



Investor Insight

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Crockers 
PEOPLE & PROPERTY

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Tony Alexander
Independent Economist

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Some shock effects ease off

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.

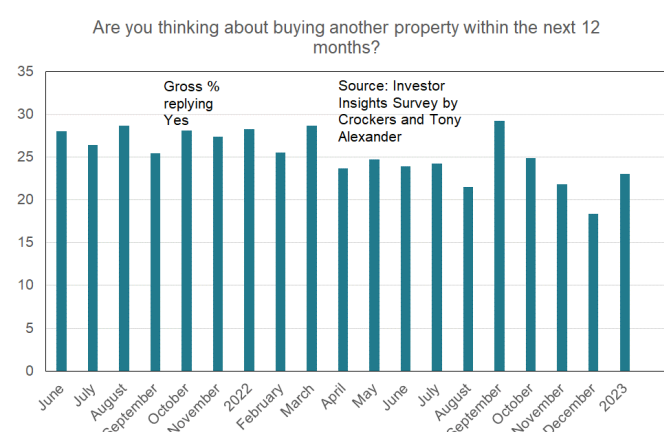
- There are signs that the initial surge in concerns about rising interest rates and recession have backed off slightly.
- Borrowers are showing an increased preference for fixing one year over all other terms.
- Concerns about house prices falling have pulled back after a "shock" jump in December following the Reserve Bank's policy tightening and warning of recession.
- For the first time since June a net positive proportion of investors have reported that it is easy to find good tenants.
- Investor interest in purchasing a new-build continues to trend downward. This is another data point backing up clear signs that residential construction levels around New Zealand have the potential to fall away strongly over 2023-2025.

In this month's survey we received 274 responses.

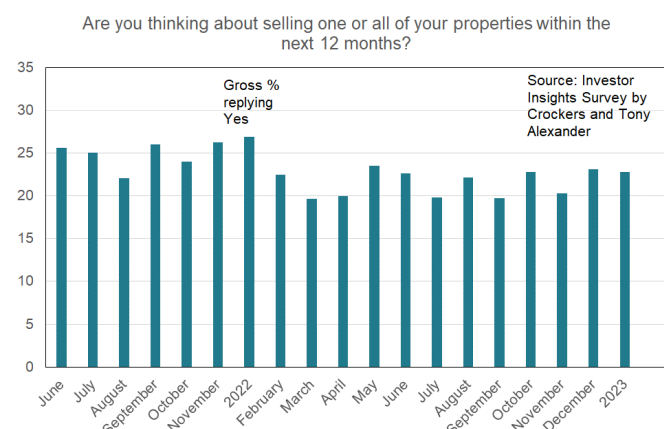
ARE YOU THINKING ABOUT BUYING ANOTHER PROPERTY WITHIN THE NEXT 12 MONTHS?

A gross 23% of the 274 respondents in our first monthly survey for 2023 have reported that they

are thinking about buying a residential property over the next 12 months. This is up from 18% in December when concerns surged about the housing market following the Reserve Bank's record increase in the official cash rate on November 23 and warning of the necessity of recession.



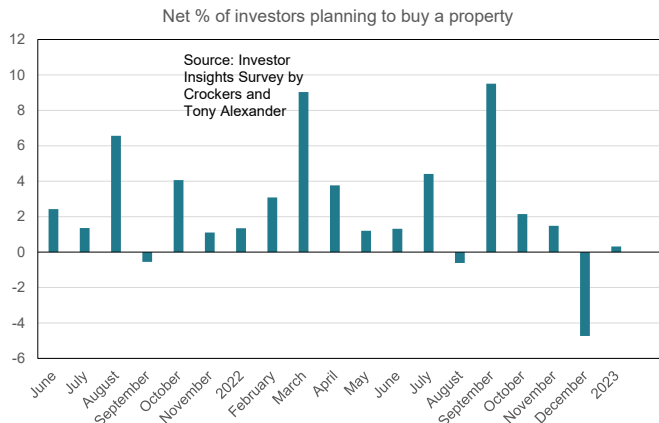
In contrast, the proportion of respondents thinking about selling a property has declined slightly to sit at the average since our survey started of 23%.



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 net 0% of our respondents plan buying another property in the coming year. This is an improvement from the record low of -5% last month but below the 2% average.

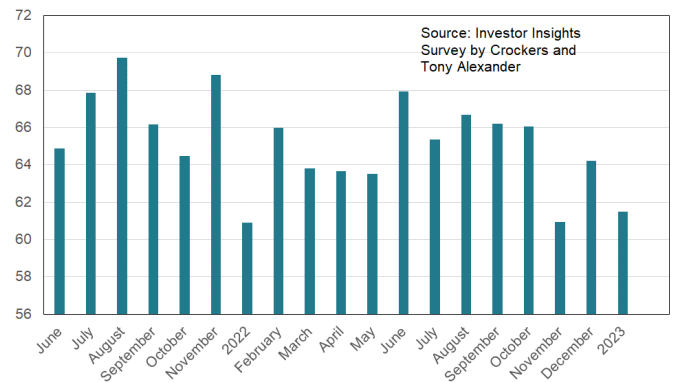


Negative factors currently dominate in the residential property market. But our first survey results for 2023 tell us that the new declines in prices underway are not making existing investors newly question their asset holdings on a sustained basis.

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

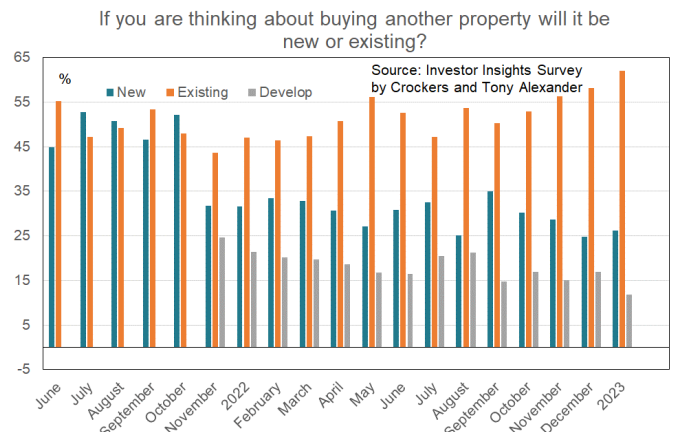
The proportion of investors intending to hold their property for at least ten years or never sell has averaged 65% for the life of our survey. The latest reading is 62% from 64% in December. The reading is below average but still higher than this time a year ago when investors began reacting to evidence of prices falling from their late-2021 peaks.

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?

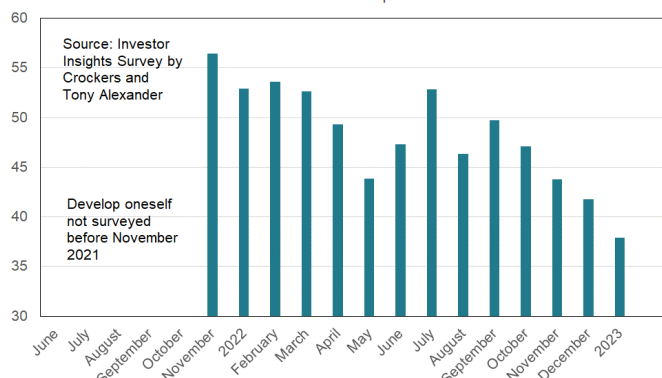
Fewer and fewer existing residential property investors are indicating that they will buy a new property or develop one themselves.



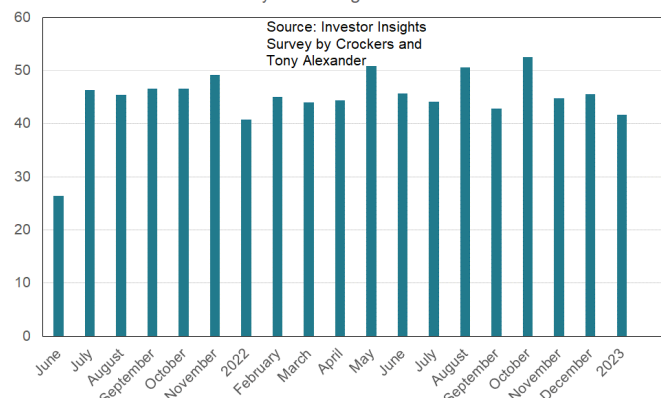
Of those planning a purchase in the next 12 months 62% will look to buy an existing property. This is above the average of 52%. In contrast, the 12% who say they will undertake their own development is below the 18% average, and the 26% who will buy new is below the 30% average.



% of investors buying who will buy a new property or undertake their own development



Gross % of investor buyers seeking a new STANDALONE HOUSE

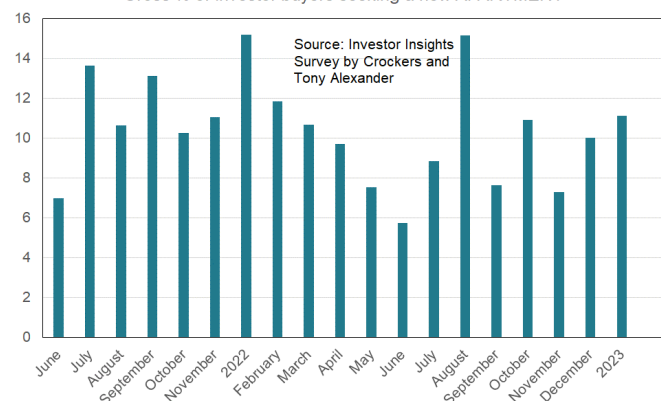


These are clear signs backing up a view that residential construction levels around New Zealand have potential to fall away strongly over 2023-25.

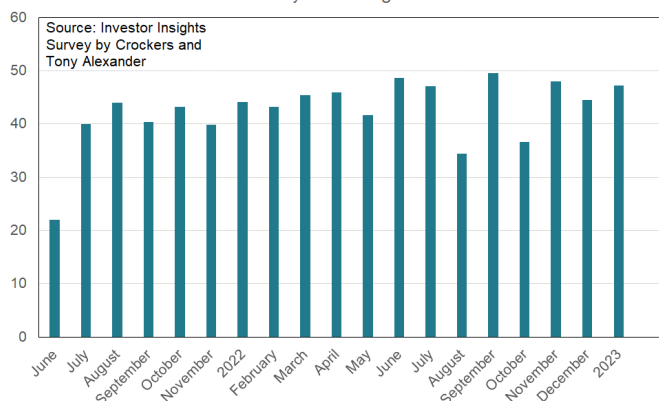
WHAT TYPE OF NEW PROPERTY IS PREFERRED?

With regard to the shrinking number of investors considering purchasing a new property, there are no trend changes underway between preferences for a townhouse, standalone dwelling, or apartment.

Gross % of investor buyers seeking a new APARTMENT



Gross % of investor buyers seeking a new TOWNHOUSE

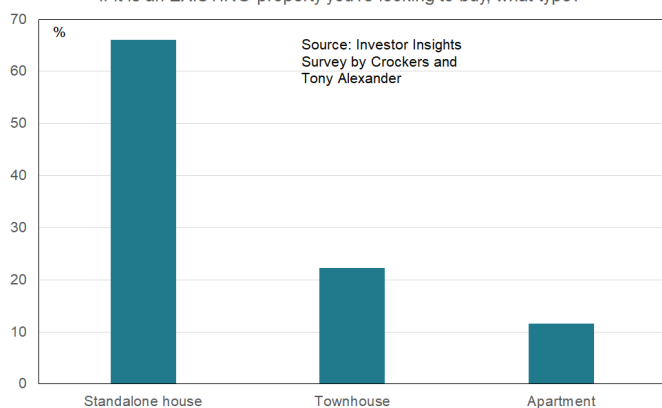


WHAT TYPE OF EXISTING PROPERTY IS PREFERRED?

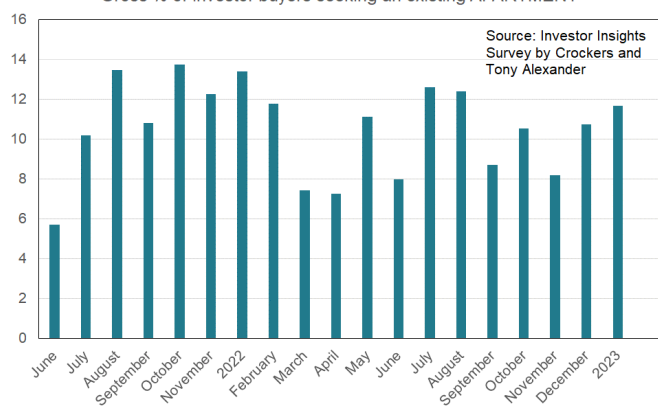
For those investors looking to make a fresh purchase who have indicated they will purchase an existing property, the strong preference remains for a standalone property.



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

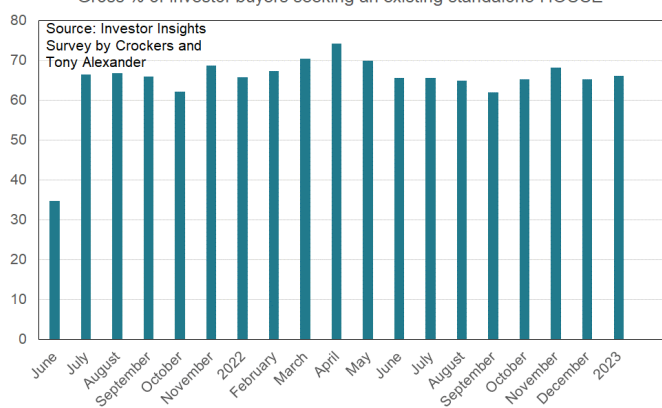


Gross % of investor buyers seeking an existing APARTMENT

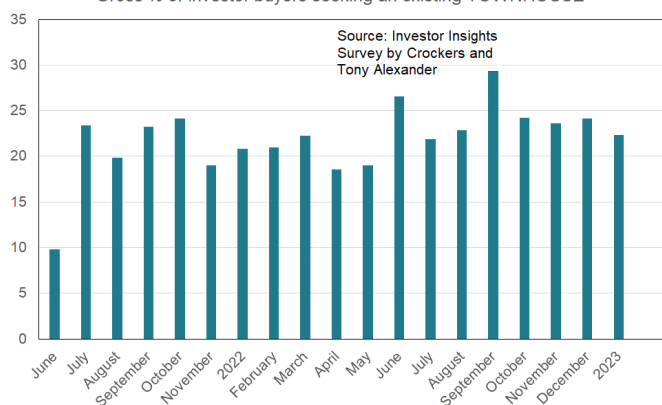


As for new property purchase preferences, no trend changes are underway.

Gross % of investor buyers seeking an existing standalone HOUSE



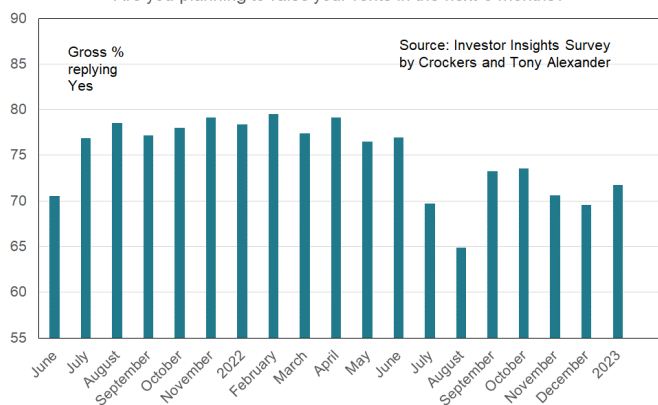
Gross % of investor buyers seeking an existing TOWNHOUSE



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

Although the proportion of investors seeking to raise their rents has increased slightly this past month to 72% from 70%, the graph here shows that no trend change is underway.

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

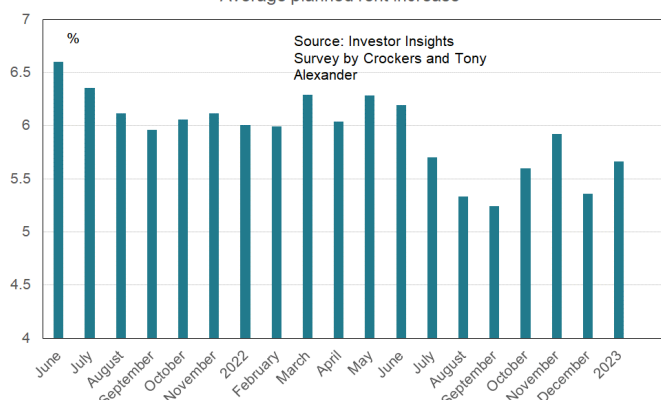


IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

Despite rising costs for utilities, maintenance, meeting legislated standards, debt, and increasing loss of interest expense deductibility, there is no trend up in the average rent rise investors say they would like. The market ultimately limits rent movements.



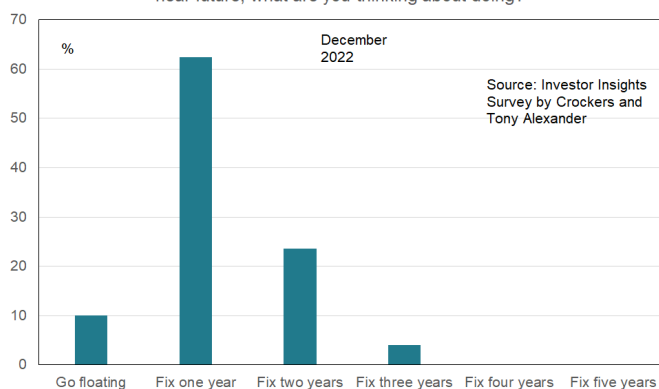
Average planned rent increase



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

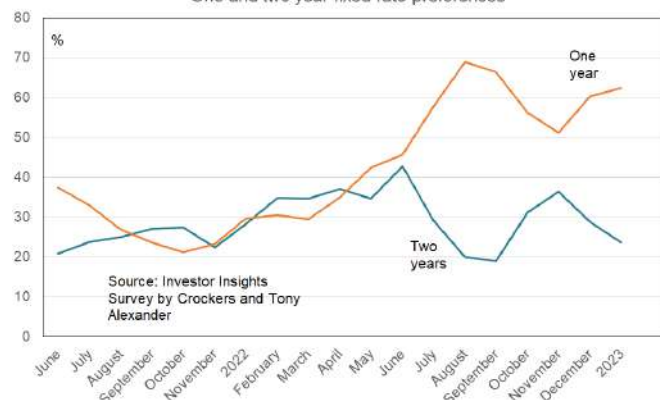
Fixing one's mortgage rate for one year is the option most favoured by investors.

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



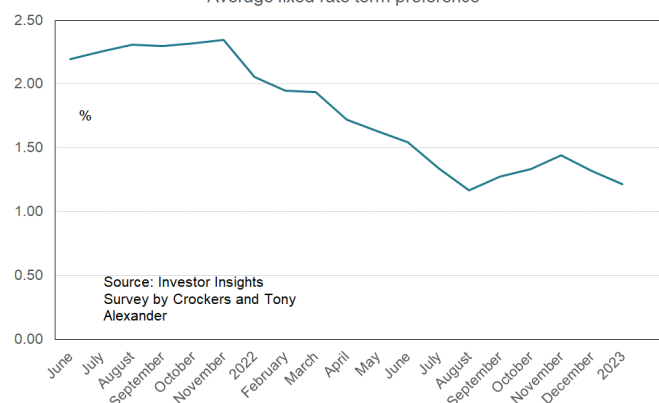
This preference has risen over the past two months.

One and two year fixed rate preferences



The result is a continuing decline in the average fixing term preferred by borrowers. This is consistent with an underlying expectation of monetary policy easing in a year or so.

Average fixed rate term preference

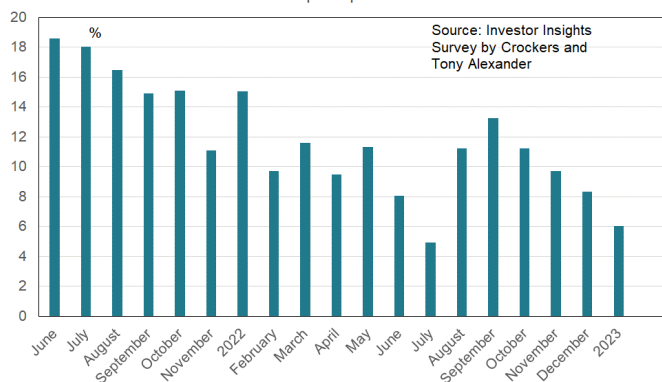


WHAT ARE YOU THINKING REGARDING THE SPEED WITH WHICH YOU ARE PAYING DOWN PRINCIPAL ON YOUR MORTGAGE?

Rising interest rates are not encouraging borrowers on interest-only mortgages to shift to principal repayment at a hastening rate.

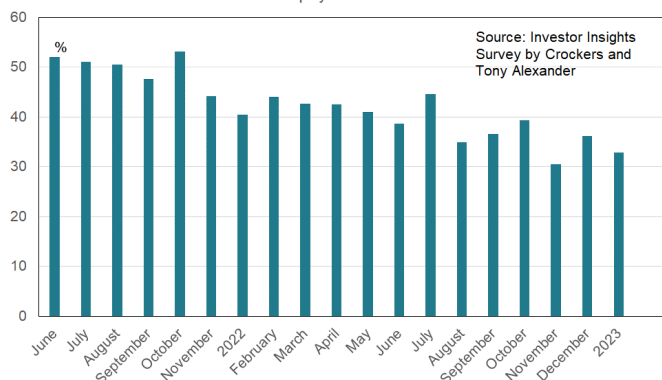


Proportion of investors on interest-only planning to start repaying principal



The same lack of debt fear is apparent for those already on principal and interest facilities.

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?

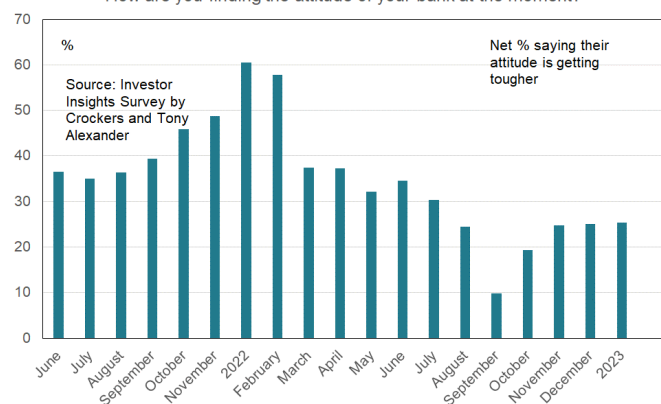
Respondents to this question can choose amongst three options.

- 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.

Perceptions of bank toughness have been steady over the past three months.

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

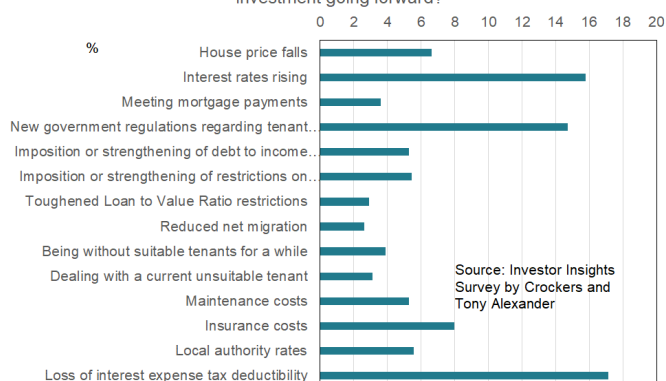


WHICH THINGS CONCERN YOU MOST REGARDING RETURNS ON YOUR INVESTMENT GOING FORWARD?

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

The three things which continue to cause most concern for residential property investors are new government regulations favouring tenant rights, loss of interest expense deductibility, and rising interest rates.

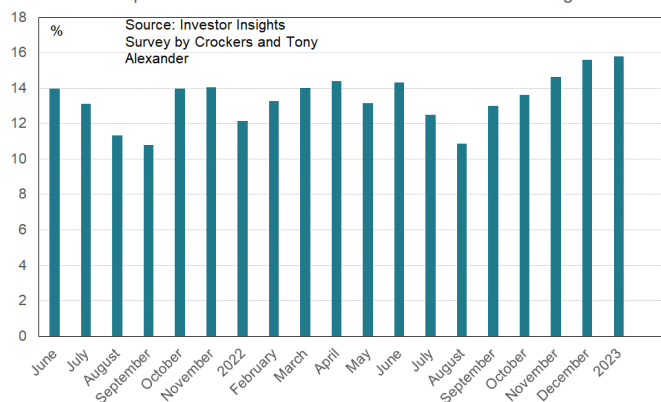
Which things concern you most regarding returns on your investment going forward?



Concerns about rising interest rates are increasing but not by much in the past month.

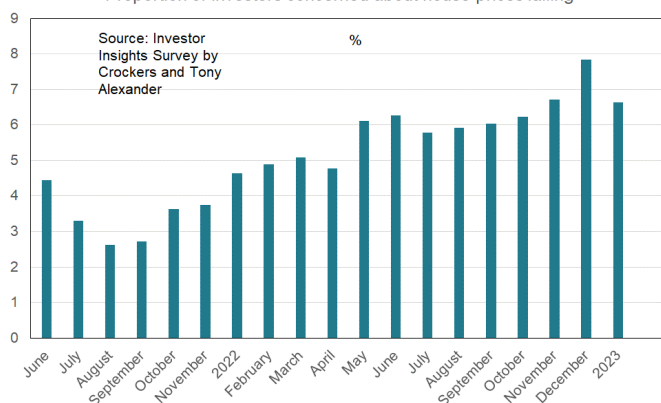


Proportion of investors concerned about interest rates rising



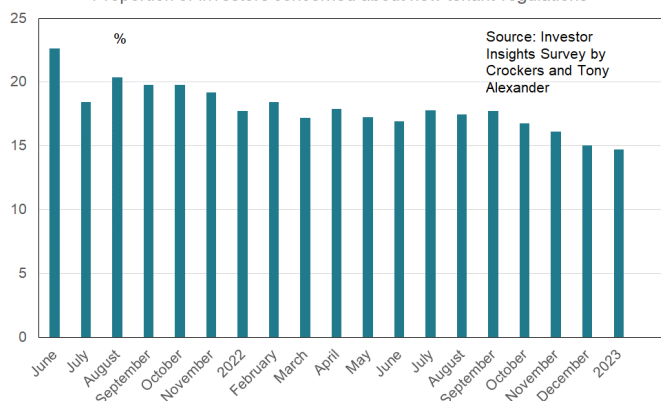
Worries about house prices falling have unusually eased slightly in January compared with December. This indicator perhaps captures the easing in the shock initially created by the Reserve Bank's actions and comments on November 23.

Proportion of investors concerned about house prices falling



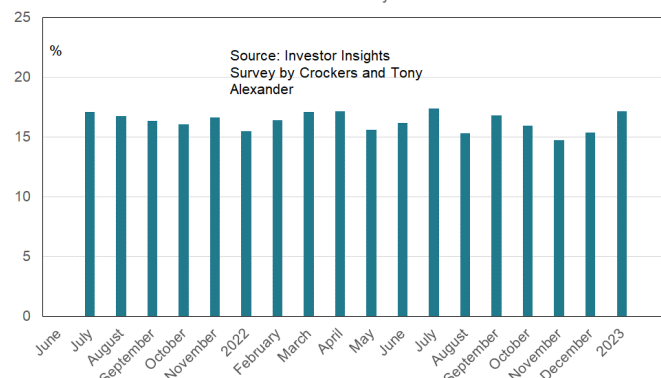
Worries about new tenant legislation are continuing to ease.

Proportion of investors concerned about new tenant regulations



Concerns about loss of interest expense deductibility have increased only marginally recently.

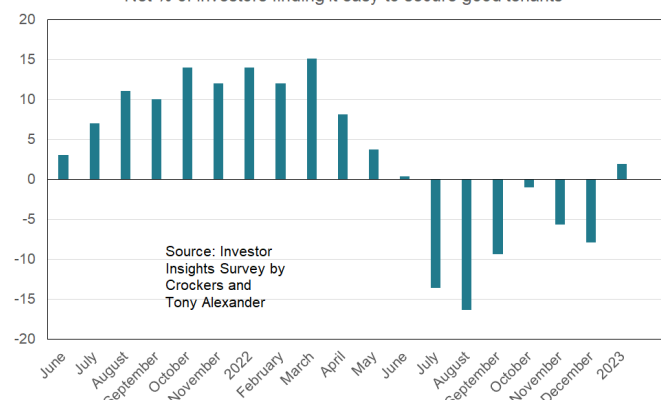
Proportion of investors concerned about loss of interest expense deductibility



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

This month a net 2% of investors have reported that it is easy to find good tenants. This is an interesting development as it is the first such positive result since June. Maybe the surprise turning upward of net migration flows is having a rental market impact.

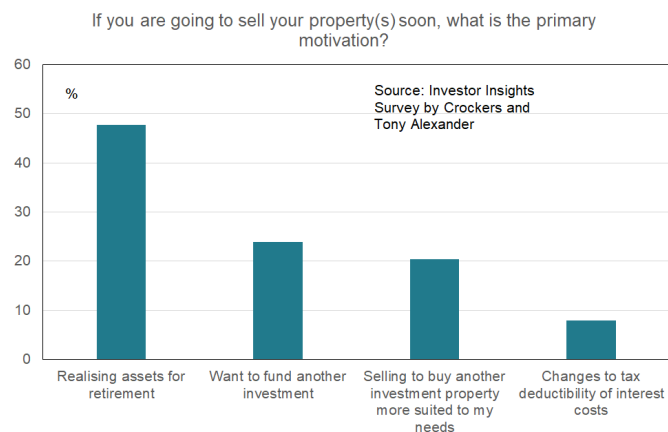
Net % of investors finding it easy to secure good tenants



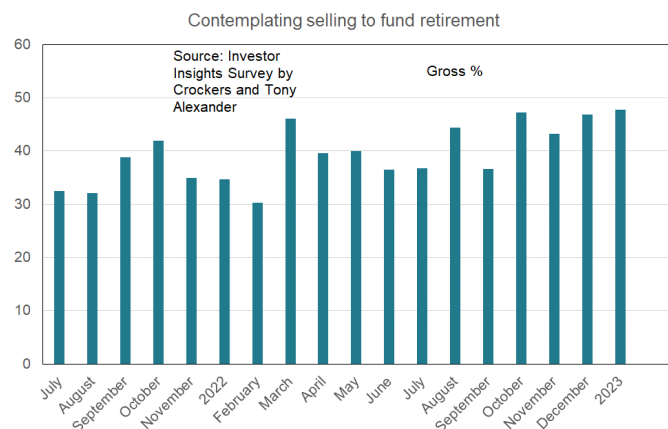


IF YOU ARE GOING TO SELL YOUR PROPERTY(S) SOON, WHAT IS THE PRIMARY MOTIVATION?

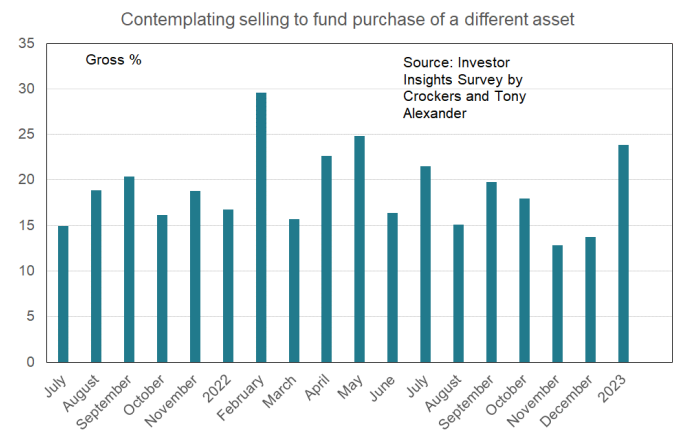
As noted earlier on, there has been no rise in the proportion of investors thinking about selling their property over the past month. For the 23% who are thinking about selling we enquire as to the reasons why.



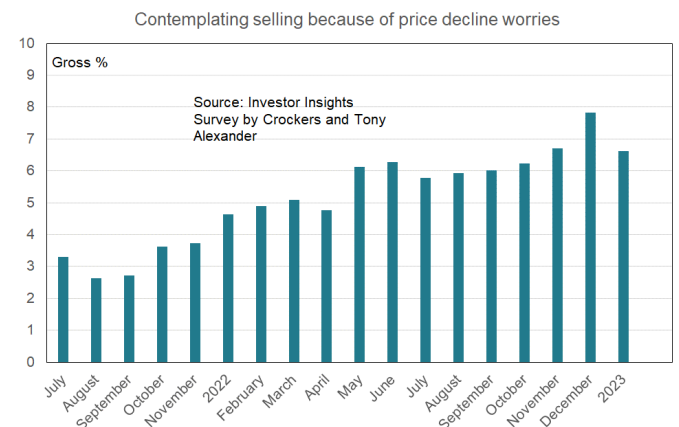
Funding retirement remains the main reason. This proportion is slowly trending upward.



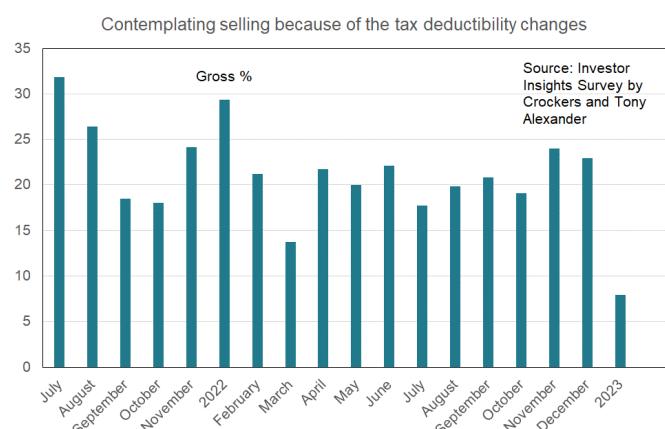
The desire to purchase a different asset has risen this past month.



Selling because of worries about price declines has become less of a driving factor after initially rising in a shock manner in December.



Worries about tax deductibility changes have become less of a driver to sell. This challenges the view in some quarters that the decreasing proportion of interest expense able to be deducted against taxable income will encourage a wave of investor selling.



There were 274 responses received in this month's survey, with respondents located as follows.

Region	%
Northland	3.3
Auckland	41.6
Bay of Plenty	9.9
Waikato	9.5
Gisborne	0.1
Hawke's Bay	3.6
Taranaki	1.8
Manawatu-Wanganui	2.9
Wellington	9.9
Nelson, Tas., Marl	2.4
West Coast	0.1
Canterbury	11.3
Dunedin City	2.6
Queenstown Lakes	0.7
Southland	0.4

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CROCKERS PROPERTY GROUP

F 0800 CROCKERS (2762 5377)

E property@crockers.co.nz

525 Manukau Road, Epsom, Auckland 1023

PO Box 74054, Greenlane, Auckland 1546

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