



# Investor Insight

January 2022

**Crockers**   
PEOPLE & PROPERTY

EST.1971  
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MANAGEMENT  
REALTY  
BODY CORP





## Mortgages harder to obtain

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 shortening the average term over which they take a fixed rate mortgage.
- Banks have become less willing to advance extra funds.
- The preference of investors in new dwellings has shifted away from detached houses towards apartments and townhouses.
- Despite rising interest rates there is only a slight trend towards accelerating debt repayment or moving from interest-only to principal and interest payments.
- Tax legislation changes are becoming a more important driver of decisions to sell.
- Investors show little concern about the multi-year property price boom seemingly coming to an end.

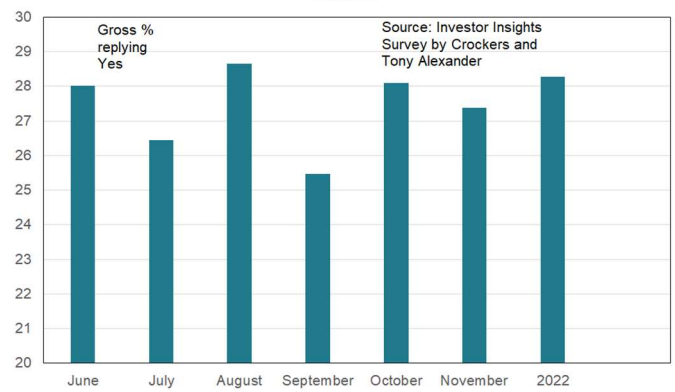
In this month's survey we received 522 responses.

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

Despite substantial talk of the housing market slowing down there is no easing off underway in the proportion of existing residential property

investors thinking about purchasing another property. This may reflect the retention of tax deductibility of interest expenses for purchases of new buildings, irrelevance of the tax changes to those who purchase without debt, and continuing long timeframe for ownership contemplated by investors (see below).

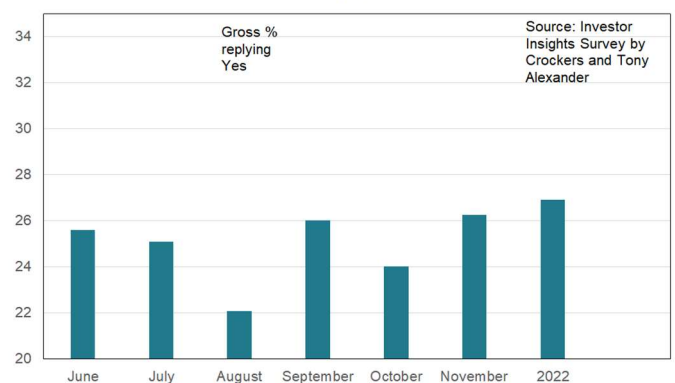
Are you thinking about buying another property within the next 12 months?



### ARE YOU THINKING ABOUT SELLING ONE OR ALL OF YOUR PROPERTIES WITHIN THE NEXT 12 MONTHS?

There is a small upward trend over recent months in the gross proportion of property investors contemplating selling their asset in the coming 12 months.

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





Real estate agents report that they are seeing a good number of investors looking to sell their properties and this is driving some concerns about the availability of rental accommodation. It will be interesting to see what happens from April onwards as a number of accountants have indicated they feel completion of annual tax returns will only then sheet home to many investors the implications of the tax changes from March 27 last year.

If we offset the gross proportion of investors planning to buy against the proportion planning to sell over the coming 12 months, we get the following graph. It shows no trend towards net selling.

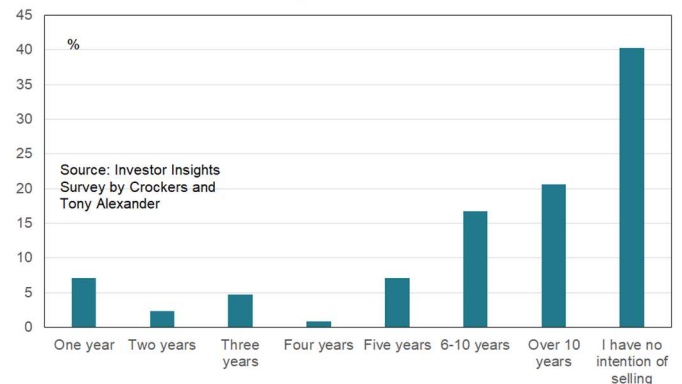


This result gels with the strong anecdotal evidence regarding investors being unfazed by the boom in the residential property market coming to an end.

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

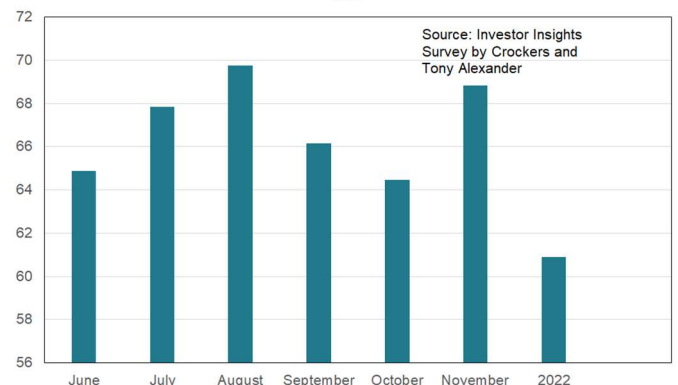
Our surveys consistently show an over-whelming majority of residential property investors plan holding their properties for the long-term.

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



In January 2022 the proportion planning to hold their property(s) for ten years or longer fell to 61% from 69% in November. Only if we accept that the November result was an outlier can we conclude that there is a shortening of investment period underway and as yet that assumption cannot be made.

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



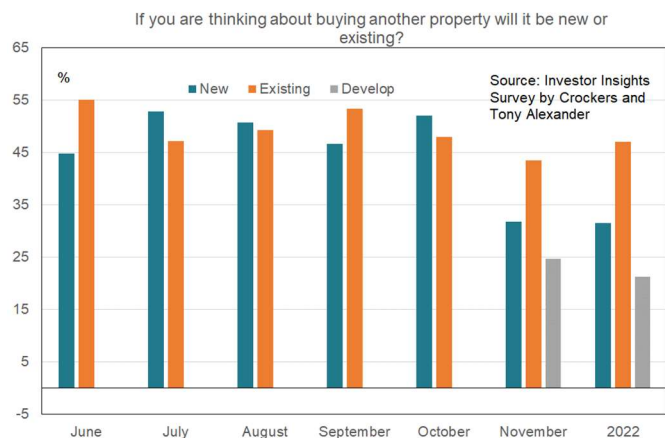
### IF YOU ARE THINKING ABOUT BUYING ANOTHER PROPERTY WILL IT BE NEW OR EXISTING?

As shown by the orange bar in the graph below, a higher proportion of investors looking to make a purchase continue to favour an existing dwelling rather than one newly built. However, from November we introduced the option of undertaking the construction oneself and when we add that 21% to the 32% planning to buy new, the resulting 53% exceeds the 47%

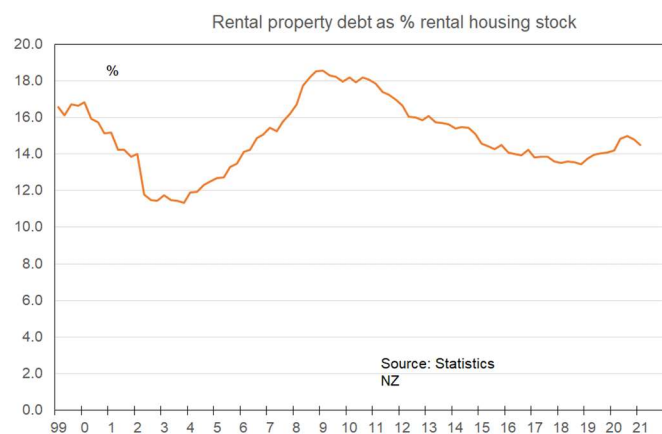




planning to buy an existing property. But the difference is not that large and is in fact consistent with the new/existing ratio from July of last year. Plenty of investor demand remains for existing properties and this may reflect that not all investors need a mortgage (hence deductibility of interest expenses is not relevant), and many have low debt.



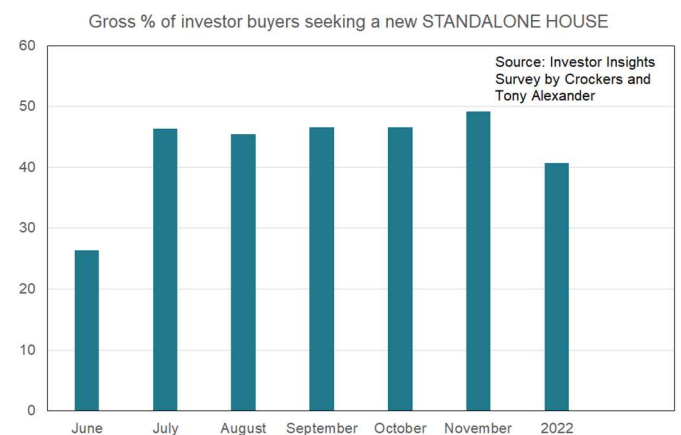
According to data compiled by Statistics NZ, the ratio of debt owed by owner occupiers to the value of their housing stock is 22% while for investors this debt ratio is 14%.



### IF IT IS A NEW PROPERTY YOU'RE LOOKING TO BUY, WHAT TYPE?

We ask this question and the next to see if there are any trend changes in the preferences

investors show for property type. A gross 41% will seek a standalone house, down from 49% in November. Only time will tell if this is the start of a new trend. If it is this could be because of the growing publicity regarding difficulties of builders in securing materials and perceptions that this might be of greater relevance to detached houses than apartments and townhouses. That conclusion would not necessarily seem warranted, but we shall see.

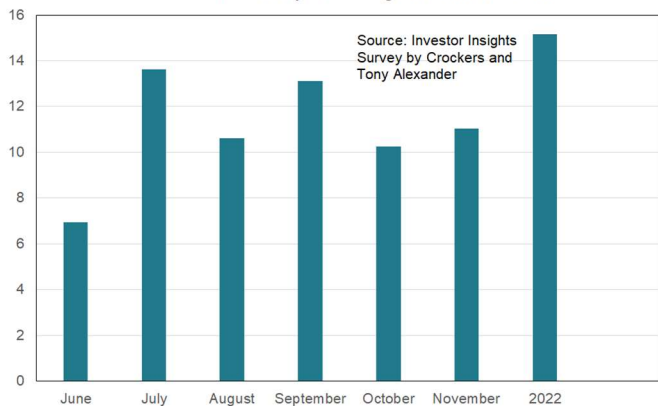


A gross 44% of investors seeking to purchase a new dwelling would opt for a townhouse, and a gross 15% for an apartment. There may be an upward trend underway in the apartment preference.





Gross % of investor buyers seeking a new APARTMENT



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

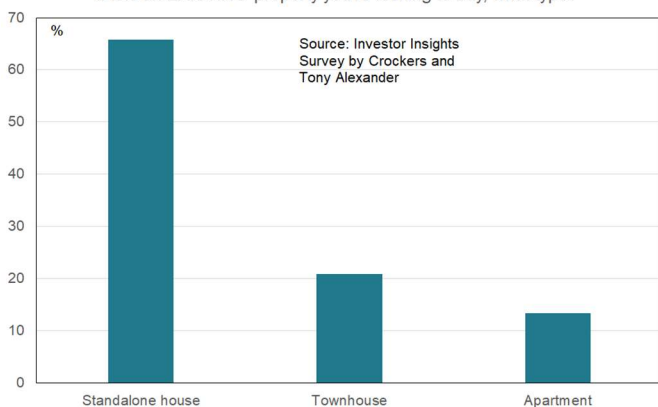
Rents are set with reference to the market and not just by desire of a property owner.

There continues to be no upward trend in the proportion of investors planning to raise their rents in the coming six months.

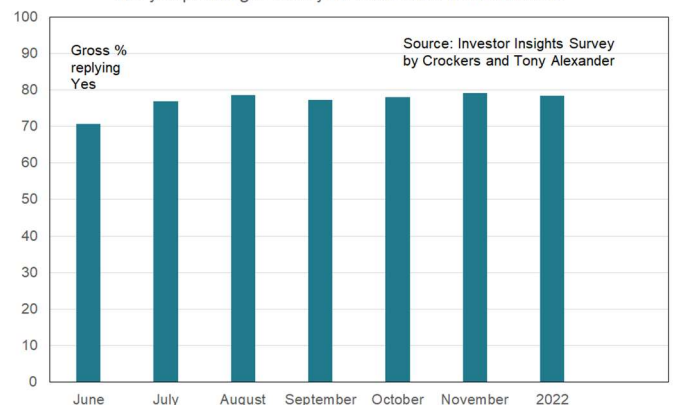
## IF IT IS AN EXISTING PROPERTY YOU'RE LOOKING TO BUY, WHAT TYPE?

For those investors planning to buy in the next 12 months and intending that their purchase be of an existing property, a gross 66% will seek a standalone house compared with just 41% having this preference for buying new. 20% will seek an existing townhouse versus 44% for those buying new. This continues to tell us that for first home buyers seeking to make a purchase with the least amount of competition from investors, existing townhouses offer the best chance of a successful acquisition.

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



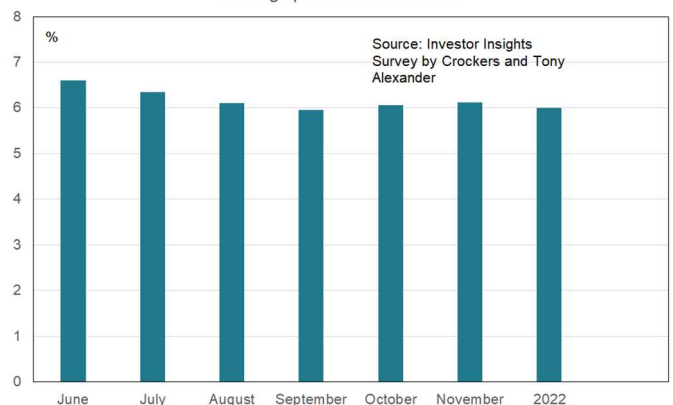
Are you planning to raise your rents in the next 6 months?



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

For those landlords intending to raise their rents, the most commonly cited increases remain in the ranges of 1-5% and 5-10%. The average is still about 6% and this average has shown no trend change since our survey started.

Average planned rent increase

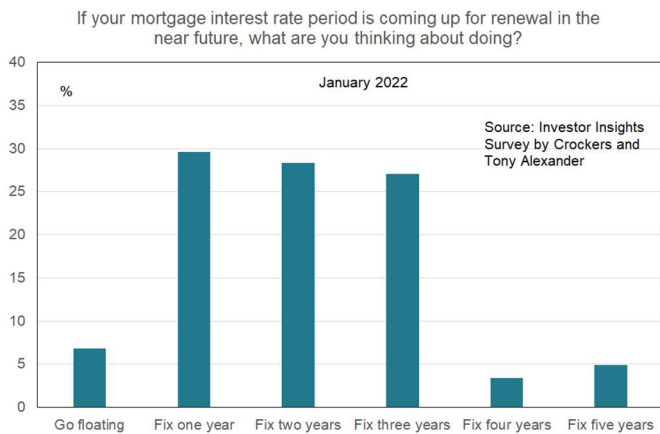




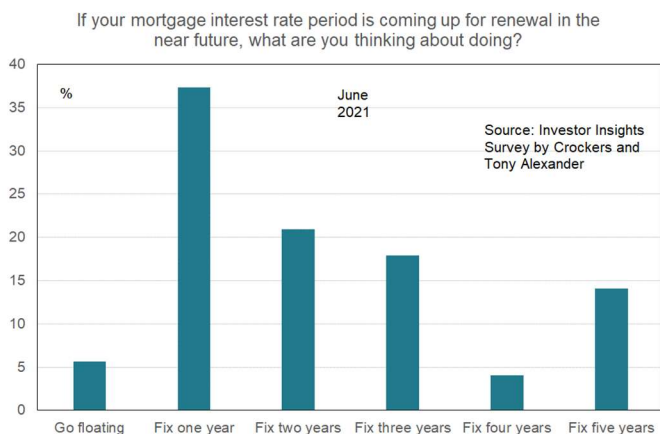


## IF YOUR MORTGAGE RATE IS COMING UP FOR RENEWAL IN THE NEAR FUTURE, WHAT ARE YOU THINKING ABOUT DOING?

There is virtually no difference between the proportions of investors planning to fix their mortgages in the one, two and three year periods.



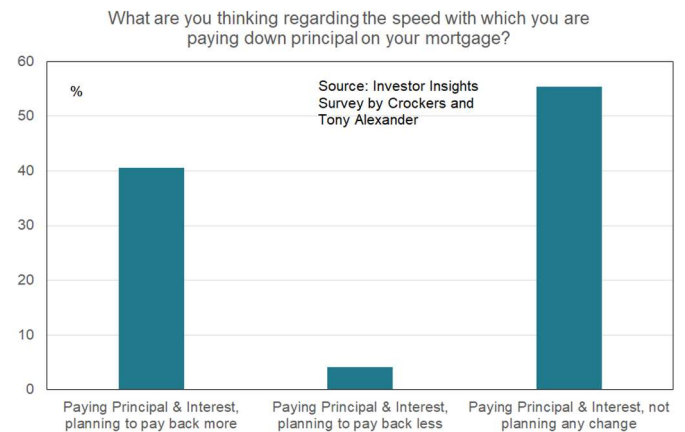
But there is quite a shift from the middle of last year when fears of rate rises were low and the one-year rate was very competitive. It still is, but anticipation of rate rises in response to soaring inflation has injected a new urgency amongst borrowers to get some insurance against where short-term rates may have to be taken by the Reserve Bank in the near future.



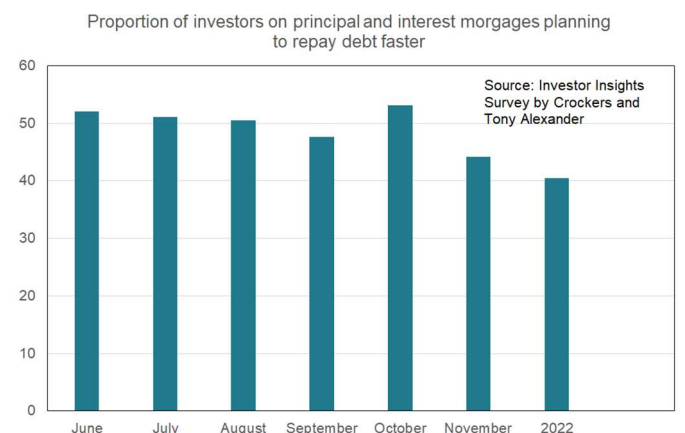
Note that to allow for the possibility of splitting one's fixed rate across a number of time periods, respondents are allowed to choose more than one fixed term option.

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

Despite extensive discussion regarding rising inflation and expectations of fixed mortgage rates rising further than the rapid jumps last year, there is only a mild indication that investors are accelerating their debt repayment. 40% of those on principal and interest mortgages plan to pay back more.

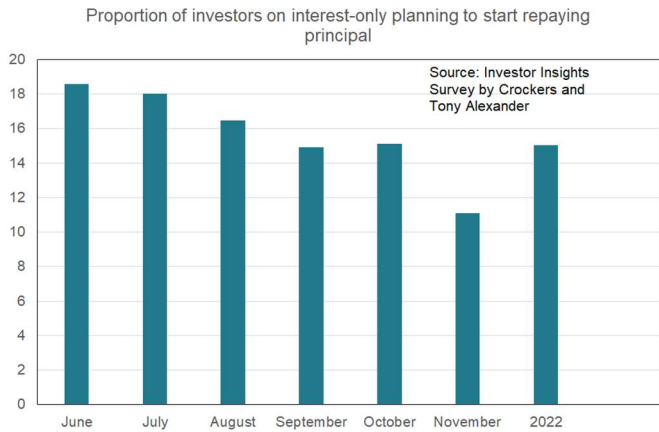


But this is the lowest proportion recorded to date.





However, there has been a lift in the proportion of those on interest-only mortgages looking to start paying down the principal.



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

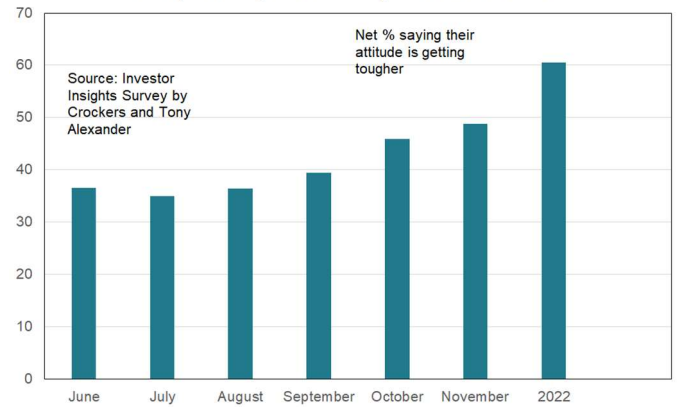
Respondents to this question can choose amongst three options.

- 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.

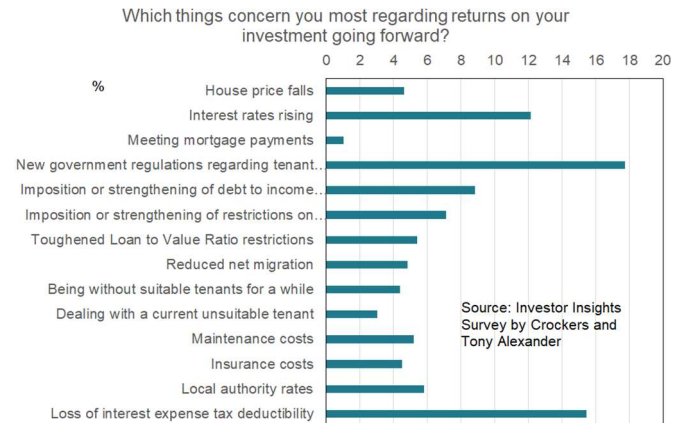
Consistent with results in other surveys, investors are finding their banks to be getting tougher. Perceptions of difficulties have been rising since August and the jump over the past two months is the biggest between surveys so far.

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. A gross 18% state that government regulations are their main concern followed by a gross 15% citing loss of interest deductibility and 12% that interest rates are rising. So far none of these concerns have shown any trend changes in the period during which we have been running our survey.

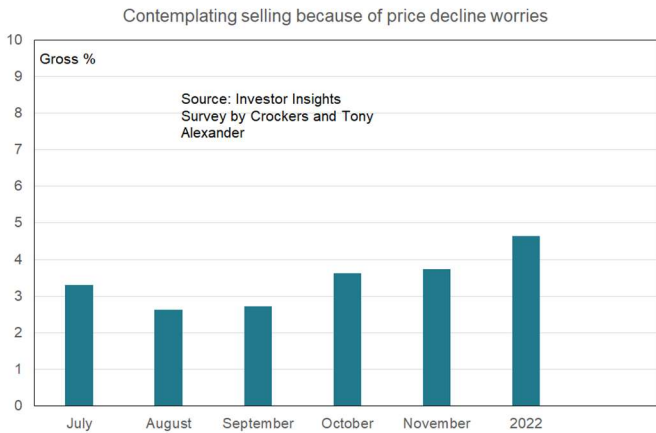


Investors seem unperturbed by my prediction (set out in my free weekly Tony's View publication in recent months) that the property boom is over. But given the long term horizon taken by the overwhelming majority of our respondents, perhaps this is unsurprising. There



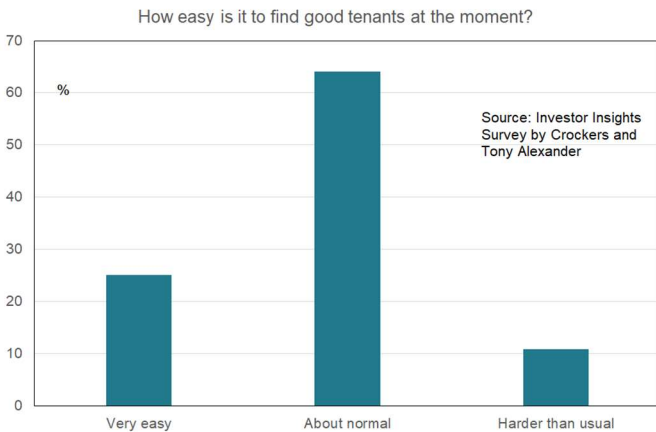


is only the slightest upward trend in the proportion of investors citing worries about falling prices as motivating them to sell.

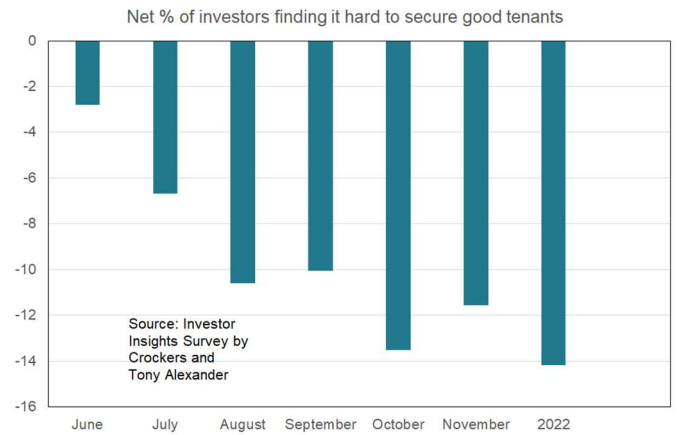


### HOW EASY IS IT TO FIND GOOD TENANTS AT THE MOMENT?

An increased proportion of investors this month have noted that it is easy to find good tenants – 25% from 21% in our last survey in November. This shift entirely reflects a decline in those feeling things are about normal.



We can work out the net proportion of landlords saying they are finding it hard to secure good tenants. The results are presented in the following graph, and they tell us that there is a trend towards it getting easier to find good tenants.



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

Of those planning to sell a property soon there is no trend shift apparent in the four options we have given respondents. The results for this survey are shown in the following graph and tell us that the main reason for selling remains realising assets for retirement followed by the loss of interest rate deductibility.







There were 522 responses received in this month's survey, with respondents located as follows.

Region	%
Northland	1.1
Auckland	49.0
Bay of Plenty	5.9
Waikato	6.6
Gisborne	0.4
Hawke's Bay	3.0
Taranaki	1.5
Manawatu-Wanganui	3.0
Wellington	11.4
Nelson, Tas., Marl	2.5
West Coast	0.1
Canterbury	10.2
Dunedin City	3.4
Queenstown Lakes	1.5
Southland	0.4

## INVESTOR INSIGHT

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