



Investor Insight

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Crockers 
PEOPLE & PROPERTY

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Evidence of an election outcome impact

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.

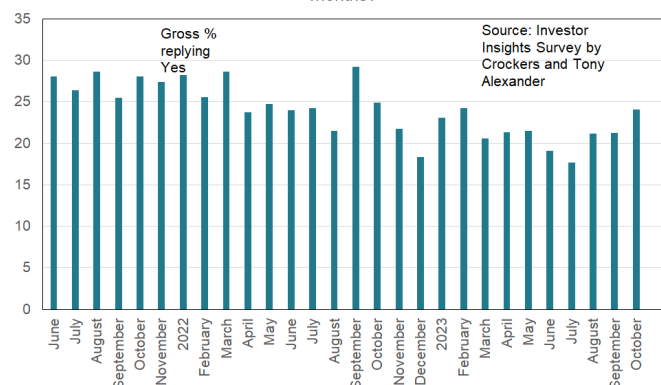
Key points of interest from this month's survey, which received 337 responses include the following.

- For the fourth month in a row landlords have reported that it is getting increasingly easy to secure good tenants.
- Upward pressure on rents remains.
- We can see evidence of the election outcome impacting investors including through decreased concerns about loss of interest expense deductibility, a jump in plans to sell in order to buy again, and decreased concerns about tenant legislation.

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

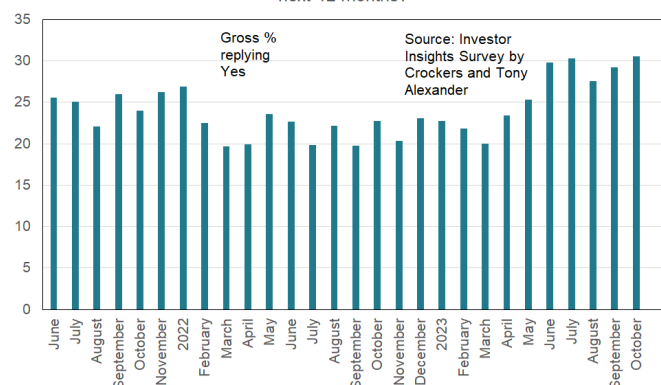
There has been a rise this month in the proportion of existing investment property owners saying they plan purchasing a property in the next 12 months to 24% from 21% in September and August. This is the highest reading since exactly a year ago just before the shock inflation number and extra upward movements in interest rates alongside talk of a recession.

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 also increased, however, to 31% from 29% in September and 28% in August.

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



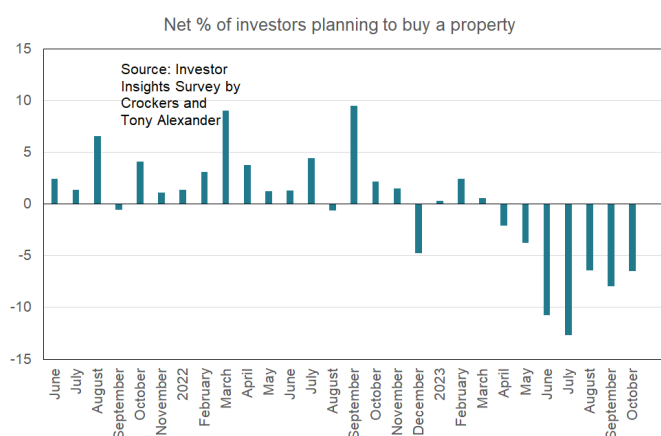
Putting the two measures together we can calculate net buying intentions, and this can give an indication as to whether price pressures are upward or downward from the people who already own residential property investments.

Net purchase intentions this month have come in at a still firmly negative reading of 6% from 8% last month and the same 6% in August. This outcome suggests that as yet the election outcome has not altered the net intentions of existing investors with regard to future property



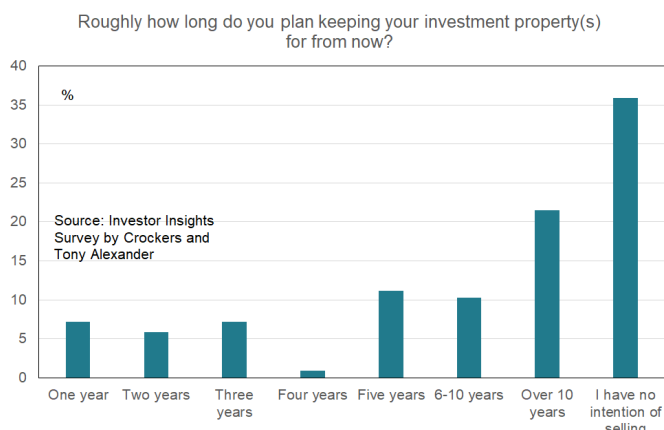
purchases or sales. But the fact that both measures of buying and selling intentions have gone up suggests increased activity soon in the residential real estate market.

That conclusion would gel with anecdotal reports since the election regarding more people looking to buy and more to sell. Note that our survey covers existing investors but does not specifically provide insight into what people without a current investment property may be intending to do.

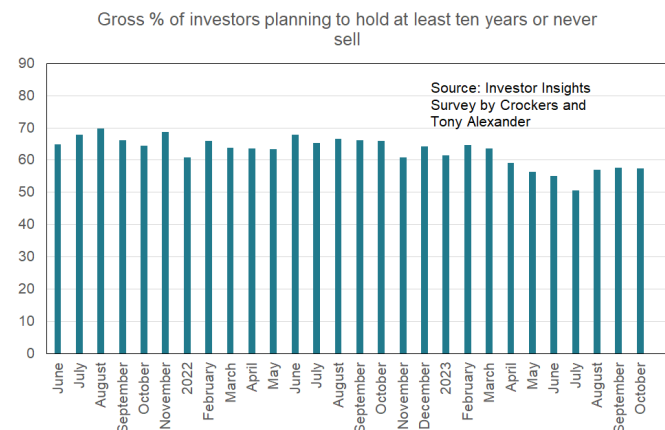


ROUGHLY HOW LONG DO YOU PLAN KEEPING YOUR INVESTMENT PROPERTY(S) FROM NOW?

This first graph is our standard one showing the proportion of investors planning to hold their property for one year, two years, and so on. Most plan long-term ownership and very few would be classified as “flippers”.



The gross proportion of existing landlords planning to hold their property for at least ten years or never sell has held steady at the near 58% level of the previous two months.



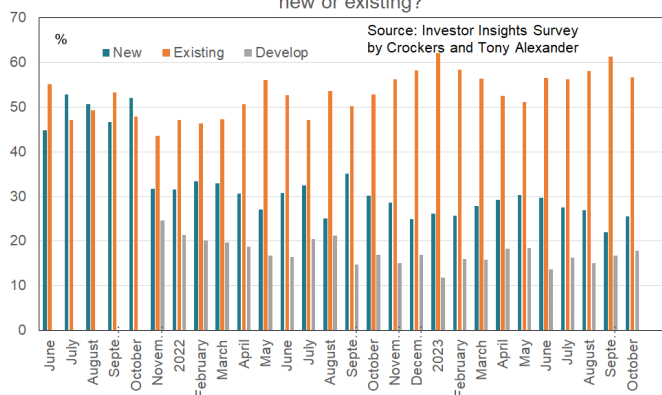
IF YOU ARE THINKING ABOUT BUYING ANOTHER PROPERTY WILL IT BE NEW OR EXISTING?

This question can give insights which may be useful to building firms trying to get a feel for what the level of demand may be for new builds in the coming 1-2 years. This is of special interest currently because construction levels have been falling for a year and probably will continue to do so through into early-2025. After then the strong population growth, falling interest rates, lower stocks of existing houses for sale, and higher average house prices are likely to see demand for new builds rise again.

This month the blue column showing the proportion of investors who will purchase a new property has recovered after last month's fall. The rise is good but we cannot see a rising trend in this measure.



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



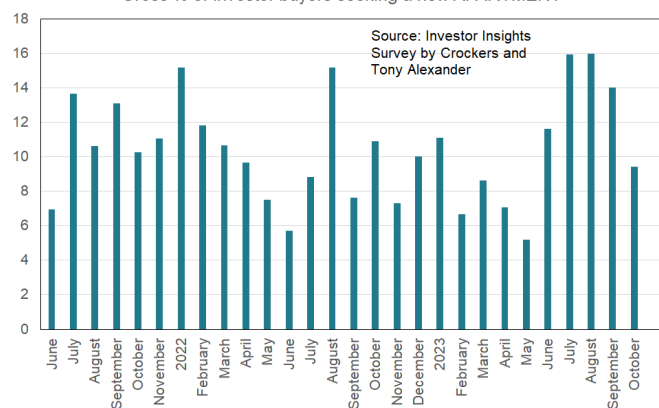
Similarly, the grey column showing the proportion buying who will develop their own property has also gone up. But in this case there might be a small upward trend. Having spoken a few weeks ago at a function attended by potential individual property developers I can attest to a good level of interest existing from many people to once again do their own developments. Finance may be an issue in the short-term.

WHAT TYPE OF NEW PROPERTY IS PREFERRED?

Rather than go through all the possibilities here I will pick out any interesting trends in the proportion of people buying new and the proportion buying an existing property who prefer a townhouse, apartment, and house.

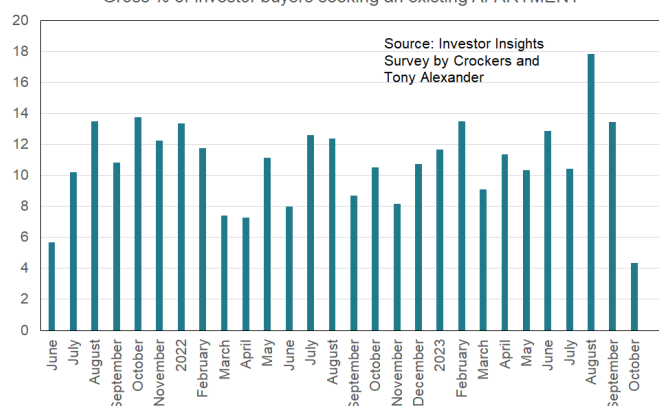
Preference for the purchase of a new apartment has eased back this month after rising firmly since June. But that still allows us to say that demand for new apartments has risen in recent months.

Gross % of investor buyers seeking a new APARTMENT



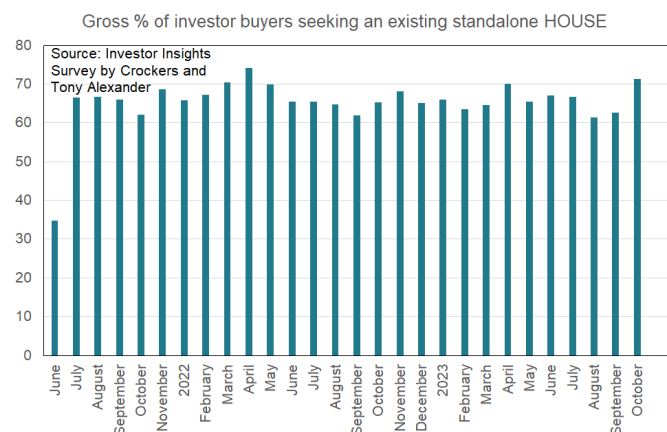
Demand for existing apartments in contrast has fallen quite sharply. It would be best to wait for next month's results before making any conclusions here as the change seems to run against the logic of rising demand from the need to service increasing numbers of foreign students and tourists.

Gross % of investor buyers seeking an existing APARTMENT



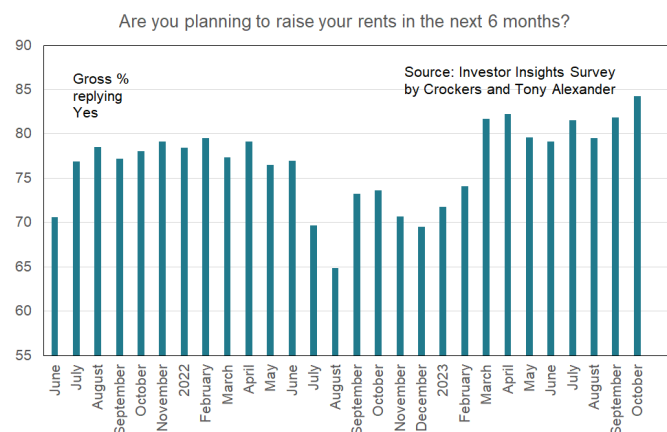


Over 70% of those looking to purchase new want a standalone house.



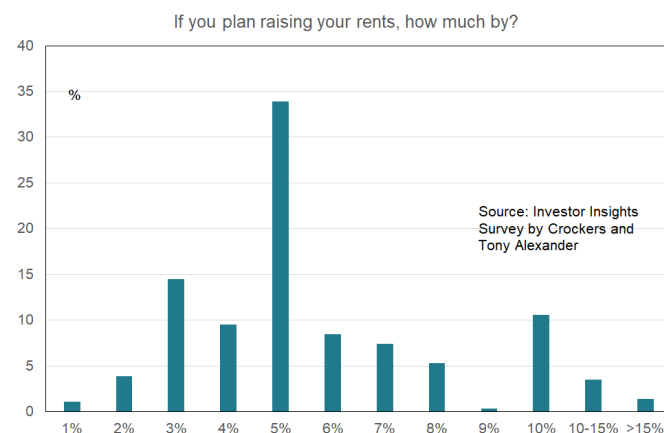
ARE YOU PLANNING TO RAISE YOUR RENTS IN THE NEXT 6 MONTHS?

This month's survey has revealed a further rise in the proportion of investors planning to raise their rents – to a record 84% from a low of 65% in August last year.

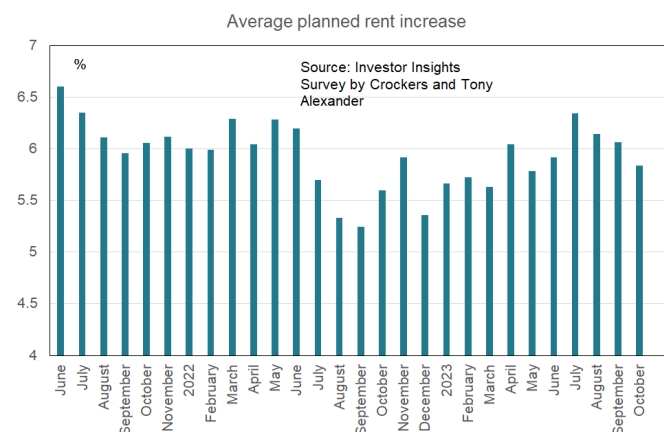


IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

As always, the most common rent rise favoured by landlords is strongly 5%, followed by 10%.

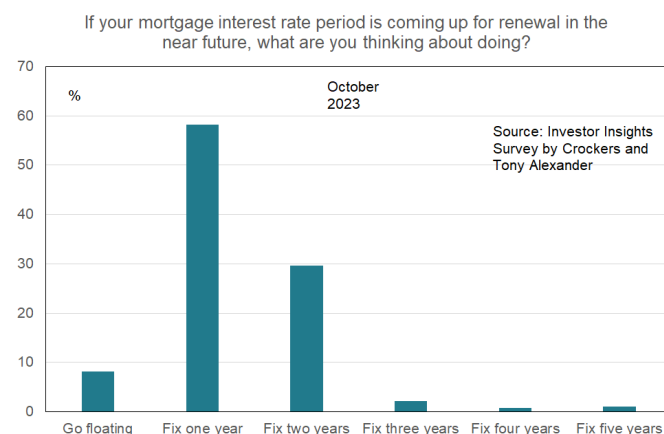


The average planned rise has eased slightly in recent months but is still quite firm at 5.8%.



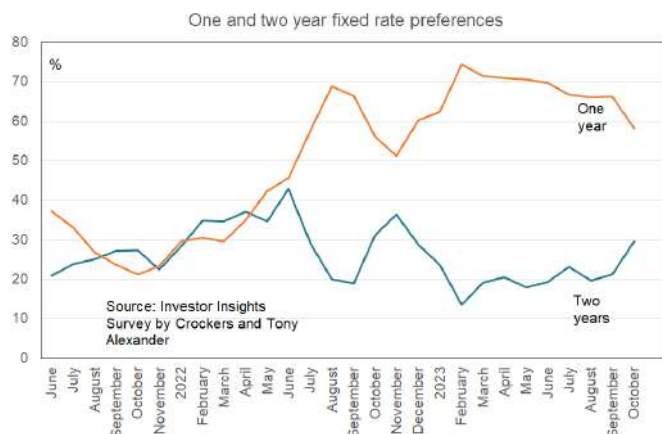
IF YOUR MORTGAGE RATE IS COMING UP FOR RENEWAL IN THE NEAR FUTURE, WHAT ARE YOU THINKING ABOUT DOING?

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

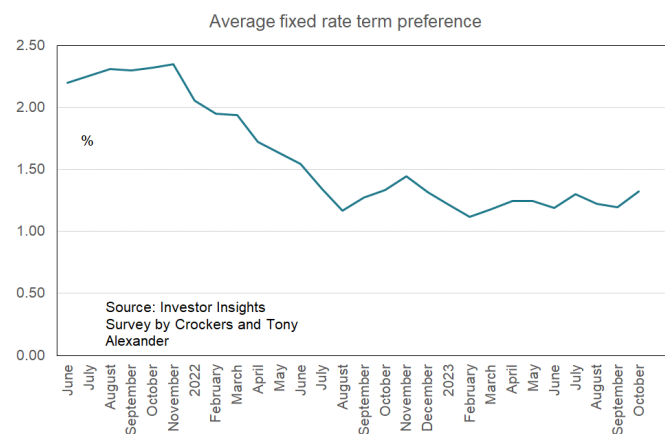




This month the preference for fixing one year, however, has edged down while that for two years has gone up.



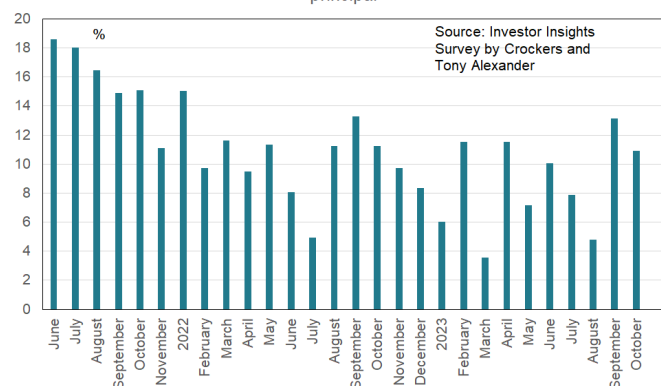
The average term preferred to fix has crept slightly higher. Bank wholesale funding costs have continued to go up in recent weeks in response to additional increases in United States wholesale interest rates. Nervousness about the pace with which inflation in New Zealand will fall remains.



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

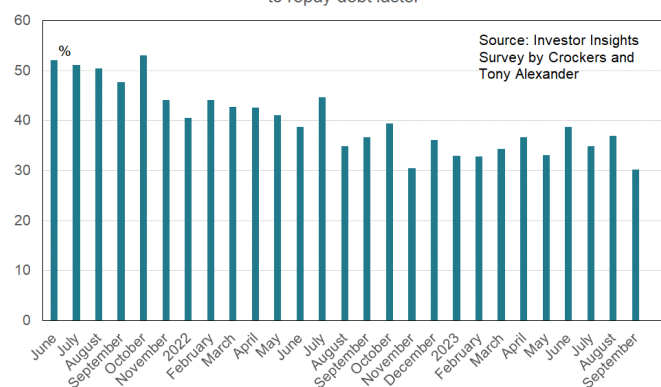
The proportion of people on interest-only mortgages planning to start reducing their debt has increased over the past two months, perhaps reflecting some new concerns about interest rates.

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



For those already repaying some of their principal the month has brought a rise in the proportion planning to boost principal repayment – but only back to the level of two months ago.

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



These responses tell us there is no overall fresh feeling of urgency regarding getting debt down. It is not possible to see any particular change we might attribute to the election outcome and the coming slow restoration of interest expense deductibility for property investors.

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

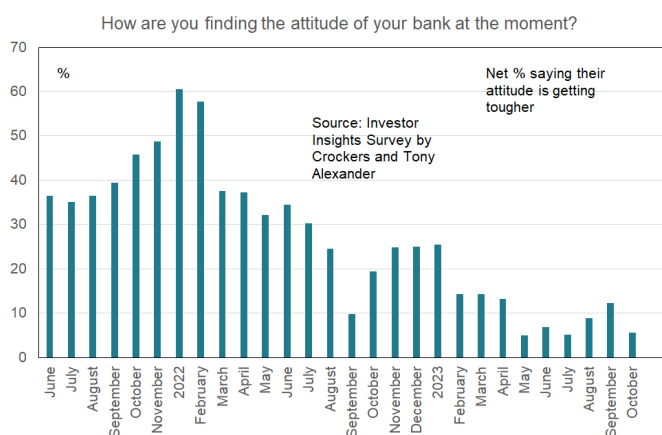
Respondents to this question can choose amongst three options.

- 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.

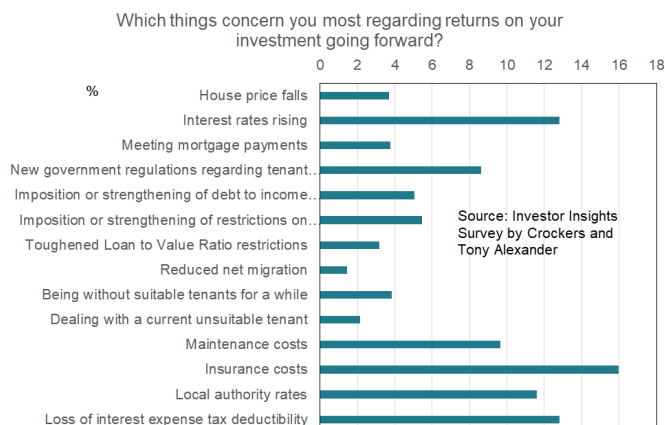
There appears to be no substantial alteration over recent months in how investors perceive the willingness of banks to advance them funds. A net 6% still say banks are getting tougher.



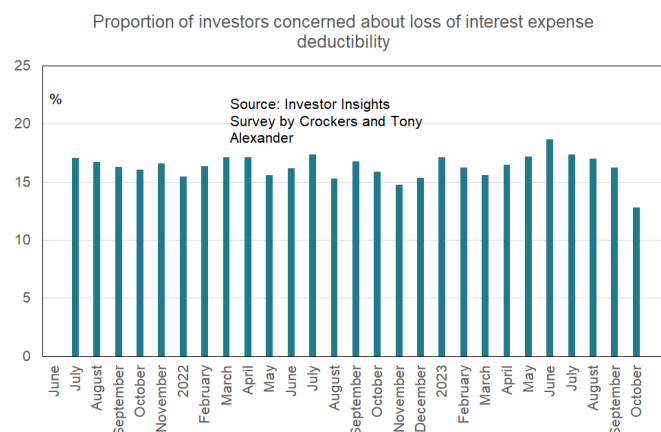
WHICH THINGS CONCERN YOU MOST REGARDING RETURNS ON YOUR INVESTMENT GOING FORWARD?

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

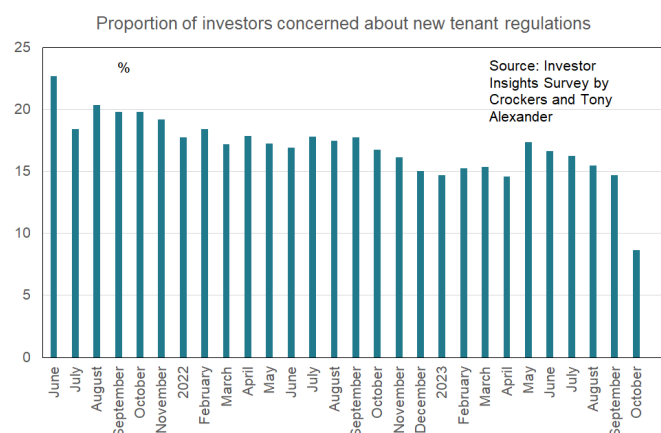
The biggest concerns are insurance costs and interest rates.



Worries about loss of interest expense deductibility have understandably gone down now that the policy is set to be reversed.



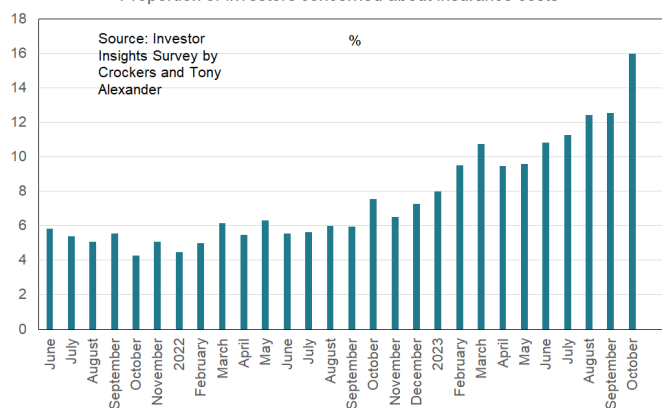
The election outcome will also explain a drop in the proportion of investors expressing concern about tenant regulations.



Insurance cost worries have risen sharply. In recent weeks insurance companies have been reporting expectations of raising their premiums sharply in the coming year.

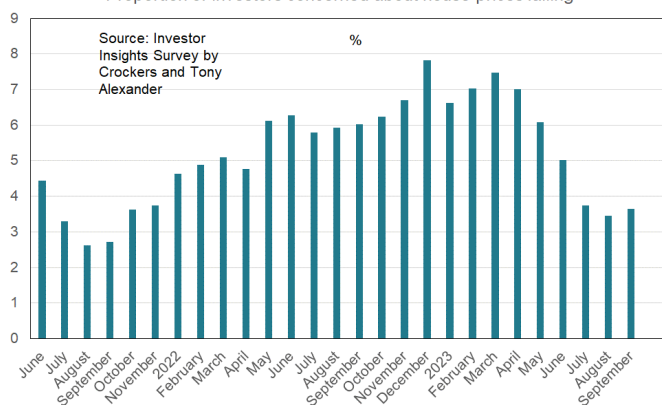


Proportion of investors concerned about insurance costs



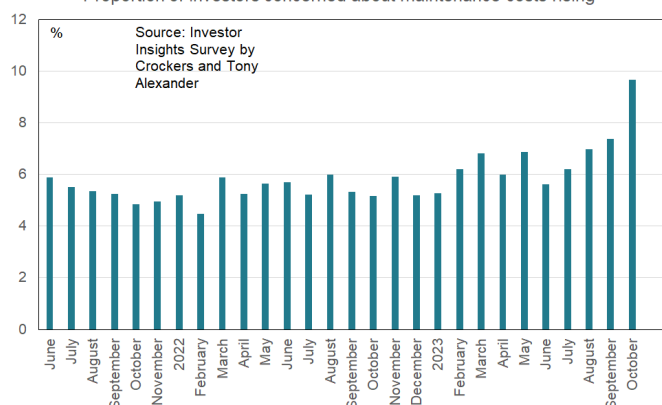
Worries about rates have also risen sharply as debate rages around the need to replace infrastructure and the difficulties of councils finding funding to do so.

Proportion of investors concerned about house prices falling



Maintenance costs have also once again become more of a concern.

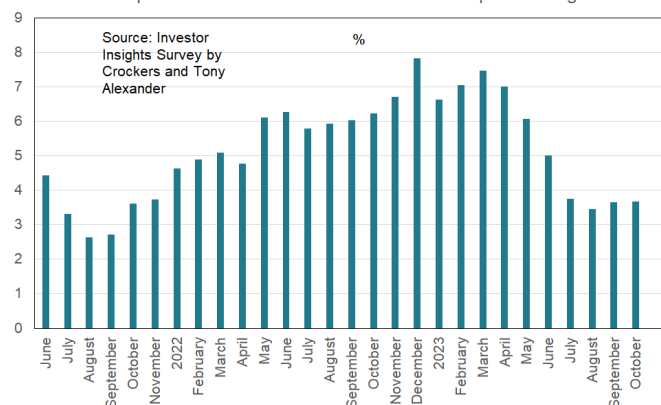
Proportion of investors concerned about maintenance costs rising



With so many rising concerns about cash outflows it becomes easy to understand why more landlords are planning to raise their rents.

Worries about house prices falling fell back in the middle of this year but have not continued to decline – yet.

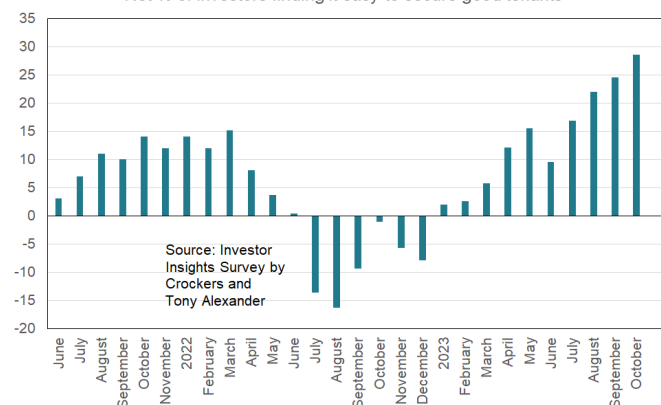
Proportion of investors concerned about house prices falling



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

A record net 28% of investors this month have reported that it is easy to find good tenants. This result is likely driven by the boom in population growth driven by record net immigration of 110,000 people in the past year.

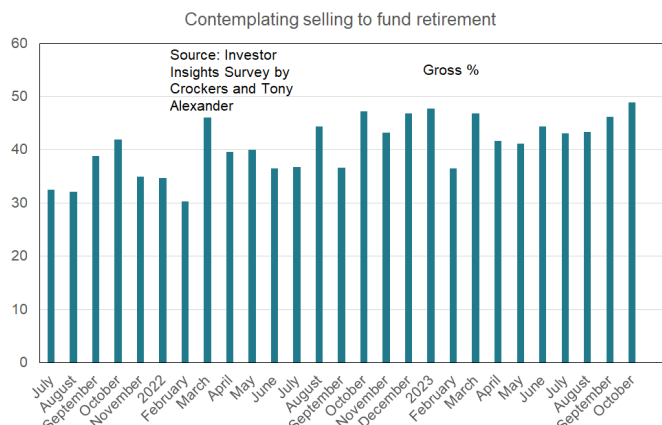
Net % of investors finding it easy to secure good tenants



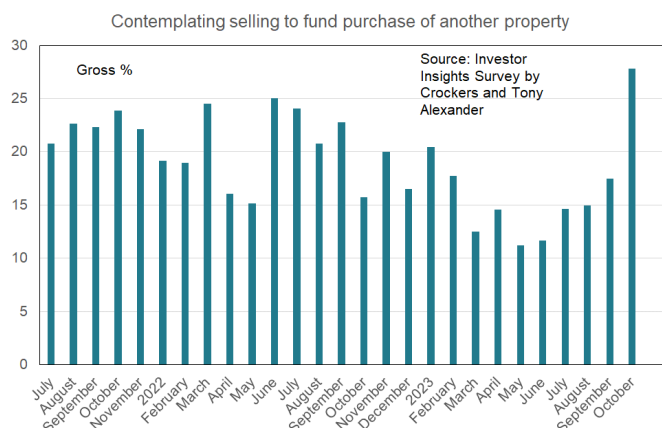


IF YOU ARE GOING TO SELL YOUR PROPERTY(S) SOON, WHAT IS THE PRIMARY MOTIVATION?

There is a small upward trend in the proportion of people looking to sell who say they are doing so in order to fund their retirement.

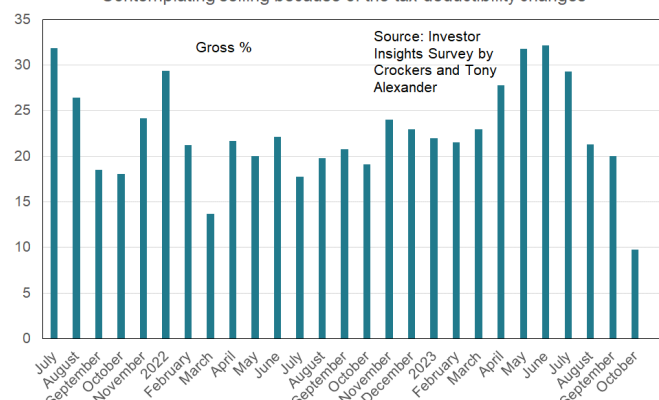


But there has been a large jump in the proportion saying they will sell in order to buy something else. This might reflect the anticipated cutting of the brightline test back to two years from ten years.



Finally, very few investors looking to sell now say that their motivation is loss of interest expense deductibility.

Contemplating selling because of the tax deductibility changes



There were 337 responses received in this month's survey, with respondents located as follows.

Region	%
Northland	2.1
Auckland	41.2
Bay of Plenty	5.8
Waikato	8.8
Hawke's Bay/Gisborne	3.6
Taranaki	2.1
Manawatu-Wanganui	2.4
Wellington	13.9
Nelson, Tas., Marl	3.0
Canterbury	11.2
Dunedin City	3.3
Queenstown Lakes	2.4
Southland	0.1

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