



Investor Insight

September 2022

Crockers 
PEOPLE & PROPERTY

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Rental market adjustment continues

Welcome to the latest monthly Investor Insight survey compiled by Crockers Property Management and Tony Alexander. Each month we survey a selection of the many thousands of residential property investors on our databases with a view to gauging how things are changing over time across a wide range of indicators.

For instance, we will track changes in pressures on rents, points of particular concern, plans regarding property purchases and intentions to sell, and shifts in preferences for property types.

Key points of interest from this month's survey include the following.

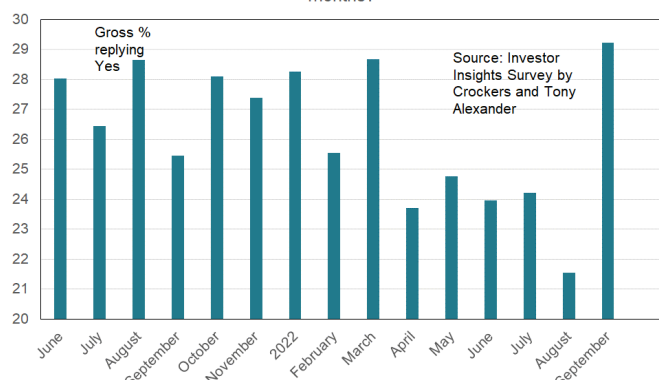
- Investor interest in purchasing property has strengthened.
- The downward trend in plans for undertaking one's own property development has re-established itself.
- Interest in buying an existing property remains stronger than interest in buying new properties, despite the loss of interest deductibility on existing properties.
- Investors are slightly more concerned about interest rates rising.

In this month's survey we received 301 responses.

ARE YOU THINKING ABOUT BUYING ANOTHER PROPERTY WITHIN THE NEXT 12 MONTHS?

Our survey this month has revealed a jump in the proportion of existing property investors saying they are considering buying another property in the coming year to 29% from just under 22% in August.

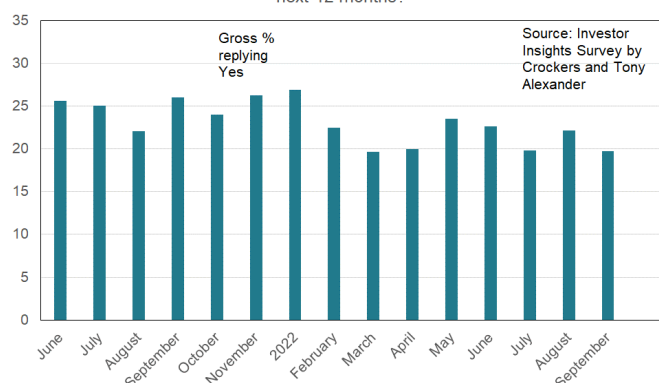
Are you thinking about buying another property within the next 12 months?



The rise is in line with data from other surveys showing that more investors are considering expanding their portfolios in the near future – perhaps following on from evidence of first home buyers re-entering the market to some degree.

While more people are thinking about buying, this month's slight reduction in the proportion considering selling in the coming year is not significant in the context of fluctuations in this measure over the past year.

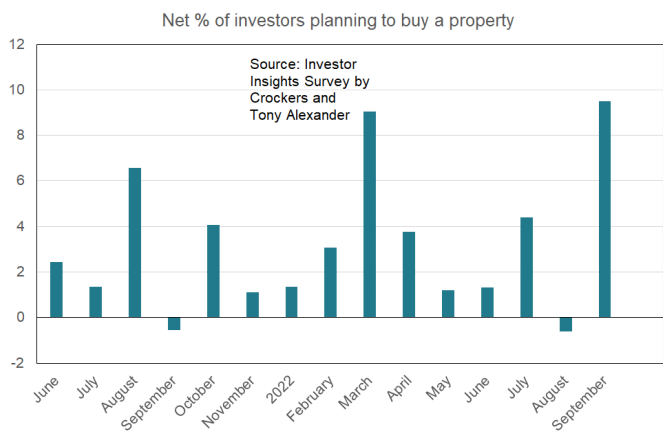
Are you thinking about selling one or all of your properties within the next 12 months?



Putting the two measures together we can calculate net buying intentions, and this can give an indication as to whether price pressures are upward or downward from the people who already own residential property investments.

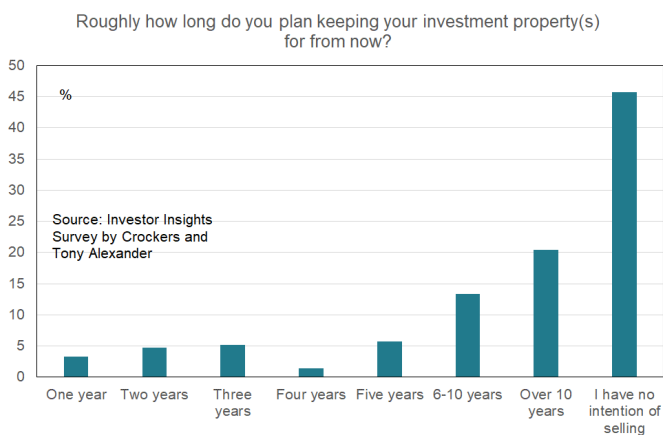


This month a net 10% of respondents have indicated property buying intentions. This is the strongest result on record. But because it follows an unusual negative result last month we should treat the jump with caution. It almost certainly does not signal a large movement of investors back into portfolio expansion given the many negative factors in play. These include tax changes, low prospects for interest rate cuts in the coming year, and difficulties accessing finance. Note how the jump in March was not sustained.

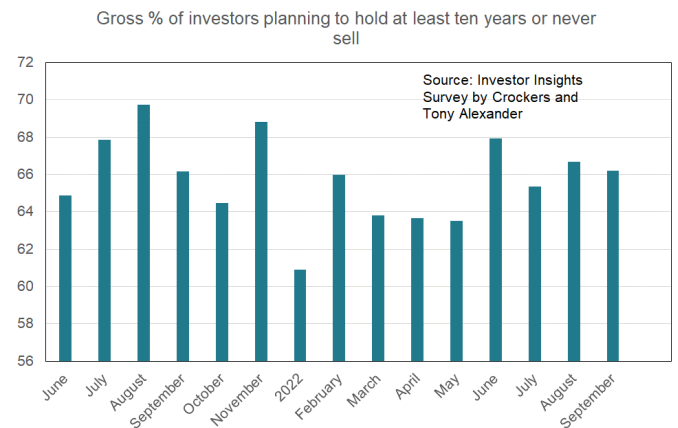


ROUGHLY HOW LONG DO YOU PLAN KEEPING YOUR INVESTMENT PROPERTY(S) FROM NOW?

As always there are very few investors looking to sell their property in the near future.

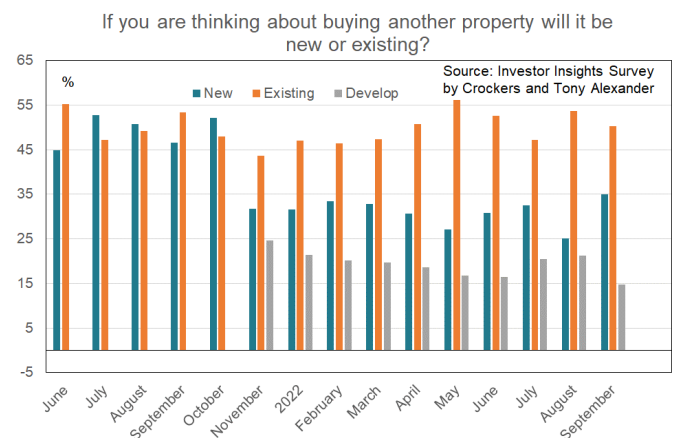


The proportion of respondents planning a long-term hold varies little from month to month. But it is worth keeping this measure in our monthly writeup because it serves to challenge those who believe property investors are focused on short-term returns.



IF YOU ARE THINKING ABOUT BUYING ANOTHER PROPERTY WILL IT BE NEW OR EXISTING?

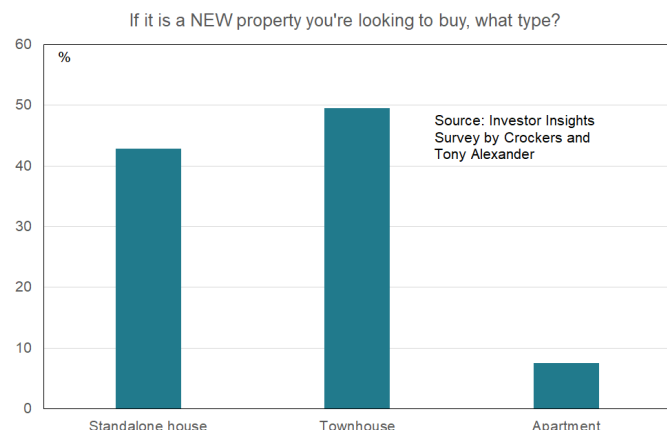
The downward trend in the proportion of investors looking at buying who will do the development themselves has re-established itself this month. This is shown as the light grey column in the next graph. Reports from current developers, builders, and buyers indicate problems for many newer operators including difficulties sourcing materials and staff and making projects profitable amidst soaring costs. Anecdotal reports suggest a noticeable decline in new projects over the coming 1-3 years.



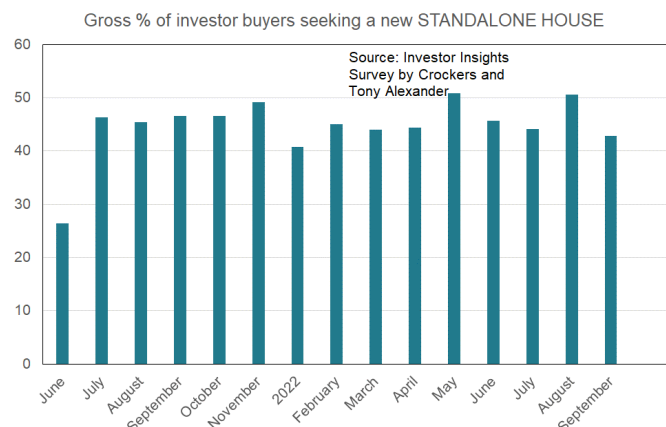
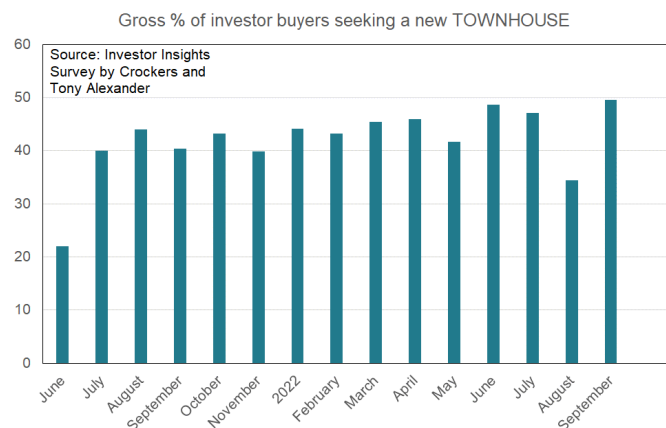


WHAT TYPE OF NEW PROPERTY IS PREFERRED?

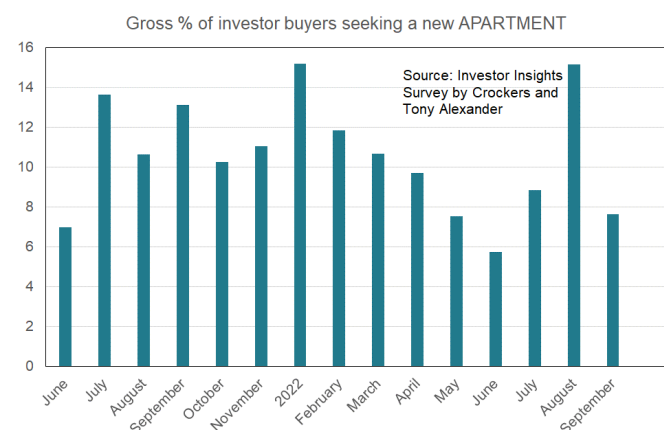
For those investors looking at buying a new property the preferred option is a townhouse followed by a standalone house.



In this month's survey there has in fact been a noticeable lift in interest in purchasing a townhouse and a fall in demand for a standalone house.

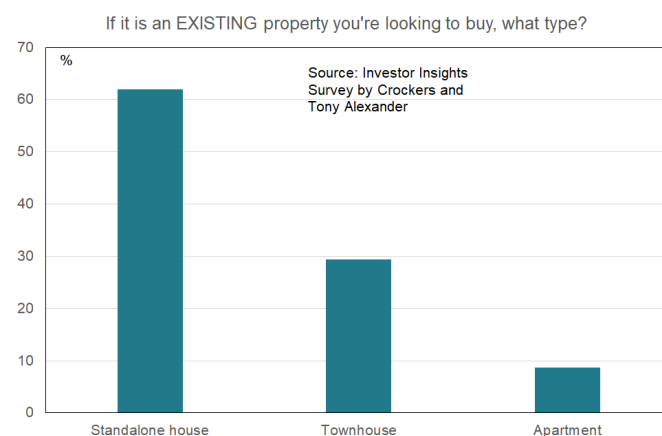


The surge in demand for a new apartment over July and August has not been sustained.

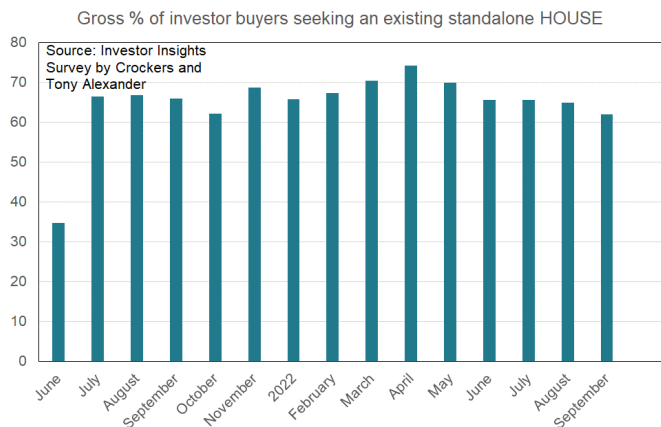


WHAT TYPE OF EXISTING PROPERTY IS PREFERRED?

For those investors looking at purchasing an existing property the preference for a standalone house remains strong.

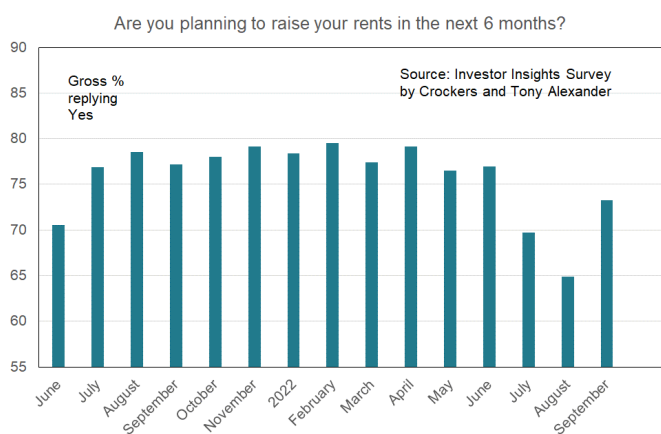


There is a downward trend in this preference, but it is fairly minor.



ARE YOU PLANNING TO RAISE YOUR RENTS IN THE NEXT 6 MONTHS?

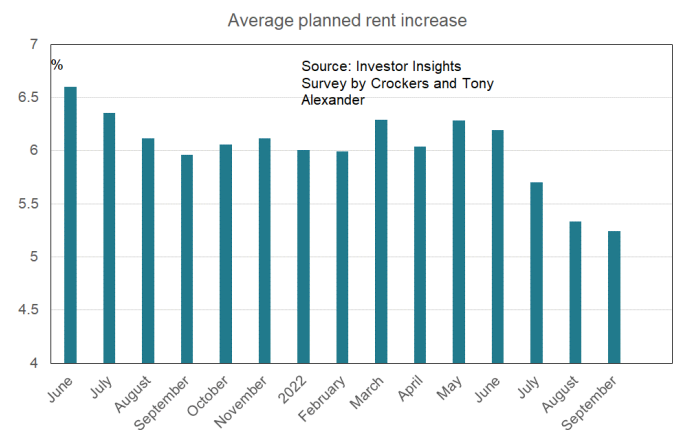
A gross 73% of our survey respondents have indicated that they plan raising their rents in the next six months. This is a rise from 65% last month. At this stage it seems best to wait and see if the outcome is replicated next month before concluding that a new source of inflationary pressure in the economy is emerging. Anecdotal reports strongly suggest slowing rental growth.



IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

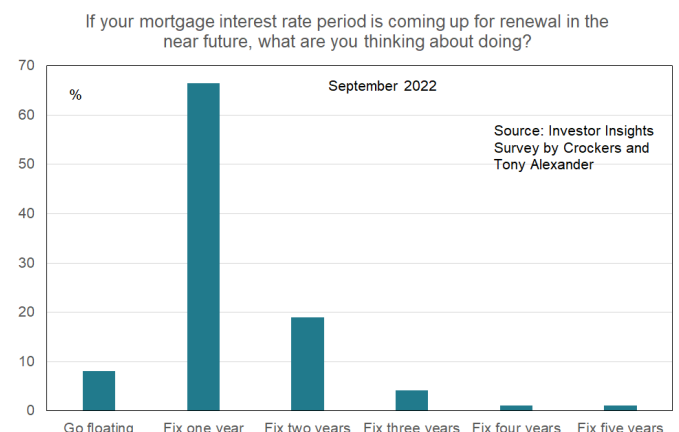
Further reason for caution in interpreting the above result is provided by our measure of the average rent increase which investors are

targeting. There is a downward trend in place which is unsurprising considering that many people have already caught up after the pandemic rent freeze, and household incomes are stretched by the cost of living surge. Rent rises ultimately reflect market conditions and those conditions for many families currently are fraught.



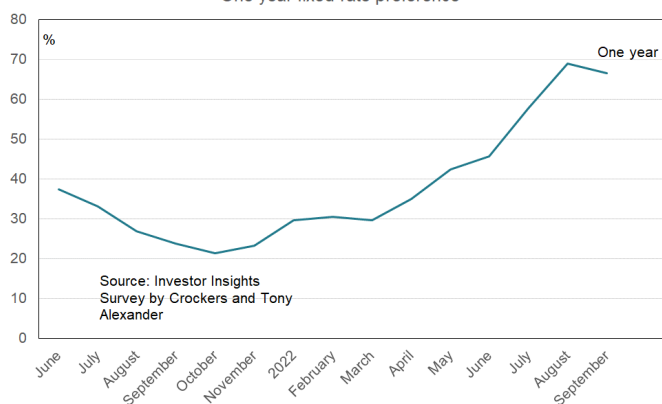
IF YOUR MORTGAGE RATE IS COMING UP FOR RENEWAL IN THE NEAR FUTURE, WHAT ARE YOU THINKING ABOUT DOING?

66% of investors plan fixing at the one year term when their mortgage rate comes up for renewal. Interest in fixing beyond two years is, as usual, minimal.

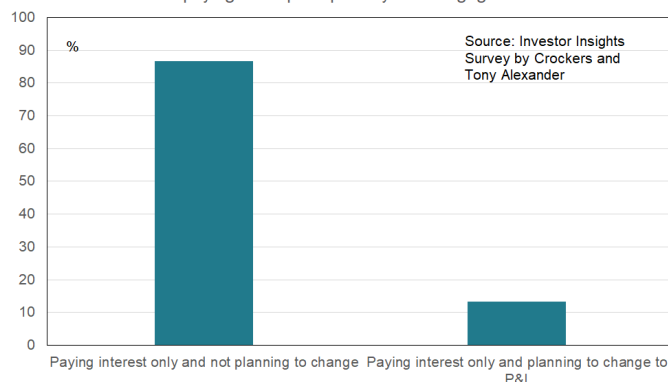




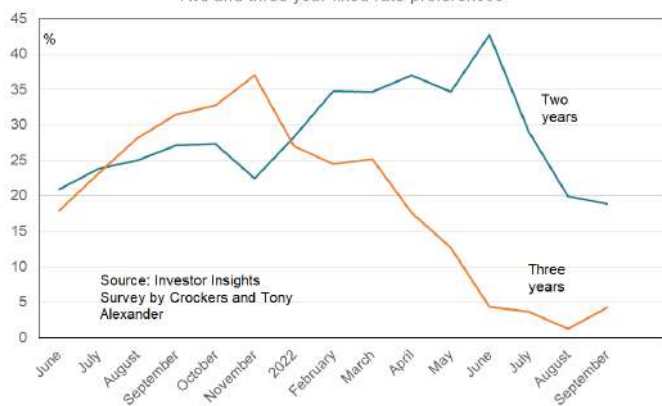
One year fixed rate preference



What are you thinking regarding the speed with which you are paying down principal on your mortgage?

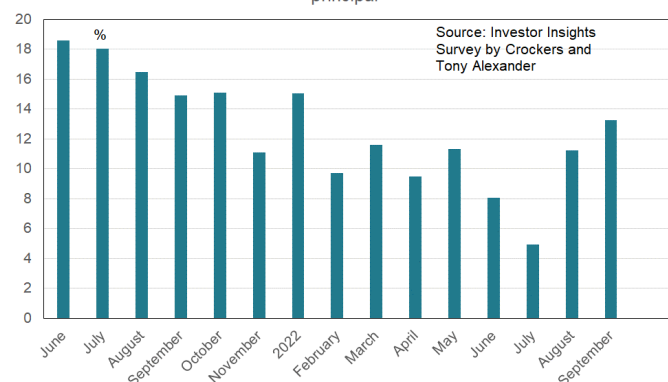


Two and three year fixed rate preferences



However, there is a small upward trend underway for this proportion.

Proportion of investors on interest-only planning to start repaying principal

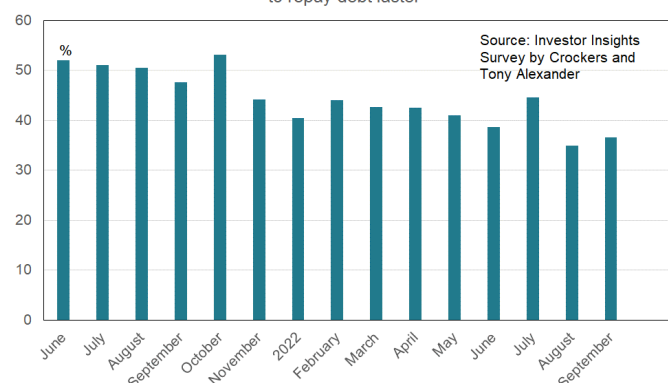


WHAT ARE YOU THINKING REGARDING THE SPEED WITH WHICH YOU ARE PAYING DOWN PRINCIPAL ON YOUR MORTGAGE?

Are investors concerned enough about rising interest rates to plan increasing the pace at which they reduce their debt levels? Only 13% of investors on an interest-only mortgage plan shifting to repaying principal.

There is however no discernable upward trend in the proportion of those already repaying principal debt who plan accelerating their repayments.

Proportion of investors on principal and interest mortgages planning to repay debt faster





There is little evidence to suggest that investors are greatly concerned about their debt levels, even as interest rates have risen sharply over the past year.

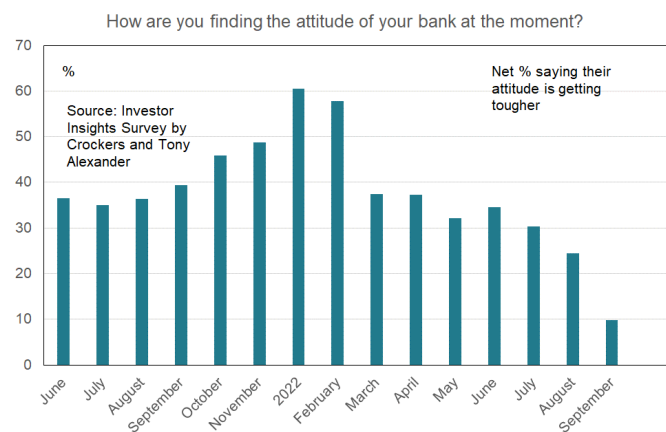
HOW ARE YOU FINDING THE ATTITUDE OF YOUR BANK AT THE MOMENT?

Respondents to this question can choose amongst three options.

- Getting tougher
- Getting more relaxed
- No change, nothing apparent.

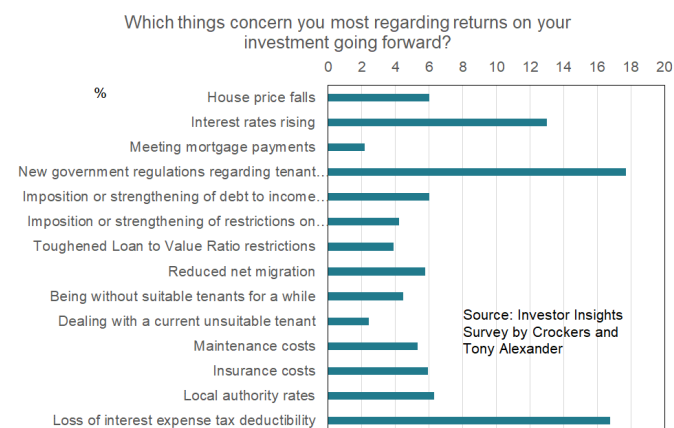
We can calculate the net proportion feeling that things are getting tougher and show the result in the following graph.

Our survey provides further evidence that banks are slowly improving their willingness to lend and not curtailing it. Only a net 10% of respondents this month have said that they are finding it tougher to get funds as compared with 24% last month and 60% in January.

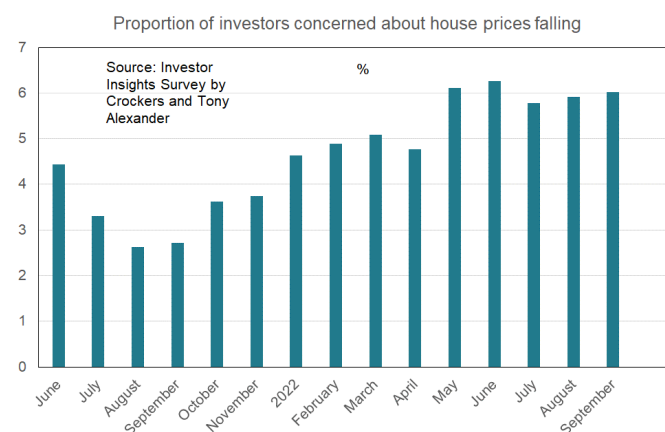


WHICH THINGS CONCERN YOU MOST REGARDING RETURNS ON YOUR INVESTMENT GOING FORWARD?

Respondents are able to choose more than one response to this question and results for all choices are shown in the following graph. As usual, the three things which continue to cause most concern for residential property investors are new government regulations favouring tenant rights, loss of interest expense deductibility, and rising interest rates.



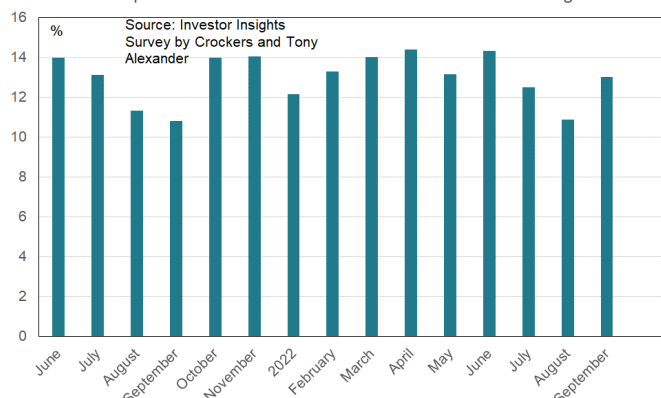
Concerns about house prices falling have plateaued.



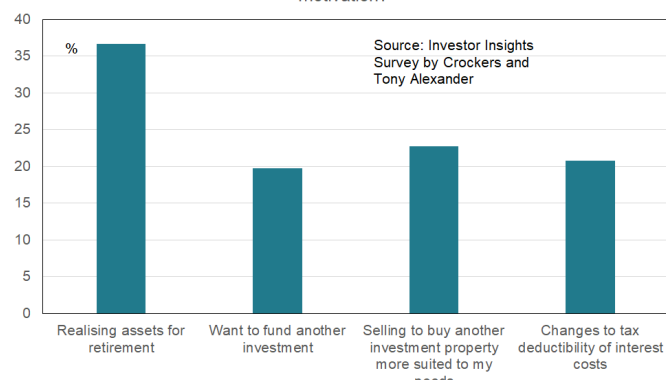
Concerns about interest rates rising have risen slightly as the world digests an outlook of more intransigent inflation than previously hoped for.



Proportion of investors concerned about interest rates rising

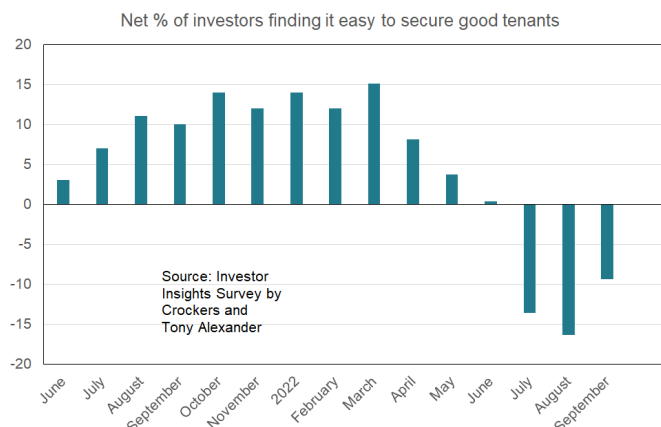


If you are going to sell your property(s) soon, what is the primary motivation?



HOW EASY IS IT TO FIND GOOD TENANTS AT THE MOMENT?

A net 9% of investors have reported that it is hard to find good tenants at the moment. The ease with which good people can be found switched to negative in July.

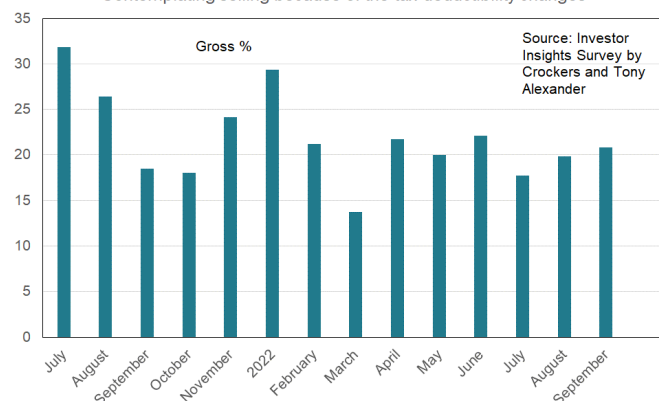


IF YOU ARE GOING TO SELL YOUR PROPERTY(S) SOON, WHAT IS THE PRIMARY MOTIVATION?

Reflecting the fact that the over-whelming majority of investors hold property for the long-term, the most common reason given for selling remains the funding of one's retirement.

There is no upward trend in the proportion selling because of tax changes, despite rising interest rates and the passage of time decreasing the proportion of interest expense which can be deducted for calculating taxable income.

Contemplating selling because of the tax deductibility changes



There were 301 responses received in this month's survey, with respondents located as follows.

Region	%
Northland	1.3
Auckland	41.8
Bay of Plenty	6.2
Waikato	8.2
Gisborne	0.1
Hawke's Bay	2.9
Taranaki	1.6
Manawatu-Wanganui	2.9
Wellington	12.4
Nelson, Tas., Marl	2.7
West Coast	0.1
Canterbury	11.4
Dunedin City	4.6
Queenstown Lakes	3.6
Southland	0.3

INVESTOR INSIGHT

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