Economic Note

Property Transfer Statistics

26 June 2018

Overseas influences on the NZ property market

- Most recent figures suggest that around 3% of home transfers were to non-resident New Zealanders.
- However, a further 8% of transfers were attributable to NZ resident visa holders, with a further 10% attributable to corporate entities. There were regional contrasts, with Auckland having around twice the proportion of purchasers who were non-NZ citizens.
- For policymakers a balance needs to be struck between promoting measures to facilitate dwelling construction and yet ensuring that NZ citizens do not get priced out of their domestic housing market.

Summary and implications

Earlier this month Statistics New Zealand produced new figures examining how much overseas interest there is in New Zealand property. It uses information on the citizenship or visa status of people transferring property and uses an affiliation-based approach to identify who has been purchasing New Zealand property, with more detailed figures available for residential housing transactions.

The estimates suggest that non-resident purchases made up around 3% of nationwide house purchases over the March 2018 year. This was in a similar ballpark to previously-published figures. However, anywhere from 11% to 21% of reported purchases over that period involved a non-NZ citizen, with the proportion considerable higher for some areas (particularly Auckland and Queenstown) than others.

Analysis of recent transfers also provides some evidence of segmentation in the regional residential market. As you would expect, areas with high rates of acquisitions by NZ citizens would have proportionately fewer acquisitions by non-NZ citizens. Interestingly, however, areas with higher rates of NZ resident (but not NZ citizen) acquisitions also tend to have proportionately more acquisitions by non-residents and corporates.

For policymakers, the figures suggest measures to restrict net immigration and overseas demand could have a significant impact on the local property market. Demand aspects concerning the New Zealand property market should also be viewed more in a global context. However, policy-makers need to strike the right balance between promoting measures to facilitate dwelling construction and yet ensuring that NZ citizens do not get priced out of their domestic housing market.

While there are gaps and limitations with this data, it represents a significant step forward, helping to shed more light on what has typically been a grey area in the analysis of the New Zealand economy.

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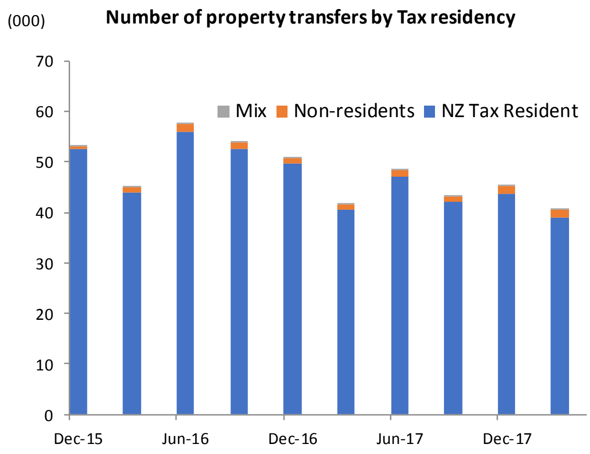
Background

Earlier this month Statistics New Zealand published figures on property transfers by New Zealanders and overseas people (see the release here). It included information on the citizenship or visa status of people transferring property (including homes) in New Zealand. It also included information on the tax residency of people and companies involved in property transfers. Its aim was to provide a more complete picture of the impact of overseas investment on the New Zealand property market.

The data in this release were mainly derived from land transfer tax statements collected from Land Information New Zealand (LINZ). This is tax-related data collected when people buy, sell, or transfer property, to ensure people comply with their tax obligations. A New Zealand tax resident could be an overseas resident who lives in New Zealand or a company with overseas owners. Not all transfers would involve a property sale – transfers could also occur as a result of deceased estates or marriage settlements – but a significant proportion are likely to be sale related.



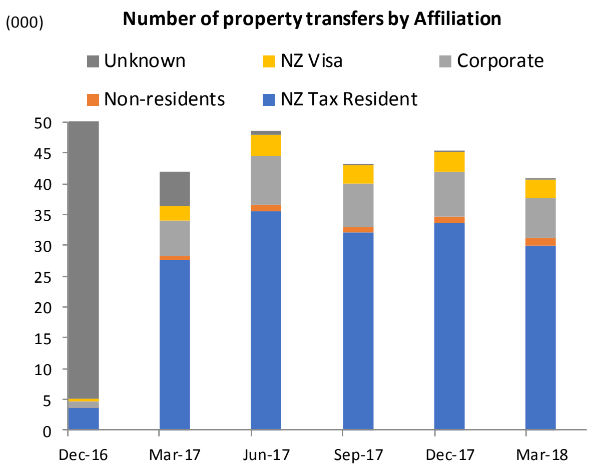
Source: Statistics NZ, ASB

Based on the tax residency status, the March 2018 quarter figures show there were a total of 40,740 property transfers, including homes, land and commercial property. **Of this around 1,750 property purchases – around 4.3% - involved at least one buyer that stated an overseas tax residency**. This proportion was the highest in the (short) history of the series. The number of reported property transfers was at a 3-year low according to the Statistics NZ figures, which have less detailed data going back to the start of 2014. It is worth noting that around 41% of property transfers involved buyers who were exempt from stating their tax residency (transfers involving the main home), with this group categorised as being NZ tax resident in these figures.

Shift to affiliation-based categorisation of buyers and sellers provides a more complete picture

Using data on property transfers, Statistics NZ have adopted an affiliation-based measure, which categorises the transaction by citizenship and visa status, rather than by their tax residency. Most people who are exempt from providing tax details are still required to provide information on their citizenship or visa status. Property transactions were categorised under the following groups:

- At least one New Zealand Citizen
- At least one NZ resident visa holder (but not citizen).
- No NZ citizens or persons on resident visas.
- Corporate buyers or sellers (excluding most trusts).
- Unknown affiliation

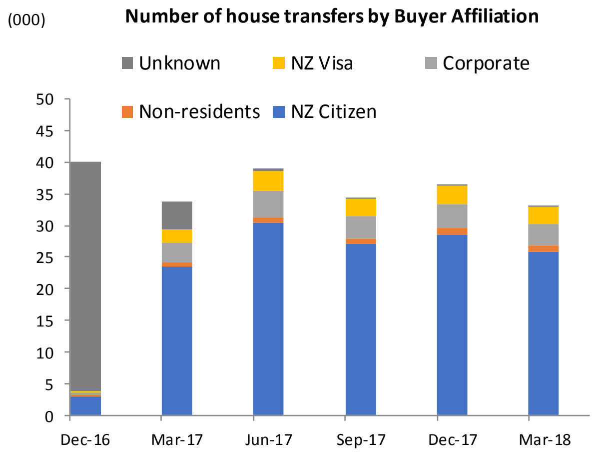


Source: Statistics NZ, ASB

Given that the necessary data have only been collected for a reasonably short timeframe, the published data based on the affiliation-based measure starts in the December 2016 quarter. **This data shows that in the March 2018 quarter, just 3.0% of total property transfers were to non-residents. However, a further 7.4% of purchases were for made by non-New Zealand citizens.** New Zealand citizens accounted for roughly 74% of property transactions, with corporates accounting for close to 16%.

More detailed information provided for home transfers

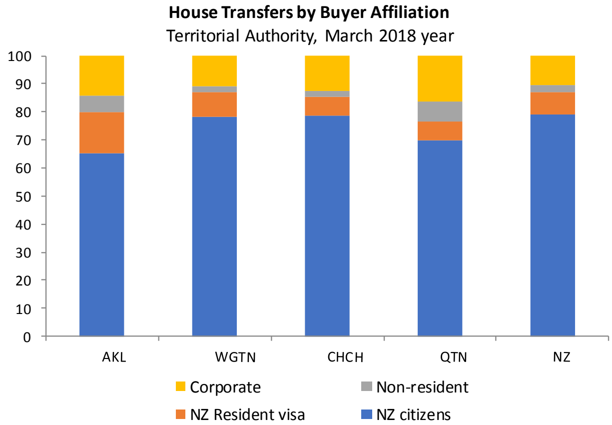
Statistics New Zealand has provided more detailed data for home transfers. To qualify as a home transfer, at least one buyer and at least one seller both need to state there is a home on the land, so purchases of residential sections would fall outside this definition. It is important to note that the property tax transaction data do not include transactions on the main residence, which are typically exempt for tax purposes. As such, it will not cover the impact of owner-occupier purchases. We note, however, that not all property transfers would involve a property sale.



Source: Statistics NZ, ASB

According to the Statistics New Zealand figures there were around 33,000 homes transferred in the March 2018 quarter (143,000 over the March 2018 year), the lowest number in the (short) history of the series. This compared to the circa 75,000l housing transactions recorded by REINZ members over the March 2018 year. Of the home transfers**, just 3.3% were by non-residents** (2.7% over the March 2018 year). **However, a further 8% of purchases were made by NZ visa holders (but not NZ citizens) and 10% by corporate entities, leaving the remaining 79% of purchases to be made by at least one NZ citizen**. The citizenship status of corporate buyers is unknown, but we suspect that proportionately more would be headed by NZ citizens. As such, the **proportion on home transfers to non-NZ citizens would likely be closer to 11% than 21% over the March 2018 year.**

A similar proportion of sales (79%) were by NZ citizens over the March 2018 year, but proportionately more sales were from corporates (15.8%) as compared to sellers with NZ residency (4.1%) and non-resident sellers (1.3%).

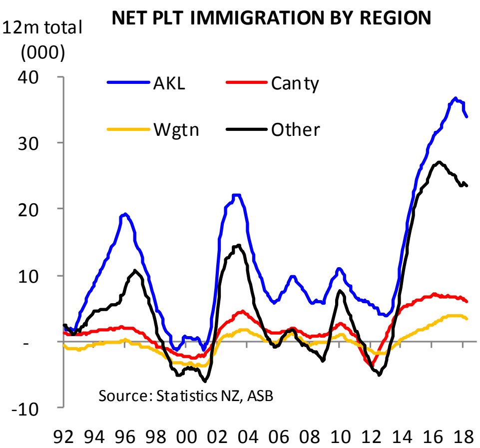


Source: Statistics NZ, ASB

Regional contrasts evident

Statistics New Zealand also provide detailed geographical splits. Data on property transfers for houses are provided for broader New Zealand regions for all New Zealand territorial local authorities, with more detailed figures provided for all 21 Auckland local boards.

Transfers involving New Zealand citizens accounted for the bulk of transfers in every area. The proportion of home transfers involving a NZ citizen buyer ranged from 94% (Gore district) to just 65.2% for Auckland over the March 2018 year. Home transfers involving a citizen seller ranged from 68.8% (Auckland) to 92.7% (Stratford).



Viewing the regional figures suggests modest variation in the portion of housing purchases to non-residents. Auckland (5.7%) and Queenstown Lakes (7%) had slightly higher shares than the nationwide average (2.7%) over the March 2018 year, likely reflecting the popularity of these areas to overseas investors. It may be coincidental, but house prices in these two regions are the highest in the country. Sales by non-residents were also higher than the nationwide average in these two areas.

Transfers involving New Zealand residents (but not NZ citizens) showed variations by region. These ranged from around 15% in Auckland, 10% in Hamilton, close to 9% in Wellington, with most regions below the 8% nationwide average (including Queenstown Lakes) over the March 2018 year. **All up more than 20% of purchases and 10% of sales in Auckland were attributed to non NZ-citizens** (11% and 6% nationwide).

The higher share of purchases (and sales) by non-New Zealand citizens in the Auckland region is likely to be related to the strong net immigration that Auckland has observed of late. It suggests that demand from newly-arrived immigrants is likely to be a more significant influence for the Auckland residential property market than to other regions. We expect the proportion of sales by non-New Zealand citizens to edge up as the net immigration cycle matures.

Corporates had a higher share of house transfers than the nationwide average (10.4%) in a number of areas, including Auckland (14.3%), Hamilton (13.9%), Christchurch (12.4%), and Queenstown Lakes (16.2%).

Even within the Auckland area there was variation. Over the March 2018 year only 4 of the 21 local boards in Auckland had a lower share of buyers who were NZ citizens than the nationwide average. The portion of Auckland non-NZ resident buyers was the highest in Waitemata (12.9%) and Upper Harbour (10.7%), with the Waitemata area incorporating the CBD (where dwellings mostly consist of apartments). More than one fifth of purchases in Upper Harbour (24.4%), Henderson (21.1%) and Howick (21.4%) were by NZ residents (nut not citizens). Corporate buyers accounted for a much larger share of home acquisitions in a number of South Auckland boards (including Mangere and Manurewa), where the proportion was above 20%. Corporate sellers were also active in this area and in the Waitemata and parts of the North Shore.

The table below shows the results of cross correlation analysis, which compares the relationships between transaction shares by affiliation for territorial authorities. A positive correlation suggests that within the areas a high (or low) proportion of transfers to (or from) one category tend to coincide with a high (or low) proportion of transfers from another category. Negative correlation coefficients suggest an offsetting impact. The closer the correlation coefficient to 1 (or -1), the stronger is the relationship between local areas. The closer the correlation coefficient are to zero, the less widespread the relationship within the local areas.

Regional Cross Correlations by Affiliation of house transfers
March 2018 year

	NZ citizen		**NZ Resident**		**Non-resident**		**Corporate**	
	Buyer	Seller	Buyer	Seller	Buyer	Seller	Buyer	Seller
NZ citizen	1.00	1.00	-0.94	-0.74	-0.79	-0.48	-0.82	-0.94
NZ Resident	-0.94	-0.74	1.00	1.00	0.74	0.53	0.63	0.51
Non-resident	-0.79	-0.48	0.74	0.53	1.00	1.00	0.42	0.30
Corporate	-0.82	-0.94	0.63	0.51	0.42	0.30	1.00	1.00

Source: Statistics NZ, ASB

Cross-correlation analysis confirmed the following:

- As you would expect, areas that tend to have higher rates of transfers involving NZ citizens tended to have a lower share of transfers for non-NZ citizens and corporates (the correlation coefficients are negative and close to -1). With the exception of transfers involving corporates, the relationship is stronger for purchases than for sales (i.e. the absolute numbers are higher).
- Areas with higher rates of NZ resident (but not NZ citizen) acquisitions also tend to have proportionately more acquisitions by non-residents and corporates (positive correlation coefficients). The same also applies for non-resident purchases. Once again, this relationship is stronger for purchases rather than sales.
- Areas with proportionately higher corporate purchases tend to have higher purchases for non-NZ citizens. However, the correlation coefficient is lower for non-resident purchases than sales.

The data is based on a snapshot but it provides tentative evidence that residential markets tend to be segmented. Increases in property sales by New Zealand citizens tend to result in proportionately fewer sales for new immigrants and non-residents. An increase in sales for residents (but not citizens) would tend to correspond to an increase in sales for non-residents and corporates. Clearly, further investigation is needed.

Gaps

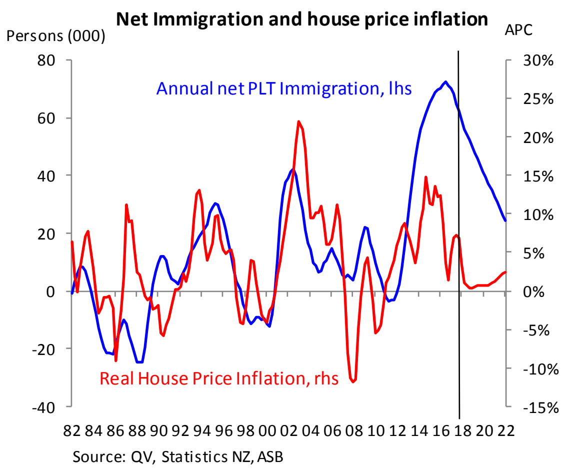
While the new data are a major step forwards there remain a number of gaps:

- It is unclear how representative these figures are for the wider housing market. The data excludes transactions if the sale is on the main home. QV buyer classification data suggest that just over 60% of property sales were to owner occupiers. According to Statistics NZ figures, owner-occupier dwellings make up around two thirds of the private dwelling stock.
- The housing data does not include purchases of residential sections.
- Details of corporate buyers and sellers were not published as in many cases citizenship details were not available.
- Transactions involving Maori land and Treaty of Waitangi Settlements were largely exempt.
- The time series is short, making it more difficult to analyse the key influences on behaviour and to determine whether there are cyclical or more structural aspects to recent trends, including property purchases and sales by non-New Zealand citizens.

In short, the data might not be perfect, but having some data is better than having no data at all. Policy making (and wider economic analysis) cannot occur in a vacuum.

Key take-outs

Statistics New Zealand took over the analysis and publication of property transfer statistics from Land Information New Zealand (LINZ) and have produced a comprehensive range of statistics that have helped to fill in some of the grey areas concerning the impact of overseas involvement on the local housing market. **The move to an affiliation-based approach for recording home transfers has made the figures more relevant for examining the likely economic impacts of overseas investment.** Statistics New Zealand have been upfront by acknowledging the gaps and limitations in this new data set, which despite its short-comings has helped to shed light on what traditionally has been a grey area.



The figures suggest that only about 3% of NZ home purchases were by non-residents. However, **anywhere from 11% to 21% of reported purchases involved a non-NZ citizen, with the proportion considerable higher for some areas** (particularly Auckland and Queenstown) than others. The presence of more potential buyers - ether resident or non-resident – adds to demand, in which there are limits to the supply of dwellings available. New Zealand citizens may have still purchased properties, but they might have had to pay considerably more for the privilege.

Our evidence also tentatively suggests there is some segmentation in the housing market, with increasing purchases by New Zealand residents (but not citizens) typically associated with more proportionately more purchases by non-residents. Unfortunately we do not have a long enough history of the data to ascertain the trends in resident and non-resident purchases and sales. We suspect, however, that over time overseas influences will (slowly) continue to exert greater influence in the residential property market and property market valuations. Metrics such as rental yields should be viewed in the context of global comparators.

Greater participation of overseas investors in our domestic property market suggests that policy initiatives directed at slowing overseas demand could potentially generate significant impacts. However, more overseas investment has likely contributed to more residential construction than would otherwise have occurred. **Policy makers need to strike the right balance between facilitating dwelling construction and yet ensuring that NZ citizens do not get priced out of their domestic housing market.** Recent government announcements relaxing ownership requirements on apartments look to be a step in the right direction.

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