RAY WHITE **NOW**

PROUDLY PRESENTING NEW ZEALAND
REAL ESTATE INSIGHTS IN REAL-TIME

SEPTEMBER 2021

CONTENTS

DEAR PROPERTY OWNER,

Our 44th edition of Ray White Now welcomes us to uncertain times given that, as a country, we are currently at varied Alert Levels across New Zealand.

Before the changes to the Alert Levels, the New Zealand property market was continuing to make significant progress. Price increases across many regions continued to be strengthened, while the capital city areas were showing less gain but were still remarkably strong compared to previous years.

The gains in prices over the last 12 months have been extraordinary. Nationally the median house price has risen by 25.2 per cent to $826,000, a record across New Zealand property. When we look at property prices, they've increased by 23.3 per cent from $557,500 in August last year to a new record of $687,500 in August this year.

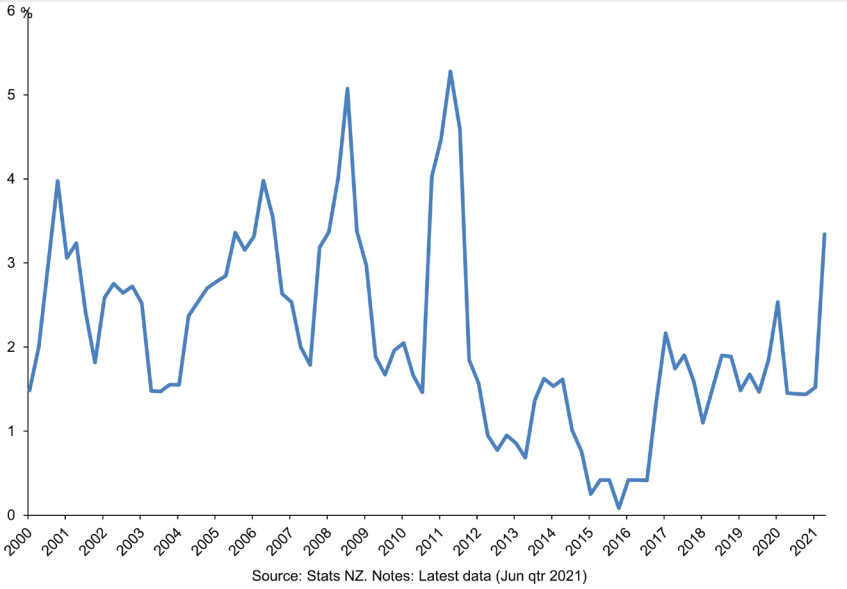
The Reserve Bank had their monetary policy statement on 18 August, in which they decided to keep interest rates on hold mainly due to the COVID-19 announcements the day before. The current Official Cash Rate is 0.25 per cent, which has been at that level since March 2020, when there was a significant drop of 0.75 per cent due to the initial COVID-19 outbreak. This was designed to stimulate the market and was a response to a time when the Bank was unsure of the consequences of the pandemic.

While house prices are an important consideration for interest-rate movements, sustainability also plays a role in how the Reserve Bank sets its monetary policy decisions. One of the more connected aspects of the Official Cash Rate is the Consumer Price Index, which has risen to its highest level since mid-2011 at 3.3 per cent. This inflationary effect is an additional burden on the economy and is higher than the inflation target range set over the medium term.

The shortage of properties available for sale is of continuing concern, with the industry having its lowest inventory level ever. The total number of properties available for sale in New Zealand decreased by 31.9 per cent in August 12,249, down from 19,441 in August 2020 – 7,192 fewer properties compared to 12 months ago. This is the lowest level of inventory we've ever seen in New Zealand (surpassing the previous record low set in December 2020 at 12,932). For the fourth month in a row, only one region saw an annual uplift in inventory levels - Gisborne, with a 21.4 per cent increase in inventory levels from the same time last year. We will look in more detail at how inventory puts pressure on prices and the overall impact of a lessening inventory portfolio for sellers.

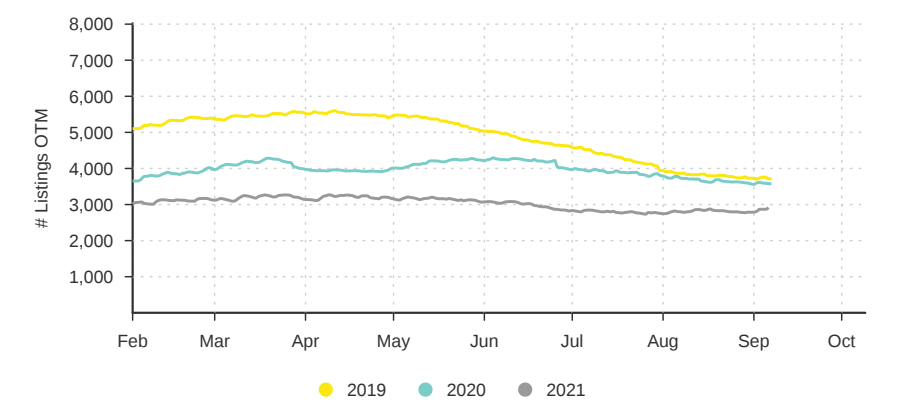
In regard to our Ray White portfolio, we are currently holding 2,911 properties for sale. This is 18.87 per cent down on the same time last

New Zealand's Consumers Price Index (CPI)



year and 22.54 per cent down on the previous year. In aggregate numbers, this sees us holding around 800 fewer properties; however, the number of listings continues to be positive, but given the strength of the buyer market, there is not enough stock replacement for the amount of demand. This, clearly, is an opportunity for those who are considering selling.

For Ray White, in August, residential property sold across New Zealand increased slightly by 7.6 per cent. August 2020 was the first full month of real estate market activity post-lockdown and saw an unusually high level of sales. What we see this August is far more aligned to the usual winter sales numbers, albeit in a high-demand, supply-constrained market.



Looking back on July, where we have complete data for New Zealand, excluding Auckland, the number of properties sold in July decreased by 17.2 per cent compared to last year (5,427 to 4,496). In Auckland, the number of properties sold in July decreased by 0.6 per cent year-on-year (2,708 to 2,691). In July, two regions out of sixteen saw annual increases in sales volumes. Regions with increases were: Northland: +7.8 per cent (218 to 235 – 17 more houses) – the highest for a July month since 2016. Gisborne: +70.6 per cent (34 to 58 – 24 more houses) – the highest for a July month since 2016.

The Reserve Bank released figures showing $8.8 billion worth of mortgages advanced, the highest recorded for July. During the previous 12 months, a hundred billion dollars worth of lending has taken place. Banks are continuing to lend at record levels, and it is now the owner-occupiers doing a lot of the borrowing, and they are the big movers in the share of the lending. The latest Reserve Bank figures show the first home buyers share is now 18.2 per cent, which is lower than the previous month. During July, the total money borrowed by investors was $1.472 billion, which represented 16.7 per cent of the total market. The continuing strong interest of the owner-occupiers continues to show renewed momentum for July. The owner-occupier share rose to 64.1 per cent, with their borrowing capacity reaching $5.65 billion, a residential record for owner-occupiers in July.

In the current conditions, it is difficult to make any reasonable prediction other than what we can see on a daily basis. The amount of enquiry we are receiving on property is at an extraordinary level. Given that viewings and conversations occur online, the opportunity for people to virtually list their property is much more accepted than in the past. Buyers are willing to consider placing offers subject to conditions, allowing the market to continue to operate positively. It will never be as good as unrestricted trading levels, but we encourage those looking to sell to talk with your Ray White representative.

Ray White Now is produced in conjunction with real-time data from our 187 offices across New Zealand. On an annual basis, Ray White completes $20.18 billion worth of property transactions and currently manages a portfolio of 20,045 properties through our property management division.

Carey Smith
Ray White New Zealand Chief Executive

DISRUPTIVE AND UNCERTAIN TIMES OWNER OCCUPIERS BECOME MORE ACTIVE

"There is an air of expectation in the current market. We have run-off campaigns that are stronger than ever. Buyer demand is very high, and enquiry rates have hit a new high as well. We are encouraging sellers to list now and be ready to launch on the change of levels because the buyers are already waiting." *Daniel Horrobin, Ray White City Realty Group Director with offices in Auckland Central City, Wynyard Quarter, Eden Terrace, Parnell and Sandringham.*

The immediate announcement by the government to move back to COVID Alert Level 4 saw the Reserve Bank delay an increase in the Official Cash Rate. This expected rise was delayed because of the restrictions now on the New Zealand economy and the potential uncertainty around inflation and employment depending on how long the country is under Level 4 conditions.

The Reserve Bank has indicated that house prices that have increased over 25 per cent in the last 12 months are unsustainable. It is a widely held view that while there is uncertainty right now, interest rates are likely to rise 0.50 per cent at the next Reserve Bank announcement in early October. The Reserve Bank has projected the official cash interest rate will lift to 2 per cent by mid-2023. That is 1.7 per cent higher than the current rate.

While the immediate position assumes that we will be in a short lockdown, this is unpredictable, and the field sales activity and price growth will be unsure. Currently, inflation is at 3.3 per cent, higher than the range for the Reserve Bank and the property market. The medium-term outlook will see mortgage rates rise, which mean borrowers will have increased payments. While equity buildup has been significant, either way, the Reserve Bank, wishing to have some headwind against rising prices, will provide regulatory change to continue tightening loan to value ratio as well as the phasing in of the removal of interest-rate deductibility for investors.


RayWhite.
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Auction
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Living, dining, fire, sunroom or study 7
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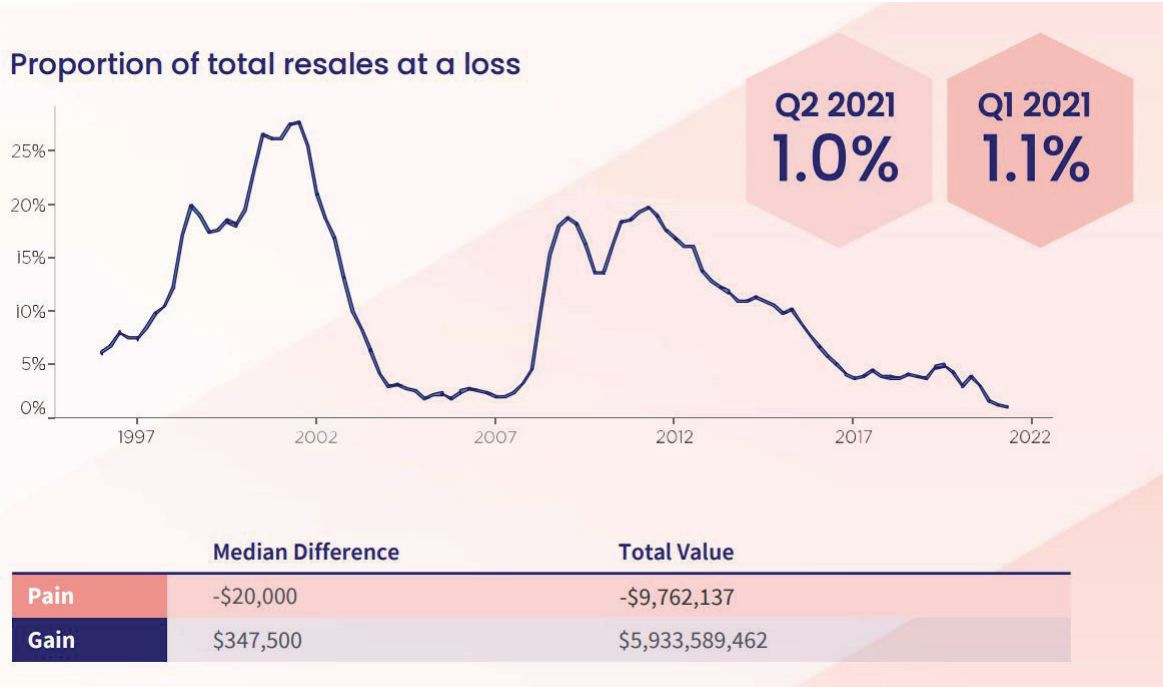
But what does this mean for today's property owners? Across New Zealand, properties that resold for a gross profit in the three months to June 2021 had been owned for a median of 7.4 years. According to the latest report from CoreLogic, the resale gains across New Zealand were extraordinary. Wellington was the strongest performer in the main centres, recording a new record high in Q2 and a median resale profit of $535,000. The median gain in Auckland was $490,000 and $437,500 in Tauranga. In Hamilton and Dunedin, the median resale gain was $360,000 or more, while in Christchurch, the median resale gain was $220,000. Across New Zealand as a whole, the proportion of properties being resold for more than the original purchase price (i.e. a gross profit or "gain") in Q2 2021 was 99.0 per cent – an equal record high (with Q1 2021). The size of those gains was also high – a median of $347,500 for resales in the three months to June.



Source: corelogic.co.nz Pain and Gain Report Q2, 2021

According to the report, in the urban areas, the Upper North Island saw a widespread upturn in property values across the country in the past six-nine months. The flow-on effects this has had on resale performance can also be seen across the main urban areas in the top of the North Island. Indeed, for the past three quarters (i.e. Q4 2020, and Q1 & Q2 2021), all resales in Gisborne have been made above the original purchase price. The figures have also been very strong in Whangarei and Rotorua at 98-99 per cent of resales being made for a gross profit. Of course, in dollar terms, the gains have also been high (and the losses low). Indeed, in each of these three areas, the median resale profit topped $300,000 in Q2 2021, with the totals ranging from around $51m (Gisborne) up to $94m (Whangarei).

The Lower North Island, generally speaking, saw some of the strongest increases in average property values across the country in the past year or so have been in areas around the central and lower North Island, and this is showing clearly in the gain statistics. In Hastings, Palmerston North, and Whanganui, all resales were made above the original purchase price in Q2 2021, while the figures were also 99.5 per cent or above in Napier and New Plymouth.

The size of the gains matched the high frequency of resale profits in these areas in Q2. The median gains were about $440,000 in both Hastings and Napier and were more than $300,000 in Whanganui and Palmerston North – with New Plymouth also strong at $275,000.

Property re-sellers across the key South Island centres generally remained in a strong position in the second quarter of the year. In Nelson, no resales were made below the original purchase price, while the figure was only 0.4 per cent in Invercargill (one property). In Queenstown, about 4 per cent of properties were resold below the original price, but that was only a handful of deals and still well below the figure of closer to 9 per cent in mid-2020.

Consistent with those figures, the scale of gains was also high (and the scale of losses low). The median resale profit in Queenstown in Q2 2021 was $460,000 and was more than $337,000 in Nelson. Invercargill came in at $222,650.

In our update on property prices, the highlights from the CoreLogic HPI for July shows annual increases across New Zealand of 24.8 per cent, with the average value being $922,421. The major market saw Wellington have the greatest annual increase of 31.9 per cent, followed by Hamilton at 26.8 per cent. Tauranga now has an average sale price of $994,708 and, in the last 12 months, has risen by 25.3 per cent.

Change in Property Values

Area	Month	Quarter	Annual	Average Value
New Zealand	1.8%	5.9%	24.8%	$922,421
Auckland	2.1%	5.0%	21.6%	$1,310,305
Hamilton	0.4%	6.1%	26.8%	$805,503
Tauranga	1.7%	7.9%	25.3%	$994,708
Wellington	1.5%	7.1%	31.9%	$1,024,290
Christchurch	2.1%	8.4%	24.2%	$644,628
Dunedin	1.5%	4.5%	20.6%	$664,560

Source: corelogic.co.nz

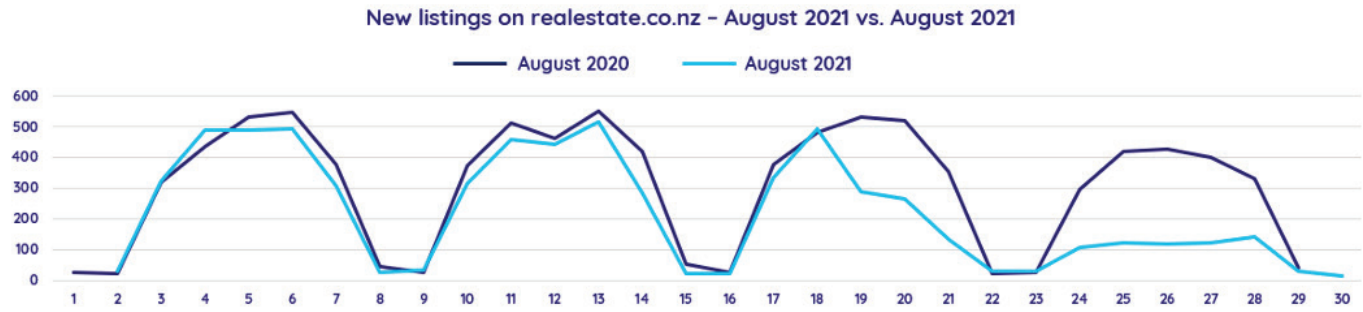
The provincial markets saw very strong gains, with Napier, Porirua, Lower Hutt, Hastings, Kapiti Coast rising between 30 and 35 per cent annually. Upper Hutt, together with Gisborne and Palmerston North, showed annual rises between 35 and 40 per cent. During the past month, the strongest market in New Zealand was Whanganui, which increased 3.8 per cent and gave it the honour of being the highest annual rise of 40.1 per cent in value across New Zealand.

Change in Property Values				
Provincial Centres	**Month**	**Quarter**	**Annual**	**Average Value**
Queenstown	1.5%	7.1%	18.9%	$1,385,126
Nelson	1.9%	5.0%	19.1%	$789,468
Invercargill	0.8%	2.8%	20.9%	$437,590
Rotorua	-3.3%	1.9%	21.1%	$650,546
New Plymouth	1.5%	4.1%	24.8%	$641,340
Whangarei	1.9%	3.4%	26.6%	$732,434
Napier	2.6%	2.8%	31.8%	$815,597
Porirua	1.9%	6.0%	33.9%	$932,837
Lower Hutt	0.9%	7.7%	34.3%	$922,578
Hastings	2.5%	6.7%	34.5%	$798,087
Kapiti Coast	-0.2%	3.3%	35.0%	$910,925
Upper Hutt	1.8%	6.6%	35.2%	$871,942
Gisborne	1.0%	2.1%	35.5%	$591,320
Palmerston North	1.2%	8.3%	38.4%	$714,036
Whanganui	3.8%	7.3%	40.1%	$520,415

Source: corelogic.co.nz

Housing stock, in regard to property for sale, is at a record low, with shortages in eight regions and also nationally. As of 1 September, there were 31.9 per cent fewer properties for sale. Some areas have seen their housing stock more than halve over the last 12 months, including Coromandel, Northland and Nelson Bays. Canterbury (-49.6 per cent), the West Coast (-52.6 per cent), Central Otago/Lakes District (-47.7 per cent), Southland (-41.4 per cent), and Taranaki (-24.9 per cent), also hit 14-year record lows.

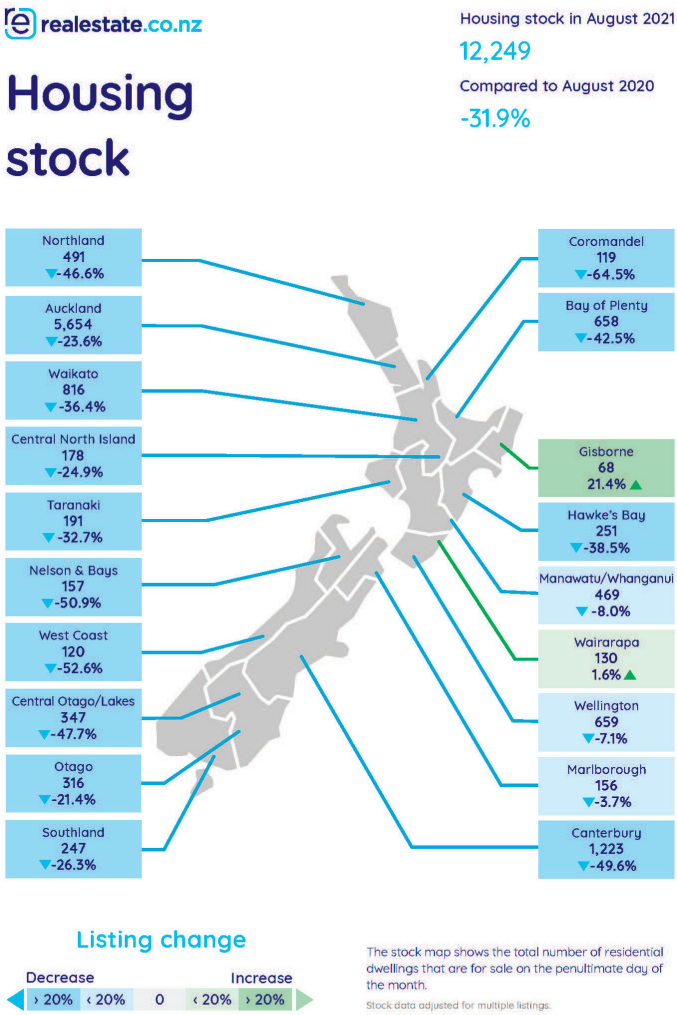
Wairarapa and Gisborne were the only regions that saw housing stock increase—In the Wairarapa there were 130 homes available to purchase in the region last month—up a mere 1.6 per cent since last year. The West Coast (-35.9 per cent), Hawkes Bay (-32.7 per cent), and Southland (-27.0 per cent) also had noteworthy dips in new listings compared to this time last year.

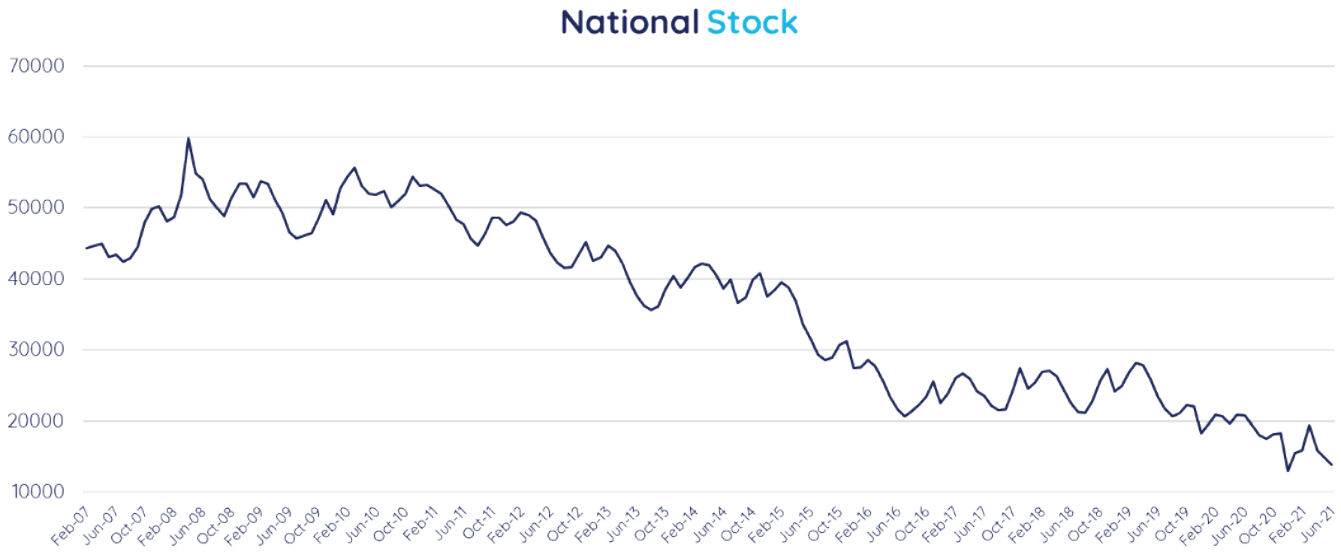


The average inventory of listings has been reduced to eight weeks. This is in comparison to the long-term average of 27 weeks, with every market across New Zealand showing a reduction in available inventory compared to the long-term average. This is most polarised in the regions of Hawkes Bay, Wairarapa, Wellington and Canterbury.

Listings for August 2021 were 3.1 per cent lower than the same time last year across the nation at 12,249. There were substantial decreases in Northland, Central North Island, Nelson and Bays, Hawkes Bay and Otago. There were positive inventory lifts in two markets, Gisborne and the Wairarapa.

Over the past ten years, the national stock has decreased. While this is more polarised in percentage terms than ever, it has been somewhat of a steady decline in the last ten years that has seen stock decrease from a high of 50,000 properties on the market to today being at a level of 12,600. Sales numbers, however, have not decreased. Given that there are around 8,000 property sales per month, the inventory level and stock availability are at approximately 40 days. This means addressing housing stock challenges and incentivising new builds is a priority of the government. Several markets have intensified their unitary plans to allow more building to take place and more homes to be occupied per square metre of usable land. This in itself is an approach that sees an intensification of housing. While not all areas will see changes, many of the major capital regions will have to incentivise new builds in regard to the unitary plan.





Major retail banks are now supporting new build applications with lower interest rates which start from 1.68 per cent through ANZ. This loan is a floating rate that offers a discount for two years when building or buying a newly built property. The discount is available in loans to build if you are an owner-occupier or residential investor building a home or purchasing a turnkey property. This is an opportunity that will strengthen the ability for first home buyers to purchase new property and encourage additional property to be built.

The total value of mortgages continues to increase with buyers' confidence that prices will continue to rise. The Reserve Bank figures show that from July 2020, $8.818 billion was advanced in mortgages, bringing the total for the last 12 months to over $100 billion. There are few comparisons that can be made to the same time last year; however, the size of the mortgage continues to increase.

The buyer classification for borrowing in July saw owner-occupiers lift their share of borrowing to 64.1 per cent, while there was a slight increase by investors who borrowed $1.47 billion and this represented 16.7 per cent of the total mortgages advanced. First-time buyers continue to borrow; however, their share declined slightly to $1.605 billion, seeing this classification has an 18.2 per cent share of all mortgages drawn down.

In summary, there are mixed messages in the marketplace regarding wholesale interest rates that have arisen. While there are expectations from the Reserve Bank that the Official Cash Rate will rise at some stage, it is still expected by the majority of economists to be late this year/early next year. The Reserve Bank is watching the housing market closely, and it is difficult to consider the balancing of the housing market with employment, inflation and other economic factors being important to the overall monetary policy review.

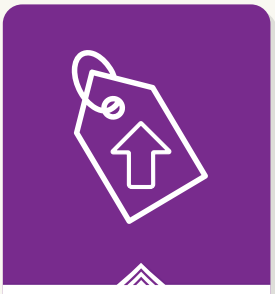
The next monetary policy review is being held on 6 October 2021. The last change in interest rates was a 0.75 per cent drop in March 2020, and since that time, the official cash rate has been 0.25 per cent.

Official Cash Rate on hold at 0.25 percent.

The seven members of the Monetary Policy Committee agreed to retain the current stimulatory level of monetary settings, keeping the OCR at **0.25 percent** for now.

Economic growth and employment are strong

Businesses are finding it difficult to source the workers needed to meet demand



Recent increases in inflation are largely temporary

Less stimulus will be needed to meet our inflation and employment objectives

Latest key statistics

- Annual economic growth: 2.4 percent (Q1 2021)
- Annual inflation: 3.3 percent (Q2 2021)
- Unemployment rate: 4.0 percent (Q2 2021)

Today's decision to keep the OCR at 0.25 percent was made in the context of the Government's imposition of Alert Level 4 restrictions on activity across New Zealand.

Source: Monetary Policy Statement August 2021

This is the latest Monetary Policy Statement released 18 August 2021 by the Reserve Bank. This may provide a balanced view of the way New Zealand's central bank responds to the considerations in regards to the outlook of house prices together with the potential risks and other aspects involved.

WHAT'S THE OUTLOOK FOR THE NEW ZEALAND PROPERTY MARKET IN SPRING?

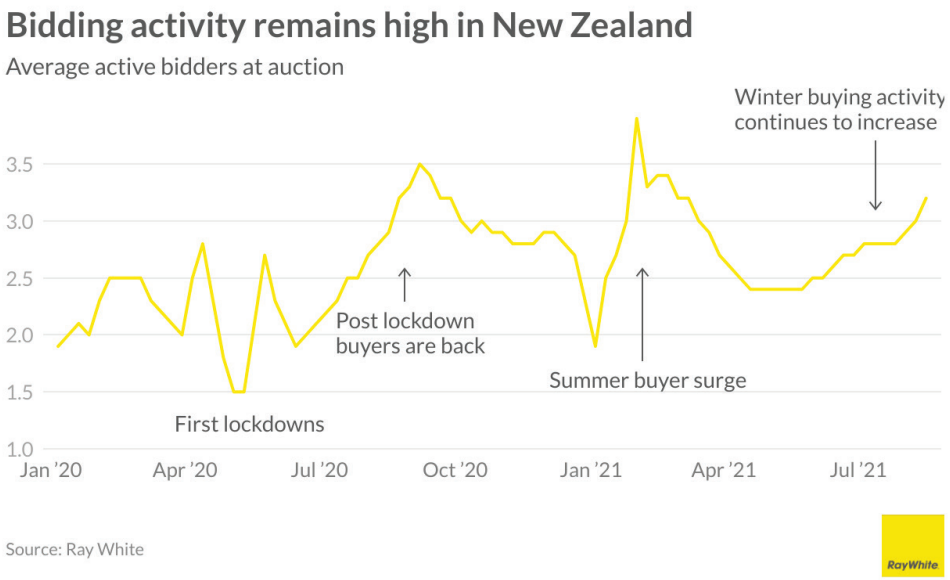
Nerida Conisbee, Ray White Chief Economist

It has been a heady ride for the housing market in New Zealand over the pandemic. Prices have surged, sparking a rush of people coming to market to sell their homes. Since March however, conditions have become a bit different. Restrictions on finance have slowed the market and prices appear to be starting to plateau. With buyers still active in the market, and more finance restrictions on the horizon, what is the outlook for the New Zealand housing market this Spring?

Buyer activity remains strong

While it is easy to track the number of properties for sale, tracking serious buyers is a little more difficult. New Zealanders are property obsessed and enjoy looking at properties for sale and attending auctions, even if they have no intention of buying or selling. To combat this, we have used the number of active bidders at auction to gage buyer activity. If you make a bid at an auction, it can reasonably be assumed that you are a serious buyer.

Not surprisingly, the number of active bidders was low during the first lockdown but once the economy was fully open again in June 2020, active bidding began to increase again. There was a bit of a lull over the Christmas/New Year period but then a summer rush of activity occurred. Since the start of winter, we have seen a continued pickup in active bidders at auction. New Zealand property is very expensive, but for now it doesn't seem to be deterring buyers and competition for properties remains strong.

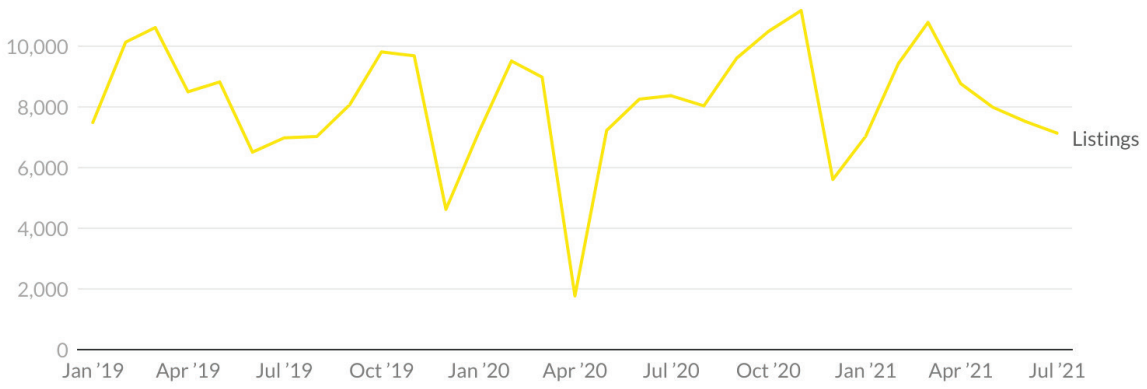


Stock shortages emerging, and will become more challenging with lockdowns

The start of this year was particularly positive for buyers with the number of new listings exceeding 10,000 for the month. Since then, it has become more challenging to find a property. In July, properties for sale were down almost 15% compared to the same time last year. Compared to March, they were down almost 34%. Across the country, the declines were fairly consistent however a slightly bigger decline was recorded on the South Island.

As to whether this will continue will in part be driven by lockdowns. It is difficult to sell in a lockdown and this means that sellers generally wait it out. This reduces the stock available. Although historically we have seen a significant uptick in properties for sale once lockdowns end.

Properties for sale are declining across New Zealand

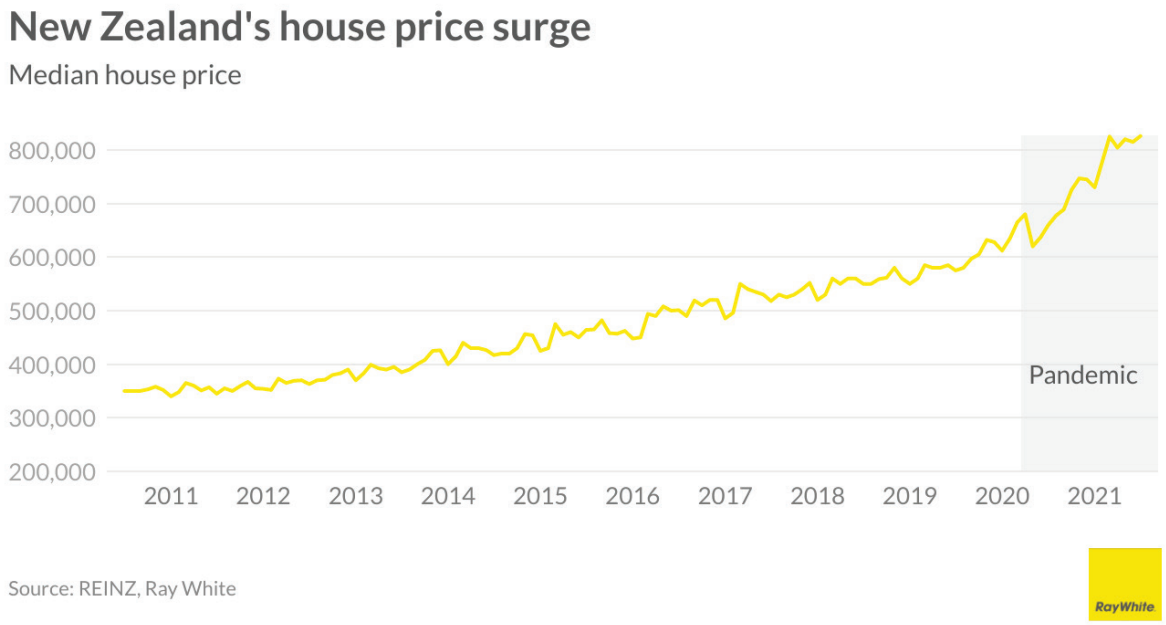


Includes listings across agencies in New Zealand

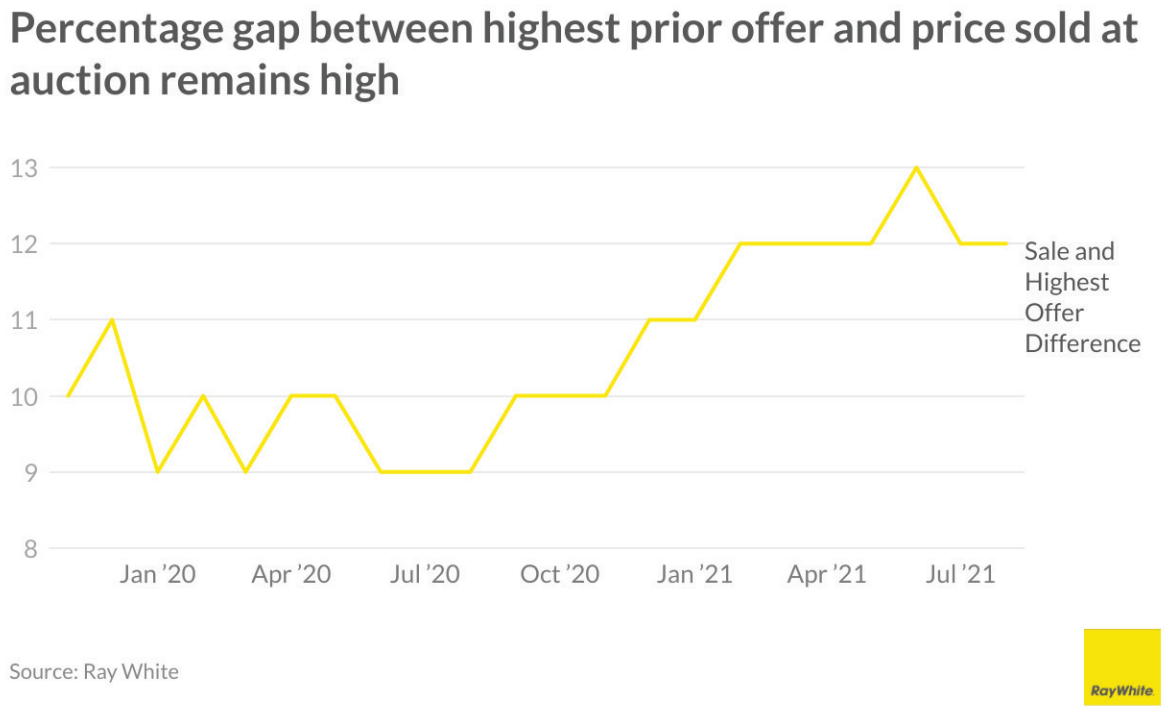
Source: Ray White

Prices unlikely to fall but slow down in growth to continue

The pandemic driven price boom is not unique to New Zealand but in terms of magnitude, it has been the strongest in the OECD. Following finance restrictions imposed by RBNZ in March, we did see pricing calm, showing that the policy change did have its desired result.



At this stage, our own data is yet to show signs of a substantial fall in pricing. Analysis of Ray White auction data continues to show a large gap between the highest prior offer and the price sold at auction. Historically, this gap has averaged 10% but in July was at 12%. Competition for properties is still strong, not just when we look at the number of active bidders, but also at the prices being paid for properties at auction.

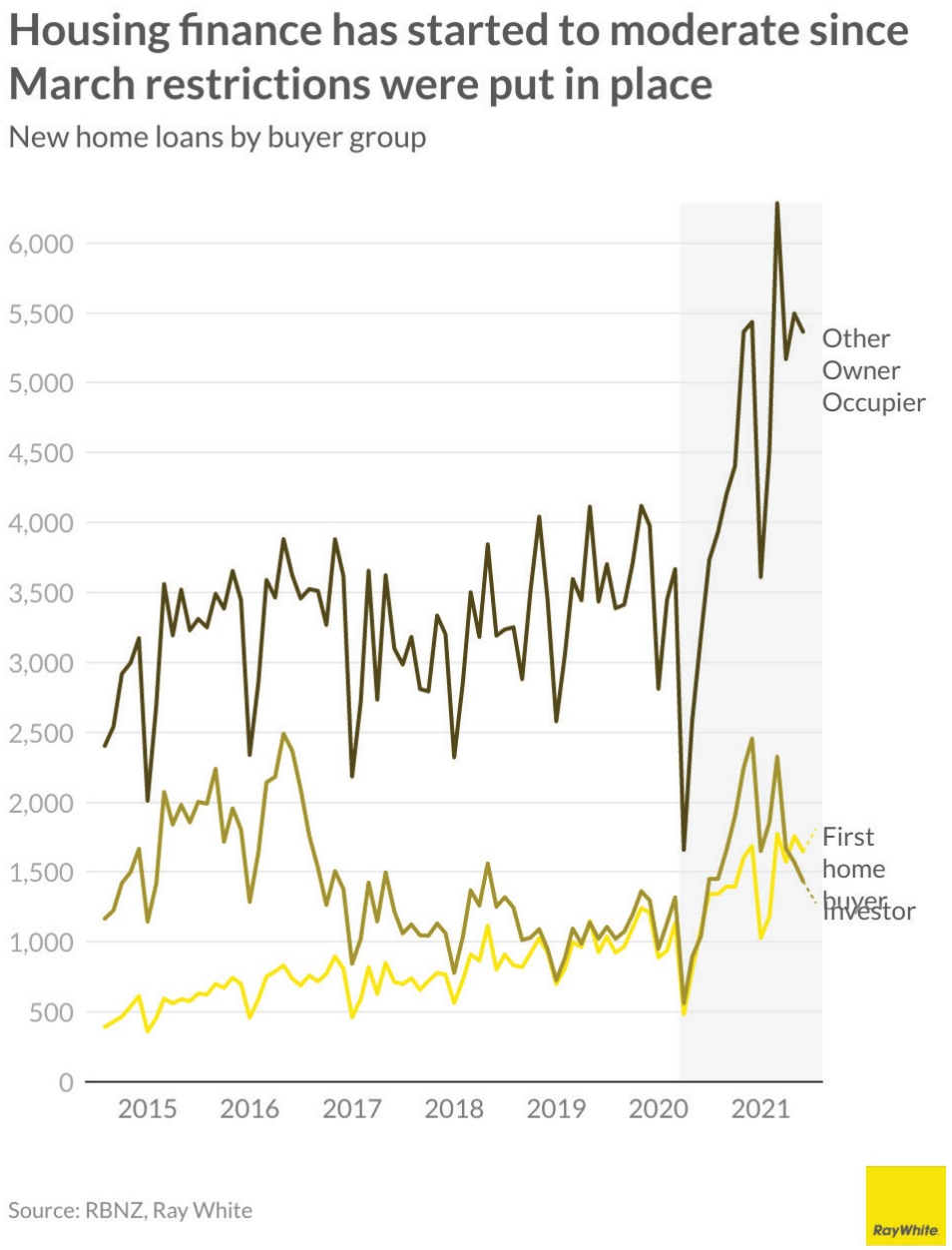


Fundamentally, what happens to pricing is going to be dependent on two competing factors. The first is whether stock shortages continue (pushing up prices) and whether the greater restrictions on finance lead to a dramatic fall in borrowing (to my next point).

Finance restrictions could substantially alter the outlook

Auckland is the second least affordable city in the world, according to a 2020 study undertaken by Demographia and comparing household incomes to house prices at a global level. Since the study was done, affordability has become even more challenging. Access to finance is a major driver of house prices.

The RBNZ has already moved on restricting finance by adjusting loan-to-value ratios for people looking to get a loan. In October, they further plan to lower loan-to-value ratios and implement debt-to-income restrictions or interest rate floors. As to the ultimate impact on pricing, it will depend on whether we see more lockdowns, as well as the extent to which borrowers pull back with the restrictions.



WHY ARE WE CONTINUING TO SEE STRONG RESULTS?

Several factors drive real estate markets; 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.

What are we seeing now?

Simply put, we are selling more than we are listing which is creating an undersupply of stock. Combined with sustained levels of unprecedented demand, the property market is firmly favouring those looking to sell despite the recent housing policy announcements by the Government and the resurgence of COVID-19.

Supply

Throughout August, we saw 889 'new listings' come onto the market, a 48.7 per cent decrease compared to the same period last year. The decrease in 'new listings' has been met with an increased number of sales 1,101, meaning we oversold our portfolio in August by 212. Our members are selling more than they are listing, which impacts the total available listing supply, which is currently 20.84 per cent less than this time last year and 24.24 per cent less than the same period two years ago. With a total of 2,837 listings on the market in August for buyers to choose from, these stock levels continue to favour our sellers.

Demand

Our strong volume of buyer demand is clearly continuing to drive our results. Across all of our metrics, August demand was up. The initial buyer metric we take into consideration is the number of buyers viewing properties online. Throughout August, we saw 4.142 million views across our Ray White websites. This is 6.26 per cent higher than this time last year and resulted in over 49,229 enquiries, a volume that is 9 per cent higher than August last year. The demand hasn't stopped at online activity. Across our auctions in August, we recorded an average of 4.7 registered bidders per auction. Of these bidders, an average of 3.4 were actively bidding (refer to page 14) with an auction day clearance rate of 79.8 per cent. The final consideration we look at when measuring the volume of demand in the market, and arguably the most significant, is the number of people obtaining pre-approvals for finance. Pre-approvals are a key leading indicator to buyer confidence knowing they have the financial capacity to buy the property. Our partners at Loan Market are seeing record numbers of pre-approvals across the country, with 69.82 per cent more than this time last year (refer to page 21).

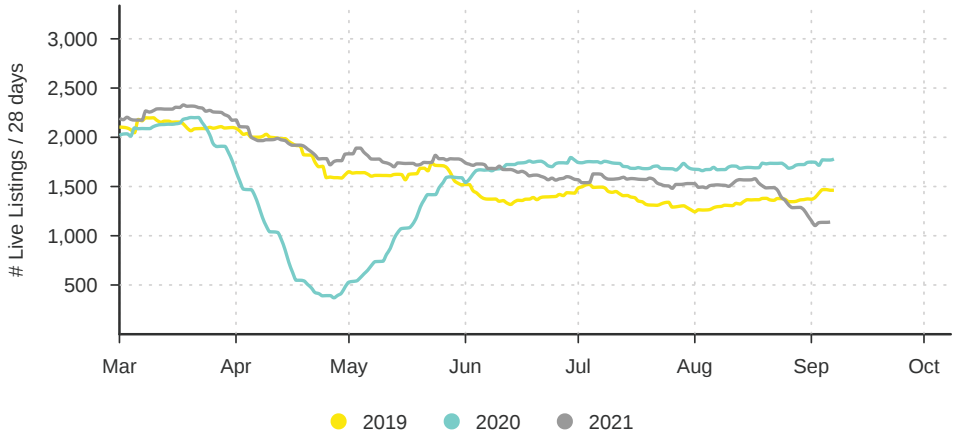
As we continue to see strong numbers across these buyer metrics, we often ask ourselves why?

What are we seeing with finance?

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 2.25 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.

LIVE LISTINGS

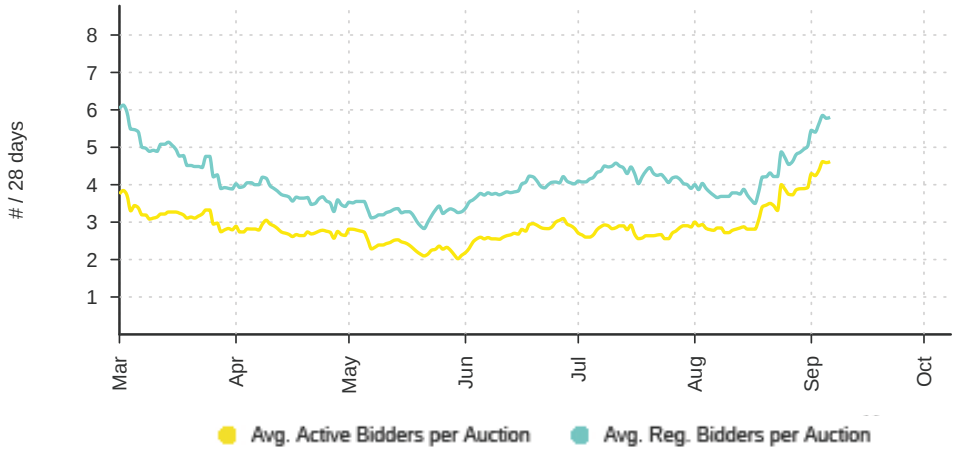
This chart shows the total number of live listings are down 35.61 per cent compared to the same time last year. Taking into account the effects of COVID-19 and respective lockdowns.



Source: Ray White Online Analytics

BIDDING BY MONTH

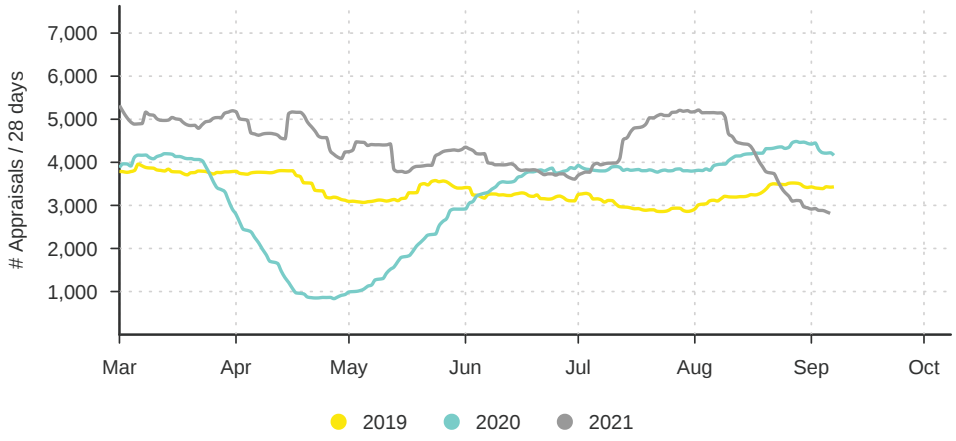
This chart illustrates the average number of registered bidders per auction has increased throughout 2021 and through COVID-19 and respective lockdowns.



Source: Ray White Online Analytics

APPRAISALS

This chart compares the number of appraisals Ray White salespeople have made over the 2019, 2020 and 2021 calendar year.



Source: Ray White Online Analytics

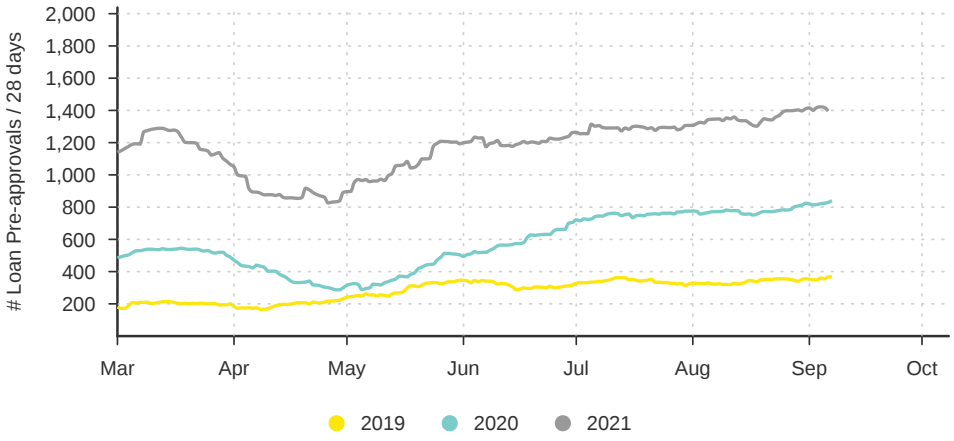
What factors are contributing to buyer confidence?

Interest rates continue to underpin purchasers buying power, and today interest rates are at record low levels, advertised from 2.25 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 6 October 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. The chart on page 21 shows the monthly home loan pre-approvals recorded by the Loan Market Group, 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 buying 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.

LOAN PRE-APPROVALS

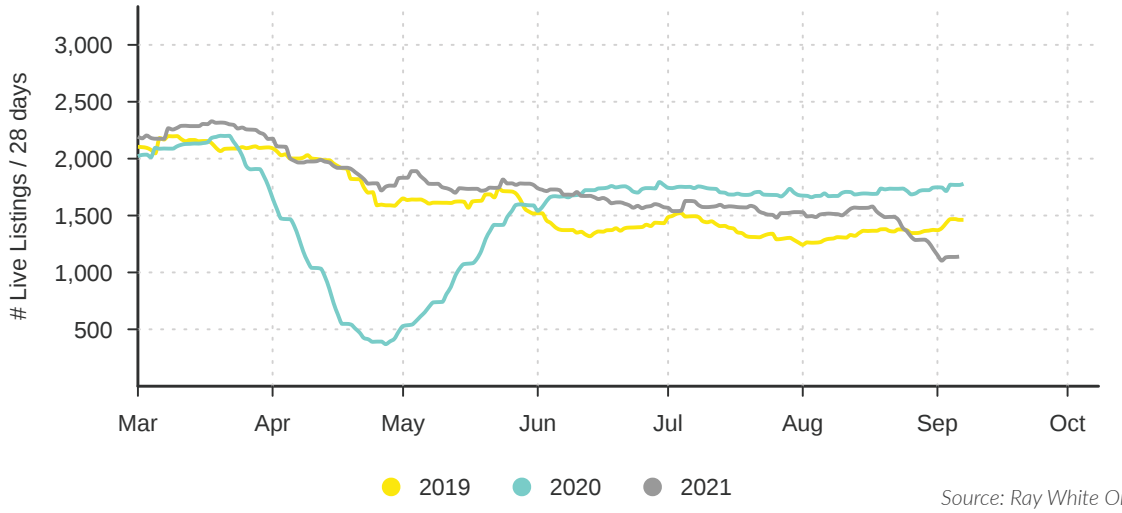
This chart compares the number of loan pre-approvals submitted via Loan Market brokers over the past three years.



Source: Ray White Online Analytics

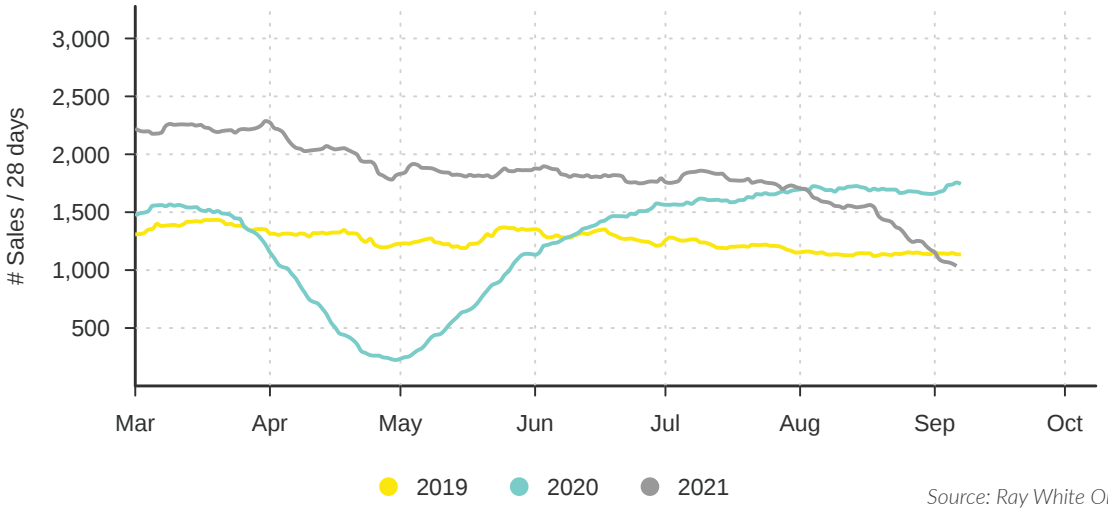
CONSIDERING SELLING?
WHAT IS REALLY INFLUENCING THE MARKET

As we saw during last year's lockdown, restrictive conditions meant that property couldn't be physically inspected or transacted, but it can be done remotely. Interestingly, when we entered level 4 restrictions in 2020, the predictions came thick and fast, picking a dramatic downturn in the real estate market. But, what caught many commentators off-guard was that the exact opposite happened.



Source: Ray White Online Analytics

In fact, not only did prices remain stable, they surged, along with the volume of transactions. This may be why, this year, there have been few bold enough to make the same predictions that they did last year. What we did see is that the property that was listed during last year's level 3 and 4 restrictions saw very concentrated enquiry from genuine buyers. When trading conditions allowed property inspections, the pent up demand saw sales numbers and prices surge.



Source: Ray White Online Analytics

When we look at the factors that contributed to the outcomes that we have seen over the last twelve months, we ask, how many of them still remain?

Housing Supply

It has been said for many years that New Zealand simply hasn't been building enough houses. While development has ramped significantly up in recent months, this construction can take many months or years to complete, meaning that the immediate demand continues to remain unsatisfied. Compounding this issue is the delays to construction that COVID related lockdowns have imposed. In addition, any vendor that chooses to delay putting their property on the market due to the outbreak also adds to the shortage of available stock. This is why we have seen those listings coming to the market in the past seven days achieving increasing levels of engagement from interested parties.

Interest Rates

Interest rates were cut to record low levels during 2020 and have remained so ever since. In fact, many had been predicting the Reserve Bank would increase the Official Cash Rate, and in turn, lenders had started to see those lending rates on offer creep up ever so slightly. However, with the RBNZ announcement due the day after the nation returned to Alert Level 4, the OCR was left at an all-time low of 0.25 per cent, meaning that while the cost of borrowing is low, the ability to purchase at a higher price also remains.

Cost of building

Due to many factors, including global supply chain issues, the closing of timber mills labour shortages, and COVID related building delays, the actual cost of building a home has continued to increase. In a recent Stuff article, NZ Building Industry Federation Chief Executive Julien Leys was quoted as saying, "Almost all building products – from sink tops to wood planks to glues – were increasing in price by 5 to 30 per cent this year" he added "[New] house prices will absolutely go up."

While the cost of building or renovating a home continues to rise, the price of an existing one, in comparison, will also see price growth as home purchasers consider both options.

LVR Restrictions

At the end of April last year, with the uncertainty of the pandemic, many borrowers looked to put their mortgage on 'payment holidays'. The RBNZ, in an attempt to avoid the unintended consequences of borrowers ending up with less than 20 per cent equity due to their payment deferrals, removed the previously implemented LVR restrictions. What then occurred was that the removal restrictions meant that owner-occupier borrowers would no longer require a minimum of 20 per cent deposit when purchasing a home, and investors could also leverage much more highly. This added significantly to the housing sector's confidence and momentum, and although those restrictions have now been reinstated, the market confidence remains.

While it remains difficult to predict what the market may look like in the near future, what we can look at this time around, is what happened during last year's restrictions and what is happening right now. As you have already read in this document, heightened levels of buyer engagement at online auctions and increased enquiry give us confidence that if you are considering selling, talking to your salesperson to discuss preparing your home for launch is important to take advantage of the level of engagement we are currently seeing from buyers.

HOW DO WE CREATE THE MOST COMPETITION FOR YOUR PROPERTY?

1. Marketing exposure

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.

In August, Ray White New Zealand had 1,365 live listings, with the number of sales down 26 per cent year on year.

Since the beginning of 2021, Ray White New Zealand has listed a record 14,492 properties across the country.

In 2021, the Ray White Group passed through 23.34 per cent market share in New Zealand residential sales and last month, Ray White New Zealand had its best May in history.

Last month, Ray White New Zealand had 688 properties scheduled to go to auction, leading to a strong all sold clearance rate of 84 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.


Auction

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.

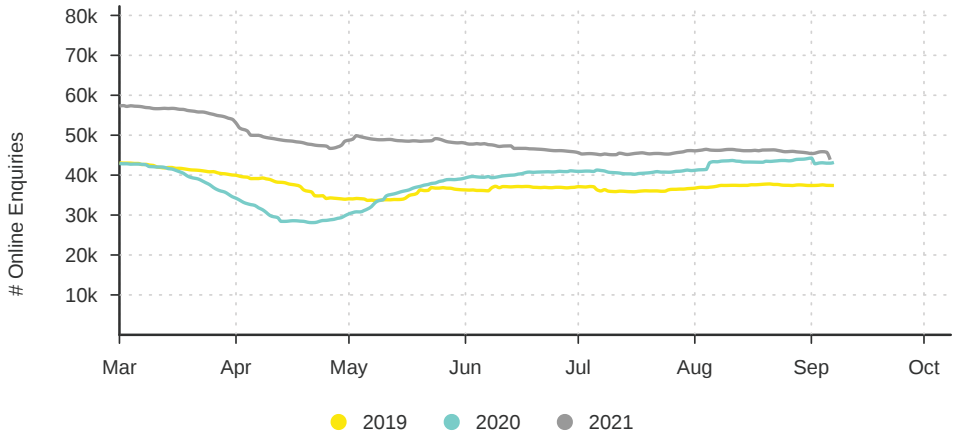
In addition to our ability to target broad audiences, Ray White Concierge, our communication specialists, unique to Ray White, can target one of the most influential audiences, our local communities.

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.

ONLINE ENQUIRIES

This chart compares the number of online enquiries made through Ray White websites from 2019, 2020 and 2021. It shows online enquiries are 6.26 per cent above levels at the same time last year.



Source: Ray White Online Analytics


11:43
PULSE
MAR
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JUN
JUL
AUG
RAY WHITE NOW
WEEKLY RESIDENTIAL MARKET INSIGHTS
DOWNLOAD THE REPORT
NETWORK HISTORY
APPRAISALS
SCHEDULED AUCTIONS
Scheduled Auctions / 28 days
2,000
1,800
1,600
1,400
1,200
1,000
800
600
400
200
0
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Jan
2020
2019
2021

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 August, the Ray White Group as a whole achieved more than NZ$18million 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.

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About **Loan Market**

Naturally, we all want the best when it comes to our home, and the same should apply to our home loan.

That's where our partners at Loan Market can help. Whether speaking to first home buyers, investors or owner-occupiers, Loan Market advisers can compare rates and features from over 20 banks and lenders to help potential buyers get the right finance in place to secure the property they want.

During the sales process, your Ray White salesperson will introduce potential buyers to their recommended local Loan Market adviser, who will respond quickly to provide them with the information they need to find a home that suits their needs.

Exposing your property to a pool of educated and, where possible, pre-approved purchasers who are ready to make an offer or bid at auction increases the likelihood of getting your home sold and settled on time and at the right price.

Your local Loan Market adviser can even assist you with your own home finance options. As one of Australasia's largest financial adviser networks, Loan Market enjoys industry links and contacts that mean they are better placed to negotiate on your behalf with major banks and secure lenders. They may even be able to find you a better deal with your own bank.

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 Crows Nest and has grown into Australasia's most successful real estate business, with more than 930 franchised offices across New Zealand, Australia, Indonesia, and Hong Kong.

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.

Ray White's first auction house, 'The Shed' Crows Nest, Queensland.

raywhite.co.nz loanmarket.co.nz