



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.

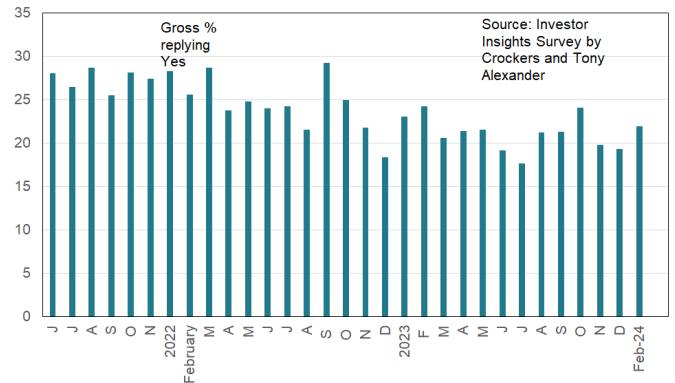
Key points of interest from this month’s survey, which received 388 responses include the following.

- There is a trend rise in the proportion of those who were intending to hold their property for at least ten years now planning to sell. Their timeframe has shifted.
- Averaged planned rent increases have eased despite strong cost concerns and an abundance of tenants.

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

Between the start of our survey in the middle of 2021 and the middle of last year there was a downward trend in the proportion of existing property investors saying they planned buying another property. Since mid-2023 a very small upward trend has appeared but with some high volatility over the October to February period.

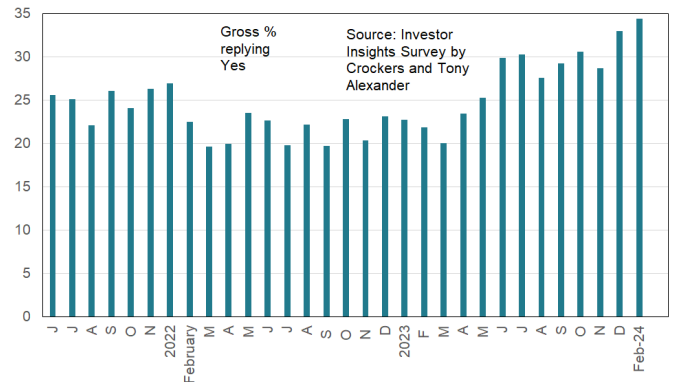
Are you thinking about buying another property within the next 12 months?



Investors appear interested in purchasing property but for the moment are hesitant to do so.

The greater upward trend since early-2023 has been for those thinking about selling their property or properties. Our latest survey shows that 34% of investors are thinking about selling, up from the low of 20% seen 11 months ago.

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

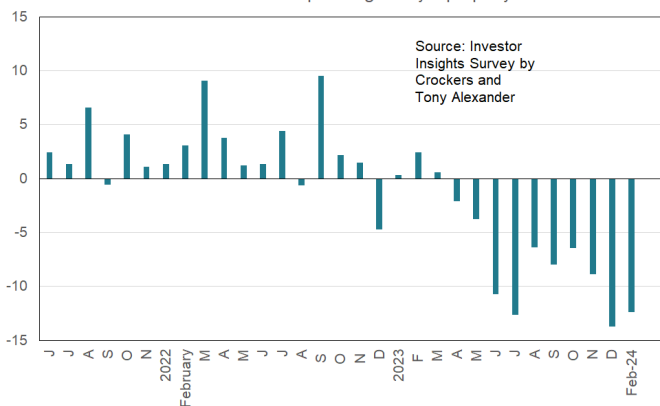


Putting the two measures together we can calculate net buying intentions, and this can give an indication as to whether price pressures are upward or downward from the people who already own residential property investments.

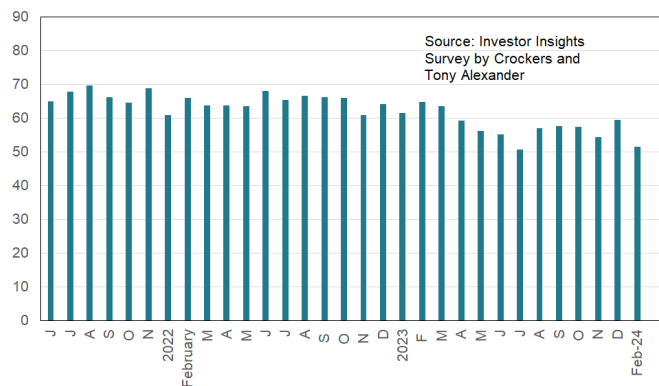
The net proportion of investors looking to buy is -12% which means more selling than buying willingness. This stands in contrast to the period before early-2023 when more often than not purchase plans exceeded selling plans.



Net % of investors planning to buy a property



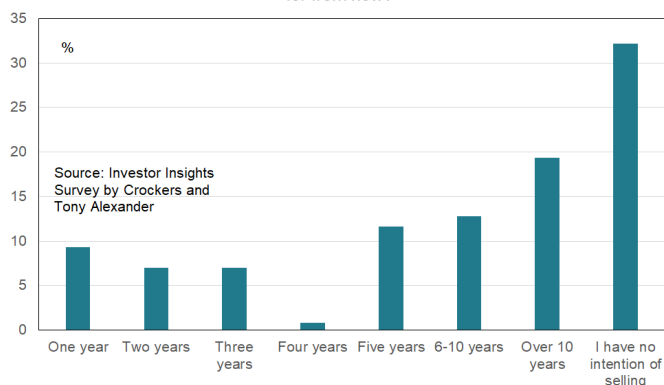
Gross % of investors planning to hold at least ten years or never sell



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

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

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

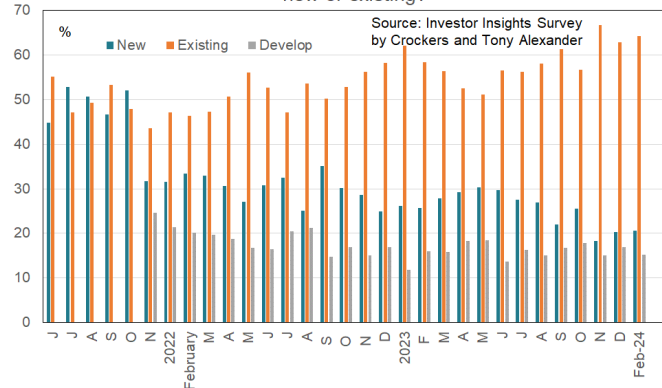


The proportion planning to hold at least ten years or to never sell sits at 52%. The trend here is down and the timing of this downward trend starting coincides with the start of the rise in the proportion of investors looking to sell. The ones looking to sell appear to be those who previously planned a long-term hold.

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

There has been a downward trend since commencement of the credit crunch at the end of 2021 in the proportion of those looking to buy who would purchase a newbuild.

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

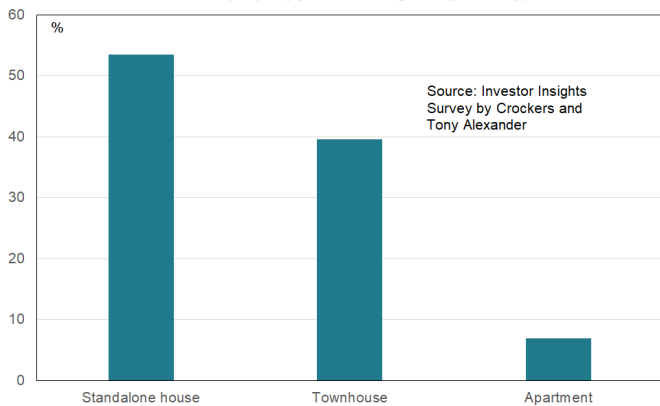


WHAT TYPE OF PROPERTY IS PREFERRED?

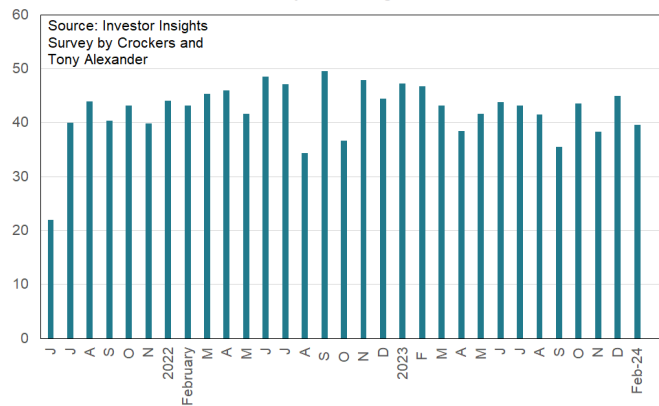
There is little interest from investors in purchasing a new or existing apartment but strong demand as ever for standalone houses.



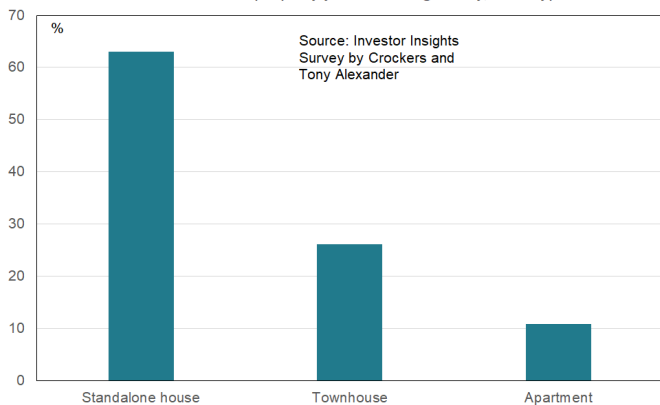
If it is a NEW property you're looking to buy, what type?



Gross % of investor buyers seeking a new TOWNHOUSE

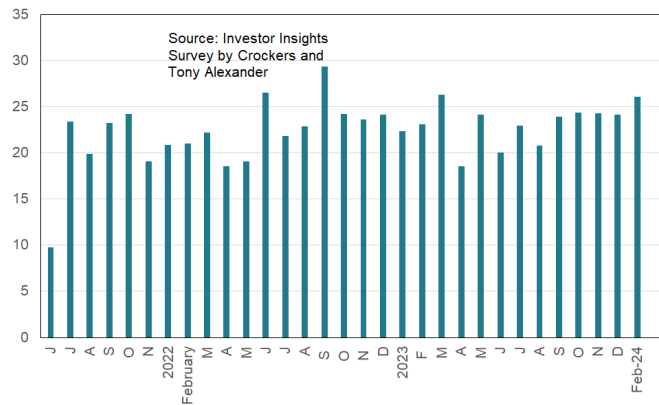


If it is an EXISTING property you're looking to buy, what type?



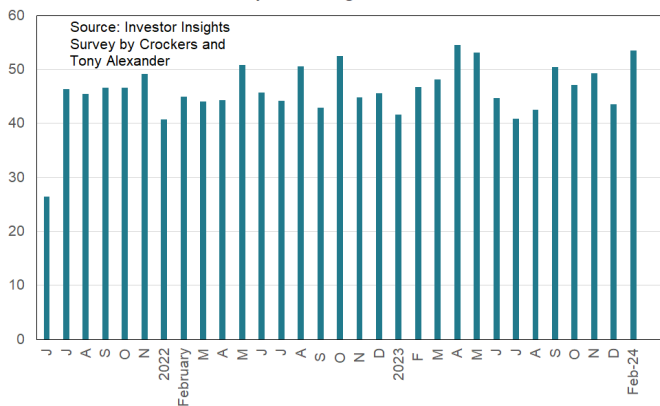
However, maybe demand for an existing townhouse is firming slightly

Gross % of investor buyers seeking an existing TOWNHOUSE



Demand for a new standalone house remains strong with perhaps an upward trend while demand for a new townhouse shows no general rising or falling pattern.

Gross % of investor buyers seeking a new STANDALONE HOUSE

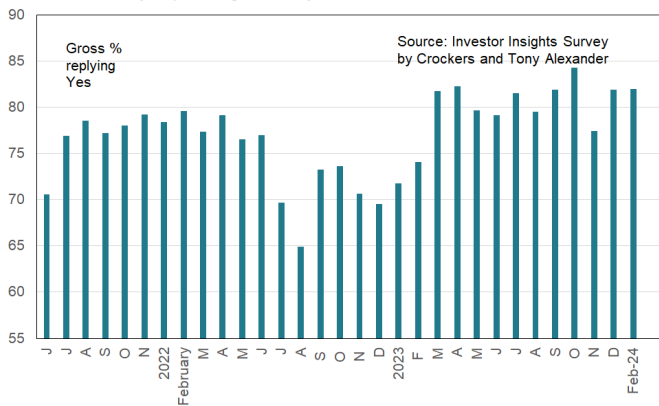


ARE YOU PLANNING TO RAISE YOUR RENTS IN THE NEXT 6 MONTHS?

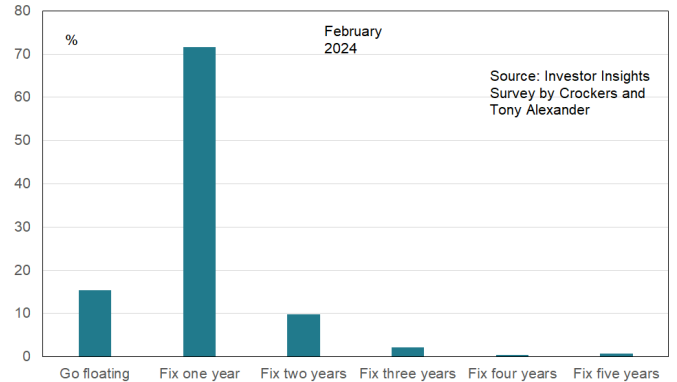
The proportion of landlords saying they plan to raise their rents in the coming 12 months has held steady from our December survey at 82% of respondents.



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



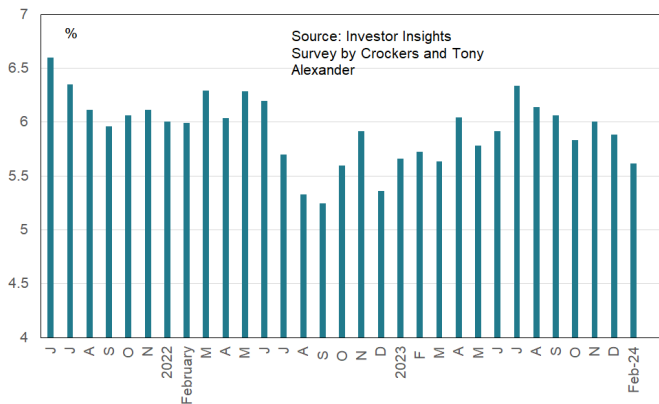
If your mortgage interest rate period is coming up for renewal in the near future, what are you thinking about doing?



IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

The average increase in rent planned/desired by investors sits at 5.6%. Despite soaring costs for landlords there is a downward trend in this measure.

Average planned rent increase

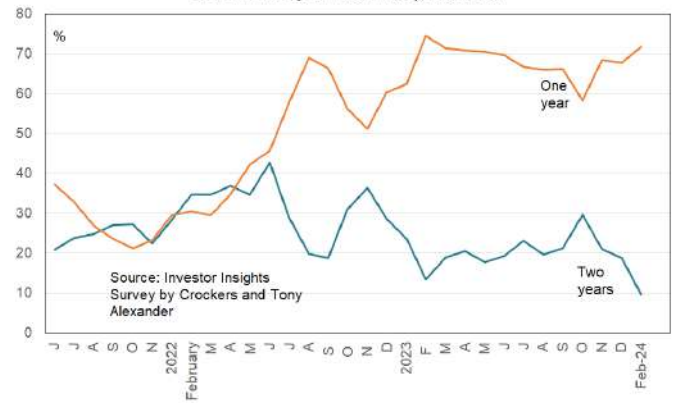


IF YOUR MORTGAGE RATE IS COMING UP FOR RENEWAL IN THE NEAR FUTURE, WHAT ARE YOU THINKING ABOUT DOING?

The term most favoured by investors for fixing their mortgage rate is one year. Actually, based on my survey of mortgage brokers the term most favoured is probably six months but this is not included as an option in this particular survey.

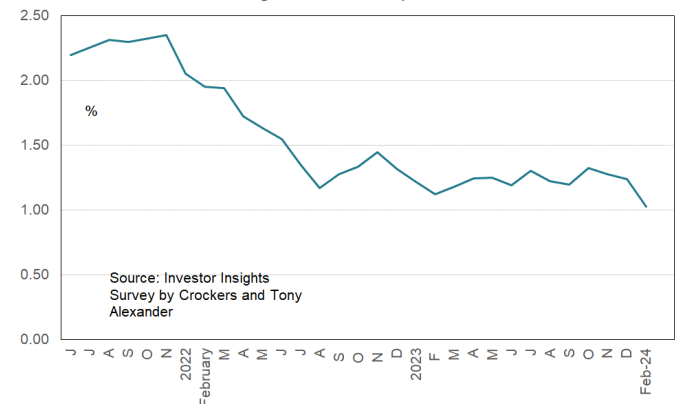
Note the recent sharp decline in preference for fixing two years revealed in the next graph.

One and two year fixed rate preferences



The average fixed term preference has been trending down since the end of 2021.

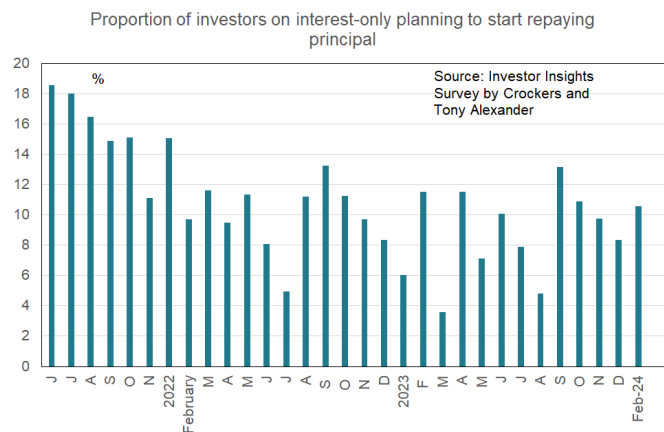
Average fixed rate term preference



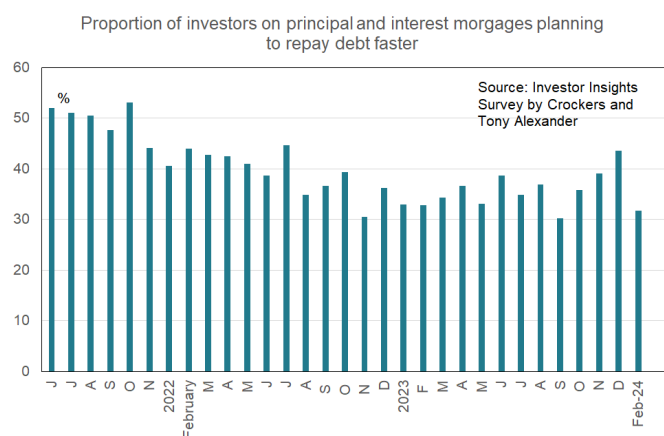


WHAT ARE YOU THINKING REGARDING THE SPEED WITH WHICH YOU ARE PAYING DOWN PRINCIPAL ON YOUR MORTGAGE?

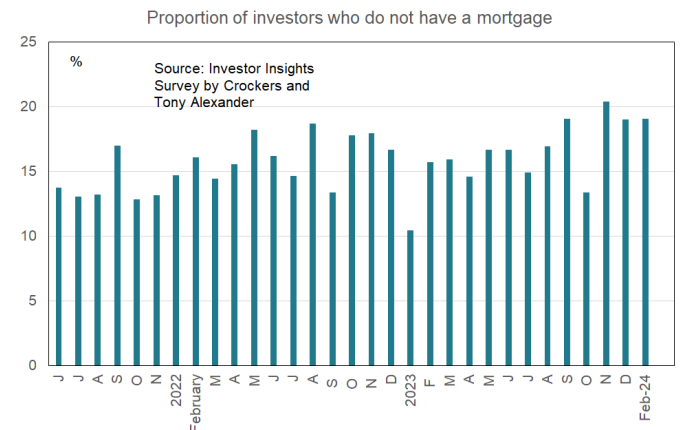
In this month's survey we have seen a small rise in the proportion of investors on interest-only loans saying they will start paying down their principal. But a quick look at the following graph shows that there has been no clear change in the general trend or level of this measure on a consistent basis following the easing off over 2021.



Note the correction downward this month in the proportion of investors already repaying principal saying they will repay more. There is no evidence here of a fear of debt and debt servicing costs causing investors to do their best to reduce their debt burdens.



The proportion of investors without a mortgage is slowly rising and now sits at 19% from around 14% in the early days of our survey in 2021.



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

Respondents to this question can choose amongst three options.

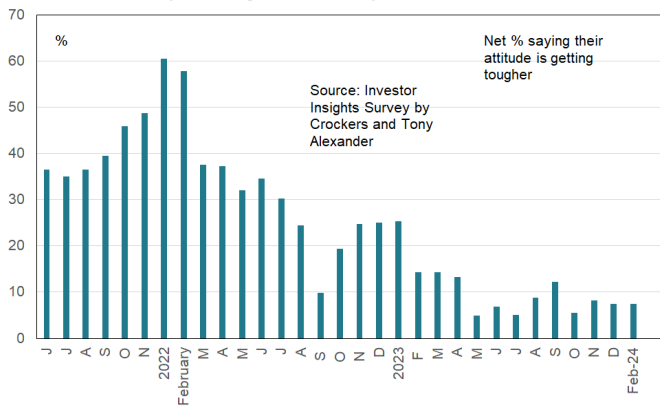
- Getting tougher
- Getting more relaxed
- No change, nothing apparent.

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

Investors reported some improvement in the willingness of their banks to finance them in the period from early-2022 until the middle of last year. But since then, the trend has been flat.



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

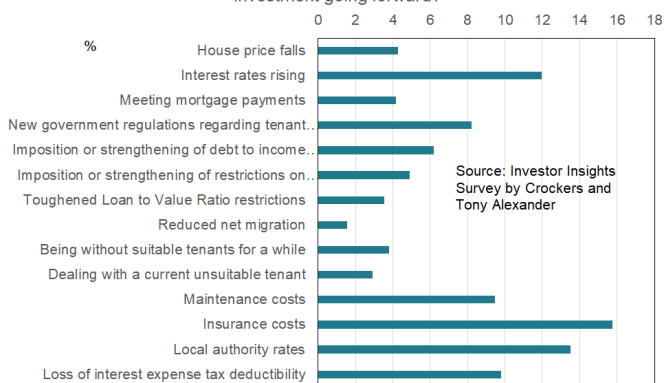


WHICH THINGS CONCERN YOU MOST REGARDING RETURNS ON YOUR INVESTMENT GOING FORWARD?

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 yet again are insurance costs and council rates. This seems understandable considering the average insurance premium increase this past year of near 30% and widespread near uncontested council proposals for rate rises near 15%.

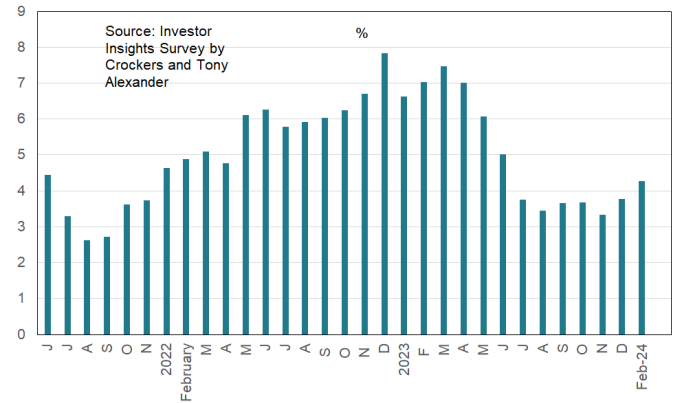
Which things concern you most regarding returns on your investment going forward?



There has been a small lift recently in the proportion of investors concerned about house prices falling. This gels with indicators from my monthly real estate survey and the data from

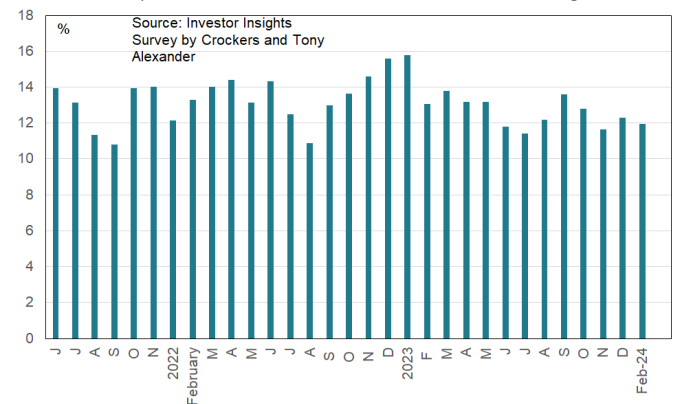
REINZ showing a flattening of market sales and prices in recent months.

Proportion of investors concerned about house prices falling



Concerns about interest rates rising have not obviously been affected by one group of forecasters recently predicting additional increases in the official cash rate.

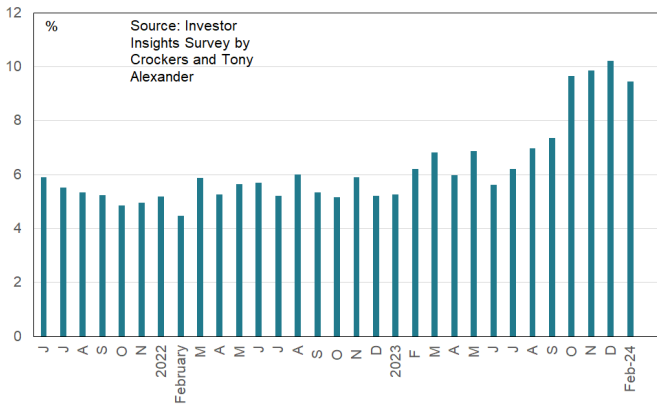
Proportion of investors concerned about interest rates rising



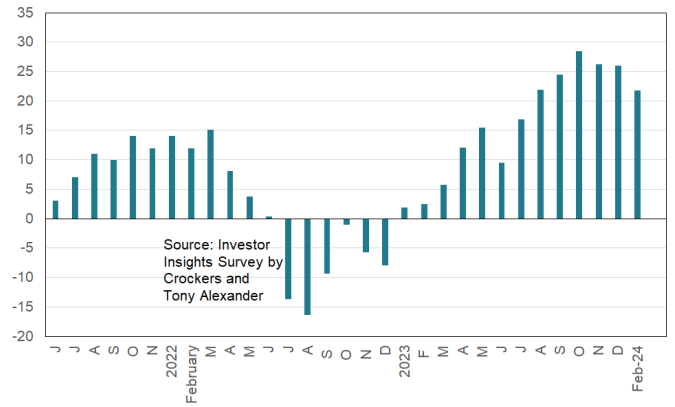
Concerns remain high about maintenance costs, insurance, and council rates.



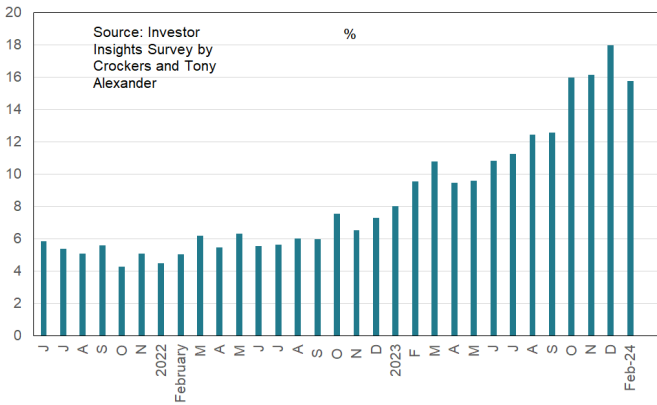
Proportion of investors concerned about maintenance costs rising



Net % of investors finding it easy to secure good tenants



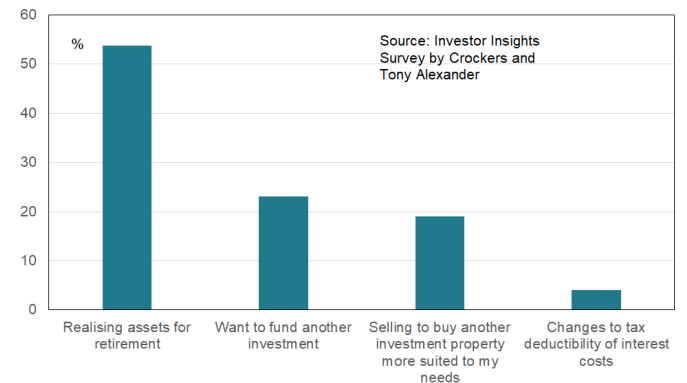
Proportion of investors concerned about insurance costs



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

Most people contemplating selling continue to cite funding retirement as reason.

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



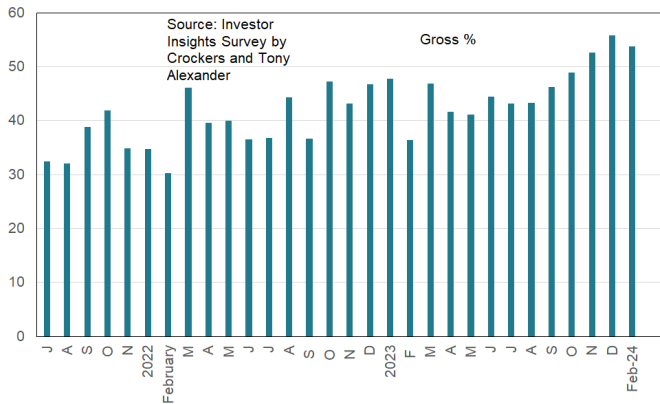
The trend in this reason is upward.

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

A net 22% of investors this month have said that they are finding it easy to get good tenants. This is a slight pullback from levels of 24-26% in the previous three surveys but well ahead of just a net 3% a year ago.

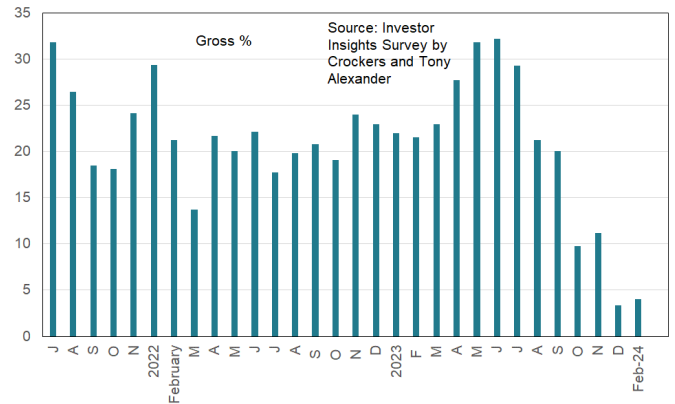


Contemplating selling to fund retirement



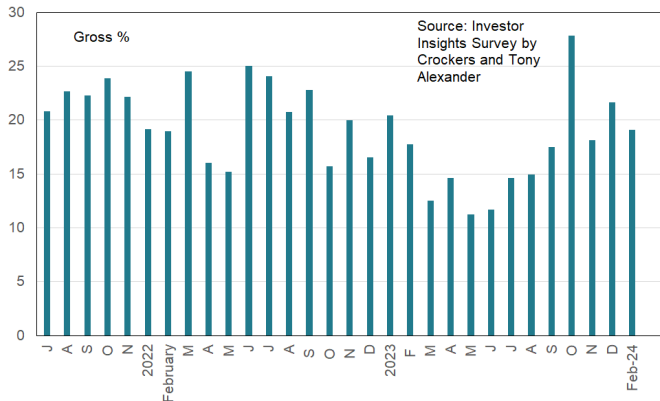
The proportion looking to sell who say it is to fund purchase of another property jumped strongly in our post-election October survey. But things have settled back down since then.

Contemplating selling because of the tax deductibility changes



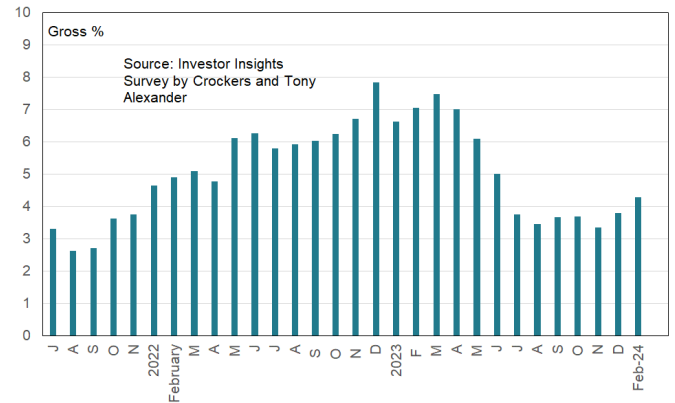
Selling because of worries about prices declining has risen slightly recently.

Contemplating selling to fund purchase of another property



Few people now cite the 2021 tax changes as motivation for selling which makes sense as these tax changes are soon to reverse.

Contemplating selling because of price decline worries



There were 388 responses received in this month's survey, with respondents located as follows.

Region	%
Northland	1.5
Auckland	47.8
Bay of Plenty	6.6
Waikato	7.8
Hawke's Bay/Gisborne	2.9
Taranaki	2.2
Manawatu-Wanganui	2.4
Wellington	12.0
Nelson, Tas., Marl	1.6
Canterbury	11.0
Dunedin City	2.4
Queenstown Lakes	1.5
Southland	0.2

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- Request a free proposal for your Body Corporate
- Find out how Crockers can assist your Residential Society

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- Request a free Build-to-Rent proposal
- We assist BTR developers and owners in the design, development and management of their complexes

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