



Investor Insight

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Crockers 
PEOPLE & PROPERTY

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Deepening cost concerns

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.

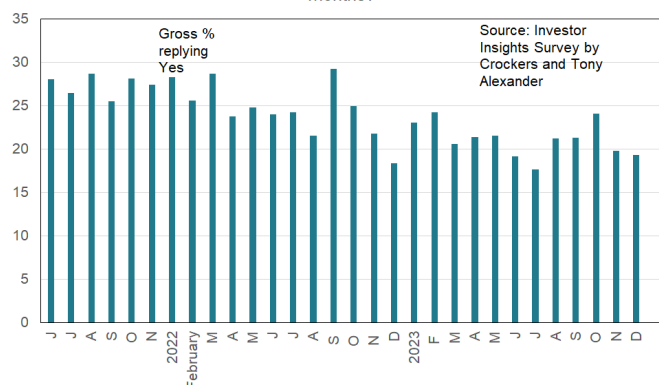
Key points of interest from this month's survey, which received 309 responses include the following.

- Rising plans for selling properties mean a net 14% of existing investors now say they plan reducing the size of their property portfolio.
- The average rent rise sought by investors is 5.8% with no upward trend as yet despite soaring concerns about costs such as rates and insurance.

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

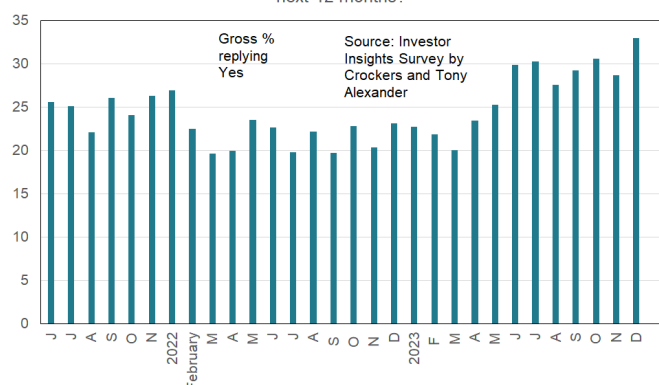
The initial post-election surge in the proportion of existing investors saying they will buy again has been confirmed as simply a blip. 19% of respondents have replied in the affirmative to this question this month, down from 20% in November and October's 24% result.

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



In contrast, the proportion thinking about selling has risen this month to 33% from 29% in November.

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

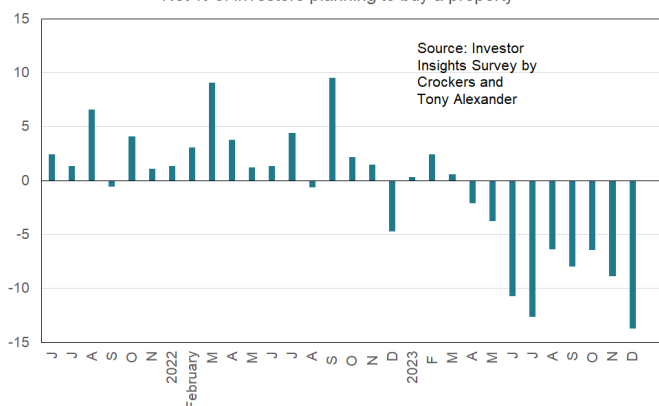


Putting the two measures together we can calculate net buying intentions, and this can give an indication as to whether price pressures are upward or downward from the people who already own residential property investments.

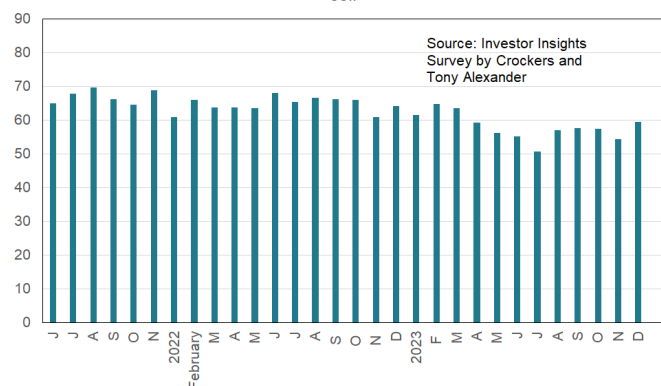
The trend up in existing investor plans for selling combined with the pullback in buying plans has produced this month a net 14% of investors saying they plan to sell. This is the largest result in the period we have been running this survey and tells us that for the moment those already owning an investment property are on average more interested in selling than buying.



Net % of investors planning to buy a property



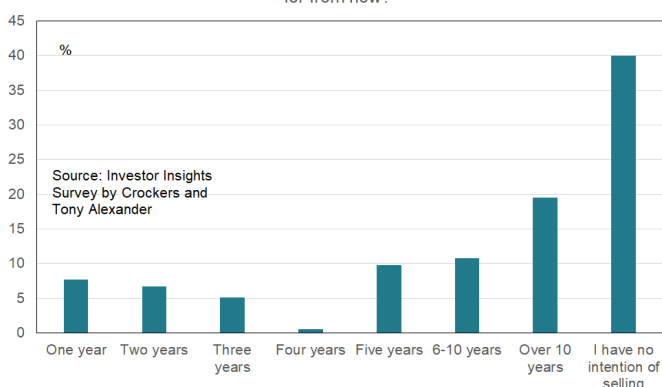
Gross % of investors planning to hold at least ten years or never sell



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

As has been the case for all of our monthly surveys, most investors plan holding their property for a long period of time.

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

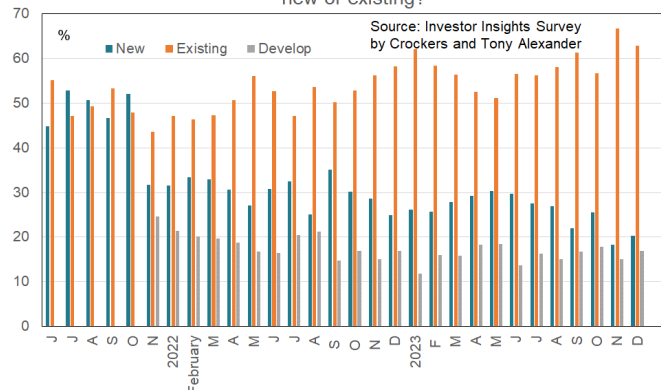


The proportion planning to hold at least ten years or to never sell sits at 57% and an earlier downward trend in this measure appears to have ended.

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

Of intense interest in the house building sector where activity levels are falling, will be any indications from existing investors that they are planning to get a new dwelling constructed. If such intentions were rising then one or both of the blue and grey columns in the next graph would be trending upward. They are not and this tells us that for 2024 the likely direction for home building volumes remains downwards.

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



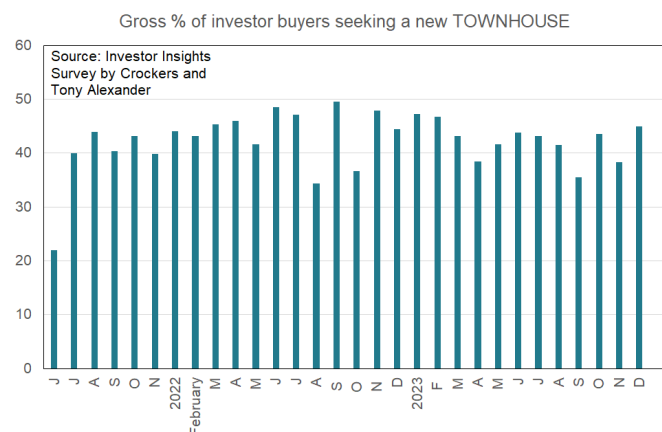
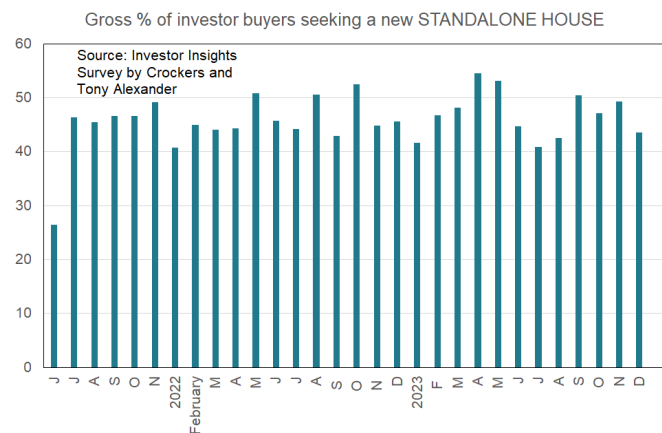


WHAT TYPE OF NEW PROPERTY IS PREFERRED?

For the investors who are thinking about buying a property in the next 12 months the preference as always is for either a new or existing standalone house. There is good preference also for a used townhouse but little interest in either a new townhouse or new/used apartment.



There are no clear trend rises or falls underway for house and townhouse preferences held by those looking to buy new.

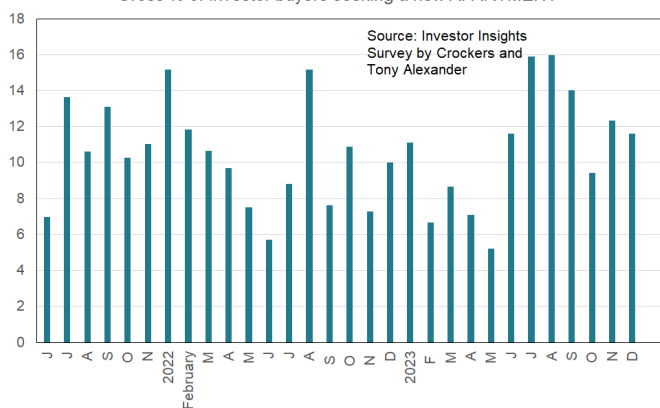


The same lack of trend is apparent for existing house and townhouse purchasing intentions. But what about apartments? It has been almost two decades since the apartment construction boom in Auckland. Is the lack of construction of much new stock for many years on the cusp of changing?

There is no trend up in interest in purchasing a new apartment.

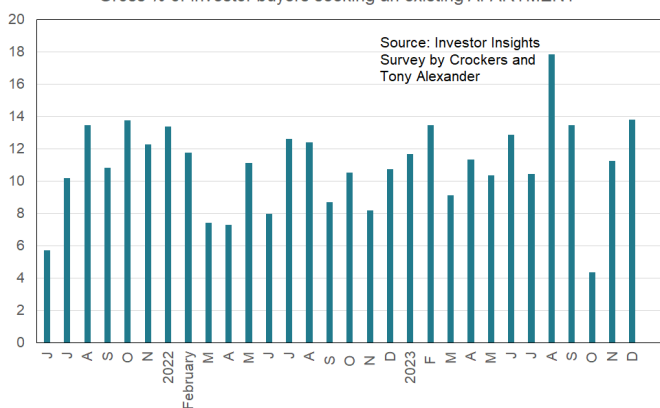


Gross % of investor buyers seeking a new APARTMENT



The same comments apply for existing apartment demand which might be surprising considering the return to NZ of both foreign visitors (Airbnb use) and foreign students.

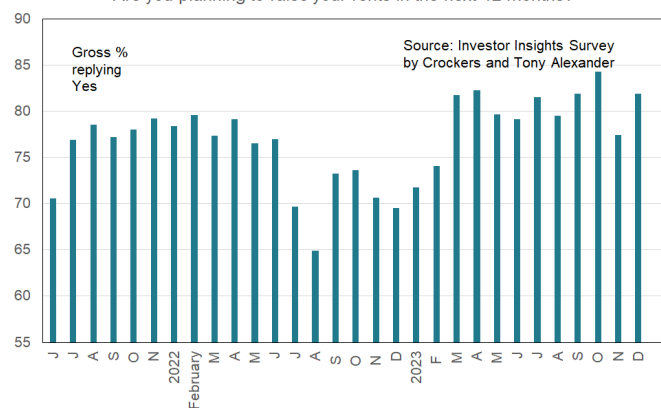
Gross % of investor buyers seeking an existing APARTMENT



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

The proportion of landlords saying they plan to raise their rents in the coming 12 months has risen to 82% from 77% last month. There is no clear new upward trend in this measure since the change early this year.

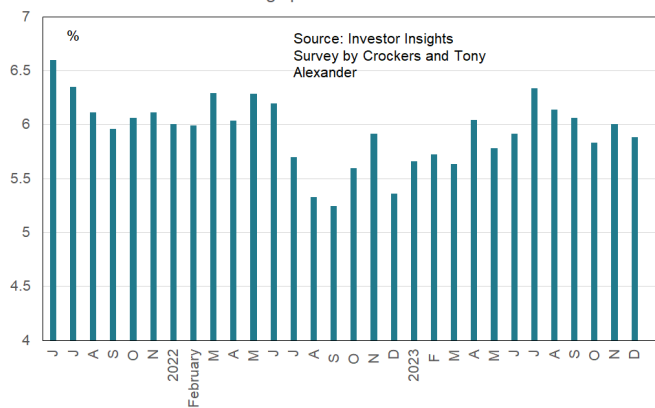
Are you planning to raise your rents in the next 12 months?



IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

The average increase in rent planned/desired by investors sits at 5.8%. As yet, despite rapid increases in costs for the likes of insurance, maintenance, and council rates, rent rise plans are not trending up.

Average planned rent increase

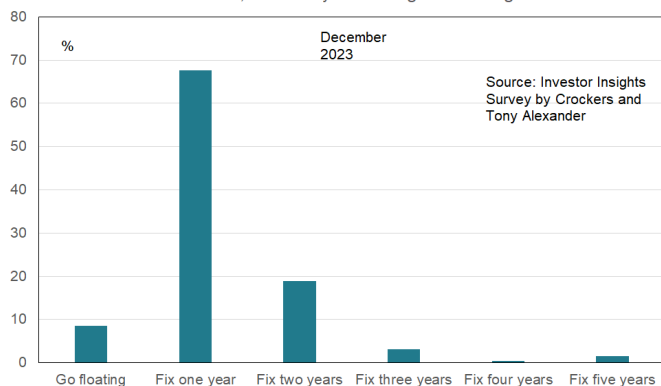


IF YOUR MORTGAGE RATE IS COMING UP FOR RENEWAL IN THE NEAR FUTURE, WHAT ARE YOU THINKING ABOUT DOING?

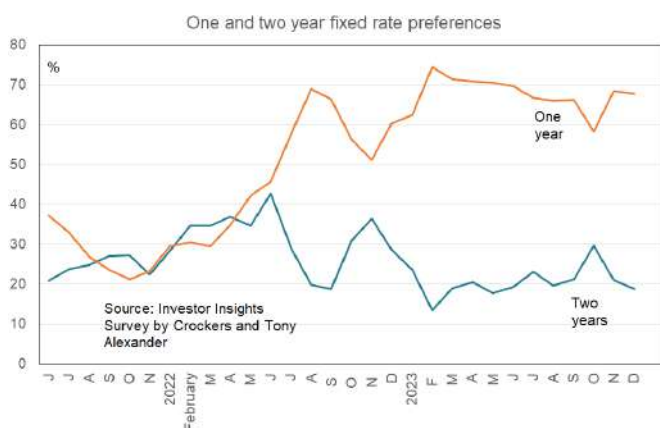
Investors mainly favour fixing their interest rate for one or two years.



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



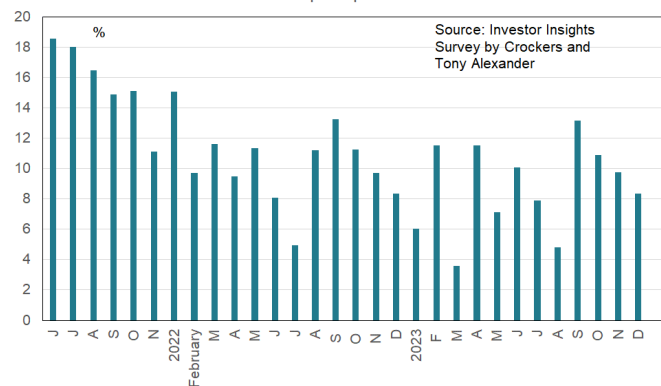
There have been no substantial changes in one and two year preferences for all of 2023 beyond the initial divergence in January.



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

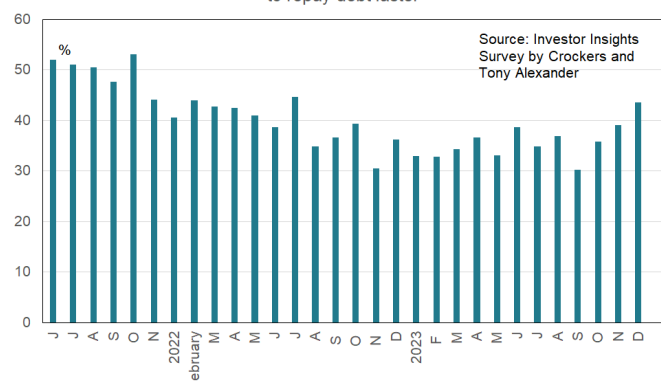
There is no upward trend in the proportion of investors on interest-only schemes planning to lift principal repayments.

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



But for those already paying down principal there are plans to repay more. The recent divergence in these measures is hard to explain in the context of high interest rates.

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



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

Respondents to this question can choose amongst three options.

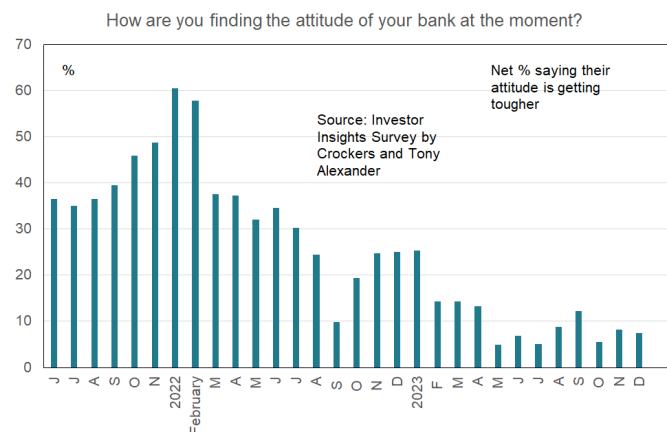
- Getting tougher
- Getting more relaxed
- No change, nothing apparent.

We can calculate the net proportion feeling that things are getting tougher and show the result in the following graph.

Investors on average still feel that their bankers are being tough. No recent improvement in this



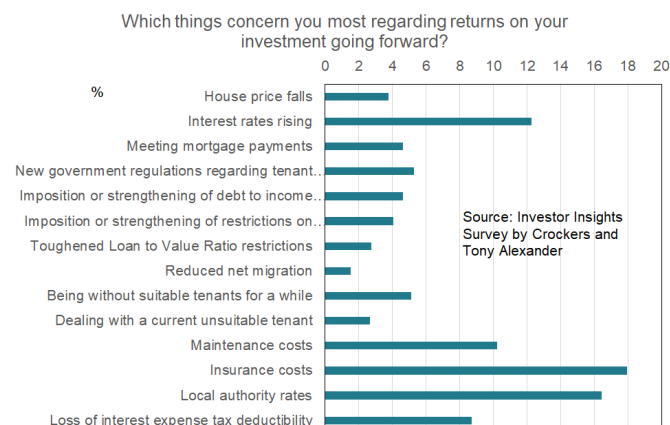
measure is apparent but it will be interesting to see if this changes in response to the new outlook for lower interest rates and the surge in rental property demand associated with the strong lift in New Zealand's pace of population growth.



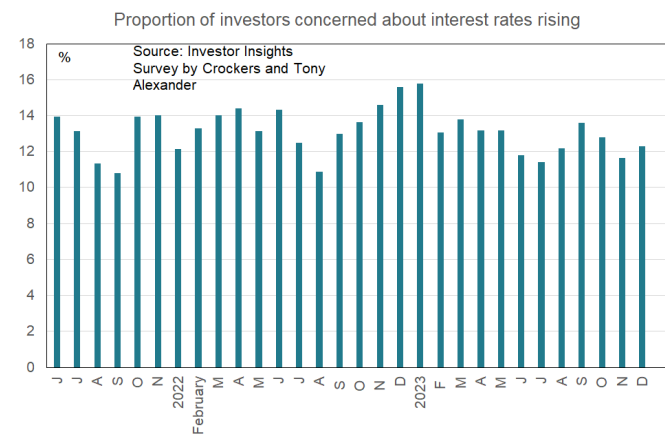
WHICH THINGS CONCERN YOU MOST REGARDING RETURNS ON YOUR INVESTMENT GOING FORWARD?

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

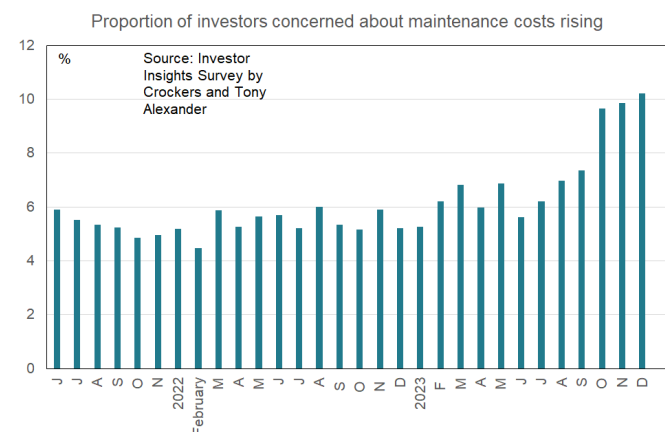
The biggest concerns again are insurance costs and council rates.



Concerns about interest rates rising are static, but that may change for the better in coming months.



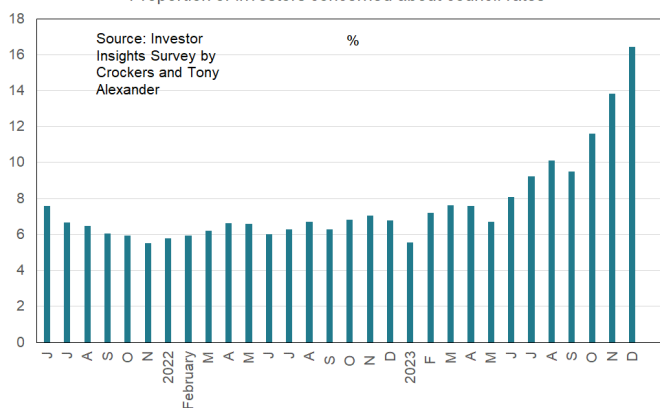
Maintenance cost worries are high.



Concerns about council rates continue to soar, probably in response to recent high discussion in the media of councils planning substantial increases.

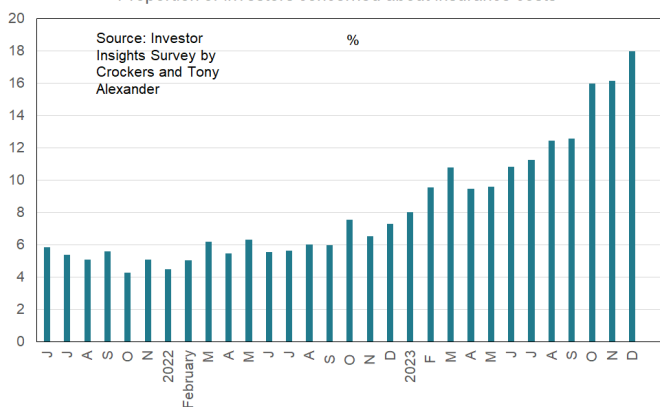


Proportion of investors concerned about council rates



Insurance cost concerns are also rising and rising.

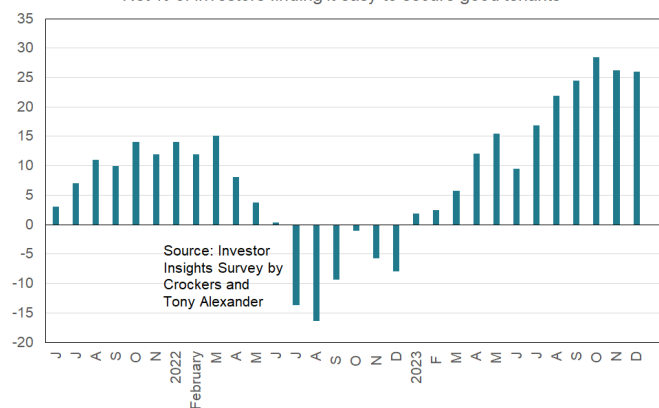
Proportion of investors concerned about insurance costs



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

For the second month in a row a net 26% of investors have reported that they are finding it easy to get good tenants. This reading has shifted well away from the net 8% a year ago saying good tenants were hard to find.

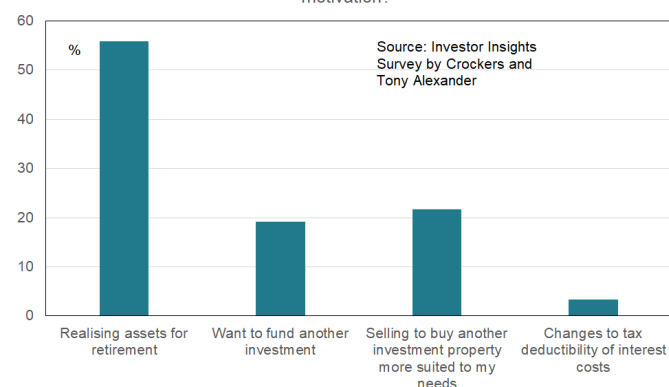
Net % of investors finding it easy to secure good tenants



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

Most people contemplating selling cite funding retirement as reason.

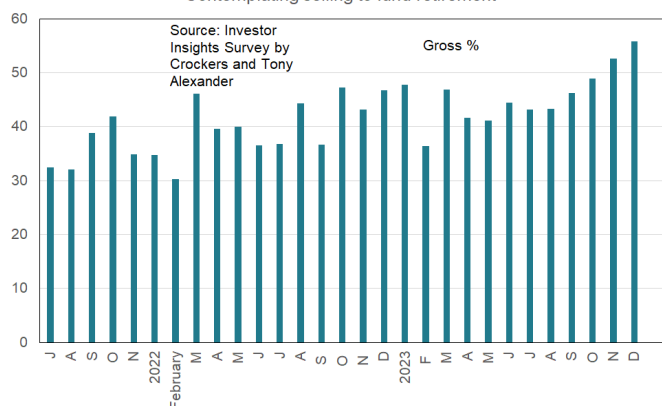
If you are going to sell your property(s) soon, what is the primary motivation?



This reason is trending up as our population of surveyed existing investors ages perhaps.

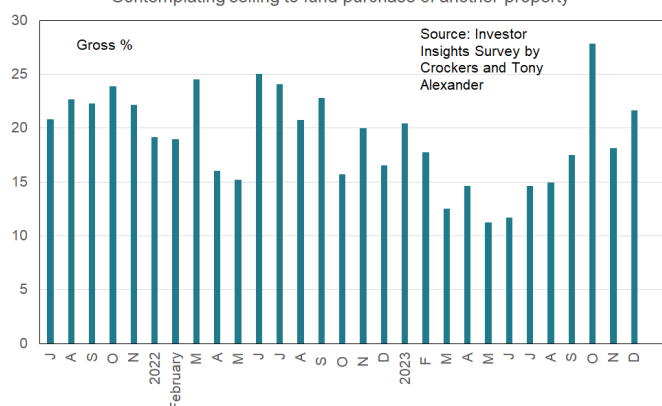


Contemplating selling to fund retirement



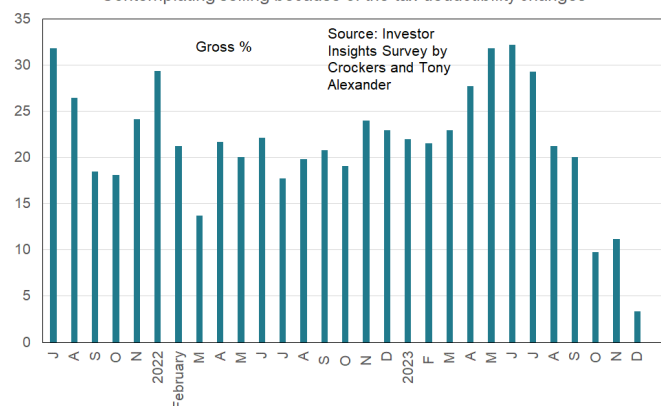
But there is also a broad upward trend in the proportion of those selling saying they will then purchase another property.

Contemplating selling to fund purchase of another property



Selling because of the 2021 changes in tax deduction rules has almost disappeared now that full restoration of interest expense deductibility has been confirmed from April 1, 2025, and 80% from April 1 next year.

Contemplating selling because of the tax deductibility changes



There were 309 responses received in this month's survey, with respondents located as follows.

Region	%
Northland	1.9
Auckland	37.7
Bay of Plenty	4.8
Waikato	10.3
Hawke's Bay/Gisborne	5.1
Taranaki	1.6
Manawatu-Wanganui	2.3
Wellington	12.6
Nelson, Tas., Marl	2.9
Canterbury	14.8
Dunedin City	3.5
Queenstown Lakes	1.9
Southland	0.3

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