



Investor Insight

September 2023

Crockers 
PEOPLE & PROPERTY

EST. 1971
crockers.co.nz

Tony Alexander
Independent Economist

MANAGEMENT
BTR
BODY CORP



Tenant availability rises further

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.

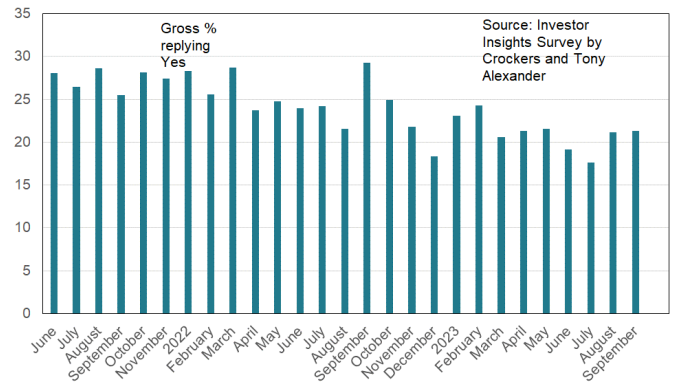
Key points of interest from this month’s survey, which received 404 responses include the following.

- Landlords increasingly report that it is getting easier to secure good tenants.
- Fewer investors are contemplating selling because of loss of interest expense deductibility.
- For those looking to buy, preference for a new property is declining.

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

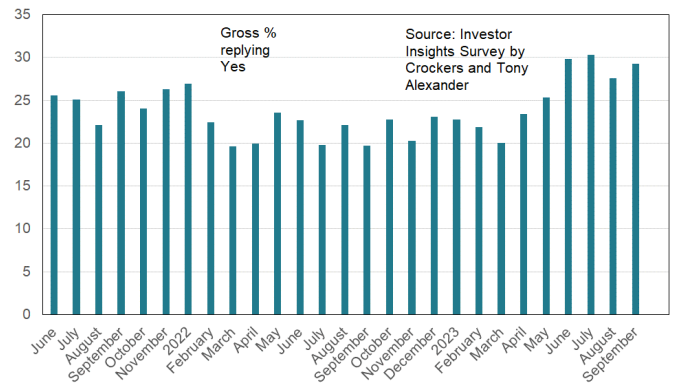
The proportion of our respondents who indicate that they plan buying a property within the next 12 months has held steady from August at 21%. The debate about a change in government and slow return of interest expense deductibility has not had any clear impact on the willingness of existing investors to make another purchase.

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



Has the tax debate caused a decline in the proportion thinking of selling in the next 12 months? No – as shown in our second graph.

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

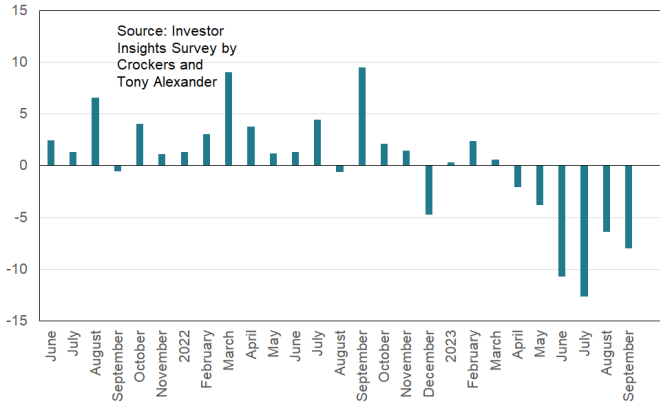


Putting the two measures together we can calculate net buying intentions, and this can give an indication as to whether price pressures are upward or downward from the people who already own residential property investments.

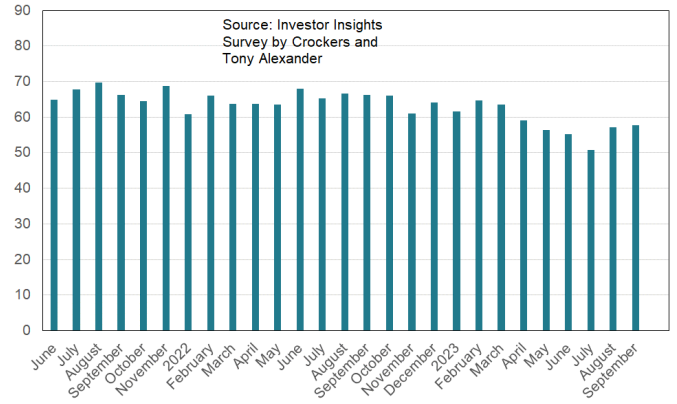
The net proportion of existing investors planning to make a purchase in the coming year has remained negative at 8%, which is slightly greater than the net 6% planning to sell in our August survey. Again, as noted for the individual buy and sell questions above, there is no definitive evidence existing investors are moving back into the market.



Net % of investors planning to buy a property



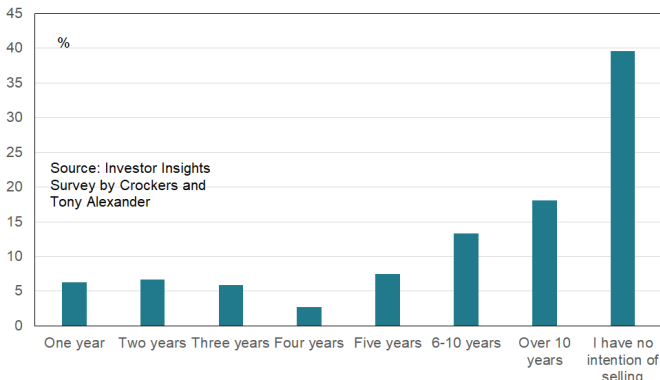
Gross % of investors planning to hold at least ten years or never sell



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

Very few investors plan keeping their property for only a small number of years. Most plan long-term holds.

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



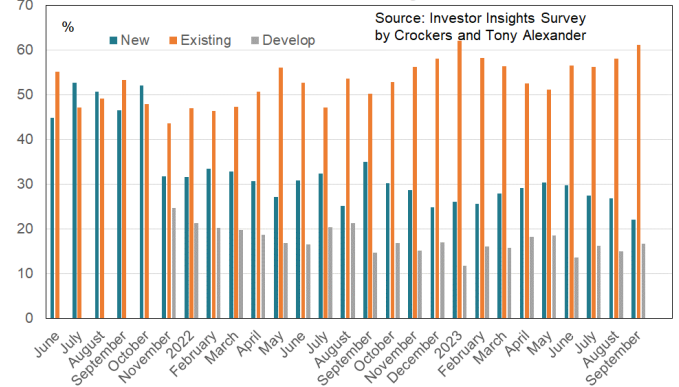
The gross proportion of existing landlords planning to hold their property for at least ten years or never sell has edged back up towards the 63% three year average at 58%. Perhaps this is where the optimism about restoration of tax deductibility is manifesting itself primarily for the moment - plans for holding a property for a longer period of time.

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

Our survey reveals that since June there has been an upward trend in the proportion of investors looking to buy who would seek out an existing property, and a downward trend in the proportion who would look for something newly built.

It is possible that these trends also represent a way in which the anticipated restoration of interest expense may be manifesting itself – but this would be a theory only.

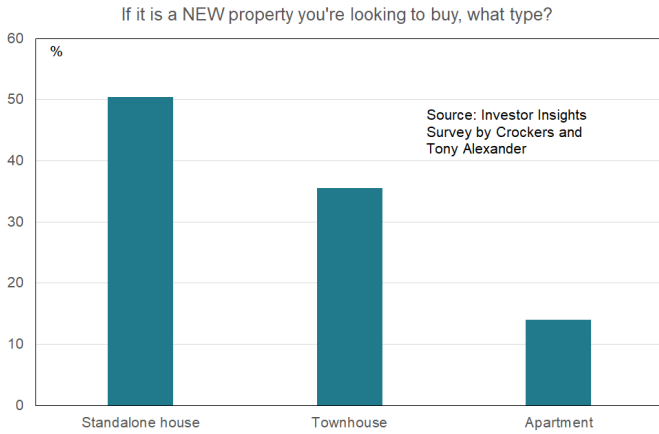
If you are thinking about buying another property will it be new or existing?



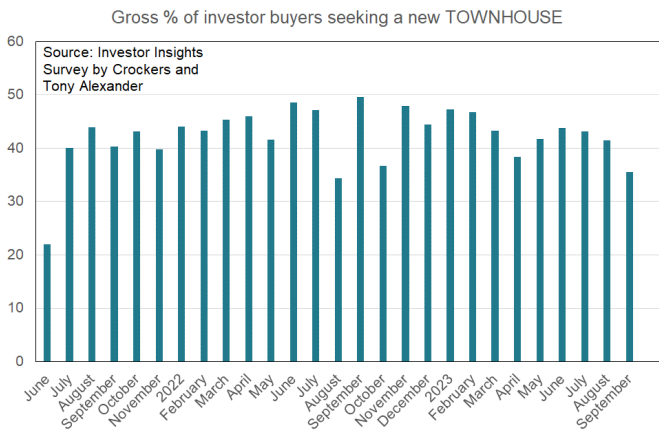


WHAT TYPE OF NEW PROPERTY IS PREFERRED?

For those looking at buying new, 50% prefer a standalone house, 36% a townhouse, and 14% an apartment.

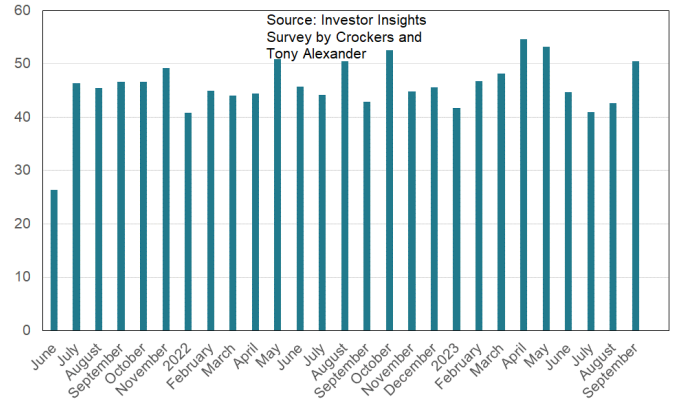


The desire for a new townhouse is noticeably trending downward.



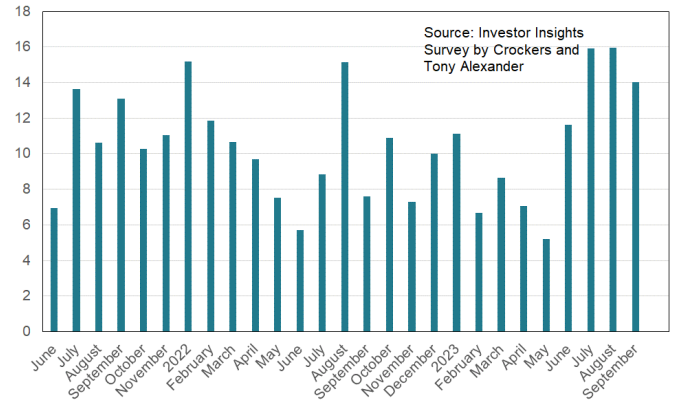
This is partly because of a rise in preference for a standalone house.

Gross % of investor buyers seeking a new STANDALONE HOUSE



But strongly in play is a rise in preference for those buying new to seek out an apartment. Maybe this reflects the return to city centres and Auckland particularly of tourists and foreign students.

Gross % of investor buyers seeking a new APARTMENT

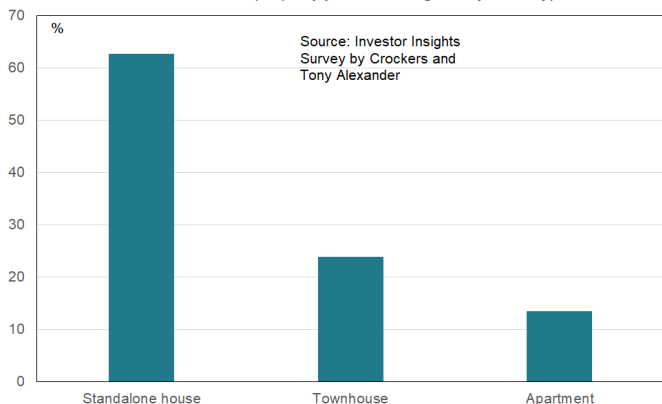


WHAT TYPE OF EXISTING PROPERTY IS PREFERRED?

The overwhelming preference for those looking to buy an existing dwelling remains for a standalone house at 63%.

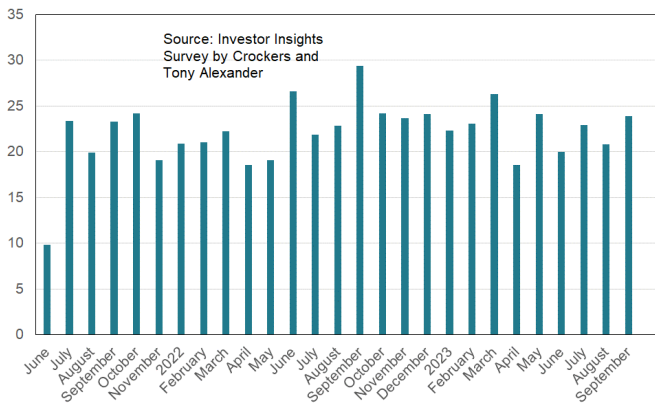


If it is an EXISTING property you're looking to buy, what type?



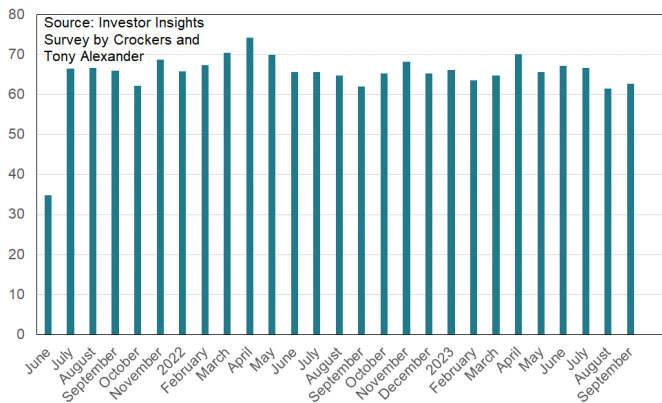
Preference for an existing townhouse is directionless.

Gross % of investor buyers seeking an existing TOWNHOUSE



There is only a slight and probably statistically insignificant decline in this preference recently.

Gross % of investor buyers seeking an existing standalone HOUSE

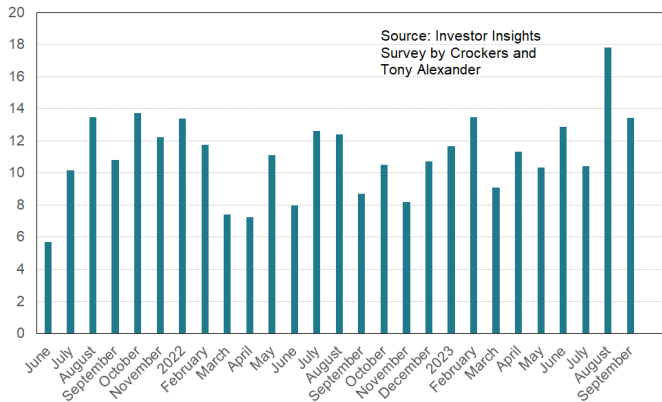


ARE YOU PLANNING TO RAISE YOUR RENTS IN THE NEXT 6 MONTHS?

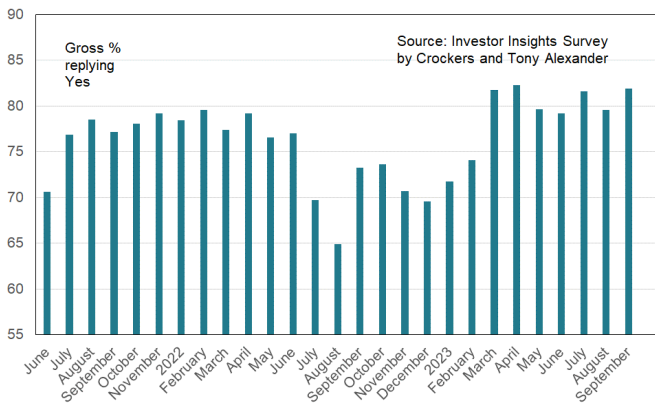
A gross 82% of investors say they plan raising their rents in the next six months. The trend is possibly upward but not by much since March – if at all. The big change was the period from September 2022 to March this year.

Preference for an existing apartment has drifted up recently.

Gross % of investor buyers seeking an existing APARTMENT



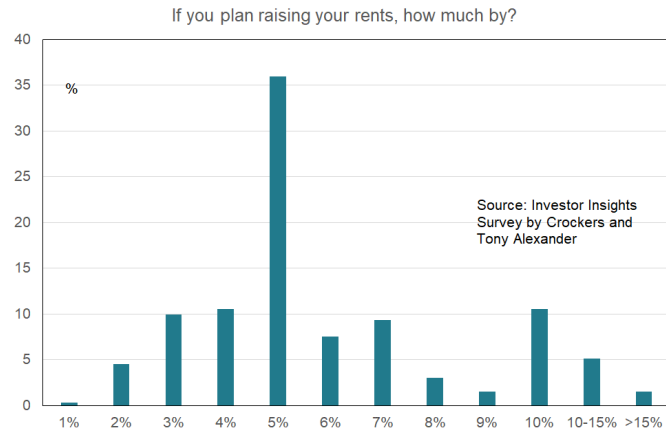
Are you planning to raise your rents in the next 6 months?



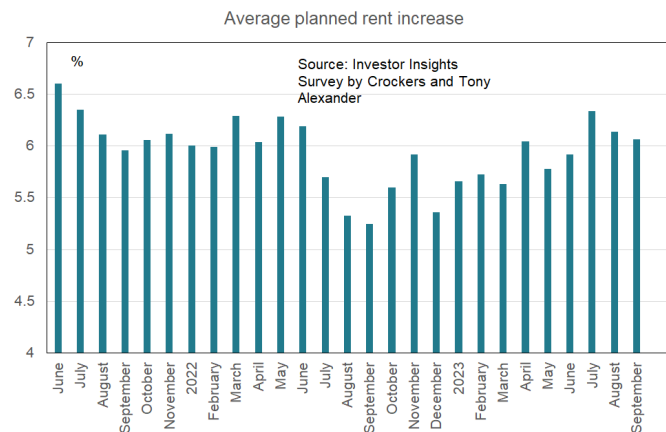


IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

The most common rent rise favoured by landlords is strongly 5%, followed by 10% and 4%.

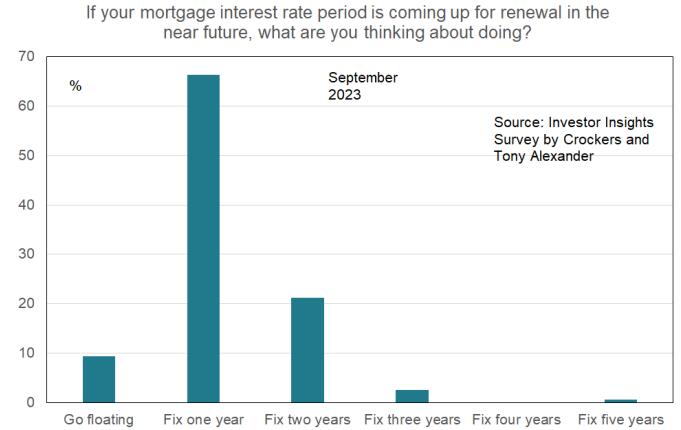


The average rise which landlords would like to get if market conditions allow is 6.0%. This measure has eased slightly over the past two months after rising firmly from October last year.

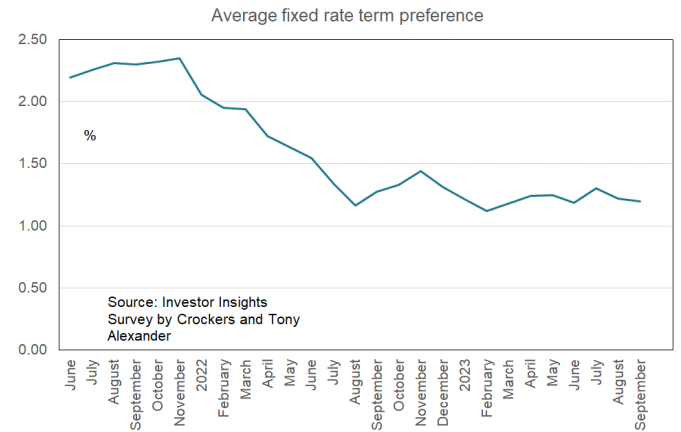


IF YOUR MORTGAGE RATE IS COMING UP FOR RENEWAL IN THE NEAR FUTURE, WHAT ARE YOU THINKING ABOUT DOING?

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

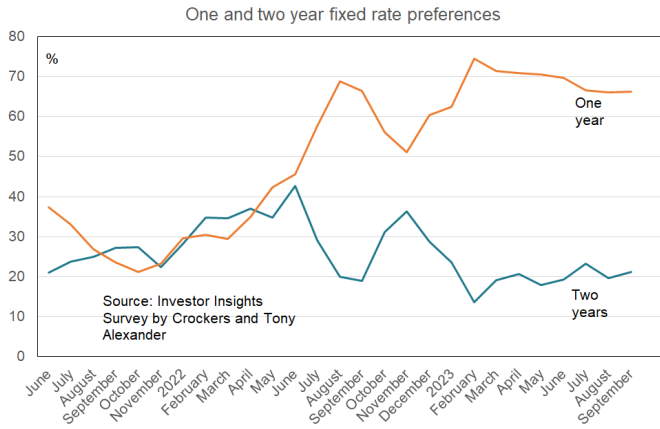


The average term preferred has deviated little from 1.25 years since the middle of 2022. This reflects the ongoing feeling that interest rates have peaked. Maybe this time we will all be right!

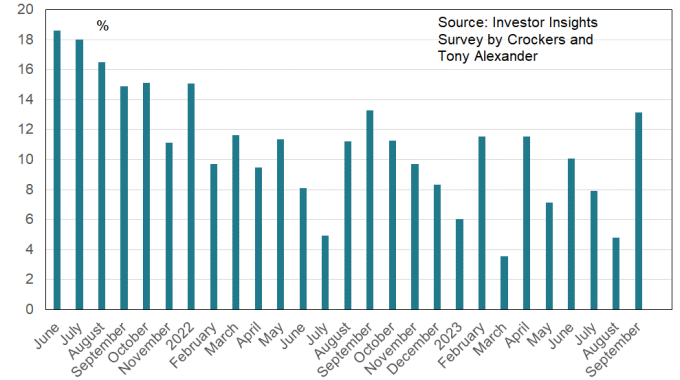




Preference shifts between fixing one and two years have been minor recently for existing property investors.



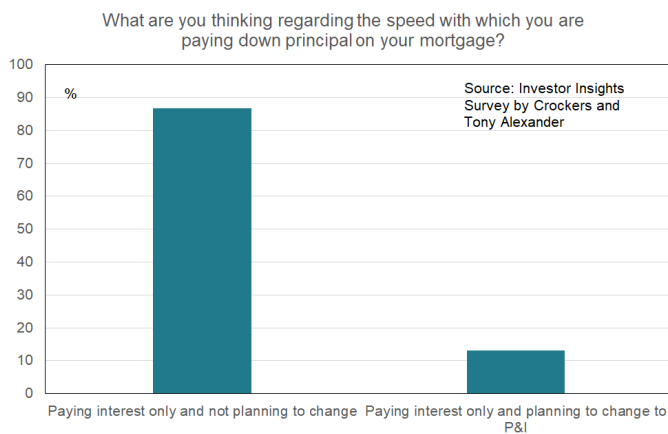
Proportion of investors on interest-only planning to start repaying principal



For those investors on principal and interest mortgages there are as usual far greater intentions to cut debt levels.

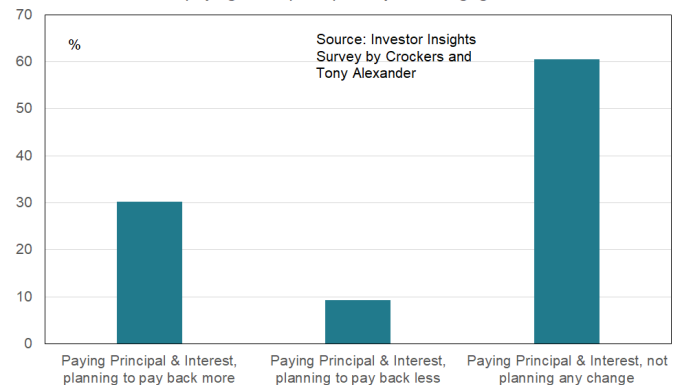
WHAT ARE YOU THINKING REGARDING THE SPEED WITH WHICH YOU ARE PAYING DOWN PRINCIPAL ON YOUR MORTGAGE?

It remains the case that very few investors on interest-only plans intend shifting to repaying principal. Many however have long been under pressure from their bank to in fact reduce debt and this can manifest itself when an existing investor seeks funds for a new purchase.



This month the proportion planning to start repaying principal has undergone an interesting rise to 13% from 5% in August. But it would be best to wait and see if this shift is sustained before concluding that debt repayment has truly come to the fore.

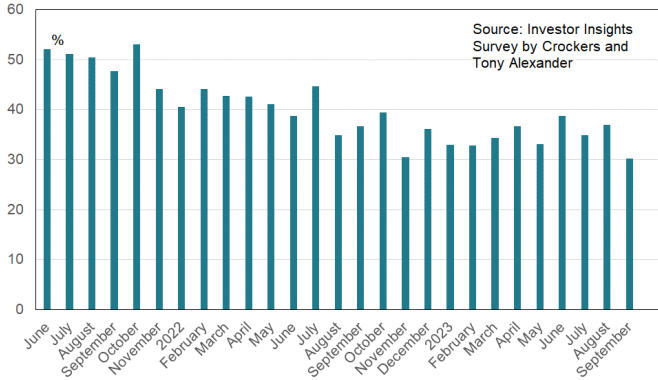
What are you thinking regarding the speed with which you are paying down principal on your mortgage?



But an upward trend in this proportion seems to have ended. Looking through the results it seems not possible to conclude that investors are so concerned about high interest rates that they are pulling out all the stops to get debt levels down. Then again – how can they comfortably do so with interest rates high and expenses rising strongly while interest expense deductibility changes worsen after-tax cash flows?

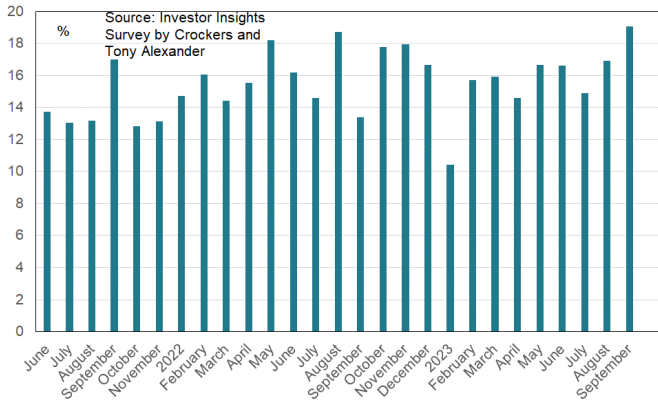


Proportion of investors on principal and interest mortgages planning to repay debt faster



The proportion of investors with no mortgage has been drifting up and is now at a record high - just.

Proportion of investors who do not have a mortgage



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

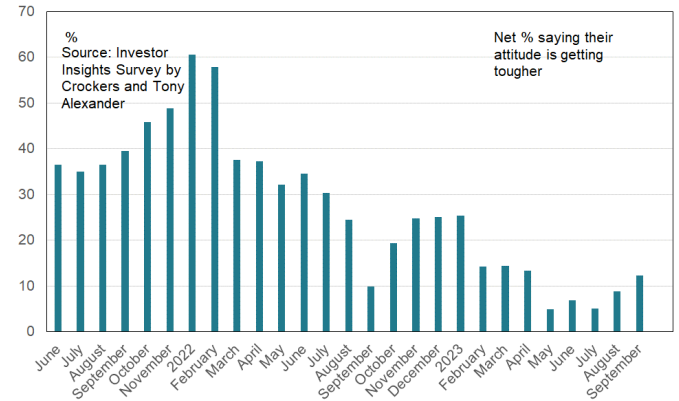
Respondents to this question can choose amongst three options.

- 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.

Over the past two months there has been a slight rise in the proportion of existing investors saying that they feel their bank is getting tougher on finance availability. This is a small reversal of the downward trend in this measure from early-2022.

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

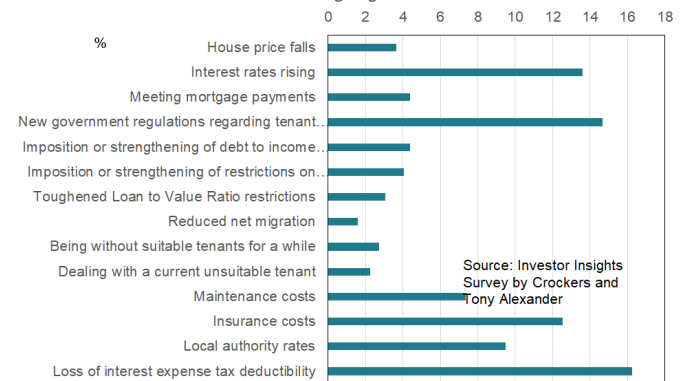


WHICH THINGS CONCERN YOU MOST REGARDING RETURNS ON YOUR INVESTMENT GOING FORWARD?

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

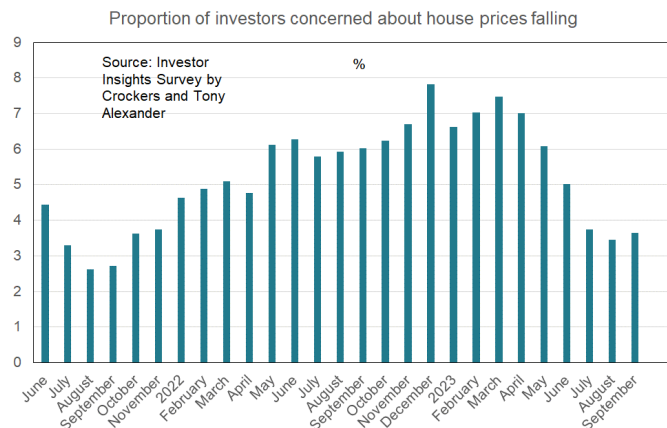
The biggest concerns are the loss of interest expense deductibility, regulations favouring tenants, and interest rates. This is the same as last month.

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

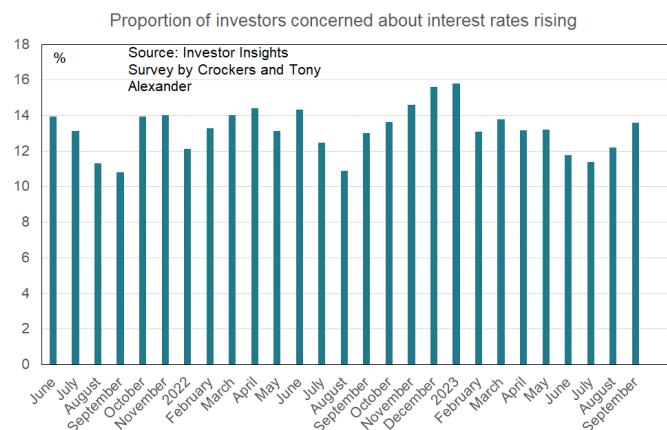




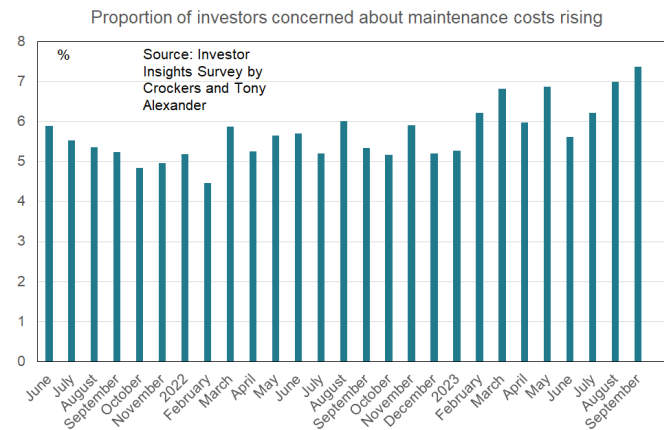
Investors' worries about house prices falling have been trending down in recent months by and large.



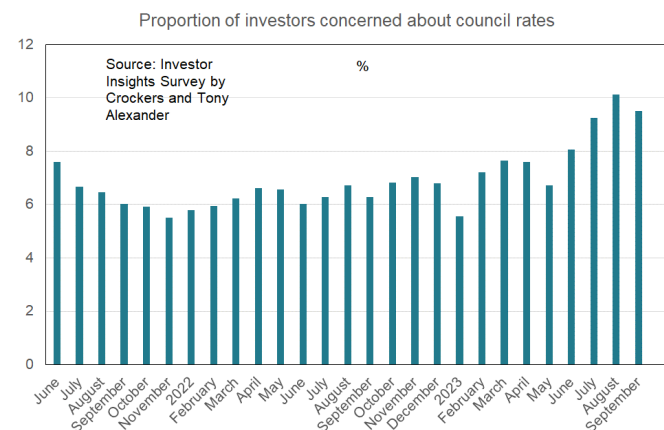
Concerns about interest rates rising have resurfaced slightly recently as banks have further increased their medium to long-term fixed mortgage rates.



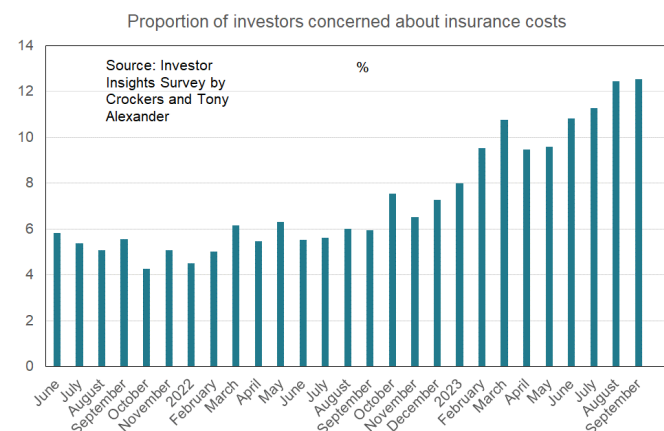
Maintenance cost concerns are firmly rising.



So too are worries about council rates.



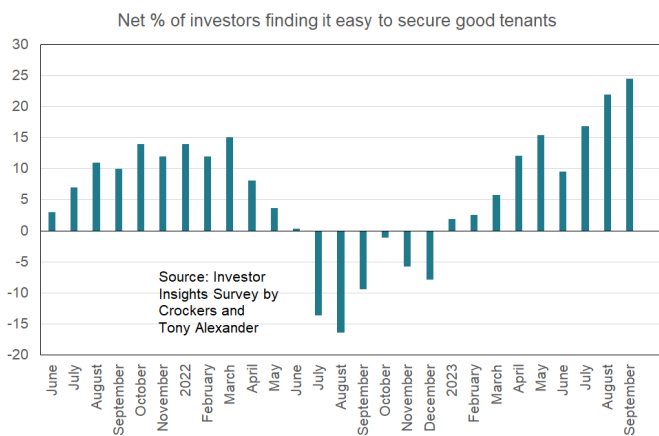
Insurance concerns also continue to go up.





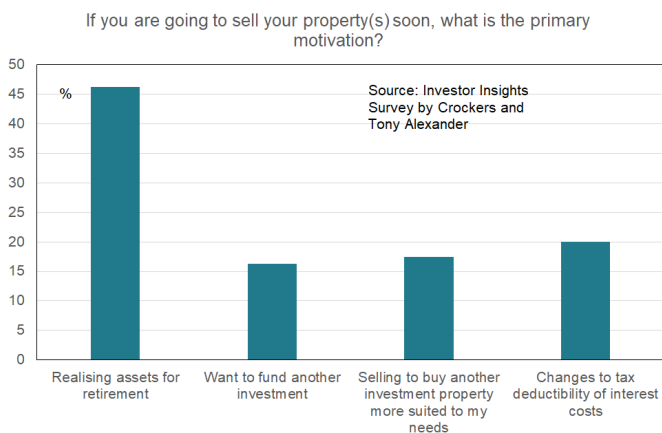
HOW EASY IS IT TO FIND GOOD TENANTS AT THE MOMENT?

This month a record net 24% of existing investors have reported that they are finding it easy to get good tenants. This is a firm turnaround from the net 8% at the end of last year who said finding good people was hard. This likely reflects the boom in population growth outpacing growth in the supply of rental property to accommodate them.

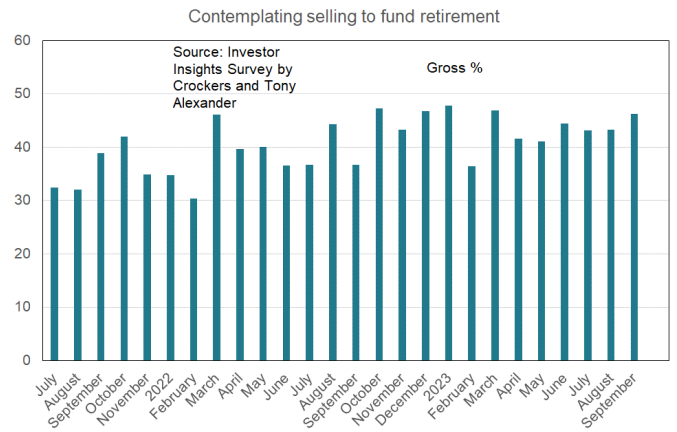


IF YOU ARE GOING TO SELL YOUR PROPERTY(S) SOON, WHAT IS THE PRIMARY MOTIVATION?

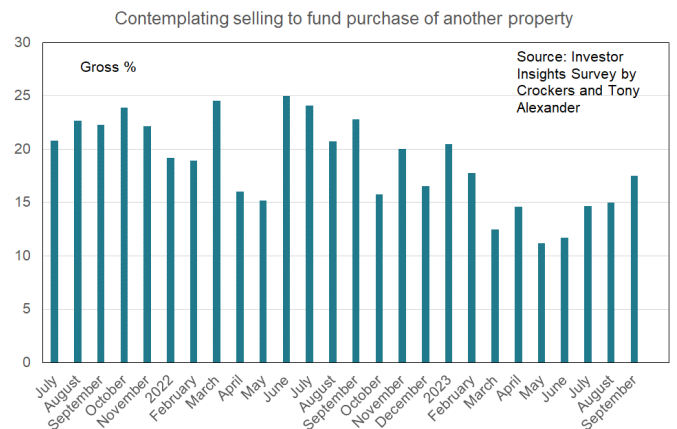
The main reason cited for selling one's property is always the funding of retirement.



The proportion citing this reason may be slowly trending up.



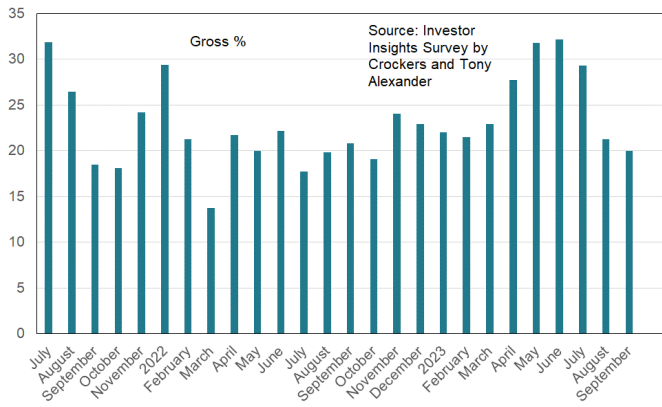
Selling in order to fund the purchase of a different property has risen slightly in recent months.



But perhaps now we get to the most obvious impact (potentially) of the debate about potential restoration of interest expense deductibility. The proportion of investors saying loss of ability to deduct interest payments is a motivation for selling has noticeably dropped recently.



Contemplating selling because of the tax deductibility changes



Source: Investor Insights Survey by Crockers and Tony Alexander

There were 404 responses received in this month's survey, with respondents located as follows.

Region	%
Northland	2.2
Auckland	47.7
Bay of Plenty	5.2
Waikato	7.7
Hawke's Bay/Gisborne	2.3
Taranaki	1.2
Manawatu-Wanganui	2.0
Wellington	13.1
Nelson, Tas., Marl	2.6
Canterbury	11.6
Dunedin City	2.0
Queenstown Lakes	2.5
Southland	0.2

YOUR PROPERTY, PROPERLY MANAGED

Get in touch to learn about our wrap around services for management, body corporate and BTR needs for your properties and complexes.

MANAGEMENT: pm@crockers.co.nz

- Request a free rental appraisal
- Enquire about stress-free property management for your residential or commercial property

BODY CORP: bc@crockers.co.nz

- Request a free proposal for your Body Corporate
- Find out how Crockers can assist your Residential Society

BUILD-TO-RENT: btr@crockers.co.nz

- Request a free Build-to-Rent proposal
- We assist BTR developers and owners in the design, development and management of their complexes

CROCKERS PROPERTY GROUP

F 0800 CROCKERS (2762 5377)

E property@crockers.co.nz

2 Onslow Avenue, Epsom, Auckland 1023
PO Box 74054, Greenlane, Auckland 1546

Crockers Property Management Ltd
Crockers Body Corporate Management Ltd

MANAGEMENT
BTR
BODY CORP

EST.1971
crockers.co.nz

Crockers 
PEOPLE & PROPERTY