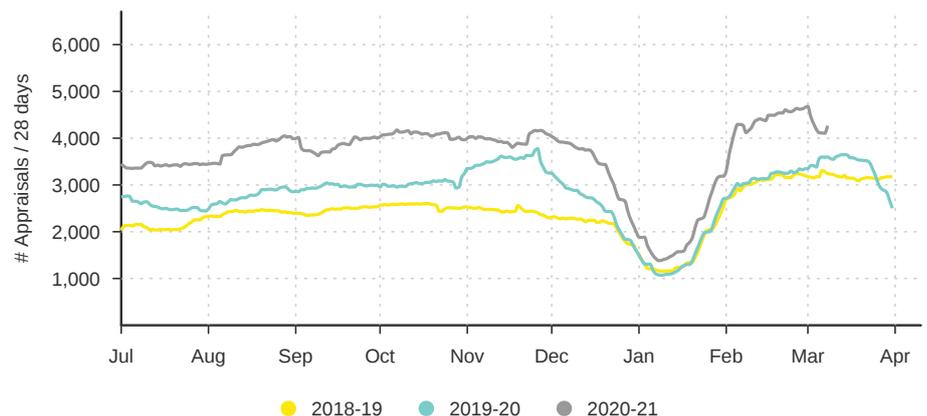
**Chart 2:
Bidding by month**

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



**Chart 3:
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.



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 7 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.

What are LVR restrictions and are we seeing an impact?

Restrictions on loan-to-value ratios (LVRs) are temporary limits on banks to reduce the amount of low-deposit mortgage lending.

Currently Investor Loans 30 per cent deposit / 5 per cent low deposit lending LVR lending restrictions are tighter for loans secured by investment property, in response to the growing housing market risks in that area. High-LVR loans in this category are those loans that are more than 70 per cent of the property’s value (30 per cent deposit). High-LVR loans can make up no more than 5 per cent of a bank’s total new lending in this category.

Owner-Occupier Loans 20 per cent deposit / 20 per cent low deposit lending. This is borrowing secured with a mortgage against residential



Source: rbnz.govt.nz - LVR restrictions at a glance

property that the borrower lives in or uses as a holiday house. High-LVR loans are defined as those loans that are more than 80 per cent of the property’s value (20 per cent deposit). High-LVR loans can make up no more than 20 per cent of a bank’s total new lending in this category.

There are some exemptions that apply:

- New building exemption
- Remediation exemption
- Welcome home loans
- Bridging loans
- Refinancing

It is likely too early to tell, but we are yet to see any impact of the reintroduction of restrictions on loan-to-value ratios (LVRs) as introduced 1 March 2021 by the Reserve Bank of New Zealand.

From 1 May 2021 LVR restrictions for investors will be further raised to a maximum of 5 per cent of a bank’s total new lending in this category, at LVRs above 60 percent of the property’s value (40 per cent deposit).

CONSIDERING SELLING? WHY GO TO MARKET NOW?

Restrictions with regard to viewing property and attending auctions last week had been in place with stricter measures in Auckland, but, as has been seen previously, this did little to suppress the appetite of buyers of residential property. Last week we saw 179 properties offered for sale by way of auction, and of these, a clearance rate of 87.4 percent was achieved. Diving deeper into this data, we can see that on average there were 4.6 registered and 3.3 active bidders per property. So why does this level of activity continue, even with the relative uncertainty around other parts of the economy?

With auctions in Auckland particularly moving to online and remote platforms there has been very little disruption in timelines, salespeople have been quick to adapt and both buyers and sellers are becoming more accustomed to transacting property remotely. What this has highlighted for us is, regardless of the relative uncertainty in many other aspects, residential property at present remains stable and secure.

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
- Roll-out of COVID-19 vaccine
- Potential further 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
- 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 2,246 live listings, with the number of sales up 26.36 per cent year-on-year.

In January and February 2021, 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 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.

Last week, Ray White New Zealand had 285 properties scheduled to go to auction (an increase of 74.8 per cent compared to the same dates last year), leading to a strong auction day clearance rate of 87.4 per cent - an increase of 11.74 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.

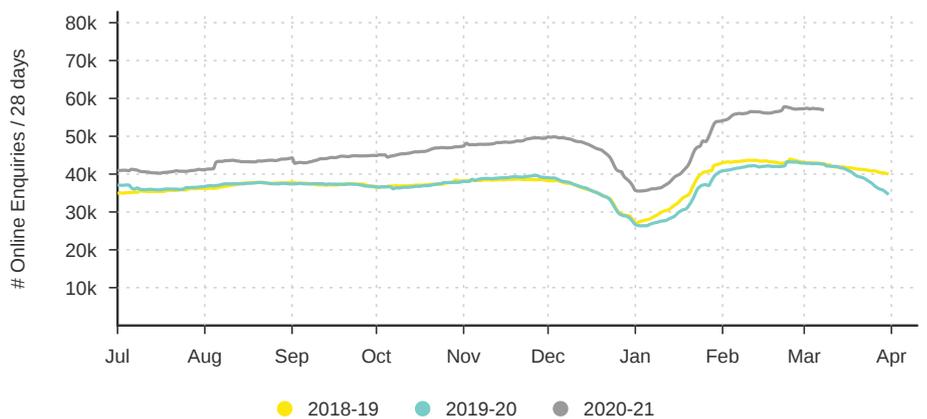
In addition to our ability to target broad audiences, Ray White Concierge, our communication specialists, unique to Ray White, can target one of the most influential audiences, our local communities. Our 119 years of real estate experience has enabled us to understand that a catalyst for creating competition 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.

**Chart 4:
Online enquiries**

This chart compares the number of online enquiries made through Ray White websites over the 2019, 2020 and 2021 calendar years.



33.78%

Online enquiries

The number of online enquiries made through Ray White websites are 33.78 per cent above levels at the same time last year.

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.

In February, the Ray White Group as a whole achieved more than NZ\$47.097 million worth of earned media.

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