



Investor Insight

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Crockers 
PEOPLE & PROPERTY

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The rental market is shifting

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.

- Investors are increasingly pulling back from selling their properties despite rising interest rates.
- The proportion of investors planning to try to raise their rents in the coming year has fallen to the lowest level since we started our survey in June 2021. The average rent increase intended to be sought is also at a record low for our survey at 5.7% from 6.3% in March.
- Fewer investors are finding their bank to be tough on them.
- A net 14% of investors say it is now hard to find good tenants – a quick turnaround from the net 15% in March who said it was easy.
- 58% of investors with mortgage rates coming up for renewal plan fixing only for one year, up from 46% last month and 30% in March.
- No firm evidence yet exists of greater plans to reduce debt as interest rates rise and deductibility of interest expense from taxable incomes declines.

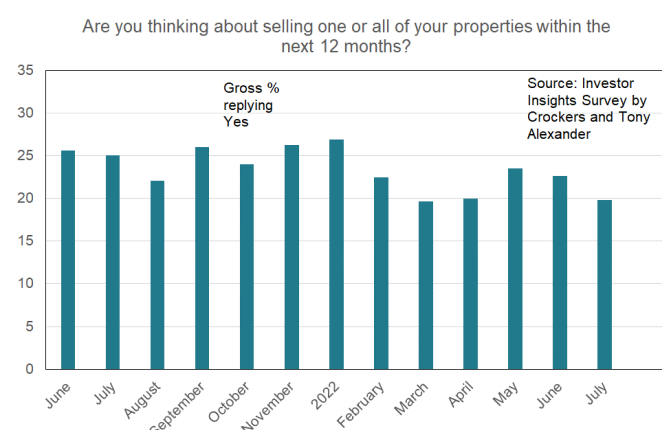
In this month's survey we received 325 responses.

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

After dipping in April there has been no further decline in the proportion of our respondents indicating that they intend buying another property within the next six months. The latest result is virtually unchanged from June's 24% but below the average of 27% up until April.



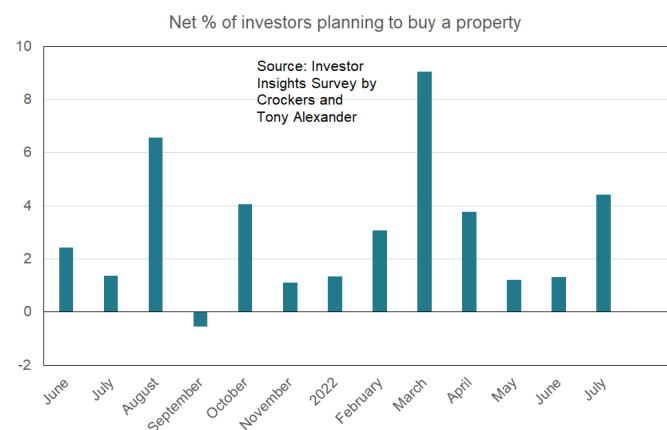
But while for the moment there is no trend in buying intentions, there is a small downward movement in selling intentions underway, as seen in the following graph.



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.

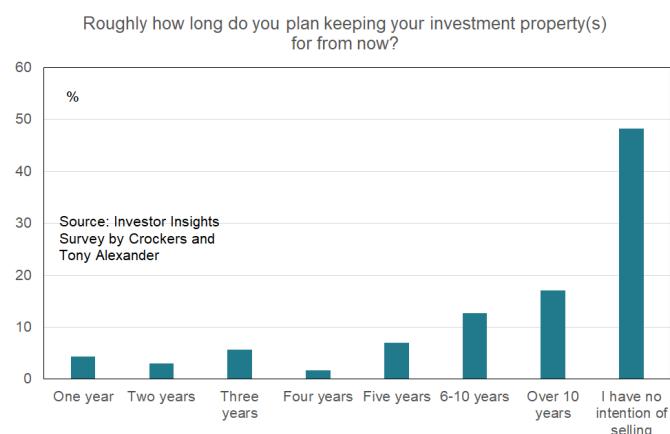


We can see that this net percent has risen to 4.4% this month from just over 1% in June and May. This upward movement results from fewer investors looking to sell and again shows that there is no wave of investor selling underway despite rising mortgage interest rates and the transition towards the eventual loss of all ability to deduct interest expenses from gross rental incomes.



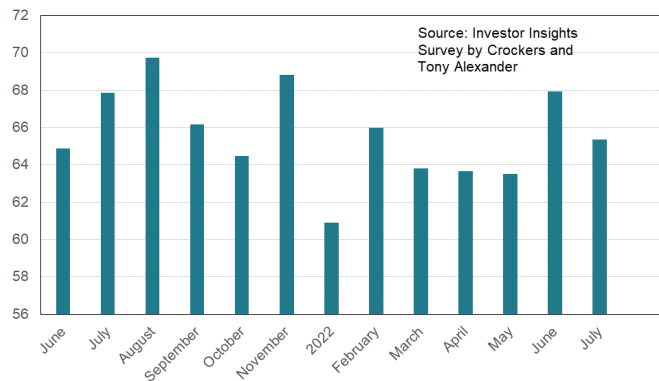
ROUGHLY HOW LONG DO YOU PLAN KEEPING YOUR INVESTMENT PROPERTY(S) FROM NOW?

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



The proportion planning to never sell or to hold for at least ten years continues to track close to 65%.

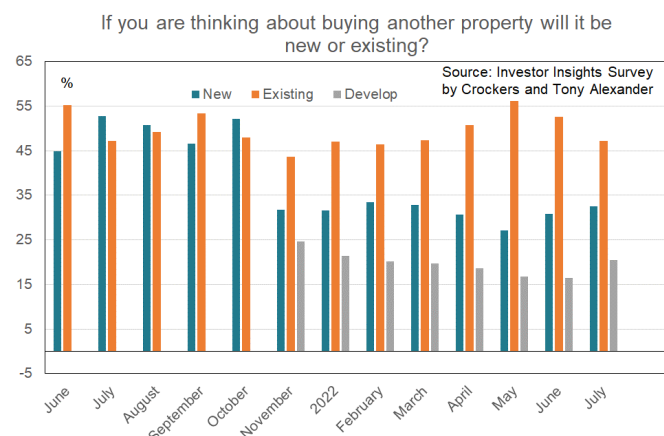
Gross % of investors planning to hold at least ten years or never sell



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

This month there has been a small lift in the proportion of investors indicating that if they are thinking about buying another property, they will seek one newly constructed. For the moment there has been a lift in the proportion who would undertake their own development.

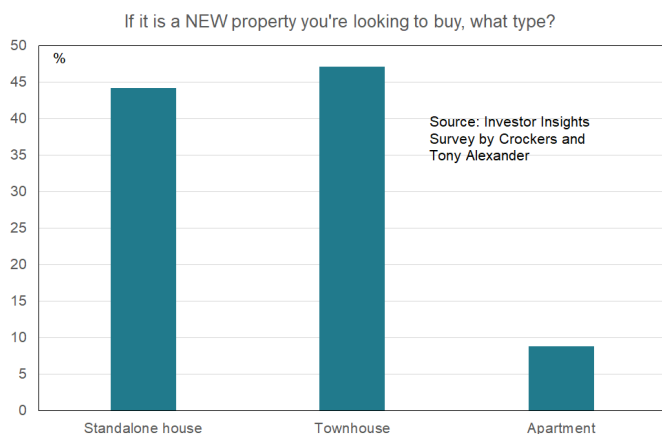
But it would be surprising if this continued in light of developments underway in the residential construction sector including shortages of staff and materials and an increasing number of developers and builders failing.





WHAT TYPE OF NEW PROPERTY IS PREFERRED?

For those investors looking at buying a new property the level of support for purchasing an apartment remains low.

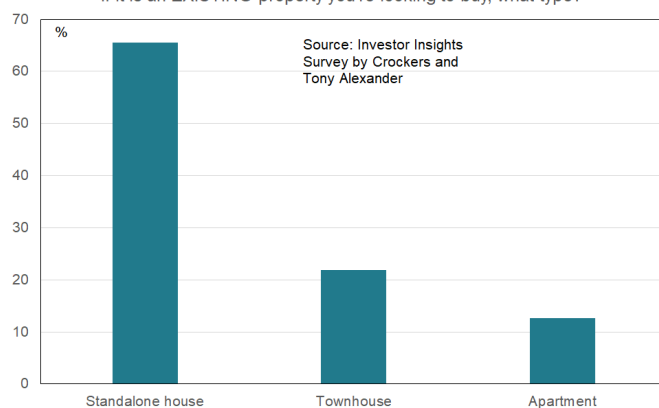


But it has lifted this month and it will be interesting to see if this improvement is sustained in next month's survey. If so, then this could signal some intention to purchase in anticipation of higher demand from foreign students and tourists perhaps.

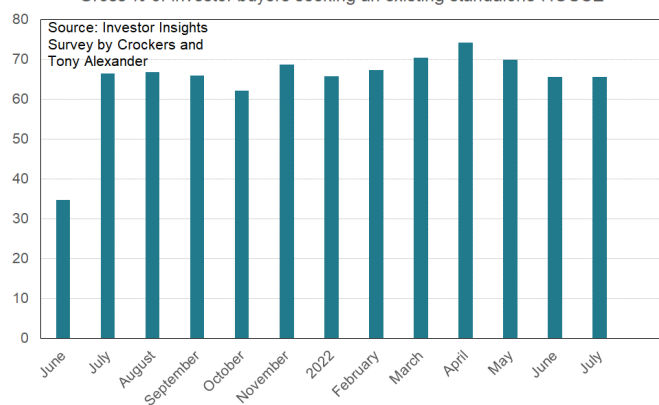
WHAT TYPE OF EXISTING PROPERTY IS PREFERRED?

For those investors looking at purchasing an existing property there continues to be far less interest in townhouses relative to those who might purchase a new build. The difference is taken up by high demand for standalone existing houses.

If it is an EXISTING property you're looking to buy, what type?



Gross % of investor buyers seeking an existing standalone HOUSE

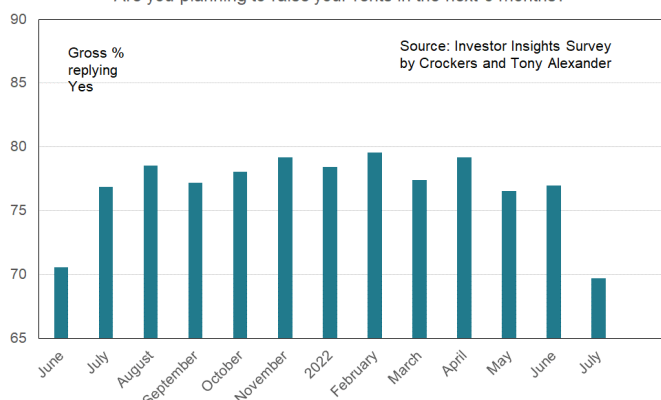


ARE YOU PLANNING TO RAISE YOUR RENTS IN THE NEXT 6 MONTHS?

This month we have seen an unusual decline in the proportion of investors planning to raise their rents to 70% from near 77% in almost all the previous surveys.



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

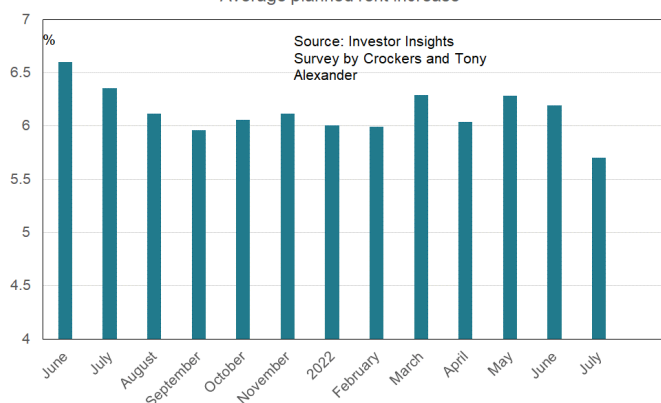


This result is perhaps the first piece of evidence to support some recent anecdotes regarding rental pressures easing around the country.

IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

In similar vein to the previous result, we have recorded a notable decline in the average rent increase which investors seeking a rise would target – to 5.7% from 6.1% in June and 6.2% in May.

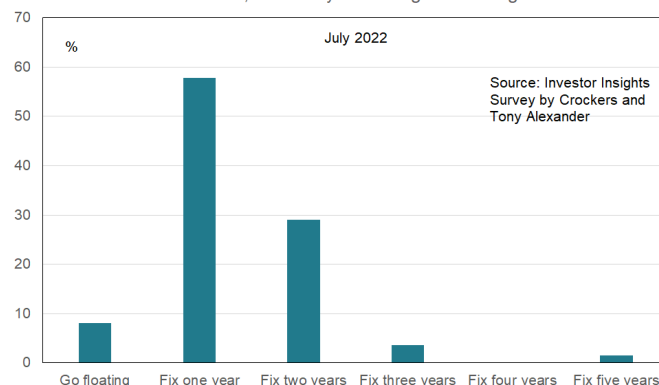
Average planned rent increase



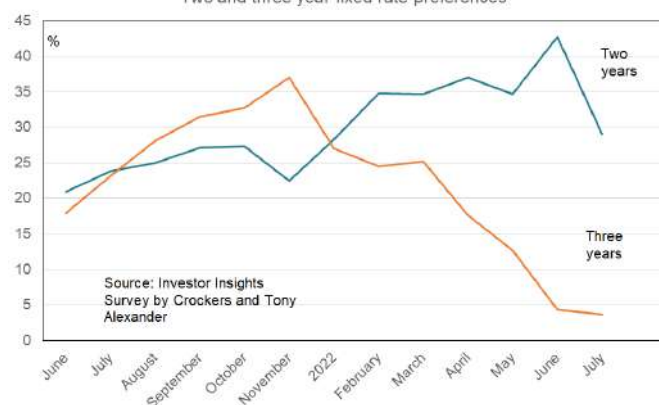
IF YOUR MORTGAGE RATE IS COMING UP FOR RENEWAL IN THE NEAR FUTURE, WHAT ARE YOU THINKING ABOUT DOING?

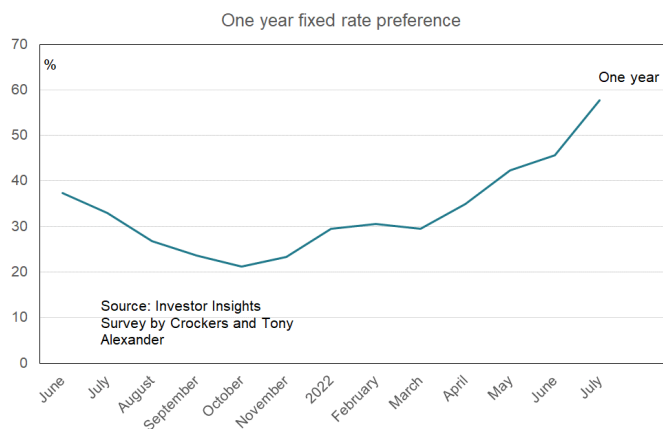
There has been a further shift in the mortgage fixed rate period preferred by those investors who have their rates coming up for renewal. 58% say they will fix for just one year compared with 36% last month and just 30% in March. Over this four month period the proportion of investors opting to fix for three years has fallen from 25% to 4% and the proportion favouring two years has gone from 35% to 43% last month and now 29% this month.

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



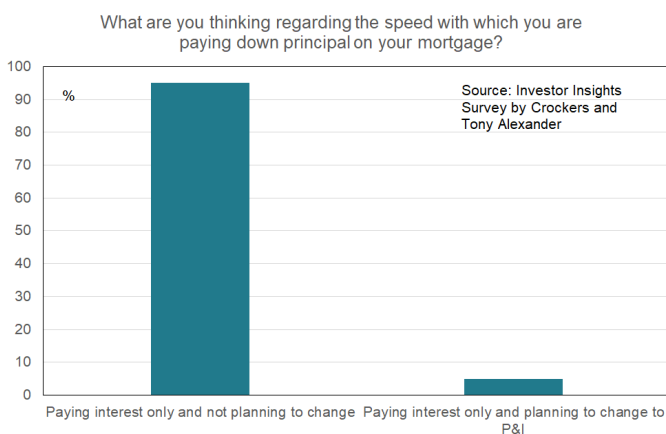
Two and three year fixed rate preferences





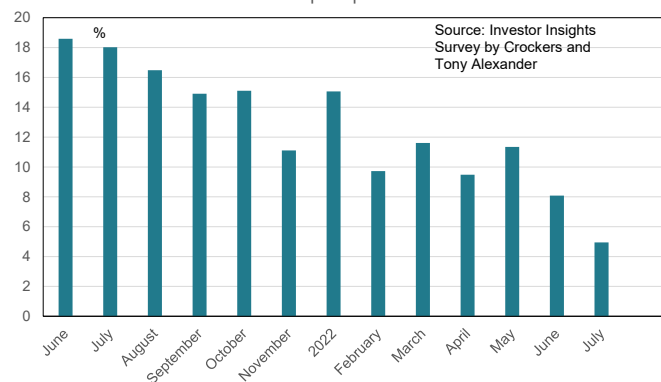
WHAT ARE YOU THINKING REGARDING THE SPEED WITH WHICH YOU ARE PAYING DOWN PRINCIPAL ON YOUR MORTGAGE?

With planned rent increases easing and interest rate costs rising, are investors planning to accelerate their debt reduction plans? Not really. The proportion of those on an interest-only facility who plan shifting (voluntarily) to also repaying principal remains low at just 5%.



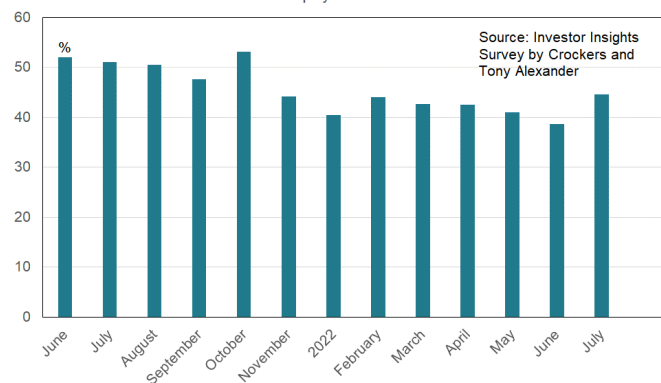
The trend for this measure is downward, not up.

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



What about those who are already repaying some principal? Do they plan repaying more? No trend is apparent.

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



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

Respondents to this question can choose amongst three options.

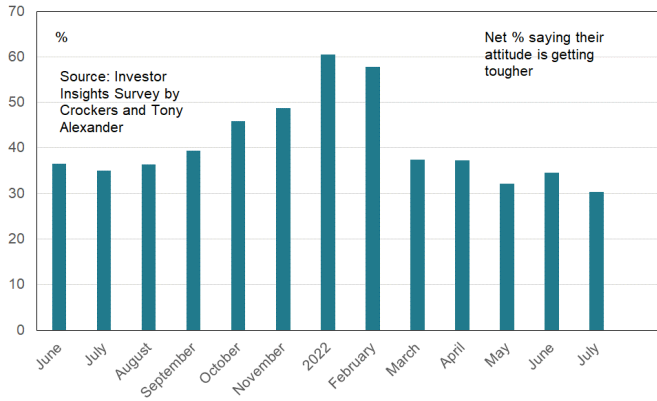
- Getting tougher
- Getting more relaxed
- No change, nothing apparent.

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

There is a small downward trend underway in the proportion of investors saying that their bank is getting tougher on them.



How are you finding the attitude of your bank at the moment?



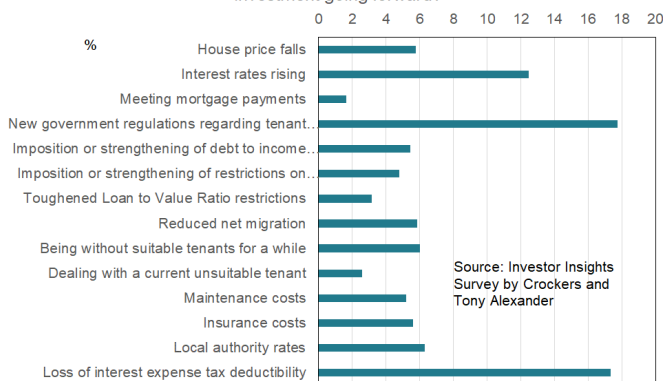
The peak of the credit crunch occurred right at the start of the year.

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.

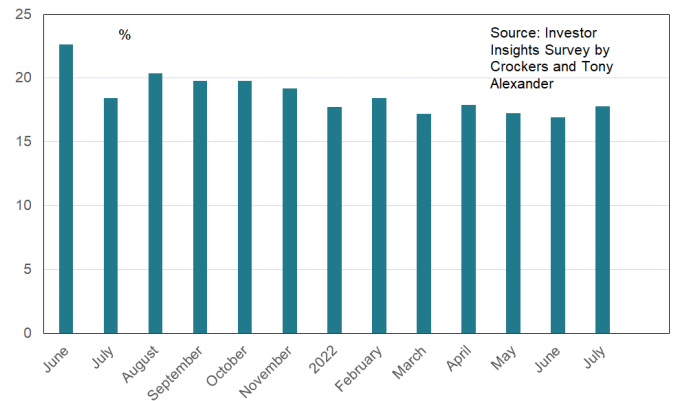
As ever, the biggest concerns of residential property investors are the new government regulations favouring tenants and loss of ability to deduct interest payments from rental income.

Which things concern you most regarding returns on your investment going forward?

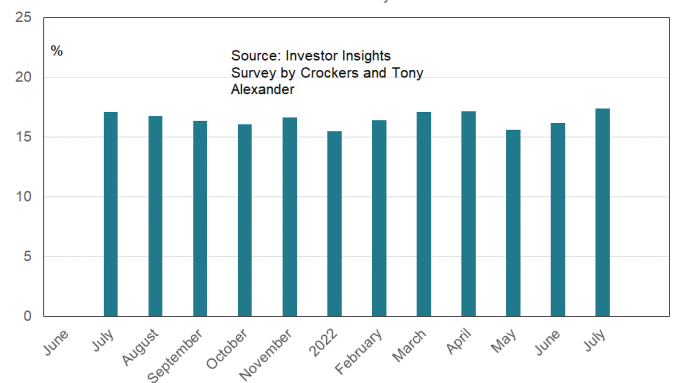


Are these concerns however trending up or down? No.

Proportion of investors concerned about new tenant regulations

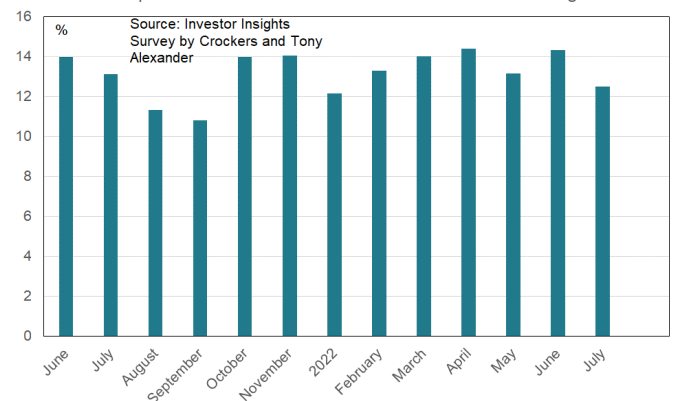


Proportion of investors concerned about loss of interest expense deductibility



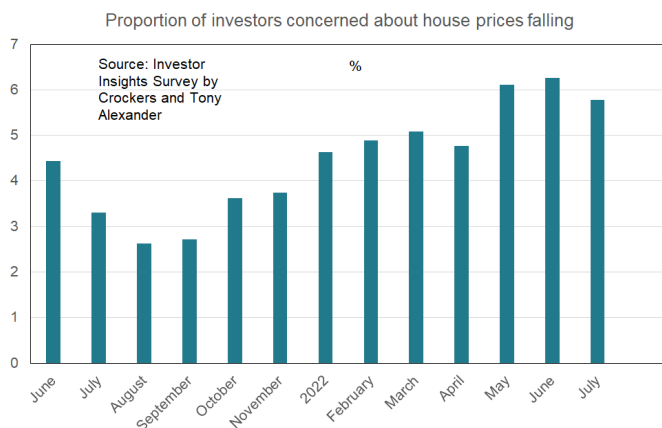
Worries about interest rates rising have eased slightly this month and are now at their lowest level since January.

Proportion of investors concerned about interest rates rising



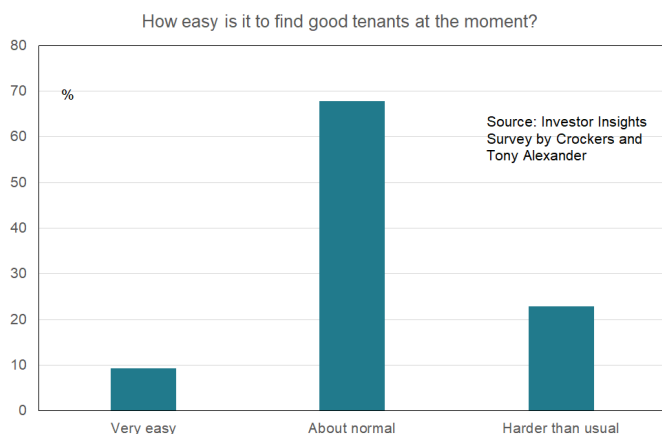


Worries about prices falling have eased slightly as well but are still relatively elevated.



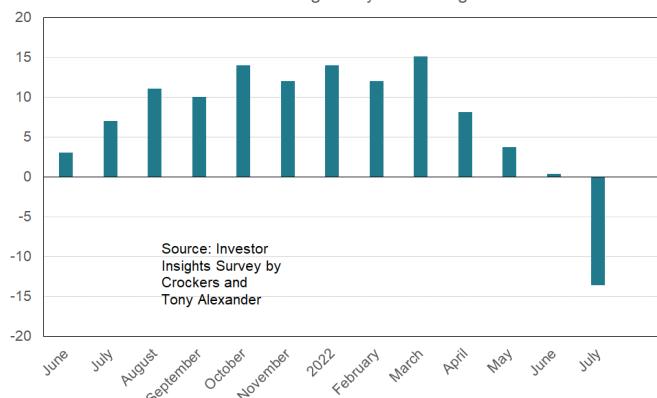
HOW EASY IS IT TO FIND GOOD TENANTS AT THE MOMENT?

Both this month and in June 68% of our respondents said that things are about normal when it comes to finding good tenants.



However, the proportion saying things are easy has fallen from 16% to 9% and the proportion saying things are hard has risen to 23% from 16%. The net result is a sharp change in net difficulties in finding a good tenant.

Net % of investors finding it easy to secure good tenants

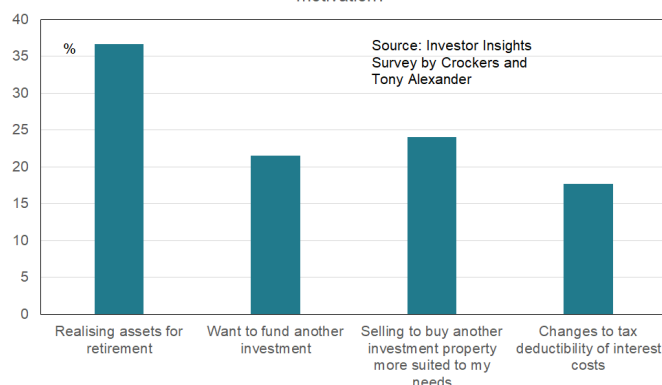


This is why we conduct this survey. Not to show structures at a point in time, but to spot significant changes in the marketplace as soon as they happen. This month's survey tells us that the decline in ease of finding a good tenant which started in April is a solid shift and not statistical variation. Things are shifting in favour of tenants and this shift noted here is backed up by the earlier results for average desired rent rises and the proportion of investors planning to raise their rents.

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

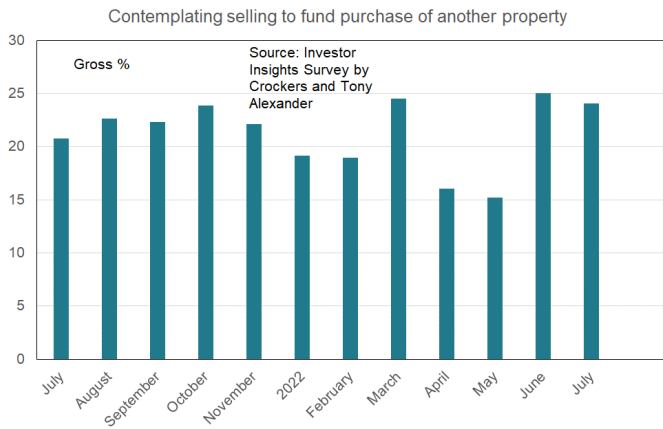
As ever, the greatest reason given by investors looking to sell is that they are realising the value of their asset in order to fund their retirement.

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

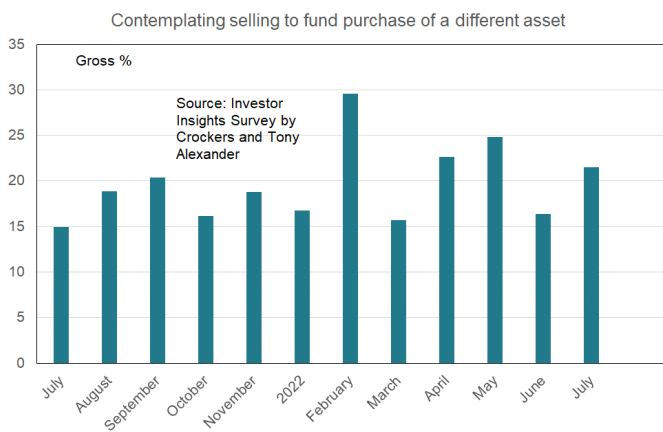




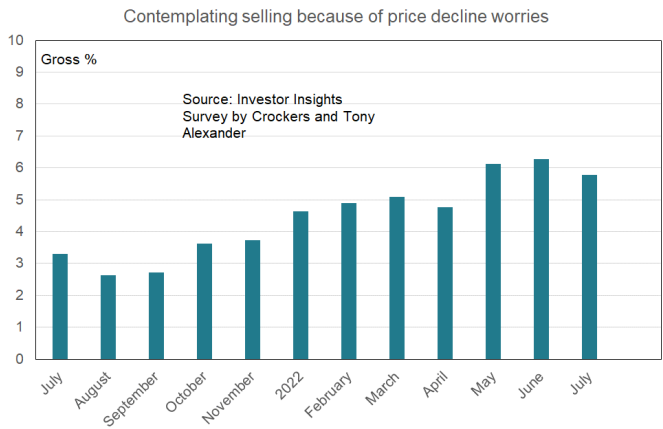
But there has been a lift in the proportion saying they are selling to buy a different property.



But there is no upward trend in the proportions selling in order to invest in non-residential property assets.



Worries about prices falling have become less of a motivation to sell this past month.



There were 325 responses received in this month's survey, with respondents located as follows.

Region	%
Northland	1.5
Auckland	40.4
Bay of Plenty	7.4
Waikato	9.2
Gisborne	0.3
Hawke's Bay	3.4
Taranaki	1.2
Manawatu-Wanganui	3.4
Wellington	11.5
Nelson, Tas., Marl	2.6
West Coast	0.1
Canterbury	13.1
Dunedin City	3.5
Queenstown Lakes	2.0
Southland	0.6

INVESTOR INSIGHT

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- Request a free proposal for your Body Corporate
- Find out how Crockers can assist your Residents' Society
- Let us manage your unit titled property sale

REALTY: sales@crockers.co.nz

- Request a free property sales appraisal
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