MAY EDITION

RAY WHITE NOW

REAL-TIME RESIDENTIAL MARKET INSIGHTS

Dear Property Owner,

Our 42nd edition of Ray White Now welcomes the second quarter of 2021, with trading in April continuing the momentum of the first quarter of 2021.

The month of April was the first month where the Government housing restrictions came into place to firstly try and place mechanisms that will see investors review their level of activity in the current real estate market, and secondly, and more positively, the Government provided further incentives to first home buyers occupying their properties to be able to assist in purchasing. While the balance of the market remains particularly active, the Reserve Bank together with the Government are monitoring house price increases across New Zealand.

When we look at April 2020, it was a time when we were largely in Level 4 lockdown. So there is little comparison to the same time last year at a time when the real estate industry was unable to physically view properties and was coming to grips with the online platforms available for marketing and selling. There was a continuing thirst from buyers to purchase during lockdown. While commentators were expressing the demise of the housing market, the remote options, while not in a public forum, were telling a different story. As Level 3 approached at the end of April 2020 the market moved forward with private inspections that allowed sales to be completed. This saw the market start to rise quickly in regards to price and also the number of sales.

In April 2021, one year on from the Level 4 lockdown conditions, sales increased from $404 million this time last year to $1.681 billion which was a fourfold increase. Released sales increased to 1,626 and while it was a big jump on 2020 it was also an increase of 39 per cent on April 2019 which is a more relative time.

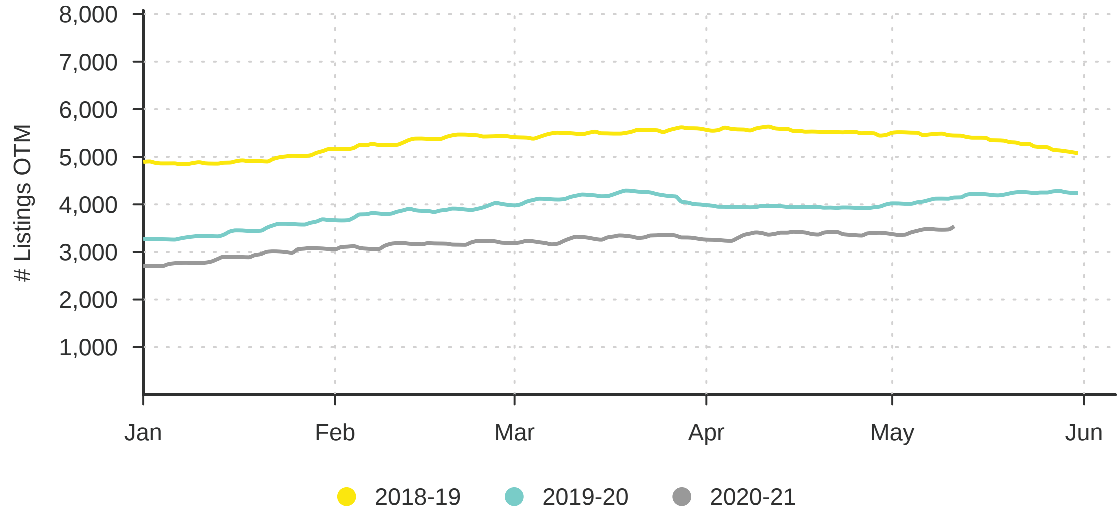
New Zealand - April 2021 at a glance

Sales	Value
1,626	$1.68B

April 2021 Ray White sales in comparison to April 2020 Ray White sales

The effect of the increase in the number of sales saw us oversell our portfolio of listings. While the listing numbers were up, the total number of properties listed was 1,467. This did not cover the total number of sales, which saw us oversell our portfolio by 159 sales in total. This reduced our overall listings on the market to 3,388 as of 1 May which is 16.12 per cent down on the same time last year and 26.97 per cent down on 2019. So what we see is supply remaining positive against previous years' as it is the demand that continues to put pressure on the overall choice that buyers have available in the market.

This week saw SBS Bank offering a one year fixed mortgage rate of 2.19 per cent which was a reduction of 10 bps. Amongst the mainstream banks there has also been an adjustment in regards to lending, with home loan rate changes now in place to reflect a steeper rate curve. The average one-year loan for those with a 20 per cent deposit is 2.25 per cent



with many of the mainstream banks now reducing their two-year fixed home loan to 2.55 per cent while increasing their four and five year terms to 3.09 per cent and 3.39 per cent respectively.

There continues to be so many conflicting reports and this is one of the reasons why we believe our real-time data and assessing what is happening now is important to the decision-making of those who are considering real estate in today's environment. What we do know is that interest rates remain at record lows for the foreseeable future. While we do not discount any change either up or down, it is important to realise what today's borrowing capacity is for the individual homebuyer.

Supply and demand are still a major part of the price stability and our auctions continue to have a strong depth of buyer registration and buyer bidding activity. The number of auctions continue to sit at a high level in comparison to this time last year. Buyer confidence bidding at auction continues to see over 70 per cent of all properties sold under the hammer and a further percentage sold within the auction negotiation time.

There are various markets which continue to show record median prices. As we are in the more seasonally active real estate market, we expect that price increases will be underpinned by the depth of the buyer pool. Investors will now consider the proposed Government housing policy and this will bring stability to the lending aspect of every transaction.

Ray White Now is produced in conjunction with real-time data from our 184 offices across New Zealand. Ray White, on an annual basis, completes $20.38 billion worth of property transactions and currently manages a portfolio of 19,713 properties through our property management division.

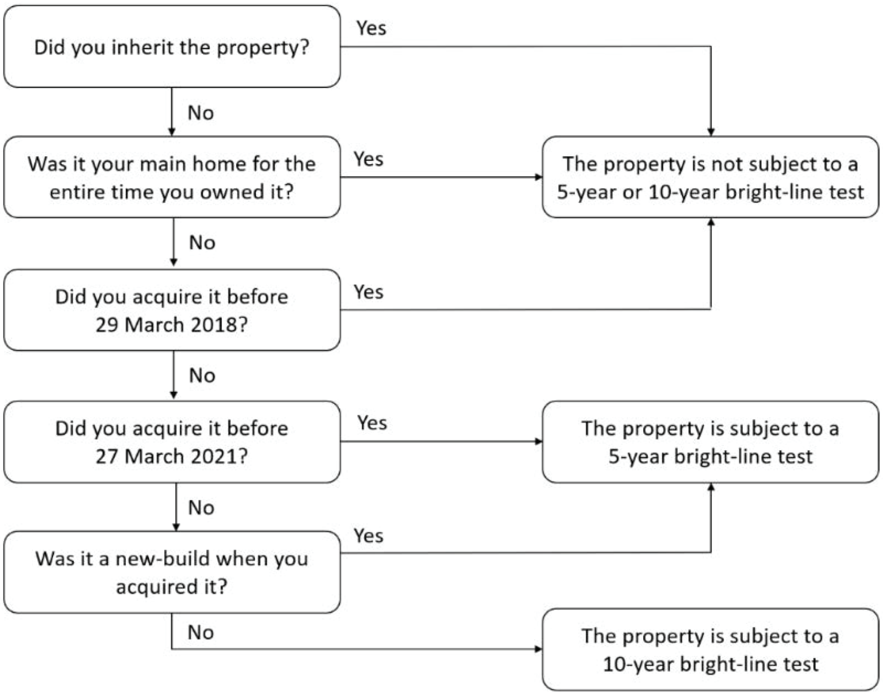
Regards

Carey Smith
Ray White New Zealand Chief Executive

PROPERTY DEMAND CONTINUES IN APRIL

INVESTORS CONSIDERING THEIR POSITION

In late March, the Government introduced new housing policies on the basis that increasing the supply of houses and limiting the demand by investors would have an impact on the current surge in housing prices.



Source: Inland Revenue - Bright-line test proposed changes - March 2021

Here is a summary of the changes:

Bright-line test extended from five to ten years

The bright-line test means if you sell a residential property within a set period after acquiring it you will be required to pay income tax on any profit made through the property increasing in value. The current bright-line period is 5 years. The Government has announced it intends to extend the bright-line period to 10 years for residential property, except newly built houses (new builds). Inherited properties and those which have been the owner's main home for the entire time they owned it will continue to be exempt from all bright-line tests. To determine what length of bright-line test a property is subject to the flow-chart on page 6 can be used. The new rule will apply to property acquired on or after 27 March.

Remove ability for investors to write off interest expenses

Property investors will no longer be able to offset their interest expenses against their rental income when calculating their tax.

The Government will consult on the details of the proposal Cabinet has agreed to, and legislation will be introduced thereafter.

Consultation will look at an exemption for new builds acquired as a residential investment property, and consider whether all people who are taxed on the sale of a property (for example under the bright-line test) should be able to deduct their interest expense at the time of the sale.

The legislation will apply from 1 October. Interest deductions on residential investment property acquired on or after 27 March will not be allowed from 1 October.

If you acquired a property before 27 March 2021, you can still claim interest (for loans that already existed for that property) as an expense against your residential property income, but this amount will reduce by 25 per cent each income year until the ability to deduct the interest is completely phased-out from the 2025–26 income year. If you have a standard balance date, the proposed change will be phased in as follows:

Income year	Percent of interest you can claim
1 April 2020–31 March 2021	100%
1 April 2021–31 March 2022 (transitional year)	1 April 2021 to 30 September 2021 - 100% 1 October 2021 to 31 March 2022 - 75%
1 April 2022–31 March 2023	75%
1 April 2023–31 March 2024	50%
1 April 2024–31 March 2025	25%
From 1 April 2025 onwards	0%

Source: Inland Revenue - Interest deductions on residential property income - Proposed changes - March 2021

"The April results saw continued momentum in the property market across most buyer classifications. There was a rise in the second, third and fourth homebuyer sectors, while the first home buyers remained at 24 per cent of all sales. Investors are considering their position and are still showing interest in property."

Carey Smith, Ray White New Zealand Chief Executive

Price and income caps on First Home products lifted

More first-home buyers will be eligible for the existing First Home Grant and First Home Loan.

The Grant provides eligible first-home buyers with up to $5,000 for individuals and up to $10,000 for two or more buyers to put towards the purchase of an existing home.

Buyers of a brand new home can receive up to $10,000 for individuals and up to $20,000 for two or more buyers.

Under the First Home Loan, a buyer only needs a 5 per cent deposit. First Home Loans are issued by selected banks, building societies and credit unions, and is underwritten by Kāinga Ora - Homes and Communities.

The maximum income people can earn to receive this assistance will be lifted from $85,000 to $95,000 for single buyers, and from $130,000 to $150,000 for two or more buyers.

The changes take effect on 1 April.

Price caps on homes that can be purchased using the assistance will be lifted as follows:

House Price Caps For New Properties by Region	New Property House Price Caps		Existing Property House Price Caps	
	Previous Caps	New Caps	Previous Caps	New Caps
Auckland	$650,000	$700,000	$600,000	$625,000
Queenstown-Lakes	$650,000	$650,000 (No Change)	$600,000	$600,000 (No Change)
Wellington City, Hutt City, Upper Hutt City, Porirua City, Kāpiti Coast District	$550,000	$650,000	$500,000	$550,000
Nelson City, Tasman District, Tauranga City, Western Bay of Plenty District, Hamilton City	$550,000	$600,000	$500,000	$525,000
Christchurch City, Selwyn District, Waimakariri District	$550,000	$550,000 (No Change)	$500,000	$500,000 (No Change)
Waipā District, Hastings District, Napier City	$500,000	$600,000	$400,000	$525,000
Waikato District, Dunedin City	$500,000	$550,000	$400,000	$425,000
Rest of New Zealand	$500,000	$500,000 (No Change)	$400,000	$400,000 (No Change)

Income Caps	Previous Caps	New Caps
Individual Buyer	$85,000	$95,000
Multiple Buyers	$130,000	$150,000

Source:
Ministry of Housing and Urban Development - Changes to the First Home Loan and Grant - March 2021

While there are other key initiatives by the Government, the major focus on the funding of infrastructure around housing and development, including roads and pipes to homes, has been given a funding acceleration allowance of $3.8 billion. The key components of the fund are designed to assist Government and private sector developers to grow the housing supply.

- An infrastructure fund to unlock a mix of private sector led and government led developments in locations facing the biggest housing supply and affordability challenges.

- Additional funding for the Land for Housing Programme to accelerate development of vacant or underutilised Crown owned land, operate in more regions, and deliver a broader range of affordable housing options for rental and home ownership.

Cabinet will consider the detailed criteria of the fund in June. The Government expects money to start going out the door in the second half of the year.

The Government will also help Kāinga Ora to borrow an additional $2 billion to “assist in bringing a range of development forward through strategic land purchases."

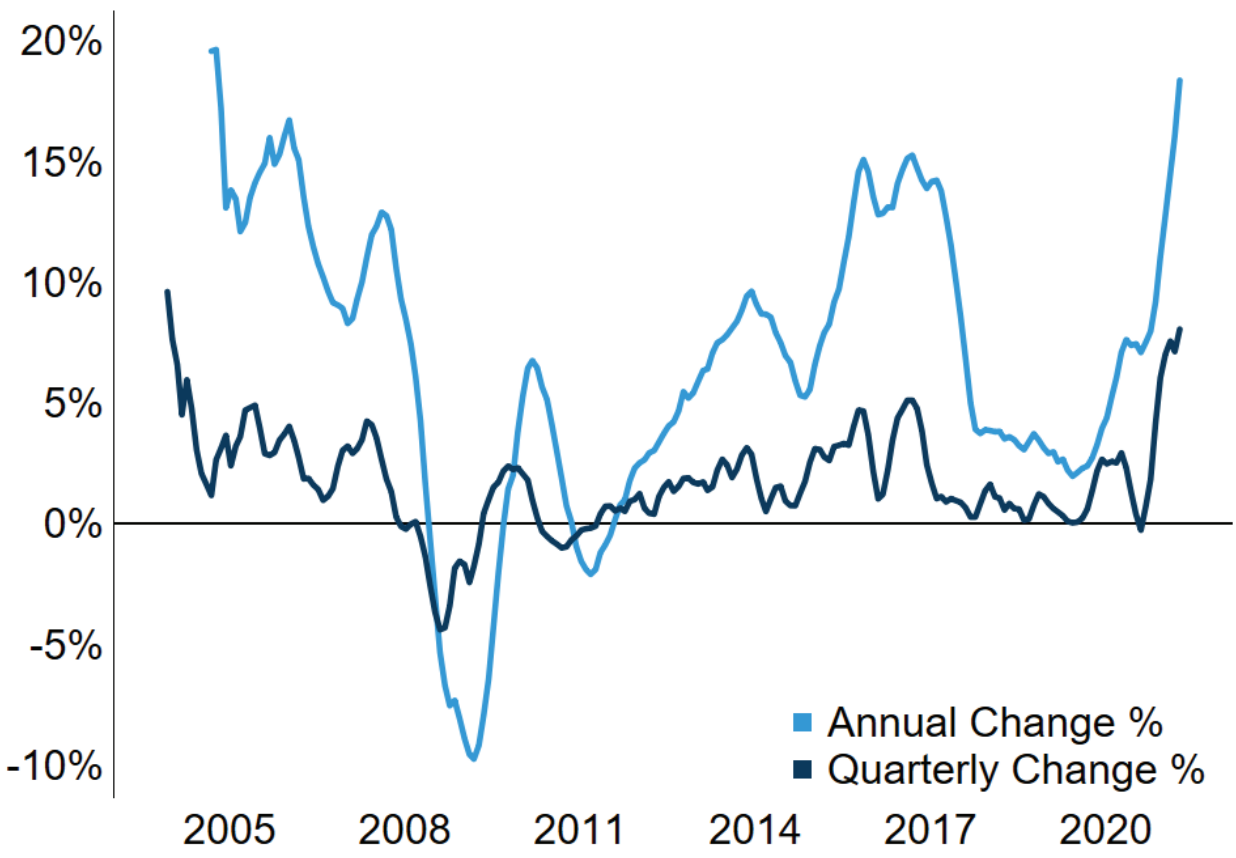
A recent report by Core Logic indicated that there has been no lift in the number of owners exiting the market. They say in the report that they have not seen any evidence of homeowners looking to exit the market based on the new government policies. They refer to Trademe Property and the new listings to the market that remain relatively strong throughout April with around 3,000 new properties per week being listed onto the website.

Another indicator of the strength of those interested in selling is the Core Logic pre-listing measure through Property Guru which is tracking only 6 per cent behind the previous six months when the market was very much in favour of the seller.

We note that the drop in appraisals would partly reflect the seasonal differentiation from vendors given that April has the traditional Easter break together with school holidays which reduces the relative normality of listing activity.

The Core Logic house pricing index clearly illustrates the significant growth since we exited the Level 3 lockdown status almost a year ago. Since that time there has been significant value growth. This is most pronounced in the areas with typically lower values which was posted by interest rates dropping incredibly coming more accessible to the investment classification.

Below is the Core Logic graph in regards to the change in rolling property values determined by percentages.



Rolling change in property values, national

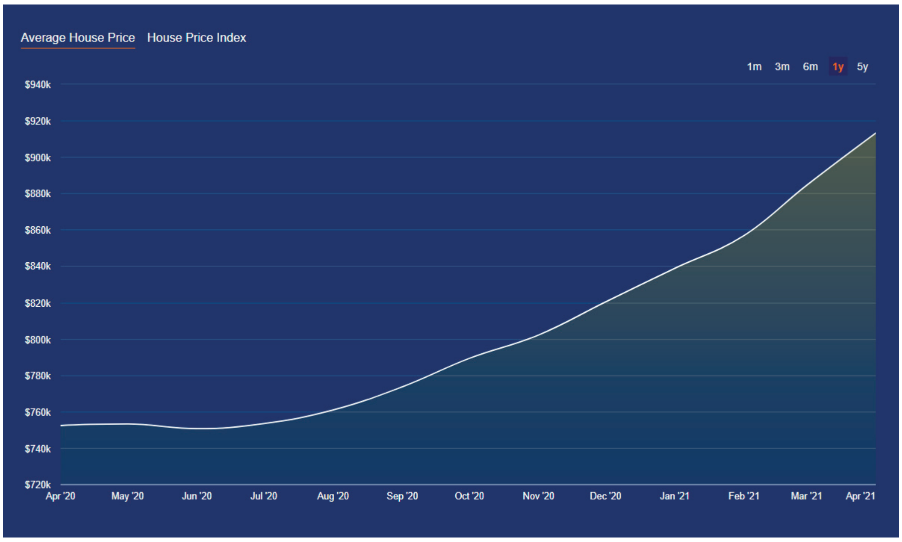
Source: Corelogic.co.nz

According to Quotable Value, there has been no discernible effect since the Government have announced measures aimed at dampening the house price growth according to the latest Q.V. house price index data which showed that the market hit a new high in April 2021.

Looking closely at the report sourced from qv.co.nz it notes that the average price of property across New Zealand has increased to $913,209 which is up 21.38 per cent in the last 12 months. The change in the last three months has been recorded at 8.86 per cent.

The graph to the right shows the average house price since April 2020 over a 12 month period.

Average price	Change in 12 months
$913,209	21.38% ^



Source: QV House Price Index- qv.co.nz/price-index/

REGION-BY-REGION

The following report is from qv.co.nz/price-index/

Auckland

Average price	Change in 12 months
$1,524,149	17.71% ^

House prices have risen by an average of 8.2 per cent this quarter across the Auckland region – up from the 7.2 per cent value growth we reported last month – with the average house price now sitting at $1,306,913.

The average house price is considerably higher in Auckland's central suburbs at $1,524,149 which is a growth of 17.71 per cent in the last 12 months.

North Shore ($1,478,867), Rodney ($1,200,127), Manukau ($1,152,181), Waitakere ($1,053,677), Papakura ($902,832), and Franklin ($840,173) all have average house prices below the regional average.

The largest average price gain this quarter was in Papakura (10.4%) once again. It was followed by Waitakere (9.6%), Rodney (9.4%), Manukau (8.6%), Franklin (8.4%), Central Auckland (7.1%), and the North Shore (7.1%).

QV senior consultant, Rupert Yortt commented: "There has been little in the way of a slow down after last month's Government announcement, but the market does appear to be less frenzied now than it was earlier this year.

"Some buyers have adopted a 'wait and see' approach, which has resulted in less attendance at open homes and auctions. This could potentially indicate that the balance between vendor and purchaser expectations may be switching slightly. Overall, I expect to see the market stablise further as we head into winter."

Mr Yortt said properties with development potential continued to be the top performers throughout the region, while fringe central areas such as Avondale and Mt Wellington have also continued to attract strong levels of interest from first-home buyers in particular.

Northland

Average price	Change in 12 months
$717,574	23.44% ∧

Whangarei's residential property market was even hotter in April than it was the month prior, with the average house price rising 3.8 per cent to $717,574. That figure is now 10.4 per cent higher than it was three months ago and a remarkable 23.4 per cent higher than at the same time last year.

Even further north, house prices in the Far North district have increased by 8.1 per cent this quarter (up from the 7 per cent we reported last month) and by 17.2 per cent over the last 12 months. Meanwhile, property prices have increased by an average 19.6 per cent in Kaipara since the same time last year.

Tauranga

Average price	Change in 12 months
$992,087	24.44% ∧

Tauranga is still one of New Zealand's leading cities for rapid property market growth at present, despite some predictions that it was slowing.

In fact, Tauranga's average house price is rapidly closing in on $1 million. At 7.8 per cent growth for the quarter – including 3 per cent for the month of April – it looks as though the city should reach that mark later this month. As it stands now though, the average price of a home here is currently $992,087.

Although confidence in the Tauranga economy remained strong, local QV Property Consultant, Derek Turnwald advised that a number of factors would still likely slow the city's rampant house price growth in the future. "With the gradual removal of interest cost deductibility for investors it's highly likely that investor interest will decline now," he said.

"Agents are receiving less enquiries from New Zealanders living overseas, possibly as a consequence of vaccine rollouts and increased confidence that there is an end in sight to the worst effects of the COVID-19 pandemic. Plus there's a sense that FOMO (fear of missing out) is being slowly replaced by a fear of paying too much for a property."

Following the Reserve Bank's recent announcements, Mr Turnwald expected the central bank to implement additional controls and policy changes if recent changes are not effective in cooling the country's overheated property market.

Waikato

Average price	Change in 12 months
$754,700	31% ^

The average price of a home in Hamilton is now $792,772 – a significant 22.7 per cent higher than at the same time last year. House values increased by an average of 8 per cent this quarter, which is only slightly higher than the 7.7 per cent we reported last month.

At 9.5 per cent growth for the quarter, house prices in Hamilton's north east have risen the most since February this year, followed by the south west (8.6%) and north west (7.7%). The smallest amount of house value growth this quarter was in Hamilton's south-eastern suburbs (5.5%).

Across the wider region, Taupo has experienced the strongest three-month increase with the average price rising 13.6 per cent to $754,700. This is 31 per cent higher than at the same time 12 months ago. Waitomo has also seen a strong 12-month increase – up 29.4 per cent to $350,383.

Local QV property consultant, Jarrod Hedley commented: "Agents are reporting good interest in residential properties across the region but not at the same levels as experienced earlier on in the year. This is yet to have any impact on value increases that we continue to see in the Waikato."

Rotorua

Average price	Change in 12 months
$663,642	17.45% ^

The average price for a home in Rotorua is now $663,642 – 17.5 per cent higher than it was at the same time last year, and 6.5 per cent higher than it was just three months ago. Residential property prices increased by an average of 3.2 per cent in April, up from 0.9 per cent the month before.

Though demand for housing remained high and supply remained low in the local area, QV property consultant, Derek Turnwald said the Government's moves to increase the bright-line test and remove interest cost deductibility would have a strong impact on investor interest in the market.

"Rotorua has become popular with local and out-of-town investors in recent years due to the comparative affordability of housing and high yields. On the plus side, first-home buyers and owner occupiers purchasing new property will have greater opportunities to purchase without investor competition," he said.

"However, it's likely that there will be even fewer rental properties available in Rotorua in the future and this could lead to greater numbers of homeless people."

Meanwhile, residential property listing periods were short, with most resulting in multi-offer sales.

Taranaki

Average price	Change in 12 months
$636,439	23.26% ^

New Plymouth's residential property market remained red hot in April. Its average house price increased by 9 per cent for the quarter and 23.3 per cent over the past 12 months to $636,439. Meanwhile, house prices in the neighbouring districts of Stratford ($445,605) and South Taranaki ($398,793) have been even more buoyant, increasing by 24.3 per cent and 33.2 per cent respectively over the past 12 months.

Hawke's Bay

Average price	Change in 12 months
$797,034	32.29% ^

New Zealand's rampant housing market has been hottest in Hawke's Bay this quarter, with house prices in Napier ($798,568) and Hastings ($797,034) surging by 14.2 per cent and 14 per cent respectively.

Annually, house prices have increased by a massive 32.3 per cent in Hastings and 27.3 per cent in Napier – more than almost anywhere else.

Local QV graduate valuer, Damian Hall said the new regulations announced by the Government back in March had yet to influence swelling value levels. "The talk is that investor interest has dropped but not enough to influence overall demand – hence why prices are still rising," he said.

"As we head into the winter months and people's urge to bunker down and 'wait until spring to sell' attitude becomes apparent, the pressure on supply levels may worsen and prices may continue to rise even further. In the meantime, strong demand is putting pressure on low supply levels across the board."

Palmerston North

Average price	Change in 12 months
$687,537	30.78% ^

Palmerston North's residential property market shows no signs of slowing, with the average house price rising by 10.9 per cent this quarter to $687,537. That value is a remarkable 30.8 per cent higher than at the same time last year.

Local QV property consultant Olivia Roberts commented: "The market is still very strong with increases in property prices across the Manawatu region. Sales volumes have been low and we continue to see buyer panic in the market as a direct result of a lack of supply. Real estate agents continue to report strong interest with multiple offers being received." However, she warned that the market could still be affected by a range of factors – most notably the Government's extension of the bright-line tax timeframe and the end of interest tax deductibility. "We're yet to see what effect this will have on the property market, particularly investors' response to these changes," she added.

Wellington

Average price	Change in 12 months
$936,359	34.64% ^

The latest QV House Price Index shows the average house price across the Wellington metropolitan area increased by 4.3 per cent in April, 10.3 per cent for the quarter, and a significant 28.5 per cent over the last 12 months. The average house price is now $1,028,913.

The largest rise in average house price this quarter occurred in Hutt City (13.4%), while Porirua, Upper Hutt and Wellington city all saw increases of 8.6 per cent, 11 per cent, and 9.3 per cent respectively. In terms of annual price growth, Hutt City and Upper Hutt lead the way at 34.6 per cent each.

Despite the rapid growth, real estate agents have reported slightly less attendance at open homes in recent weeks, with some investors looking to take a step back in response to the Government's recent housing announcement.

Local QV senior consultant David Cornford commented: "Properties are continuing to sell well despite there being fewer investors in the market and values are holding firm. But it does feel like we could be starting to enter a more stable period in the market after close to 12 months of rapid value growth.

"Like much of the country, Wellington is underpinned by a shortage of supply and the recent price increases are a reflection of this. We're also seeing strong interest from both first-home buyers and investors for off-plan townhouses."

Nelson

Average price	Change in 12 months
$765,247	14.49% ^

It's been another busy quarter for Nelson's residential property market with the average house price rising 6.3 per cent to $765,247.

QV senior property consultant Craig Russell said the property market continued to be driven by a lack of supply coupled with pent-up demand. "Although it's still a strong market we are starting to see purchasers becoming more selective, with investor activity showing signs of weakening anecdotally," he said.

"Multiple offer situations remain commonplace but we are no longer seeing such exorbitant prices being paid motivated by the fear of missing out. That's been replaced with a fear of paying too much in some cases now.

Canterbury

Average price	Change in 12 months
$624,285	20.79% ▲

House prices continue to rise rapidly in Canterbury and Christchurch in particular, with the average price rising this quarter by 8.9 per cent and 9.5 per cent respectively. The average price of a home in the region is $594,279; in Christchurch, that figure is $624,285.

Annual price rises have been highest in Christchurch's eastern suburbs (24.7%), in the hills (22.3%), and out on the peninsula (22.1%). Across the wider Canterbury region, house prices have also risen swiftly in the districts of Hurunui (19.2%), Ashburton (17.3%), Waimakariri (16.6%) and Selwyn (16.4%).

Local QV property consultant Olivia Browne commented: "We're still seeing a strong steady increase in values across the board, which can be attributed to the continued lack of stock available, low interest rates and sustained demand. We're also seeing a shorter number of days to sell and a lower sales volume over the last month – all putting an upward pressure on values.

"I expect we'll see more of the same in the Christchurch market with the new Government regulations a few months away from having an impact."

In the meantime, she said new-build activity continued to be strong and she anticipated that demand would continue. "That will put even more upward pressure on house prices due to increasing land values, rising construction costs and new Government regulations. We may even see a shift in value trends between existing and new builds."

Dunedin

Average price	Change in 12 months
$659,447	17.81% ▲

Dunedin's residential property market currently shows no signs of slowing down, with property prices gaining a little bit more speed in April – rising 2.5 per cent last month, up from 1.8 per cent the month before.

The average price of a home in Dunedin is now $659,447, which is 7 per cent higher this quarter and 17.8 per cent more than the same time last year. Much of that growth has occurred on the coast and peninsula, where house prices have shot up 14.3 per cent in three months and 24.6 per cent over a full year.

QV area manager Tim Gibson commented: "Despite the Government's new housing package being announced in March, demand has continued throughout all residential sectors of the market during April.

"A lack of residential listings and available land continues to be the primary driver of the market right now. As a result, lesser-quality land is becoming more attractive to prospective developers as supply issues continue to bite."

Queenstown Lakes

Average price	Change in 12 months
$1,383,181	10.95% ^

The latest QV data shows a 6.1 per cent rise in Queenstown's average house price this quarter and an increase of 11 per cent over the past 12 months. It now sits at $1,383,181.

Despite the lingering effects of international travel restrictions on the local economy, QV property consultant Greg Simpson said the residential property market had stabilised. "There are two economies in the district – the tourism-based industries that are operating under extremely adverse trading conditions and the rest, which appear to be operating at near normal activity levels," he said.

"The construction and real estate sectors are even prospering right now, with high demand for property and strengthening value growth. The Government's latest housing policy should also help to accelerate the building of new houses, which is good news for these industries."

Invercargill

Average price	Change in 12 months
$436,759	14.12% ^

The average house price in New Zealand's southernmost city has increased by a whopping 9.2 per cent this quarter – up from the 6.8 per cent value growth that we reported last month – to $436,759. That figure is now 14.1 per cent higher than at the same time last year.

The local QV team reported seeing continued strong demand within the Invercargill housing market, particularly within the "relatively affordable" $300,000-$450,000 range. "Multiple offers are common, often resulting in prices above initial asking price," said property consultant Andrew Ronald.

"There was considerably less investor activity over April, but there are still high numbers of first-home buyers competing for homes within this price range."

Provincial Centres, North Island

Average price	Change in 12 months
$408,388	46.68% ^

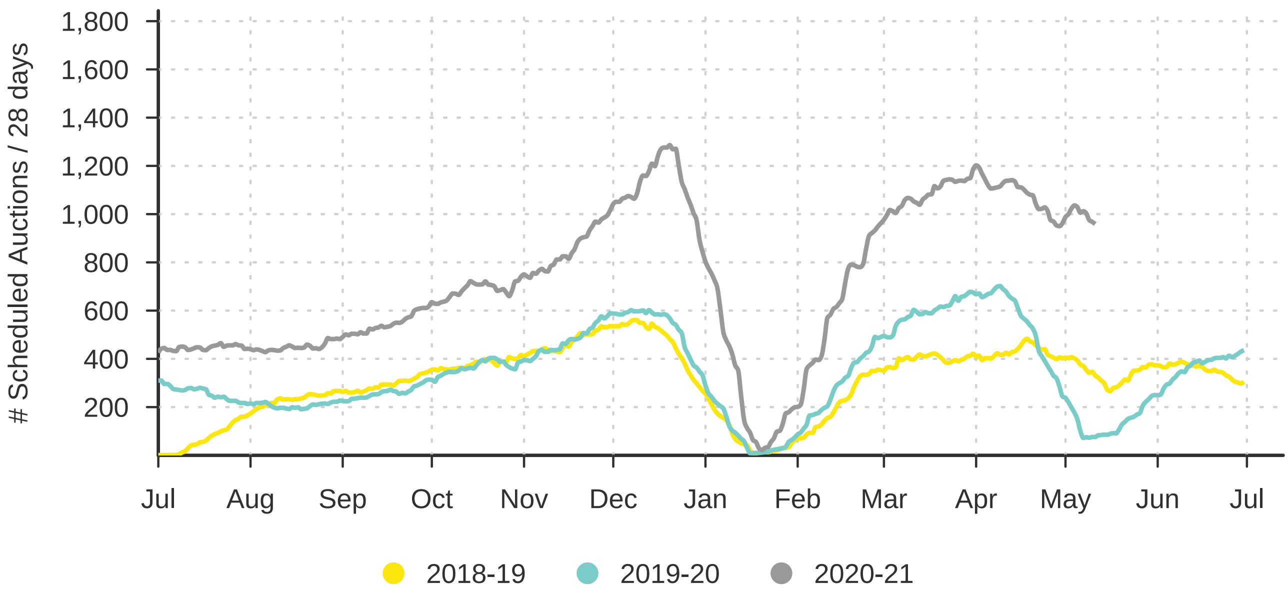
Over the 12 months ending April 2021, house values in Wairoa have increased by an astonishing 46.7 per cent – the most nationally by far. Last month's leader, Carterton, has also experienced a large jump in average house price of 40.2 per cent.

Provincial Centres, South Island

Average price	Change in 12 months
$288,975	35.62% ^

In the South Island, Buller leads all provincial centres with house prices rising 16.6 per cent this quarter. Marlborough and Grey District aren't far behind with average house price rises of 13.7 per cent and 13.1 per cent respectively.

Buller also tops the list for annual house price growth at 35.6 per cent. Once again, it's followed by Marlborough (29.9%) and Grey District (25.7%), which just edges out Gore (25.6%) by a fraction of a percentage point.



While there may be changes and adjustments in regards to the view that the investor has of the current market and the government housing policy the first home buyer together with the private home purchaser is largely unaffected by these new Government initiatives. Home loan interest rates remain at a record low level and this will allow purchasers to buy with confidence and with long-term affordability.

Ray White continues to recommend auction as a preferred method of marketing giving transparency to the buyer and allowing the seller to consider pricing in an open market that is driven by the various classifications and linked to supply and demand.

In the same period in 2020 there were 4,108 auctions put to the marketplace with the success rate of 66 per cent while in 2020/2021 there's been 8,381 auctions with an average success rate of 78.1 per cent with the total value of $7.750 billion.

In summary despite the market being tipped further in the balance of first home buyers we do not see an exodus of investors. The long term appeal of property investment remains – capital gain, ability to borrow and the alignment with wealth creation will continue to add value to those purchasing property from all buyer classifications.

WHY ARE WE SEEING **STRONG RESULTS NOW?**

Real estate markets are driven by several factors; 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 Ray White real-time Pulse data, and as we enter the second week of May, the number of new listings coming to market is up 133.9 per cent when compared to the same period last year with a total of 1,733 live listings.

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 122 per cent on last year.

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 April auction day clearance rate is reported at 70.5 per cent with an average of 3.3 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. In April 15.12 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 active in the market as they take their opportunity to purchase at interest rates that are the lowest on record, starting from 1.99 per cent and the measures put in place by the Government to restrict investor activity. 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 1:
Live listings

This chart shows the total number of live listings are up 134.1 per cent compared to the same time last year. Taking into account the effects of COVID-19 and respective lockdowns.

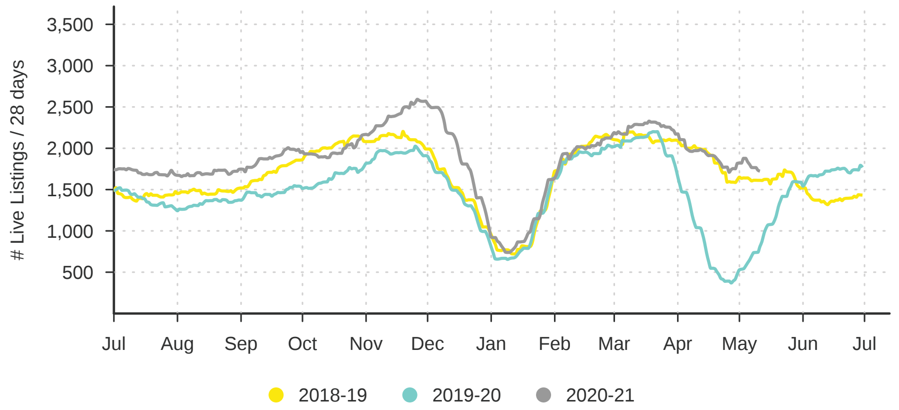


Chart 2:
Bidding by month

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

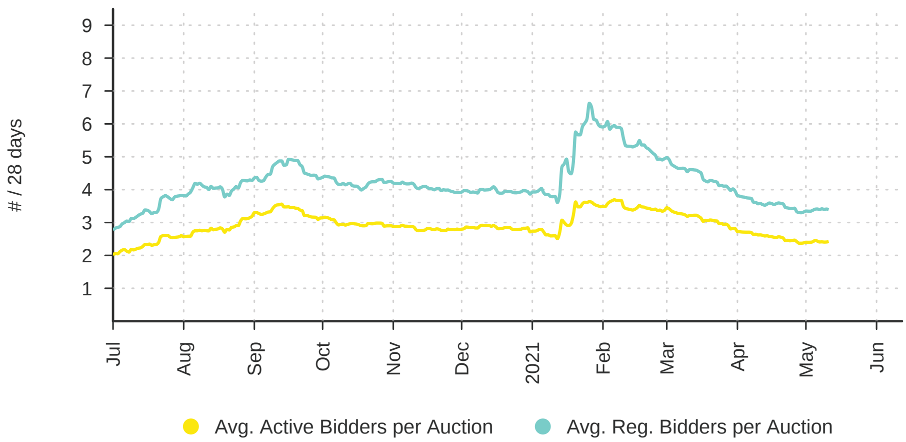
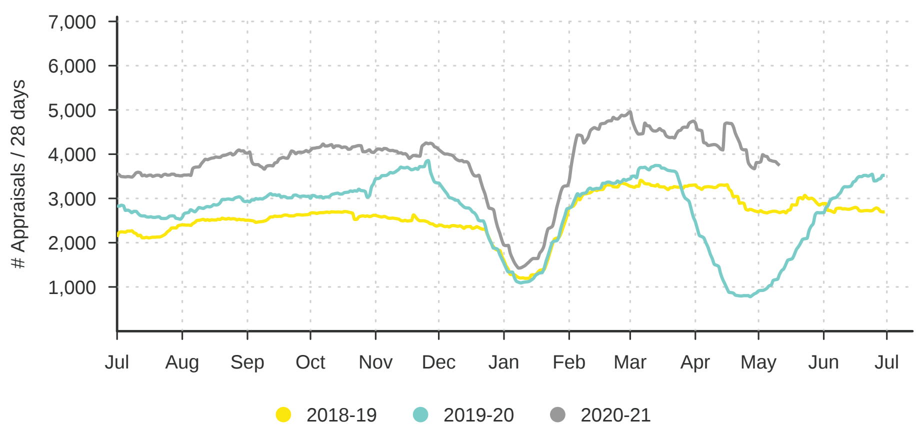


Chart 3:
Appraisals

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.

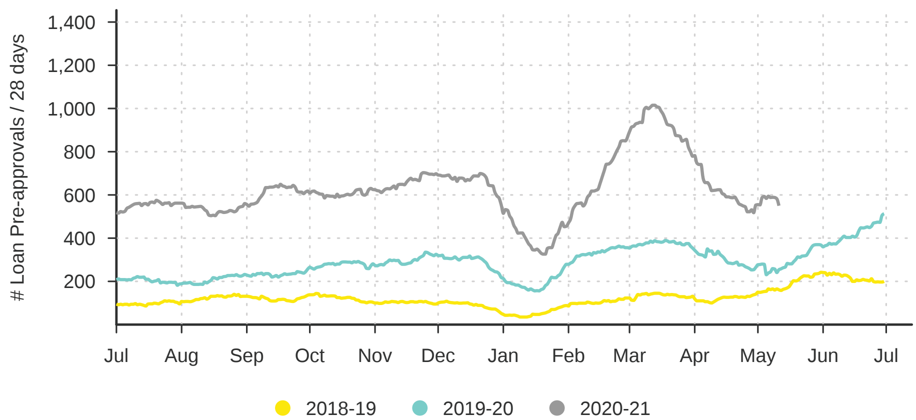


So what factors are contributing to buyer confidence?
Interest rates continue to underpin purchasers buying power and today interest rates are at record low levels, advertised from 1.99 per cent fixed for one year with the OCR remaining at 0.25 per cent since 16 March 2020. The next Monetary Policy Review Announcement is set for the 14 July 2021.

- 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. 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 4:
Loan pre-approvals

This chart compares the number of loan pre-approvals submitted via Loan Market brokers over the past three years.



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.


Welcome to
Ray White
Auctions

CONSIDERING SELLING? WHAT IS REALLY INFLUENCING THE MARKET

The recent introduction of legislation by the Government in an attempt to control a 'rampant housing market' has created cause for many buyers and sellers to reassess their positions. From those that had been looking at making an investment, to those that were looking to sell, many have been left asking, what impact have these changes had on the market?

When looking at the data as well as anecdotal commentary by those in the market, we can see sales volumes are continuing to be recorded significantly higher than the norm for this time of year. Whilst the COVID-19 imposed restrictions experienced this time last year create a distorted picture of the data for 2020, when compared with 2019, current sales volumes are 34.43 per cent higher than the same period during that year, which were believed to be 'normal market conditions'.

The number of properties being sold is of course only one measure of market activity, another metric we monitor to understand demand is the number of registered and active bidders, as well as the proportion of properties that receive active bidding and clearance rates. Our current data shows that on average we are achieving 2.4 active and 3.4 registered bidders per property auctioned. In addition to this, 86.5 per cent of the property taken to auction received active bidding and 70 per cent of property offered for sale at auction sold unconditionally under the hammer.

Whilst auction clearance rates do give an indication of market activity, when we delve a little deeper, we are able to uncover why these rates can vary. For example, for a property to sell at auction, there are two key components, a buyer willing to offer to purchase and a vendor willing to sell for the price offered. When clearance rates start to decrease, there can be the misconception that this is due to a lack of active buyers, when in reality, as detailed above there is still compelling activity in the market. So then, how can clearance rates drop when there is still active bidding on almost 90 per cent of property being offered for sale at auction?

The answer to this question is normally found in the price expectations of potential sellers and these are normally set reactively, rather than proactively. What this means is that when there is any potential change in the price purchasers are willing to offer, it can take a period of time for this to be reflected in the price and owner is willing to sell for. In a rapidly increasing market, this is reflected by sale prices far outstripping vendor expectations, while in a more balanced market, it is illustrated by both buyers and sellers price expectations being more closely aligned.

The New Zealand property market has shown long-term stability over an extended period of time and whilst it may transition through market cycles, the level of activity that has been experienced over the last year has been unprecedented. Those that are considering selling over the coming period should pay no heed to the headline grabbing statements around a monthly shift in sale prices, either up or down. The reality is that those that have owned their property for more than 12 months have seen at least double digit percentage price growth on average over that period of time.

The recently introduced increased measures of LVR (loan-to-value ratios), the removal of interest as a tax deductible expense from residential investment and the extension of the 'Bright Line' test to residential property except for the family home from five to 10 years will likely have some impact on the market, although it may be more superficial than expected by many.

Typically, when changes are signalled or implemented, the buying side of the market will fall into three categories:

- Those that are unphased by the changes as they are looking for a long-term family home
- Those that will now be more cautious due to the fear of overpaying if conditions change (typically more highly leveraged in terms of lending)
- Those that see the opportunity in the uncertainty that these changes could create and are more motivated to purchase, albeit at a price-sensitive level.

While most economists believe that there will likely be some impact on the residential market as a result of these changes, most are predicting a reduction in the rate of price growth, rather than a reduction in real values.

What this means for sellers is that while conditions may improve marginally over the next few months, the upside will not be to the degree seen over the last 12 months, therefore reducing the risk of potentially underselling if they take their property to market now. Conversely, those that wait to see what happens potentially increase their risk of being exposed to a flattening or declining market in the longer-term.

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 1,733 live listings, and although difficult to compare because of COVID-19 lockdowns last year, the number of sales were up 271.5 per cent year on year.

Since the beginning of 2021, Ray White New Zealand has listed a record 7,742 properties across the country.

In 2020, the Ray White Group passed through 21 per cent market share in New Zealand residential sales and last month, Ray White New Zealand had its best April in history.

Last month, Ray White New Zealand had 979 properties scheduled to go to auction, leading to a strong all sold clearance rate of 75.9 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.

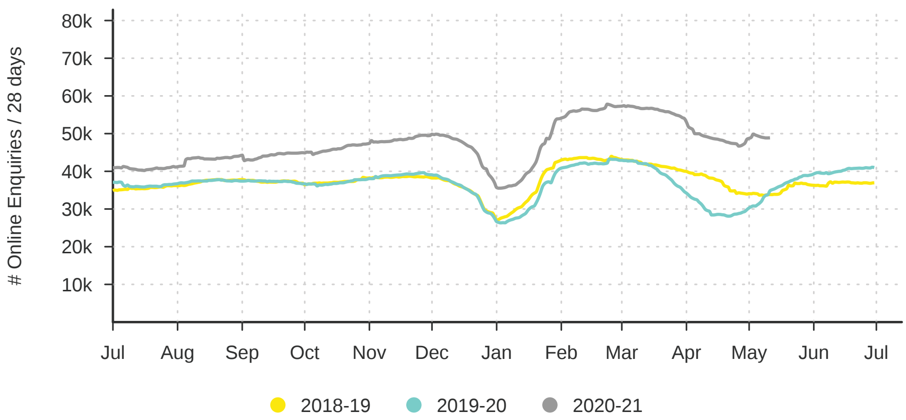
We do this by having the greatest number of relationships with buyers in the market today. Combine our relationships with our use of technology, we can engage with buyers on a level that will ensure we can find the premium buyer for your property.

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.



40.37%

Online enquiries

The number of online enquiries made through Ray White websites are 40.37 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 April, the Ray White Group as a whole achieved more than NZ$47.8 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 April, the Ray White Group as a whole achieved more than NZ$47.8 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 continue to be at "all-time" low, 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.

Over the last year banks have dramatically reduced 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 clients in person and remotely.

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