



Investor Insight

April 2024

Crockers 
PEOPLE & PROPERTY

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MANAGEMENT
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Tenants readily available

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.

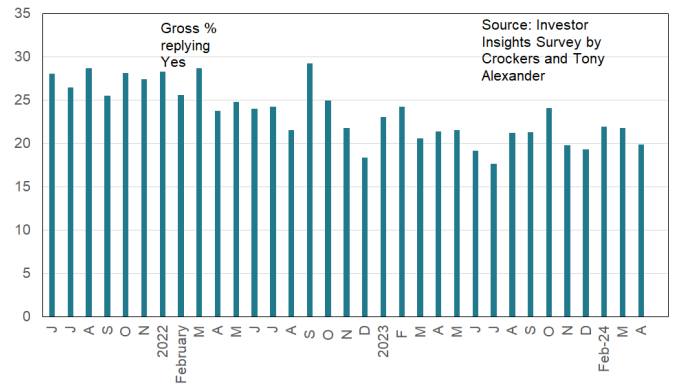
Key points of interest from this month’s survey, which received 310 responses include the following.

- The net buying intentions of existing investors remain weak despite easing worries about interest rates and removal of unfavourable tax rule changes.
- Investors’ concerns about prices falling have grown while worries remain highly elevated about council rates, insurance premiums, and maintenance costs.
- For the investors who are thinking about buying, there continues to be declining interest in either buying a new property or undertaking a development oneself. Implications for building firms seem reasonably clear.

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

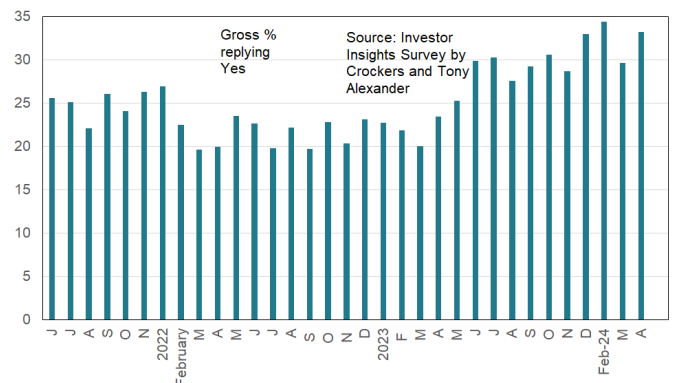
A gross 20% of our survey respondents this month have reported that they are thinking about buying another property in the coming year. This is consistent with responses since the end of 2022 and tells us that despite the change in tax treatment of interest expenses and strong population growth, extra residential property investment is not seen as a priority for most people already in the sector.

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



The proportion thinking about selling a property sits at 33% which is in line with results since the middle of last year but also suggestive of a continuing mild upward trend in thoughts of selling.

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

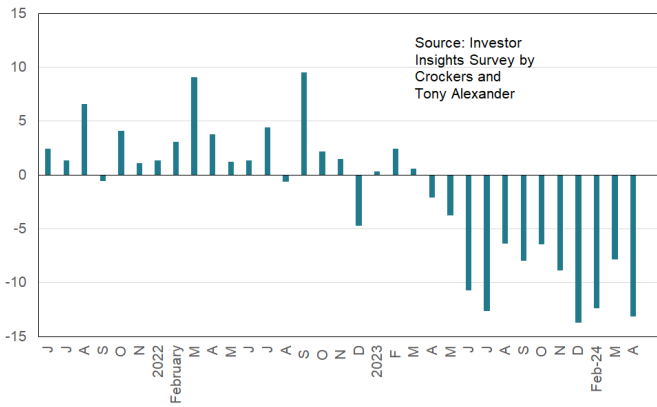


Putting the two measures together we can calculate net buying intentions, and this can give an indication as to whether price pressures are upward or downward from the people who already own residential property investments.

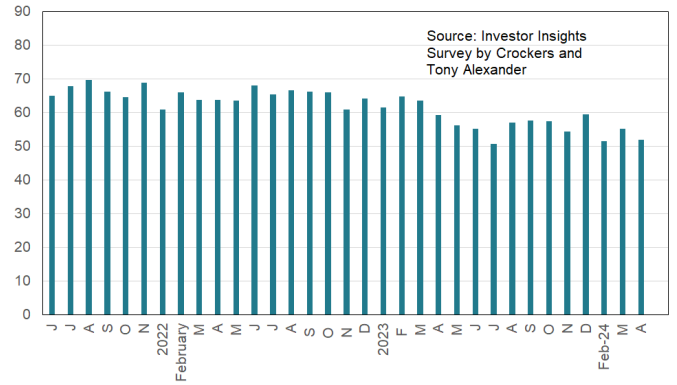
The net proportion of current property investors looking to buy again sits at -13%. This means more wish to sell than wish to buy. This result is consistent with others since the middle of 2023 and shows how the firm presence of first home buyers in the market since early-2023 has not resulted in investors following them in.



Net % of investors planning to buy a property



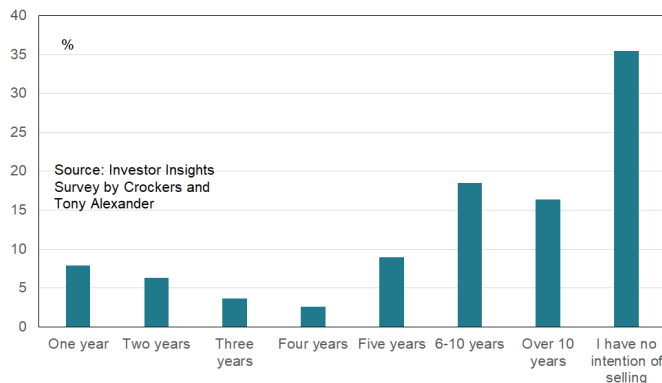
Gross % of investors planning to hold at least ten years or never sell



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

Most investors have no intention of selling their property or intend keeping it for longer than ten years.

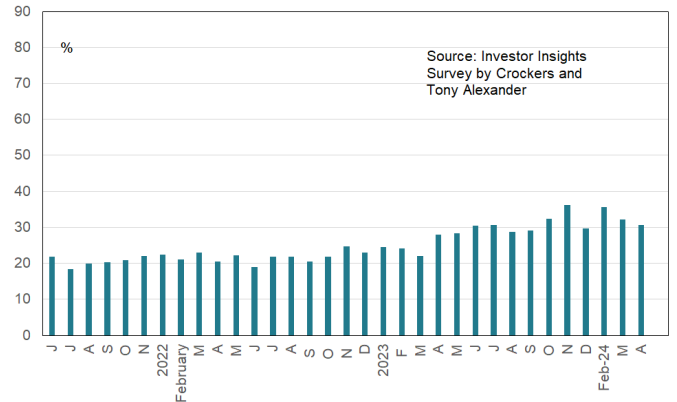
Roughly how long do you plan keeping your investment property(s) for from now?



However, this 51% of all investors is on the low side compared with the earlier period of our survey from the middle of 2021 through to the middle of 2023. Less than a year ago a shift down occurred in long-term holding plans and no recovery is underway despite the tax changes.

There is a mild upward trend in the proportion looking to sell within the next five years.

Gross % of investors planning to sell within five years



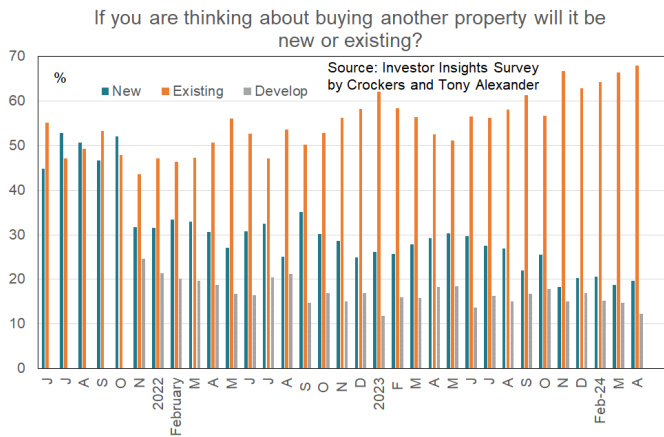
IF YOU ARE THINKING ABOUT BUYING ANOTHER PROPERTY WILL IT BE NEW OR EXISTING?

Each month since our survey started in early-2021 we have asked people thinking about buying whether they would purchase something already built or something new. Late in 2021 we split the new option into buying new and undertaking the development oneself because back then a great number of people were becoming developers.

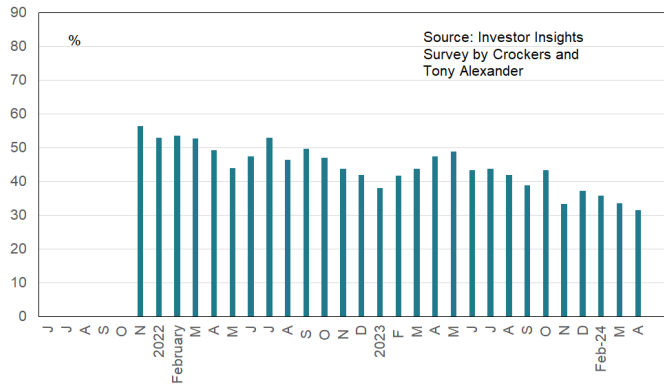
Since the start of this year a new downward trend has emerged in the proportion of investors thinking about buying again who would undertake the develop themselves. There is also a slight downward drift in the proportion who



would buy new and this means the proportion who would buy new or develop a property themselves now sits at a record low of 31% from 34% in March and 47% a year ago. The implications for construction firms seem clear.



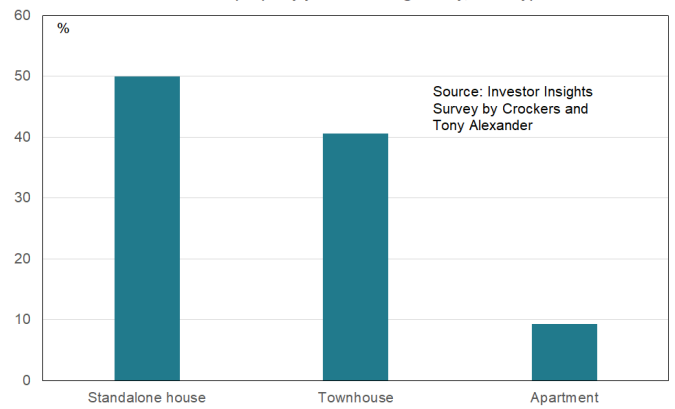
Proportion of investors looking to buy who would buy new or develop



WHAT TYPE OF PROPERTY IS PREFERRED?

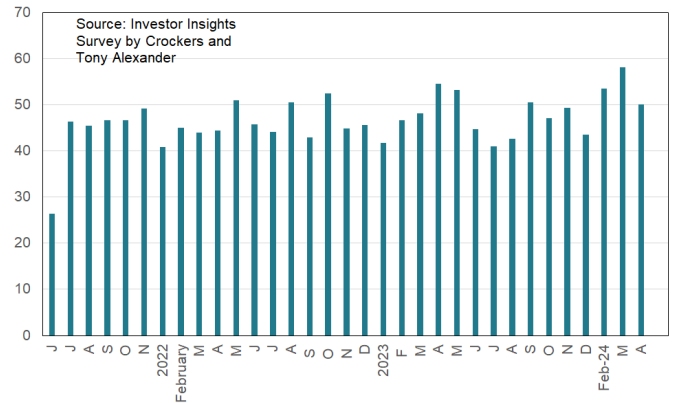
Half of the investors looking to make a purchase of a new dwelling in the coming year prefer a standalone house.

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

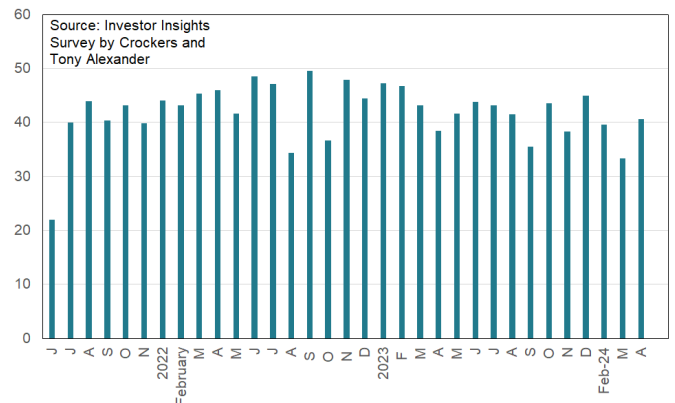


This preference has been consistently strong with a mild upward trend recently at the expense of purchasing a new townhouse.

Gross % of investor buyers seeking a new STANDALONE HOUSE



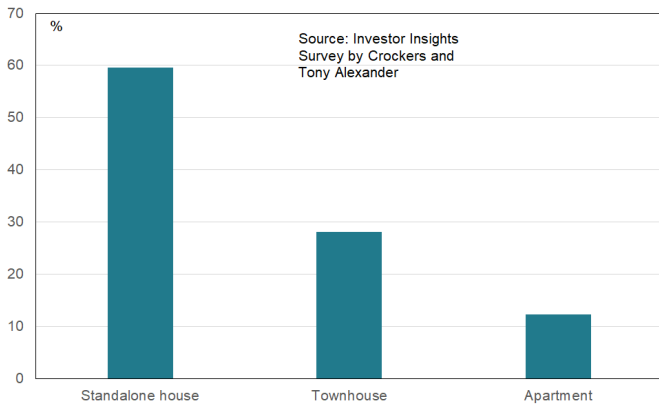
Gross % of investor buyers seeking a new TOWNHOUSE



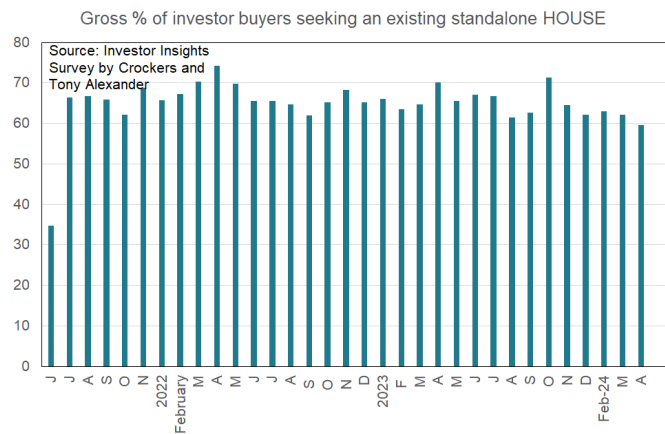
For those investors looking at purchasing an existing property the preference for a standalone house exceeds that for a townhouse to a far greater degree than for new home purchasers.



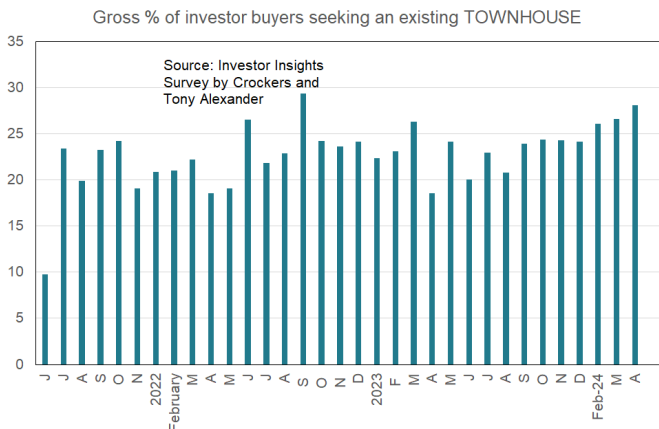
If it is an EXISTING property you're looking to buy, what type?



This preference for an existing standalone house has always been strong.

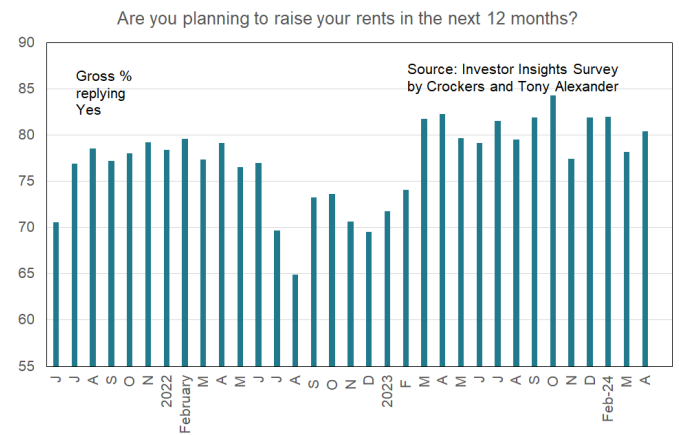


But whereas potential buyers are drifting away from purchasing a new townhouse they are showing increasing preference at the margin for an existing townhouse.



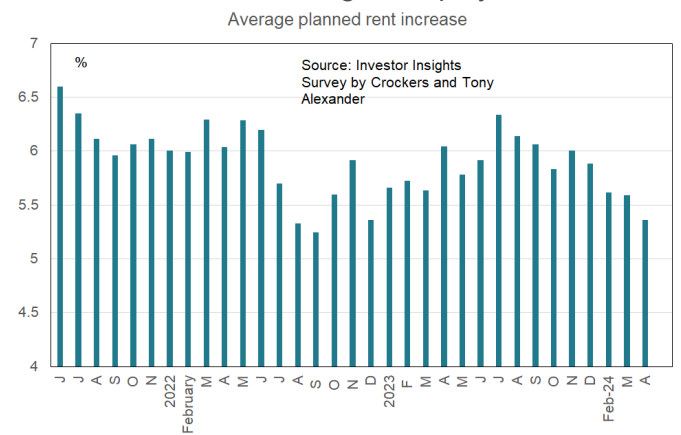
ARE YOU PLANNING TO RAISE YOUR RENTS IN THE NEXT 6 MONTHS?

There was a shift upward in the proportion of investors planning to raise their rents at the start of 2023 as the migration boom became apparent. But since that adjustment there has been no further alteration.



IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

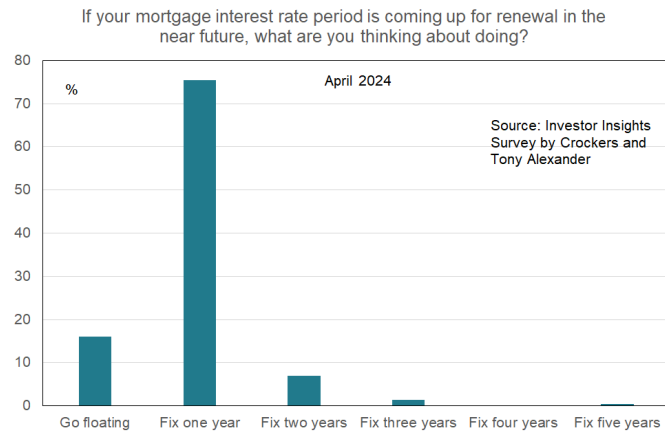
Despite the population boom and slowing of new construction supply, the average rent rise desired by investors has been trending down since the middle of 2023. This is happening despite the concerns about soaring costs of insurance and council rates and may reflect perceived limitations on rent rises caused by tenant income constraints in an environment of rising unemployment.



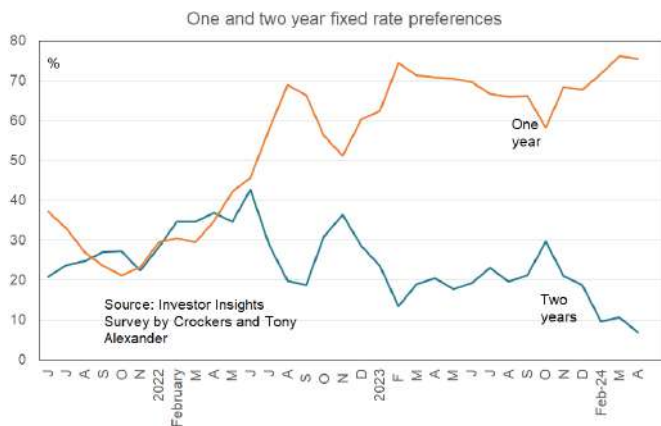


IF YOUR MORTGAGE RATE IS COMING UP FOR RENEWAL IN THE NEAR FUTURE, WHAT ARE YOU THINKING ABOUT DOING?

Almost all investors with a mortgage looking at a rate renewal favour fixing at most for one year.



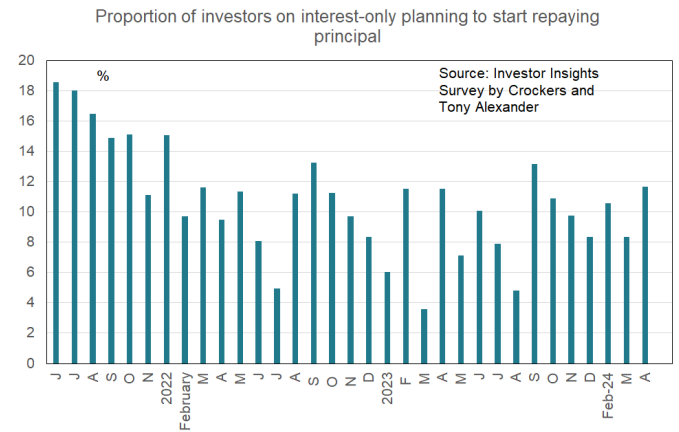
The preference for fixing two years continues to decline. This short-term rate preference reflects the general debate and expectation that the Reserve Bank will ease monetary policy from late this year.



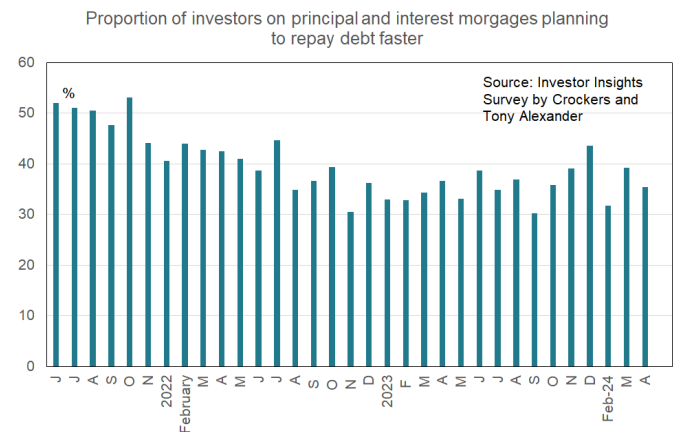
WHAT ARE YOU THINKING REGARDING THE SPEED WITH WHICH YOU ARE PAYING DOWN PRINCIPAL ON YOUR MORTGAGE?

In this month's survey there has been a slight rise in the proportion of investors on an interest-only mortgage who plan beginning principal

repayments. But it is hard to conclude that this is yet an upward trend.



For those already repaying principal there is also no clear upward trend in repayment plans.



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

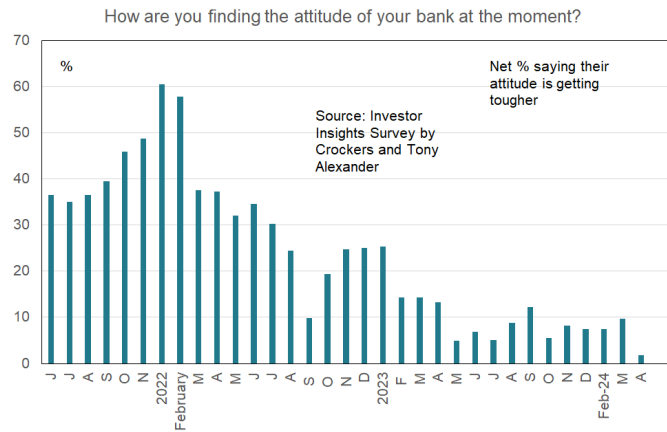
Respondents to this question can choose amongst three options.

- 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.



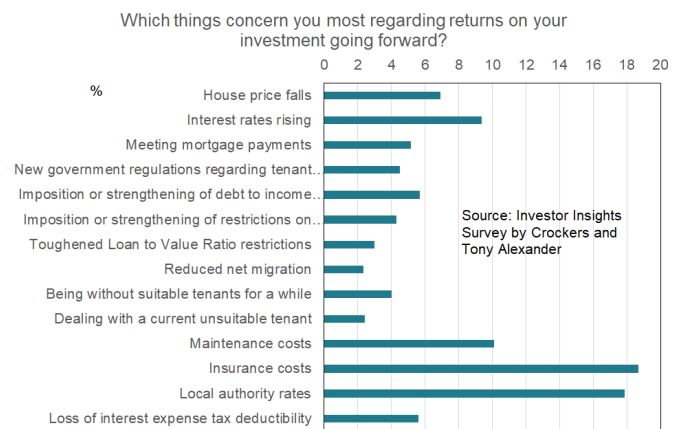
There are now almost as many investors saying that banks are getting easier to deal with than say they are getting harder. The attitude of banks has clearly improved strongly since the credit crunch of late-2021. Will the reversal of changes to the Credit Contracts and Consumer Finance Act cause a switch to investors overall feeling banks are generous with their criteria? We shall have to wait and see, not least because it is not clear when the disastrous late-2021 changes imposed by the previous Labour government will be reversed.



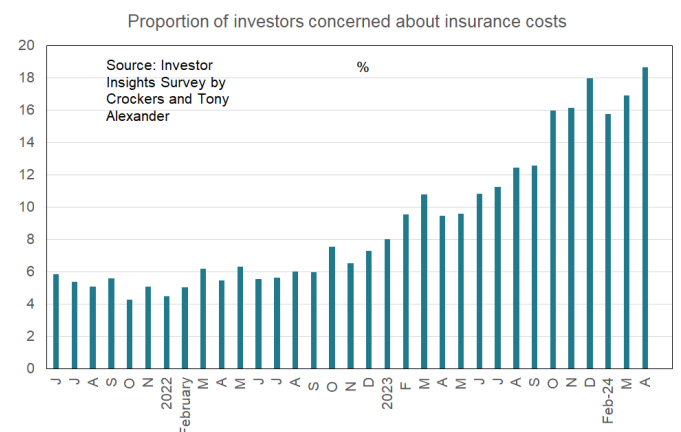
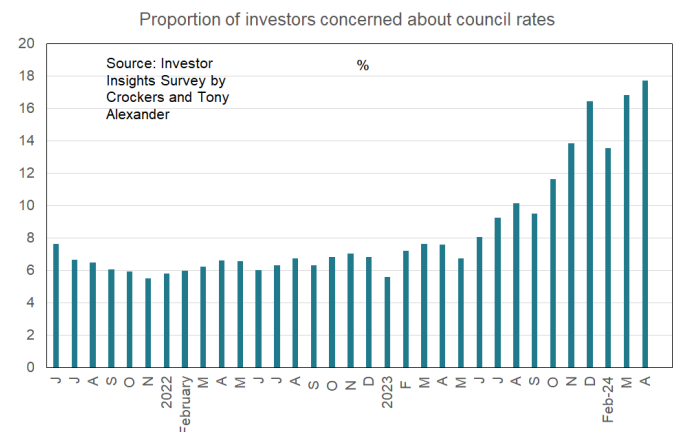
WHICH THINGS CONCERN YOU MOST REGARDING RETURNS ON YOUR INVESTMENT GOING FORWARD?

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

Investors are very highly concerned about their insurance costs, council rates, and maintenance costs.

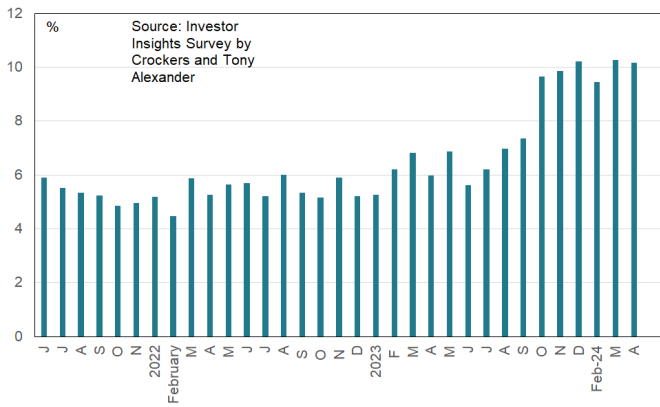


Worries have risen strongly in the past year regarding the three just mentioned factors. A graph for each is shown here.



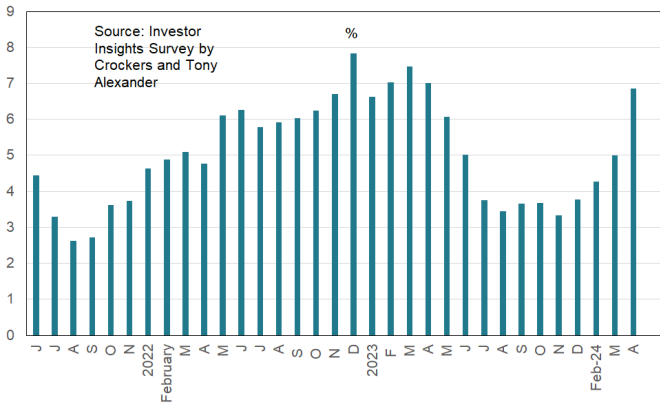


Proportion of investors concerned about maintenance costs rising



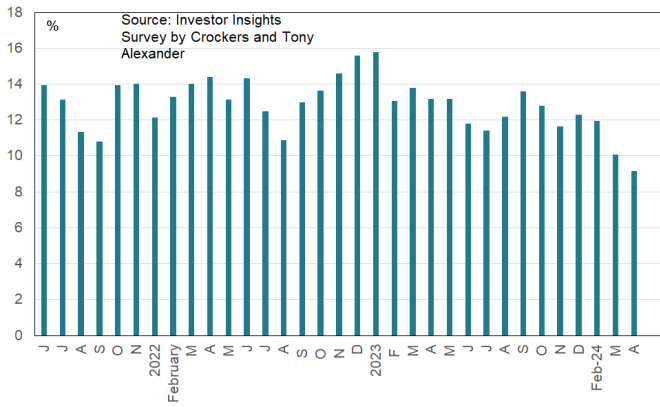
In light of the recent easing in the housing market investors have once again become concerned that house prices may fall.

Proportion of investors concerned about house prices falling



This is happening in spite of easing concerns that interest rates will go back up again.

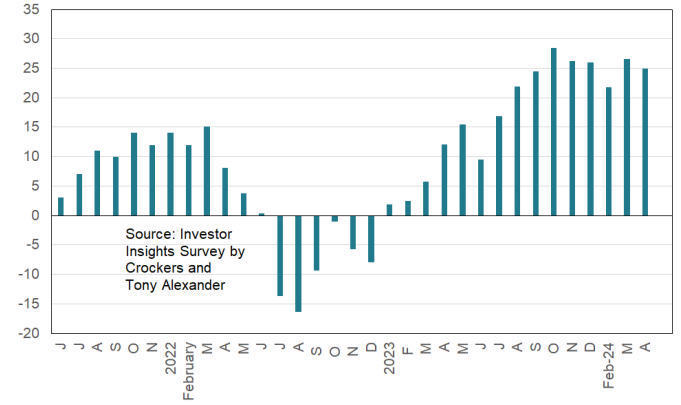
Proportion of investors concerned about interest rates rising



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

A net 25% of respondents say that they are finding it easy to secure good tenants. This reading rose strongly from mid-2022 but has plateaued since late last year.

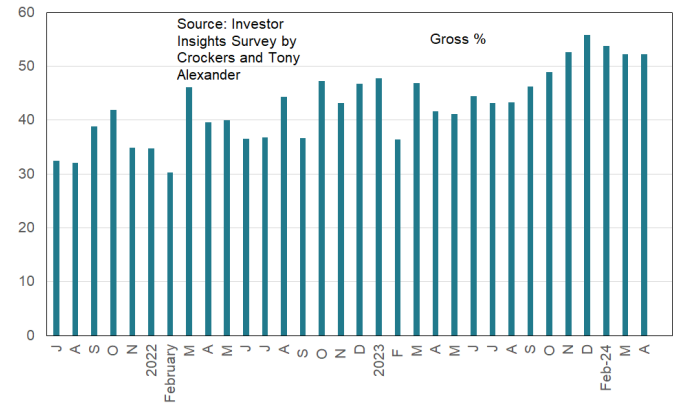
Net % of investors finding it easy to secure good tenants



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

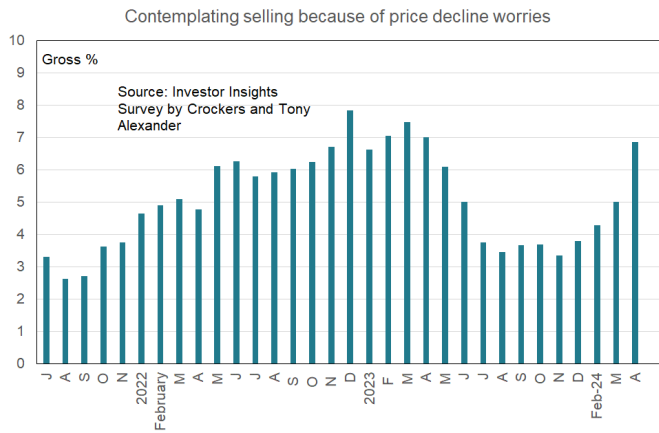
The proportion of those looking to sell who cite funding retirement as the driving force is continuing to track at just over 50%.

Contemplating selling to fund retirement





But there has been a jump to almost 7% in the proportion who say they will sell as they are worried about prices going down.



There were 310 responses received in this month's survey, with respondents located as follows.

Region	%
Northland	1.0
Auckland	43.5
Bay of Plenty	5.2
Waikato	10.0
Hawke's Bay/Gisborne	2.9
Taranaki	1.9
Manawatu-Wanganui	1.6
Wellington	10.0
Nelson, Tas., Marl	2.5
Canterbury	14.2
Dunedin City	4.8
Queenstown Lakes	2.3
Southland	0.2

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