

Investor Insight

July 2023

Crockers 
PEOPLE & PROPERTY

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MANAGEMENT
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Tenants much easier to find

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.

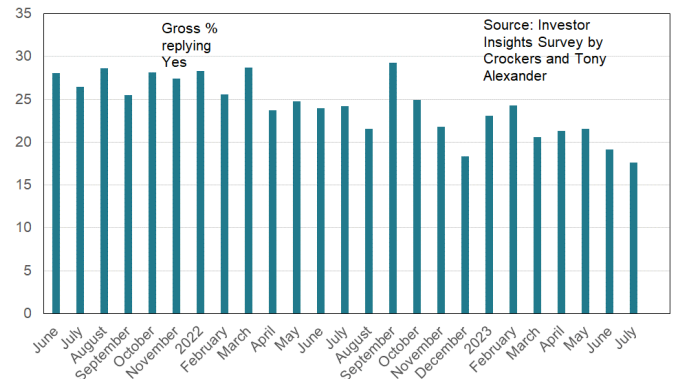
Key points of interest from this month’s survey, which received 341 responses include the following.

- The ease with which landlords can find good tenants is the best in the two years our survey has been running.
- Desired rent rises sought by landlords are increasing.
- The proportion of investors planning to hold for longer than ten years or never sell has fallen further.
- Despite high interest rates there remains no evidence of an investor shift towards accelerating debt reduction.

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

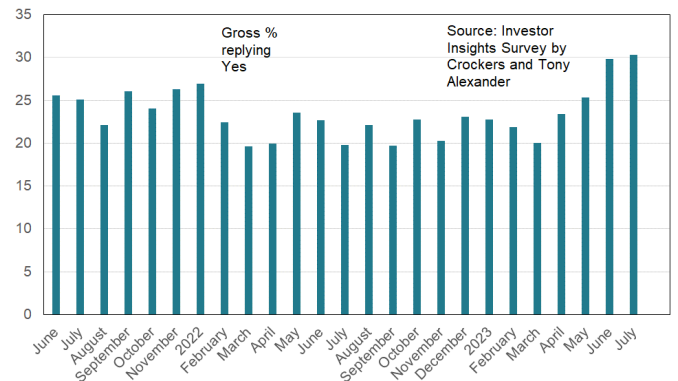
The two-year downward trend in the proportion of existing residential property investors thinking about purchasing another property has continued this month. A record low 18% of investors are thinking about buying, down from 19% in June and 22% in May.

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



At the same time, we are observing a rising trend in the proportion of investors thinking about selling – 30% this month from 20% as recently as March.

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

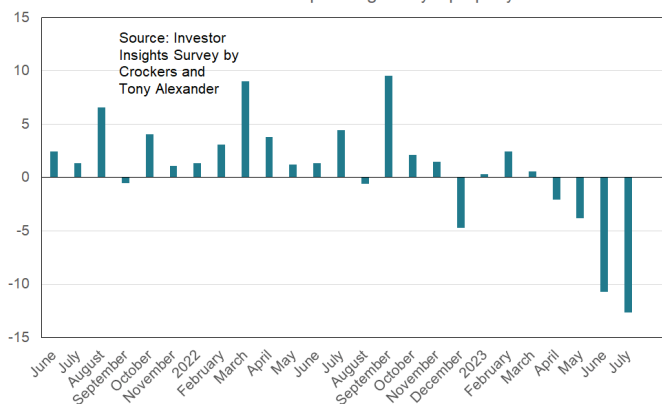


Putting the two measures together we can calculate net buying intentions, and this can give an indication as to whether price pressures are upward or downward from the people who already own residential property investments.

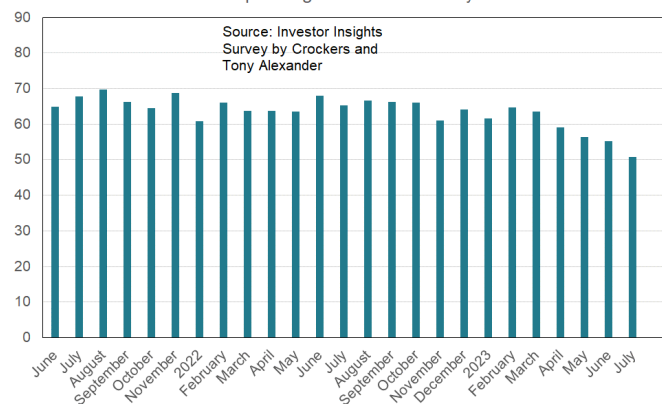
A record net 13% of investors are looking to sell their properties over the coming year, down from a net 1% planning to buy in March.



Net % of investors planning to buy a property



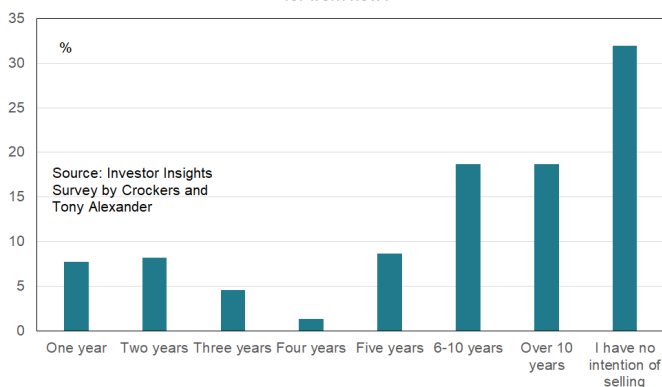
Gross % of investors planning to hold at least ten years or never sell



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

Our survey shows most investors are holding their property asset for the long term.

Roughly how long do you plan keeping your investment property(s) for from now?



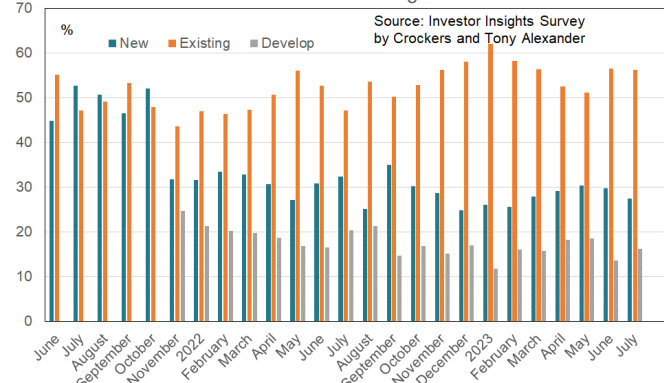
However, and perhaps unsurprisingly in light of the strong net selling intentions we are now observing, the proportion of investors planning to hold for ten years at least or never sell is trending firmly downward. The proportion now sits at 51% from 55% in June and 64% in March.

Providers of rental accommodation are being pressured to leave the sector from a range of factors including tax changes, rising interest rates, and rising costs such as for insurance, rates, and maintenance.

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

The following graph shows as the orange columns the proportion of investors thinking about buying who will purchase an existing dwelling. This proportion of 56% easily exceeds the 28% looking to buy a new dwelling. 16% will develop the property themselves.

If you are thinking about buying another property will it be new or existing?



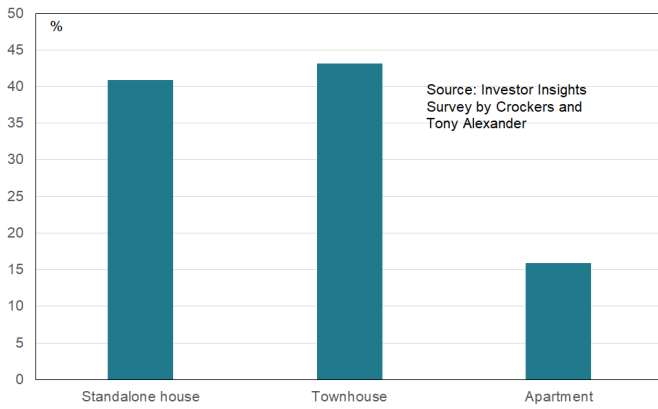
The trend in purchasing an existing property is slowly upward versus down (again slowly) for buying new or developing.

WHAT TYPE OF NEW PROPERTY IS PREFERRED?

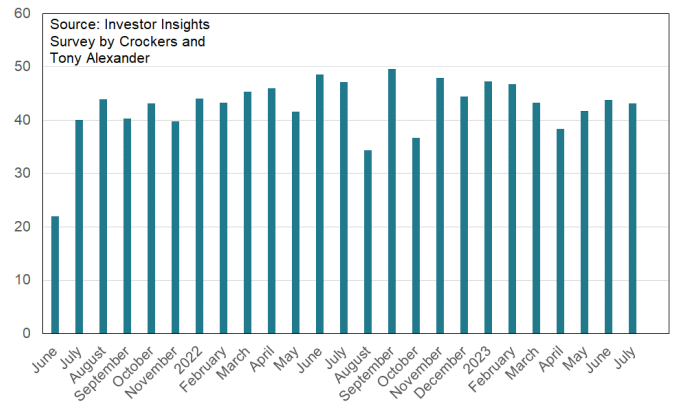
For those looking at buying new, 41% prefer a standalone house, 43% a townhouse, and 16% an apartment.



If it is a NEW property you're looking to buy, what type?



Gross % of investor buyers seeking a new TOWNHOUSE

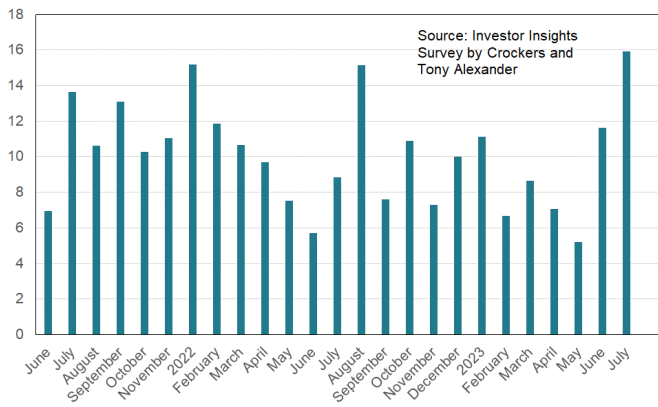


Recently there has been a lift in apartment preference. But allowing for volatility in the data there are no clear upward or downward trends in these preferences.

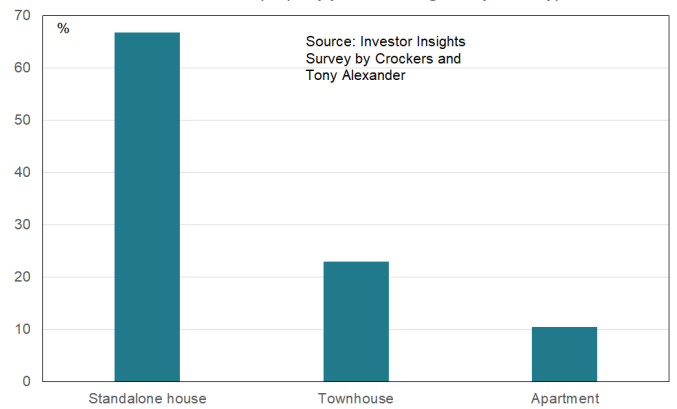
WHAT TYPE OF EXISTING PROPERTY IS PREFERRED?

The overwhelming preference for those looking to buy an existing dwelling is for a standalone house at 67%.

Gross % of investor buyers seeking a new APARTMENT



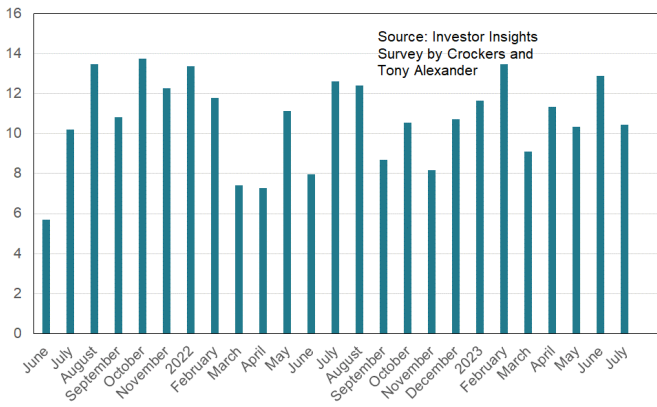
If it is an EXISTING property you're looking to buy, what type?



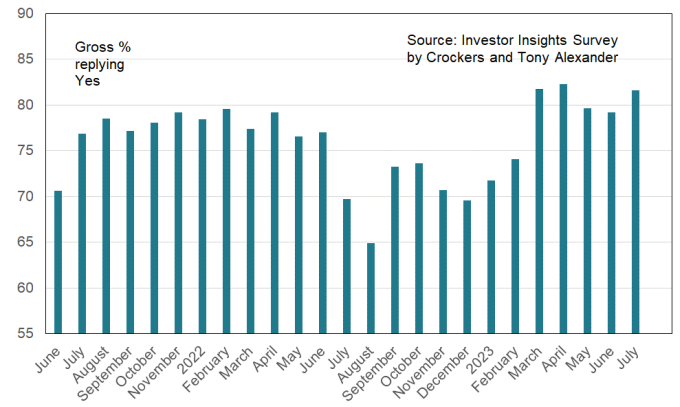
Again, preferences for a standalone house, a townhouse, and an apartment show no strong upward or downward trends.



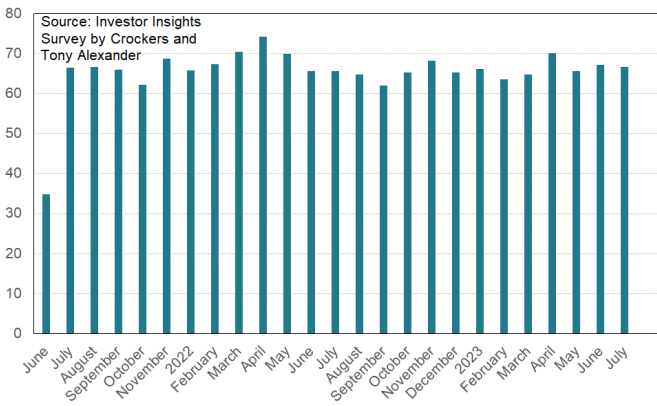
Gross % of investor buyers seeking an existing APARTMENT



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



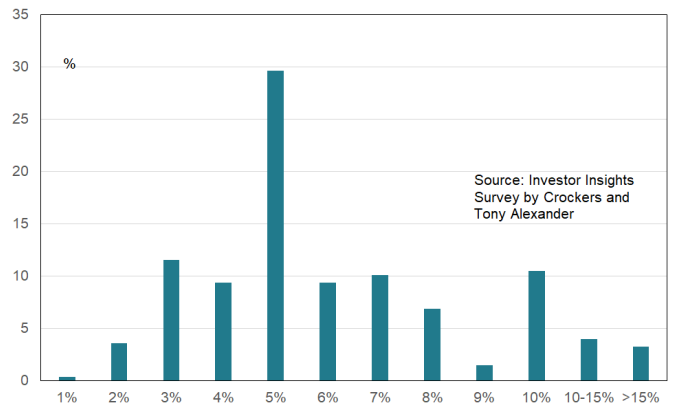
Gross % of investor buyers seeking an existing standalone HOUSE



IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

The most common rent rise favoured by landlords is 5%, followed by 10%.

If you plan raising your rents, how much by?



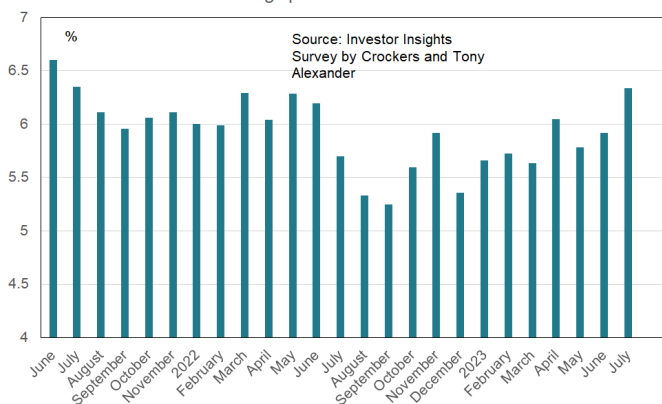
The average rise landlords would like to get, subject to market conditions, has risen to 6.3% from 5.9% last month. This is the highest reading since July 2021 and likely reflects the impacts of rising costs alongside growing tenant demand assisted by the acceleration in population growth currently underway.

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

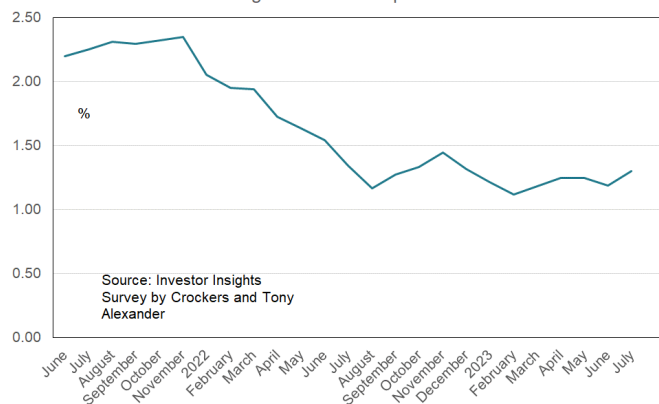
The proportion of investors planning to raise their rents over the coming six months jumped up in March and has remained at newly elevated proportions near 81% since then.



Average planned rent increase



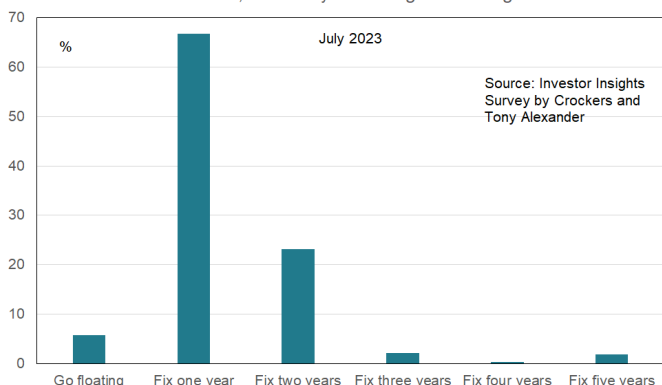
Average fixed rate term preference



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

Investors continue to strongly favour fixing their mortgage interest rate for just one year.

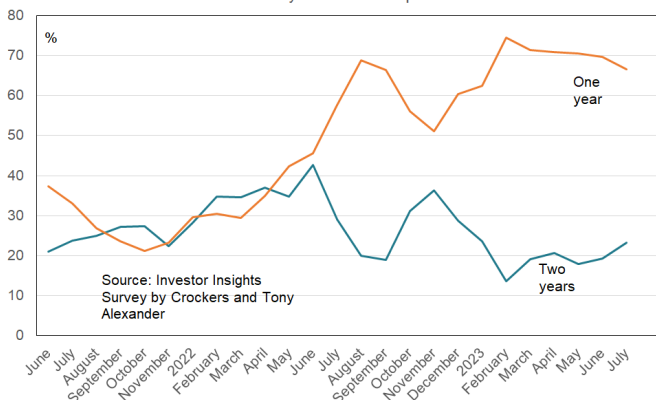
If your mortgage interest rate period is coming up for renewal in the near future, what are you thinking about doing?



The average term of fixing has edged up slightly this month to 1.3 years from 1.19 years in June. But the following graph shows that there has been no meaningful shift in average term preference since late last year.

A slight switch back towards fixing two years is evident when we look just at the one and two year terms in a graph.

One and two year fixed rate preferences

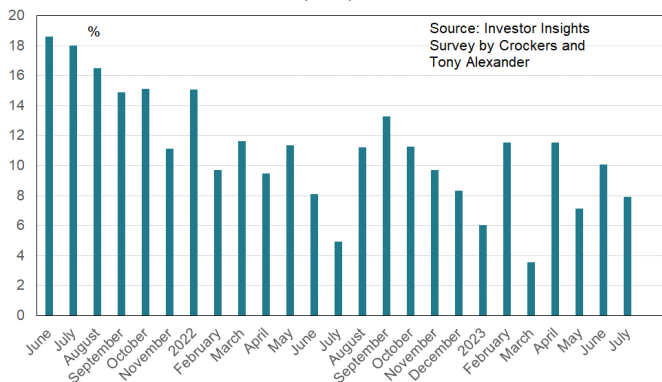


WHAT ARE YOU THINKING REGARDING THE SPEED WITH WHICH YOU ARE PAYING DOWN PRINCIPAL ON YOUR MORTGAGE?

There continues to be no sign that investors are planning to accelerate their debt repayment. This may sound surprising considering some of the other results discussed above and the high level of interest rates. However, it could simply be that investors do not have the cash flow spare to enable them to pay their debt down more rapidly.

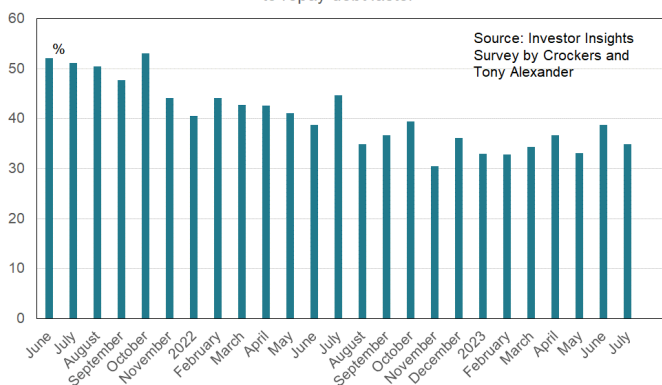


Proportion of investors on interest-only planning to start repaying principal



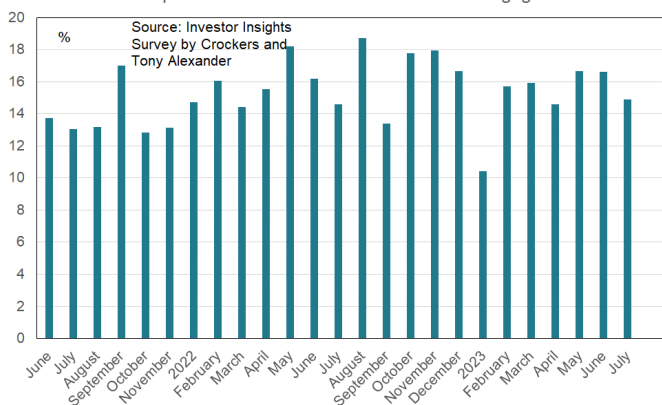
If there is an upward trend in those already repaying principal wanting to pay more, it is a very small one.

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



The proportion of investors with no mortgage has changed by little over time.

Proportion of investors who do not have a mortgage



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

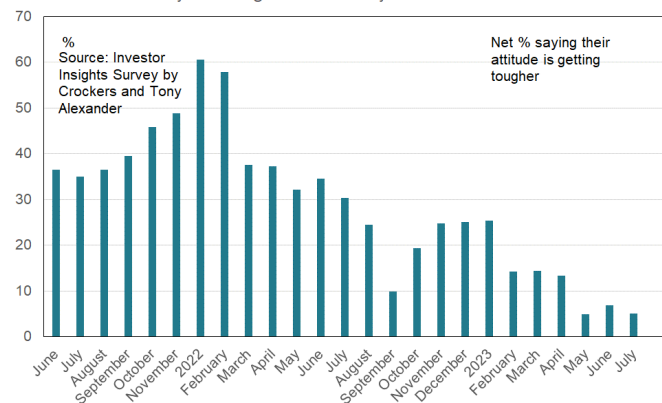
Respondents to this question can choose amongst three options.

- 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.

The willingness of banks to advance funds to investors has improved strongly from the days of the late-2021 credit crunch which was associated with the commencement of price falls amounting to some 18% nationwide.

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



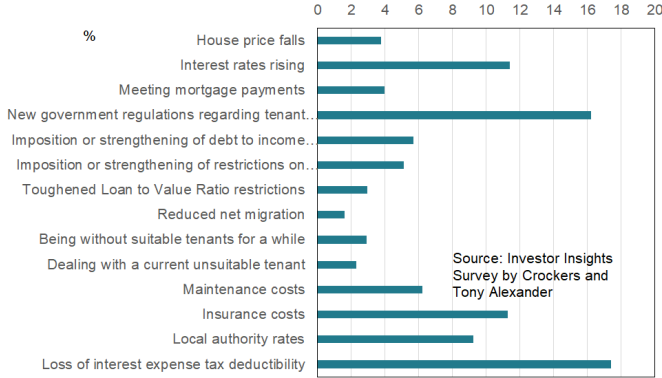
WHICH THINGS CONCERN YOU MOST REGARDING RETURNS ON YOUR INVESTMENT GOING FORWARD?

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

The biggest concerns of investors are loss of interest expense deductibility, government regulations, and interest rates rising. But insurance costs have almost taken third place in this ranking.

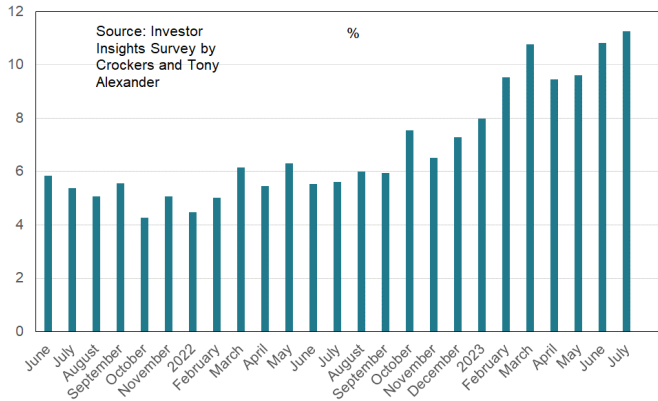


Which things concern you most regarding returns on your investment going forward?



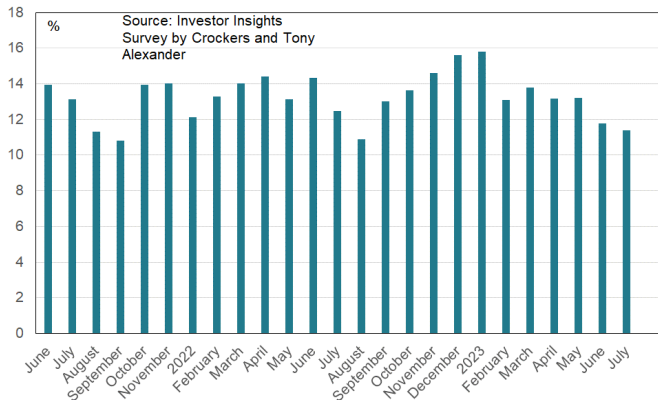
11% of our survey respondents cite insurance costs as a cause for concern, up from 6% a year ago.

Proportion of investors concerned about insurance costs



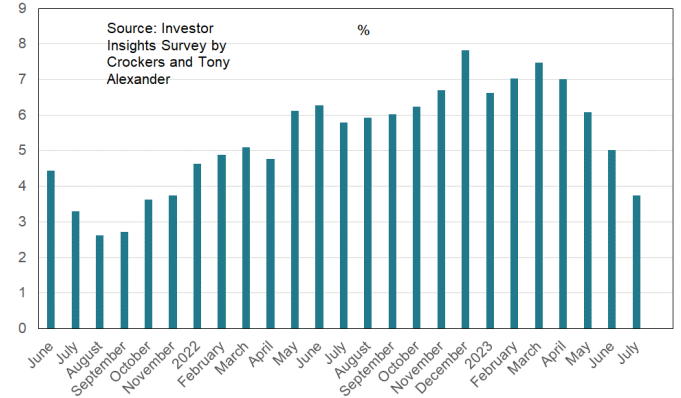
Worries about interest rates are easing only slowly.

Proportion of investors concerned about interest rates rising



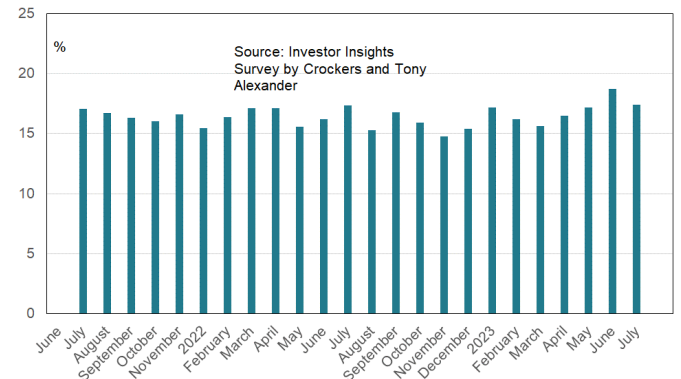
Concerns that house prices will fall further continue to ebb away as media have highlighted signs of house prices bottoming out.

Proportion of investors concerned about house prices falling



The loss of interest expense deductibility has occupied the minds of investors slightly more than last year in recent months.

Proportion of investors concerned about loss of interest expense deductibility

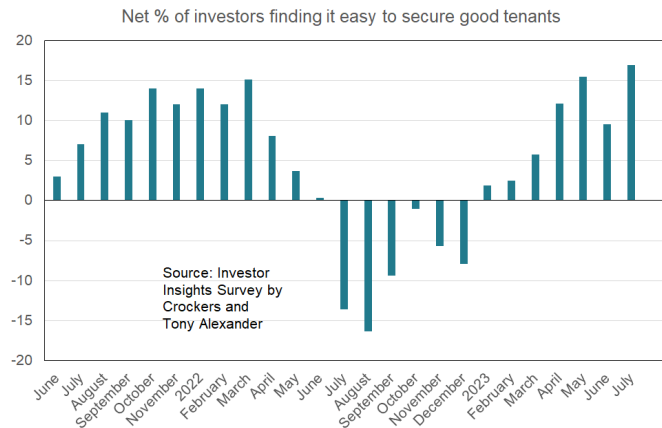


HOW EASY IS IT TO FIND GOOD TENANTS AT THE MOMENT?

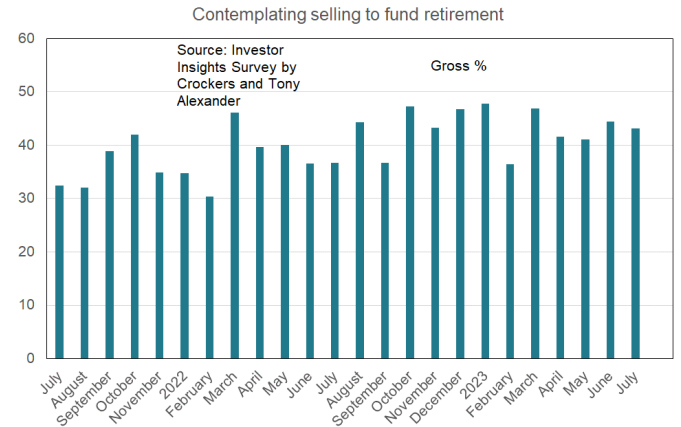
A record net 17% of investors this month have reported that good tenants are easy to find. This is a stark change from a year ago when tenants were in a far better position to choose amongst properties on offer. One factor in play is likely to be the acceleration in population growth caused



by record non-pandemic net migration inflows which have now reached 78,000 or 1.5% of the population in the year to May.

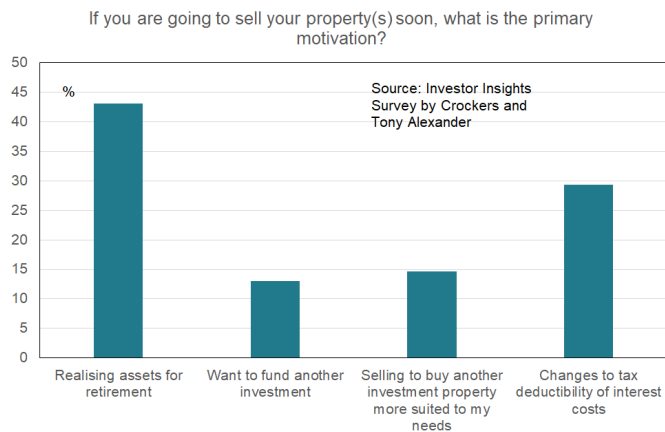


There may be a slight upward trend in retirement as reason to sell.

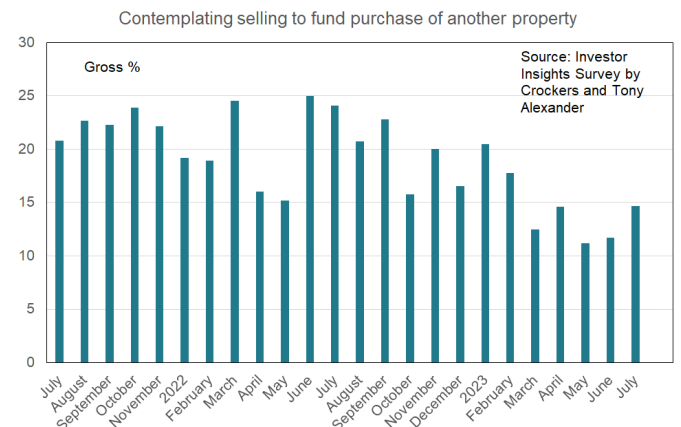


IF YOU ARE GOING TO SELL YOUR PROPERTY(S) SOON, WHAT IS THE PRIMARY MOTIVATION?

Realising assets for retirement remains the main factor behind decisions by investors to sell.



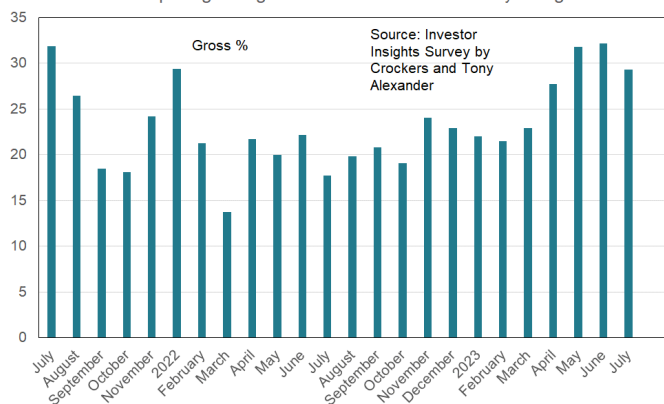
Selling to fund another property is on a downward trend as reason to sell.



In contrast, in recent months the tax changes affecting interest expense deductibility have become more important a driver of the selling decision.



Contemplating selling because of the tax deductibility changes

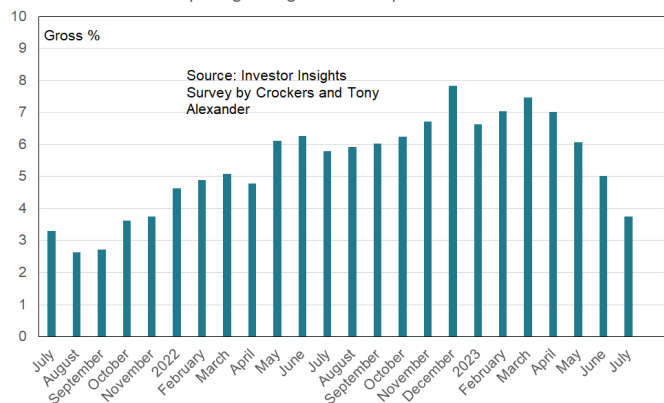


There were 341 responses received in this month's survey, with respondents located as follows.

Region	%
Northland	1.5
Auckland	42.1
Bay of Plenty	6.1
Waikato	8.5
Gisborne	0.3
Hawke's Bay	3.8
Taranaki	2.0
Manawatu-Wanganui	2.3
Wellington	14.0
Nelson, Tas., Marl	1.9
West Coast	0.1
Canterbury	10.5
Dunedin City	4.1
Queenstown Lakes	1.8
Southland	0.9

Fewer are selling because they are concerned about falling prices for their asset.

Contemplating selling because of price decline worries



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- We assist BTR developers and owners in the design, development and management of their complexes

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