



Investor Insight

April 2023

Crockers 
PEOPLE & PROPERTY

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Tenants easier to find

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.

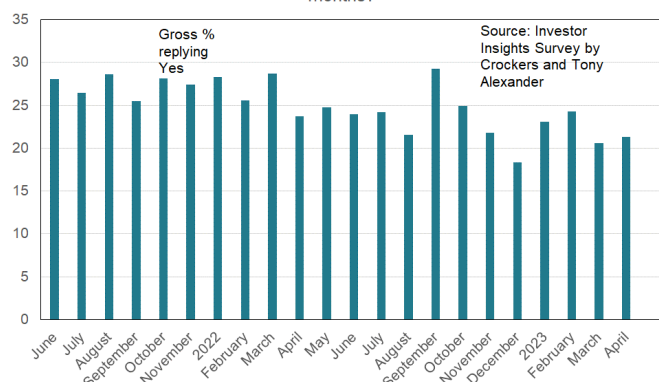
Key points of interest from this month's survey, which received 386 responses, include the following.

- A net 13% of investors report that it is getting easier to find good tenants. This is the highest reading since March 2022.
- For investors looking at a new or used property, preference is shifting away from townhouses to standalone dwellings.
- New interest rate uncertainty has led to a slight rise in the average term investors plan fixing their rate for.
- Removal of interest expense deductibility is becoming a more important factor for those investors looking to sell.
- There is a downward trend in the proportion of investors selling in order to finance the purchase of another property.
- Fewer investors are contemplating selling because they are concerned about future house price falls.

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

After trending down from mid-2021 to the end of 2022 there are underlying signs that the proportion of investors thinking about buying a property in the next 12 months may be edging higher. But if this is the case the movement is very modest – as shown in our first graph.

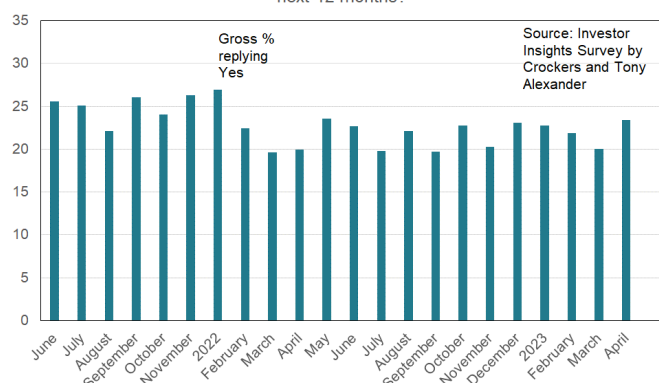
Are you thinking about buying another property within the next 12 months?



The 21.3% of investors thinking about buying is well below the 25% near two-year average so overall we can say interest from investors in expanding the pool of rental accommodation remains low.

The proportion looking at selling of 23.4% is on the other hand slightly higher than the average of 22.7%. The past month has seen a rise in selling intentions from 20% in March and is the highest result since May 2022.

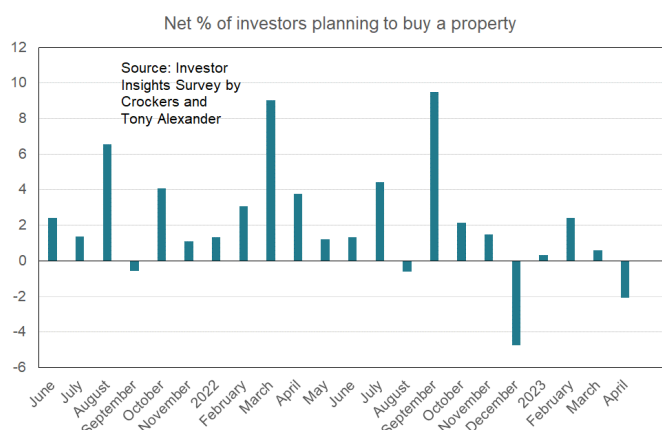
Are you thinking about selling one or all of your properties within the next 12 months?



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 2% of our respondents are now planning to sell a property in the coming year. This is down from 1% planning to buy in March and net purchase intentions averaging positive 2.2% since mid-2021.

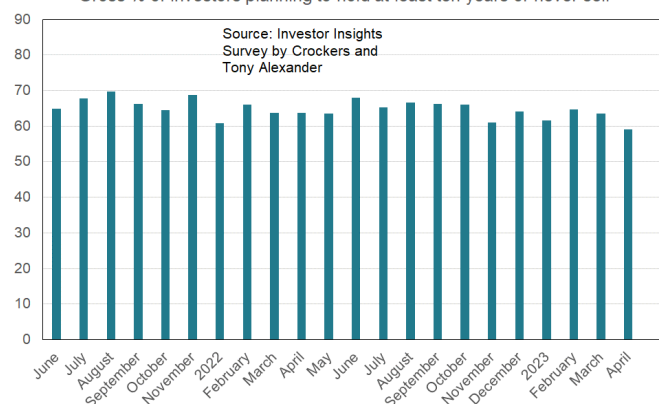


Of significance at the moment may be the increased realization by investors of the cash flow implications of another financial year ticking over at the end of March and a further 25% decrease occurring for the proportion of interest expenses which can be deducted against rental income. In that regard the tight setting for monetary policy magnifies the impact of this tax rule change announced just over two years ago.

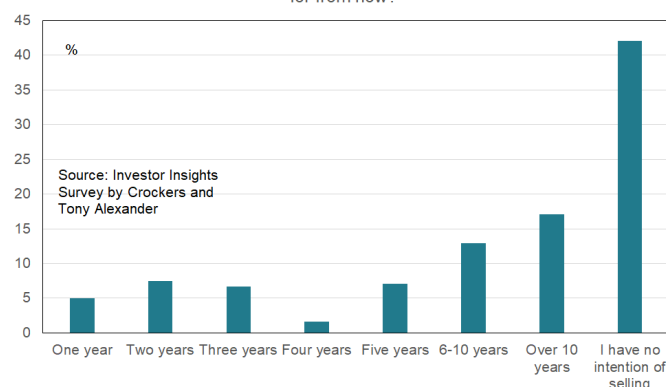
ROUGHLY HOW LONG DO YOU PLAN KEEPING YOUR INVESTMENT PROPERTY(S) FROM NOW?

This month's survey has revealed a fall in the proportion of investors planning to hold their property for ten years or longer from 64% to 59%. This is the lowest reading since our survey started almost two years ago and as discussed above, could reflect the turn of the year rise in awareness of tax changes.

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



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

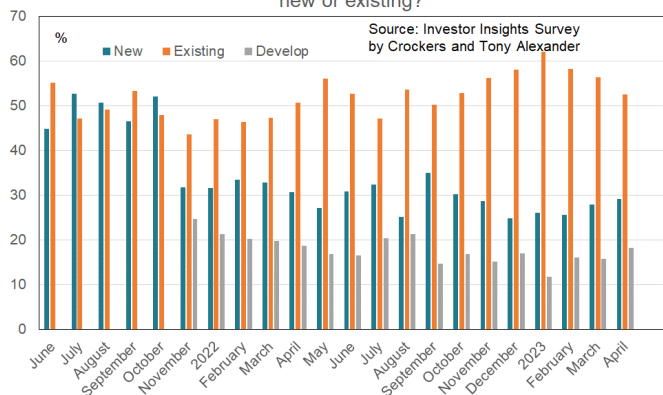


IF YOU ARE THINKING ABOUT BUYING ANOTHER PROPERTY WILL IT BE NEW OR EXISTING?

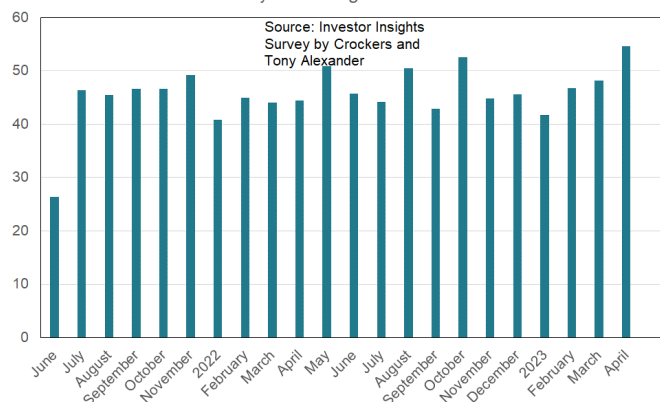
Over the past three months there has been a small recovery in the proportion of investors looking at making a fresh purchase who will buy a new property to 29.2% from 27.9% in March and a low of 24.9% in December.



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



Gross % of investor buyers seeking a new STANDALONE HOUSE

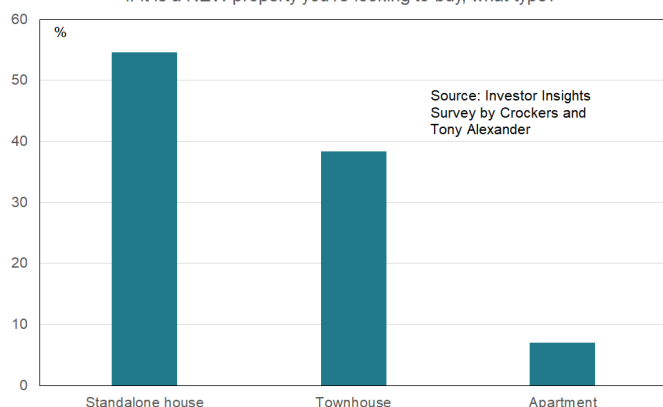


This slight rise may again reflect awareness rising of the impact of tax changes and the incentive provided when making a purchase to buy a new rather than existing dwelling.

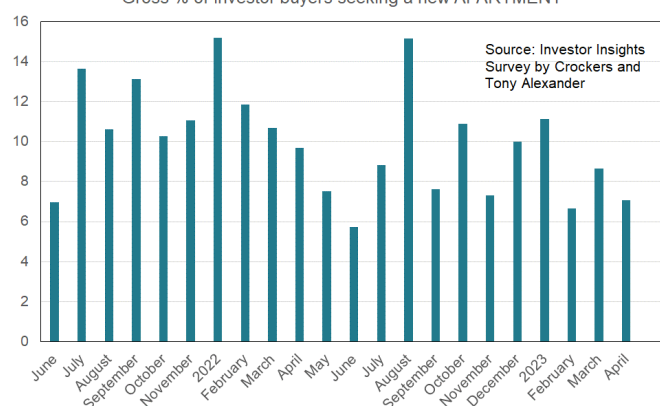
WHAT TYPE OF NEW PROPERTY IS PREFERRED?

Most investors thinking about buying new favour a standalone dwelling. Preference for apartments is, as ever, low. This may reflect the traditional, yet increasingly outdated, association of the word apartment in Auckland at least with the CBD where many issues of leaking and soaring leasehold costs have seen property owners face hefty, unexpected bills. But increasingly, apartments are being built outside the CBD and the existing inner city stock on average is aging.

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



Gross % of investor buyers seeking a new APARTMENT

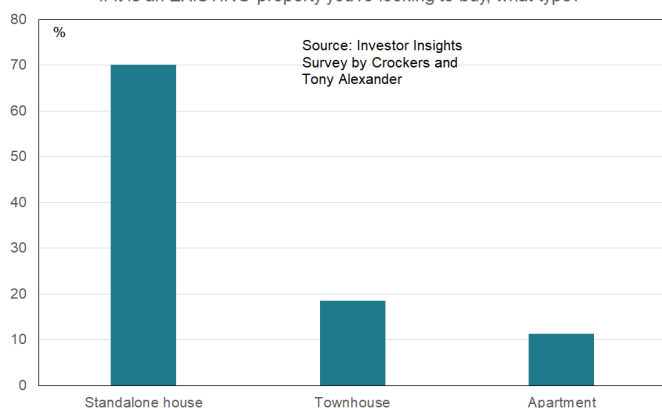


WHAT TYPE OF EXISTING PROPERTY IS PREFERRED?

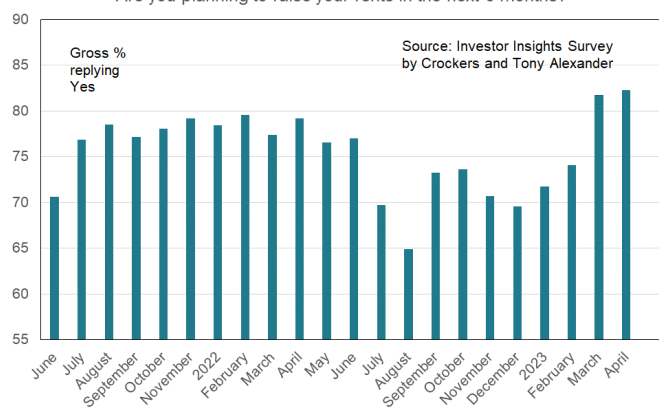
For those investors looking to buy and favouring an existing property the preference for a standalone dwelling is even stronger than for buying a new property, the preference for apartments is near the same, but the desire for a used townhouse is very low.



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?

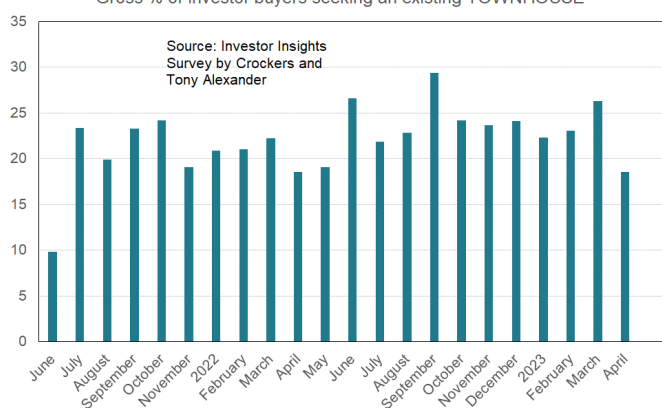


This outcome validates the jump seen in March and strongly bespeaks of some fresh upward pressure coming along for rents.

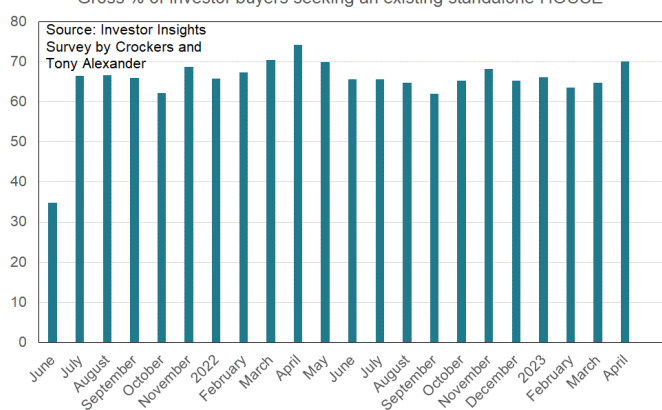
IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

In fact, the average rent increase sought by landlords has risen to a ten-month high of 6% from 5.6% in March and a low of 5.3% in December.

Gross % of investor buyers seeking an existing TOWNHOUSE



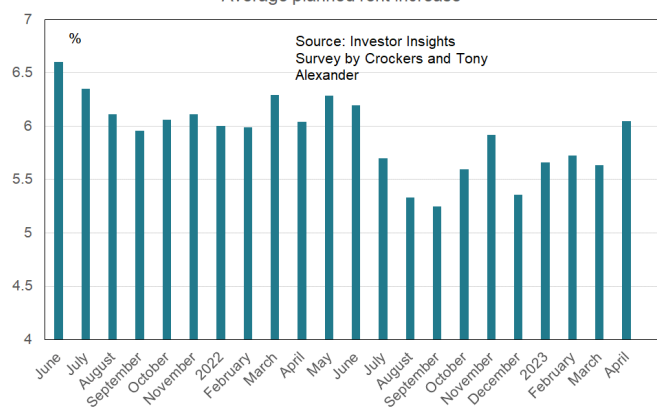
Gross % of investor buyers seeking an existing standalone HOUSE



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

A record 82.2% of landlords this month have said that they aim to raise their rents over the coming year.

Average planned rent increase



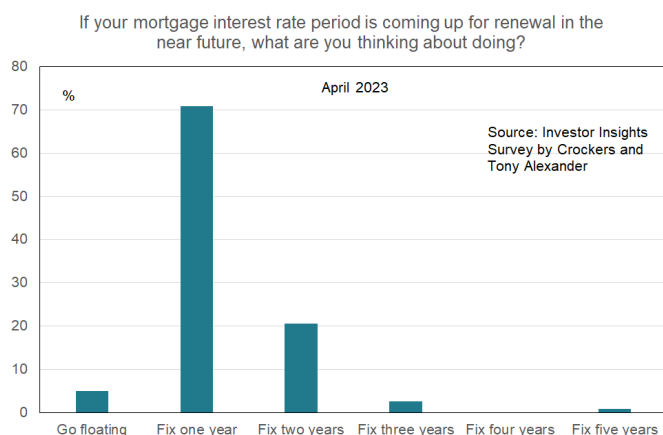
It is not just a matter of rising costs for landlords placing upward pressure on rents. The government has actively discouraged growth in the rental stock through tax changes, and a sharp acceleration in the population growth rate courtesy of a new net migration boom is lifting demand. Add in the incentive to switch property



use back towards tourism and the supply/demand interaction is increasingly in favour of rents rising at an accelerating pace.

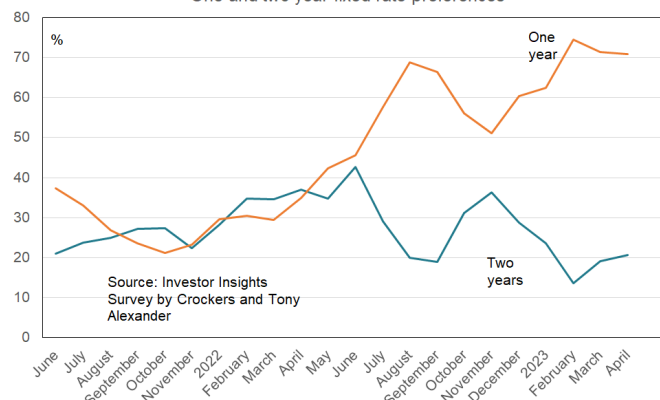
IF YOUR MORTGAGE RATE IS COMING UP FOR RENEWAL IN THE NEAR FUTURE, WHAT ARE YOU THINKING ABOUT DOING?

The term still overwhelmingly favoured by investors for fixing one's mortgage rate is one year.

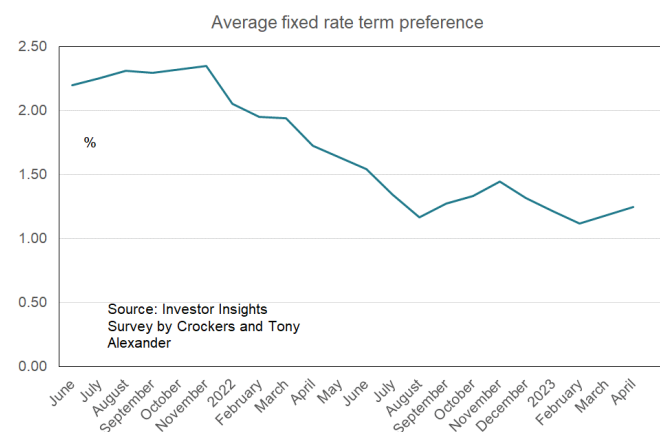


The preference for this term has eased slightly in favour of two years since the Reserve Bank's extra tightening of monetary policy late in February and again early this month. But the lower than expected inflation number released on April 20 and increasing discussion about mortgage rates being at a peak will likely see the proportion favouring one year fixing go back up again.

One and two year fixed rate preferences



The average fixing term preferred is currently 1.24 years from 1.18 years last month and 1.72 years a year ago.

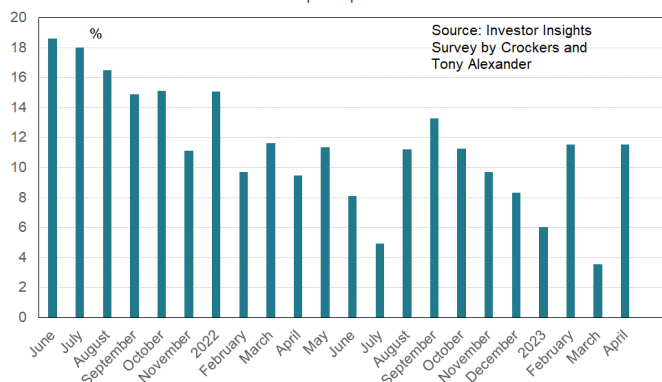


WHAT ARE YOU THINKING REGARDING THE SPEED WITH WHICH YOU ARE PAYING DOWN PRINCIPAL ON YOUR MORTGAGE?

There is some interesting volatility in recent months in the proportion of investors with interest-only mortgages who will shift towards principal reduction.

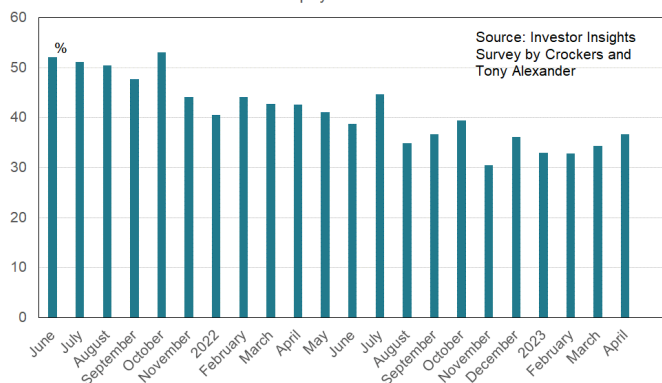


Proportion of investors on interest-only planning to start repaying principal



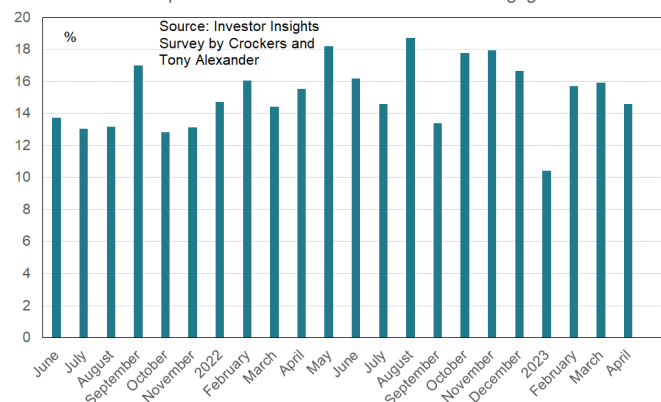
The downward trend since October no longer appears to be in place. But for those investors already paying down principal there is a slight upward trend in plans to accelerate debt reduction. It will be interesting to see if this reverses following the lower than expected inflation outcome.

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



There is no up or down trend in the proportion of investors who have a mortgage.

Proportion of investors who do not have a mortgage



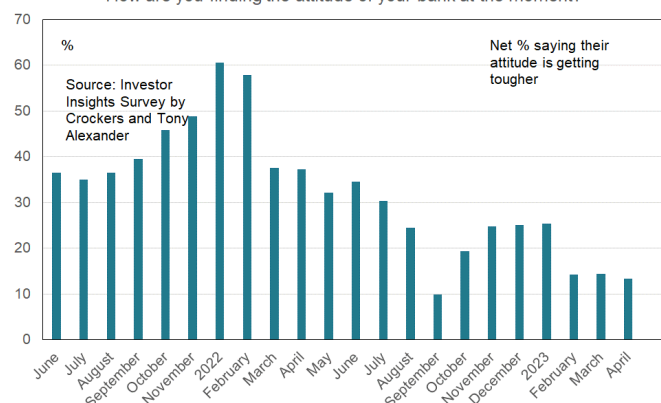
HOW ARE YOU FINDING THE ATTITUDE OF YOUR BANK AT THE MOMENT?

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.

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



In February there was a step down in the net proportion of investors feeling things are getting tougher and this reduction has been sustained for three months now. This likely reflects banks pulling back on some of their more stringent new

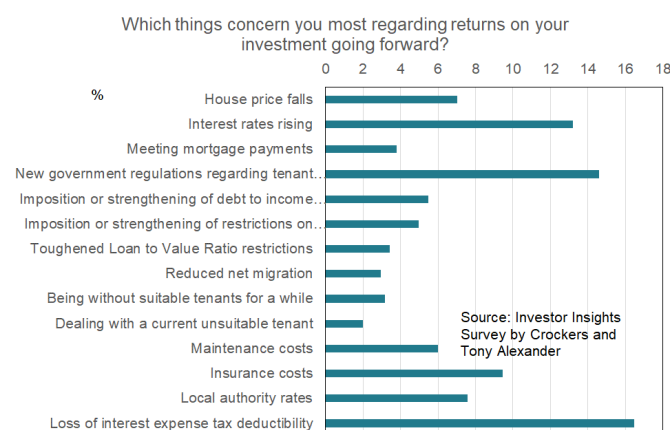


requirements in the face of record low dwelling sales in January and February and still unusually low sales in March. If banks soon see signs of a bottoming out in house prices as implied by the March data from REINZ, we may see some extra easing in this toughness measure.

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

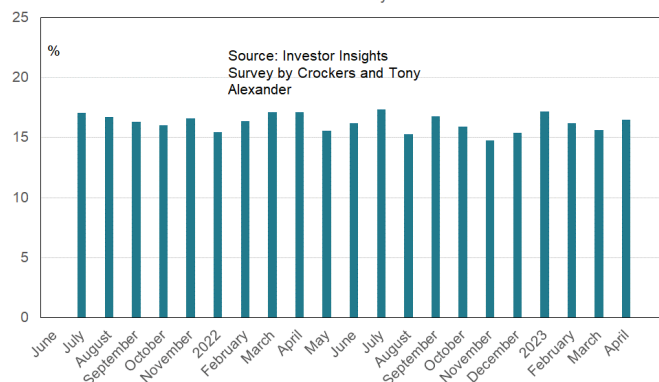
Respondents are able to choose more than one response to this question and results for all choices are shown in the following graph.

As ever, the biggest concerns of investors are interest rates going higher, government regulations, and loss of interest expense deductibility.



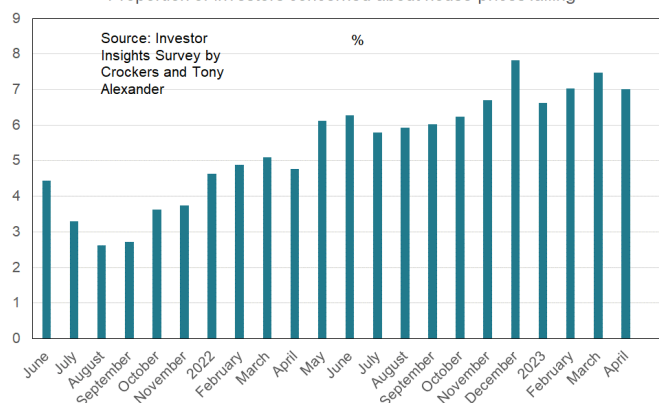
The past month has seen a slight rise in concerns about loss of interest expense deductibility.

Proportion of investors concerned about loss of interest expense deductibility



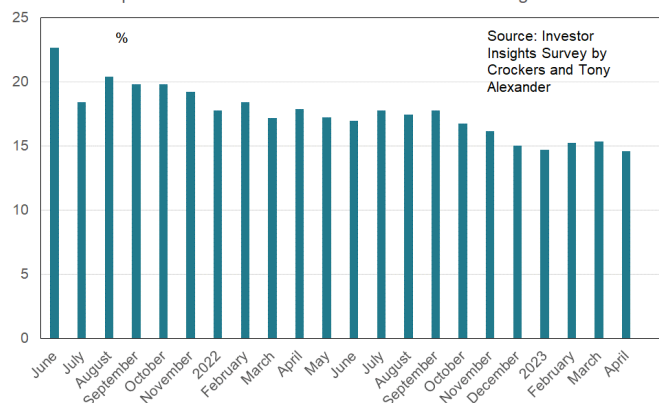
But concerns about house prices falling have flattened out.

Proportion of investors concerned about house prices falling



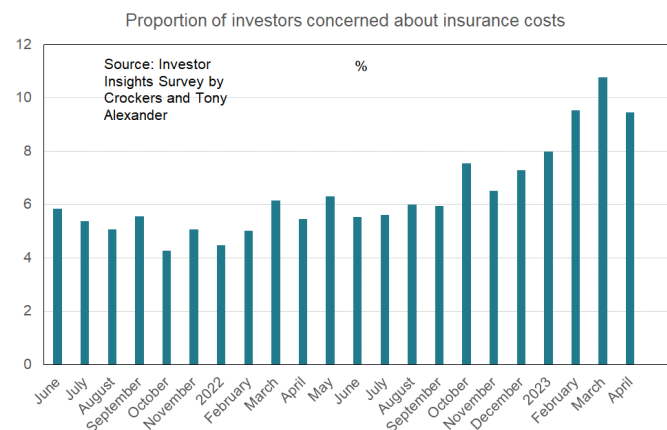
Concerns about tenant regulations continue to edge slowly lower – though not by much.

Proportion of investors concerned about new tenant regulations

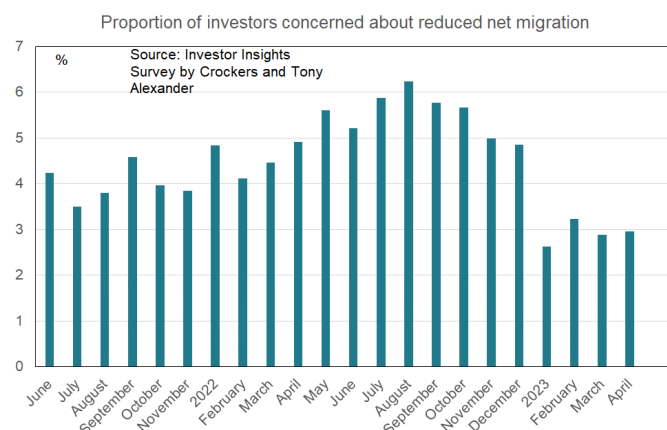




With fewer headlines about flooding this past month, insurance concerns have stepped down. But they remain elevated.



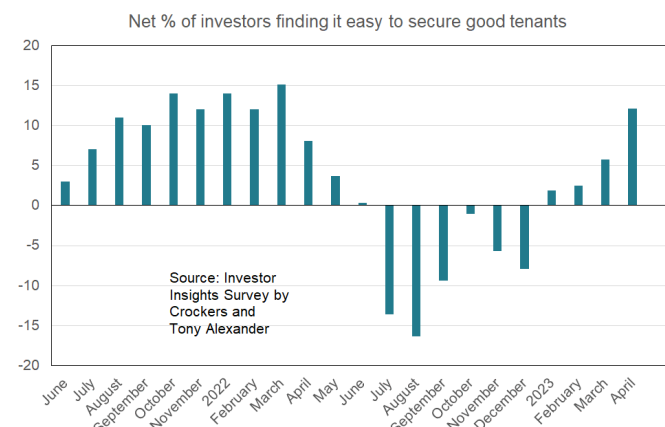
Evidence that awareness of the new migration boom in the public eye is still very low can be seen here. The surge in net migration flows in recent months has not caused an extra decrease in concerns since the stepping down at the start of the year when discussion about continued outflows disappeared.



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

A key trend captured in our survey and perhaps nowhere else in the country is the firm upward trend in the ease which investors are expressing about finding good tenants. This suggests a

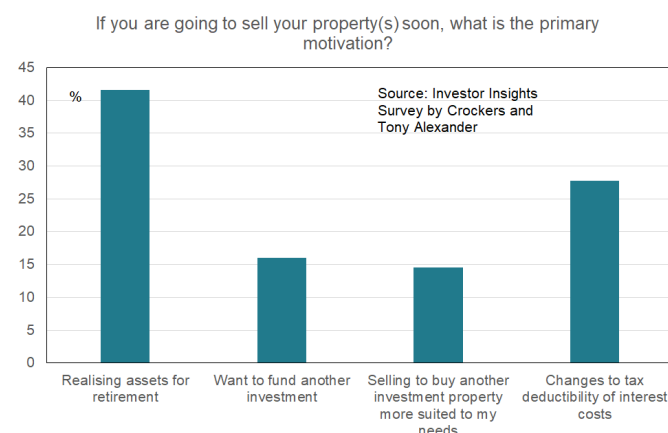
rising ability to pick and choose and a shift away from a short-lived period when tenants might have had greater choice when seeking new accommodation.



This trend upward likely reflects the combined effects of an acceleration in the pace of population growth along with reopening of the borders to foreign visitors.

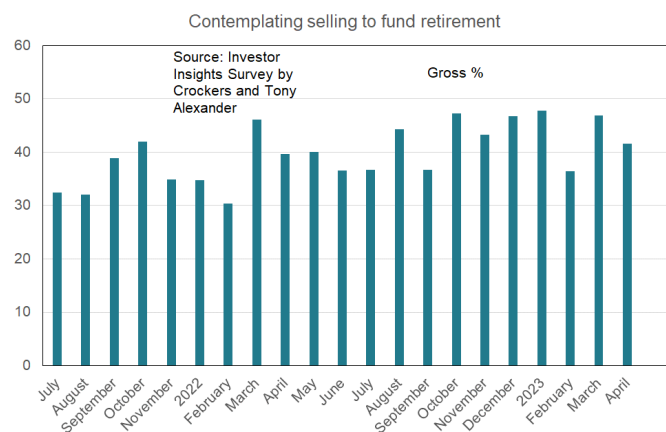
IF YOU ARE GOING TO SELL YOUR PROPERTY(S) SOON, WHAT IS THE PRIMARY MOTIVATION?

The primary motivation expressed by investors looking at selling their properties remains the funding of retirement. This reflects the importance which housing has played in helping Kiwis get ready for their non-paid working years.

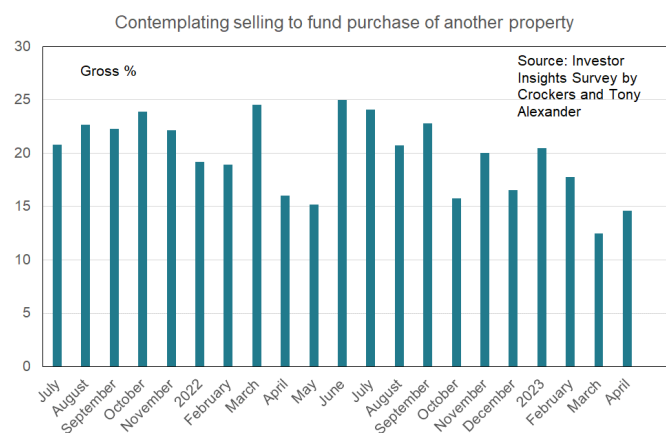




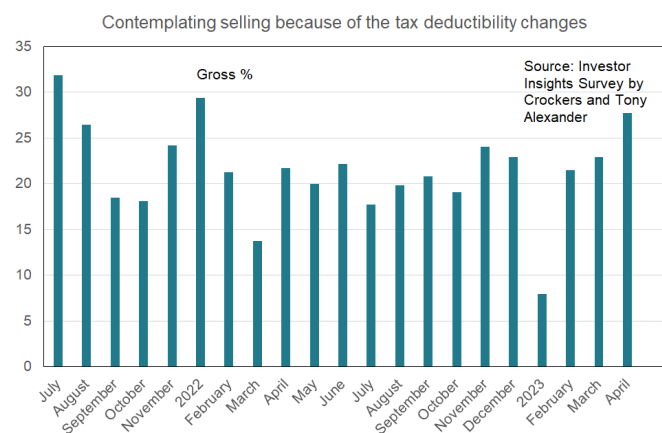
This proportion has recovered back to “normal” after a statistical blip down in February.



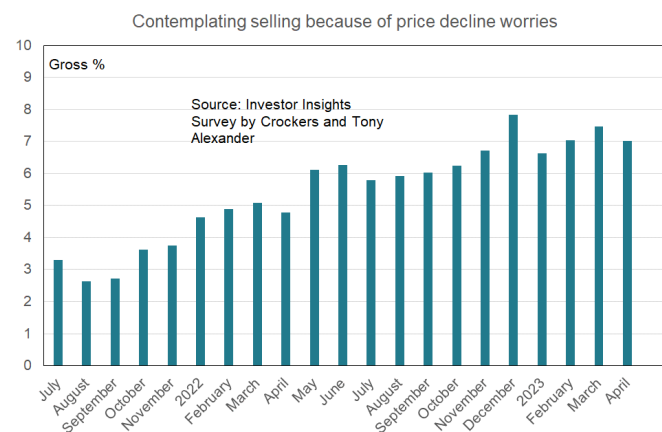
Selling in order to buy another property is trending down as a motivation.



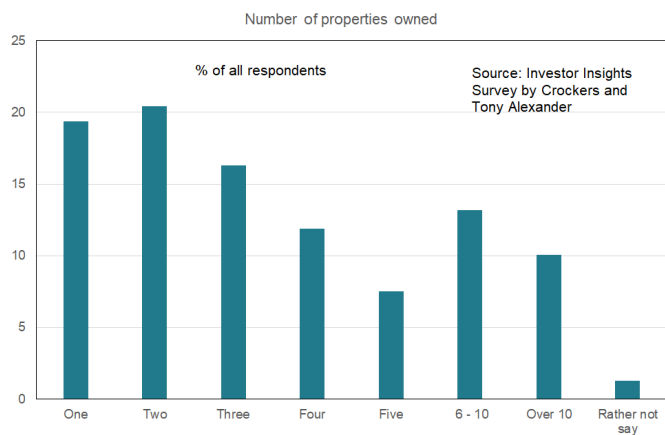
In contrast, selling because of tax changes is becoming a stronger driver. January’s result was clearly a statistical aberration.



Selling in order to beat price declines has flattened out.



For your guide, this graph shows the proportion of our survey respondents who own the number of properties measured on the horizontal axis. 10% own over 10 properties, almost 40% own two or one.



There were 386 responses received in this month's survey, with respondents located as follows.

Region	%
Northland	2.8
Auckland	42.0
Bay of Plenty	5.9
Waikato	10.4
Gisborne	0.1
Hawke's Bay	3.1
Taranaki	2.5
Manawatu-Wanganui	2.0
Wellington	12.0
Nelson, Tas., Marl	1.9
West Coast	0.1
Canterbury	11.7
Dunedin City	4.8
Queenstown Lakes	1.0
Southland	0.1

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