

# Investor Insight

June 2023

**Crockers**   
PEOPLE & PROPERTY

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# Tax changes of deepening concern

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.

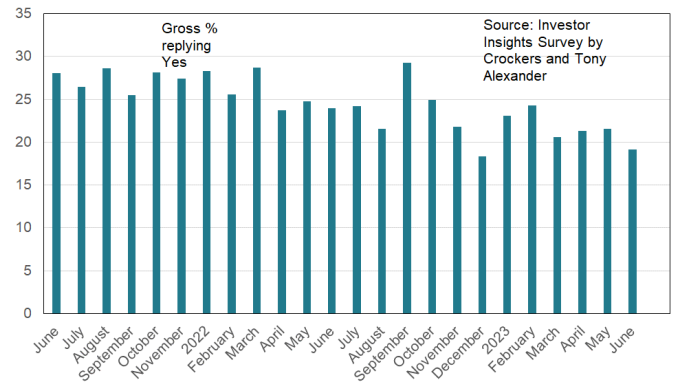
Key points of interest from this month's survey, which received 433 responses include the following.

- Investors on average are increasingly thinking about selling their properties as interest rate pressures grow.
- A rising motivation for selling is concern about the loss of interest expense deductibility.
- Only 55% of investors plan keeping their property at least ten years or never selling. This is a record low and below the two-year average of 64%.
- Investors are growing increasingly concerned about rising insurance costs.

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

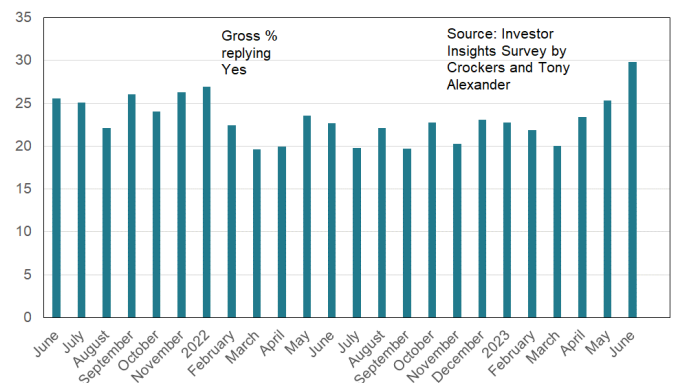
Since our survey started two years ago there has been a slow downward trend in the proportion of investors saying that they are thinking about buying another property within the coming year. The latest result of 19% is the second lowest after 18% recorded in December last year just after the Reserve Bank predicted recession and raised the official cash rate by a record 0.75%.

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



If investors are decreasingly thinking about buying, is there a trend change also in their plans for selling? Yes. A record 30% of respondents this month have said that they are contemplating selling in the next 12 months. The rise in this measure over the past three months is quite noticeable in the graph below and likely reflects the passage into a new financial year when a further 25% decrease in the proportion of interest expenses able to be offset against rental income has occurred. The extra upward movement in mortgage rates is also likely to be a factor in play – but we examine such things further on.

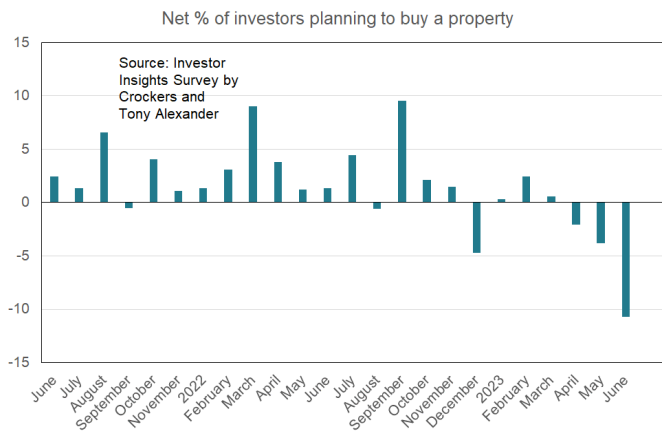
Are you thinking about selling one or all of your properties within the next 12 months?



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.

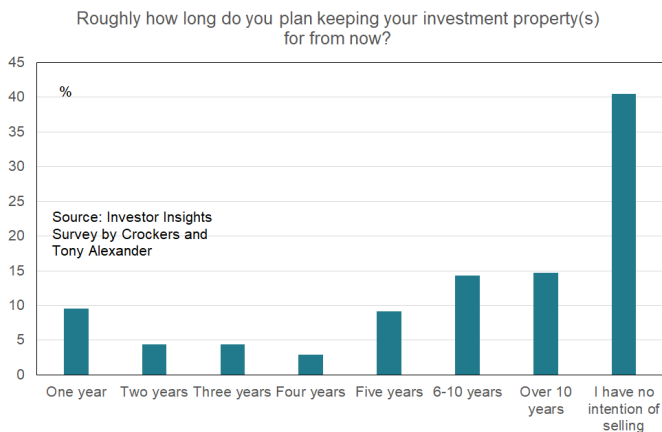


A net 11% of investors say they will sell in the coming year. This is a record level of net selling intentions which tells us that investors are not following first home buyers into the housing market this time around.



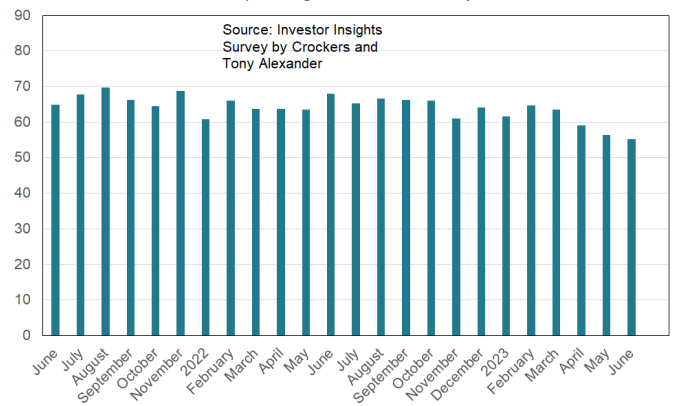
### ROUGHLY HOW LONG DO YOU PLAN KEEPING YOUR INVESTMENT PROPERTY(S) FROM NOW?

Our survey repeatedly shows each month that investors are in for the long haul.



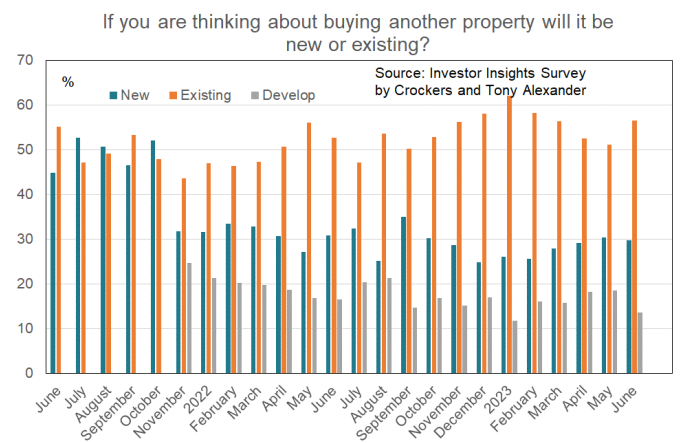
However, things are changing. The proportion of investors planning to keep their property for at least ten years or never to sell has decreased to a record low of 55% from 64% at the end of last year.

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?

For the gross 19% of investors who are thinking about buying another property in the coming year, the preference to undertake the development oneself sits at a low 14%, shown as the grey bar below. Trends for buying existing and buying new appear flat overall.

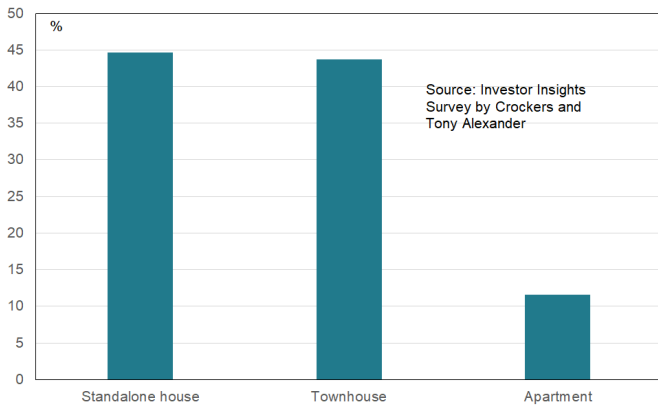


### WHAT TYPE OF NEW PROPERTY IS PREFERRED?

There has been a lift this month in those wanting to buy new who would purchase a townhouse – to 44% from 42% last month. This is almost equal to the 45% preferring a detached dwelling. 12% would opt for an apartment.

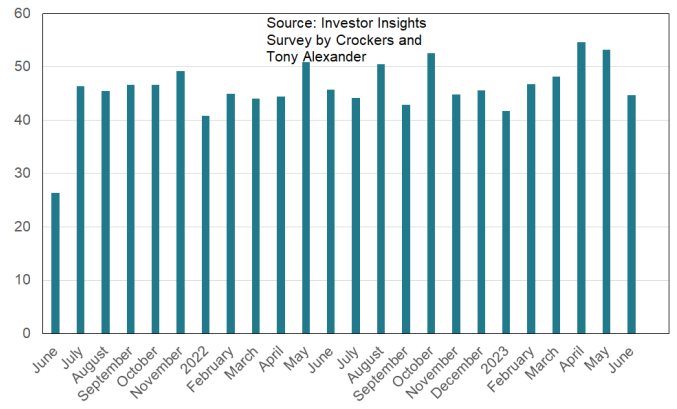


If it is a NEW property you're looking to buy, what type?



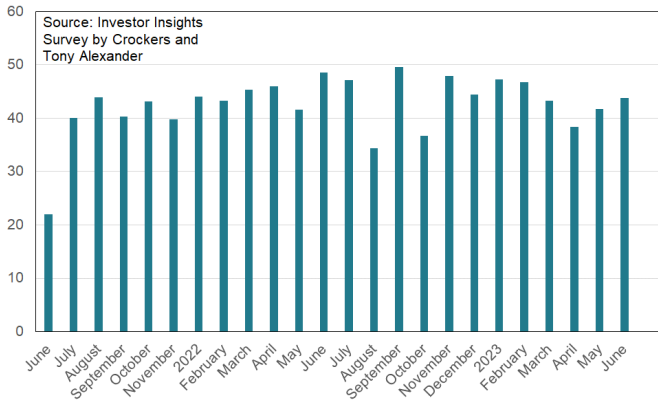
Preference for a townhouse by investors looking to buy new however shows no upward or downward trend.

Gross % of investor buyers seeking a new STANDALONE HOUSE



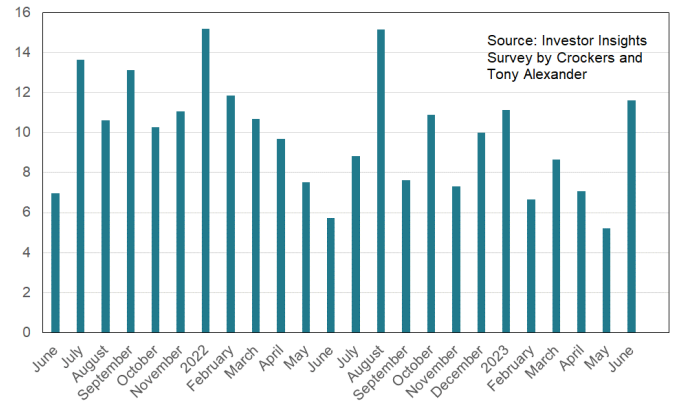
Preference for a new apartment has jumped up. But we have seen this before so caution is warranted in not over-reading this one month shift.

Gross % of investor buyers seeking a new TOWNHOUSE



Preference for a standalone house has dropped away but this could be just a blip. Builders of group homes might only want to get more concerned than they already are if this measure is equally low in our July survey.

Gross % of investor buyers seeking a new APARTMENT

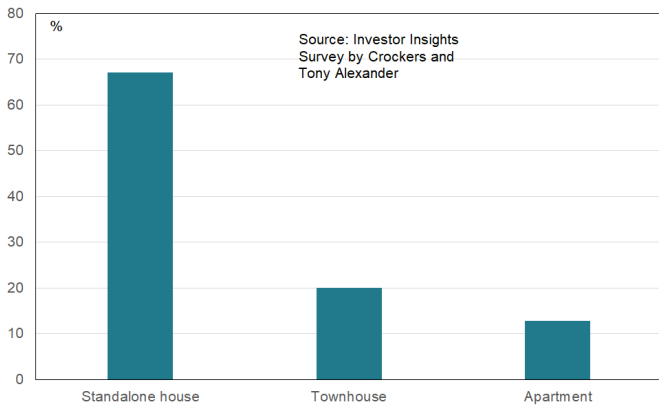


**WHAT TYPE OF EXISTING PROPERTY IS PREFERRED?**

For the 19% of investors thinking about buying in the coming year who would purchase an existing dwelling the overwhelming preference remains for a standalone dwelling.



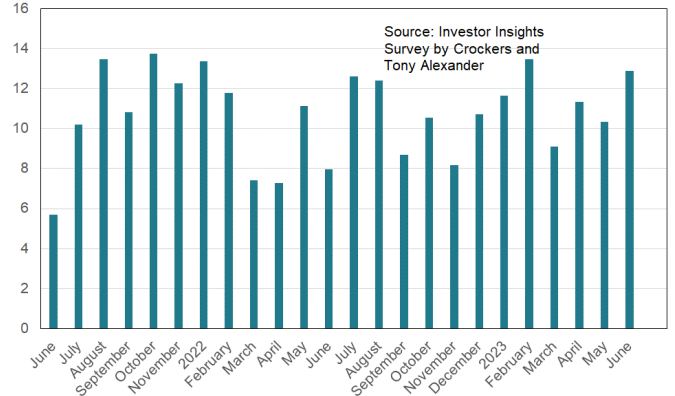
If it is an EXISTING property you're looking to buy, what type?



There does not seem to be any trend shift in this preference.

The preference for an existing apartment appears to go through short-lived cycles and there is no trend up or down.

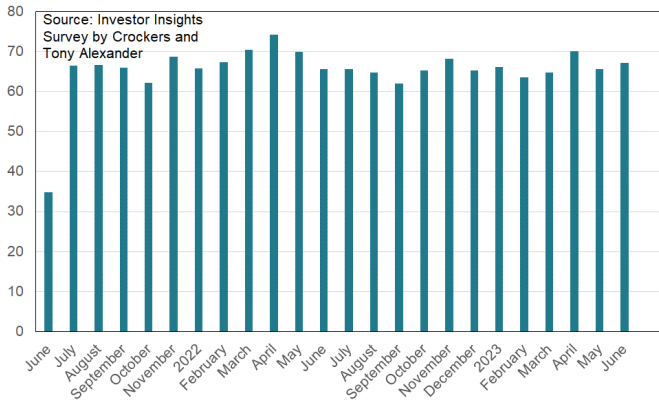
Gross % of investor buyers seeking an existing APARTMENT



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

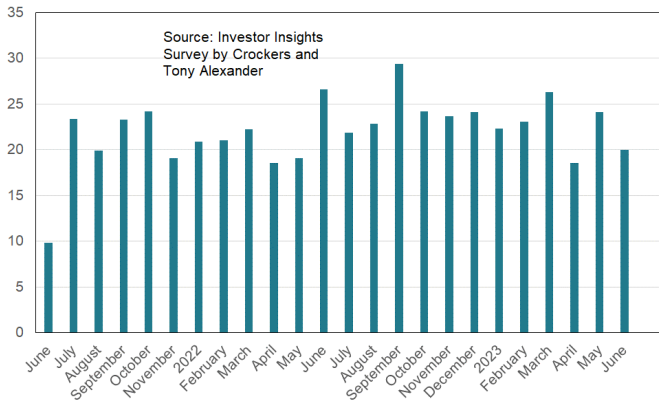
The proportion of investors planning to raise their rents over the coming six months took a step up in March to 82% from a low in August 2022 of 65%. Since then, the proportion has edged down but essentially consolidated close to 80% as seen here.

Gross % of investor buyers seeking an existing standalone HOUSE

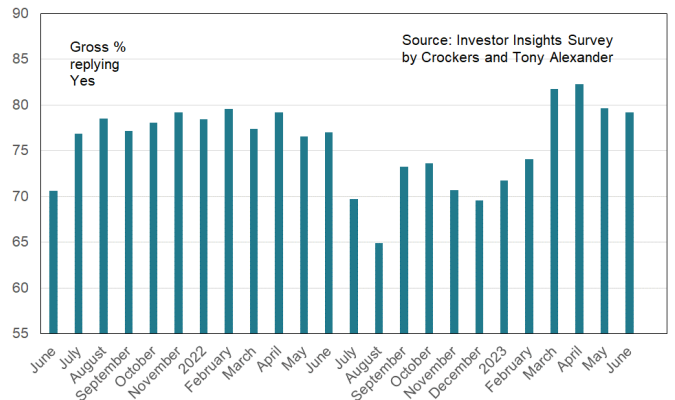


Preference for an existing townhouse appears to be trending down.

Gross % of investor buyers seeking an existing TOWNHOUSE



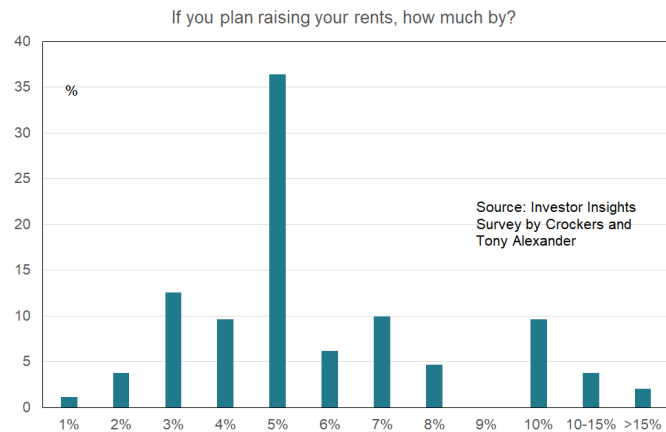
Are you planning to raise your rents in the next 6 months?



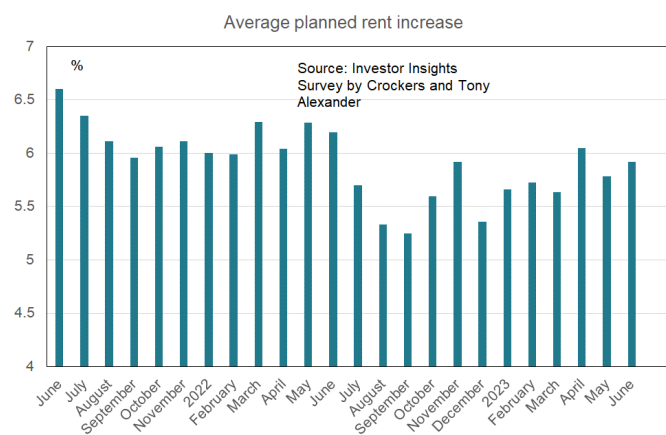


## IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

The first graph here shows the distribution of rent rises favoured by landlords. The popular pick is 5% for 36% of investors.

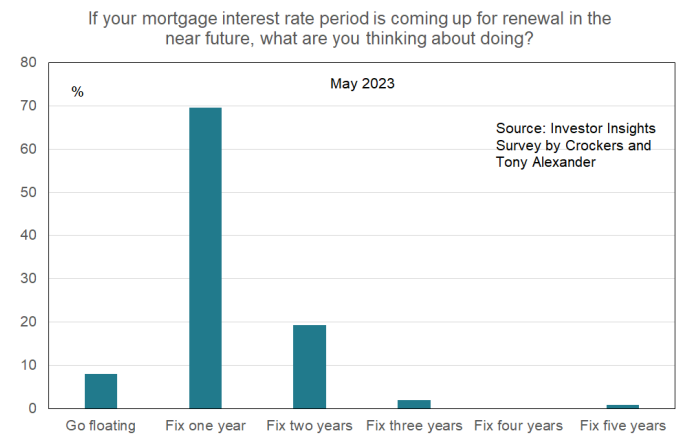


The average rise landlords would like if the market permits is 5.9%. The trend in this gauge is upward and that may remain the case as new house construction falls away at a time of accelerating population growth and rising costs of providing rental accommodation.

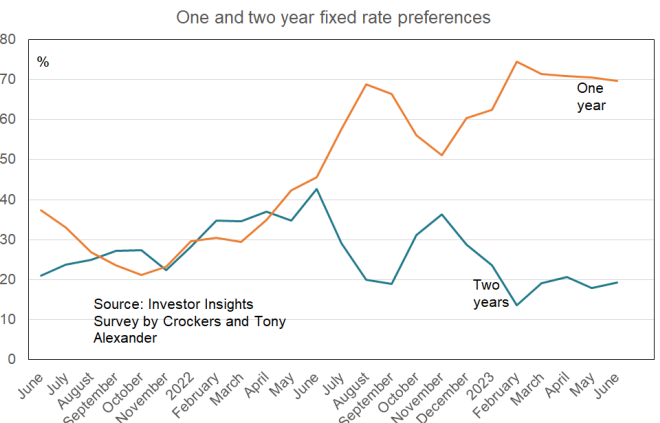


## IF YOUR MORTGAGE RATE IS COMING UP FOR RENEWAL IN THE NEAR FUTURE, WHAT ARE YOU THINKING ABOUT DOING?

For those investors who have a mortgage interest rate coming up for renewal, the most favoured term for fixing remains at one year. The 18 month term apparently is quite favoured though we don't ask specifically about that.

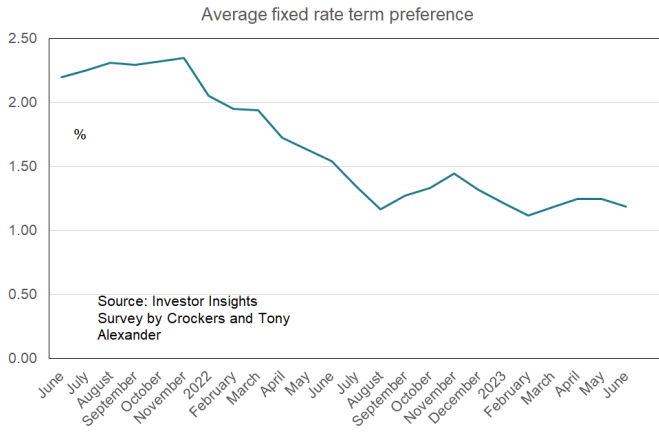


There has been little change in relative preference of one year versus two year rate fixing over recent months.

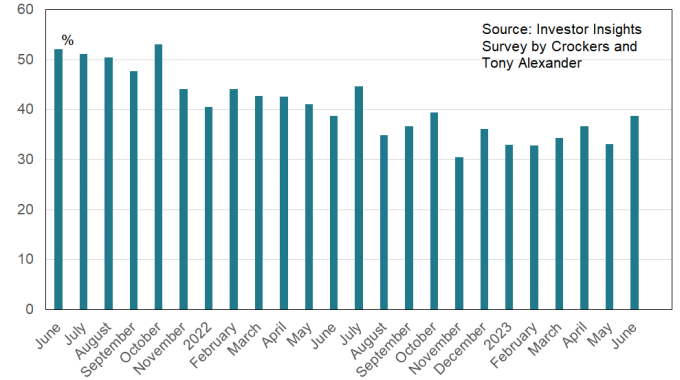




The average term preferred for fixing has been fairly steady near 1.2% for some time now.



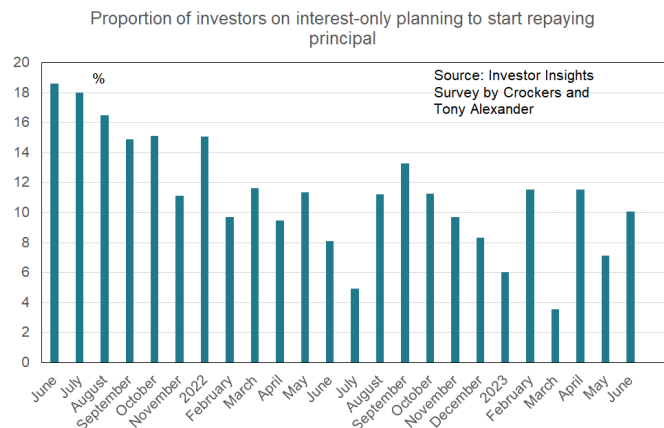
Proportion of investors on principal and interest mortgages planning to repay debt faster



The proportion of investors with no mortgage has changed by little over time.

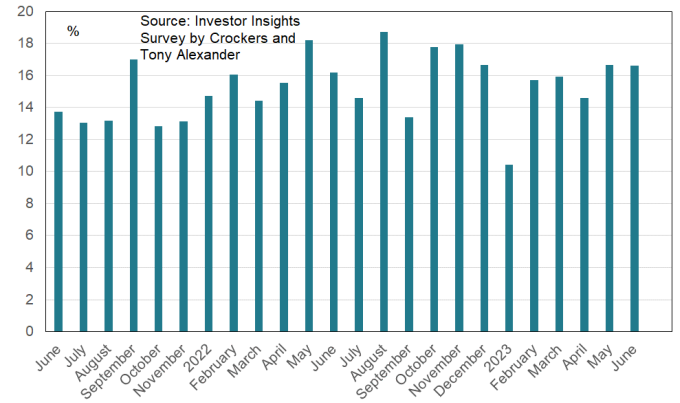
### WHAT ARE YOU THINKING REGARDING THE SPEED WITH WHICH YOU ARE PAYING DOWN PRINCIPAL ON YOUR MORTGAGE?

One of the things we have observed from our monthly surveys is that despite rising interest rates and progressive loss of interest expense deductibility, there is no upward trend in the proportion of investors with interest-only debt who plan starting to repay principal.



There may be a small upward trend in plans to accelerate debt repayment for those already doing so – but the lift is quite minor.

Proportion of investors who do not have a mortgage



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

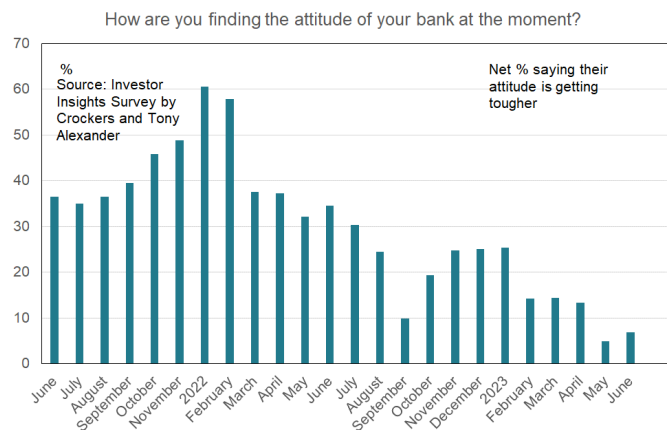
Respondents to this question can choose amongst three options.

- 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.



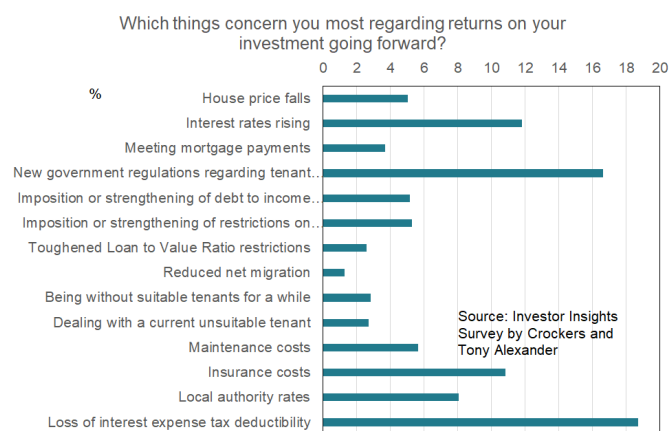
Only a net 7% of investors say that their bank is getting tougher regarding debt access. This is the second lowest reading since our survey started two years ago. This measure and some others all show banks as slowly becoming more willing to lend since the credit crunch which occurred late in 2021.



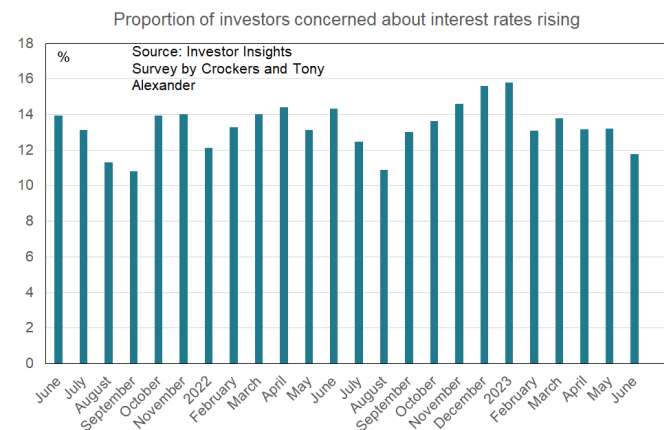
### WHICH THINGS CONCERN YOU MOST REGARDING RETURNS ON YOUR INVESTMENT GOING FORWARD?

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

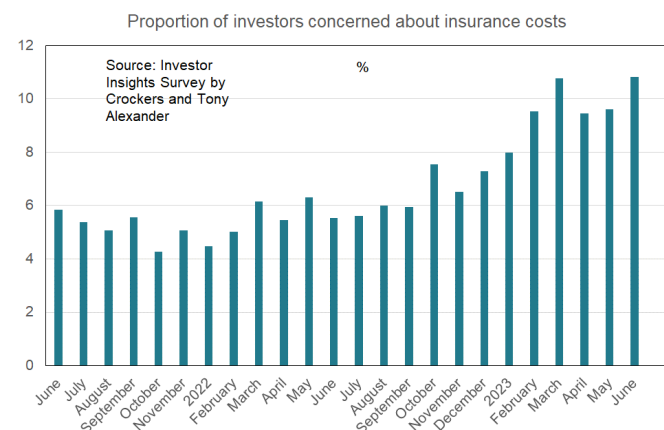
The biggest concerns of investors are loss of interest expense deductibility, government regulations, and interest rates rising



Concerns about interest rates have edged lower recently.



But worries about insurance costs are firmly rising.

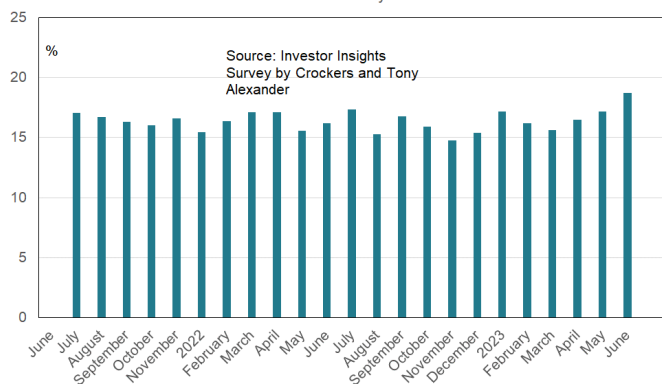


The loss of interest expense deductibility is occupying the minds of investors more and more.

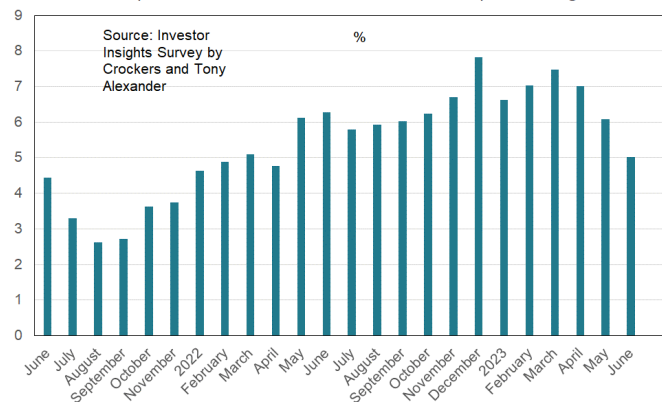




Proportion of investors concerned about loss of interest expense deductibility

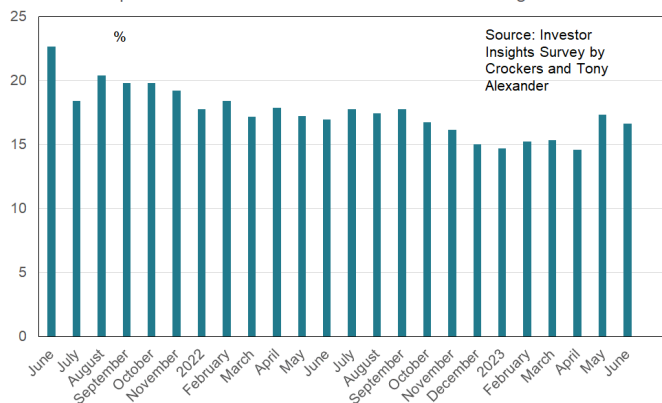


Proportion of investors concerned about house prices falling



Concerns about tenant legislation have gone back up after some trending downward.

Proportion of investors concerned about new tenant regulations

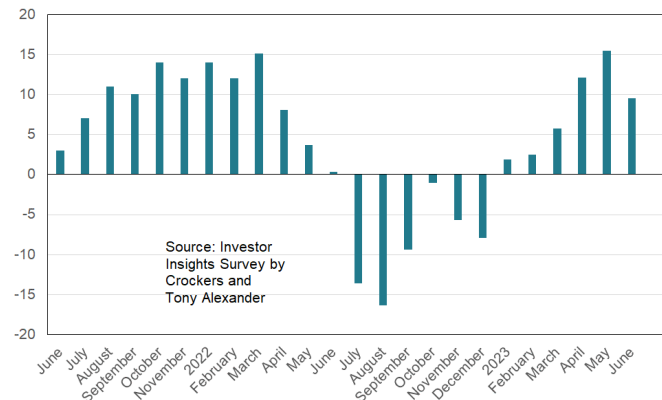


And perhaps reflecting the increasing discussion about the housing market bottoming out, worries about house prices falling are themselves falling away.

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

A net 10% of investors have reported that it is easy to find good tenants. This is down from the strong 15% in May but still the third highest result since the middle of last year.

Net % of investors finding it easy to secure good tenants

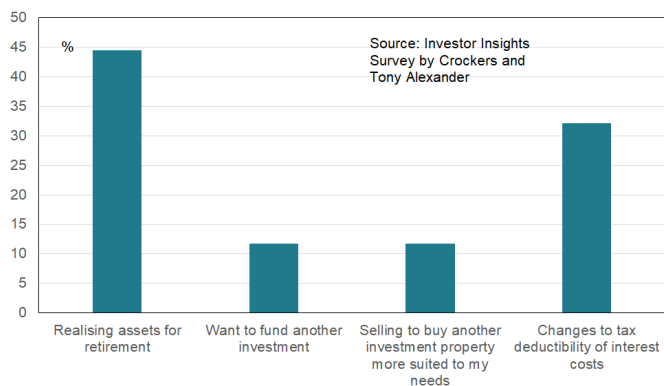


### IF YOU ARE GOING TO SELL YOUR PROPERTY(S) SOON, WHAT IS THE PRIMARY MOTIVATION?

More of the investors looking to sell cite retirement as reason for doing so than any other factor.

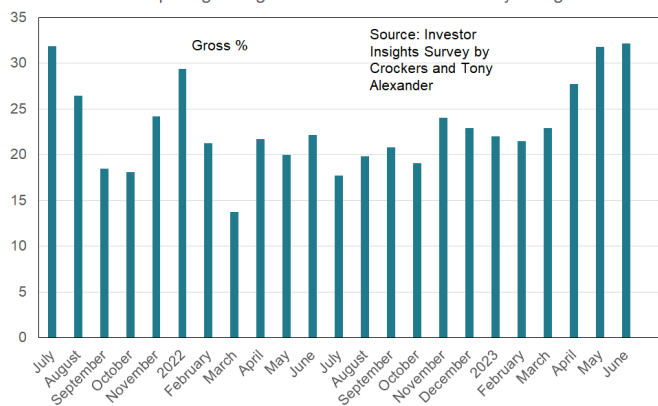


If you are going to sell your property(s) soon, what is the primary motivation?



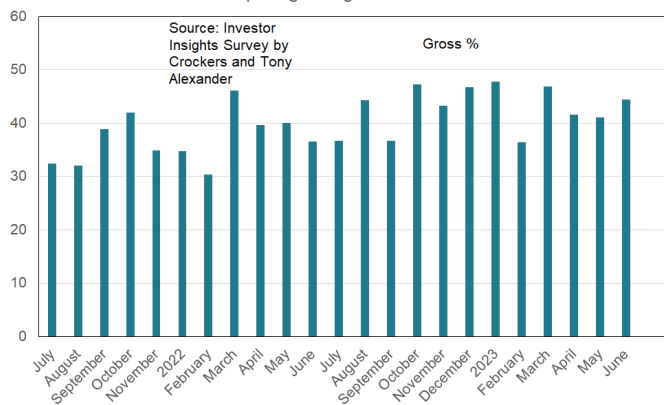
There is no upward or downward trend in the proportion of those selling citing funding retirement as a reason.

Contemplating selling because of the tax deductibility changes



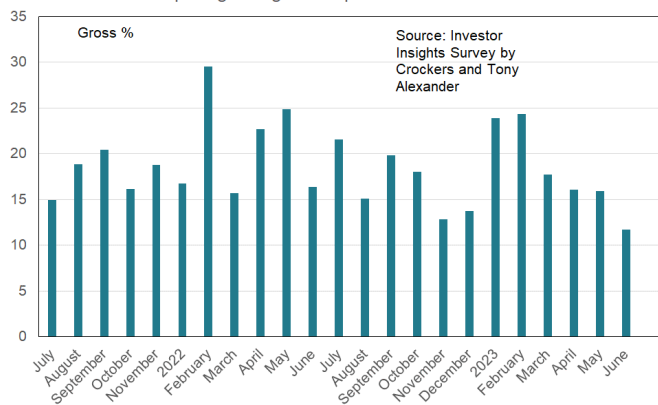
Few investors looking to sell say they wish to fund purchase of another type of asset.

Contemplating selling to fund retirement

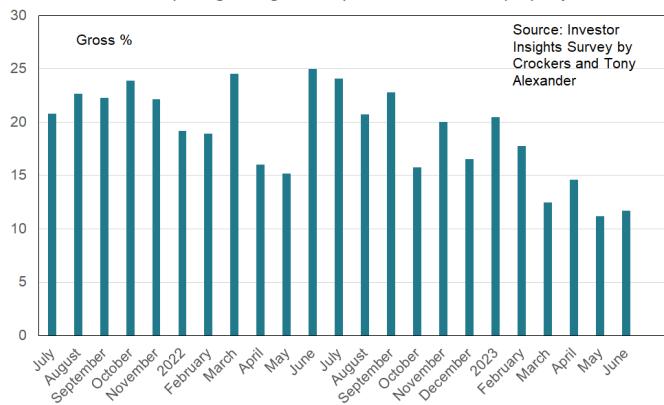


But there is a downward trend in the proportion who, after selling, will buy another residential property.

Contemplating selling to fund purchase of a different asset



Contemplating selling to fund purchase of another property





There were 433 responses received in this month's survey, with respondents located as follows.

Region	%
Northland	2.1
Auckland	48.7
Bay of Plenty	4.4
Waikato	7.9
Gisborne	0.2
Hawke's Bay	3.2
Taranaki	1.2
Manawatu-Wanganui	2.3
Wellington	11.8
Nelson, Tas., Marl	2.5
West Coast	0.1
Canterbury	9.9
Dunedin City	3.5
Queenstown Lakes	1.6
Southland	0.5

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