



Investor Insight

September 2021

Crockers 
PEOPLE & PROPERTY

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A survey of investors

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.

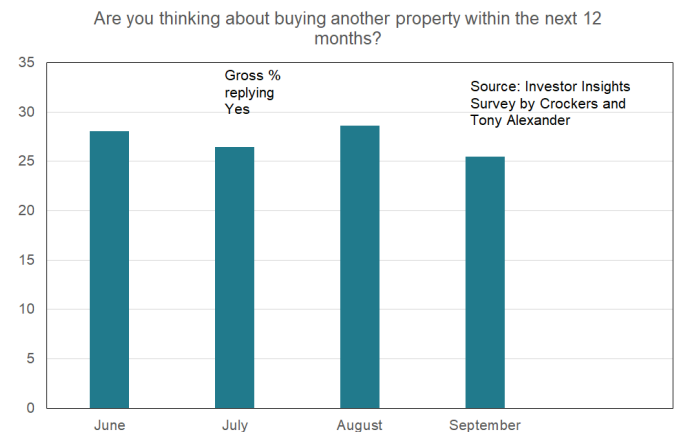
- Investors are showing slightly less inclination to buy again and marginally more inclination to sell.
- There is a slight easing trend in the average rent increase desired by investors.
- Investors perceive a slight toughening instance from their banks.
- Fewer investors are citing tax changes as a factor behind any decision to sell; overall, the effect of the tax changes appears to be fading.
- There is no discernable change in sentiment arising from Auckland's latest lockdown (despite over 50% of the responses being from that region), which is in itself notable.

In this month's survey we received 592 responses.

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

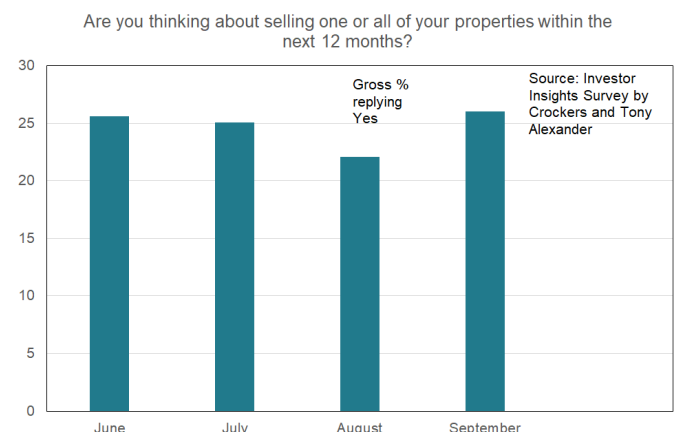
This month there has been a small decline in the proportion of investors considering a fresh property purchase over the coming year – to

25% from 29%. This is a relatively small decline considering expectations of interest rates moving higher, discussion of new lending rules coming along, and the continuing lockdown in Auckland.



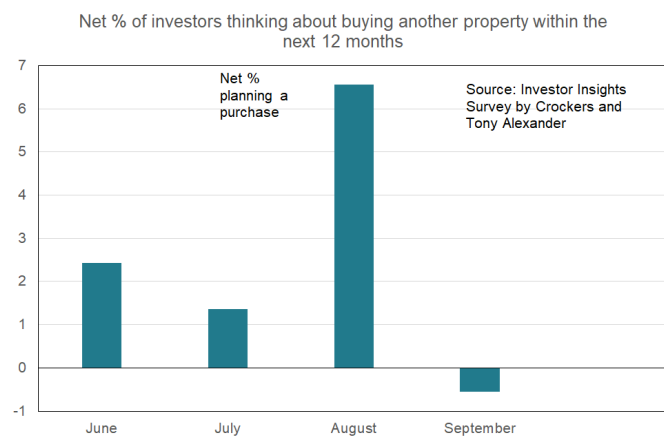
ARE YOU THINKING ABOUT SELLING ONE OR ALL OF YOUR PROPERTIES WITHIN THE NEXT 12 MONTHS?

A gross 26% of investors in this month's survey have reported that they are thinking about selling a property in the coming year. This is up from 22% last month. But again, the move is quite small considering the various forces in play such as rising interest rates.



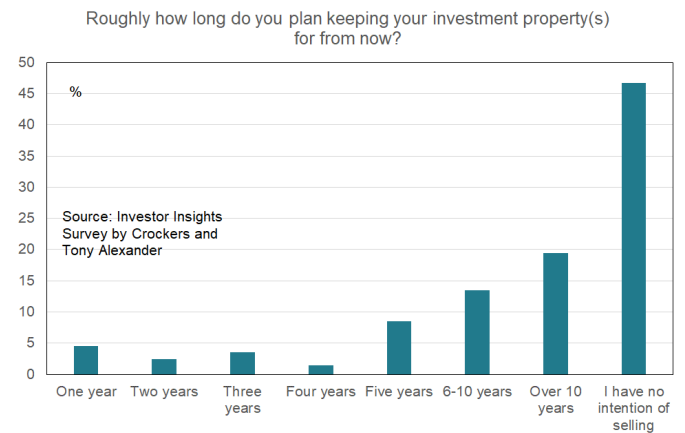


We can construct a net investor purchasing measure by subtracting selling intentions from buying intentions. We get the result that this month a net 1% of investors are considering selling. The graph below which visually captures the small rise in selling intentions and decline in buying intentions more strongly suggests a general easing off of upward pressures in the residential property market from transactional plans of investors.



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

With four months of surveys in hand now we can reasonably safely say that investors are definitely in for the long haul. Only 4% of investors plan holding their property for less than another year. The results for the previous three months were 5%, 4%, and 6%. In contrast, 66% of investors plan holding for at least a decade or not selling at all. Results for the previous three months were 70%, 68%, and 65%.



Answering this question requires thinking about one's property holdings from a lifetime portfolio point of view as opposed to perhaps the more emotional reaction to anti-investor policies and sentiment which get captured in the preceding question.

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

For those investors thinking about buying a property, 47% plan buying a new property and 53% an existing one. This is a change from the past two months. But it is too soon to say if the growing discussions about

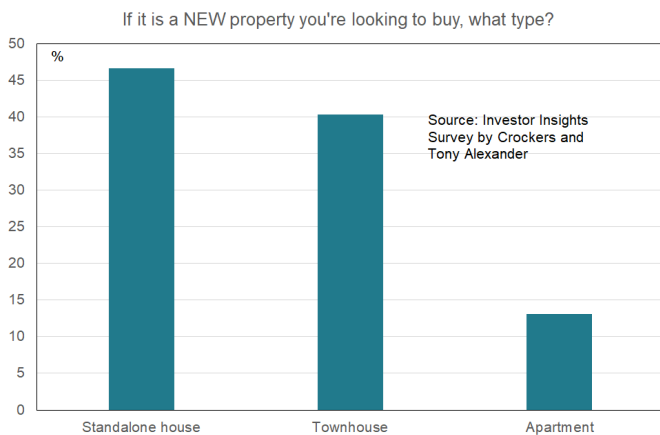
- rising construction costs,
- increasing sales prices asked by developers, and
- delays in construction timeframes

are causing investors to switch back towards searching listings of existing properties rather than financing new ones.

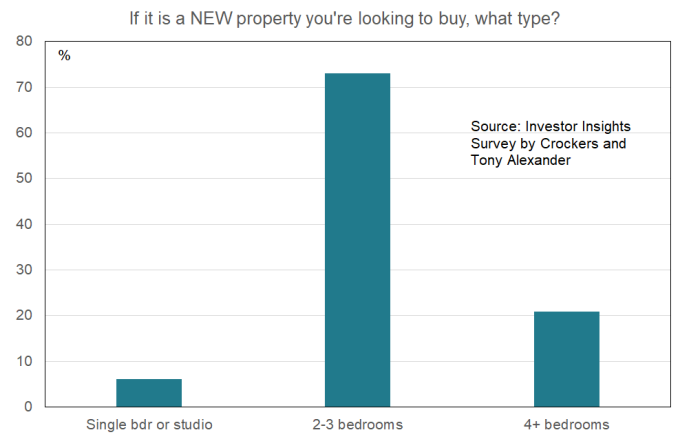


IF IT IS A NEW PROPERTY YOU'RE LOOKING TO BUY, WHAT TYPE?

Investors planning to buy a new dwelling have a slightly stronger preference for a standalone house (47%) as a townhouse (40%). Only 13% favour an apartment. No trend is apparent in any of these preferences over the four months of surveys we now have in hand.

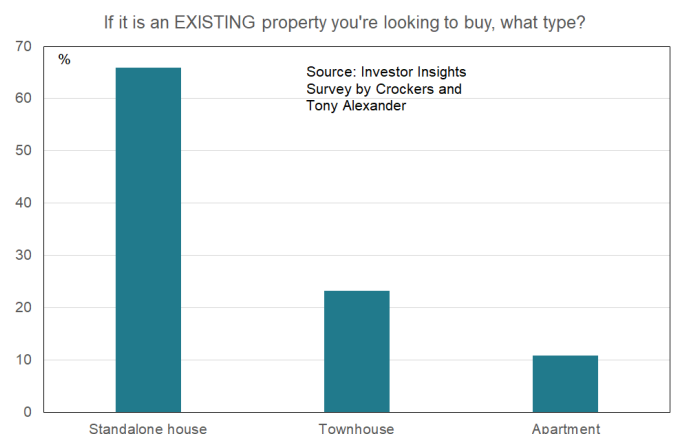


The strong preference in size remains for a 2–3-bedroom home.



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

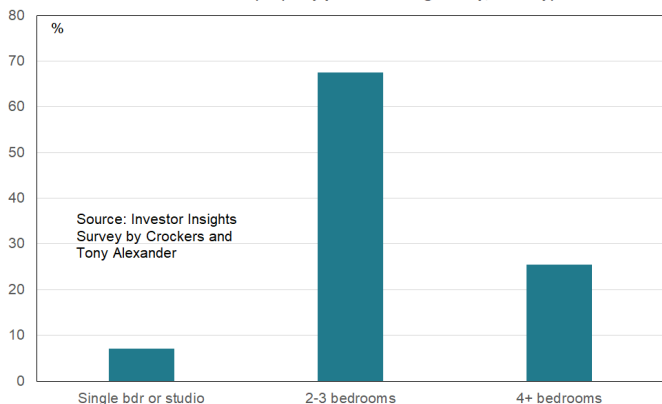
For those investors planning to buy an existing property, the strong preference held by 66% is for a standalone house. Just 23% would opt for a townhouse and 11% an apartment. The key difference in property purchase preference by investors is relatively low intentions of purchasing an existing townhouse. As above, over the four month period we have covered so far with our surveys, there is no trend shift in preferences underway.



Again, when it comes to size, a 2–3-bedroom property is just as clearly preferred when buying an existing property as a new one.



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

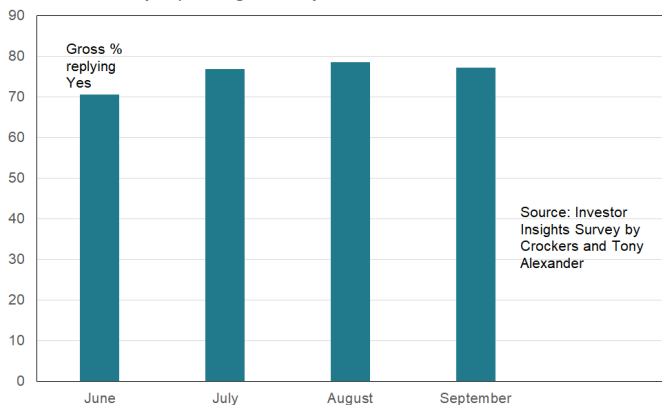


ARE YOU PLANNING TO RAISE YOUR RENTS IN THE NEXT 6 MONTHS?

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

There is no upward trend apparent in the proportion of investors saying they are thinking about raising their rents over the coming year. This month a gross 77% have said they are considering rises compared with 79% last month.

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

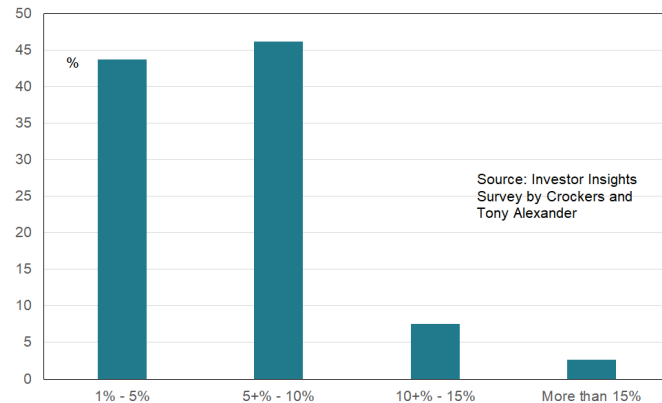


IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

Of those investors planning to raise their rents, 44% intend increases of between 1% and 5%, 46% intend 5% - 10%, 8% between 10% - 15%,

and 3% plan rises of more than 15%. The average rise planned is 6% from 6.1% last month and 6.6% three months ago. There is no evidence that rising anticipation of interest rates is causing a shift in rent increase desires.

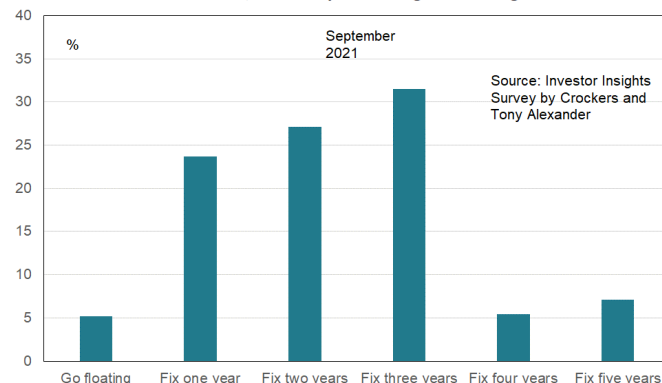
If you plan raising your rents, how much by?

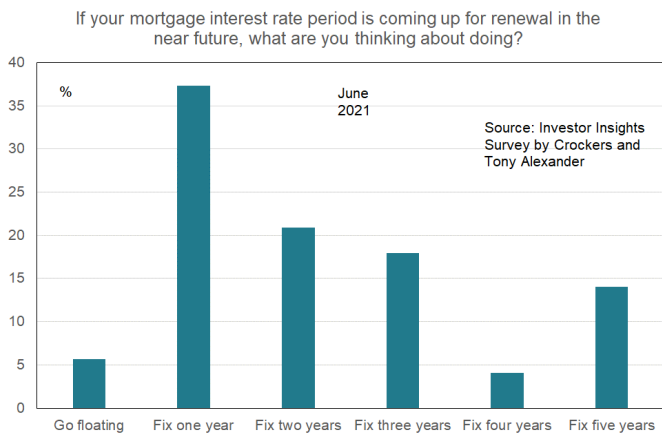


IF YOUR MORTGAGE RATE IS COMING UP FOR RENEWAL IN THE NEAR FUTURE, WHAT ARE YOU THINKING ABOUT DOING?

31% of investors facing rate renewal plan fixing their mortgage rate for a three year period and 27% for two years. The first graph here shows these latest results. The second is from our June survey. The shift from preferring the one-year term is quite clear.

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

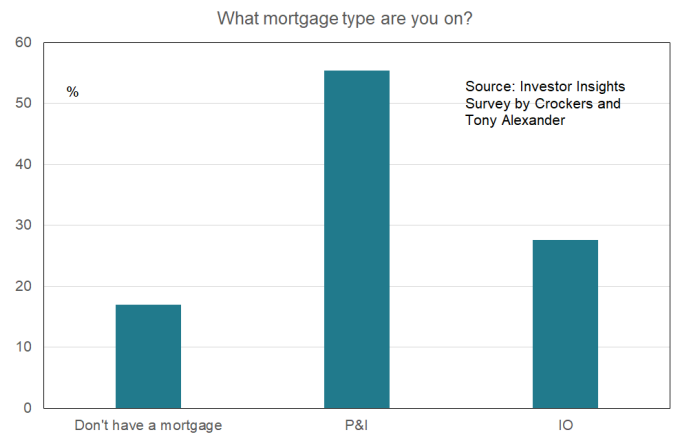




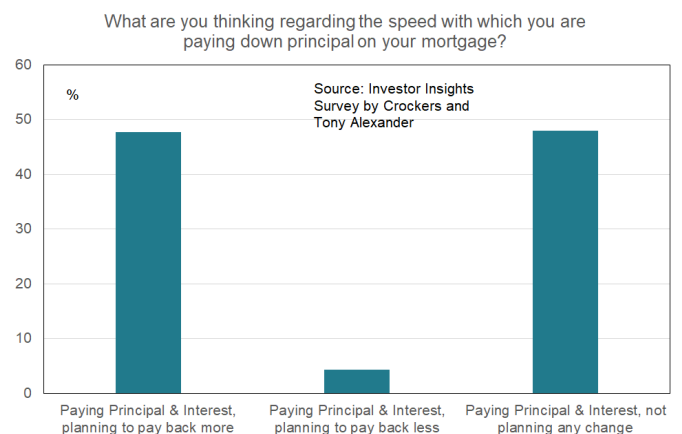
Note that to allow for the possibility of splitting one's fixed rate across a number of time periods, respondents are allowed to choose more than one fixed term option.

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

17% of investors this month have reported that they do not have a mortgage. This is up from 13% in each of the previous three months. We cannot yet conclude that this is a trend, but it will be worth watching to see if investors are paying off their properties in full. The proportion on an interest-only mortgage has fallen to 28% from percentages just above 30% in each of the previous three months. Again, its too soon to say this is a trend.



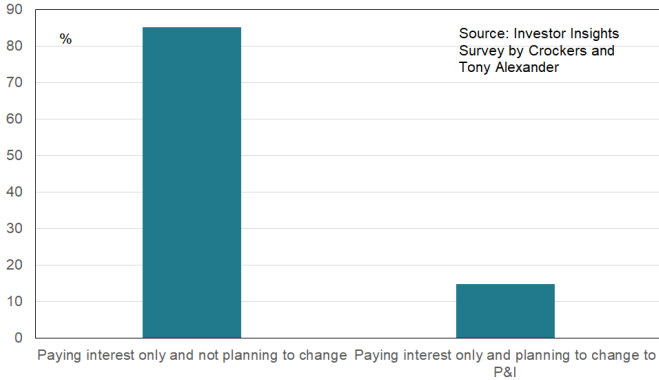
In fact, we have seen a decrease in the proportion of investors with a mortgage saying they plan boosting principal repayments, to 48% from just over 51% in recent months. There is no trend change in the proportion planning to pay back less principal.



For those on interest-only facilities, only 15% plan shifting to paying down principal. That proportion was 19% three months ago. So, expectations of rising interest rates have not yet elicited a rise in the desire of those on interest-only mortgages to start reducing their principal.



What are you thinking regarding the speed with which you are paying down principal on your mortgage?



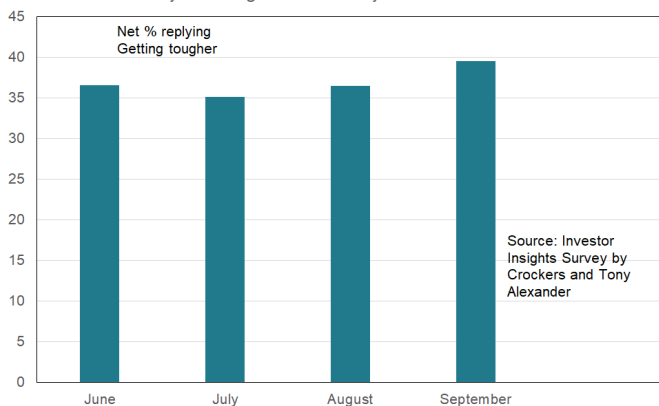
HOW ARE YOU FINDING THE ATTITUDE OF YOUR BANK AT THE MOMENT?

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. The following graph shows that there is a small upward trend in investor perceptions of difficulties working with their financier. A net 39% say things are getting tougher, up from 36% last month.

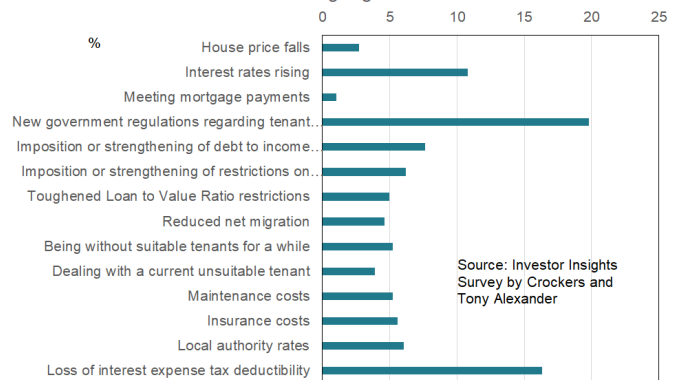
How are you finding the attitude of your bank at the moment?



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

Respondents are able to choose more than one response to this question. A gross 20% are concerned most about new tenancy regulations and 16% rate loss of interest expense deductibility as their greatest concern. These two top concerns are not trending up or down.

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

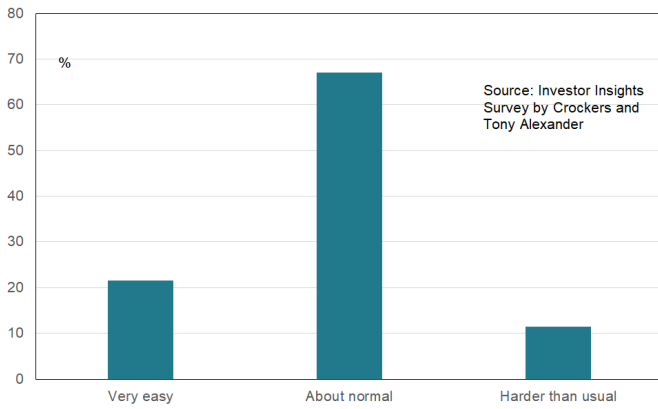


HOW EASY IS IT TO FIND GOOD TENANTS AT THE MOMENT?

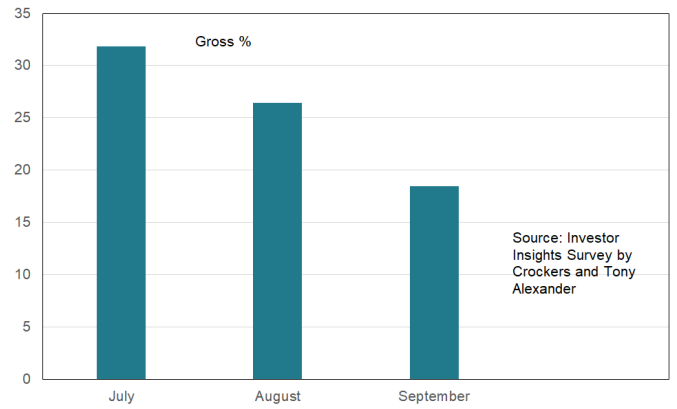
There is no trend shift in investor experiences regarding finding new tenants. This month 67% said things were about normal which is the same proportion as three months ago. 11% reported that it is hard versus 16% in June.



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



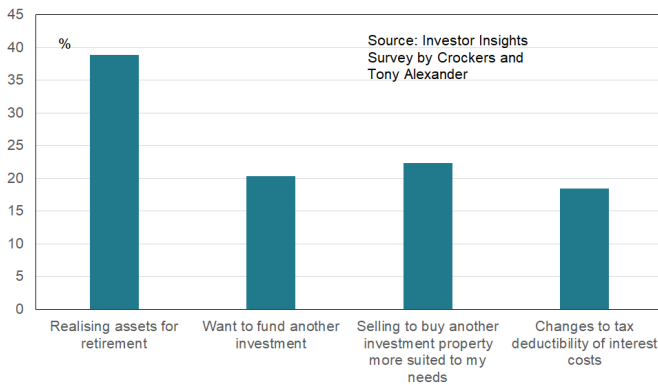
Contemplating selling because of the tax deductibility changes



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

For those investors who are selling, 39% say they are selling in order to fund their retirement. This is a jump from 32% last month and in July. 18% say they are selling because of the tax rule changes. This is down from 32% two months ago and 26% last month. As was our conclusion last month, this provides us with further evidence that the effect from the tax changes appears to be fading.

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



There were 592 responses received in this month's survey, with respondents located as follows.

Region	%
Northland	2.2
Auckland	52.6
Bay of Plenty	5.6
Waikato	5.9
Gisborne	0.2
Hawke's Bay	2.7
Taranaki	1.4
Manawatu-Wanganui	2.7
Wellington	10.0
Nelson, Tas., Marl	2.8
West Coast	0.5
Canterbury	8.7
Dunedin City	2.9
Queenstown Lakes	1.4
Southland	0.3

INVESTOR INSIGHT

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