

Investor Insight

August 2024

Crockers 
PEOPLE & PROPERTY

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Bank credit becoming more available

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.

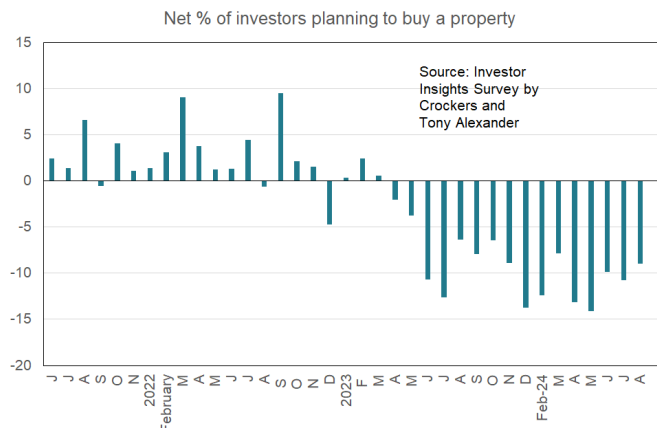
For instance, we will track changes in pressures on rents, points of particular concern, and plans regarding property purchases and intentions to sell.

Key points of interest from this month's survey, which received 374 responses include the following.

- Respondents report that banks are becoming more willing to advance funds.
- Worries are growing about the falling away of net migration flows.
- A record net proportion of landlords now say they are finding it difficult to secure good tenants.

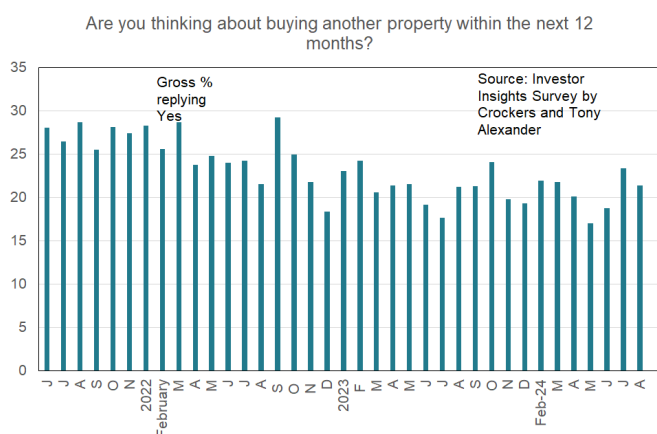
ARE YOU THINKING ABOUT BUYING ANOTHER PROPERTY WITHIN THE NEXT 12 MONTHS?

A net 9% of landlords this month have reported that they intend selling a property over the next 12 months. As the graph in this section shows this is a slight improvement from 11% net selling intentions (columns below the zero line) last month. But the measure remains in the negative territory which has dominated since the middle of 2023.



This month's net 9% negative result comes from the offsetting of two gross purchase and sale measures.

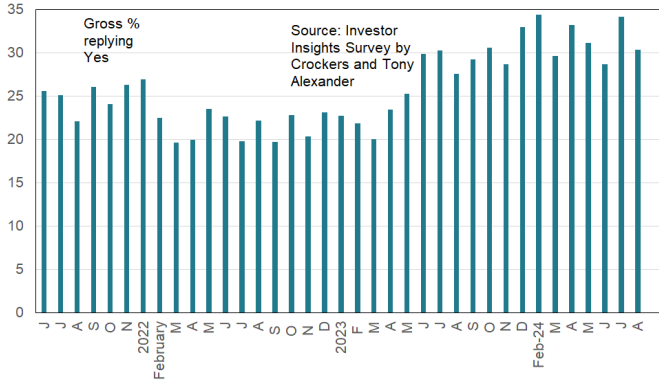
A gross 21% of investors have reported this month that they are thinking about buying another property in the coming year. This measure appears to have risen off its low levels but the slight retracement this month from 23% gross buying intentions last months serves to tell us that caution still prevails amongst potential investors.



A gross 30% of existing investors have reported that they are thinking about selling their property. This is down from 34% in July but does not necessarily tell us that the upward trend in selling intentions in place since early-2023 has ended.



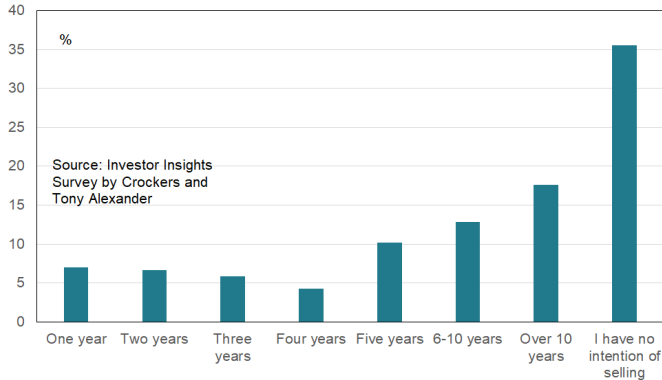
Are you thinking about selling one or all of your properties within the next 12 months?



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

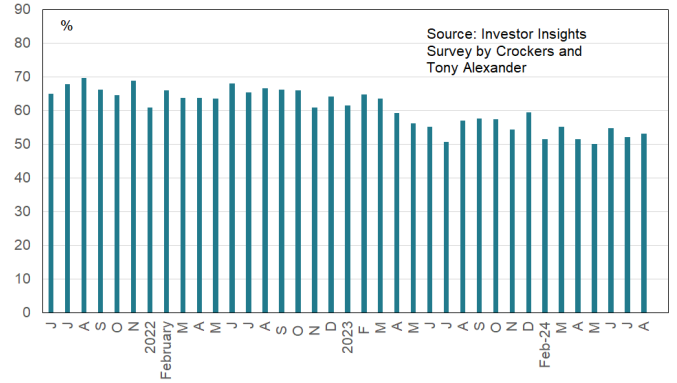
7% of current landlords say they intend only holding their property for up to another year while 18% say over ten years and 36% have no intention of selling.

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



The proportion who indicate that they intend holding for at least ten years or never selling stands at 53% from 52% in July and 55% in June. The downward trend in this measure looks to have flattened out. From that perhaps we can read that no flood of property is to be placed on the market just because time has passed, and the owners have become older. But a trend towards greater realisation of the value in residential property assets by those who have held for some time is probably still in place.

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



The rising costs of investment property ownership are likely to encourage more existing investors to step forward to sell when the market has gained upward momentum on prices – something not yet in place this early in the monetary policy easing cycle.

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

Our survey has revealed a declining trend since mid-2023 in the proportion of investors looking to purchase another property who would buy something new. As yet this trend, shown as the blue line in the next graph, has not flattened out. This implies continuing weakness in orders for new dwellings and difficulties perhaps for multi-unit developers in particular securing pre-sales.

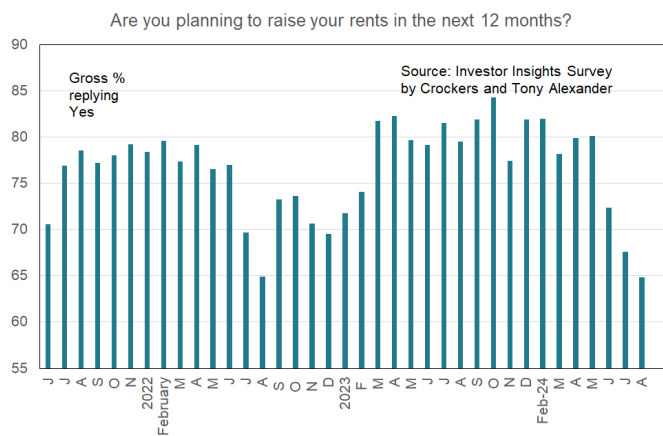
If you are thinking about buying another property will it be new or existing?





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

A gross 65% of our survey respondents this month have reported that they plan raising their rents over the coming year. This is a decline from 68% last month and 80% in May. From an inflation and monetary point of view this is a positive development. But when we consider the rise in property costs this suggests potentially declining running yields for landlords.

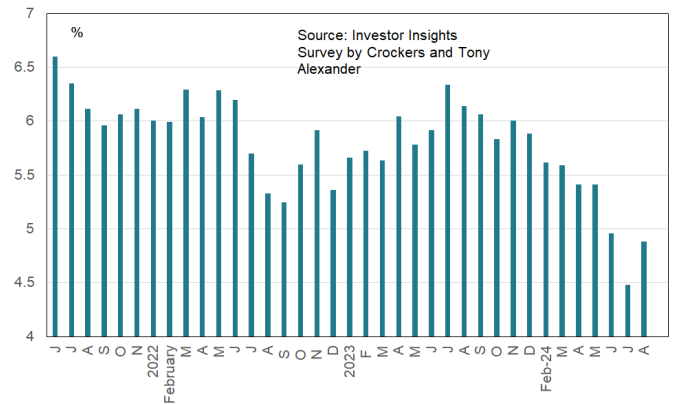


IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

Having said that, the average rent rise planned (desired) by landlords has risen to 4.9% from 4.5% last month. The trend in this measure has been fairly solidly downward since the middle of 2023 alongside weakness in many of our other measures.

The two month decline from 5.4% in May to 4.5% in July was rather rapid and for now the slight rise this month could best be interpreted as this gauge getting back on a slowly declining trend rather than the implied collapse.

Average planned rent increase



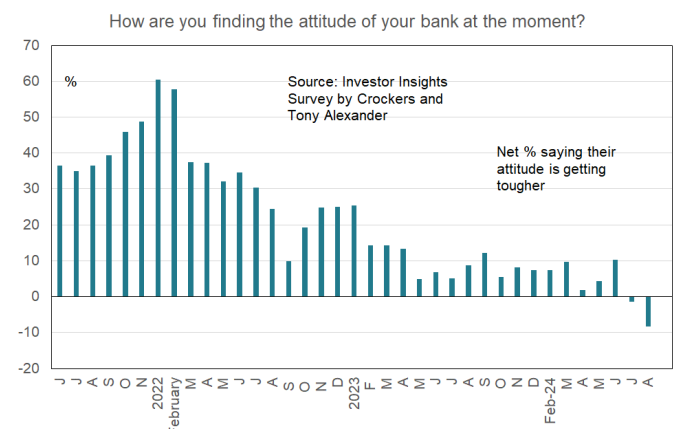
HOW ARE YOU FINDING THE ATTITUDE OF YOUR BANK AT THE MOMENT?

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 our survey has found more landlords feeling that banks are becoming more willing to lend than less willing. This month's reading is a net 8% finding banks willing to lend – the "best" result on record for our survey.

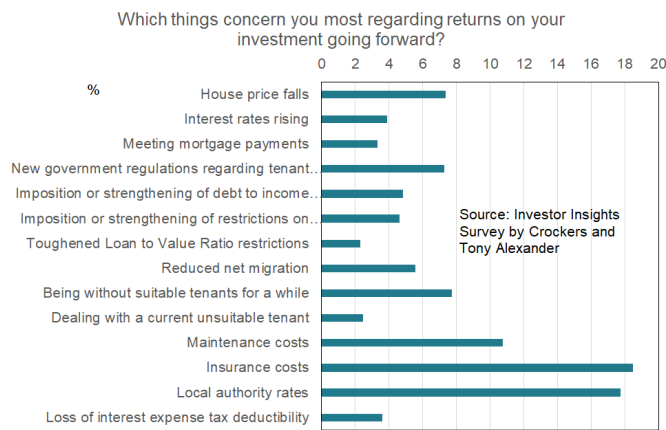




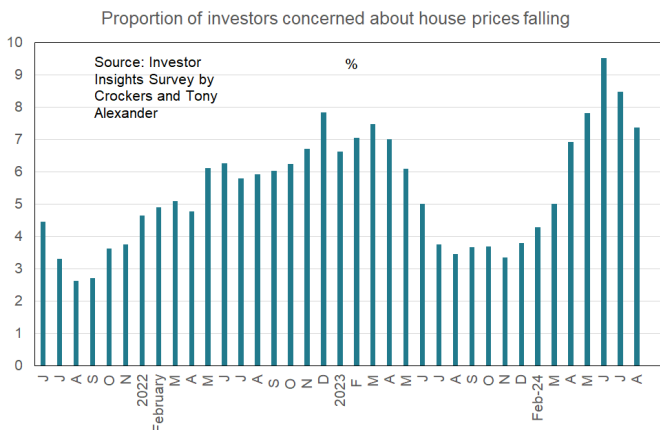
WHICH THINGS CONCERN YOU MOST REGARDING RETURNS ON YOUR INVESTMENT GOING FORWARD?

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

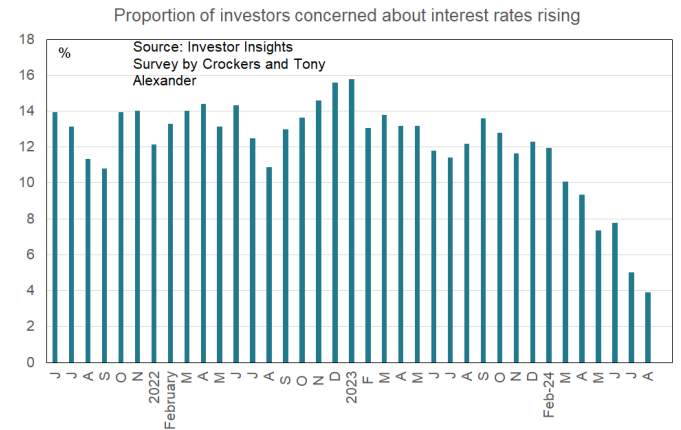
Two of the three things of greatest concern are the same as last month – insurance costs and council rates. But third-placed worries about house prices falling have been replaced by concerns regarding maintenance costs.



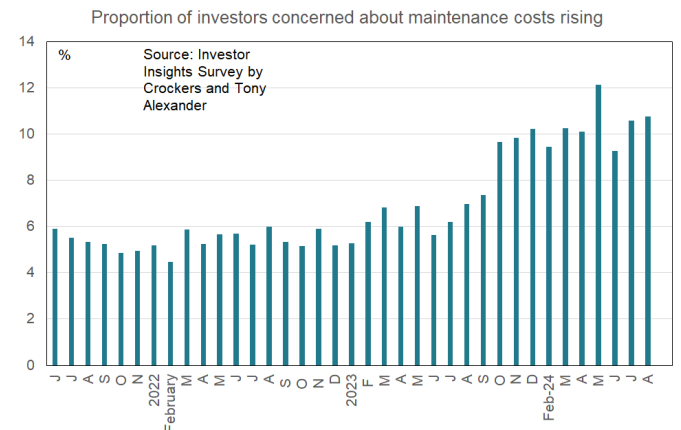
Concerns about house price declines are themselves declining from elevated levels. But these worries are still well above average.



Reflecting the big change in the interest rates outlook fewer and fewer existing residential property investors are worried about interest rates.



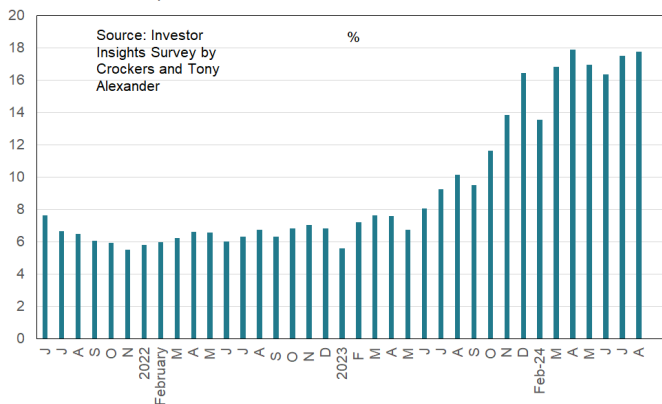
Concerns about the costs of maintaining one's property jumped in October last year and have remained elevated.



Worries about council rates dominate the news these days, especially as councils have promised more rises to come.

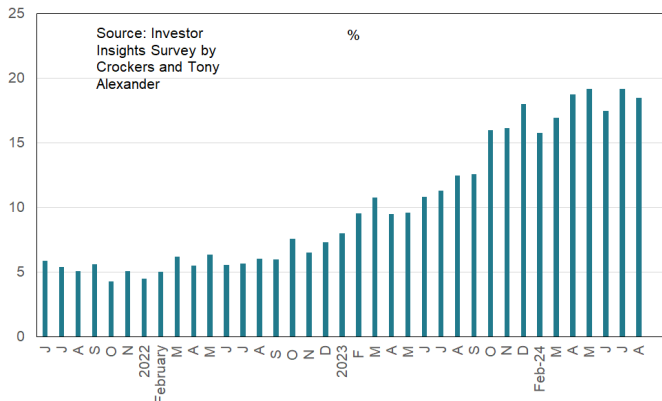


Proportion of investors concerned about council rates



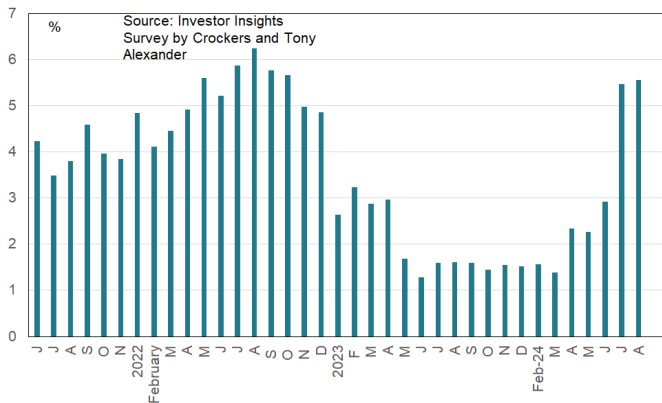
Insurance costs are also elevated though feedback from the sector indicates that high margins now being earned by insurance companies will result in far smaller premium increases in the coming year.

Proportion of investors concerned about insurance costs



The big move this month has been a jump in the proportion of investors worried about net migration flows to 6% from only 2% six months ago. The magnitude of concern is relatively small, but the change is notable.

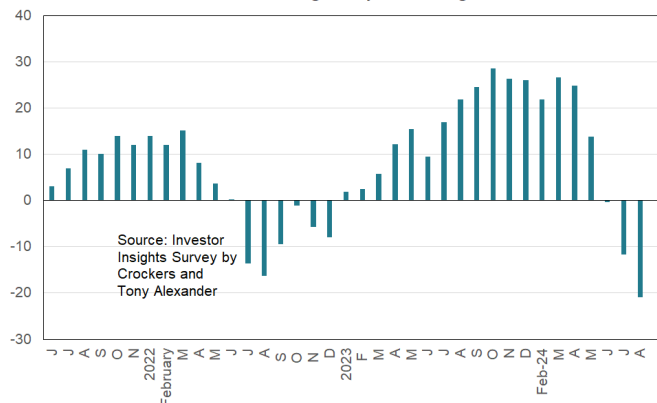
Proportion of investors concerned about reduced net migration



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

It is becoming increasingly difficult for landlords to secure good tenants. In fact, a record net 21% have reported that things are hard. The turnaround from a net 27% finding things easy only five months ago is stark and suggests that our gauges of rent rise pressures will ease much further in coming months.

Net % of investors finding it easy to secure good tenants



There were 374 responses received in this month's survey, with respondents located as follows.

Region	%
Northland	1.9
Auckland	50.1
Bay of Plenty	5.3
Waikato	8.0
Hawke's Bay/Gisborne	3.0
Taranaki	1.1
Manawatu-Wanganui	1.9
Wellington	10.1
Nelson, Tas., Marl	2.4
Canterbury	10.4
Dunedin City	4.0
Queenstown Lakes	1.6
Southland	0.3

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MANAGEMENT: pm@crockers.co.nz

- Request a free rental appraisal
- Enquire about stress-free property management for your residential or commercial property

BODY CORP: bc@crockers.co.nz

- Request a free proposal for your Body Corporate
- Find out how Crockers can assist your Residential Society

BUILD-TO-RENT: btr@crockers.co.nz

- Request a free Build-to-Rent proposal
- We assist BTR developers and owners in the design, development and management of their complexes

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