



Investor Insight

June 2022

Crockers 
PEOPLE & PROPERTY

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MANAGEMENT
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Buying intentions little changed

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 include the following.

- There remains no indication that rising interest rates are causing extra acceleration of debt repayment plans.
- Net intentions of buying more property have eased in recent months but remain consistent with much of the period from June 2021 when our survey started.
- The average term investors are fixing their mortgage interest rate for continues to shorten.
- Landlords no longer on average consider it easy to find good tenants. The trend suggests that soon there will be more landlords finding it hard to get the good tenants they want than will find it easy.
- Intentions of buying a new build or undertaking one's own development are declining.

In this month's survey we received 342 responses.

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

This month 24% of the existing property investors responding in our survey have reported that they are thinking about another property purchase in the coming year. This is virtually unchanged from the previous two months and overall, we can see a slight stepping down in purchasing intentions occurred in April and has continued.

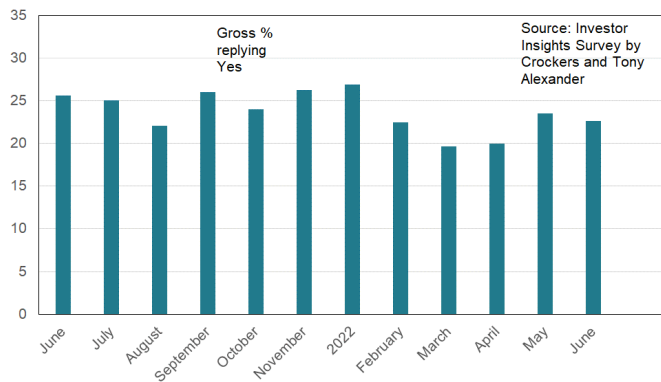


This likely reflects the extra upward pressure on interest rates, more widespread evidence and awareness of the data showing falling house prices, plus perhaps greater discussion of low population growth associated with a loss of Kiwi wage earners to Australia.

At the same time as buying intentions have edged down, selling intentions have crept up. But as the following graph shows, these selling intentions are still slightly lower than all months bar one in the period from June 2021 to January 2022.



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

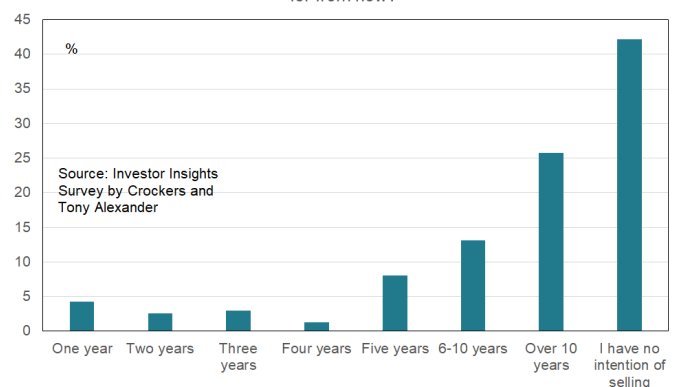


- Many other asset prices are falling sharply (shares, cryptos).
- Over 65% of our respondents regularly report that they intend holding their property asset for over ten years or never selling.

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

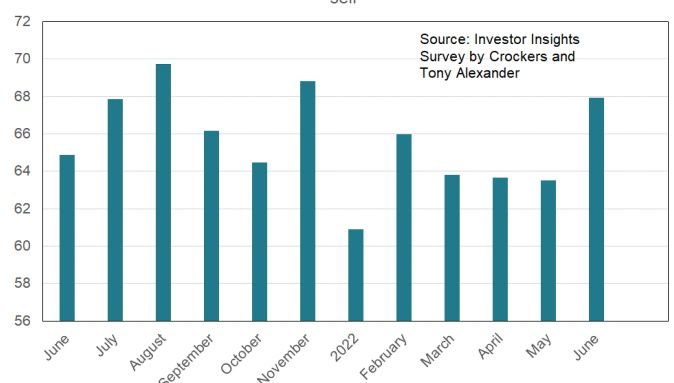
As just noted, holding period plans remain long. 68% of our respondents this month have reported they plan holding their asset for ten years or longer.

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



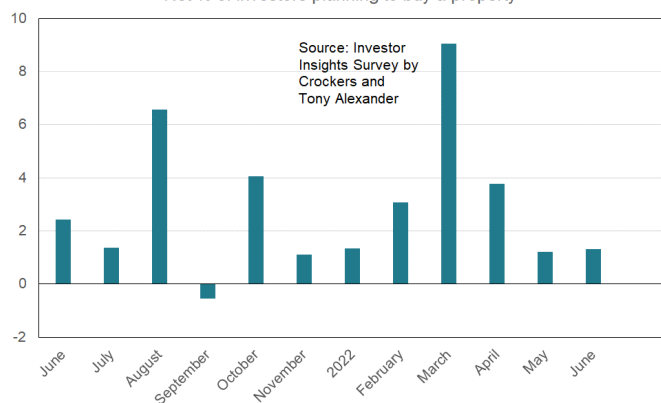
There is no trend easing in this planned holding period measure despite the weakness in property prices currently being observed.

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



Balancing the two measures off against each other we get a net 1% of our respondents planning to purchase a property – unchanged from May.

Net % of investors planning to buy a property



The key point to note is that there is no wave of net withdrawal from the investment property sector underway.

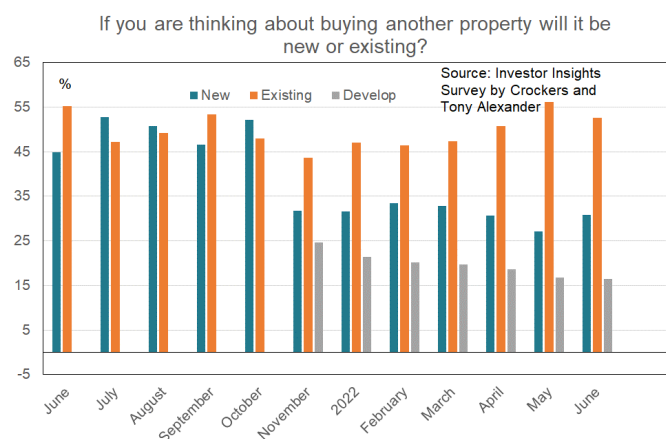
Why no largescale withdrawals from the sector despite government efforts to discourage investment purchasing?

- Our survey only started after the March 23 tax announcements last year and it is probable that had we started earlier we would have captured a fall in net purchasing intentions after that date.
- Interest rates for bank deposits remain stubbornly low.



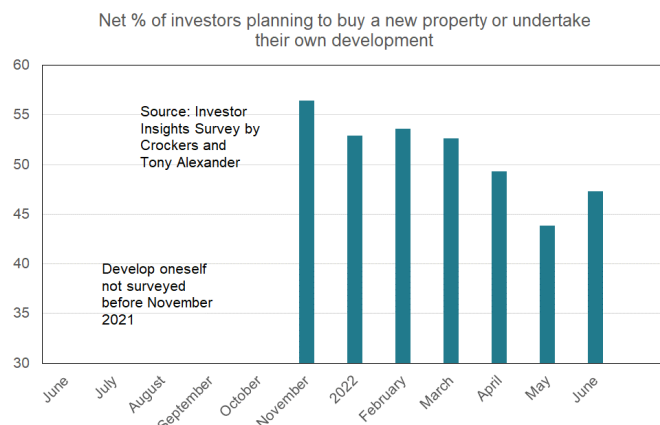
IF YOU ARE THINKING ABOUT BUYING ANOTHER PROPERTY WILL IT BE NEW OR EXISTING?

In this month's survey we can see a continuation of the slow downward trend in the proportion of existing investors looking to make a property purchase who will undertake the development themselves – shown as the grey bars in the following graph.



There has been a slight recovery in the proportion who will purchase a new property and a slight fall in the proportion who will buy an existing one. On the face of it these latter two results seem uninteresting. But we can see that the underlying trend towards buying an existing property is intact if we accept that last month's unusual jump up was an outlier.

If we add together the two options of buying a new build or undertaking the development oneself we get the following graph showing a downward trend.



There are plenty of media reports regarding problems for the new build sector and these will help explain the declining willingness of investors to do a development themselves. The simple economics of rapidly rising construction costs versus falling prices for existing properties helps explain the trend switch towards buying a used property.

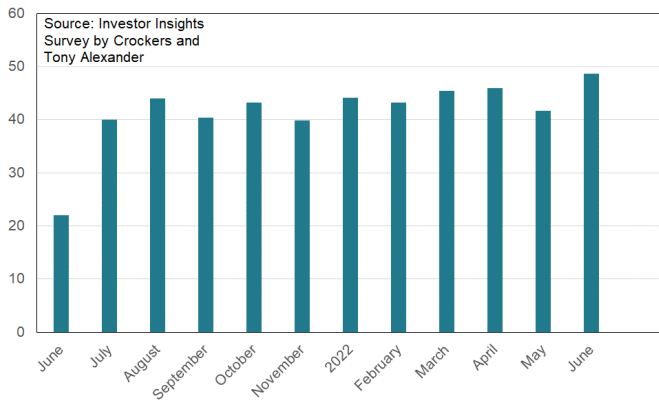
Frankly, it is a tad surprising that the shift is not greater. However, the deepening requirements for investors to meet certain accommodation standards set alongside the tax advantages of purchasing new versus existing help explain why the switch away from construction is not greater.

WHAT TYPE OF NEW PROPERTY IS PREFERRED?

Investor interest in purchasing a new townhouse is back on its upward trend after a blip down in May.

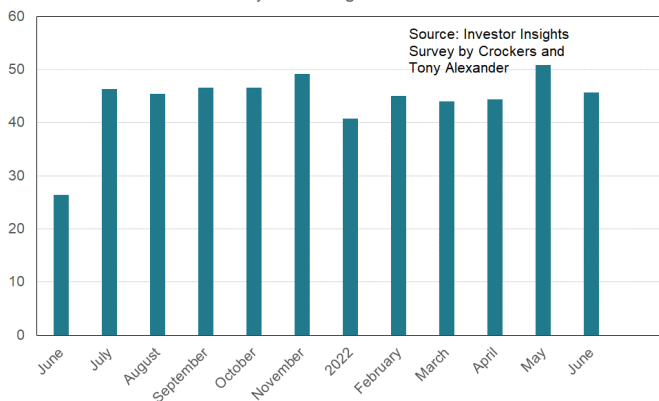


Gross % of investor buyers seeking a new TOWNHOUSE



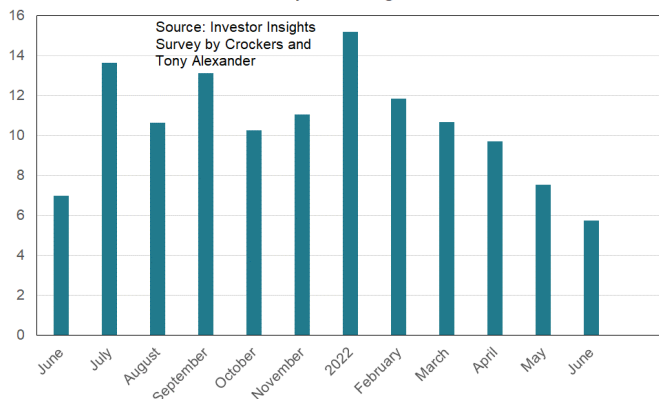
For purchasing a newly built standalone house there is no trend up or down.

Gross % of investor buyers seeking a new STANDALONE HOUSE



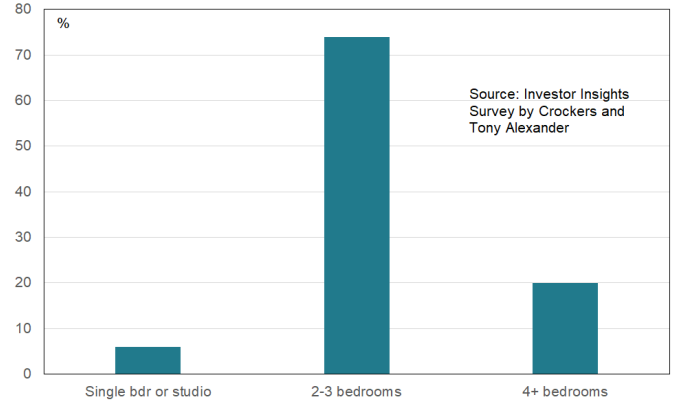
Interest in purchasing a new apartment continues to fall at a rapid pace.

Gross % of investor buyers seeking a new APARTMENT



For your guide as we have not reported this metric for a while, the strong bedroom number preference for those buying new remains 2-3.

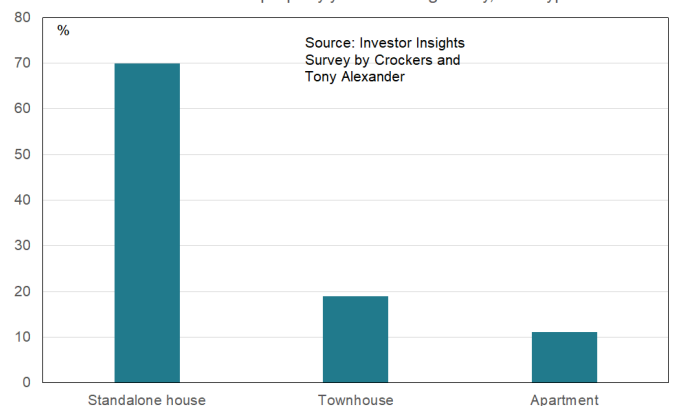
If it is a NEW property you're looking to buy, what type?



WHAT TYPE OF EXISTING PROPERTY IS PREFERRED?

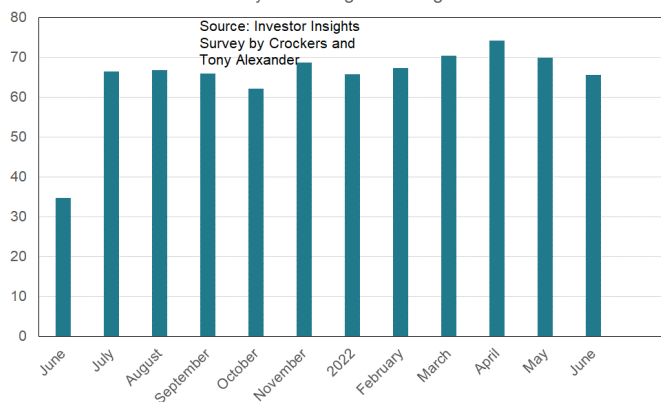
The preference amongst those thinking about buying an existing property is strongly in favour of a standalone house. But as the second following graph shows it is perhaps becoming less so.

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

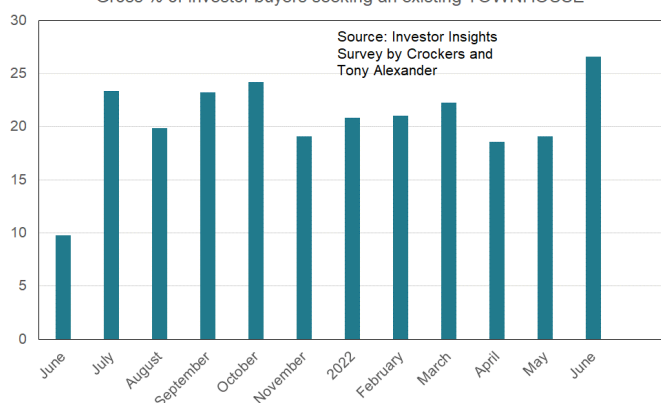




Gross % of investor buyers seeking an existing standalone HOUSE

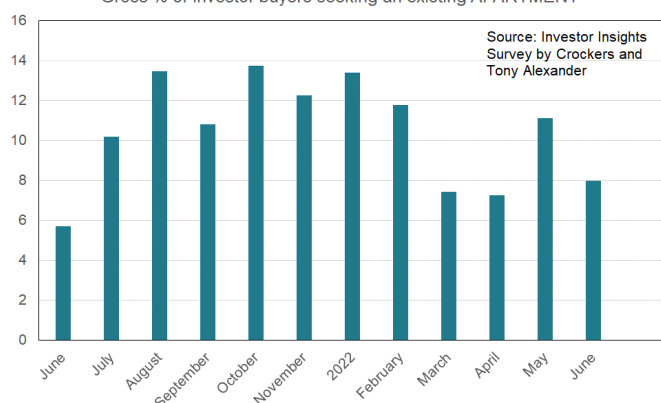


Gross % of investor buyers seeking an existing TOWNHOUSE



The preference for purchasing an existing apartment is flattening out after a period of decline.

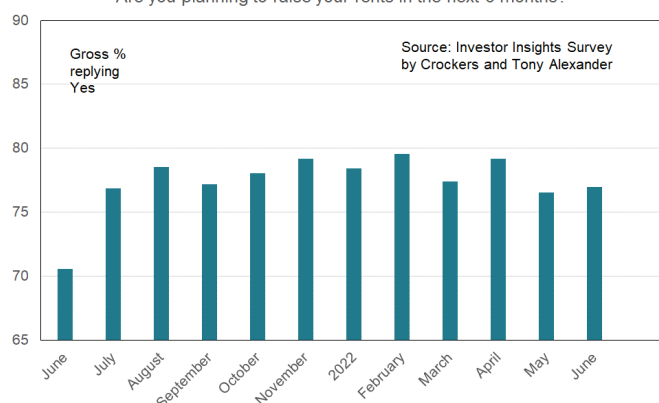
Gross % of investor buyers seeking an existing APARTMENT



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

There remains no trend up or down in the proportion of existing property investors planning to raise their rents.

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

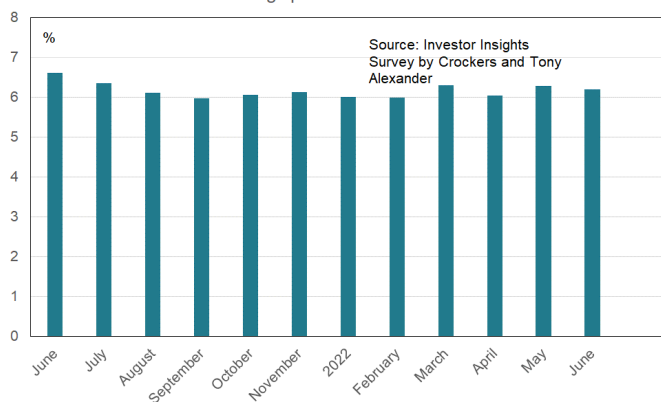


IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

Despite rising costs (including interest rates), and reducing after-tax returns, there is no trend rise in the average rent rise which landlords would like to achieve if the market would let them. That is, desiring a rental increase is one thing. But getting it depends on what the market is doing and there is an indicator discussed below suggesting that in at least one regard the rental market is becoming less accommodating of rent rises.

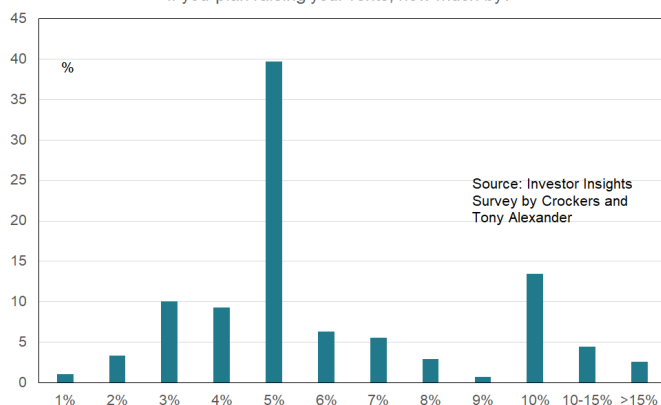


Average planned rent increase



The most common rent rise being contemplated is 5%.

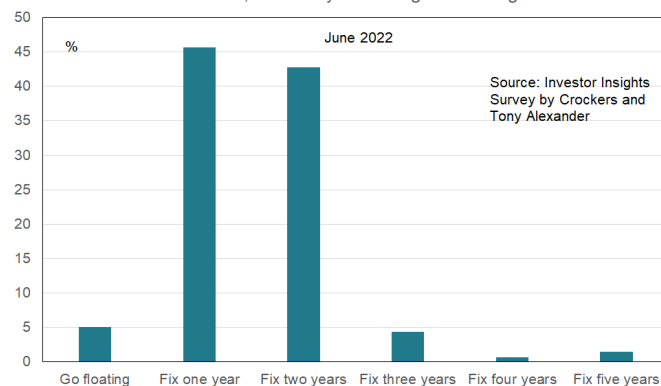
If you plan raising your rents, how much by?



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

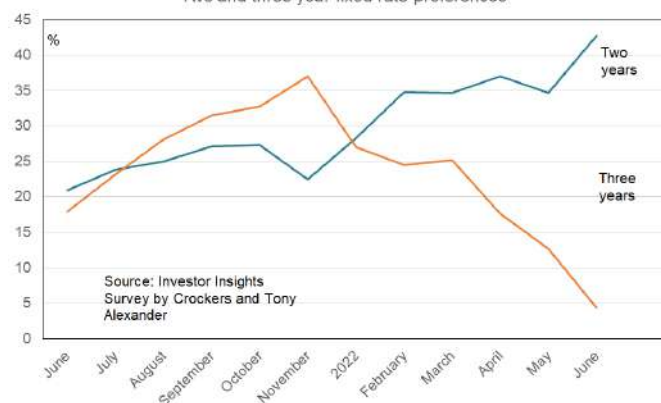
Almost 90% of investors with mortgages coming up for renewal intend fixing for one or two years.

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



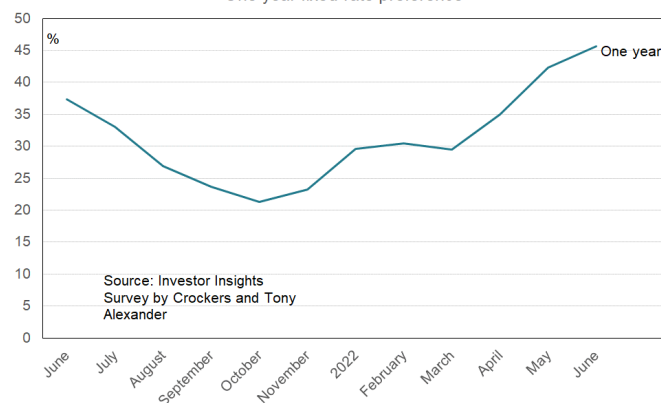
The preference for fixing two years has increased in the past month at the expense of those planning to fix three years.

Two and three year fixed rate preferences



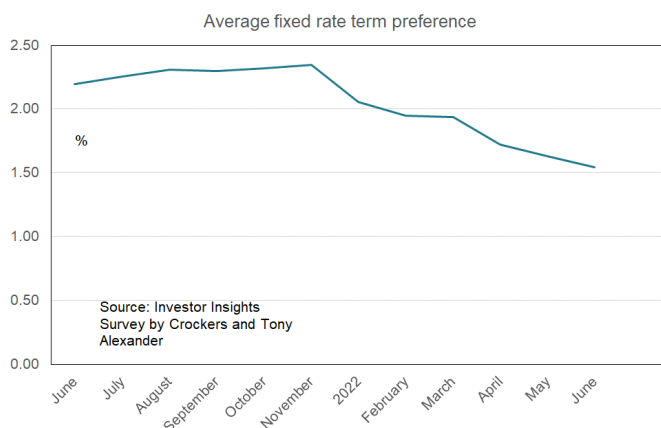
But the preference for fixing one year is also rising.

One year fixed rate preference





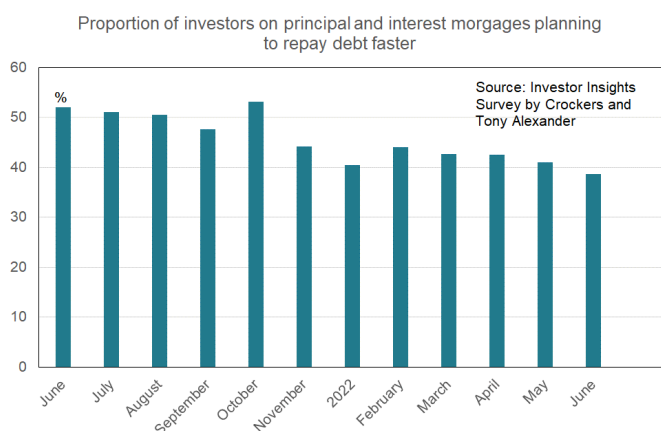
This graph shows how the average fixed term preference has been declining.



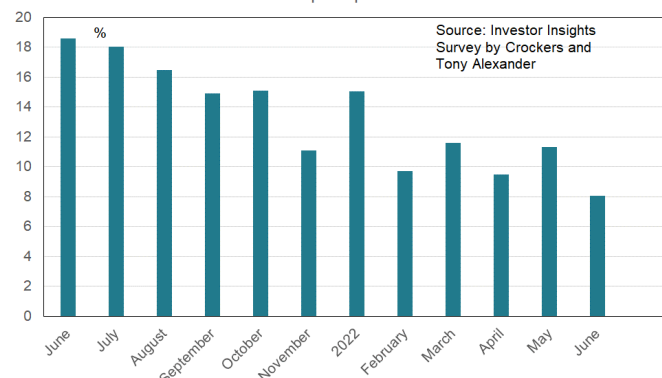
WHAT ARE YOU THINKING REGARDING THE SPEED WITH WHICH YOU ARE PAYING DOWN PRINCIPAL ON YOUR MORTGAGE?

We ask this question in order to see what impact changes in interest rates and the deductibility of interest expenses may be having on people attitudes towards keeping mortgages on interest-only terms and maintaining debt levels.

We can see that while some people want to get their debt levels down, there is no rise in this proportion. Increasing interest rates are not driving accelerated debt reduction of residential property investors.



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

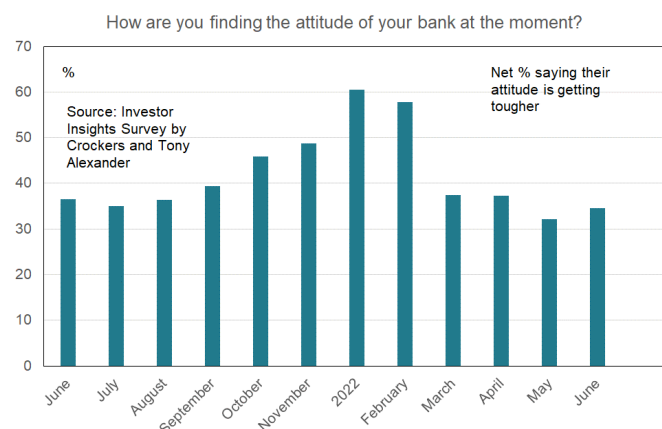


HOW ARE YOU FINDING THE ATTITUDE OF YOUR BANK AT THE MOMENT?

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.



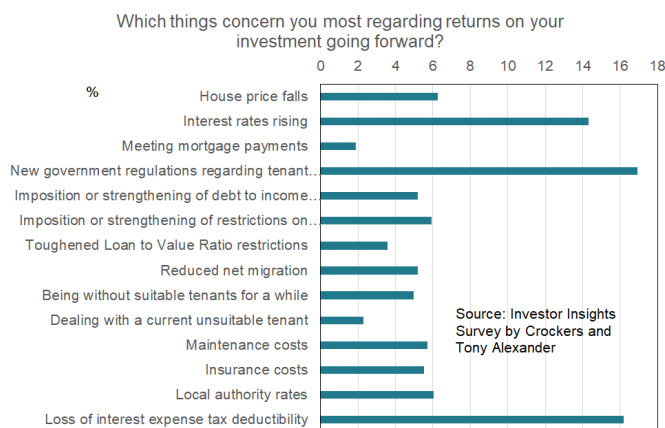
The peak period of difficulty getting finance from one's bank was between October and February. Things have improved since then, but as the slight rise in this gauge in June illustrates, there is no solid trend towards banks being willing to advance more funding.



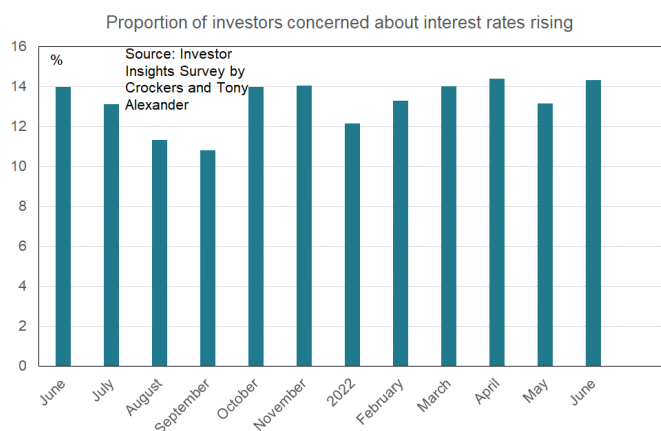
WHICH THINGS CONCERN YOU MOST REGARDING RETURNS ON YOUR INVESTMENT GOING FORWARD?

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

As ever, the biggest concerns of residential property investors are the new government regulations favouring tenants and loss of ability to deduct interest payments from rental income.

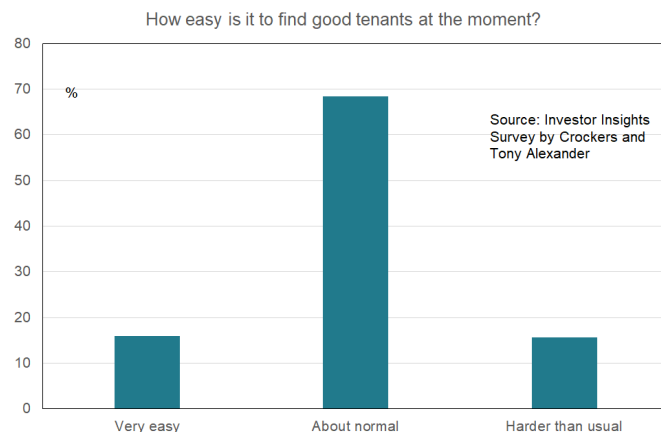


The proportion of investors concerned about falling house prices is trending upward. But at just over 6% the proportion citing this is much less than the 17% for government regulations and 16% for interest expense deductibility.

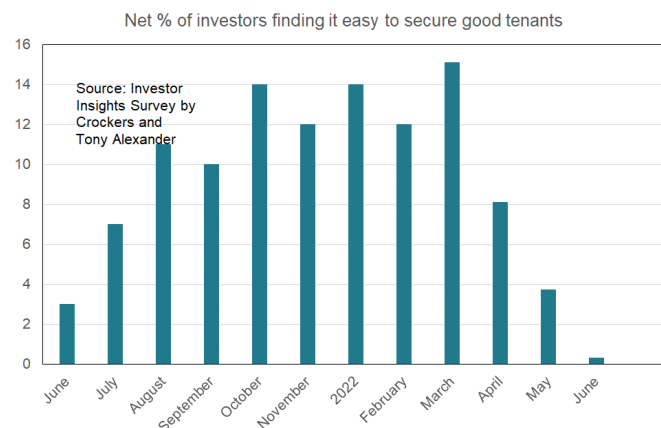


HOW EASY IS IT TO FIND GOOD TENANTS AT THE MOMENT?

68% of landlords say that things are about normal when it comes to finding good tenants.



But there is a downward trend in the proportion saying that it is easy to find good tenants.

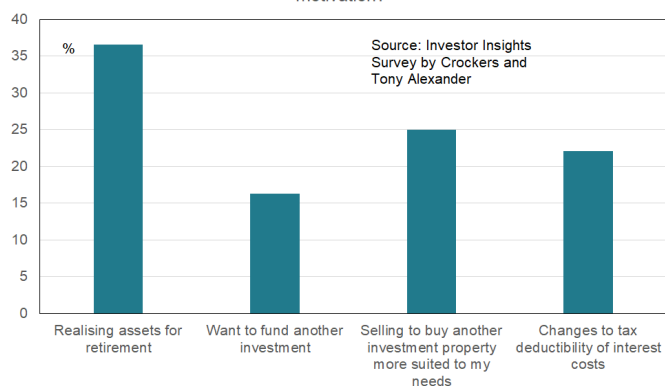


IF YOU ARE GOING TO SELL YOUR PROPERTY(S) SOON, WHAT IS THE PRIMARY MOTIVATION?

Usually there are more people citing selling for retirement than for any other reason, and that remains the case this month for 37% of our survey's respondents.

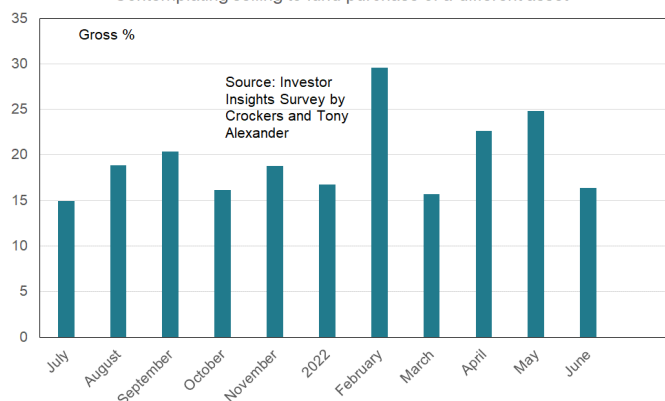


If you are going to sell your property(s) soon, what is the primary motivation?



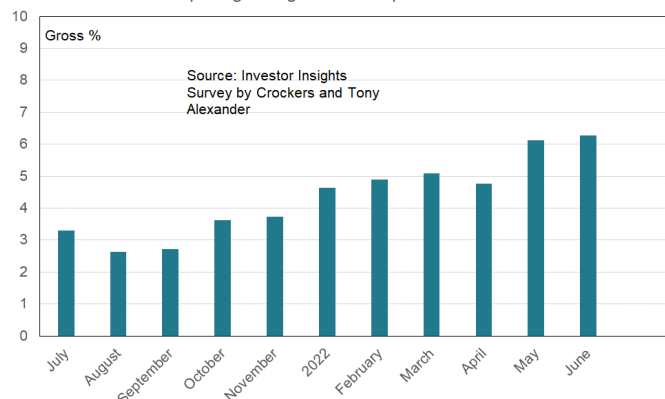
The proportion looking to sell to fund a non-housing investment looked like it was trending upward over March - May. But the reading has pulled back this month.

Contemplating selling to fund purchase of a different asset



This is a slight rise underway in the proportion selling because of price decline worries.

Contemplating selling because of price decline worries



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

Region	%
Northland	1.4
Auckland	39.8
Bay of Plenty	7.4
Waikato	9.5
Gisborne	0.3
Hawke's Bay	3.7
Taranaki	1.1
Manawatu-Wanganui	3.4
Wellington	10.9
Nelson, Tas., Marl	2.3
West Coast	0.1
Canterbury	13.5
Dunedin City	3.2
Queenstown Lakes	2.6
Southland	0.9

INVESTOR INSIGHT

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