



Investor Insight

March 2022

Crockers 
PEOPLE & PROPERTY

EST.1971
crockers.co.nz

Tony Alexander
Independent Economist

MANAGEMENT
REALTY
BODY CORP



No wave of investor selling underway

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.

- Reduced investor interest in selling and a small rise in plans to buy residential property.
- Investor interest in developing their own property has decreased slightly again.
- Demand for existing apartments has waned over the month.
- Rising interest rates have yet to produce a lift in mortgage repayment plans.

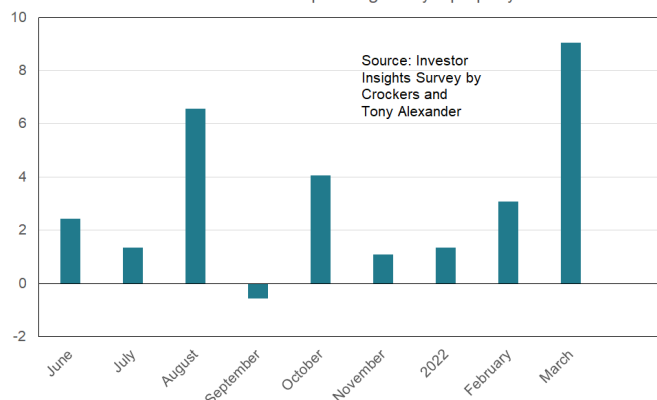
In this month's survey we received 394 responses.

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

In this month's survey 29% of respondents have replied that they are thinking about buying another property in the coming year. This is up from 26% last month and the highest result since August. At the same time the proportion saying they are thinking about selling a property has declined to a low for our survey of 20% from 22% in February.

The overall impact has been a jump in the net proportion of existing investors thinking about making a purchase to 9% from 3% last month.

Net % of investors planning to buy a property



This is a strong result which may surprise many people when we consider some of the factors now in play. Interest rates are rising, and one would expect the higher mortgage costs to dissuade people from buying property. The war in Ukraine brings an element of uncertainty and higher living costs which might also be expected to inject extra caution regarding purchases of all assets.

Net migration flows are increasingly outward, and the media are replete with sometimes quite inaccurate stories of house prices declines – such as the reporting of a 19% fall in Auckland prices which distorts what is actually happening.

The results from our survey may be driven by the generally good long-term returns which investors receive on their properties, and expectations of better returns amidst many reports of worsening rental accommodation availability.

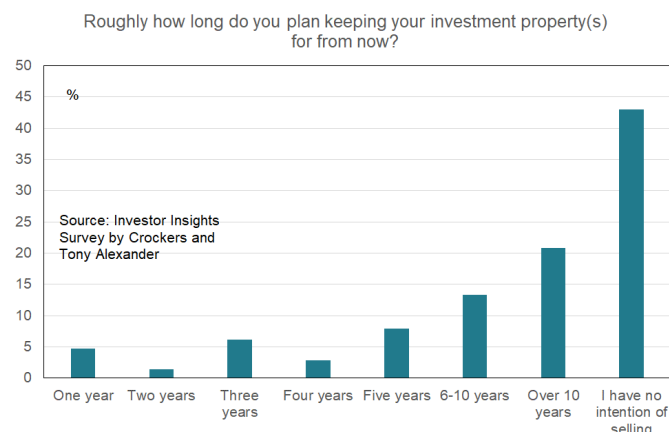
We should also note that 65% or so of our respondents regularly report their intention to hold their property for at least another decade.

The strong lift in net intentions of purchasing investment property reinforces a view that the current decline in house prices under way in most regions is a correction and not a crash or start of many years of price declines.

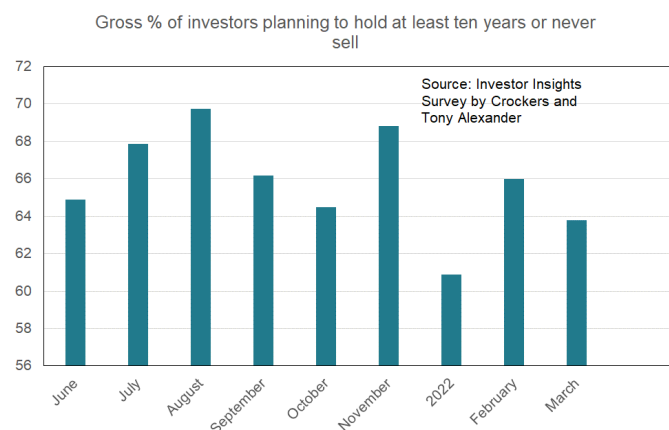


ROUGHLY HOW LONG DO YOU PLAN KEEPING YOUR INVESTMENT PROPERTY(S) FROM NOW?

As just noted, every month we have a high proportion of our respondents telling us that they plan keeping their property for at least ten years or have no plans to ever sell.



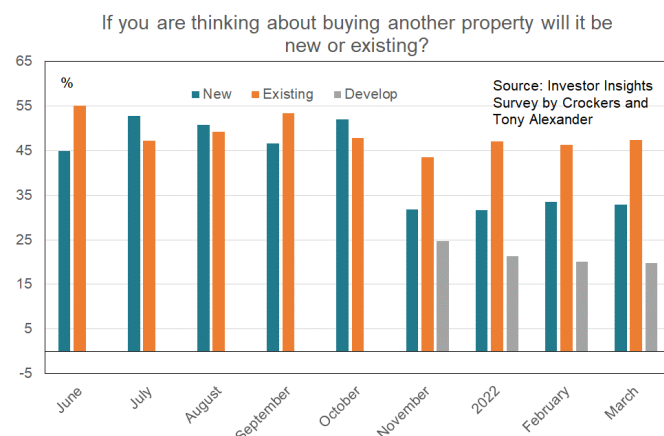
There is no deterioration underway in these intentions of long-term property ownership.



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

There continues to be a very small decline underway in the proportion of investors looking at purchasing a property who will undertake their own property development. Some 47% of investors plan buying an existing property, 33%

purchase a new one, and 20% develop their own.



It will be interesting to track any changes which may occur in these measures as reports grow of difficulties being faced by developers regarding access to finance and the availability of staff and materials, not to mention the ability to get presales if people expect house prices to decline.

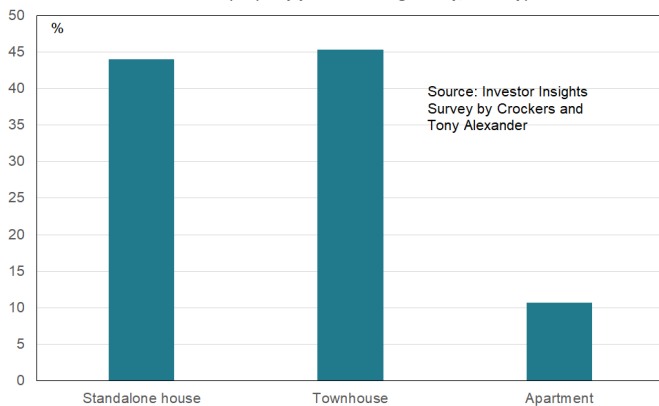
IF IT IS A NEW PROPERTY YOU'RE LOOKING TO BUY, WHAT TYPE?

As yet there are no changes underway for the type of new properties which investors are considering buying. Standalone houses remain the most popular choice, followed by townhouses then apartments.

45% of those planning to purchase a new property favour a townhouse, 44% a standalone house, and just 11% an apartment.

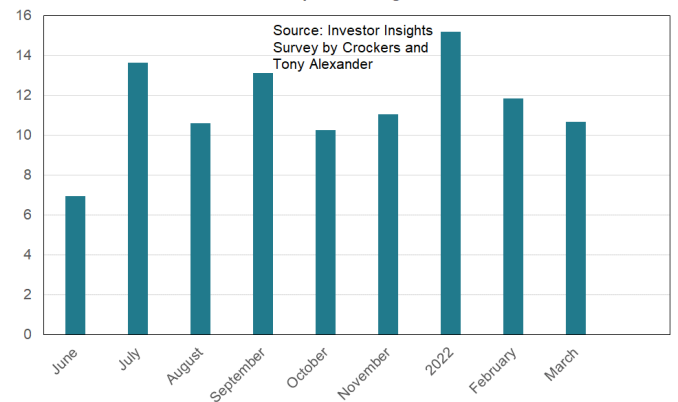


If it is a NEW property you're looking to buy, what type?



There is a slightly rising trend of interest in purchasing a townhouse, but no trend changes in interest in standalone houses or apartments for those looking at purchasing a newly built property.

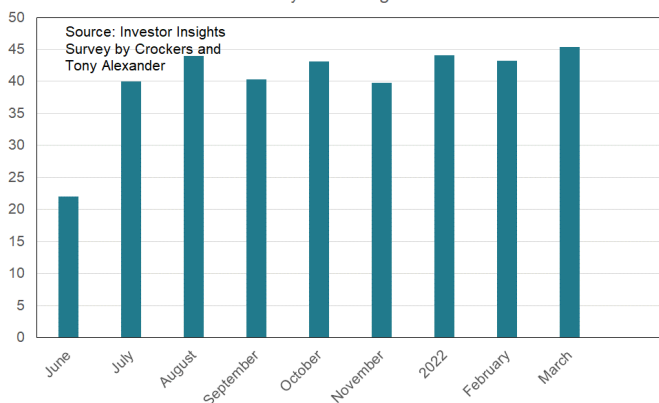
Gross % of investor buyers seeking a new APARTMENT



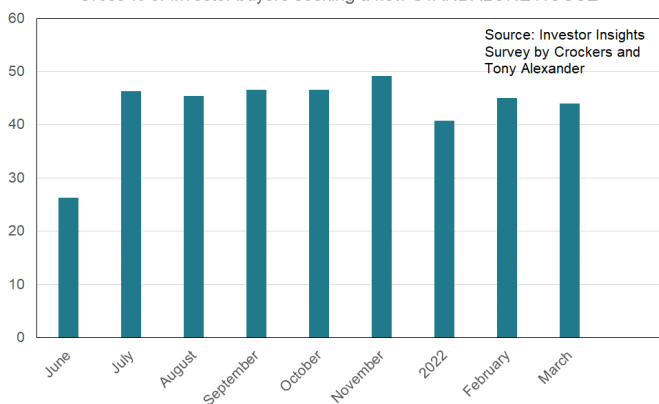
IF IT IS AN EXISTING PROPERTY YOU'RE LOOKING TO BUY, WHAT TYPE?

For those looking at buying an existing property, a record 70% favour a standalone house, 22% a townhouse, and a record low 7% favour an apartment. It will be interesting to see if this unusually low level of interest in used apartments continues or is simply a statistical blip.

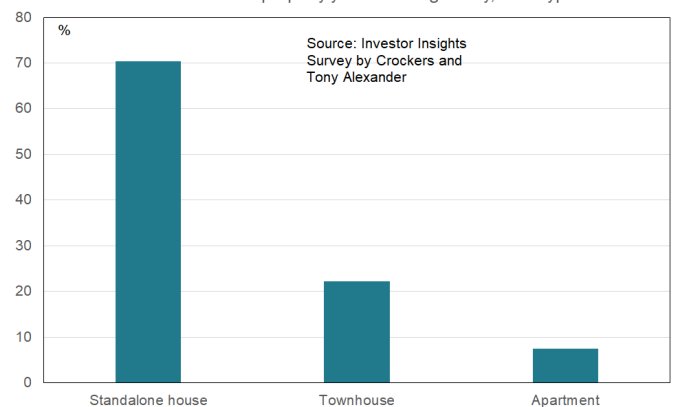
Gross % of investor buyers seeking a new TOWNHOUSE



Gross % of investor buyers seeking a new STANDALONE HOUSE

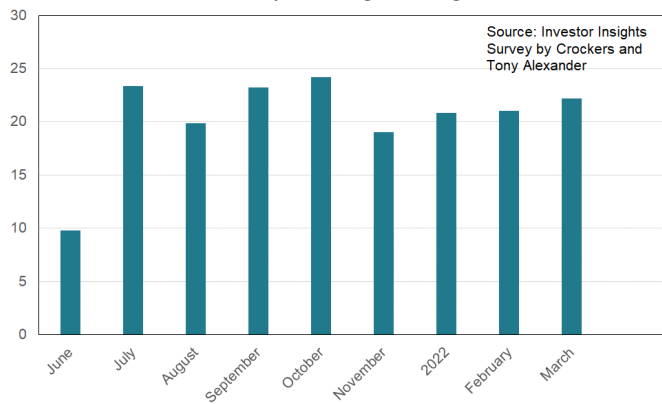


If it is an EXISTING property you're looking to buy, what type?

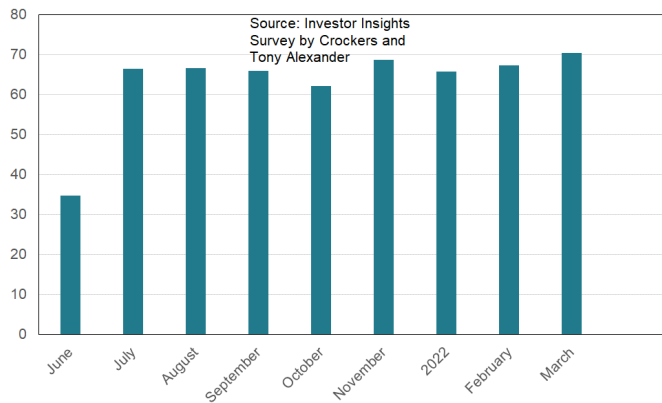




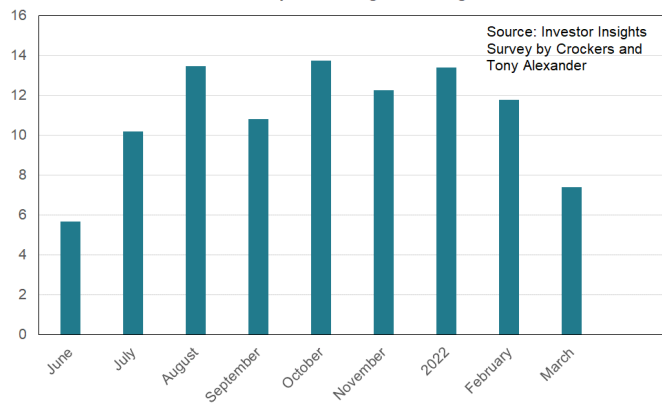
Gross % of investor buyers seeking an existing TOWNHOUSE



Gross % of investor buyers seeking an existing standalone HOUSE



Gross % of investor buyers seeking an existing APARTMENT

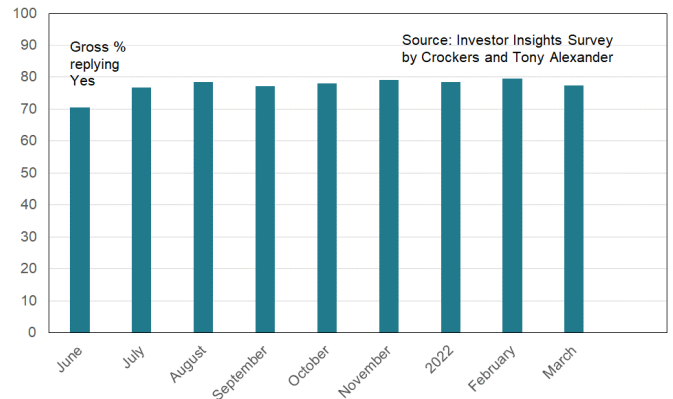


ARE YOU PLANNING TO RAISE YOUR RENTS IN THE NEXT 6 MONTHS?

The proportion of investors planning to raise their rents in the next six months has edged down slightly but not to any major degree. 78% of investors still plan rent rises. But we must

remember that rents are set with reference to the market and not just by desire of a property owner.

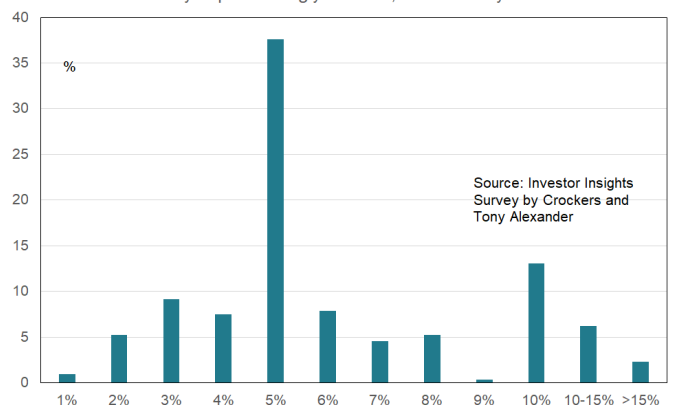
Are you planning to raise your rents in the next 6 months?



IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

This month we have introduced a change in the options for this question so that people can choose exactly 1%, 2% etc. up to 10%, then 10-15% and above 15%. More landlords are thinking of a rent rise of 5% than any other percentage.

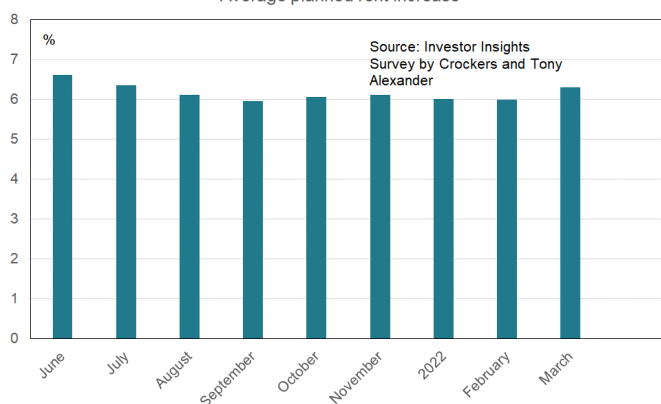
If you plan raising your rents, how much by?



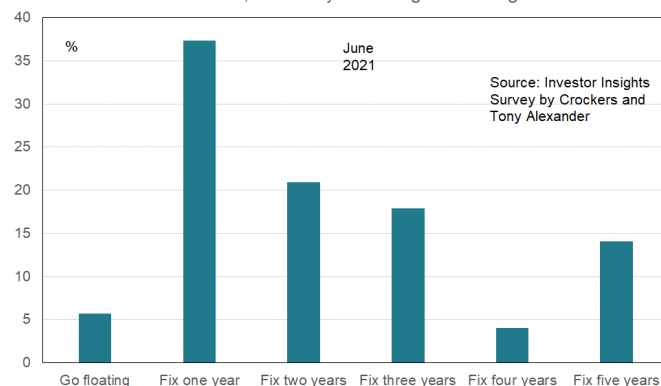
The average planned rent rise has risen slightly to 6.3% from 6%, but we should ignore this movement this month because it could simply reflect the altered range of options available.



Average planned rent increase

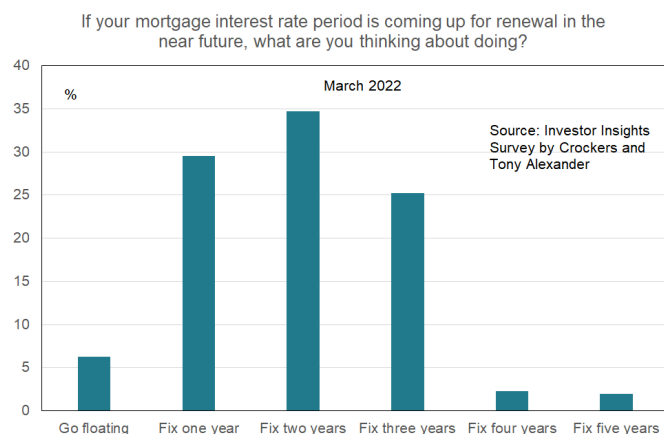


If your mortgage interest rate period is coming up for renewal in the near future, what are you thinking about doing?



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

As was the case last month, about 35% of investors with mortgages plan fixing two years at their next review. One and three year terms remain highly favoured also. But the four and five year terms continue to be out of favour.

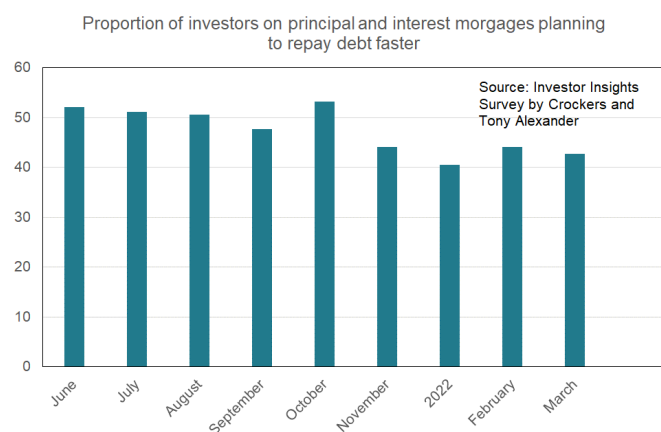


Contrast these preferences with those in June last year when the one year term was most heavily favoured.

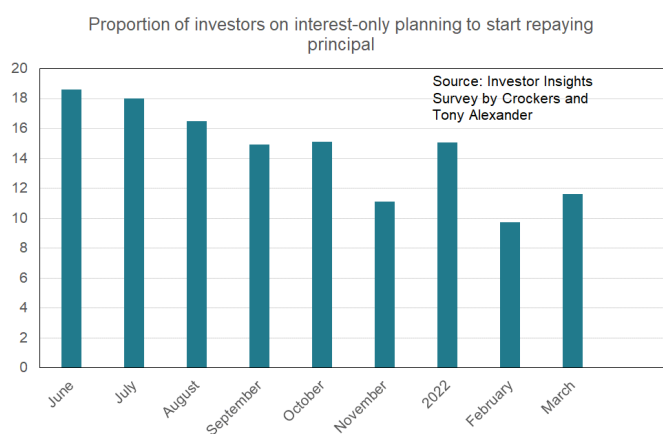
WHAT ARE YOU THINKING REGARDING THE SPEED WITH WHICH YOU ARE PAYING DOWN PRINCIPAL ON YOUR MORTGAGE?

Through this question we are looking to see if existing residential property investors may be getting concerned about debt levels and acting to reduce them.

As yet there is no rising trend in plans to hasten debt repayment by those on interest and principal repayment plans.



There has been a small rise in the proportion indicating that they will shift from interest only to include principal repayment. But there is no rising trend as yet in this measure of desire to get debt levels down.



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

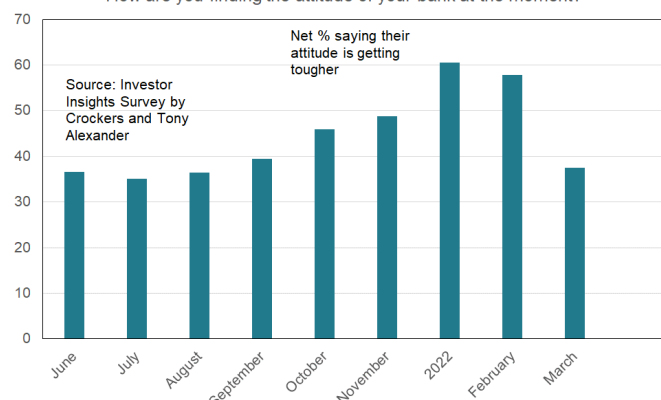
Respondents to this question can choose amongst three options.

- 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.

This past month has brought an improvement in feelings which investors have regarding the willingness of their bank to lend them money. This may reflect the announced plans for changes to the Credit Contracts and Consumer Finance Act.

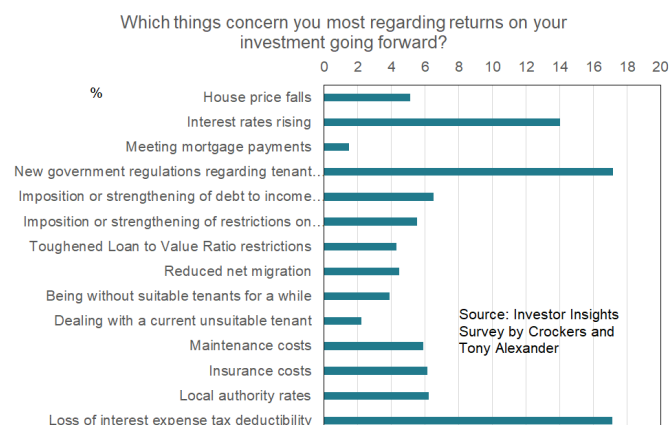
How are you finding the attitude of your bank at the moment?



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.

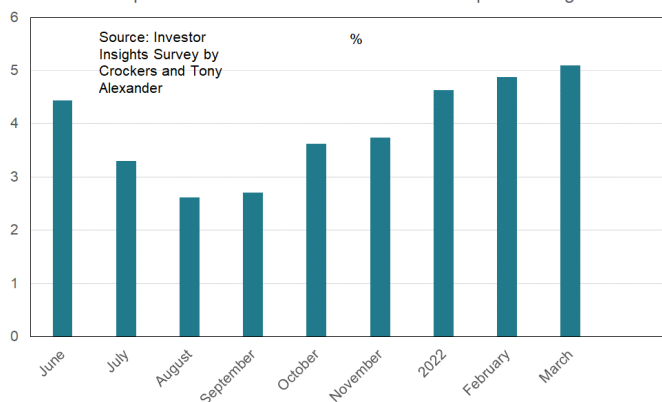
As ever, the main concerns of investors are rising interest rates, tenant regulations, and loss of interest expense deductibility.



There has been a further slight rise in the proportion worried that house prices may go down.



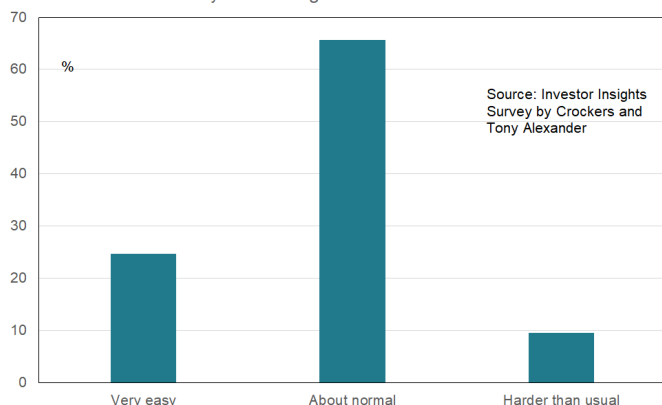
Proportion of investors concerned about house prices falling



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

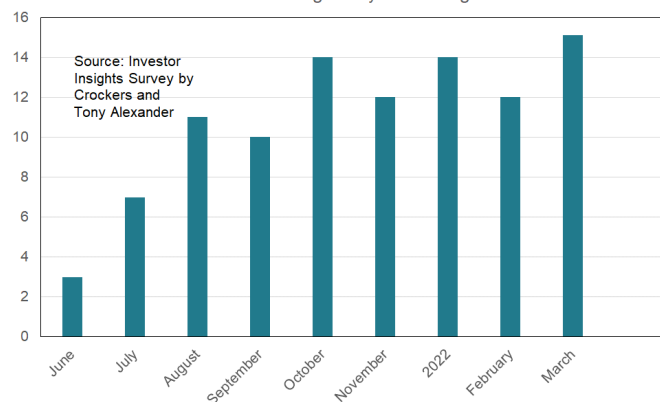
Most landlords say that things are about normal currently with regard to finding good tenants.

How easy is it to find good tenants at the moment?



When we offset those finding it easy versus hard to get a net outcome, we can see things are in fact getting easier. Media continue to highlight stories of people struggling to find rental accommodation and with the borders soon opening up to foreign visitors the exit of some properties from the long-term rental pool towards short-term rentals will likely aggravate this situation further.

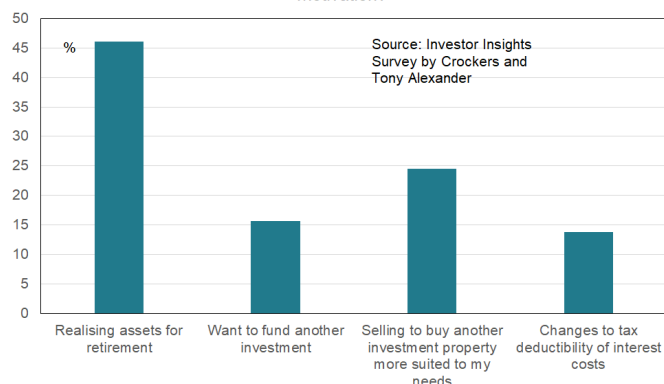
Net % of investors finding it easy to secure good tenants



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

Responses to this question are shown in the following graph. They tell us that the main reason for selling remains realising assets for retirement followed by portfolio reshuffling.

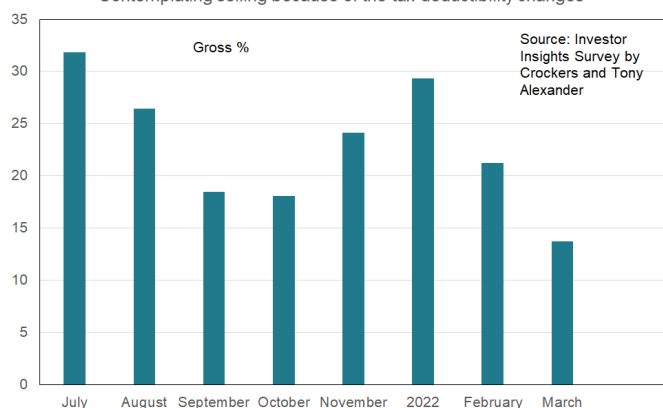
If you are going to sell your property(s) soon, what is the primary motivation?



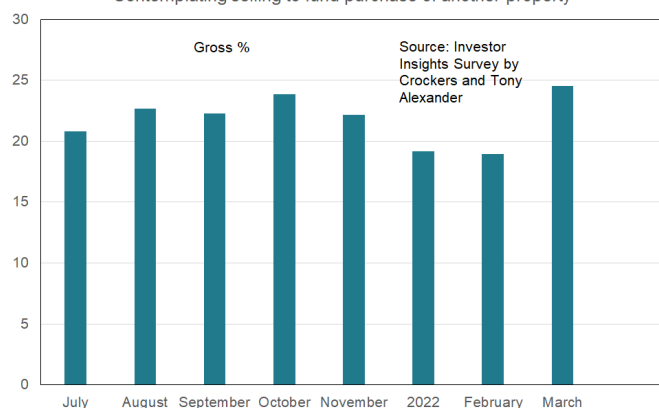
The proportion of those selling who are doing so because of the loss of interest expense deductibility continues to decline.



Contemplating selling because of the tax deductibility changes



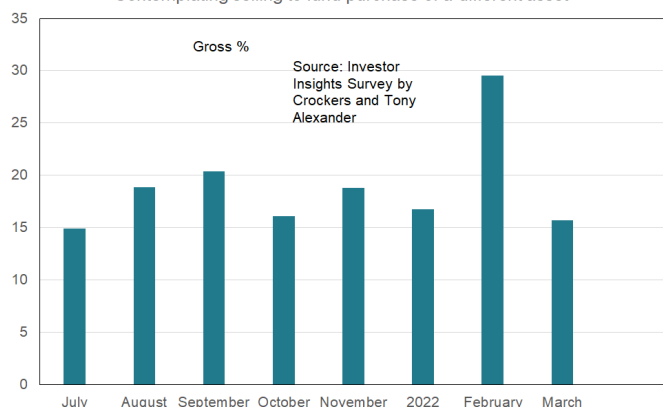
Contemplating selling to fund purchase of another property



It looks like the February result of a jump in those selling to purchase another asset may have been an aberration. Or, and perhaps more realistically, volatility in share prices and capital losses on fixed interest securities following Russia's invasion of Ukraine may have stayed the hand for now of those thinking of shifting to other than residential property assets.

There were 394 responses received in this month's survey, with respondents located as follows.

Contemplating selling to fund purchase of a different asset



Region	%
Northland	2.8
Auckland	40.8
Bay of Plenty	7.1
Waikato	7.7
Gisborne	0.1
Hawke's Bay	3.1
Taranaki	2.0
Manawatu-Wanganui	2.3
Wellington	11.5
Nelson, Tas., Marl	2.6
West Coast	0.3
Canterbury	14.3
Dunedin City	3.3
Queenstown Lakes	2.3
Southland	0.3

INVESTOR INSIGHT

Get in touch to learn about our wrap around services for management, body corporate and sales needs for your properties.

MANAGEMENT: pm@crockers.co.nz

- Request a free rental appraisal
- Enquire about stress-free property management for your residential or commercial property

BODY CORP: bc@crockers.co.nz

- Request a free proposal for your Body Corporate
- Find out how Crockers can assist your Residents' Society
- Let us manage your unit titled property sale

REALTY: sales@crockers.co.nz

- Request a free property sales appraisal
- Let us manage and market your tenanted property sale

CROCKERS PROPERTY GROUP

F 0800 CROCKERS (2762 5377)

E property@crockers.co.nz

525 Manukau Road, Epsom, Auckland 1023

PO Box 74054, Greenlane, Auckland 1546

Crockers Property Management Ltd
Crockers Body Corporate Management Ltd
Crockers Realty Ltd Licensed (REAA 2008)

MANAGEMENT
REALTY
BODY CORP

EST. 1971
crockers.co.nz

Crockers 
PEOPLE & PROPERTY