



Investor Insight

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Crockers 
PEOPLE & PROPERTY

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A new survey of investors

Welcome to the second 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.

With just two surveys done so far, we cannot as yet say much definitive regarding changes in plans by investors, but that ability will grow over time. For now, we can focus largely on some structural, perhaps minimally changing characteristics of New Zealand's residential property investors

Key points of interest from this month's survey include the following.

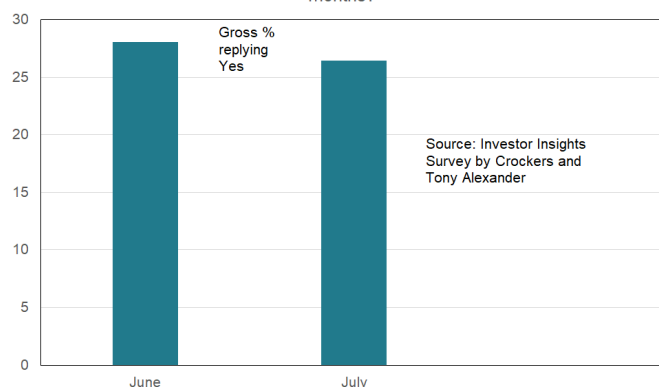
There is no strong impact as yet from discussions about rising mortgage rates. There has been a rise in the proportion of investors preferring to buy a new rather than existing property. Tax rule changes are a factor for about one-third of investors planning to sell.

In this survey we received 574 responses.

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

26% of the respondents in this month's survey have indicated that they are considering buying another property within the next 12 months. This is an interesting result because soaring discussion and expectations of rising mortgage rates have failed to dent purchasing enthusiasm. The result last month was 28% of investors thinking about making another purchase.

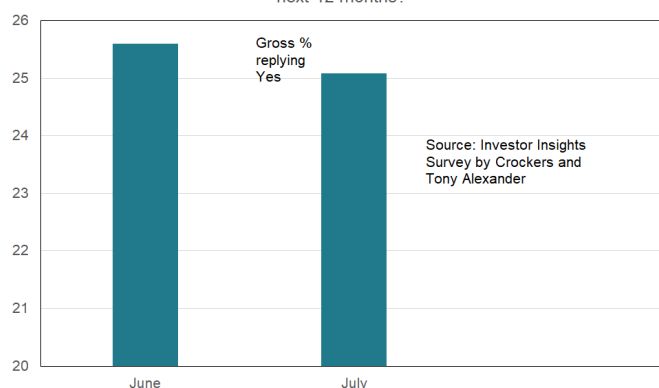
Are you thinking about buying another property within the next 12 months?



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

Last month a gross 26% of investor respondents indicated that they were thinking about selling a property within the next 12 months. This month the proportion has fallen only marginally to 25%. Rising interest rates are not at this stage encouraging extra property selling.

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

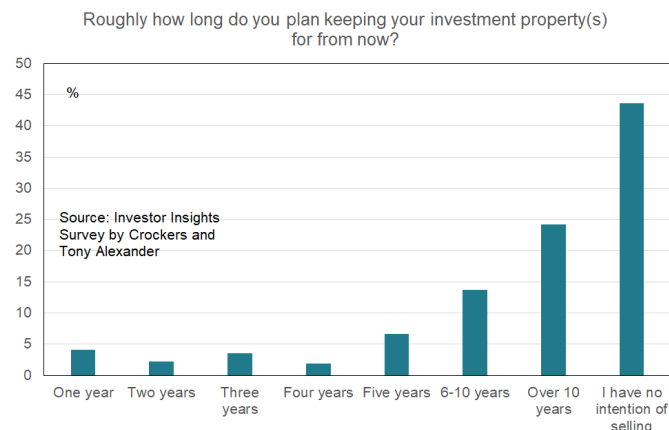


ROUGHLY HOW LONG DO YOU PLAN KEEPING YOUR INVESTMENT PROPERTY(S) FROM NOW?

Last month we noted that 65% of respondents either plan to hold their property(s) for ten years and beyond or have no intention of selling. This month that proportion has increased to 68%.



Again, as yet we lack evidence of rising interest rates encouraging selling. Only 4%, down from 6% last month, indicate that they plan selling within the coming year.



How do we reconcile the gross 25% of respondents saying they are thinking about selling within the coming year and the gross 4% saying they hold their property for up to one year? The questions sound the same – but the available answers differ. The first question merely asks whether selling is intended. The second however requires respondents to specifically consider a range of alternatives as listed in the graph above.

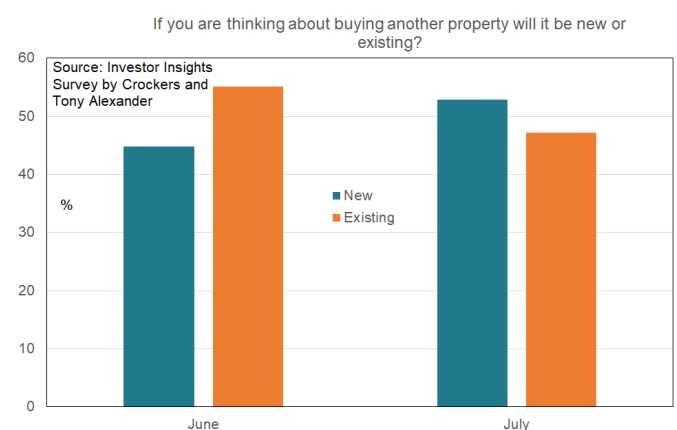
Faced with choices, a more considered approach is likely to be taken to answering the question. One might be able to describe the 21% difference between the two results as something akin to an “upset with the rule changes quotient”.

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

In this month’s survey, of those respondents thinking about buying another property in the coming year, 53% would buy new and 47% an existing property. This is a turnaround from last month when 45% said they would buy new and 55% existing. We will need a few months of

observations to gauge normal volatility in this measure before we can conclude whether a trend change is in place.

However, given the tax incentive provided for an investor to purchase a new dwelling, and the continuing and potentially worsening shortage of existing properties listed for sale, we could see the proportion seeking new properties drifting upwards.

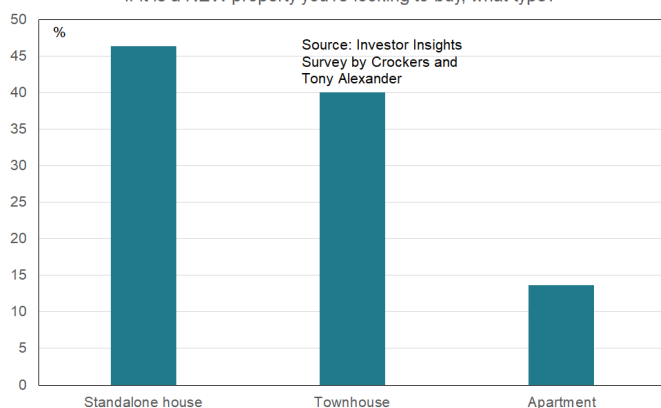


IF IT IS A NEW PROPERTY YOU’RE LOOKING TO BUY, WHAT TYPE?

For investors looking to buy a new dwelling, the preference of 46% is for a standalone house. Only slightly fewer, 40%, prefer a townhouse. But just 14% would opt for an apartment. This question has been restructured from that used in June so we cannot directly compare the results beyond noting that the broad relationship between these three choices is the same.

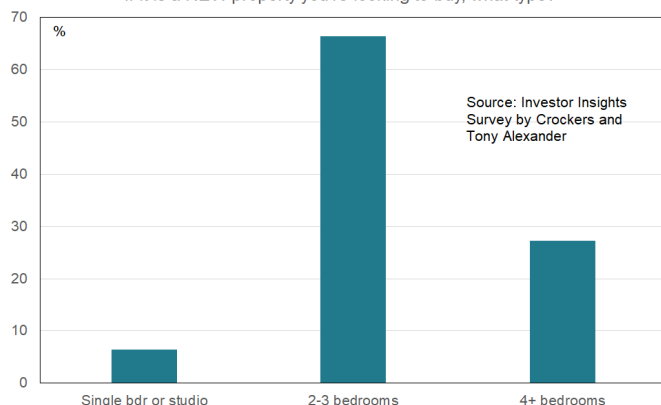


If it is a NEW property you're looking to buy, what type?



With regard to the size of a new property desired by investors, few want a single bedroom or studio dwelling. The overwhelming preference is for 2-3 bedrooms and for the three size choices presented here the differences in preferences are about the same as last month.

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

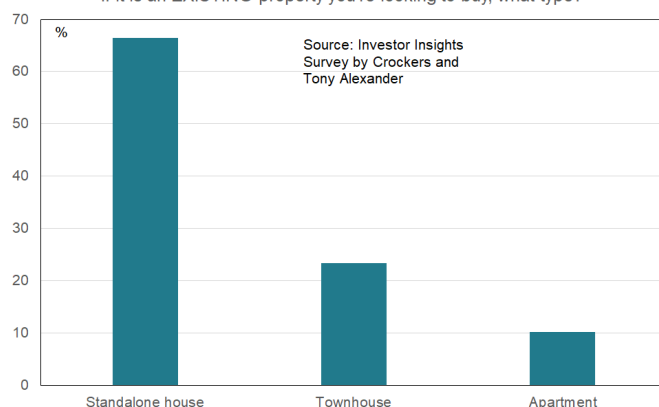


IF IT IS AN EXISTING PROPERTY YOU'RE LOOKING TO BUY, WHAT TYPE?

As noted last month, when it comes to the type of dwelling an investor might purchase over the coming year, there is a clear difference in preference of type between new and existing. For an existing dwelling 66% would opt for a standalone house versus 46% looking at buying a new property. For existing just 23% would purchase a townhouse versus 40% opting to do so if buying new.

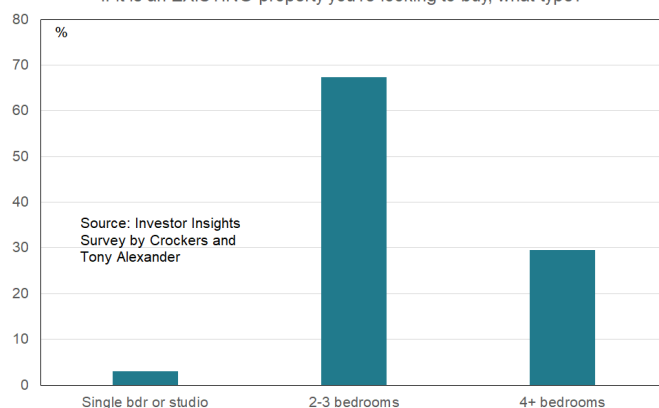
Thus, for first home buyers seeking to maximise their chances of securing a property, there may be greater payoff in attending auctions for existing townhouses than for other property types.

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



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?

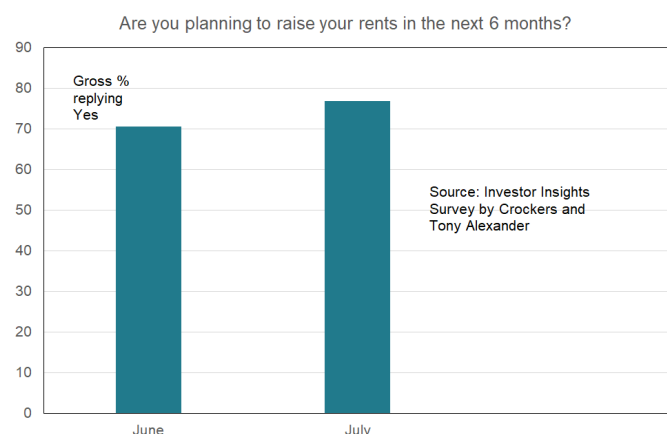


ARE YOU PLANNING TO RAISE YOUR RENTS IN THE NEXT 6 MONTHS?

Rents are set with reference to the market and not just by whim of a property owner. Nonetheless, it is the change in rent plans which is the important variable we are after and which we will be tracking from next month.



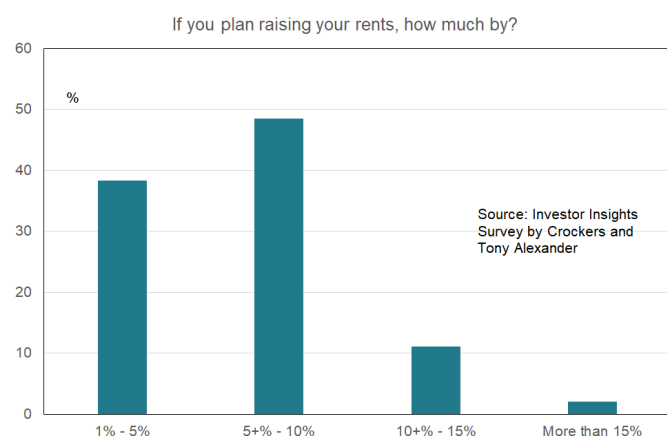
This month, the proportion of investors indicating that they “plan” to raise their rents over the coming year has increased slightly from 71% to 77%.



Just 2 of the 564 responses received for this question were that cuts were planned to rents.

IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

Of those investors planning to raise their rents, 38% intend increases of between 1% and 5%, 48% intend 5% - 10%, 11% 10% - 15%, and 2% plan rises of more than 15%. The average rise planned is just under 6.5% from just over 6.5% last month.

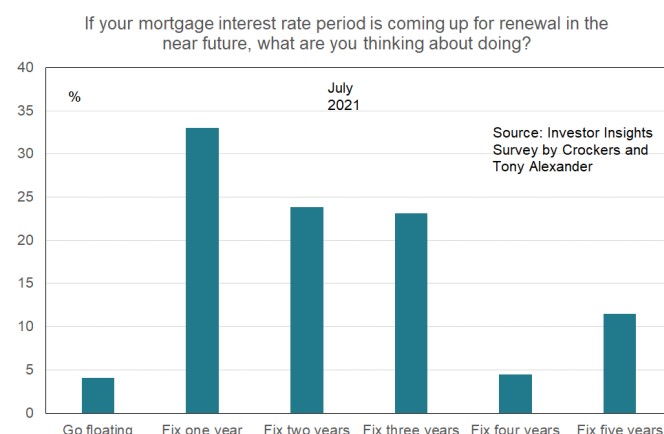


In similar vein to the previous question, intentions inevitably run into market realities, and it is the change in these measures we are principally interested in rather than the actual desired rent rises themselves.

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

The recently released high inflation outcome for the June quarter has prompted a swift change in expectations for monetary policy tightening and a round of fixed mortgage rate increases from lenders. Has this led to a shift in intentions of investors with regards to their interest rate risk management?

The changes have so far been quite small. Last month 37% said they would fix one-year. This month that proportion has fallen to 33%. Last month 21% and 18% respectively opted for two and three years. Now those proportions are slightly higher at 24% and 23%. The proportion preferring to fix five years has declined from 14% to 11%, probably because of the lift in this long-term rate.

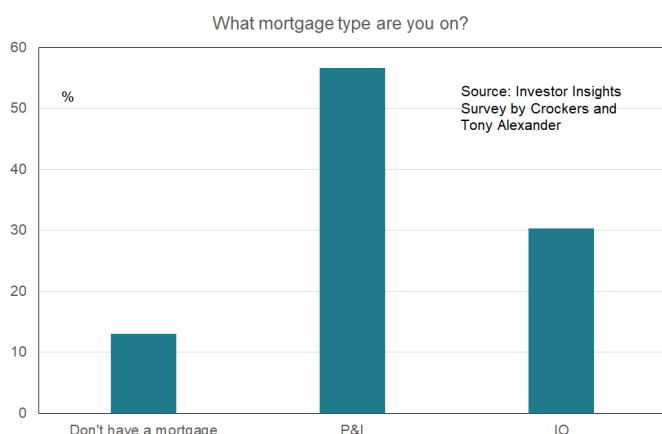


Note that to allow for the possibility of splitting one's fixed rate across a number of time periods, respondents are allowed to choose more than one fixed term option.



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

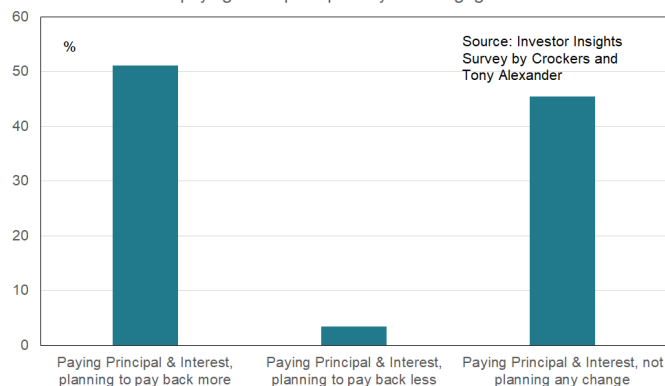
Some 13% of investors report that they do not have a mortgage, 57% report that they are paying principal and interest, and 30% are on an interest-only payment schedule.



Compared with last month there are essentially no changes in any of the proportions reported in the next two graphs. Given that one would not expect these proportions to shift much over time, this is an important validation of the statistical accuracy of overall results across the two months' worth of surveys so far undertaken.

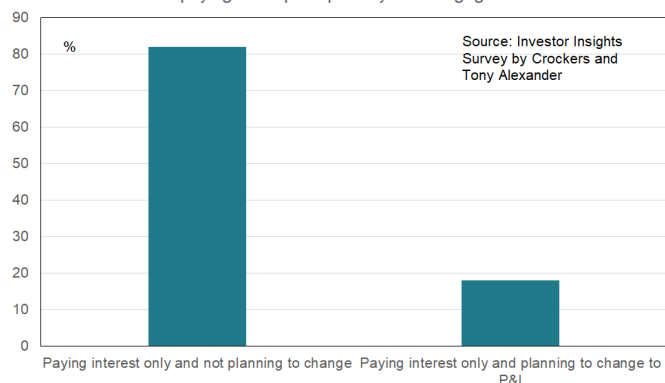
51% of respondents repaying principal are planning to pay back more on their mortgages, only 3% plan paying back less than before, and 45% have no plans to alter their repayments.

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



For those on interest only facilities only 18% plan shifting to paying down principal.

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



There is no indication so far from these requests that interest rate changes are encouraging any particular shift towards accelerating the repayment of debt.

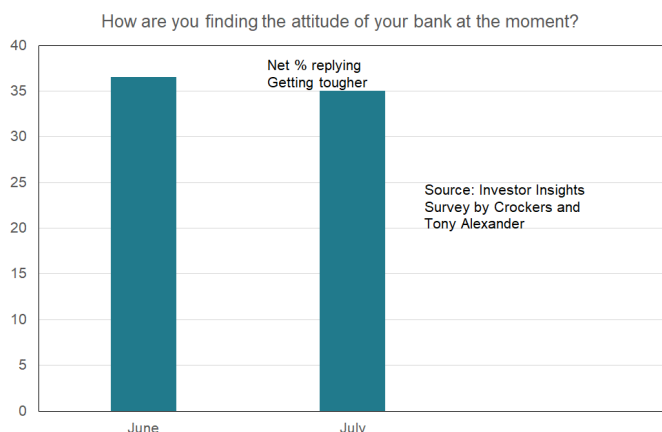
HOW ARE YOU FINDING THE ATTITUDE OF YOUR BANK AT THE MOMENT?

Respondents to this question can choose amongst three options.

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

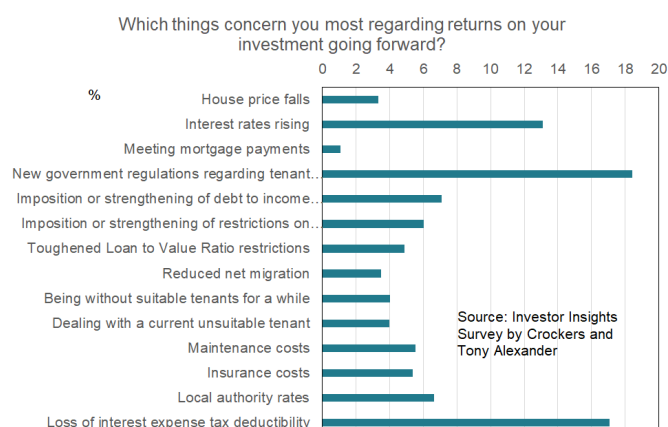


We can calculate the net proportion feeling that things are getting tougher and show the result in the following graph. This month a net 35% of respondents have reported that their bank is getting tougher. That is essentially unchanged from 37% last month.



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 this time around the option of “Loss of interest expense tax deductibility” made it onto the list. A gross 17% have cited this concern. That is essentially the same as the 18% citing government regulations.



Again, in an indication that rising interest rates are not yet being viewed as much of a concern by residential property investors, only a gross 13% cited “Interest rates rising”. Last month this was noted by 14% of respondents.

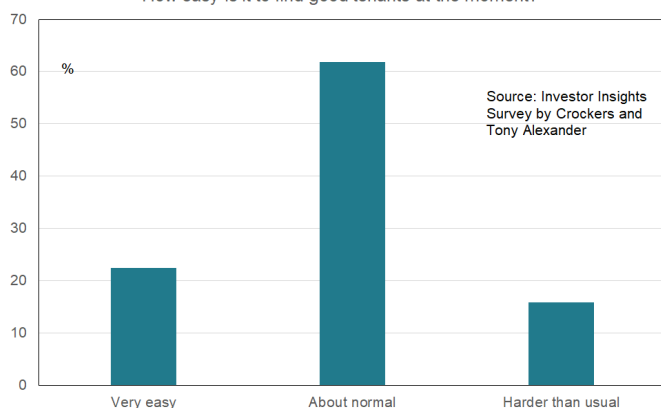
While from the perspective of a single point in time one can always find something interesting to say regarding answers to this question, real value will come from tracking changes in these various concerns over time.

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

There has been a marginal improvement reported by respondents in the ease with which they are finding good tenants. This month 22% have reported things as “very easy”, up from 18% in June.



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



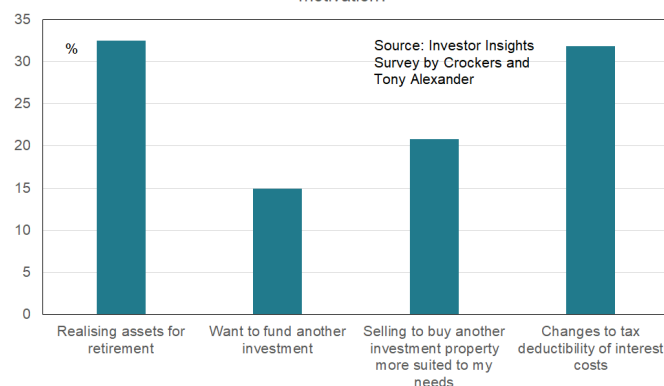
Eventually we may create a series tracking the difference between the “very easy” and “harder than usual” responses.

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

This month we have added an extra question to the survey aimed at finding out why those selling are considering doing so.

32% say they are selling in order to fund their retirement. But 32% also say they are selling because of the tax rule changes. The government can perhaps then take from this that their tax changes will have an impact over the coming year as some more properties come on the market.

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



There were 574 responses received in this month's survey, with respondents located as follows.

Region	%
Northland	2.1
Auckland	43.2
Bay of Plenty	8.2
Waikato	6.8
Gisborne	0.2
Hawke's Bay	4.0
Taranaki	1.7
Manawatu-Wanganui	2.3
Wellington	10.8
Nelson, Tas., Marl	3.3
West Coast	0.2
Canterbury	11.5
Dunedin City	3.1
Queenstown Lakes	1.9
Southland	0.9

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