



Investor Insight

August 2021

Crockers 
PEOPLE & PROPERTY

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A new survey of investors

Welcome to the third 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.

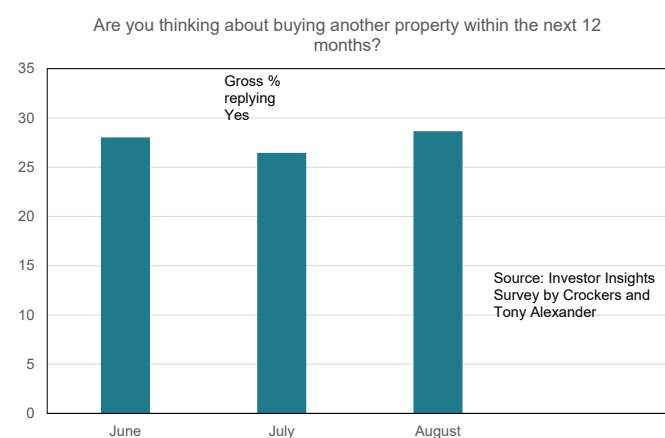
- Investor plans to sell their properties are declining.
- There is an even spread of preference for fixing mortgage interest rates one, two or three years.
- Despite expectations of higher mortgage rates, there is no lift in intentions to repay debt.
- While 18% of investors have indicated the March 23 tax changes have encouraged them to sell, 12% say they will hold their properties for longer than previously planned.
- Even if mortgage rates were to rise 3%, only 8% of investor say they would be forced to sell property.

In this month's survey we received 564 responses.

All responses were received after the government had announced the nationwide lockdown. Given the housing market performance following the end of last year's lockdown it is unlikely that the anticipation of short-term economic weakness associated with lockdown will have influenced replies.

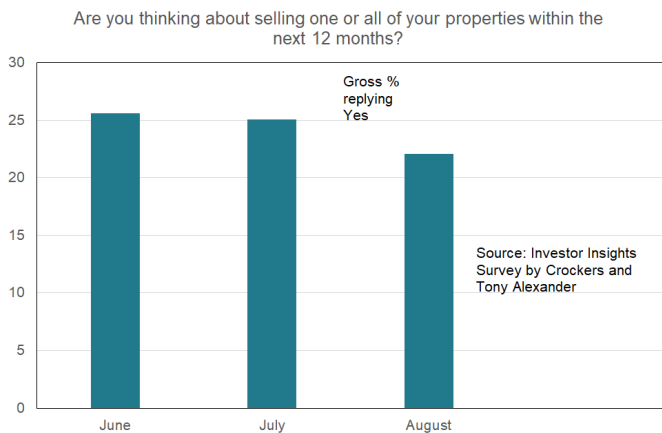
ARE YOU THINKING ABOUT BUYING ANOTHER PROPERTY WITHIN THE NEXT 12 MONTHS?

There has been a small rise in the proportion of investors saying they intend buying a property over the coming year to 29% from 26% in July and 28% in June. The reading is holding very steady in spite of anticipation of rising interest rates.



ARE YOU THINKING ABOUT SELLING ONE OR ALL OF YOUR PROPERTIES WITHIN THE NEXT 12 MONTHS?

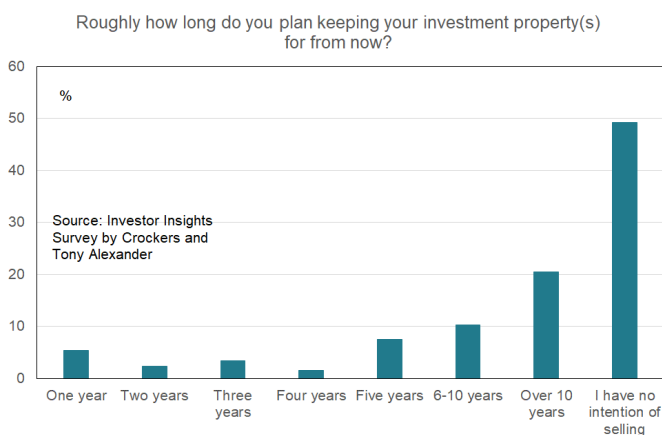
Buying intentions may be holding steady but selling intentions have undergone a decline. Faced with evidence of an additional 5% rise in average house prices around the country since the government announced new tax policies on March 23, and amidst continuing stories of scrambling buyers and listings shortages, 22% of investors this month have said they intend selling in the coming year.



The reduction in selling intentions is not particularly large. But from the point of view of a government hoping to move many investors out of the housing market it suggests policy changes are not having as large an impact as many feared.

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

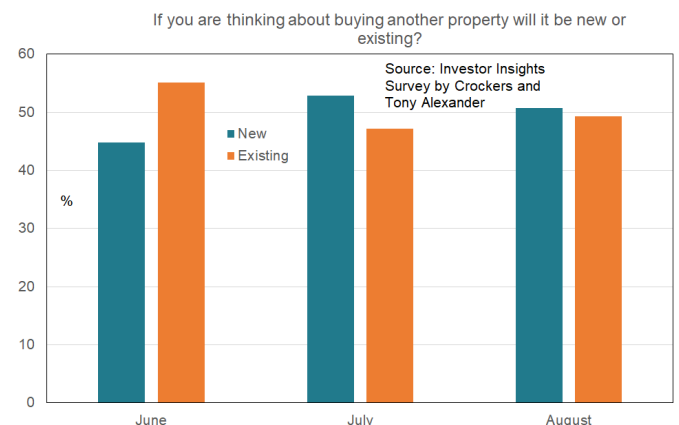
For the second month in a row there has been a rise in the proportion of investors saying that they intend holding onto their properties for at least ten years. That percentage now sits at 70% compared with 68% in July and 65% in June. Those planning to sell within a year remains now at 5% from 4% last month and 6% in June.



Answering this question requires thinking about one's property holdings from a lifetime portfolio point of view as opposed to perhaps the more emotional reaction to anti-investor policies and sentiment which get captured in the preceding question.

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

For those investors thinking about buying another property 51% will buy a new dwelling and 49% an existing one. Considering that there are far more existing dwellings than new ones being built (some 44,000) this illustrates a clear bias towards purchasing a new build which is one aim of current government policy towards property investors.

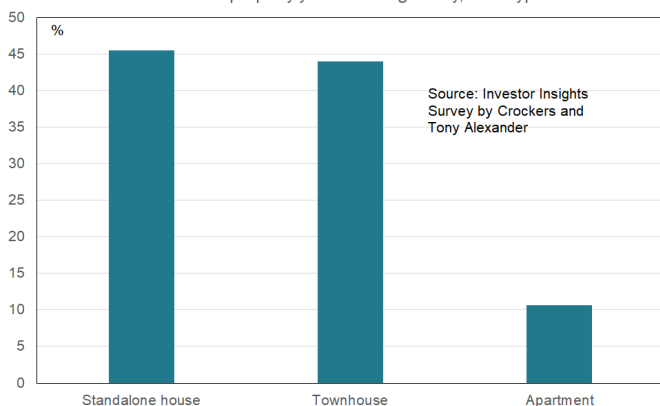


IF IT IS A NEW PROPERTY YOU'RE LOOKING TO BUY, WHAT TYPE?

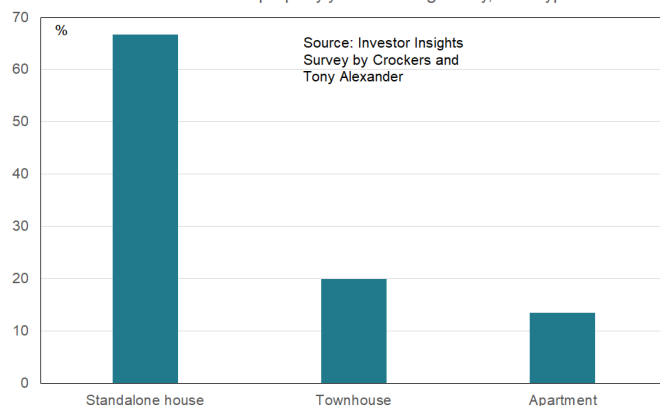
Investors planning to buy a new dwelling have a near equal preference for a standalone house (45%) as a townhouse (44%). Only 11% favour an apartment.



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



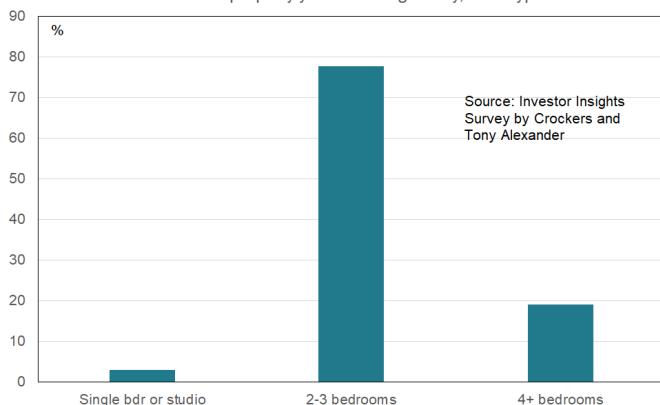
If it is an EXISTING property you're looking to buy, what type?



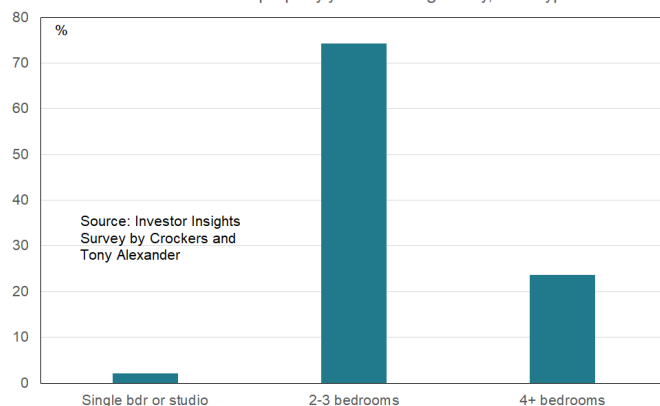
The strong preference in size is for a 2–3-bedroom home.

Again, when it comes to size, a 2–3-bedroom property is just as clearly preferred when buying an existing property as a new one.

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



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



IF IT IS AN EXISTING PROPERTY YOU'RE LOOKING TO BUY, WHAT TYPE?

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

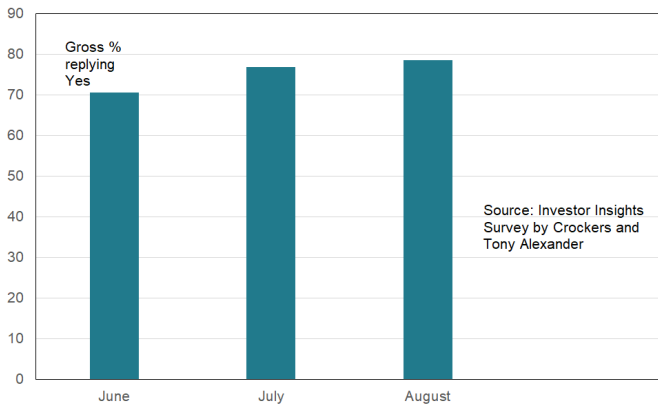
For those investors planning to buy an existing property, the strong preference held by 67% is for a standalone house. Just 20% would opt for a townhouse and 12% an apartment. As noted last month, the key difference in property purchase preference by investors is relatively low intentions of purchasing an existing townhouse.

Rents are set with reference to the market and not just by desire of a property owner.

This month there has been another small rise in the proportion of investors saying they plan raising their rents – to 79% from 77% in July and 71% in June.



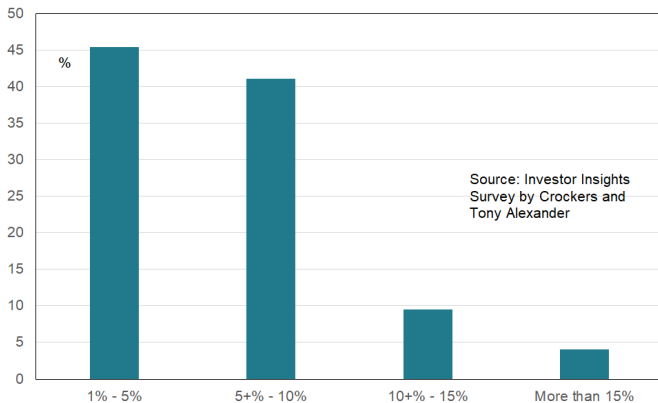
Are you planning to raise your rents in the next 6 months?



IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

Subject to the caveat above re market conditions, of those investors planning to raise their rents, 45% intend increases of between 1% and 5%, 41% intend 5% - 10%, 9% between 10% - 15%, and 4% plan rises of more than 15%. The average rise planned is just 6.1% from just over 6.3% last month.

If you plan raising your rents, how much by?

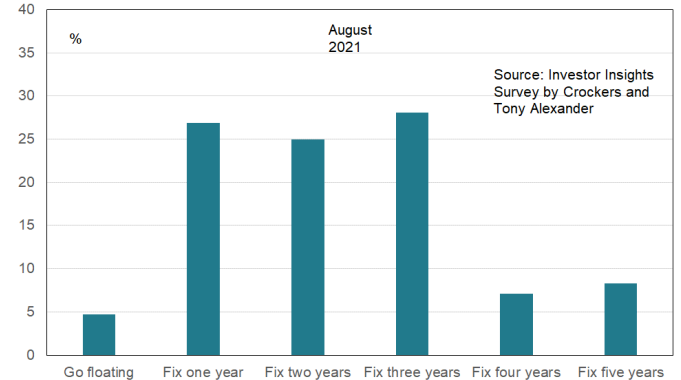


IF YOUR MORTGAGE RATE IS COMING UP FOR RENEWAL IN THE NEAR FUTURE, WHAT ARE YOU THINKING ABOUT DOING?

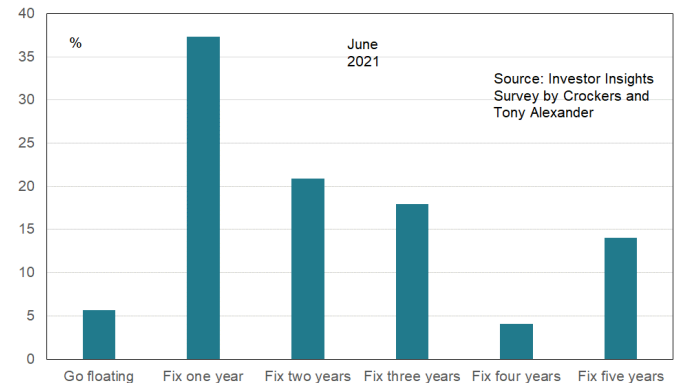
Two months ago, 37% of investors said that they would be refinancing for a one-year term. That proportion has now fallen to 27%. Preference for the two-year term has risen to 25% from 21%.

But preference for three years has gone up from 18% to 28%. Only 8% favour the five-year term to fix. The first graph here shows latest results. The second is from our June survey.

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



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



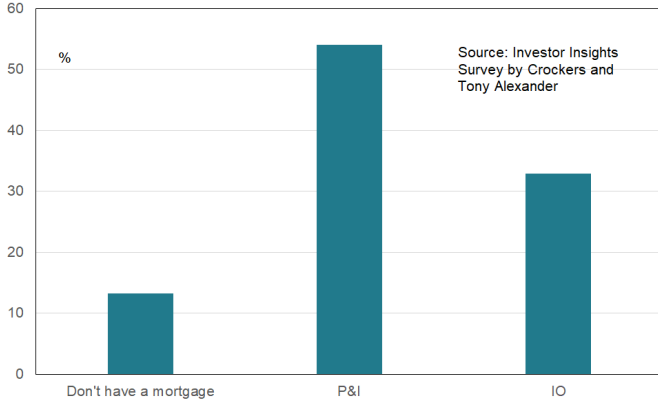
Note that to allow for the possibility of splitting one's fixed rate across a number of time periods, respondents are allowed to choose more than one fixed term option.

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

13% of investors report that they do not have a mortgage, 54% report that they are paying principal and interest, and 33% are on an interest-only payment schedule.

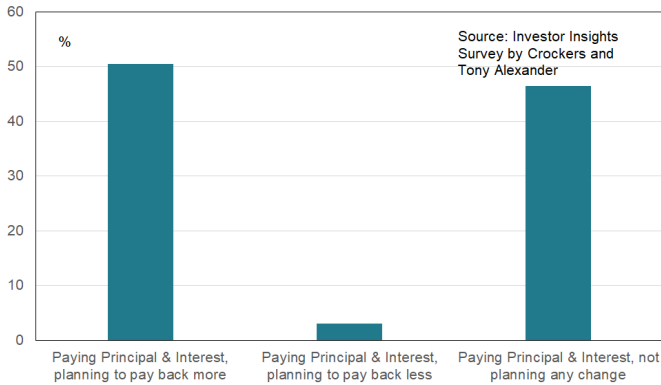


What mortgage type are you on?



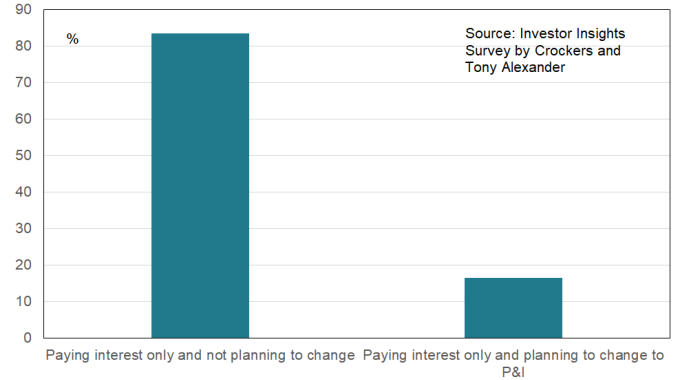
51% of respondents repaying principal are planning to pay back more on their mortgages, only 3% plan paying back less than before, and 46% have no plans to alter their repayments.

What are you thinking regarding the speed with which you are paying down principal on your mortgage?



For those on interest only facilities only 16% plan shifting to paying down principal. That proportion was 19% two months ago. So, expectations of rising interest rates have not yet elicited a rise in the desire of those on interest-only mortgages to start reducing their principal.

What are you thinking regarding the speed with which you are paying down principal on your mortgage?



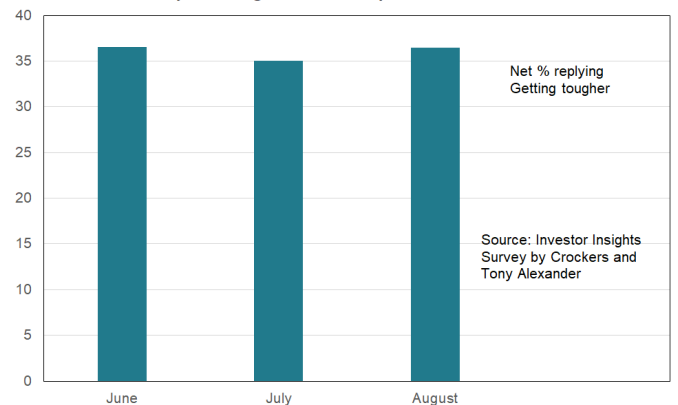
HOW ARE YOU FINDING THE ATTITUDE OF YOUR BANK AT THE MOMENT?

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. The following graph shows that there is no trend change in investor perceptions of working with their financier. A net 36% say things are getting tougher.

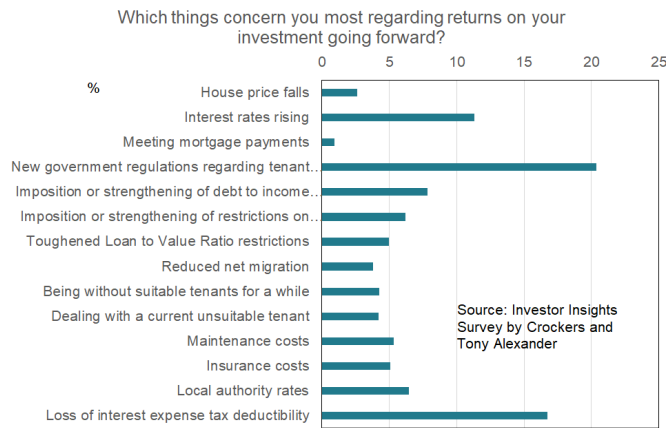
How are you finding the attitude of your bank at the moment?





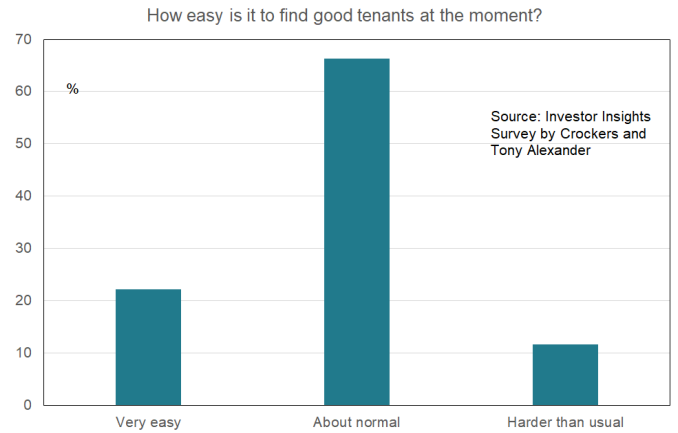
WHICH THINGS CONCERN YOU MOST REGARDING RETURNS ON YOUR INVESTMENT GOING FORWARD?

Respondents are able to choose more than one response to this question. A gross 20% are concerned most about new tenancy regulations and 17% rate loss of interest expense deductibility as their greatest concern. The small rating for this tax factor may help explain why there is no statistical evidence in any residential real estate data series of a lift in investor selling since March 23. The buying has changed, not the selling to any measurable degree.



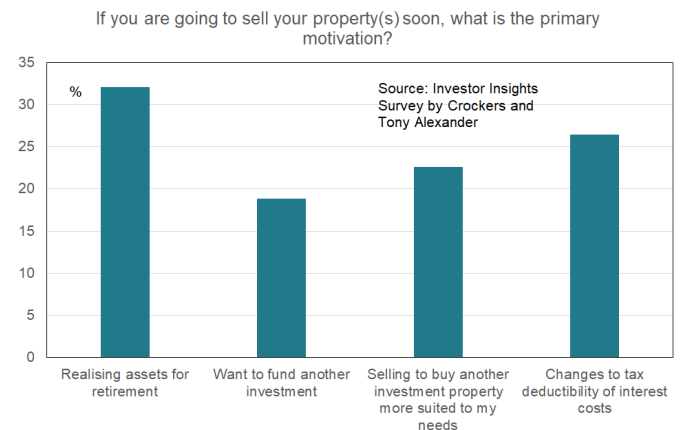
HOW EASY IS IT TO FIND GOOD TENANTS AT THE MOMENT?

There is no trend shift in investor experiences regarding finding new tenants. This month 66% said things were about normal which is the same proportion as two months ago. 12% reported that it is hard versus 16% in June. So, if anything, at a stretch one could say things have become slightly easier. But the change is very minor.



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

For those investors who are selling, 32% say they are selling in order to fund their retirement. 26% say they are selling because of the tax rule changes. This is down from 32% two months ago and provides us with further evidence that the effect from the tax changes appears to be fading.



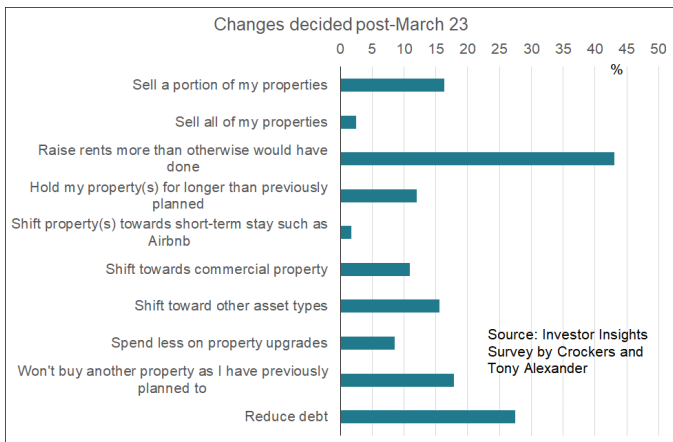


In this month's survey we included two special questions.

IF YOU HAVE DECIDED TO MAKE SOME CHANGES FOLLOWING THE MARCH 23 TAX ANNOUNCEMENTS ON BRIGHTLINE AND INTEREST DEDUCTIBILITY, WHAT ARE THEY?

44% of investors have said that because of the tax changes they will raise rents by more than they were otherwise planning. 28% have said that they will reduce their debt levels. 12% plan holding onto their properties for longer than previously planned, almost offsetting the 17% saying they will sell a portion of their portfolio and 2% saying they will sell all that they have.

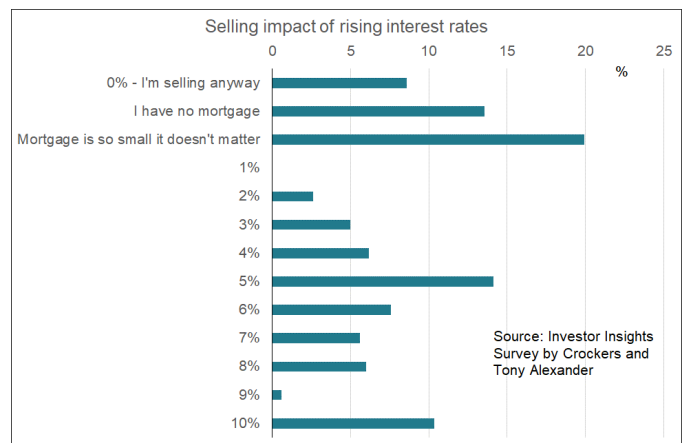
The results show that the tax change will have some impact, but less so with regard to selling than an easing of buying which was cited by 18% of respondents.



HOW MUCH WOULD YOUR CURRENT MORTGAGE INTEREST RATE NEED TO RISE FROM ITS CURRENT LEVEL TO FORCE YOU TO SELL AT LEAST ONE OF YOUR PROPERTIES?

For 43% of investors rising interest rates will not make them sell, either because they are already selling, or they have no mortgage, or it is so small it does not matter. A 3% rise would make only 8% sell.

Given expectations that the extent of interest rate rises this cycle will be close to 2%, only 3% of investors are likely to find themselves having to sell in the coming 2-3 years. This is very small and illustrates that prospective buyers should not hold an expectation that rising interest rates will cause a flood of property to come onto the market.



There were 564 responses received in this month's survey, with respondents located as follows.

Region	%
Northland	2.1
Auckland	40.4
Bay of Plenty	5.9
Waikato	7.9
Gisborne	0.3
Hawke's Bay	4.5
Taranaki	1.6
Manawatu-Wanganui	3.0
Wellington	12.9
Nelson, Tas., Marl	1.7
West Coast	0.2
Canterbury	12.9
Dunedin City	3.5
Queenstown Lakes	1.7
Southland	1.2

INVESTOR INSIGHT

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