

Investor Insight

August 2023

Crockers 
PEOPLE & PROPERTY

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BTR
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Tenant availability rises further

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.

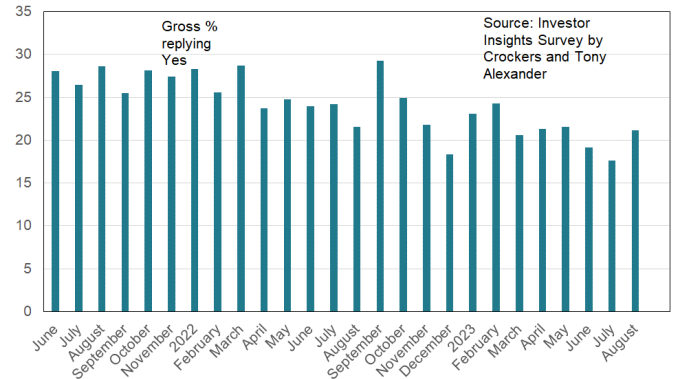
Key points of interest from this month’s survey, which received 341 responses include the following.

- Investors looking at buying a new dwelling are increasingly favouring apartments, though standalone houses and townhouses remain highly preferred.
- A record net 22% say it is easy to find good tenants whereas in December a net 8% said this was hard. The market has shifted substantially this year – probably due to the migration boom.

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

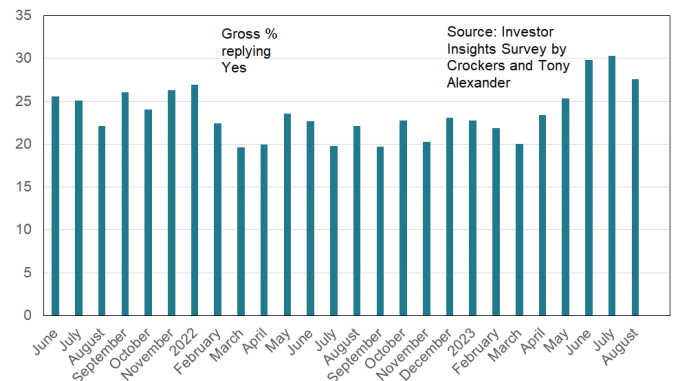
Our survey this month has revealed a slight rise in the proportion of existing investment property owners indicating they are thinking of another purchase in the coming year – to 21% from 18% last month. This arrests a recent string of declines but cannot be considered to be an upward trend as yet.

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



But we have also observed a small decline in the gross proportion of investors looking at selling – to 28% from 30%.

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

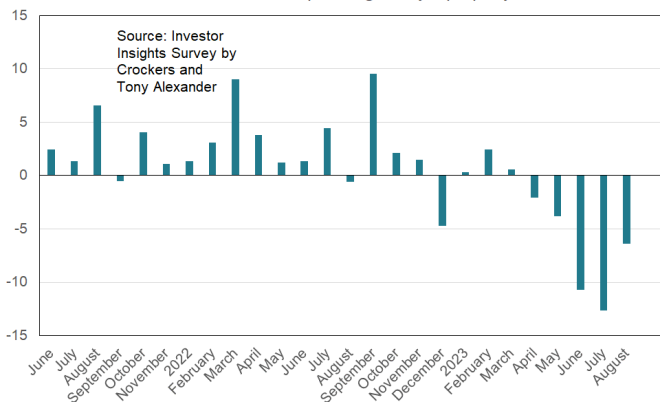


Putting the two measures together we can calculate net buying intentions, and this can give an indication as to whether price pressures are upward or downward from the people who already own residential property investments.

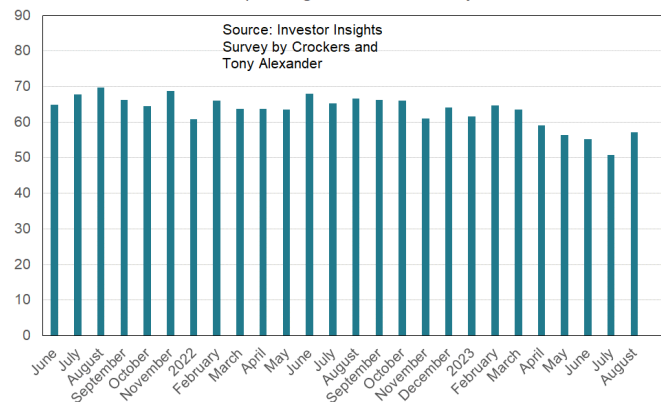
The net proportion of investors looking to buy remains negative at 6% this month from 13% last month. This is an improvement but the key point to note is that purchase intentions remain negative. Investors are not a factor behind the recent recovery in real estate sales and prices.



Net % of investors planning to buy a property



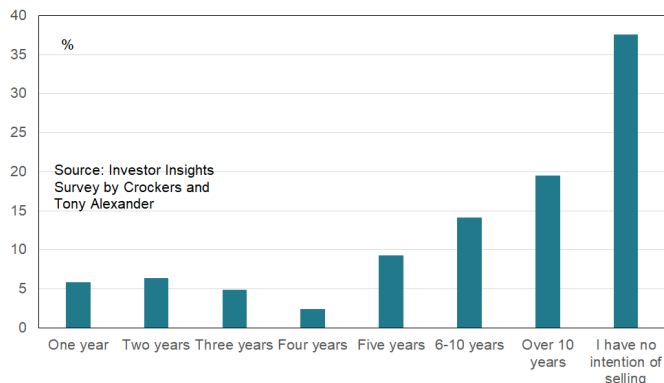
Gross % of investors planning to hold at least ten years or never sell



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

Our surveys always show most investors intend holding their property asset for the long term.

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



After dipping to a record low of just 51% last month, this month has seen a recovery to 57% in the proportion of investors planning to hold for at least ten years or never to sell. This is still a below average result likely reflecting the impact of high interest rates, tax changes, and rising costs such as for insurance, rates, and maintenance.

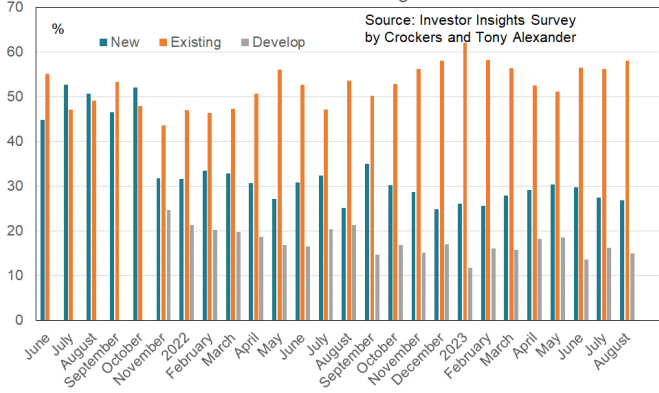
IF YOU ARE THINKING ABOUT BUYING ANOTHER PROPERTY WILL IT BE NEW OR EXISTING?

The following graph shows as the orange columns the proportion of investors thinking about buying who will purchase an existing dwelling. There is a broad upward trend in preference for an existing property and downward trend preference for purchasing one that is new. Thoughts of undertaking one's own development remain low.

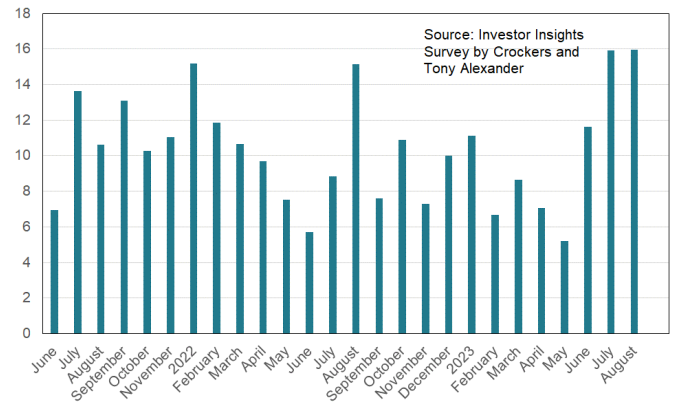
But it is notable that these shifts over the past two years have not been all that large. It would not be accurate to say that there is a particularly strong aversion to new-builds and it is likely that as the housing market tightens up again and listings fall, a shift back towards favouring new construction will occur.



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



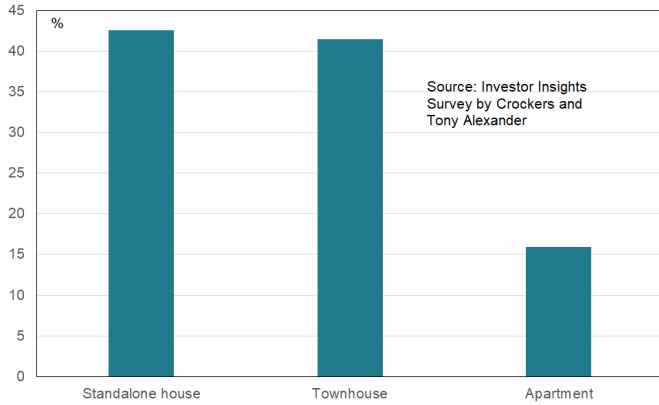
Gross % of investor buyers seeking a new APARTMENT



WHAT TYPE OF NEW PROPERTY IS PREFERRED?

For those looking at buying new, 43% prefer a standalone house, 41% a townhouse, and 16% an apartment.

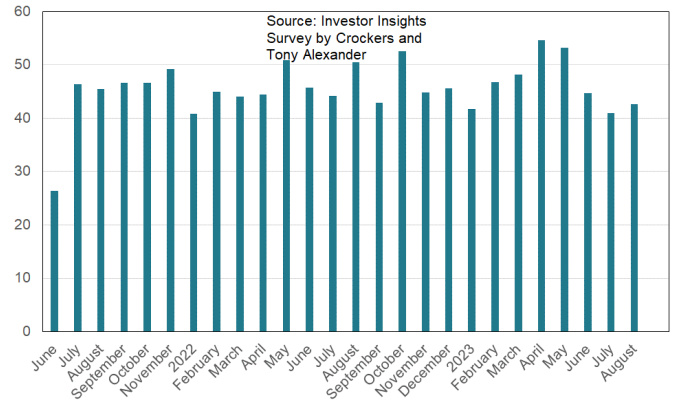
If it is a NEW property you're looking to buy, what type?



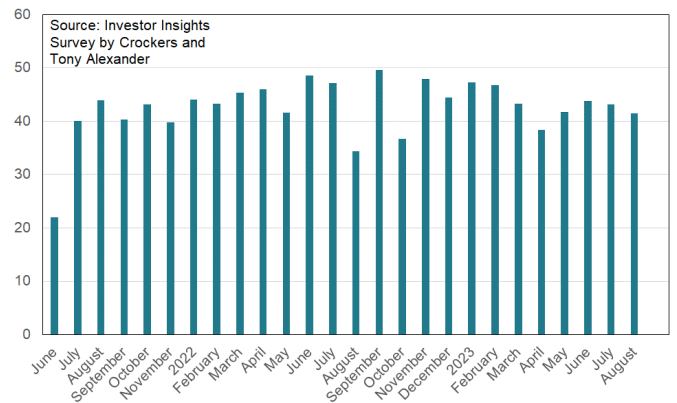
Recently there has been a strong lift in apartment preference. Perhaps the return of foreign students helps account for this clear shift.

This lift in apartment preference (still low though at 16%) has been roughly evenly at the cost of standalone houses and townhouses.

Gross % of investor buyers seeking a new STANDALONE HOUSE



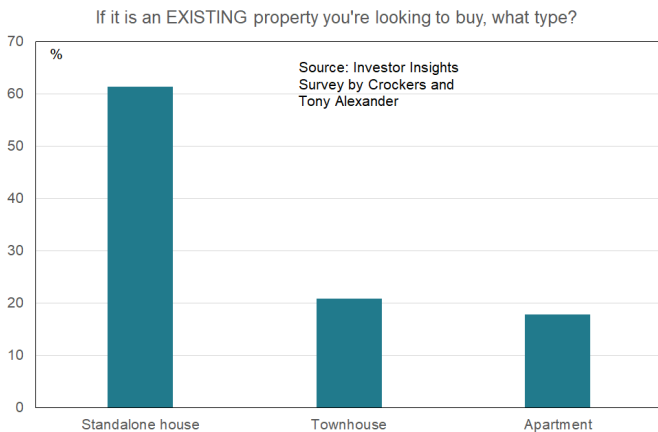
Gross % of investor buyers seeking a new TOWNHOUSE



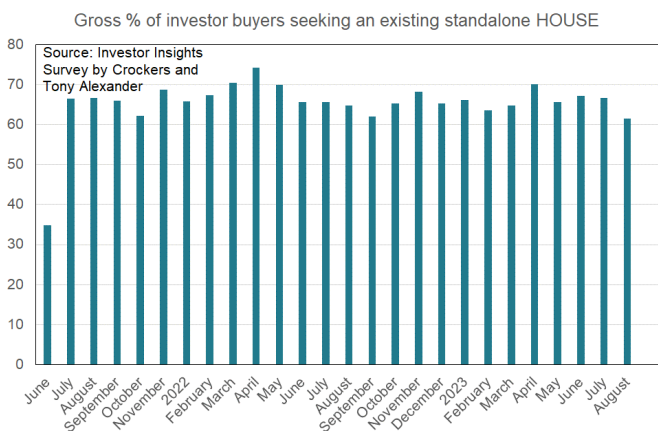


WHAT TYPE OF EXISTING PROPERTY IS PREFERRED?

The overwhelming preference for those looking to buy an existing dwelling remains for a standalone house at 61%.

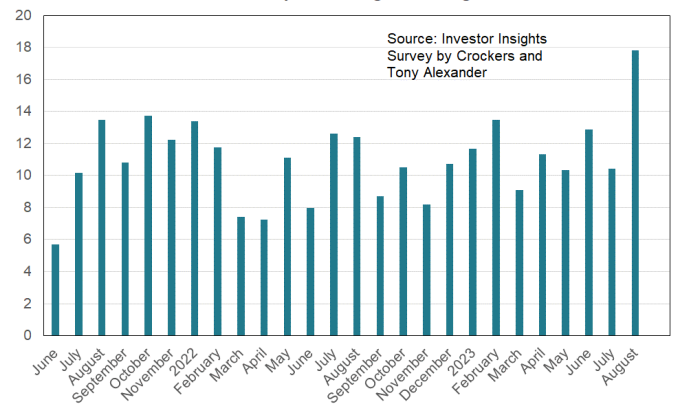


However, this is a decline from 67% last month.



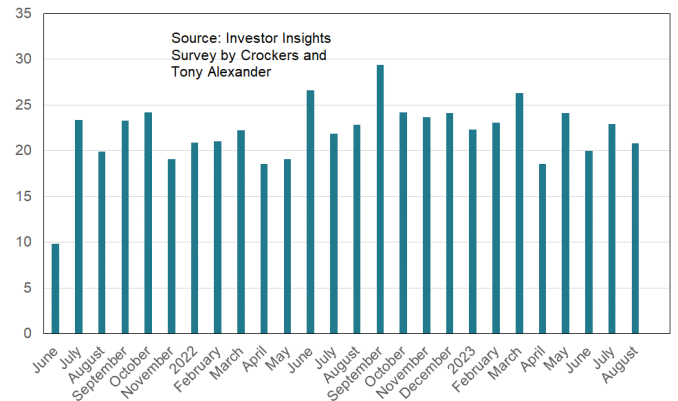
Preference for an existing apartment has lifted sharply to 18% from 10% of those looking to buy an existing property.

Gross % of investor buyers seeking an existing APARTMENT



Preference for an existing townhouse shows no recent trend up or down. (Actually, you can see both up and down in the past few months!)

Gross % of investor buyers seeking an existing TOWNHOUSE

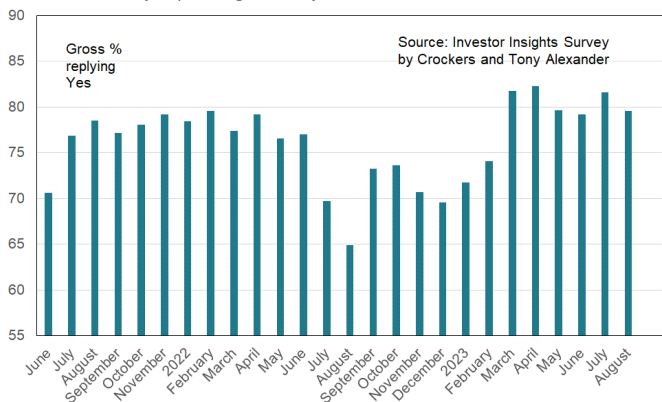


ARE YOU PLANNING TO RAISE YOUR RENTS IN THE NEXT 6 MONTHS?

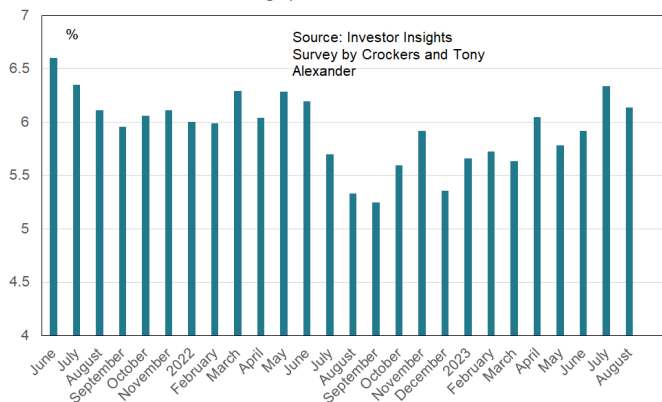
As noted last month, the proportion of investors planning to raise their rents over the coming six months jumped up in March. Since then, the proportion planning rises if they can achieve them has held near 80%. No new up or down trend is yet evident since the March shift.



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



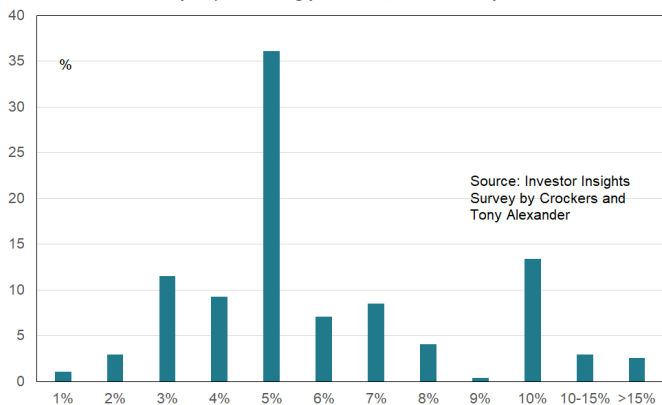
Average planned rent increase



IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

The most common rent rise favoured by landlords is strongly 5%, followed by 10%.

If you plan raising your rents, how much by?

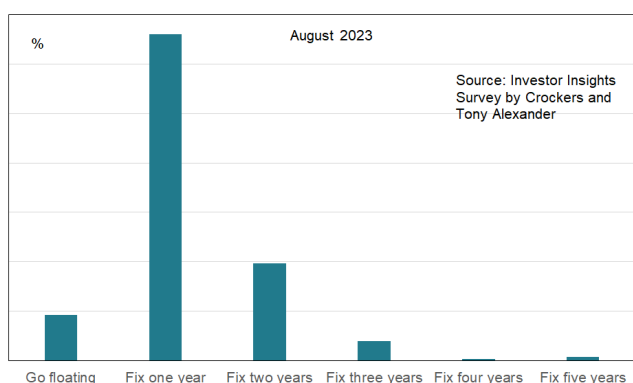


The average rise which landlords would like to get if market conditions allow is 6.1%. This measure has been trending up since October last year.

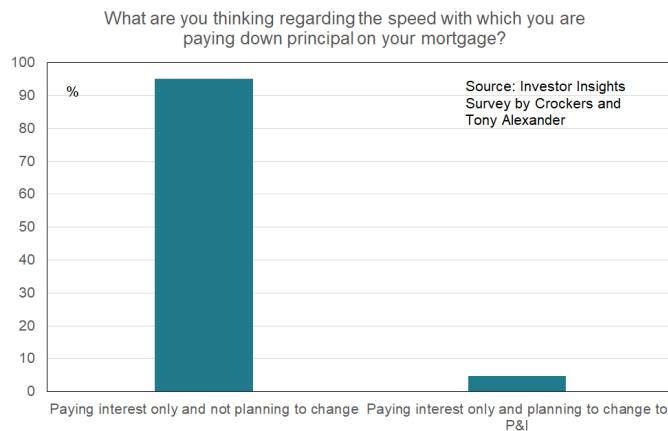
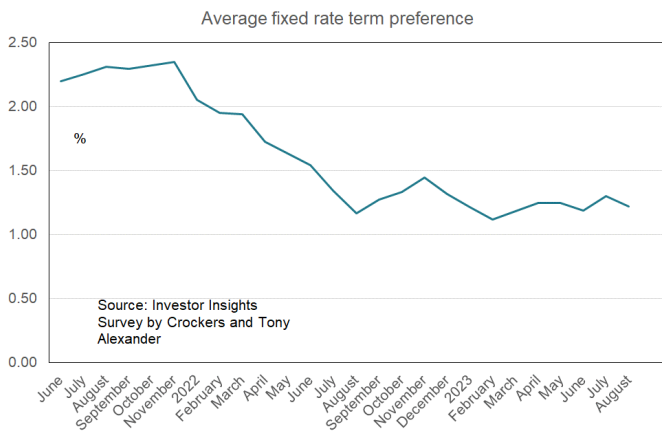
IF YOUR MORTGAGE RATE IS COMING UP FOR RENEWAL IN THE NEAR FUTURE, WHAT ARE YOU THINKING ABOUT DOING?

Investors continue to strongly favour fixing their mortgage interest rate for one year.

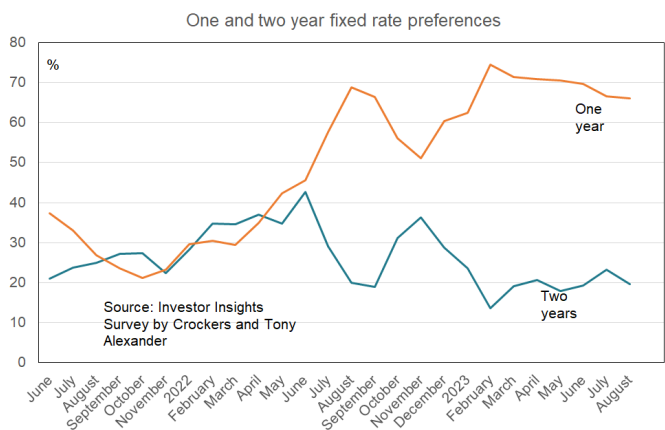
If your mortgage interest rate period is coming up for renewal in the near future, what are you thinking about doing?



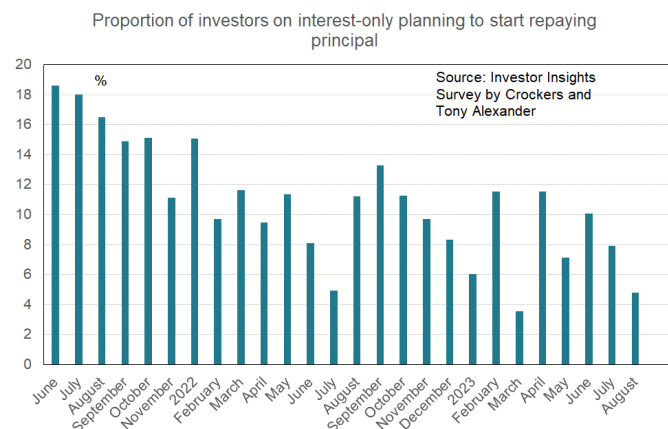
The average term preferred has stuck near 1.25 years since July last year with no up or down trend evident.



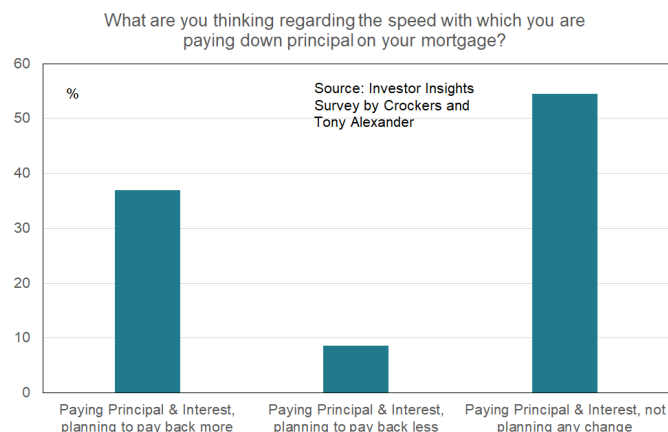
Recently there have been only minor shifts in preferences for one versus two years fixing. Many people favour 18 months.



In fact, the proportion has decreased recently.



For those investors on principal and interest mortgages there are greater intentions to cut debt levels.

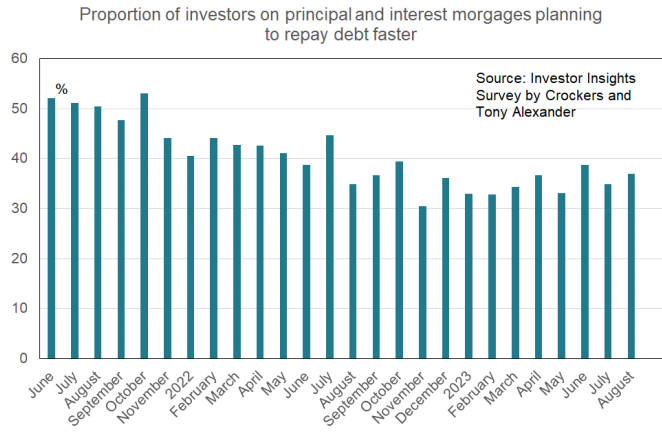


WHAT ARE YOU THINKING REGARDING THE SPEED WITH WHICH YOU ARE PAYING DOWN PRINCIPAL ON YOUR MORTGAGE?

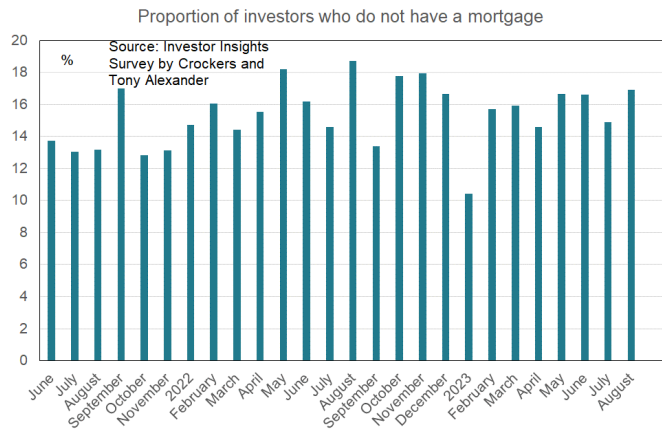
For those investors on interest-only deals there are very few shifting to repaying principal.



The trend to do so is broadly up but not strongly so.



The proportion of investors with no mortgage has been drifting up extremely slowly – if at all.



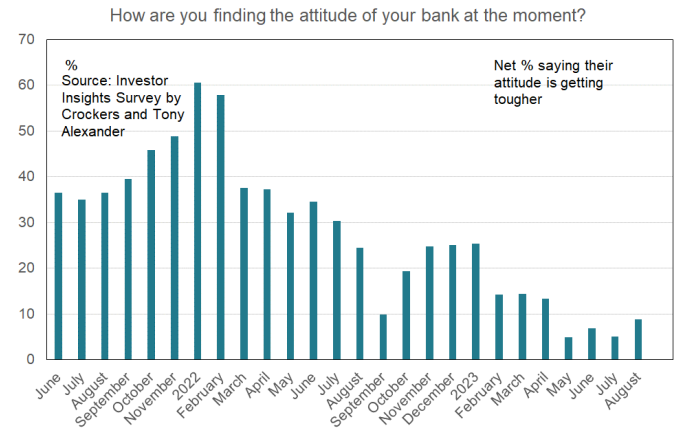
HOW ARE YOU FINDING THE ATTITUDE OF YOUR BANK AT THE MOMENT?

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.

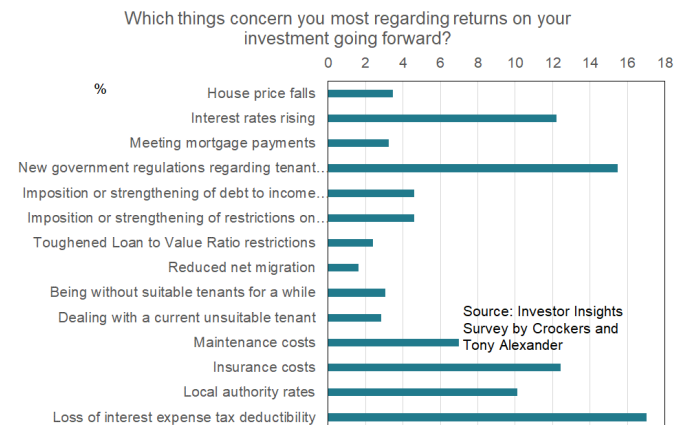
Bank willingness to lend has been improving in fits and starts since the crunch of late-2021 but with no particular improvement perceived by investors recently.



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

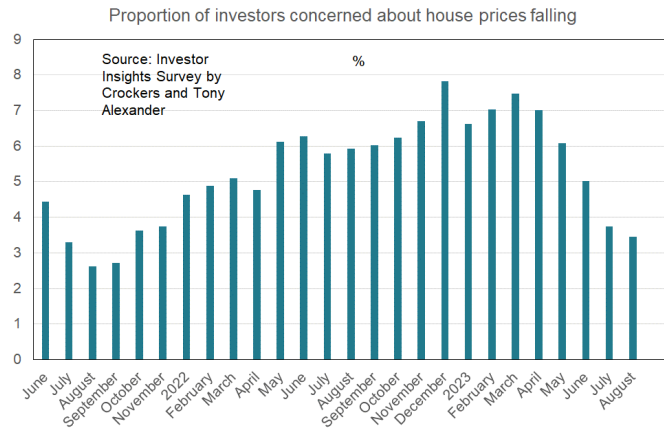
Respondents are able to choose more than one response to this question and results for all choices are shown in the following graph.

Biggest concerns are about the loss of interest expense deductibility, regulations favouring tenants, and interest rates.

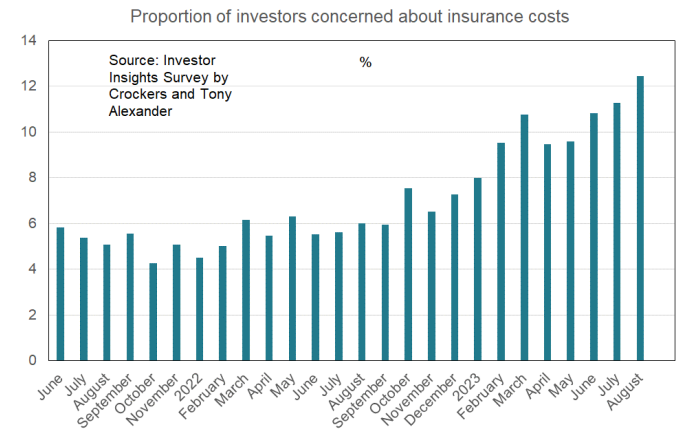




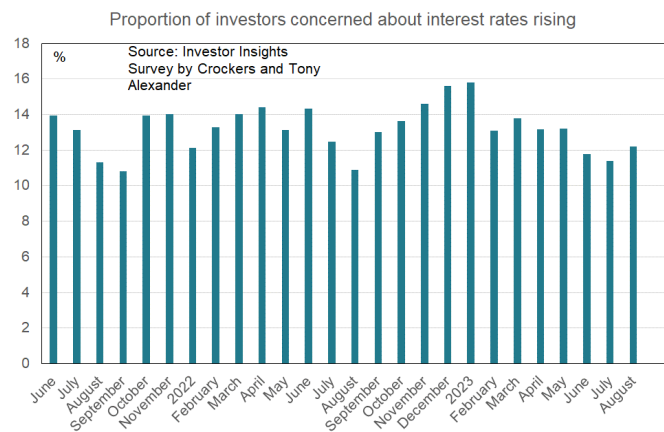
Investors' worries about house prices falling are getting lower and lower.



But not as much as worries about soaring insurance costs.



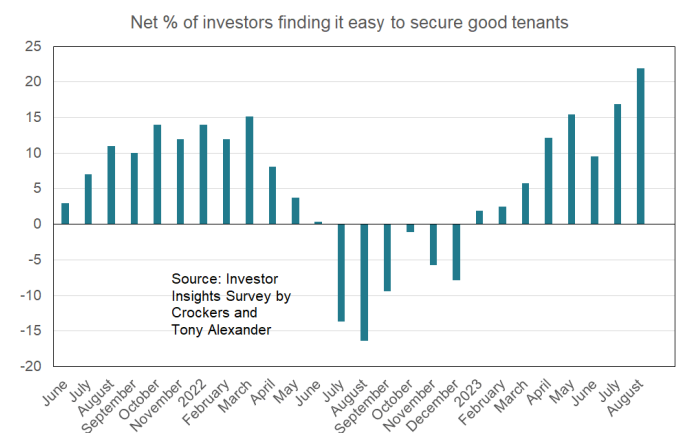
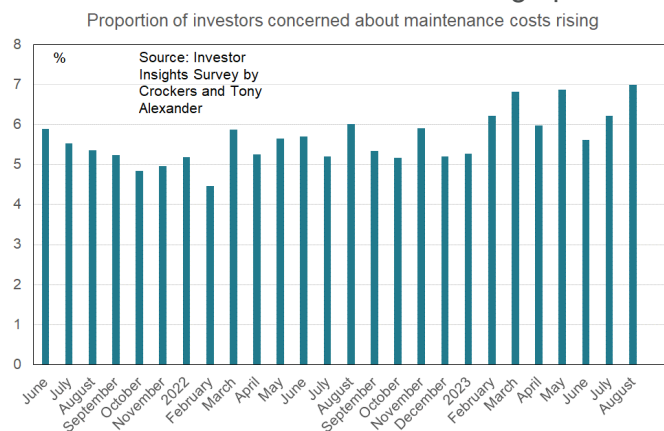
Concerns about interest rates have yet to alter by much.



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

This is an area in which our monthly survey has detected a strong change. In December a net 8% of existing investors said it was hard to find good tenants. That changed to a net 17% finding it easy last month and this month that proportion has jumped again to a net 22%. The rental market is shifting and this likely reflects the combined effects of stronger population growth from the migration boom and shifting of some properties back to servicing tourists and foreign students.

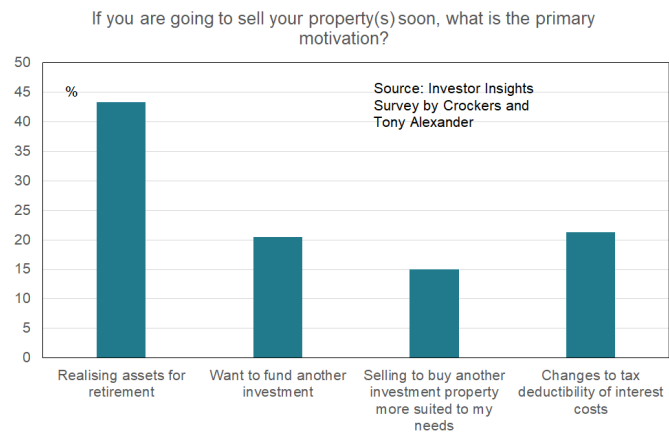
Maintenance cost concerns are trending up.



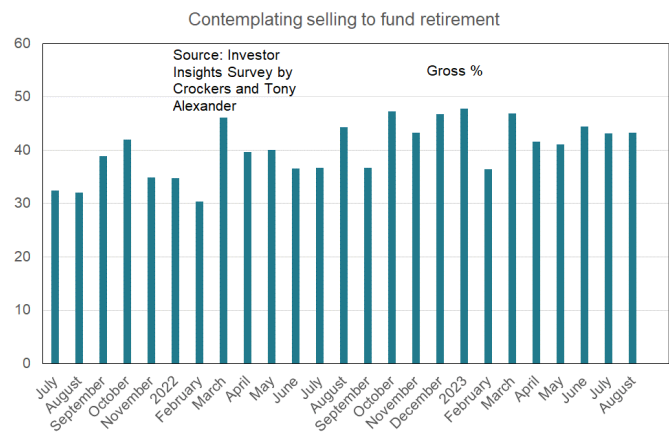


IF YOU ARE GOING TO SELL YOUR PROPERTY(S) SOON, WHAT IS THE PRIMARY MOTIVATION?

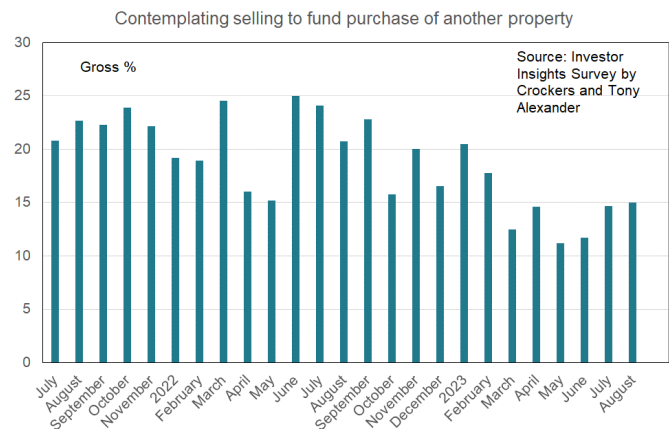
The main reason cited for selling one's property is always the funding of retirement.



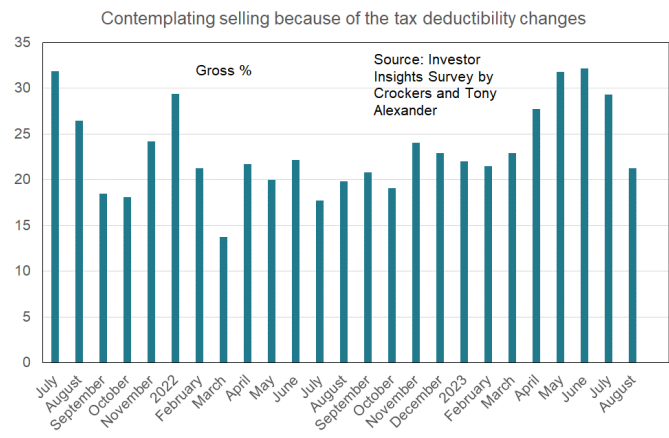
There may be a slight upward trend in retirement as reason to sell.



Selling in order to purchase a different property has recovered in importance slightly over the past two months.



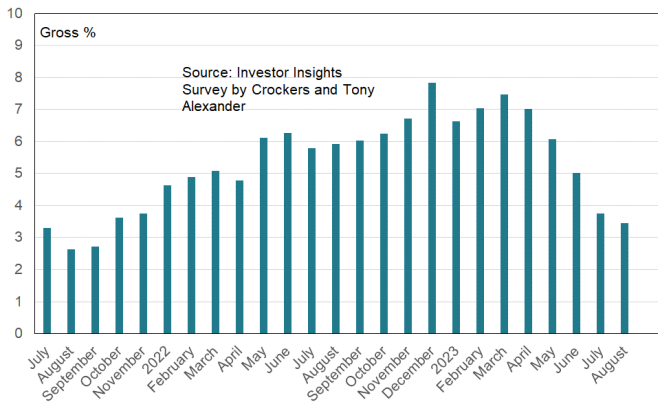
But there has been an unusually large drop in the proportion of investors saying they will sell because of the tax rule change of March 2021. This might reflect shifts in political opinion polls and hopes of a policy change.



As already noted above, worries about prices falling have eased substantially and fewer investors looking to sell cite concerns about lower prices as reason for acting.



Contemplating selling because of price decline worries



There were 342 responses received in this month's survey, with respondents located as follows.

Region	%
Northland	1.2
Auckland	39.8
Bay of Plenty	5.6
Waikato	8.5
Hawke's Bay/Gisborne	3.5
Taranaki	2.3
Manawatu-Wanganui	2.3
Wellington	13.7
Nelson, Tas., Marl	2.9
Canterbury	15.2
Dunedin City	3.2
Queenstown Lakes	1.2
Southland	0.3

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