



Investor Insight

August 2022

Crockers 
PEOPLE & PROPERTY

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Rental market adjustment continues

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.

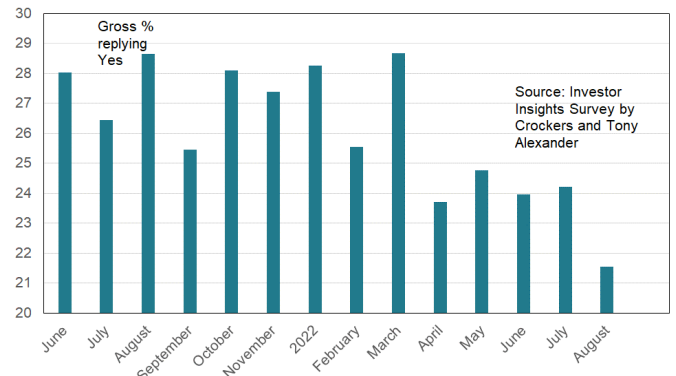
- The proportion of investors looking to increase their rents in the next 12 months continues to decline as does the average rent rise sought.
- Consistent with data from other sources, bank willingness to lend is seen by investors to be improving.
- Net plans for purchasing more investment property have fallen away this month.
- Of those planning a purchase, interest in a new build has declined, driven perhaps by concerns about developer ability to deliver amidst many resourcing problems.
- Investor concerns about rising interest rates are abating.

In this month's survey we received 326 responses.

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

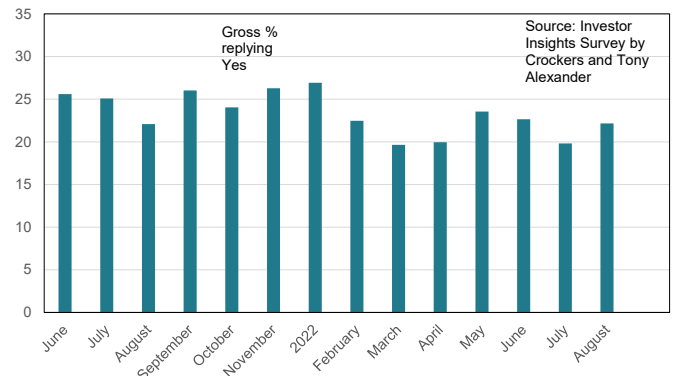
This month there has been a slight decline in the proportion of investors thinking about buying another property, down to 22% from 24% in the previous two months.

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



This has happened at the same time as there has been a small rise in the proportion saying they are thinking about selling, up to 22% from 20%.

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

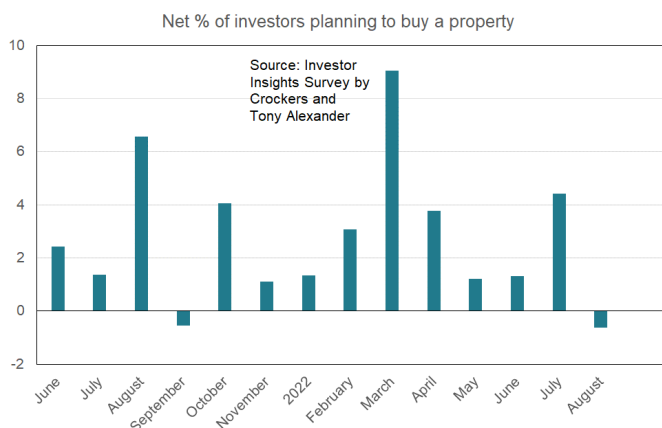


Putting the two measures together we can calculate net buying intentions, and this can give an indication as to whether price pressures are upward or downward from the people who already own residential property investments.

This month a net 1% of our respondents plan selling property. This is the weakest result since our survey started and challenges feedback from other surveys suggesting that interest in purchasing by investors is rising. Clearly the market is in a state of flux at the moment with high



uncertainty regarding the direction of change in interest rates, availability of credit, outlook for the economy, prospects for the 2023 general election and potential tax changes, population shifts, and supply changes.



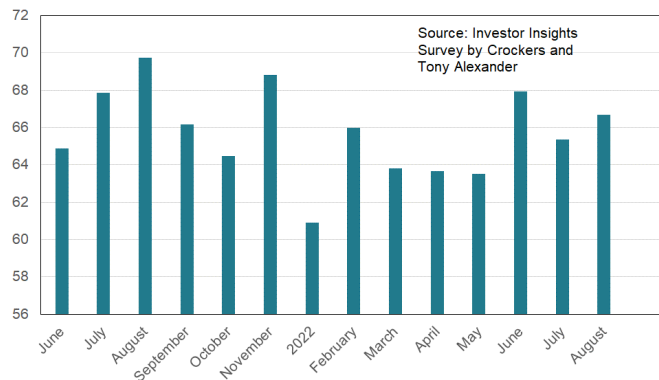
ROUGHLY HOW LONG DO YOU PLAN KEEPING YOUR INVESTMENT PROPERTY(S) FROM NOW?

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%. A long-term focus remains dominant for residential property owners.

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?

The past two months have seen some recovery in the proportion of investors looking to grow their housing portfolio who will do a development themselves. At the same time interest in purchasing an existing property remains high while there has been a noticeable decline in the proportion who will purchase a new property constructed by someone else.

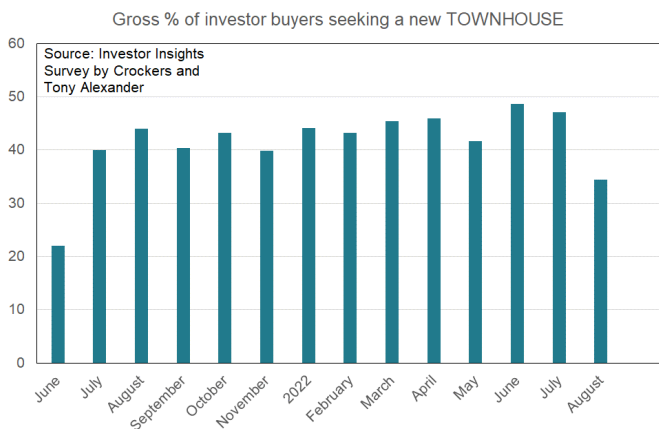


This change may reflect the flow of stories about problems for developers making our stock of existing investors more wary than usual about contracting for a new build. Reports of weak off the plan sales for developers abound.



WHAT TYPE OF NEW PROPERTY IS PREFERRED?

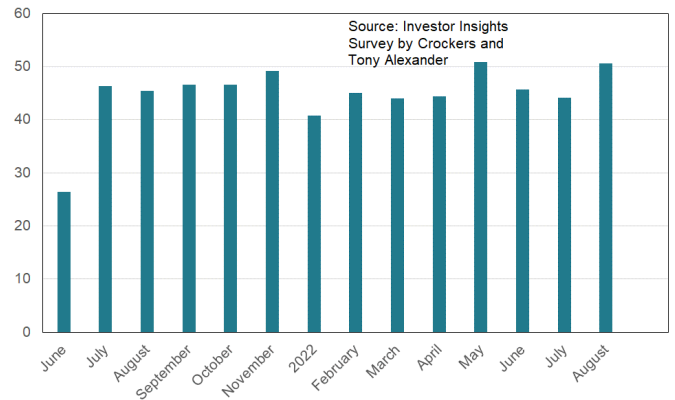
For those investors looking at buying a new property the level of support for purchasing an apartment remains low. But the decline in townhouse interest is a new development best seen in the second of the following graphs.



Given that so much construction currently is focused on townhouses and given new investor caution about development viability, this result is perhaps not surprising.

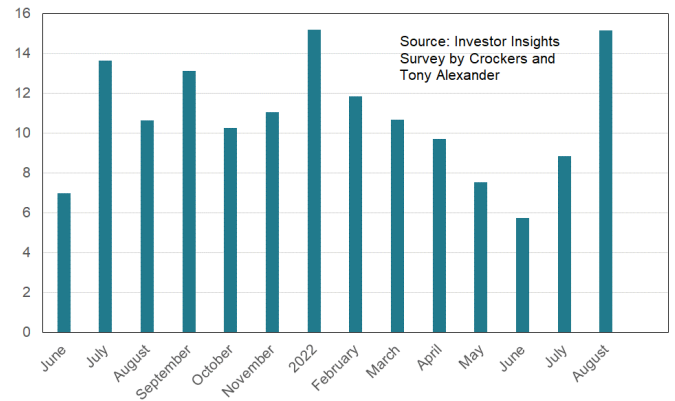
Interest in purchasing a new standalone house remains strong among those considering buying.

Gross % of investor buyers seeking a new STANDALONE HOUSE



The past two months have brought an interesting surge in investor interest in purchasing a new apartment.

Gross % of investor buyers seeking a new APARTMENT

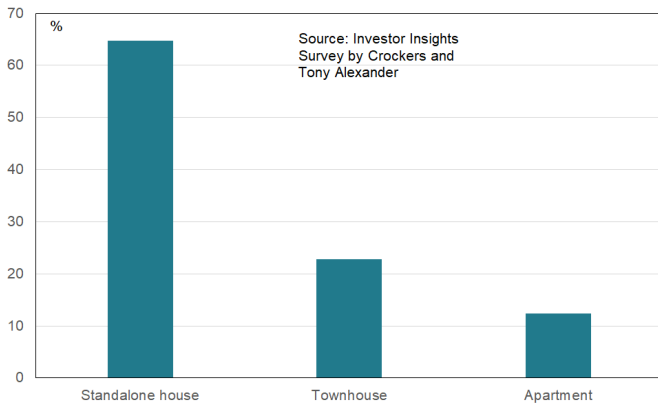


WHAT TYPE OF EXISTING PROPERTY IS PREFERRED?

For those investors looking at purchasing an existing property the preference for a standalone house is as usual far greater than the preference held by those looking at buying a new build.

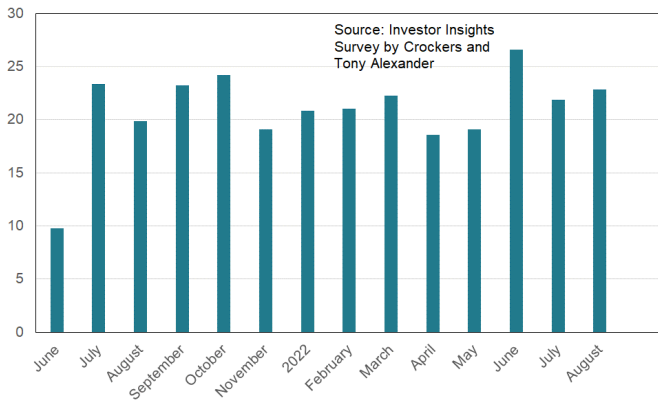


If it is an EXISTING property you're looking to buy, what type?



But unlike the sharp drop in townhouse interest from those buying new, the degree of such interest from those buying old remains little changed.

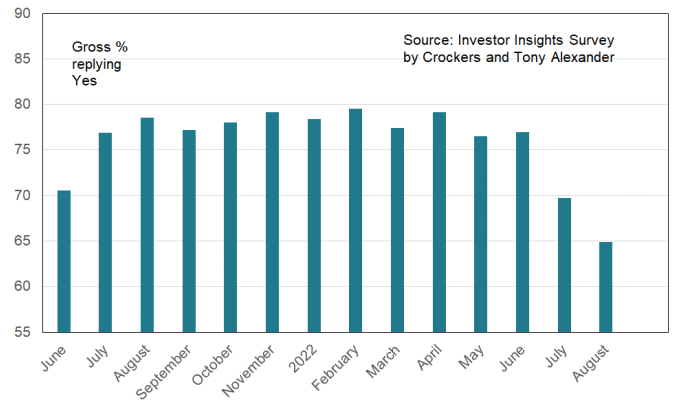
Gross % of investor buyers seeking an existing TOWNHOUSE



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

For the second month in a row, we have observed a decline in the proportion of investors planning to raise the rents they charge over the next 12 months. The proportion has eased to a record low in our survey of 65% from 70% in July and 77% in May and June.

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

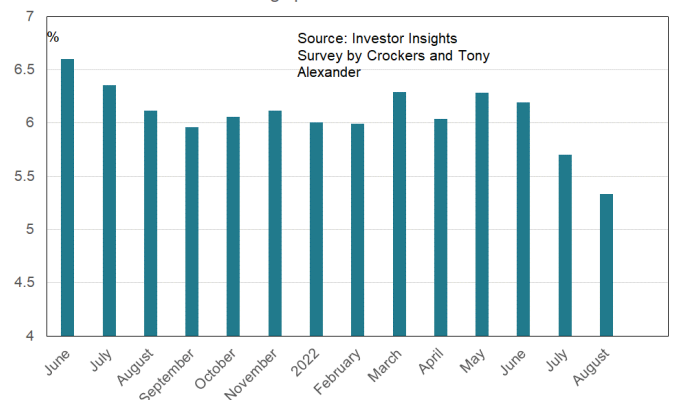


Rental pressures are easing around New Zealand in an environment of rising house supply, slow population growth, and pressure on household budgets perhaps discouraging the normal level of new household formation. That is, young people choosing to stay home for longer, some shifting back home.

IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

The average rent increase desired by landlords has fallen to 5.3% this month from 5.7% in July and 6.2% in June.

Average planned rent increase

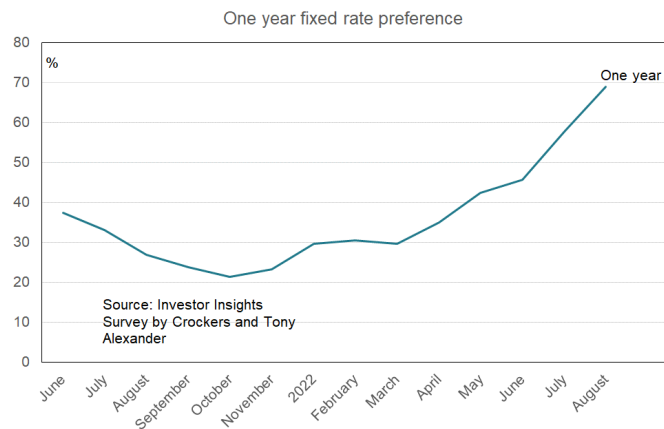


Another factor behind the slowing pace of rent rises is that many landlords will by now have caught up on rent increases either prevented or voluntarily slowed down during the pandemic.

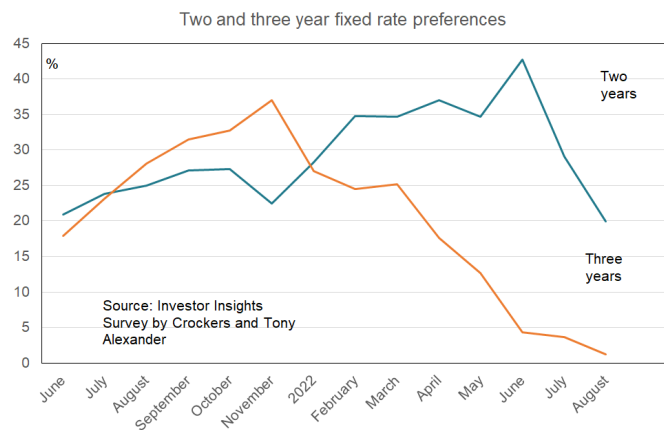


IF YOUR MORTGAGE RATE IS COMING UP FOR RENEWAL IN THE NEAR FUTURE, WHAT ARE YOU THINKING ABOUT DOING?

The shift in mortgage fixed rate term preference towards one year has intensified again this month. 69% of investors now say the one-year term is their rollover preference.

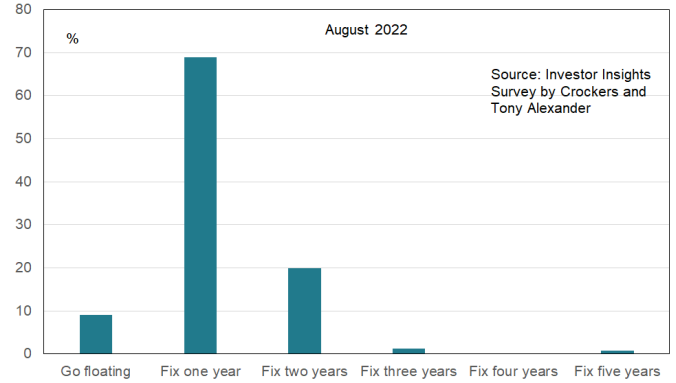


Interest in the two and three year terms has declined further.



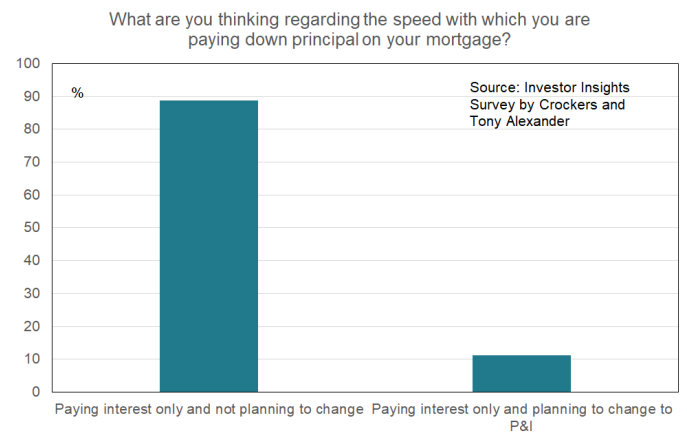
As usual, interest in fixing longer than three years is minimal.

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



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

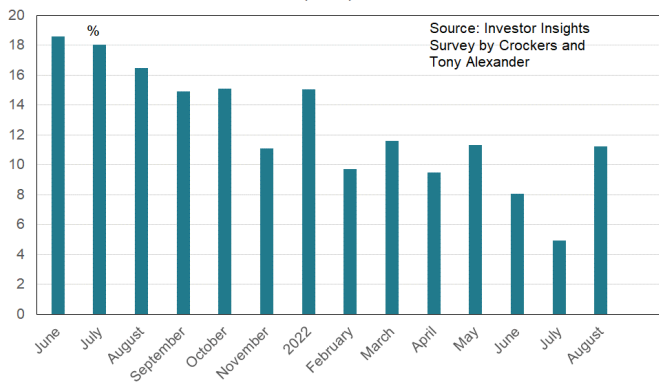
Very few mortgage holders on interest-only repayment terms are planning to start repaying principal.



However, this proportion has risen firmly in the past month to 11% from 5% in July. Perhaps higher interest rates are finally starting to bite.



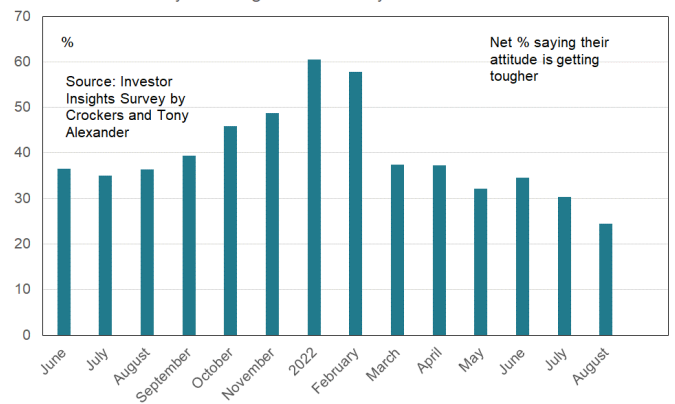
Proportion of investors on interest-only planning to start repaying principal



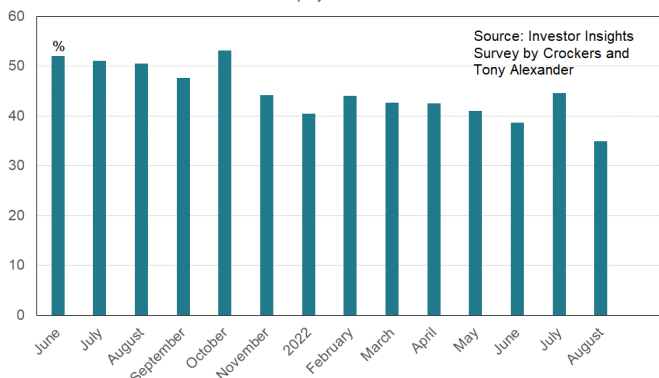
Consistent with results from my other surveys there is evidence in this survey of property investors that banks are becoming less restrictive in their lending. A net 24% of respondents this month have reported that they feel their bank is becoming tougher to deal with, down from 30% last month and 35% in July. Peak toughness, again consistent with other surveys, was at the start of the year.

Then again, those already on principal and interest terms are showing no inclination towards lifting their repayments. Therefore, it could be that it is not rising interest rates motivating the interest-only borrowers to repay some principal, but pressure from lenders for them to do so.

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



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



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.

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

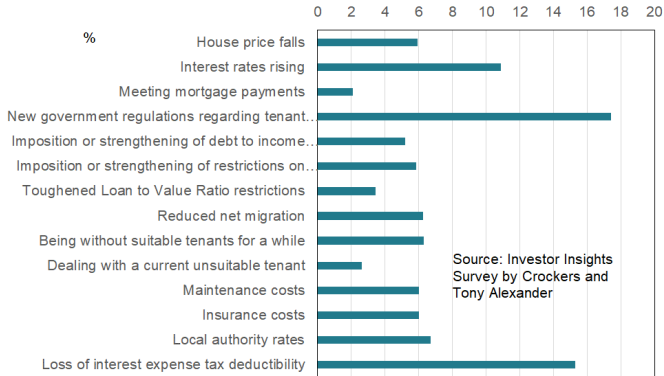
Respondents to this question can choose amongst three options.

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

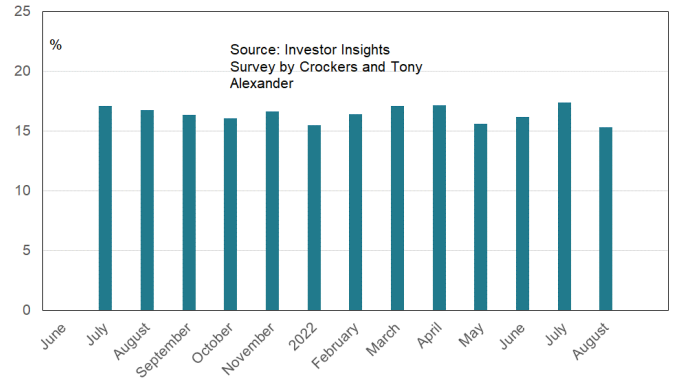
We can calculate the net proportion feeling that things are getting tougher and show the result in the following graph.



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

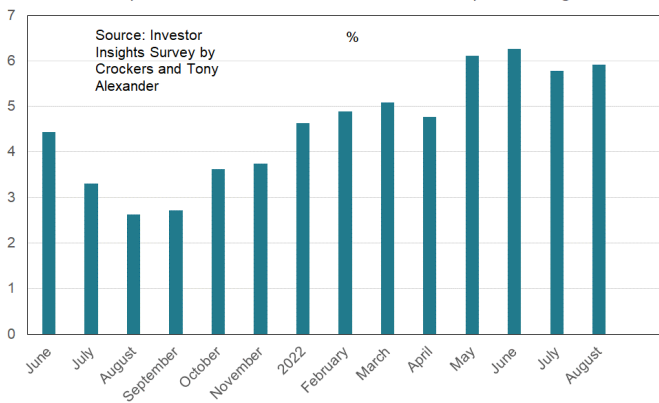


Proportion of investors concerned about loss of interest expense deductibility



There has been a flattening out of concerns regarding house prices falling.

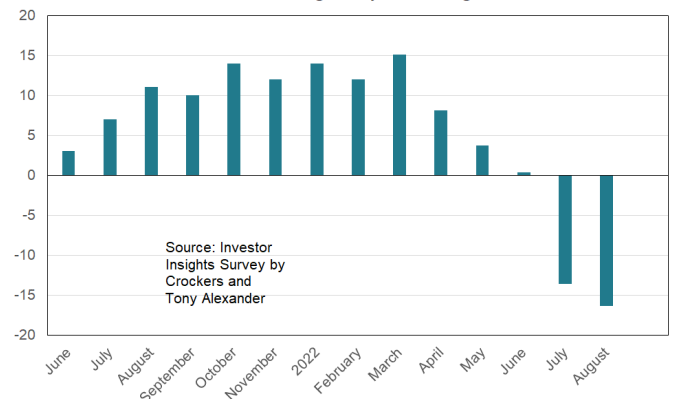
Proportion of investors concerned about house prices falling



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

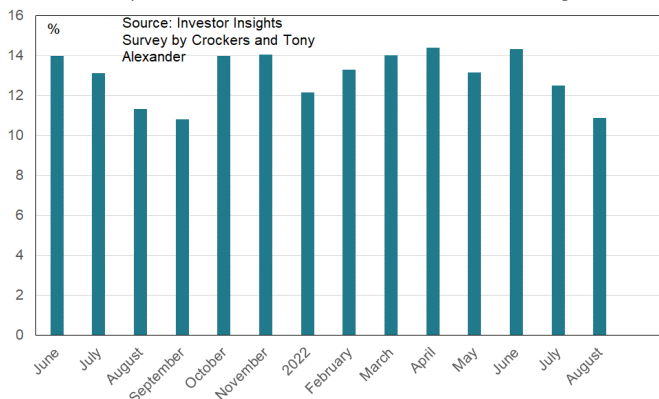
The proportion of landlords saying that it is easy to find good tenants has continued to worsen. A net 16% in fact now say it is hard. This correlates well with the slowing pace of rent rises.

Net % of investors finding it easy to secure good tenants



Concerns about interest rates rising are easing.

Proportion of investors concerned about interest rates rising



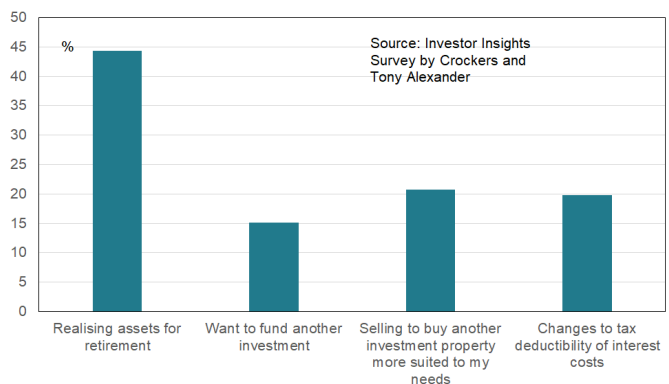
IF YOU ARE GOING TO SELL YOUR PROPERTY(S) SOON, WHAT IS THE PRIMARY MOTIVATION?

The greatest reason given by investors looking to sell is that they are realising the value of their asset in order to fund retirement. This re-emphasizes the long-term nature of residential property investment.

Loss of interest expense deductibility is not rising despite the passage of time making this a matter of growing moment for more investors.

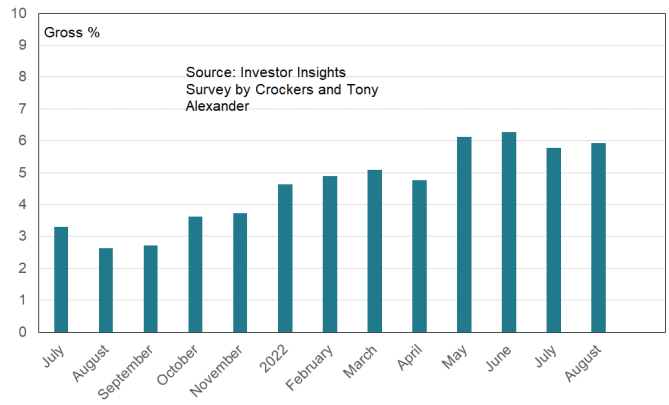


If you are going to sell your property(s) soon, what is the primary motivation?



There is no longer an upward trend in the proportion selling because they are worried about prices falling.

Contemplating selling because of price decline worries



There were 326 responses received in this month's survey, with respondents located as follows.

Region	%
Northland	1.5
Auckland	46.3
Bay of Plenty	5.5
Waikato	8.6
Gisborne	0.3
Hawke's Bay	4.6
Taranaki	1.2
Manawatu-Wanganui	2.5
Wellington	10.1
Nelson, Tas., Marl	1.8
West Coast	0.1
Canterbury	12.3
Dunedin City	2.5
Queenstown Lakes	2.5
Southland	0.3

INVESTOR INSIGHT

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