

BUYER CONFIDENCE IS ON THE RISE

Welcome to the latest edition of Bayleys' View magazine for the Otago, Central Otago, and Southland regions as we keenly await the arrival of spring, the commencement of the Rugby World Cup, the general election, and the next level of activity which the seasonal period will bring to the property markets in the lower half of the South Island.

Across the lower South Island region, there has been a growing number of requests for property appraisals over the past six weeks, suggesting more stock coming onto the market in the very near future for buyers to peruse over the spring period and lead up to Christmas.

Attendance numbers at auctions and open homes across the Lower South Island are also continuing to rise at a faster rate than any spell over the previous 15 months - a clear indication that buyer confidences is on the rise - ironically at a time of the year when some parts of the region's residential property market traditionally go into winter 'hibernation'. Perusing houses is a precursor to buying them, so look for this pattern to evolve over coming months.

For the first time since November 2021, when the latest credit crunch hit, residential property prices nationally are rising in more locations than are falling. Prices change in lagged response to changes in sale volumes, and it seems probable that this measure will move in the near future.

This may be especially so when you consider that activity in the housing market is picking up despite the absence of any declines in mortgage interest rates but also some fresh increases recently despite no extra monetary policy tightening... such as the Reserve Bank of New Zealand's recent decision to keep the official cash rate (OCR) at its current level.

For the first time since around the end of 2021, FOMO (fear of missing out) exceeds FOOP (fear of over-paying). Feedback our salespeople are hearing at more and more open homes over recent weekends is that the residential property market across Otago, Central Otago, and Southland is noting that buyers are now more worried about missing out than they are worried about making a purchase and then watching prices fall away.

The window of opportunity allowing buyers to casually peruse a high number of properties on offer is closing quickly though.

Latest in-depth sales data from the Real Estate Institute of New Zealand shows that several districts within the Lower South Island saw healthy 12-monthly lifts in residential property pricing values. These sub-market districts include:

- Central Otago District - up 25.4 percent from \$710,000 to \$890,000
- Dunedin City - up 4.3 percent from \$599,100 to \$625,000
- Queenstown Lakes District - up 16.5 percent from \$1,202,000 to \$1,400,000
- Waitaki District - up 2.2 percent from \$450,000 to \$460,000
- Invercargill City - up 9.6 percent from \$429,000 to \$470,000
- As a whole, the Southland region - up 1.2 percent from \$425,000 to \$430,000

The REINZ data also tracked that in Otago, the current median number of days to sell a residential property now sits at 45 days - more than the 10-year average for July which sits at 37 days. On current sales levels, there was 16 weeks of inventory on the market for sale in July - which is three weeks less than at the same month last year.

Meanwhile in Southland, the current median number of days to sell a residential property now sits at 51 days - more than the 10-year average for July which sits at 38 days. Emulating its neighbouring province, on current sales levels, there was 16 weeks of inventory on the market for sale in July - which is two weeks less than at the same month last year.

With offices based across the Lower South Island - in Dunedin, Mosgiel, Invercargill, Gore, Arrowtown, Winton, Cromwell, Wanaka, and Queenstown - the regional team at Bayleys Real Estate really does get a wide spread and diverse range of feedback from both vendors and buyers on where they see the residential property market right now, and where they feel it could be heading, all of which ultimately impacts on the decisions of when to sell and when to buy.

With that in mind, here are some of the observations which have flowed through to the various Bayleys teams in the Otago/Central Otago/Southland regions over the past couple of months...

One of the distinct characteristics of the turnaround in the residential real estate market which is currently underway is the absence of investor buyers. Individuals buying in order to provide accommodation for the one-third of New Zealanders needing rental space have stood back from the market ever since the tax change of March 2021.

To date, the effect on the rental supply of this lack of buying and slightly greater than average selling has had its impact obscured by the record surge in house construction over the past decade.

Next, first and second home buyers remain the main driving force behind improving activity levels. We are seeing that the first home buyer demographic predominantly encompasses those in their 20s and early 30s, with second home buyers moving up the property ownership ladder being aged in their late 30s through to mid-50s.

We are hearing anecdotally from first home buyers that the banks are still taking a conservative assessment approach lending restrictions - although they are looking favourably at applications where prospective borrowers have self-managed their discretionary spending levels and are now keeping higher amounts aside each month in preparation for deposits.

A strong employment history is also a 'must have' for first time borrowers, and in that respect, the high levels of employment enjoyed in the Otago, Central Otago, and Southland regions works favourably for those looking at taking on mortgages.

However, we're also hearing that banks remain very conservative on their lending levels where high loan-to-value ratios are a factor. While lending conditions should not be termed as 'easier' than the previous 18-months, they could be phrased as becoming 'less tight'.

Interest levels from investors continues to remain subdued though, with existing owners in this sector taking a 'wait and see' approach to market and political conditions, while simultaneously banking returns from their current rentals.

Loan serviceability from rental returns is still very much a consideration for those looking at becoming investors, while there is flexibility for those with existing high equity levels in either the existing family home, or other rental properties.

So as those within the Otago, Central Otago, and Southland regions prepare themselves for the coming spring months, the team of sales professionals at all of Bayleys branches across the Lower South Island look forward to assisting you in taking the next step in your home purchasing process.

Or alternatively, helping you crystallise the capital growth which has been achieved on your real estate asset over recent years. Whichever side of the property fence you sit on, the Bayleys team is here to assist.

Regards
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