



Investor Insight

October 2022

Crockers 
PEOPLE & PROPERTY

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New investment plans cool

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.

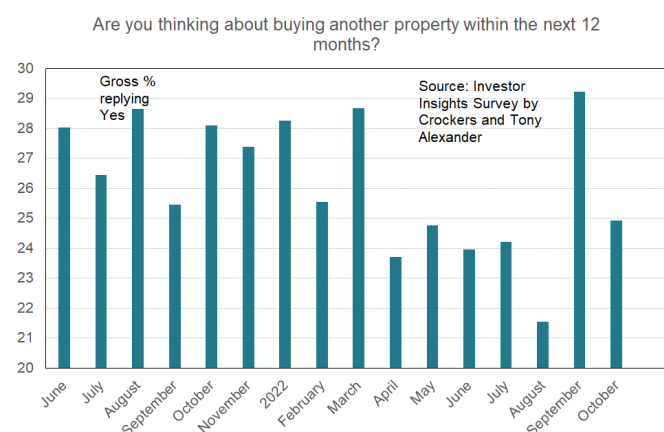
- High volatility and uncertainty regarding interest rates and the economy have had little impact on investor plans for their properties.
- Interest in purchasing a new townhouse is waning marginally.
- Desires to increase rents have risen over the past two months.
- There has been a slight shift in mortgage interest rate fixed term preference away from one year towards two years.
- Concerns about rising interest rates have increased slightly.
- It has become less difficult this month to find good tenants.

In this month's survey we received 306 responses.

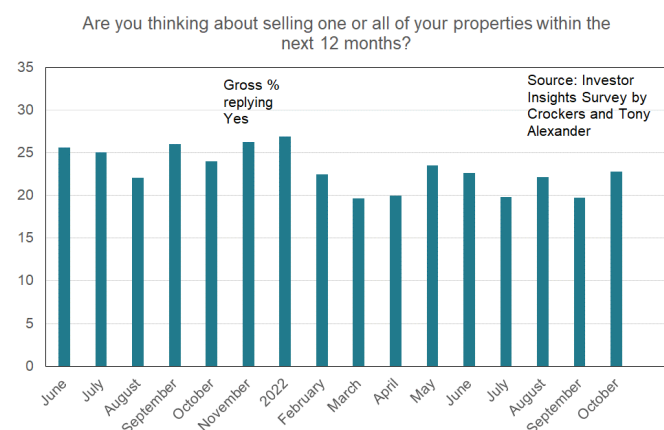
ARE YOU THINKING ABOUT BUYING ANOTHER PROPERTY WITHIN THE NEXT 12 MONTHS?

It looks like the unusual jump in the proportion of respondents planning to buy another property last month was an aberration. This month has brought 25% of investors saying they plan

another purchase, down from 29% and in line with other months from April. Interest in purchasing is there but not trending up.



There has been a slight lift in the proportion of people planning to sell a property to 23% from 20%. But again, there is no upward or downward trend.

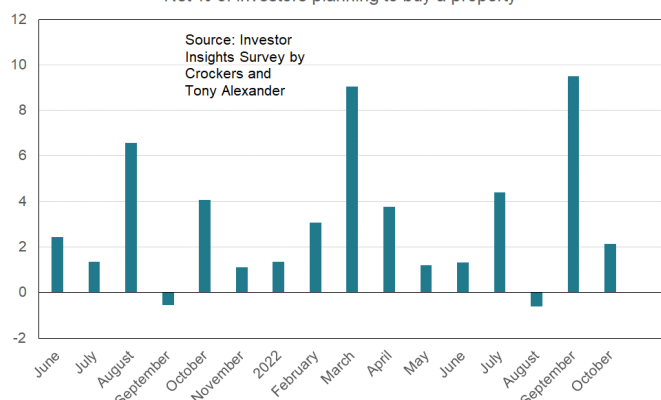


Putting the two measures together we can calculate net buying intentions, and this can give an indication as to whether price pressures are upward or downward from the people who already own residential property investments.

This month a net 2% of respondents in our survey have said that they plan to make a purchase. This is in line with recent month's apart from the aberrant September result.



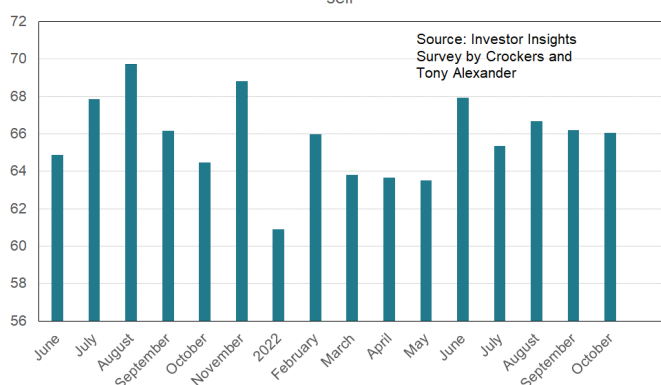
Net % of investors planning to buy a property



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

Investing in property is undertaken by most people for the long term. Our survey repeatedly shows around 65% of people planning to hold their property for at least ten years or never to sell it. The role of quick buying and selling which attracts many headlines when the markets are rising strongly is far smaller than many in the media and political ranks believe.

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



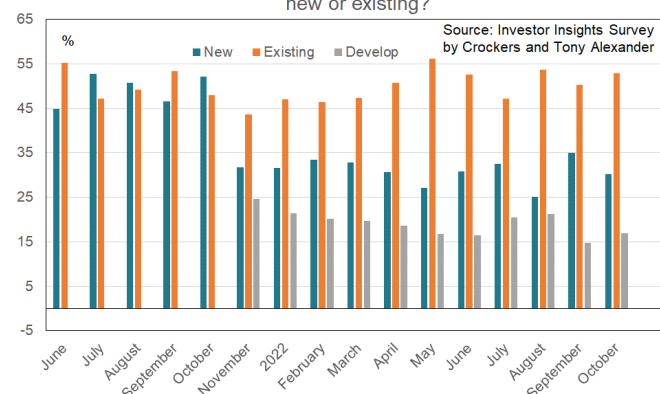
IF YOU ARE THINKING ABOUT BUYING ANOTHER PROPERTY WILL IT BE NEW OR EXISTING?

The government has introduced tax changes actively favouring the purchase by investors of newly built dwellings over those which already exist. The aim is to channel extra capital and

debt towards boosting new house supply while leaving more existing properties for first home buyers to purchase.

Since late last year there has been a mild downward trend in the proportion of investors saying that they will undertake a property development themselves. This is understandable in light of the pulling back of bank willingness to provide finance, and the plethora of challenges facing new builds including materials and staff.

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



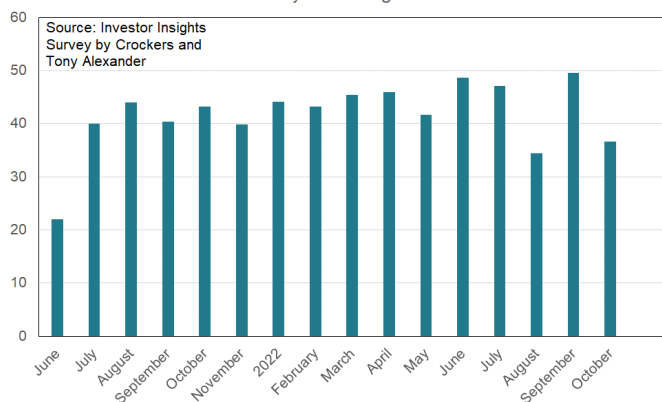
The orange columns in the above graph show us that there is no trend rise or fall in the proportion of investors looking to buy who will purchase an existing property. Note however that our survey does not cover the period before tax rule changes announced on March 23 last year.

WHAT TYPE OF NEW PROPERTY IS PREFERRED?

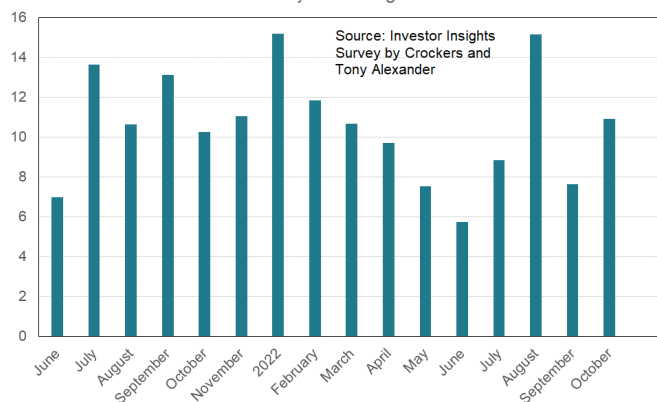
There appears to be declining interest being shown by investors planning to make a purchase who will opt for a new townhouse.



Gross % of investor buyers seeking a new TOWNHOUSE

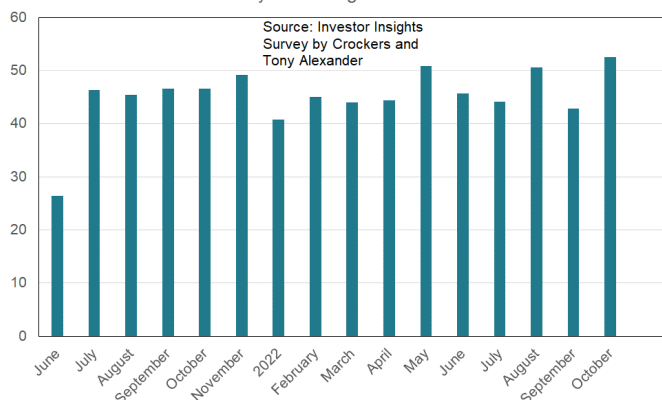


Gross % of investor buyers seeking a new APARTMENT



There is a trend rise however in the proportion favouring a standalone house.

Gross % of investor buyers seeking a new STANDALONE HOUSE



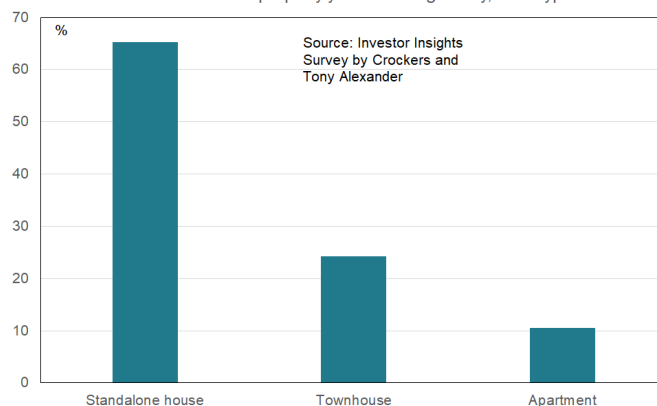
One factor behind these slight preference changes for those looking to buy new may be the plethora of new townhouses coming on the market, and potential concerns about the popularity of some which have few or no car parks.

Note that in contrast to the slight decline in interest in purchasing a new townhouse, interest in buying an apartment is firming – but only back to the levels of earlier this year.

WHAT TYPE OF EXISTING PROPERTY IS PREFERRED?

For those investors looking at purchasing an existing property the preference for a standalone house remains strong at 65%.

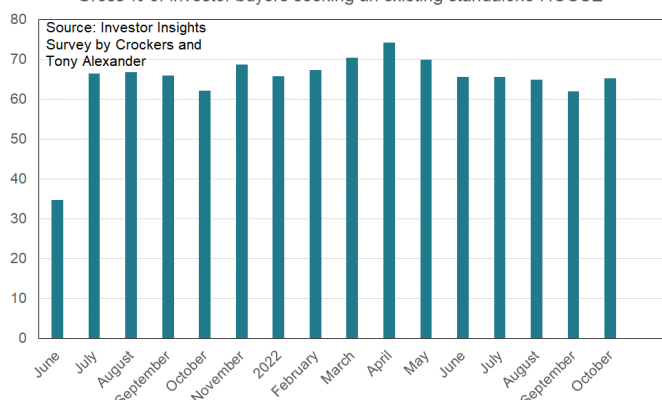
If it is an EXISTING property you're looking to buy, what type?



This preference looked to have been easing but has recovered.



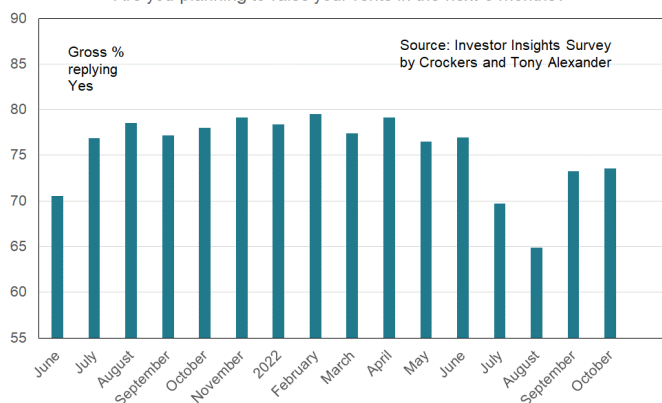
Gross % of investor buyers seeking an existing standalone HOUSE



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

A gross 74% of our survey respondents have indicated that they plan raising their rents in the next six months. This is essentially the same as last month's 73% and a rise from 65% in August.

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

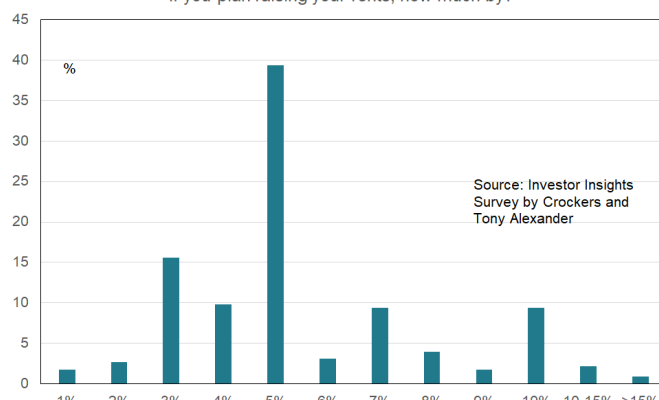


Although rent rise plans are up, they remain below the levels seen in our survey before July and August.

IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

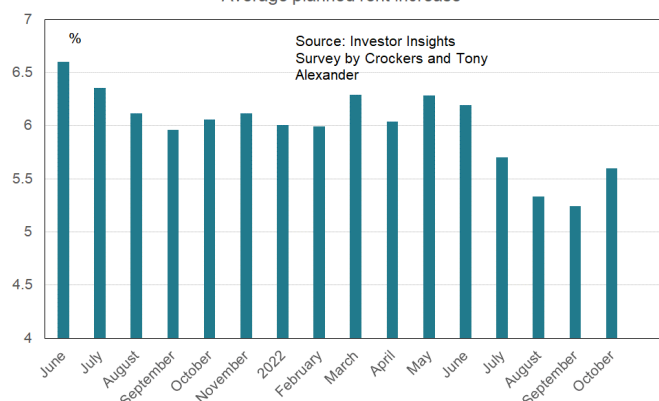
For those aiming for a rent rise the most common desire is for a rise of 5% - lower than inflation which is running at 7.2%.

If you plan raising your rents, how much by?



However, the average planned rental increase has recovered slightly and broken the previous downward trend.

Average planned rent increase



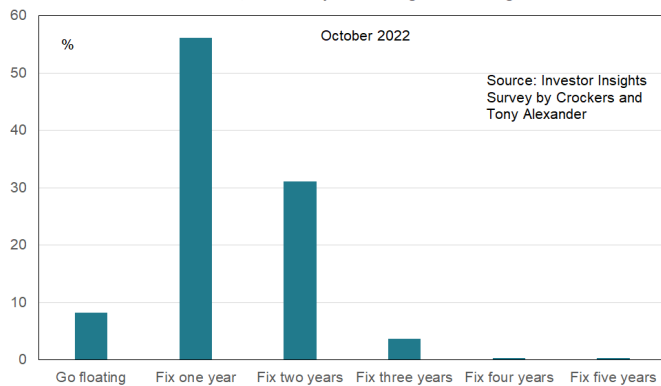
Had the trend continued downward we could have expressed some optimism with regard to a decline in the overall inflation rate for the country. But that optimism (from a borrower's interest rate point of view) had best be kept in check for now.

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

The most favoured period for fixing one's mortgage interest rate remains one year followed by two years.

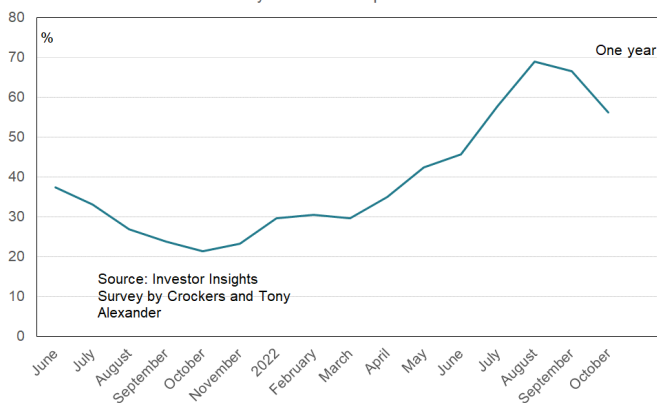


If your mortgage interest rate period is coming up for renewal in the near future, what are you thinking about doing?



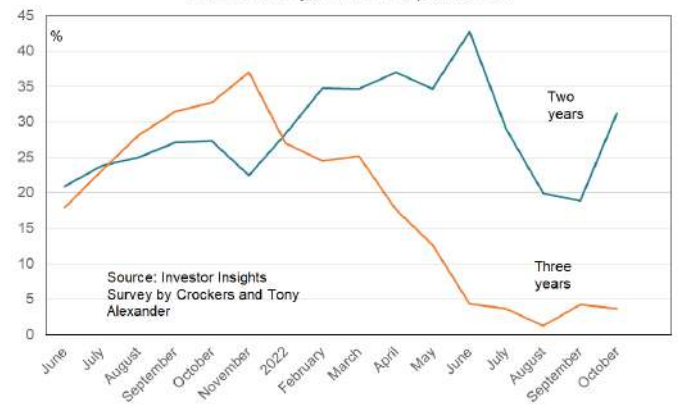
However, for the second month in a row the one year preference has eased off, reflecting no doubt the upward moves in interest rates recently and reduced expectations for falls in a year's time.

One year fixed rate preference



The preference for fixing two years has risen, but people are not so concerned that they are shifting out to fixing for three years.

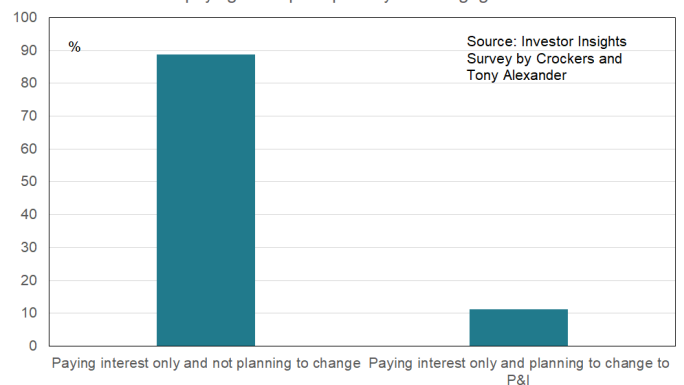
Two and three year fixed rate preferences



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

Are investors concerned enough about rising interest rates to plan increasing the pace at which they reduce their debt levels? Only 11% of investors on an interest-only mortgage plan shifting to repaying principal.

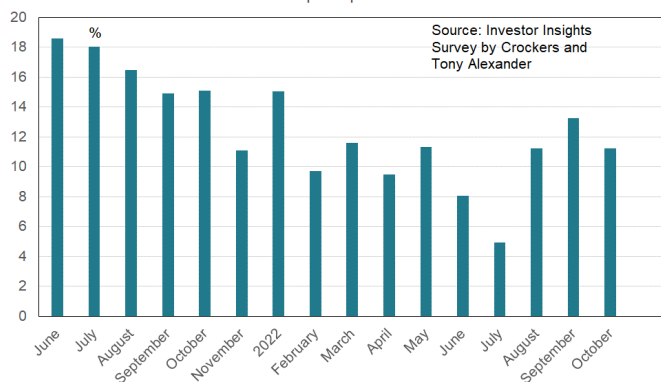
What are you thinking regarding the speed with which you are paying down principal on your mortgage?



If there is an upward trend in this proportion, then it is very small and certainly not suggestive of a great level of concern about where interest rates are headed.

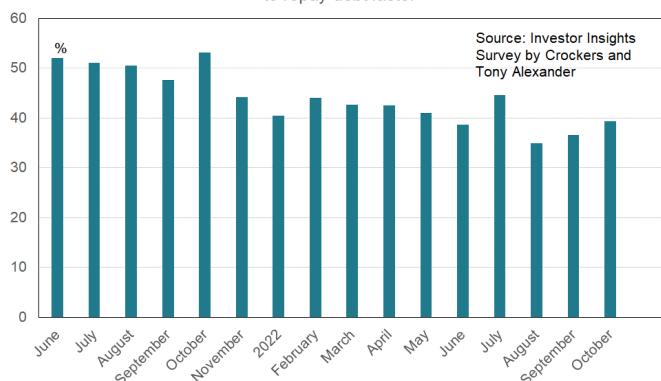


Proportion of investors on interest-only planning to start repaying principal



The proportion of investors with a principal and interest mortgage planning to lift their principal repayments is edging up slightly after moving down into August.

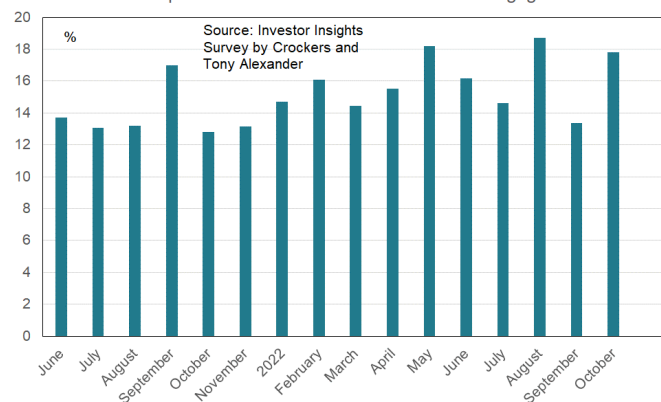
Proportion of investors on principal and interest mortgages planning to repay debt faster



There remains little evidence to suggest that investors are greatly concerned about their debt levels, even as interest rates have risen sharply over the past year.

Almost 18% of investor respondents do not have a mortgage at all.

Proportion of investors who do not have a mortgage



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

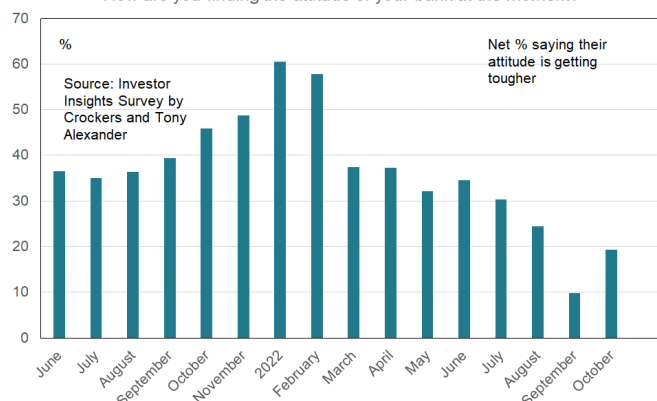
Respondents to this question can choose amongst three options.

- 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.

There has been a slight lift this month in the proportion of investors saying that bank attitudes have become tougher. This breaks the improving trend (shown by decreasing column height) in the following graph.

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

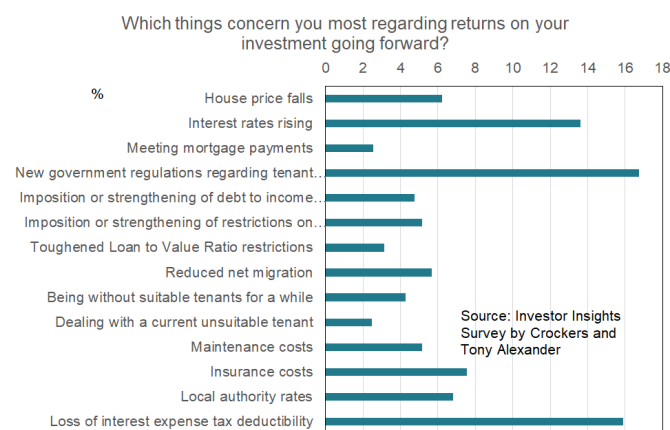




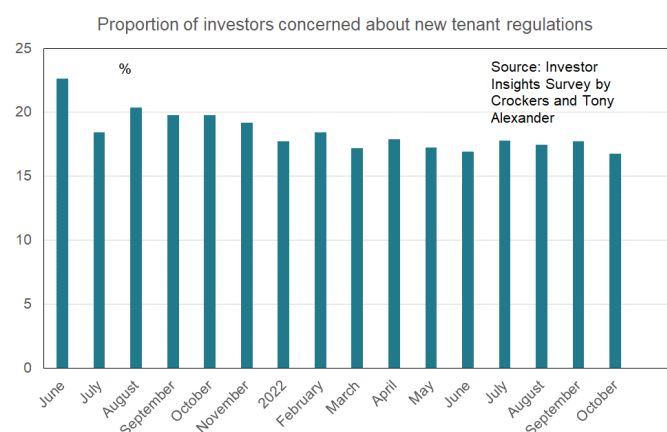
WHICH THINGS CONCERN YOU MOST REGARDING RETURNS ON YOUR INVESTMENT GOING FORWARD?

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

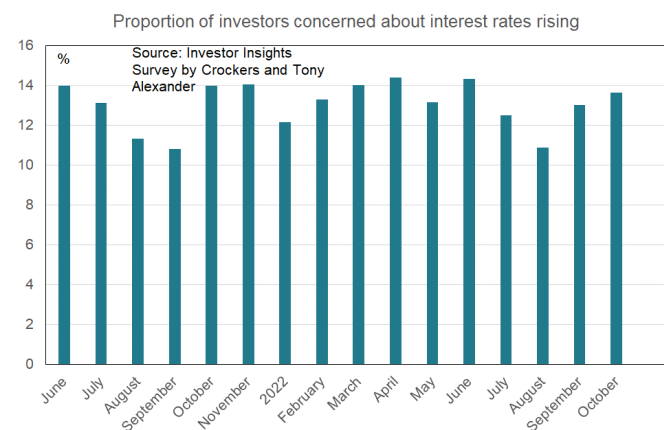
As usual, the three things which continue to cause most concern for residential property investors are new government regulations favouring tenant rights, loss of interest expense deductibility, and rising interest rates.



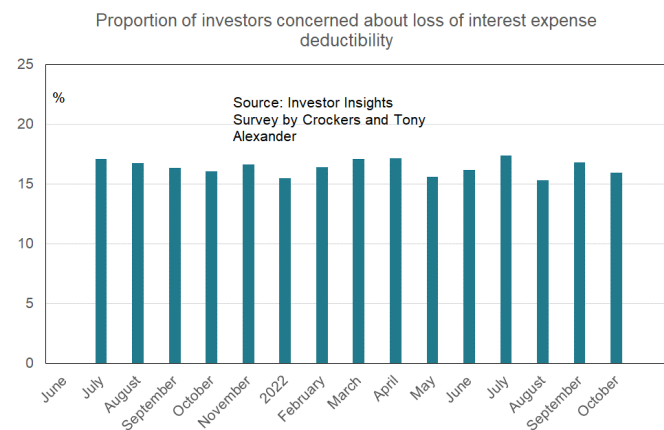
Concerns about tenant legislation have settled down at around 17% of respondents.



Concerns about rising interest rates have edged back up again.



And despite the passage of time bringing loss of a greater proportion of interest expense deductibility, there is no upward trend in concerns about this measure aimed at disincentivising the provision of rental accommodation in other than new properties.

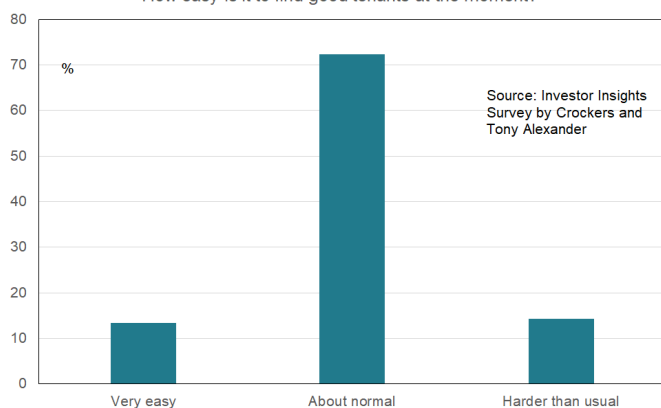


HOW EASY IS IT TO FIND GOOD TENANTS AT THE MOMENT?

Most respondents say that things are about normal at the moment with regard to difficulties in finding good tenants.

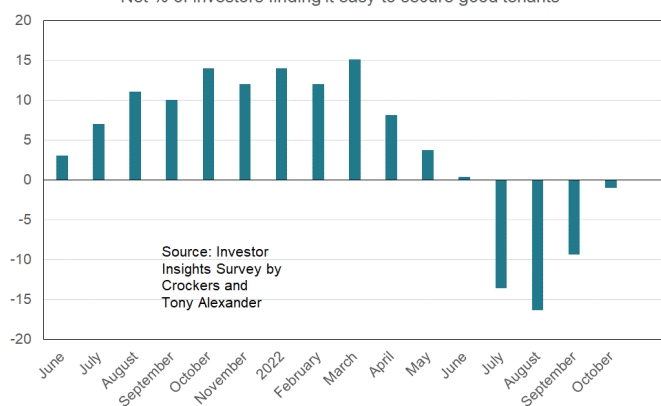


How easy is it to find good tenants at the moment?



In fact, things have pulled back from getting more difficult in July, August, and September.

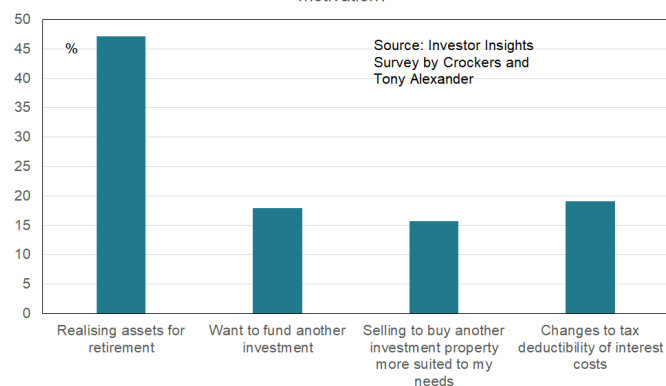
Net % of investors finding it easy to secure good tenants



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

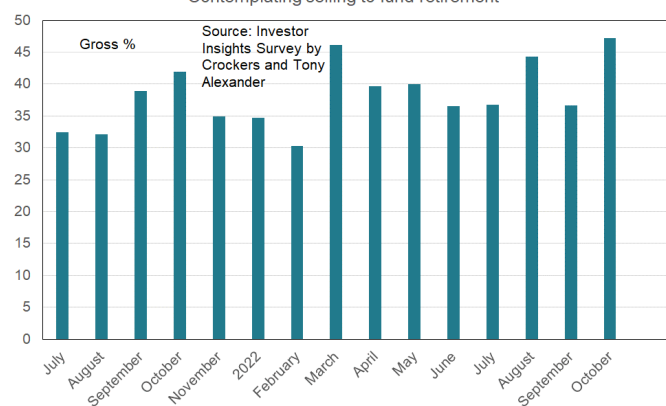
Selling property assets to fund retirement is the most commonly cited reason for selling.

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



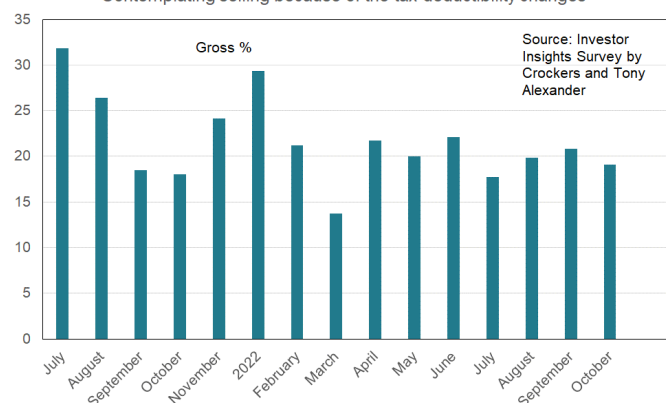
There is in fact an upward trend underway in the proportion of those selling saying that funding retirement is their main motivation.

Contemplating selling to fund retirement



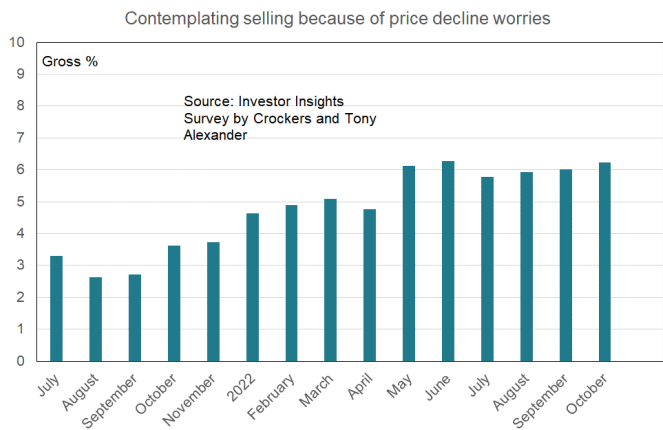
18% are selling because of tax deductibility changes.

Contemplating selling because of the tax deductibility changes





There is a mild trend upward in the proportion of investors selling who say it is worries about falling prices which motivate them.



There were 306 responses received in this month's survey, with respondents located as follows.

Region	%
Northland	1.6
Auckland	36.8
Bay of Plenty	7.2
Waikato	10.2
Gisborne	0.1
Hawke's Bay	3.3
Taranaki	2.6
Manawatu-Wanganui	3.9
Wellington	11.2
Nelson, Tas., Marl	2.4
West Coast	0.1
Canterbury	13.2
Dunedin City	3.6
Queenstown Lakes	3.0
Southland	1.0

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