



Investor Insight

March 2023

Crockers 
PEOPLE & PROPERTY

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Investor rent hopes rising

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.

In this month's survey we received 312 responses.

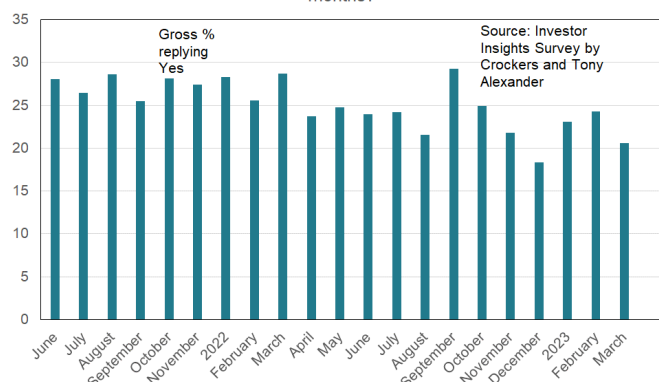
Key points of interest from this month's survey include the following.

- Property owners report that good tenants are increasingly easy to find.
- A relatively high 82% of investors intend raising their rents over the coming 12 months from just 70% in December.
- Fixing one's mortgage interest rate for one year is the strongly preferred option for those with debt.
- Banks are seen as more willing to advance funds over the past two months.
- Investors have become a lot more concerned recently about rising insurance costs.
- Investor concerns about reduced net migration are easing.

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

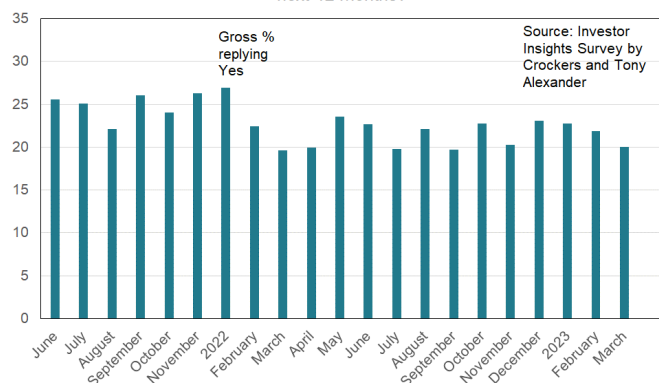
There has been a small decline in the proportion of investors thinking about buying a property over the coming year to 21% from 24% in February.

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



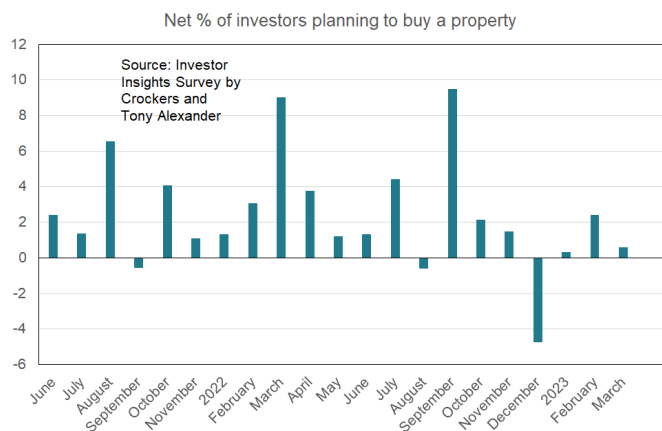
This 21% is below the 25% average since our first survey in June 2021 and the second lowest such reading since then. However, a near equal record low 20% are thinking about selling a property.

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.

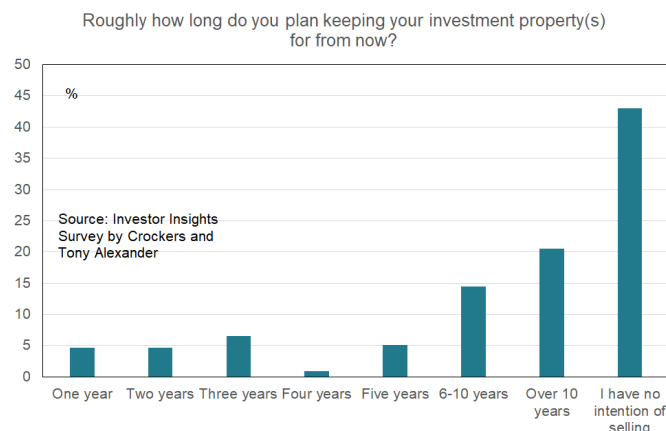
A net 1% of our respondents are now planning to purchase a property in the coming year. This is down from 2% in February and just below the 2% average since June 2021.



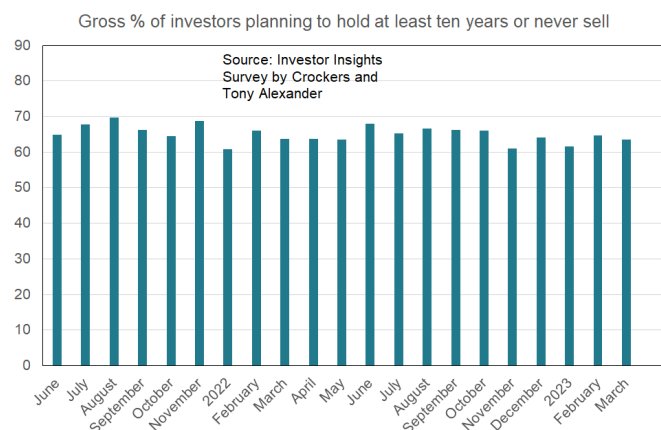
The only small changes in net property purchase intentions in recent months reflect the absence of any substantial shifts recently in expectations for interest rates, house prices (according to my real estate agent survey) and relevant legislation. While there are now some new developments suggesting scope for interest rate declines soon, any positive impact on investor net purchase intentions could be offset by the new offshore banking sector worries and apprehension in an election year.

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

Residential property investment is considered a long-term venture by the majority of property owners. 43% of investor owners have no intention of selling, 21% plan holding for longer than ten years, 14% for 6-10 years, and just 23% plan selling within five years.



There is no rising or falling trend in the proportion of investors planning at least a decade-long holding period.



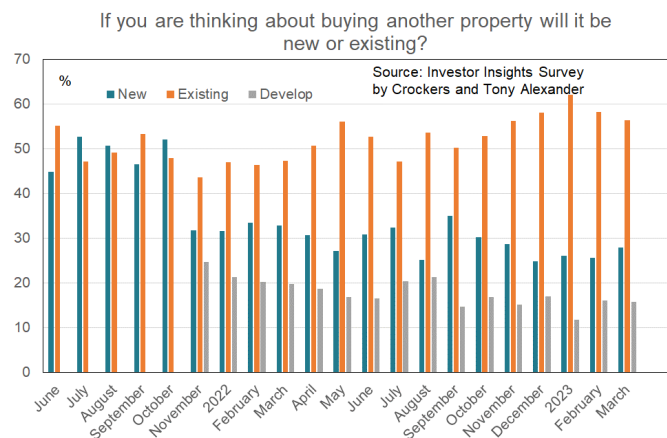
IF YOU ARE THINKING ABOUT BUYING ANOTHER PROPERTY WILL IT BE NEW OR EXISTING?

The government wants investors to shift their purchasing intentions away from existing dwellings towards new ones. Doing so allows the investor to continue deducting interest expenses from rental income when calculating tax obligations.

Our survey shows that for the 21% of investors thinking about buying a property in the coming year 56% would still buy an existing property. 28% would buy a new property, and 16% would undertake their own property development. Over

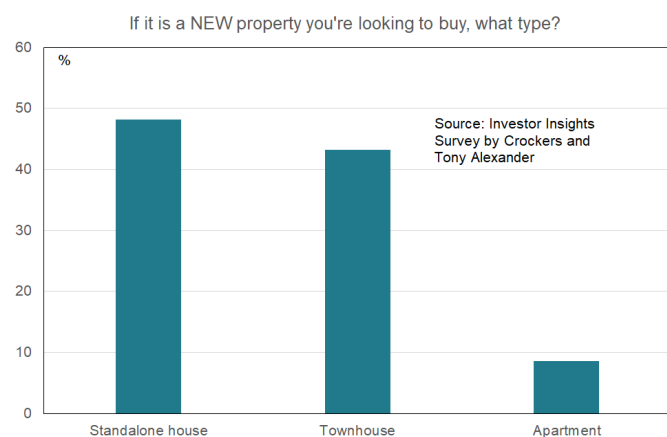


the past year there has been a declining trend (with ups and downs) in the proportion who would buy new or build. But the decline has been relatively mild and shows signs of flattening out now – despite the increasing frequency of articles about builder and developer failures in the media.



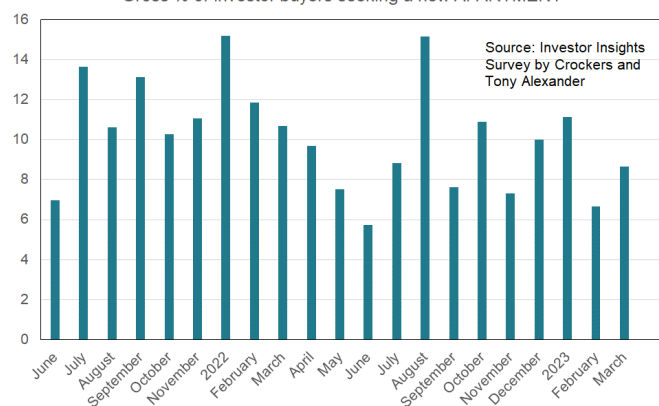
WHAT TYPE OF NEW PROPERTY IS PREFERRED?

The distinguishing feature of new purchase preference displayed by investors is an aversion to apartments.



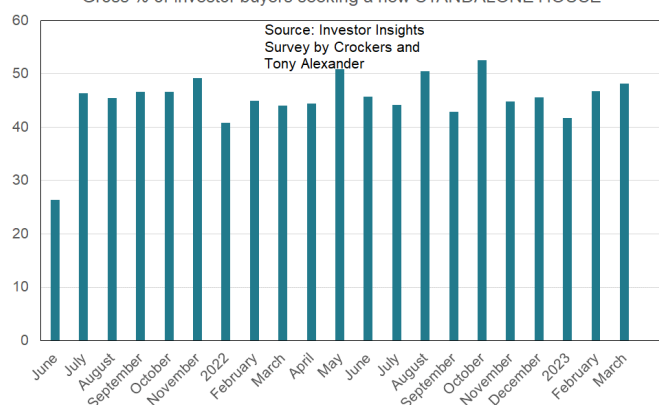
This low desire for a new apartment has been present since our survey started.

Gross % of investor buyers seeking a new APARTMENT



Similarly, preference for buying a standalone house if buying new has always been relatively firm apart from in our first survey.

Gross % of investor buyers seeking a new STANDALONE HOUSE

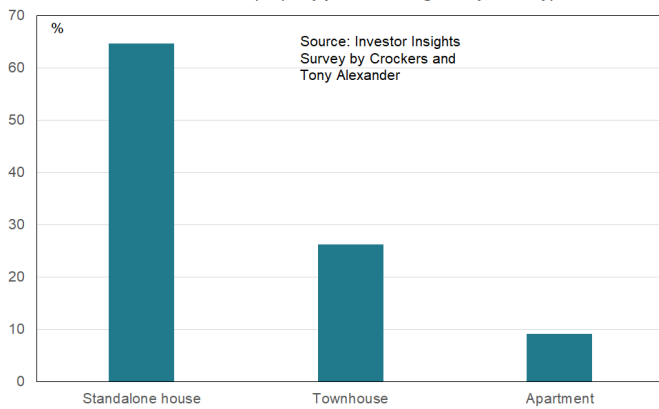


WHAT TYPE OF EXISTING PROPERTY IS PREFERRED?

In contrast to buying new preferences, when it comes to buying an existing dwelling those investors planning to do so have an overwhelming preference for a standalone dwelling.

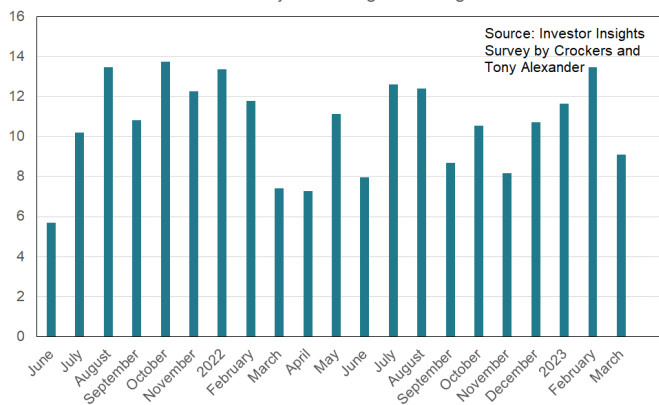


If it is an EXISTING property you're looking to buy, what type?



The desire for an existing apartment is roughly as consistently weak as for a new apartment.

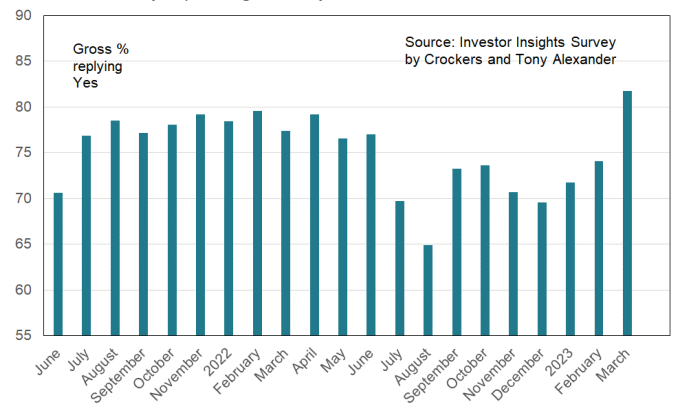
Gross % of investor buyers seeking an existing APARTMENT



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

A record 82% of landlords this month have said that they aim to raise their rents over the coming year.

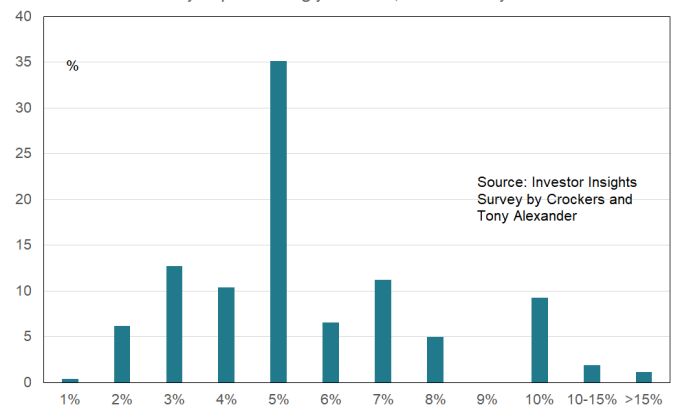
Are you planning to raise your rents in the next 6 months?



IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

The most commonly preferred rent rise is 5%, expressed by 35% of our respondents.

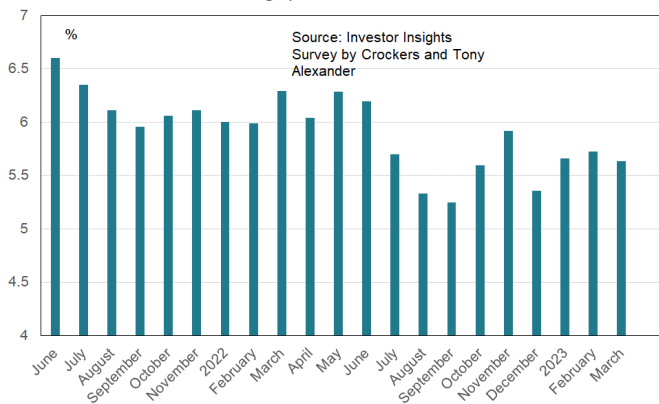
If you plan raising your rents, how much by?



The average rent rise desired is 5.6%. This is consistent with the generally lower average rent rises sought since the middle of last year when a step down in rent rise desires appeared.



Average planned rent increase

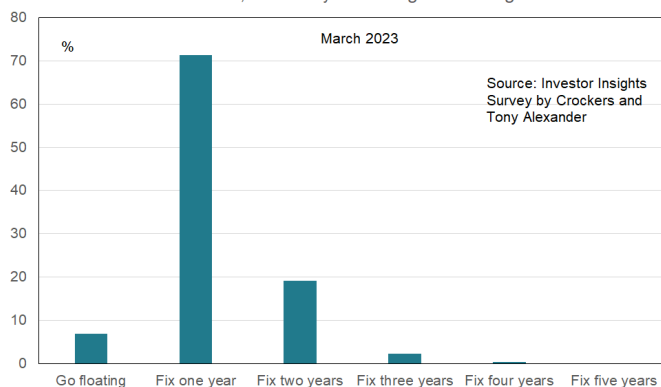


There is mixed news here for the Reserve Bank. The easing in rent rises desired from mid-2022 is good. But the absence of a new downward trend suggests that accommodation pressures in the housing market remain, and/or that landlords are simply responding to still rising expenses (see below).

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

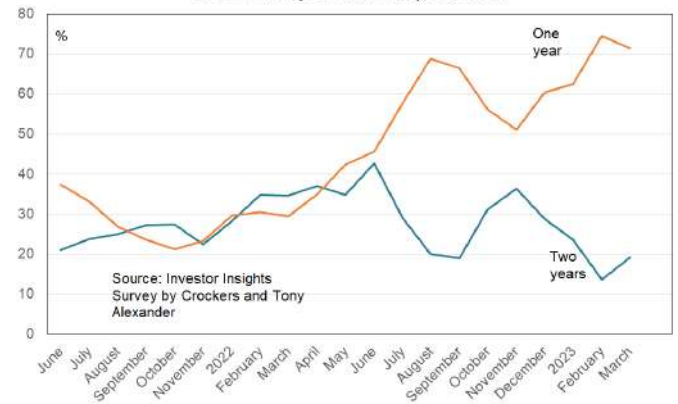
The term still overwhelmingly favoured by investors for fixing one's mortgage rate is one year.

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



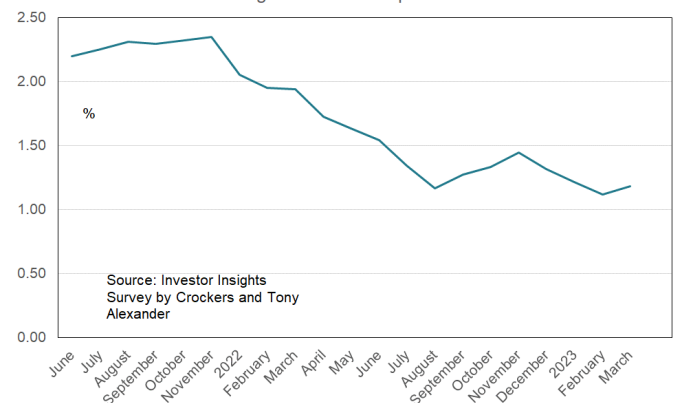
This preference has eased just slightly in the past month in favour of fixing two years - but remains high.

One and two year fixed rate preferences



The average fixing term preferred is currently 1.18 years from 1.12 years last month and 1.94 years a year ago.

Average fixed rate term preference

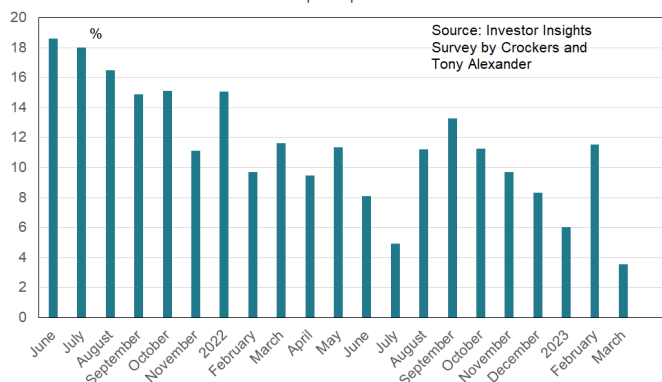


WHAT ARE YOU THINKING REGARDING THE SPEED WITH WHICH YOU ARE PAYING DOWN PRINCIPAL ON YOUR MORTGAGE?

There is a downward trend in the proportion of investors on interest-only mortgages who plan shifting to repaying principal.

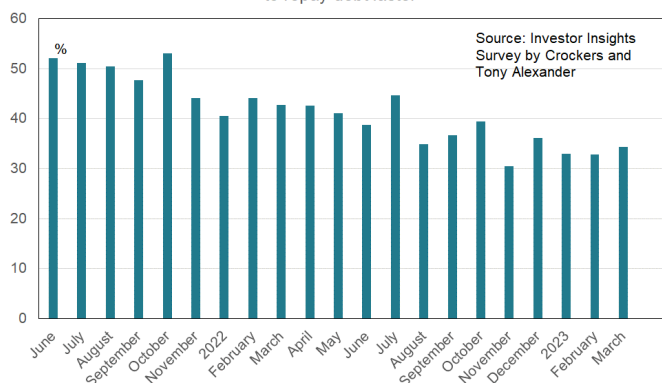


Proportion of investors on interest-only planning to start repaying principal



This trend down could reflect cash pressures from rising interest rates reducing ability to shift to principal repayment. But there is a hint that the downward trend in those on principal and interest accelerating repayment is ending.

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?

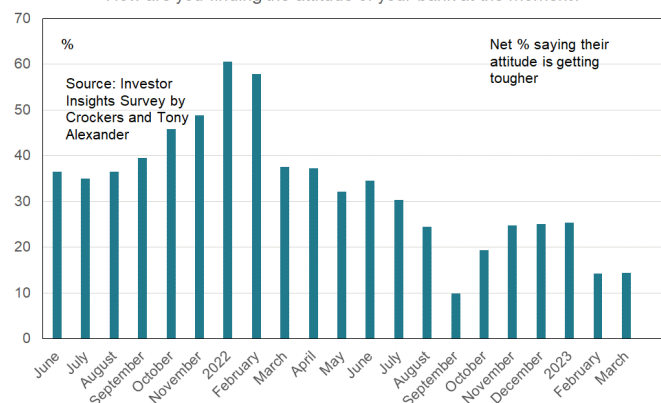
Respondents to this question can choose amongst three options.

- 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.

For the second month in a row a net 14% of investors have reported that their bank is getting tougher to negotiate with. What matters with this reading is the level versus average and it is clear from the graph below that credit conditions have become less tough since the crunch period of late-2021 through early-2022.

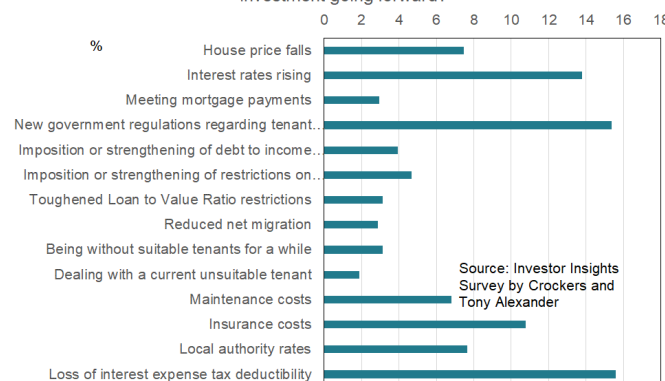
How are you finding the attitude of your bank at the moment?



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.

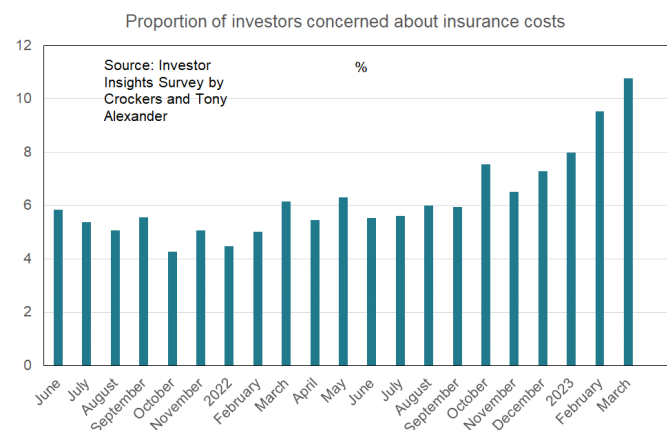
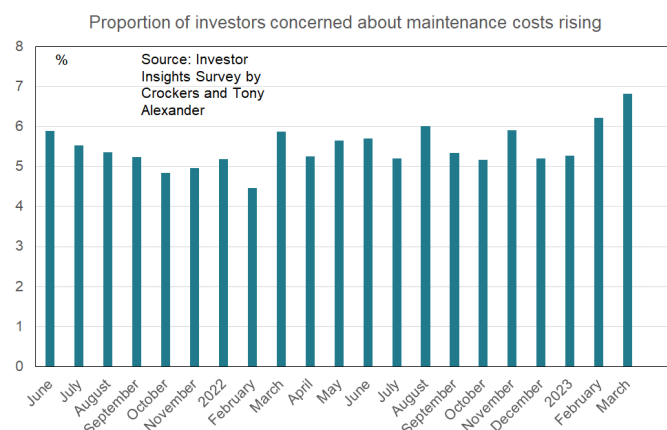
Which things concern you most regarding returns on your investment going forward?





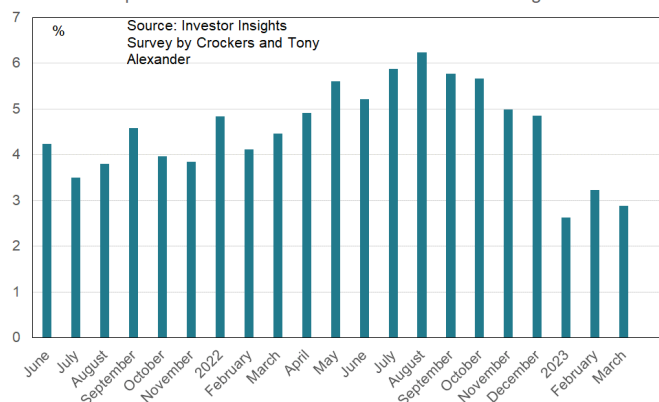
As has been the case for a long time, the three main concerns of investors are interest rates, tenant regulations, and loss of interest expenses deductibility.

But in a couple of areas concerns have increased firmly recently – maintenance costs and insurance shown in the following two graphs.



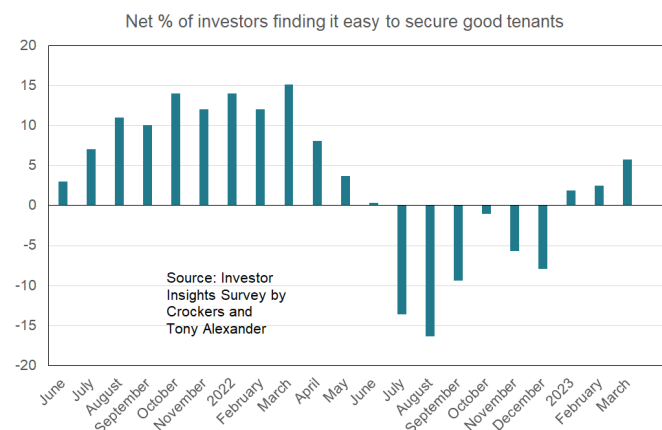
In contrast, concerns about low net immigration have eased. The numbers here are low but they tell us that there is some awareness of the way in which net migration flows have turned around from negative to firmly positive.

Proportion of investors concerned about reduced net migration



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

In the middle of last year when the average rent increase sought by investors stepped down, difficulties finding a good tenant had grown. Now, the average rent rise sought is rising as ease of finding good tenants is once again improving. A net 6% say it is easy to secure good tenants – the highest reading since April last year.

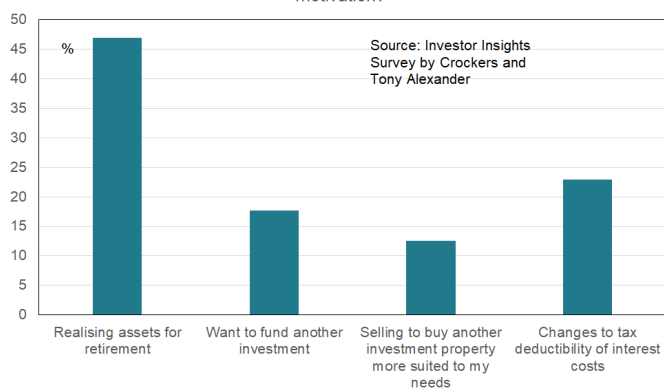


IF YOU ARE GOING TO SELL YOUR PROPERTY(S) SOON, WHAT IS THE PRIMARY MOTIVATION?

For those existing investors who are looking at selling their property in the next 12 months the primary motivation remains funding retirement.

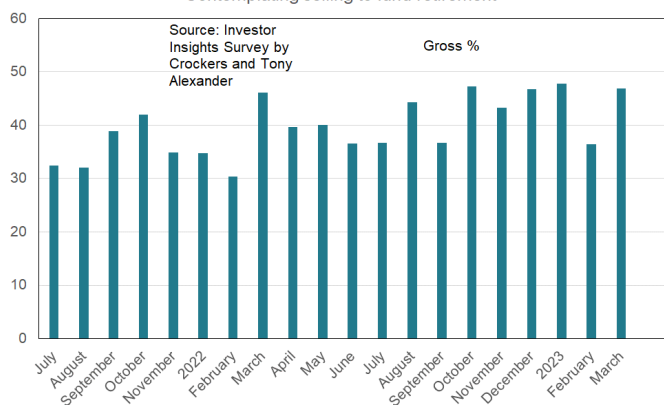


If you are going to sell your property(s) soon, what is the primary motivation?



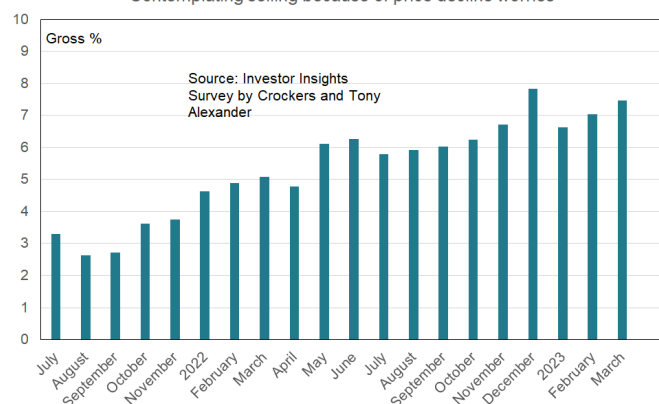
This proportion has recovered back to “normal” after a statistical blip down in February.

Contemplating selling to fund retirement



There remains an upward trend in the proportion of those selling because they want to get ahead of expected price declines.

Contemplating selling because of price decline worries



There were 311 responses received in this month's survey, with respondents located as follows.

Region	%
Northland	2.2
Auckland	40.6
Bay of Plenty	6.1
Waikato	9.9
Gisborne	0.1
Hawke's Bay	5.4
Taranaki	1.9
Manawatu-Wanganui	1.9
Wellington	10.9
Nelson, Tas., Marl	2.6
West Coast	0.1
Canterbury	11.2
Dunedin City	5.4
Queenstown Lakes	1.6
Southland	0.1

INVESTOR INSIGHT

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- Find out how Crockers can assist your Residents' Society
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