



Investor Insight

November 2023

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PEOPLE & PROPERTY

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MANAGEMENT
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Change in buying preference

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.

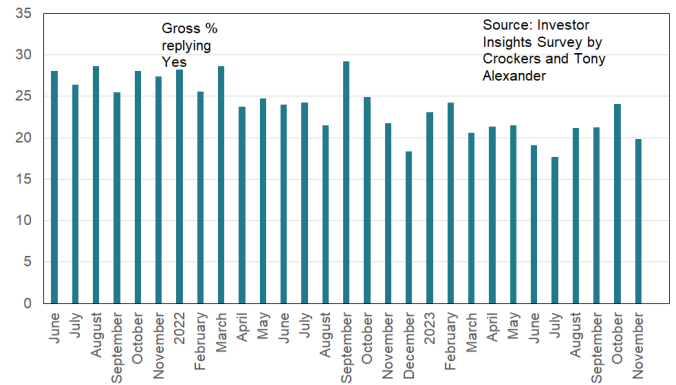
Key points of interest from this month's survey, which received 334 responses include the following.

- There has been a decline in the proportion of investors looking to make a property purchase who will buy new, and a lift in those who will buy an existing dwelling.
- The immediate post-election surge in the number of investors looking to sell in order to buy another property has faded away.
- Intentions to sell because of the 2021 tax changes, however, have remained low for the second month in a row.
- On average landlords are aiming to raise their rents by 6% in the coming year.

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

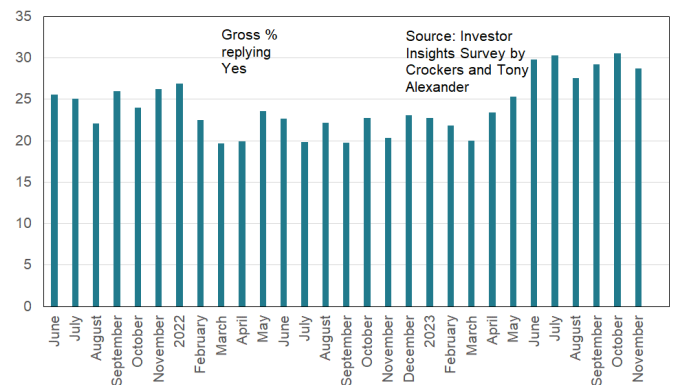
After jumping up immediately post-election, the proportion of existing property investors who indicate they are looking to buy a property has dropped back to 20% from 24%. This measure has displayed no trend up or down since the very end of 2022.

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



The proportion of investors thinking about selling in the next 12 months has eased to 29% from 31%. There was an upward trend from April to July this year as interest rates climbed higher. But since then, selling intentions have held reasonably close to 29%.

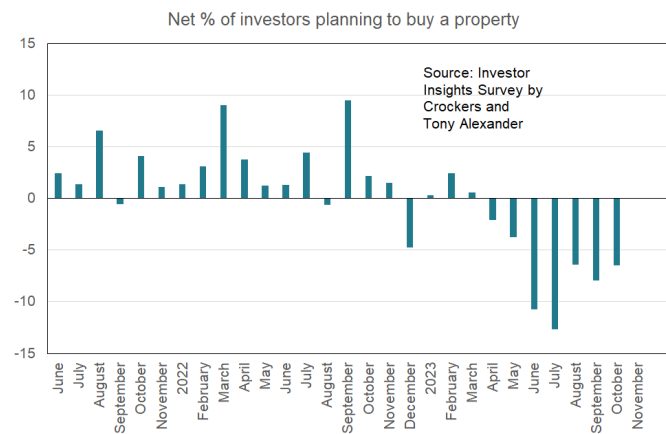
Are you thinking about selling one or all of your properties within the next 12 months?



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.

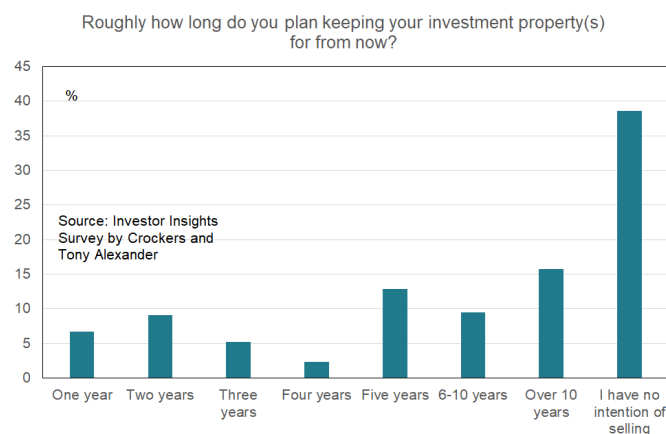


With 20% of existing property investors looking to buy and 29% looking to sell, the net percentage looking to sell is 9%. The election outcome has failed to spark a surge in net buying interest from existing investors. Note however that our survey does not capture people who do not already own an investment property.



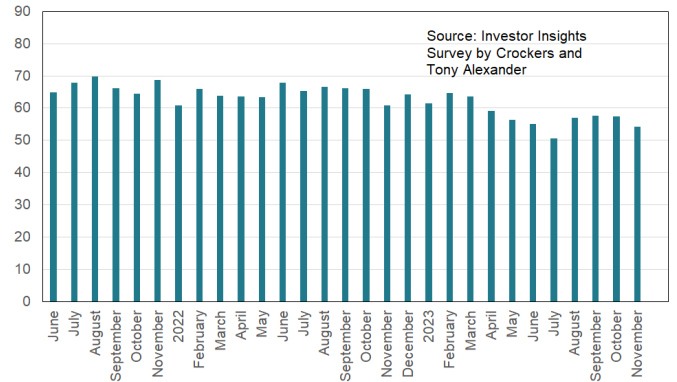
ROUGHLY HOW LONG DO YOU PLAN KEEPING YOUR INVESTMENT PROPERTY(S) FROM NOW?

Most investors plan holding their property for a long period of time.



The gross proportion of existing landlords planning to hold their property for at least ten years or never sell has however been trending slowly downward since April this year. There is a risk that this trend reflects the aging of the people in our survey database.

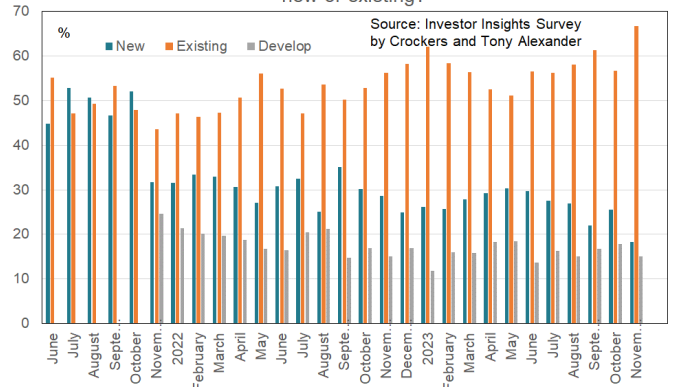
Gross % of investors planning to hold at least ten years or never sell



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

This month's survey has shown a jump in the proportion of those looking to buy who say they will opt for an existing property. That proportion now stands at a record 67% from 57% last month. In contrast, the proportion looking to buy a new dwelling has declined to a record low of 18% from 26% in October. The proportion looking to develop the property themselves has eased to 15% from 18%.

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

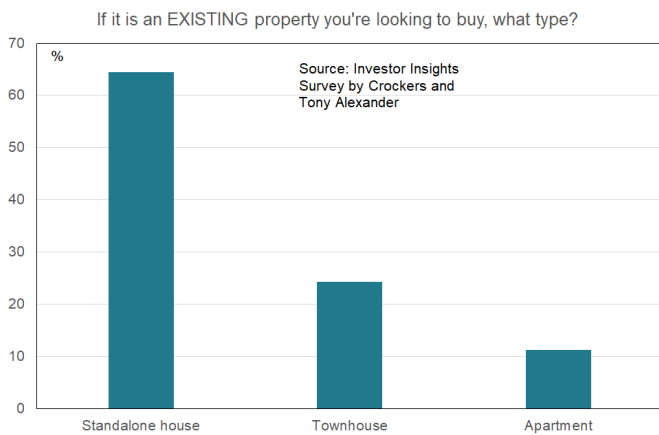
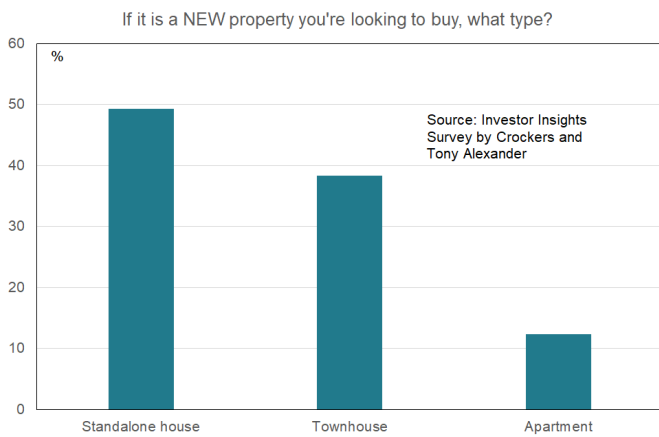


These shifts may reflect anticipation of tax deductibility of interest expense on existing properties returning.



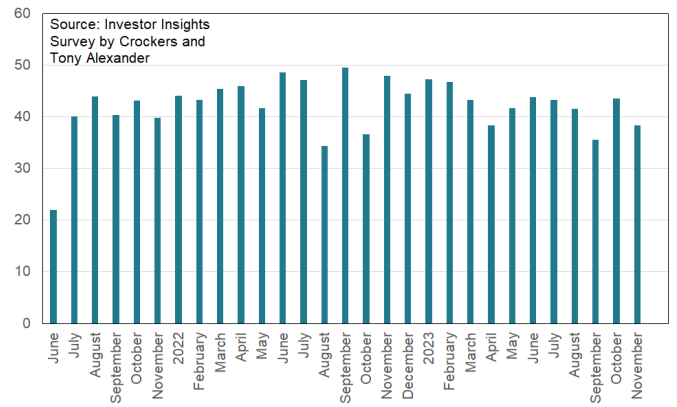
WHAT TYPE OF NEW PROPERTY IS PREFERRED?

For the investors who are thinking about buying a property in the next 12 months the preference 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.



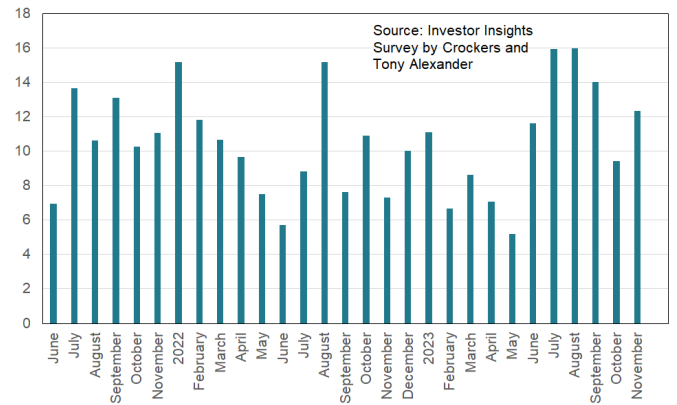
For developers the news for the moment is not positive regarding demand for townhouses with a small downward trend in place.

Gross % of investor buyers seeking a new TOWNHOUSE



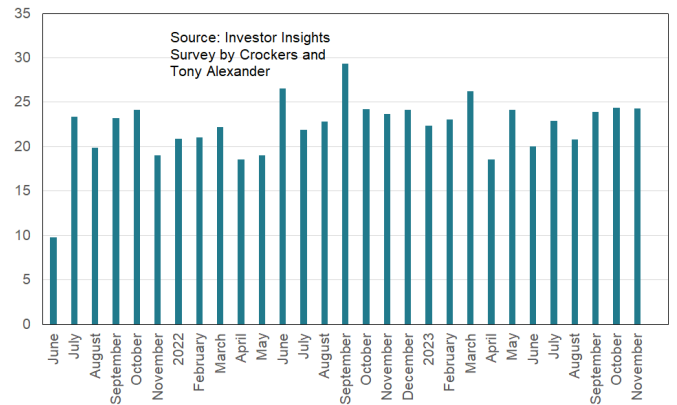
For new apartments no trend is apparent since the rise earlier this year.

Gross % of investor buyers seeking a new APARTMENT



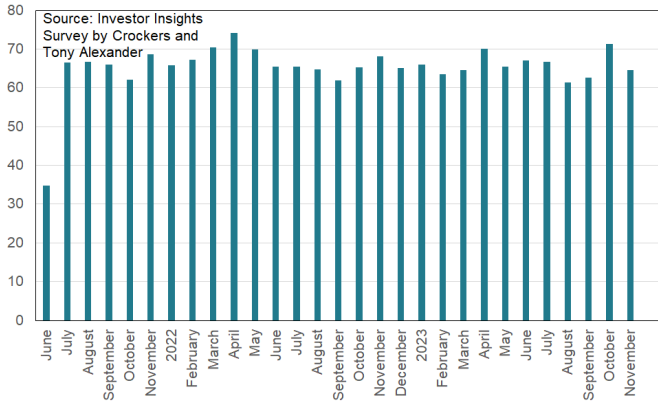
Demand for existing townhouses and standalone houses has changed little in recent times.

Gross % of investor buyers seeking an existing TOWNHOUSE



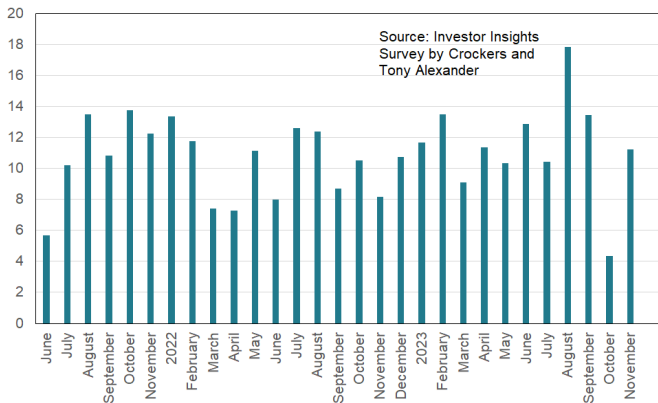


Gross % of investor buyers seeking an existing standalone HOUSE



But as above, preference for a used apartment has been volatile.

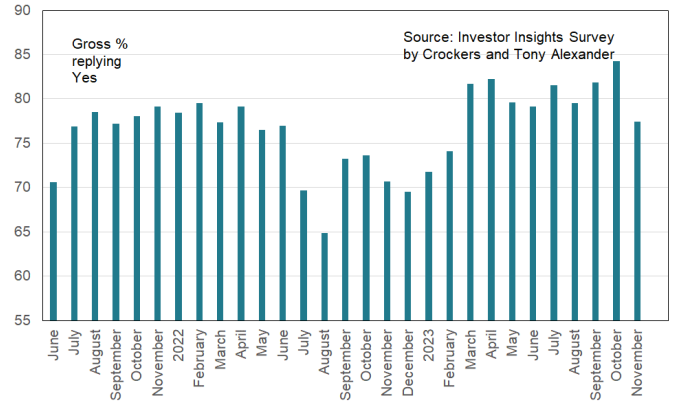
Gross % of investor buyers seeking an existing APARTMENT



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

This month 77% of our survey respondents have said that they plan to raise their rents over the coming year. This is down slightly from readings above 80% in the previous four months and equal to the average proportion since our survey started.

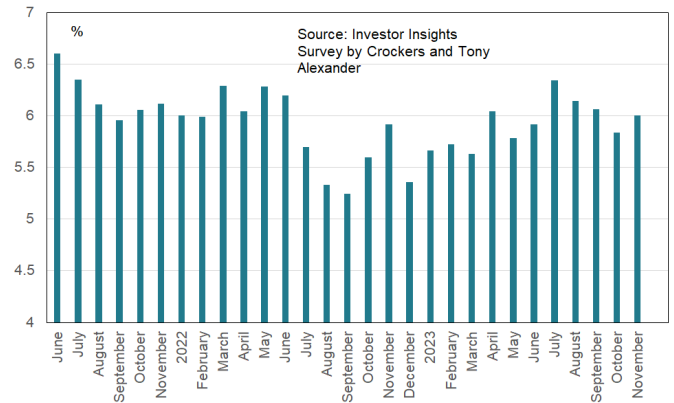
Are you planning to raise your rents in the next 6 months?



IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

On average investors are aiming for rent rises this coming 12 months of 6%, up from 5.8% last month. There was a general rise in this number from just over a year ago until July, but things have eased off marginally since then.

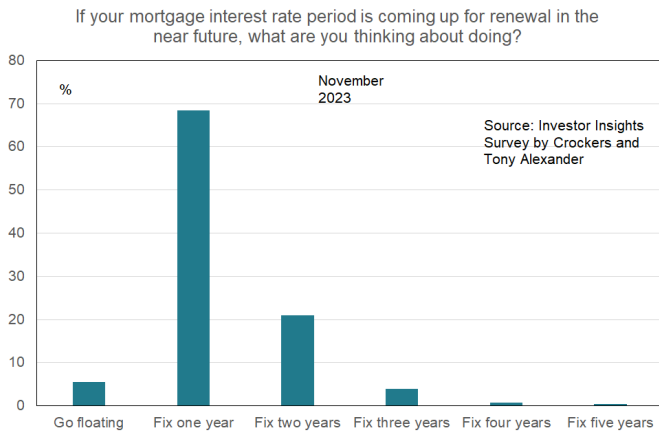
Average planned rent increase





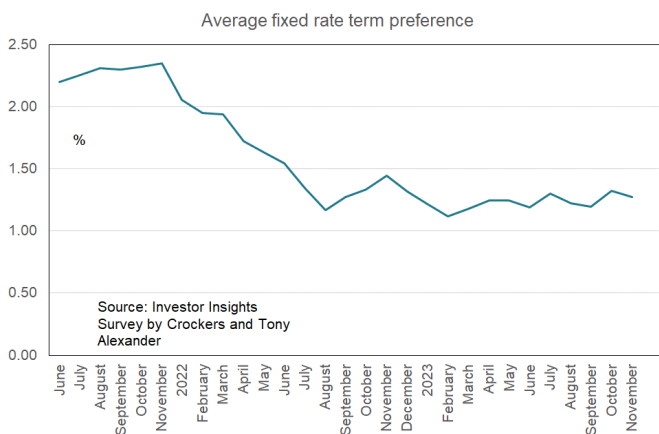
IF YOUR MORTGAGE RATE IS COMING UP FOR RENEWAL IN THE NEAR FUTURE, WHAT ARE YOU THINKING ABOUT DOING?

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



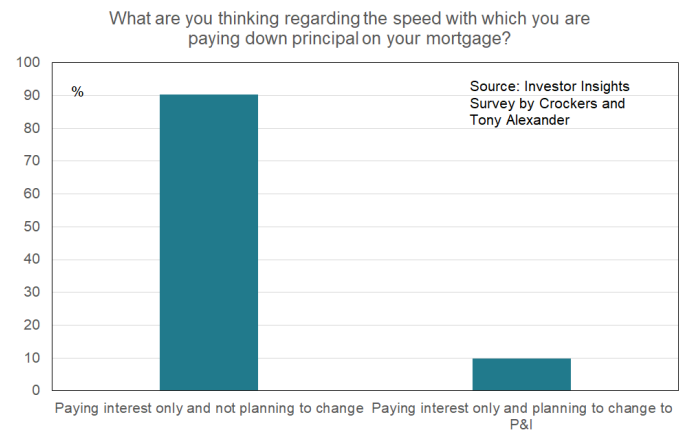
The preference for fixing one year has risen slightly this month, perhaps because of some signs that inflation is tracking downward to the extent that almost all forecasters now anticipate no further increase in the official cash rate.

But the change is minor and the average fixed term investors prefer has stayed close to 1.3 years since July last year.

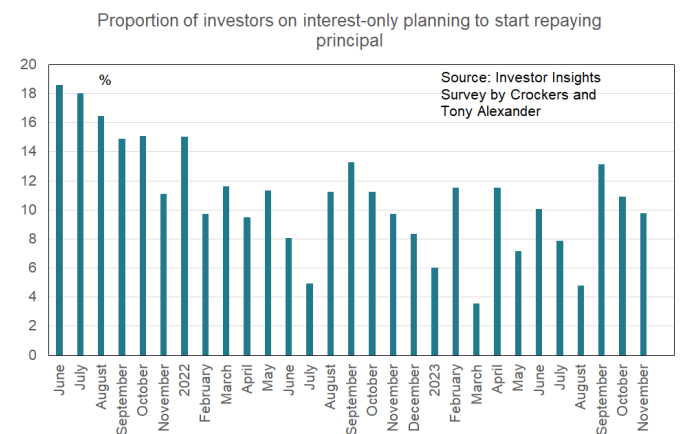


WHAT ARE YOU THINKING REGARDING THE SPEED WITH WHICH YOU ARE PAYING DOWN PRINCIPAL ON YOUR MORTGAGE?

90% of borrowers on interest only mortgages do not intend shifting to repayment of principal. This may be either because they do not have the cash flow available to do so, or the currently high interest rates are not of major concern.

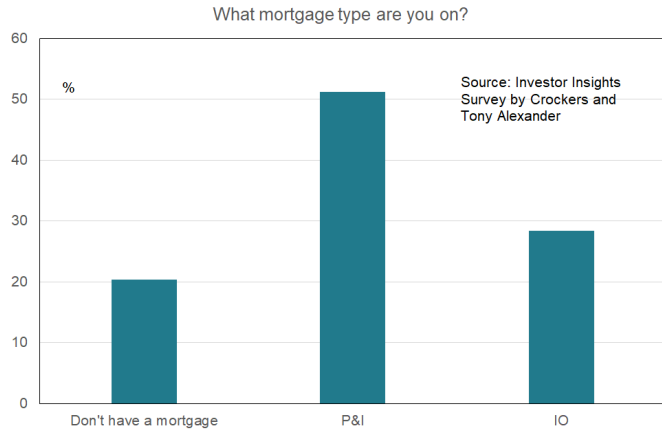


There has been no trend up in interest-only borrower intentions of repaying principal for the entirety of the tight monetary policy period.

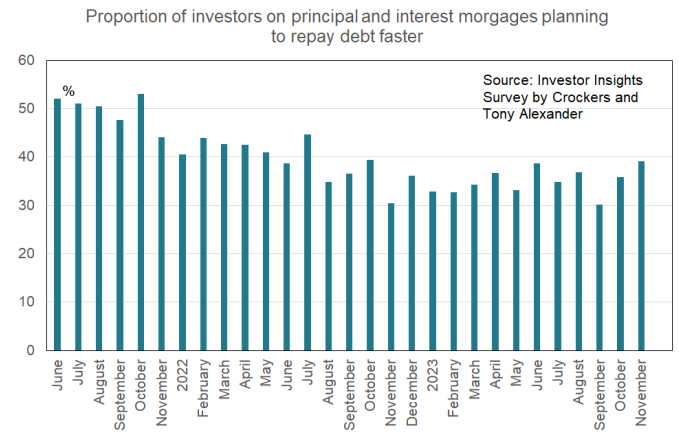




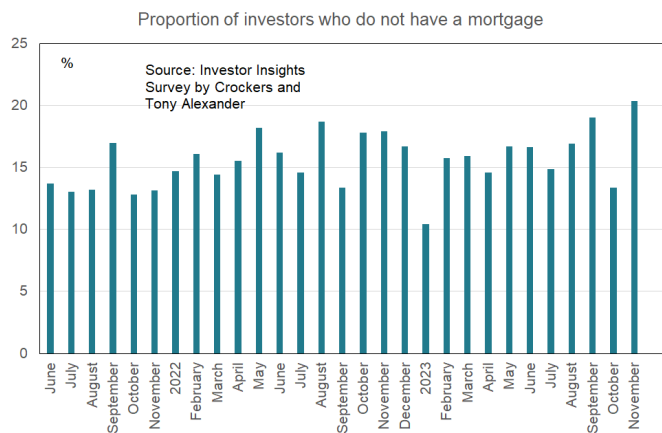
Some 20% of our respondents do not have a mortgage.



But again, there is no lift in this measure associated with the tight monetary policy period.



The proportion of investors without a mortgage has been moving up over time.



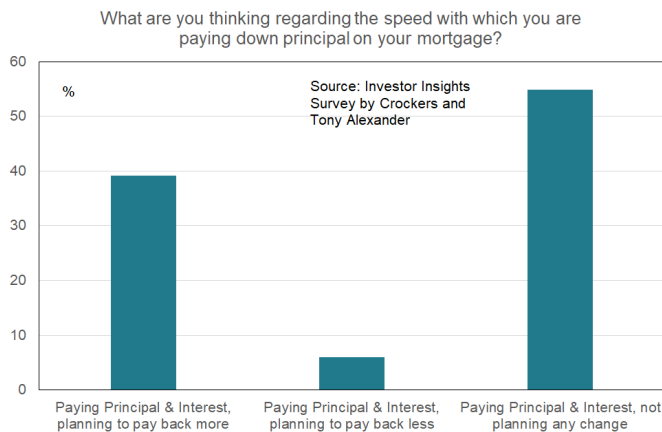
HOW ARE YOU FINDING THE ATTITUDE OF YOUR BANK AT THE MOMENT?

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.

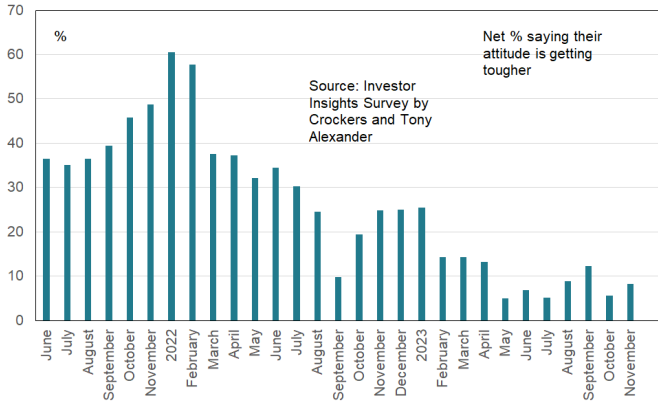
For those investors on principal and interest mortgages 39% plan boosting their repayments.



On average investors say banks are tough when it comes to getting credit. But the degree of toughness is considerably less than two years ago.



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

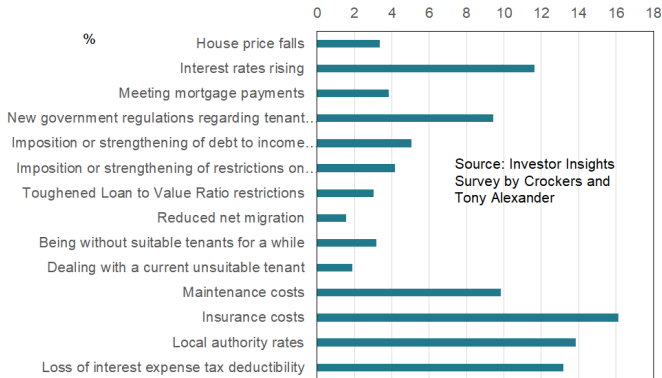


WHICH THINGS CONCERN YOU MOST REGARDING RETURNS ON YOUR INVESTMENT GOING FORWARD?

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

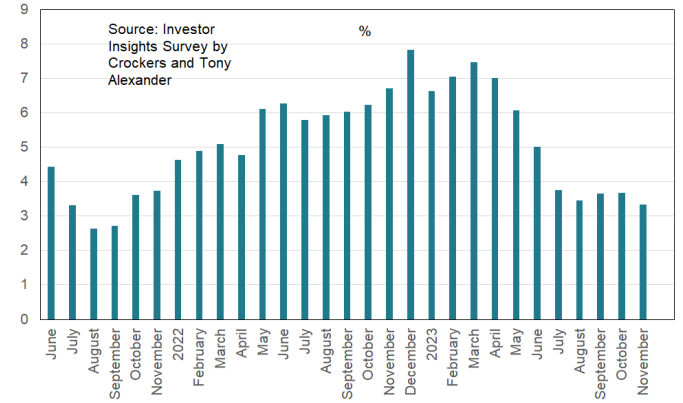
The biggest concerns are insurance costs and council rates.

Which things concern you most regarding returns on your investment going forward?



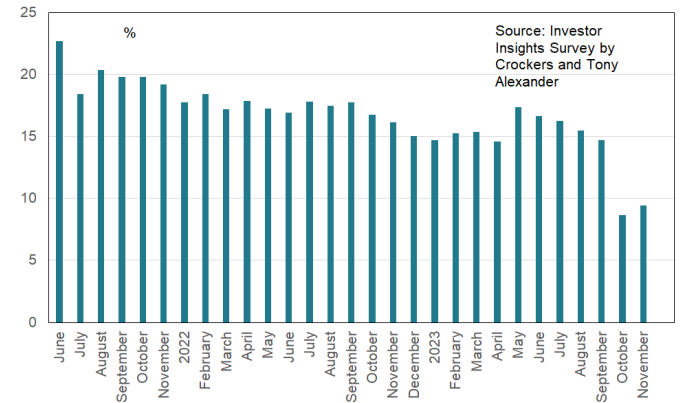
Worries about house prices falling continue to edge lower.

Proportion of investors concerned about house prices falling

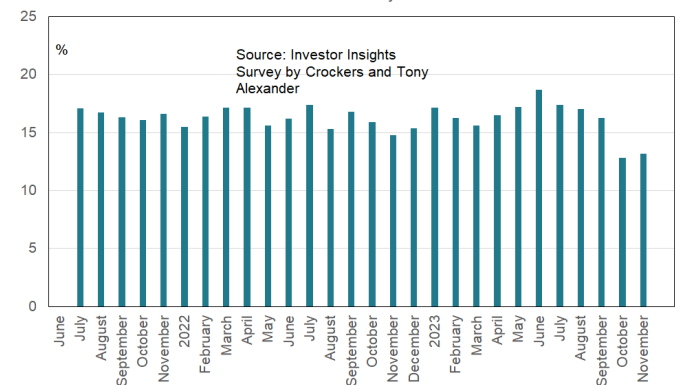


The anticipation of rule changes will help explain the stepping down of concerns about tenant regulations and loss of interest expense deductibility.

Proportion of investors concerned about new tenant regulations

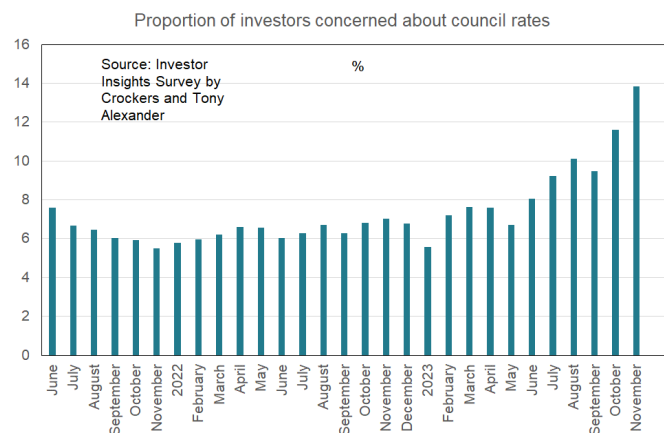
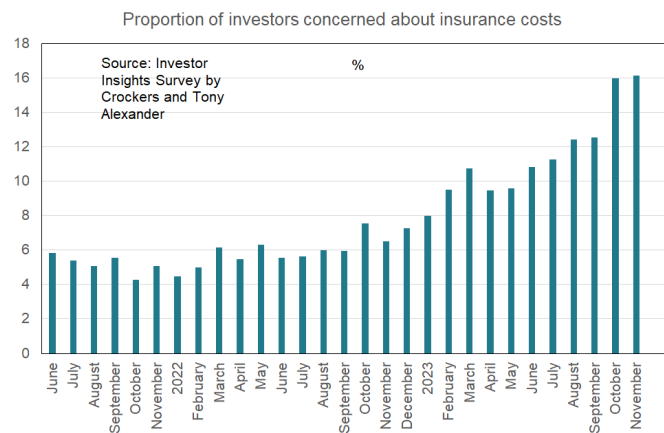
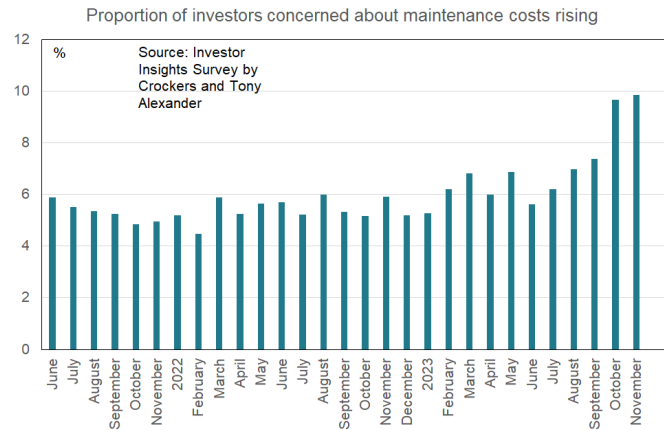


Proportion of investors concerned about loss of interest expense deductibility



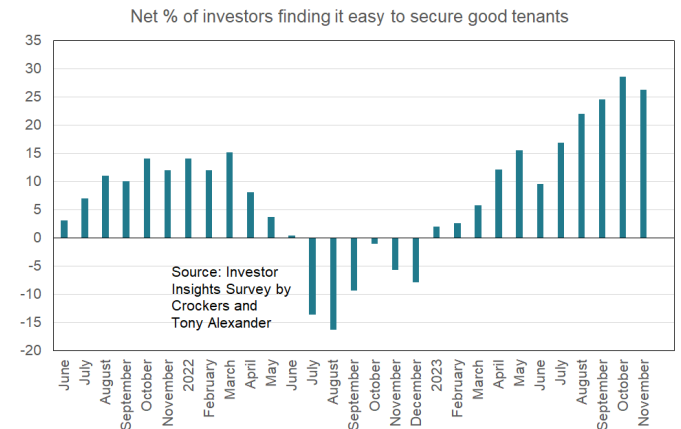


Worries about expenses continue to lift, covering maintenance costs, insurance, and local authority rates as shown in the following group of three graphs.



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

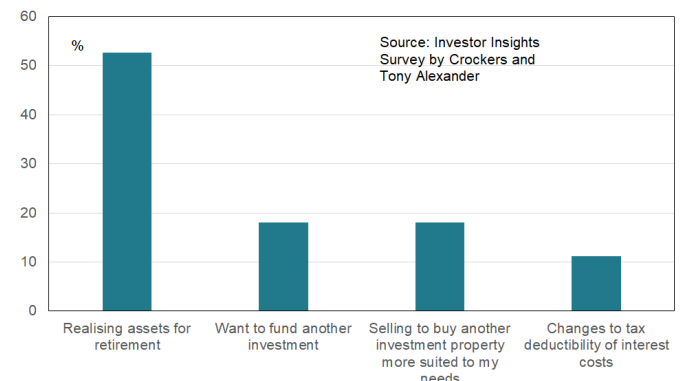
A net 26% of investors have reported that they are finding it easy to get good tenants. This is about the same as the record 28% of last month's survey.



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

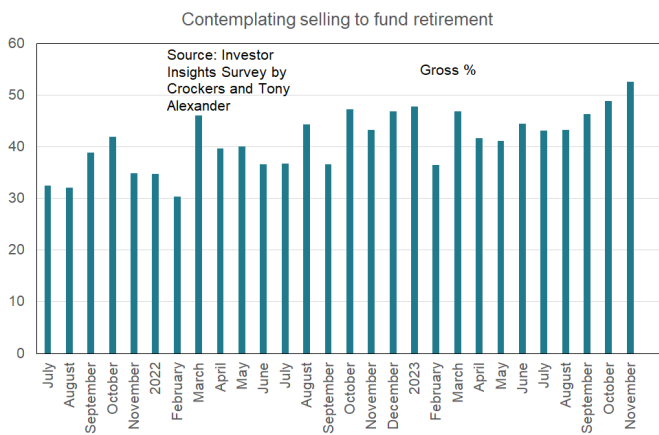
Most people contemplating selling cite funding retirement as reason.

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

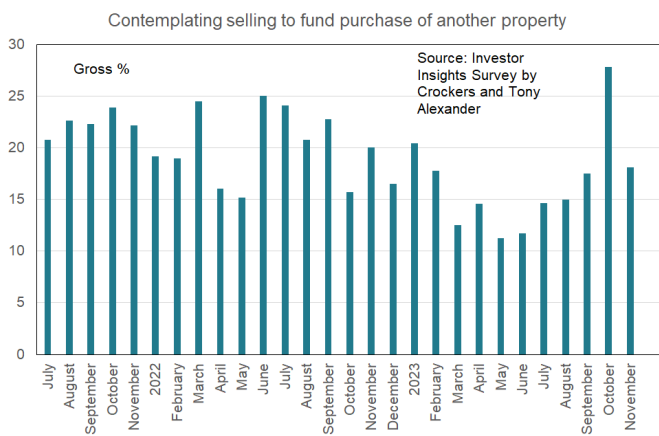




There continues to be an upward trend in this reason.

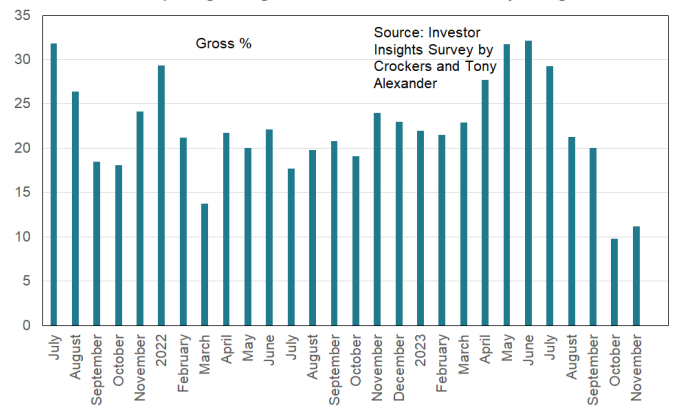


Interestingly, last month's jump in the proportion of people saying they will sell to fund another purchase has almost completely reversed this month. But looking at the graph we can still see what appears to be a mild upward trend.



But one dynamic which has been maintained is the sharp decline in the proportion looking to sell because of the tax rule changes from 2021.

Contemplating selling because of the tax deductibility changes



There were 334 responses received in this month's survey, with respondents located as follows.

Region	%
Northland	1.7
Auckland	46.7
Bay of Plenty	4.9
Waikato	8.4
Hawke's Bay/Gisborne	3.8
Taranaki	2.0
Manawatu-Wanganui	2.3
Wellington	14.2
Nelson, Tas., Marl	2.9
Canterbury	8.7
Dunedin City	2.0
Queenstown Lakes	1.7
Southland	0.6

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