



# Investor Insight

April 2022

**Crockers**   
PEOPLE & PROPERTY

EST.1971  
[crockers.co.nz](https://crockers.co.nz)

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BODY CORP





## Investors focused on the long-term

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 demand for more property has eased slightly, but intentions to hold for the long-term remain unaffected by rising interest rates and falling house prices.
- There is a downward trend in the proportion of investors looking to expand their portfolio who will develop the property themselves, and a rising trend in the proportion who will purchase an existing property.
- Investors increasingly favour fixing for shorter terms.
- There is no clear sign that rising interest rates are causing accelerating plans to pay down debt.

In this month's survey we received 410 responses.

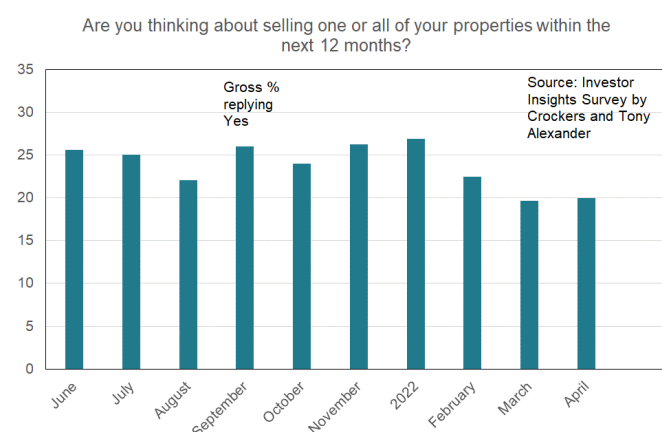
### ARE YOU THINKING ABOUT BUYING ANOTHER PROPERTY WITHIN THE NEXT 12 MONTHS?

This month's survey has found a decline in the proportion of existing residential property investors thinking about purchasing another property. That proportion now stands at 24% compared with 29% in March and 26% two months ago.

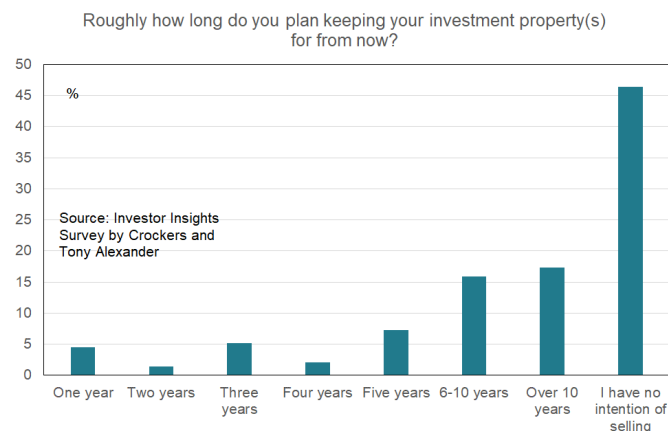
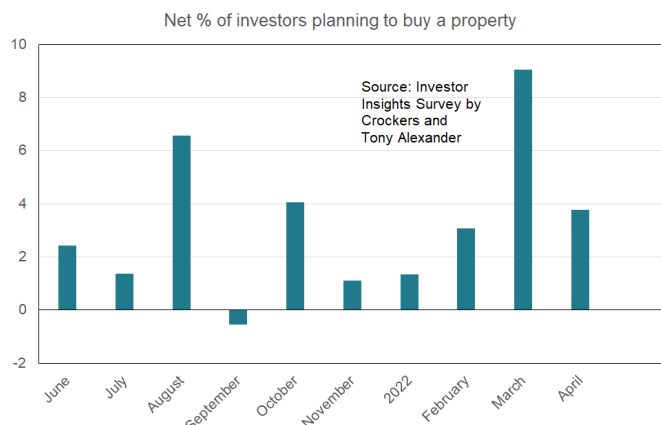
This is the lowest proportion since our survey started in June last year and suggests the evidence of falling house prices may have encouraged some potential buyers to step back for now to see how things will play out.

However, the proportion of investors thinking about selling in the next 12 months has held steady at 20%. This is the equal lowest selling proportion on record and the result reinforces a key dynamic revealed by investors since after the March 23 tax announcement from the Finance Minister last year.

Many investor buyers have stepped back from the market, but there is no wave of sellers.



We can offset the proportion of investors looking to buy against those looking to sell to get a net purchase reading. This stands now at just under 4% from 9% last month. Note that this reading has been lower in many other months.



Why is there no wave of selling? One reason will be that not all investors are mortgaged to the maximum level possible. Therefore rising interest rates may not generate the need to sell which many people have been thinking.

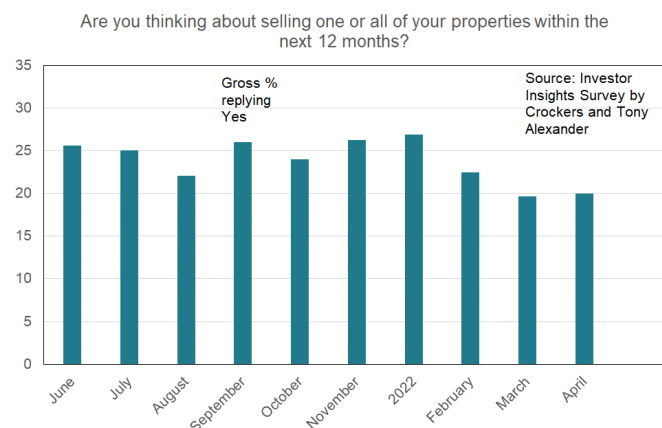
Another reason will be the evidence of rents rising at near a 6% annual rate recently and continuing reports of a shortage of rental property.

The high rate of inflation is also likely to be keeping the minds of investors focused on the above-inflation rise in house prices over the past few decades. Low interest rates despite recent rises will also be actively dissuading investors from cashing up and living off the after tax earnings from bank deposits declining in purchasing power.

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

The proportion of investors saying that they have no intention of selling their property has edged up to 46% this month from 43% last month. But this is consistent with results since our survey started.

The proportion of people planning to either hold their property for at least 10 years or to never sell remains high at 64%. This proportion near refuses to shift and delivers the strong message that residential property investment is seen as a long-term venture for the vast majority of people. So far there is very little evidence that rising interest rates, changes in tax treatment, or prospects for reduced long-term capital gains are dissuading people from holding property over the long term.



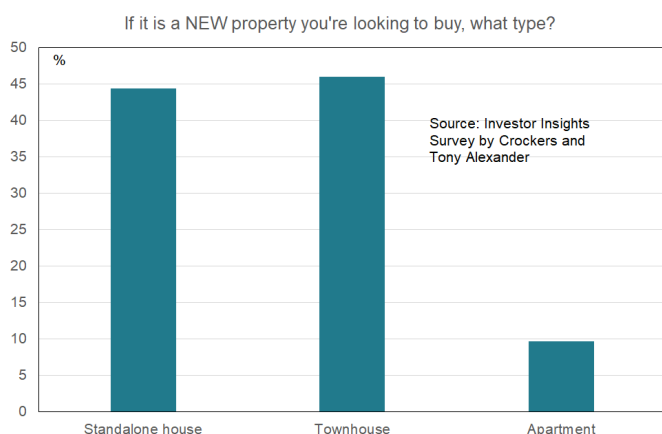
### IF YOU ARE THINKING ABOUT BUYING ANOTHER PROPERTY WILL IT BE NEW OR EXISTING?

Each month we ask investors about not just whether they are thinking of buying again but what they are contemplating purchasing. We are

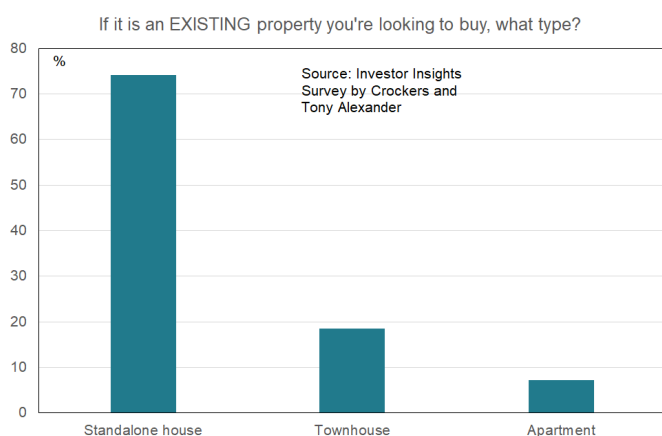


hoping to spot shifts in preferences early, and identify interesting gaps. One quirk we have consistently identified in this survey is relatively low investor demand for existing townhouses. We have noted since mid-2021 that this provides an opportunity for first home buyers to secure a used apartment with reduced buying competition compared with other building types.

This situation continues. The following graph shows that for those investors looking at buying a new property 44% would purchase a standalone house, 46% a townhouse, and 10% an apartment.

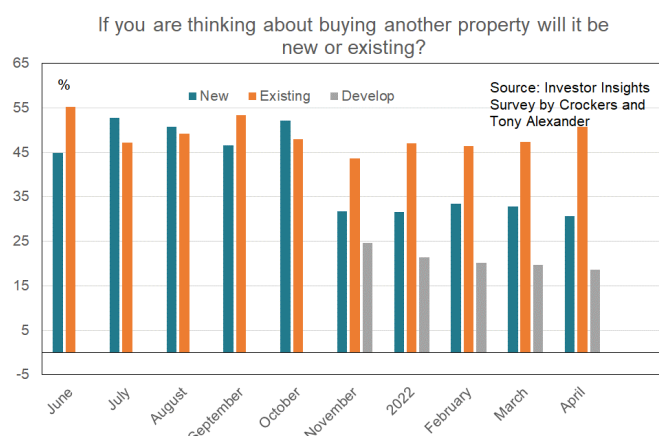


But for those looking at buying an existing property, 74% favour a standalone house, 19% a townhouse, and 7% an apartment.



With regard to the split between buying new, buying used, and developing a property oneself, there may be a trend underway back towards buying existing properties and away from development and purchasing new. If so, this might reflect the growing number of reports of problems for developments as the construction boom heads towards its peak and then the inevitable cyclical decline.

The following graph shows as the grey bar the proportion of those looking to make a purchase in the next 12 months who will develop the property themselves. There is a mild downward trend. In contrast, there is an upward trend in those who would search through listings of existing properties for their next potential acquisition.



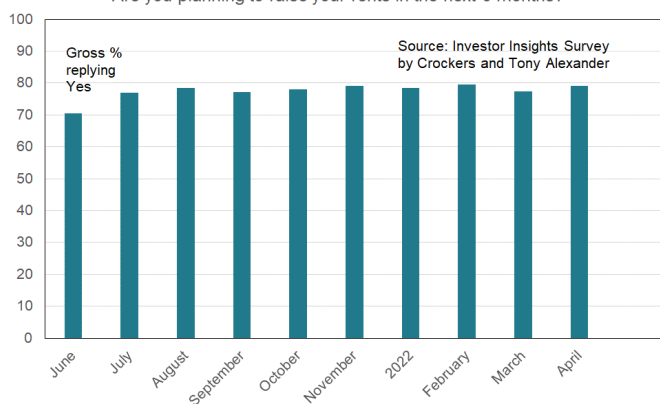
## ARE YOU PLANNING TO RAISE YOUR RENTS IN THE NEXT 6 MONTHS?

Despite increased discussions about a shortage of rental property, alongside more rapidly rising costs of running a rental property businesses, there is no clear upward trend in the proportion of investors planning to raise their rents over the coming year.





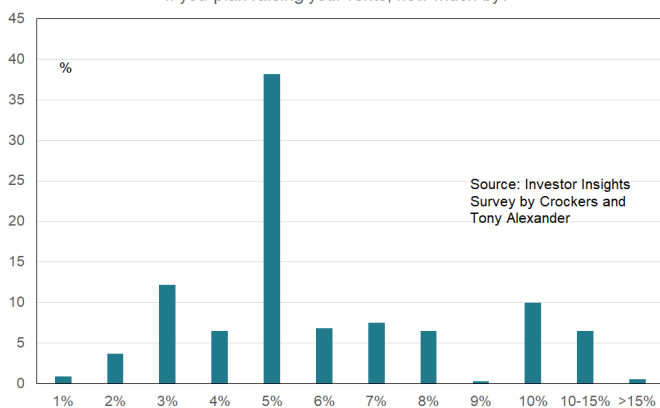
Are you planning to raise your rents in the next 6 months?



### IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

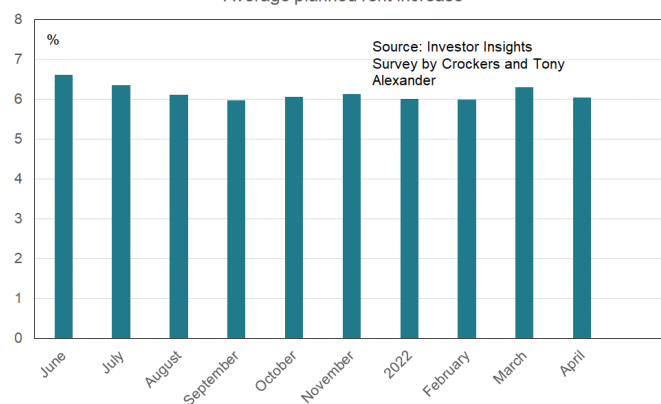
38% of investors planning to raise their rents will aim for a rise of 5% which is less than the inflation rate known at the time of the survey which was 5.9%. Just 17% plan rises of 10% or above while 17% plan rises of 3% or less.

If you plan raising your rents, how much by?



There is no clear upward trend in the average rent rise which landlords will seek.

Average planned rent increase

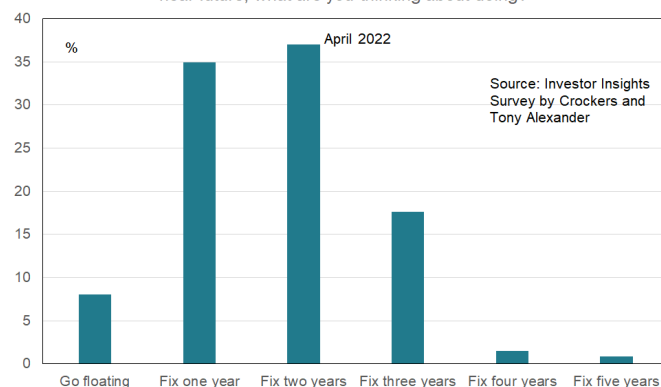


Note that actual rent rises will reflect what the market will bear rather than just the rent gain ambitions of owners.

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

Most investors are looking at fixing for either one or two years.

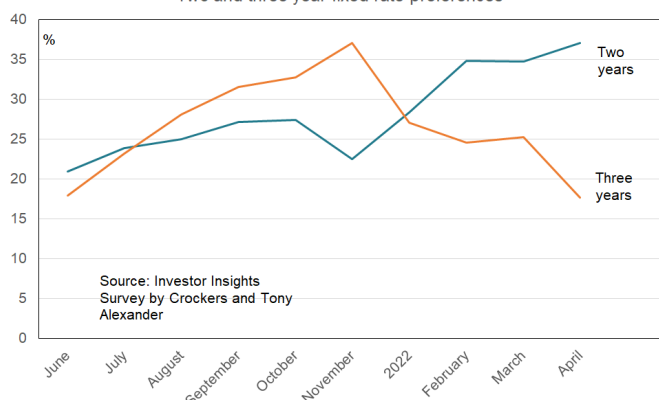
If your mortgage interest rate period is coming up for renewal in the near future, what are you thinking about doing?



Interest in fixing three years continues to decline while thoughts of fixing for two years are rising.

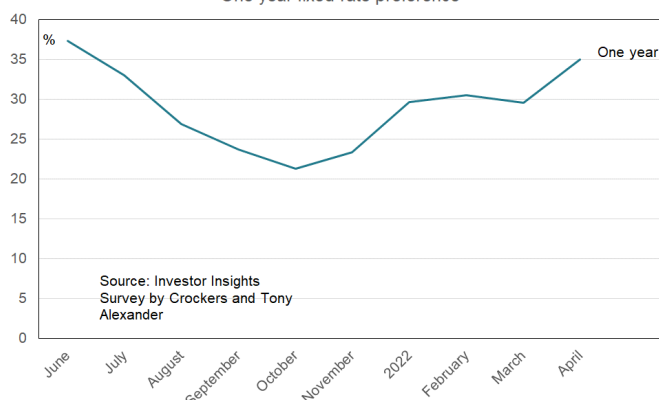


Two and three year fixed rate preferences



Given the speed with which monetary policy is now being tightened, it is likely that the upward trend in the proportion fixing one year will show further gains in the near future. However, that will depend very much on the extent to which investors try to minimise immediate cash outflows by eventually opting for lower long-term fixed rates (we are not there yet), or focusing on eventual rate declines by staying short.

One year fixed rate preference

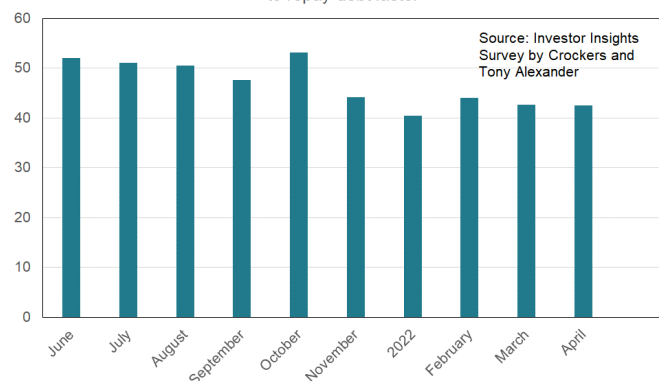


### WHAT ARE YOU THINKING REGARDING THE SPEED WITH WHICH YOU ARE PAYING DOWN PRINCIPAL ON YOUR MORTGAGE?

Through this question we are looking to see if existing residential property investors may be getting concerned about debt levels and acting to reduce them.

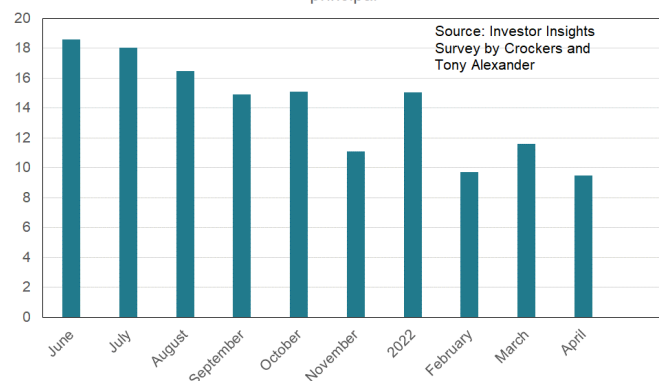
There remains no upward trend in plans to accelerate debt repayment. Rising interest rates are not generating obvious changes in debt behaviour of investors.

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



This conclusion is backed up by the absence of any acceleration in the shift of interest-only investors to principal and interest terms.

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



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

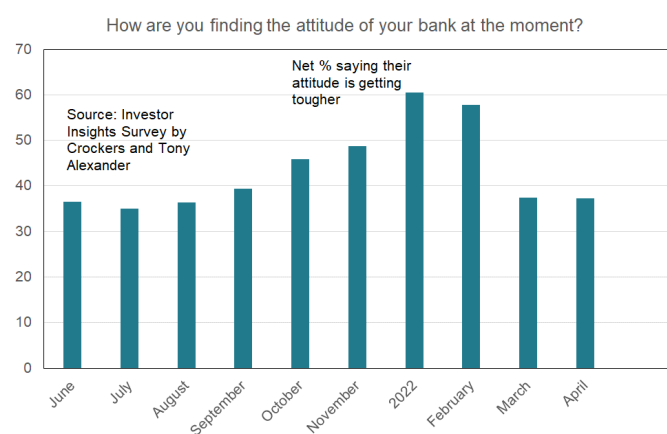
Respondents to this question can choose amongst three options.

- 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.

Consistent with anecdotal feedback that banks have stepped back slightly from their rigorous implementation of new lending rules last year, a decreasing proportion of investors say that bank lending attitudes are getting tougher. But it pays to note that a net 38% still see credit availability as diminishing.

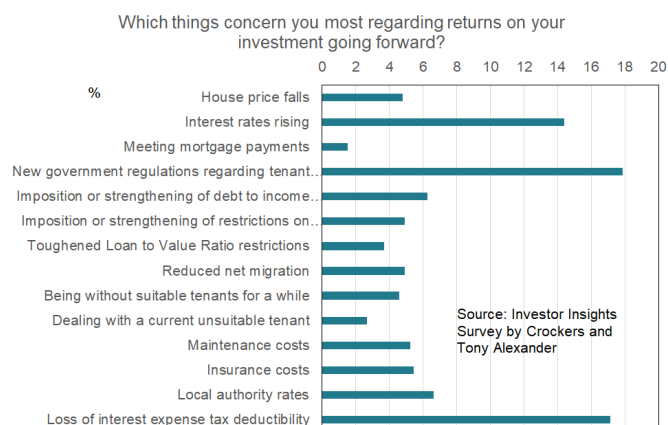


Over time we will be able to calculate a baseline for this measure and give better insights into whether things truly are loose or tight regarding credit availability.

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

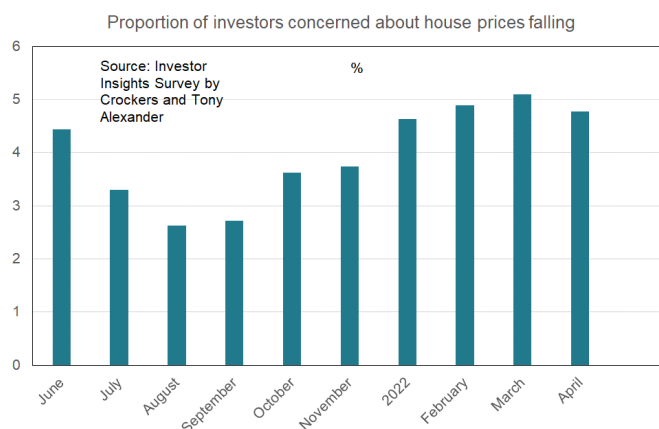
Respondents are able to choose more than one response to this question and results for all choices are shown in the following graph.

There continue to be no obvious shifts in the things which investors are most concerned about when it comes to holding residential rental property. Key concerns remain rising interest rates, government regulations, and loss of interest expense tax deductibility for existing properties.



There has been a further slight rise in the proportion worried that house prices may go down.

A gross 5% of investors worry that house prices will fall. The other 95% either have no view, don't care to any noticeable degree, or are far more concerned by other things.



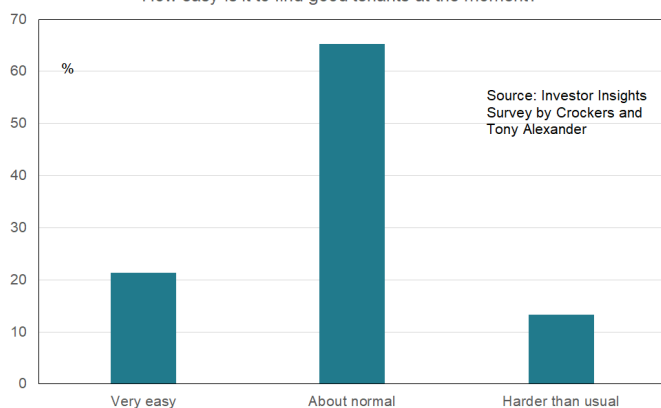
## HOW EASY IS IT TO FIND GOOD TENANTS AT THE MOMENT?

65% of landlords continue to say that things are about normal when it comes to finding good tenants.



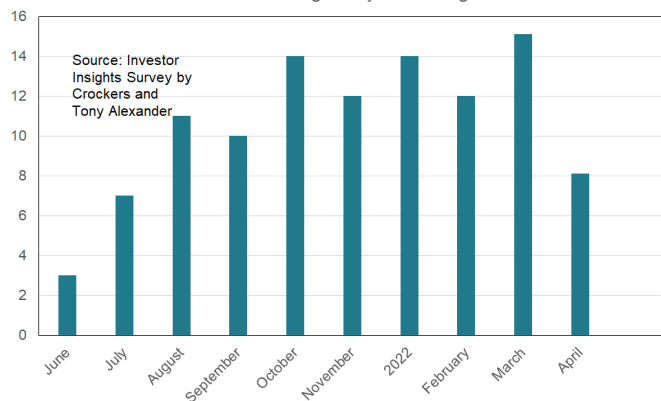


How easy is it to find good tenants at the moment?



But compared with the past four months slightly more are saying they are encountering difficulties and slightly fewer are saying that things are easy. The result is a fall this month in the net proportion finding it easy to get good tenants. It would seem wise to wait for next month's result before concluding that finding good tenants is truly getting more challenging.

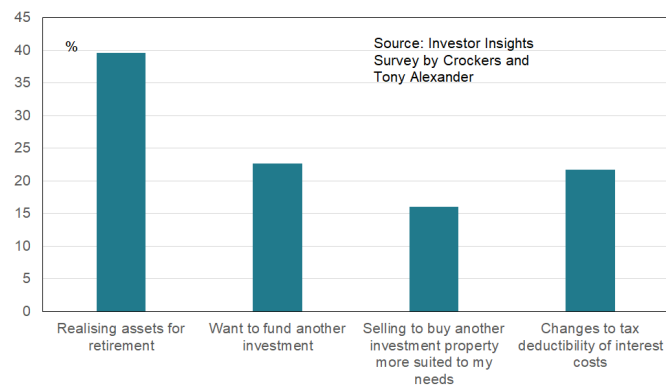
Net % of investors finding it easy to secure good tenants



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

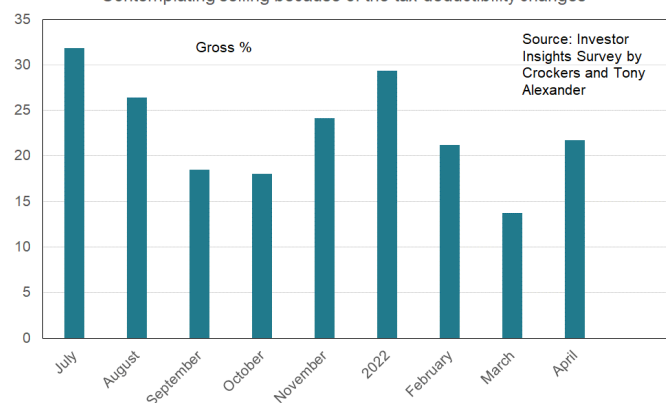
Responses to this question are shown in the following graph. They tell us that the main reason for selling remains realising assets for retirement followed by portfolio reshuffling.

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



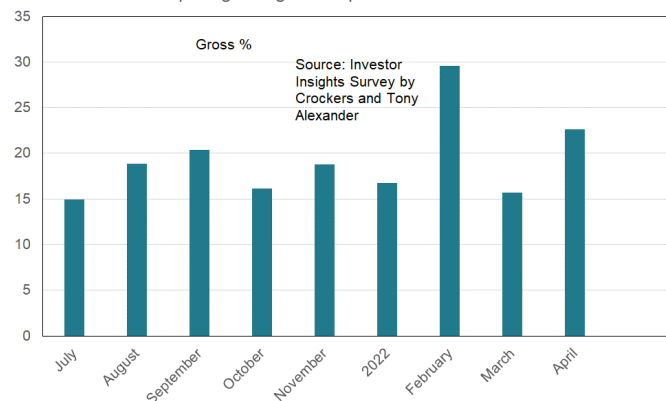
The proportion of those selling who are doing so because of the loss of interest expense deductibility has edged up this month after falling for two months. No trend is underway however.

Contemplating selling because of the tax deductibility changes



There is no clear upward trend in the proportion of investors selling who are doing so to fund purchase of another asset.

Contemplating selling to fund purchase of a different asset







There were 410 responses received in this month’s survey, with respondents located as follows.

Region	%
Northland	3.1
Auckland	40.1
Bay of Plenty	6.0
Waikato	7.4
Gisborne	0.5
Hawke's Bay	3.1
Taranaki	1.2
Manawatu-Wanganui	4.5
Wellington	12.4
Nelson, Tas., Marl	3.1
West Coast	0.1
Canterbury	11.9
Dunedin City	3.1
Queenstown Lakes	2.9
Southland	0.7

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- Let us manage and market your tenanted property sale

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