



Investor Insight

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Crockers 
PEOPLE & PROPERTY

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Funding retirement

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.

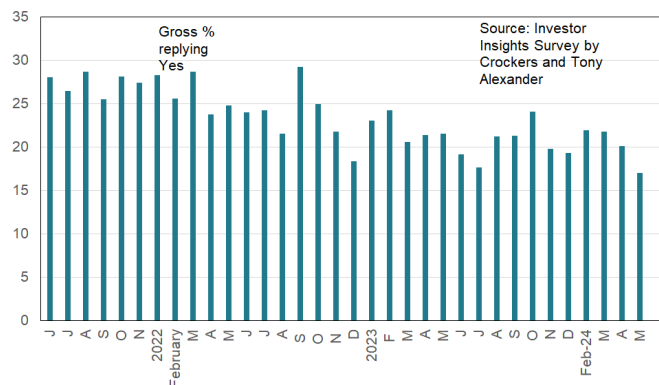
Key points of interest from this month's survey, which received 350 responses include the following.

- The proportion of investors looking to buy another property has fallen to a record low of 17%.
- Of those looking to buy only 17% also would consider a new property versus 30% a year ago and 53% in July 2021.
- A record low 50% of investors now say they will hold their property for at least ten years or have no plans to sell.

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

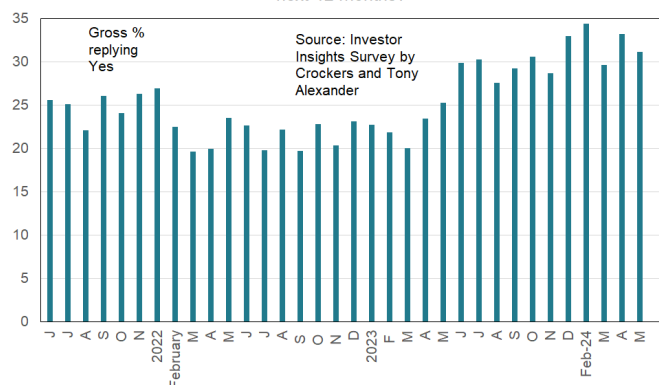
In this month's survey, a record low 17% of the 350 respondents indicated that they are thinking about purchasing another property in the coming year. Last month this proportion was 20% and a year ago 22%. The peak was 29% in September 2022 just prior to the deep credit crunch.

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



The proportion thinking about selling a property sits at 31%, which is down from 33% last month but above the three year average of 24%.

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

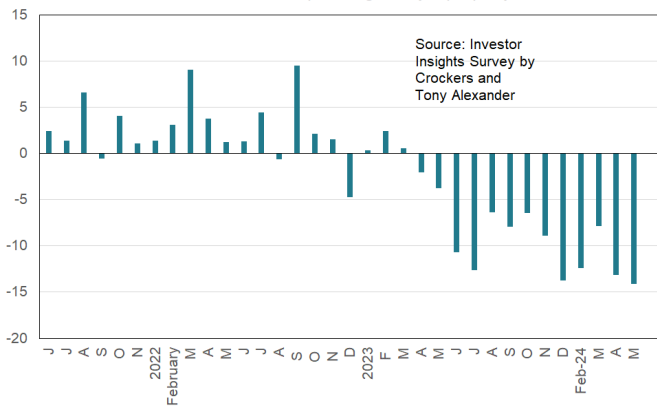


Putting the two measures together we can calculate net buying intentions, and this can give an indication as to whether price pressures are upward or downward from the people who already own residential property investments.

The net proportion of current property investors looking to buy again sits at -14%. This is the lowest level of net purchasing intentions since our survey started and illustrates clearly the way in which existing investors are reducing their overall investment in residential property.



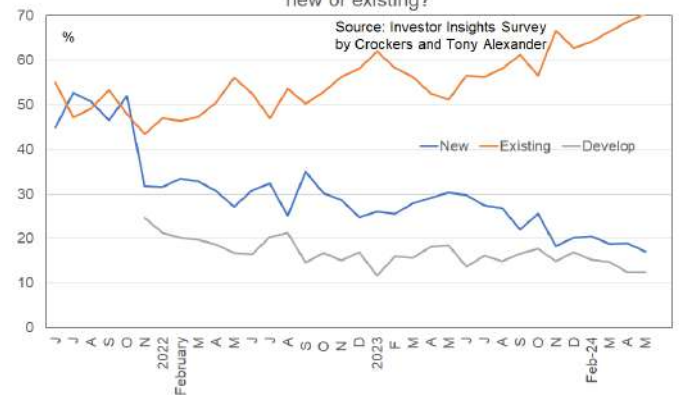
Net % of investors planning to buy a property



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

For the diminishing proportion of our survey base thinking about buying a property over the coming year there is a continuing downward trend in the proportion who would buy new. This now sits at a record low of 17% from 30% a year ago and a high of 53% in July 2021. The implications for builders seem reasonably clear.

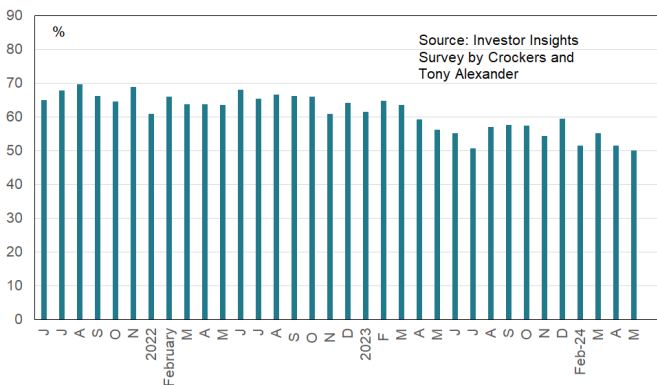
If you are thinking about buying another property will it be new or existing?



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

We ask investors how long they plan keeping their property for. On average since early-2021 61% have said they plan holding for at least ten years or never selling. This proportion has now fallen to a record low of exactly 50%.

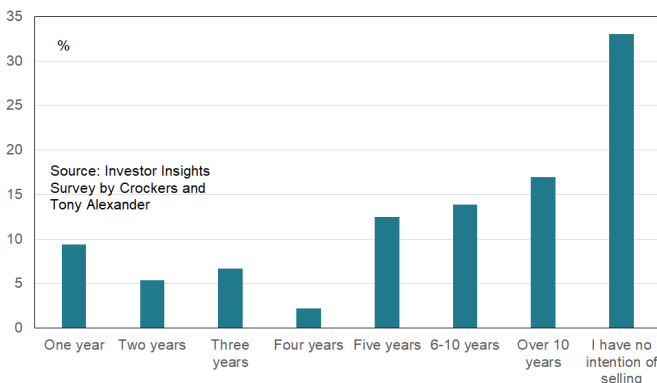
Gross % of investors planning to hold at least ten years or never sell



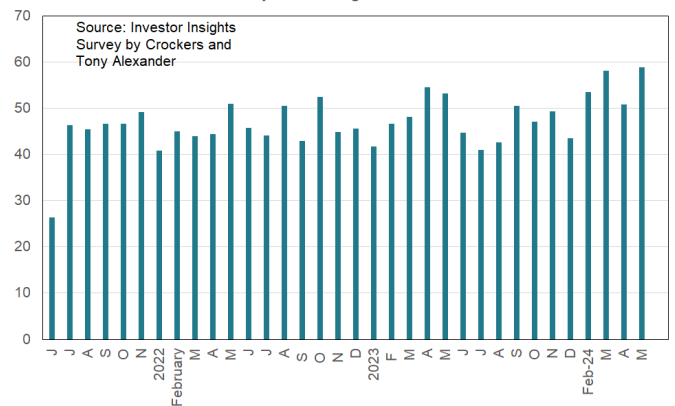
WHAT TYPE OF PROPERTY IS PREFERRED?

The majority of investors who would buy a new dwelling firmly prefer a standalone house and this trend is rising. At the same time the desire for a townhouse is trending down.

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

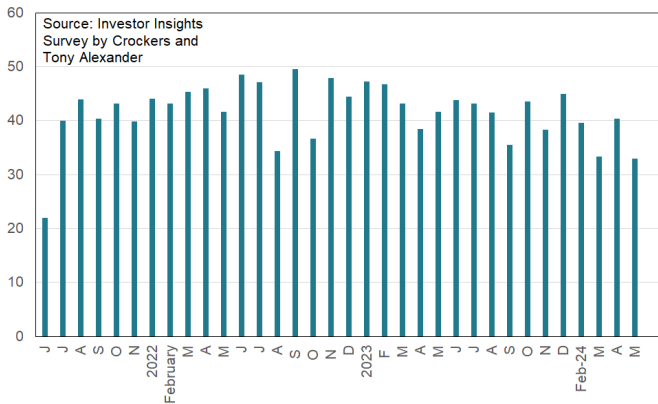


Gross % of investor buyers seeking a new STANDALONE HOUSE





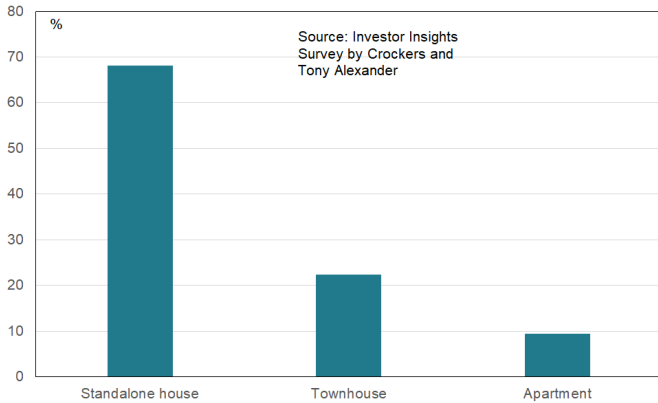
Gross % of investor buyers seeking a new TOWNHOUSE



This tells us that it is the developers of multi-unit dwellings who are most at risk from the general decline in investor interest in purchasing a new dwelling.

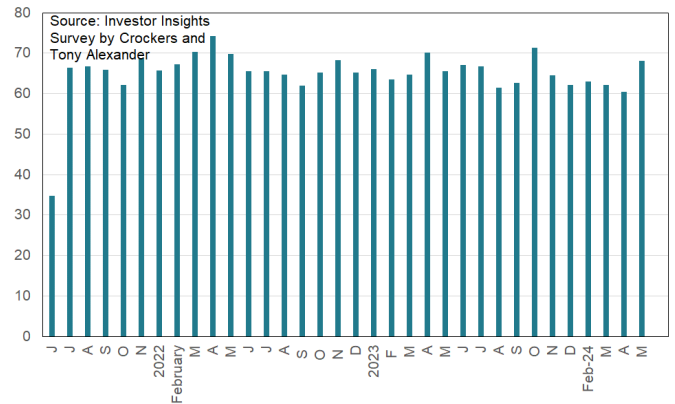
For those investors looking at purchasing an existing property the standalone house preference is even greater than for those contemplating purchase of a new property.

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

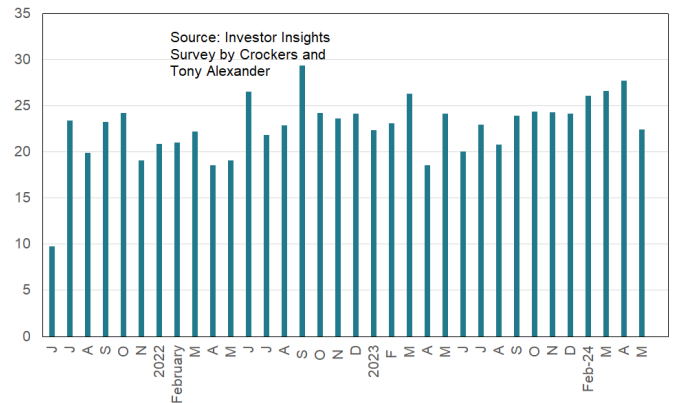


But there is less of a fresh upward trend in house versus townhouse preference than for new dwellings.

Gross % of investor buyers seeking an existing standalone HOUSE



Gross % of investor buyers seeking an existing TOWNHOUSE

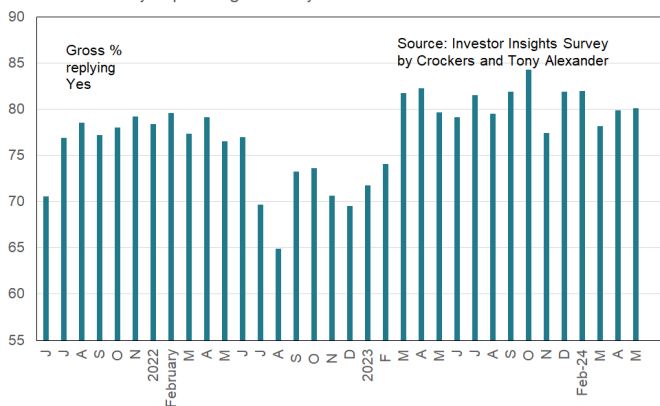


ARE YOU PLANNING TO RAISE YOUR RENTS IN THE NEXT 6 MONTHS?

80% of our survey respondents have reported that they plan raising their rents in the coming 12 months. This is only slightly above the average of 77% and no upward trend is apparent in the following graph.



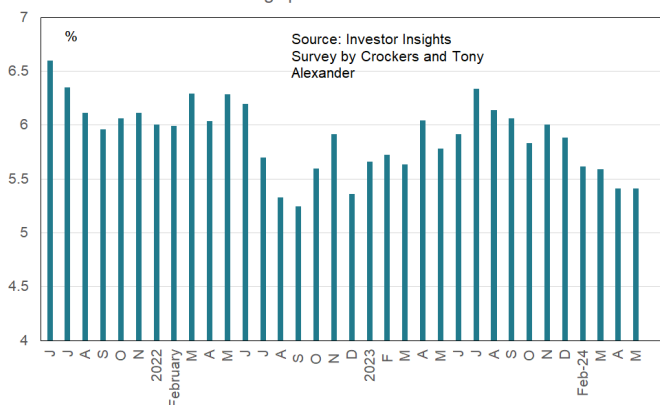
Are you planning to raise your rents in the next 12 months?



IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

The average rent rise planned/desired by landlords is 5.4%, unchanged from last month and down from a peak of 6.3% in July last year. As research both here and in Australia shows, changing costs for landlords are not the prime driver of rent growth changes. In particular, rising interest rates tend not to boost rents – therefore when interest rates fall in New Zealand through 2025 tenants should not expect additional downward pressure on rents growth.

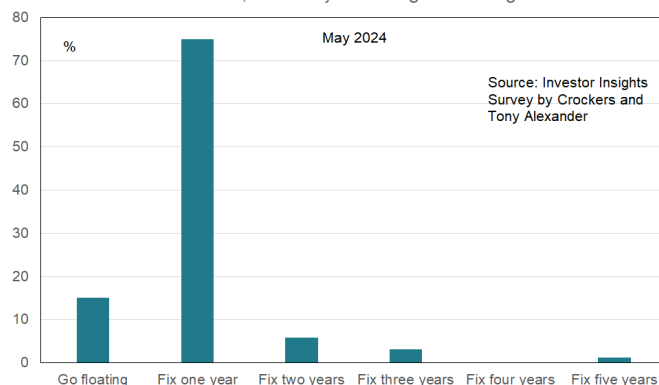
Average planned rent increase



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

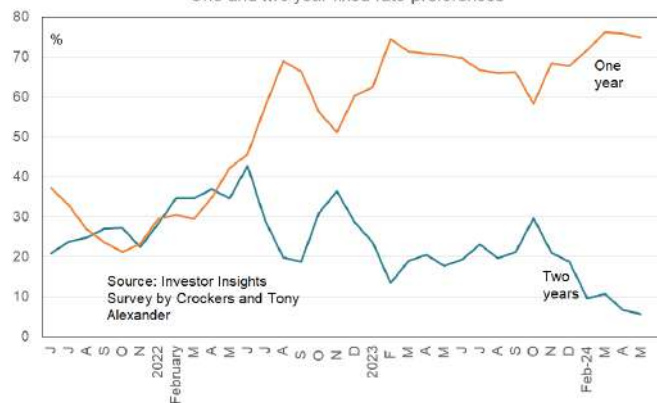
The vast majority of investors looking at fixing their mortgage interest rate in the near future favour fixing for one year or less.

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



This has been the case since the middle of 2022.

One and two year fixed rate preferences

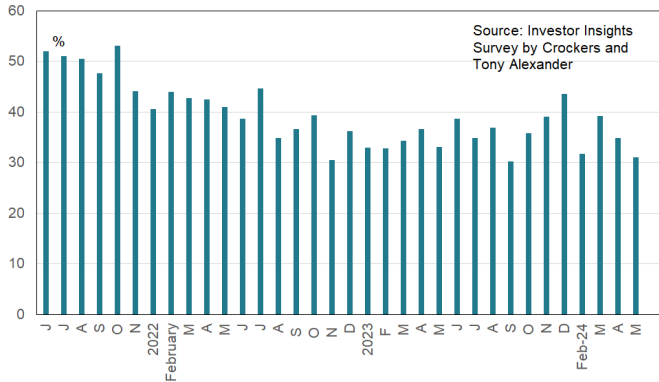


WHAT ARE YOU THINKING REGARDING THE SPEED WITH WHICH YOU ARE PAYING DOWN PRINCIPAL ON YOUR MORTGAGE?

Our survey has repeatedly shown that despite high interest rates few investors have made the decision to accelerate their debt repayment. In fact, most recently 31% have said they will repay debt faster, which is near to the lowest reading for the past three years.

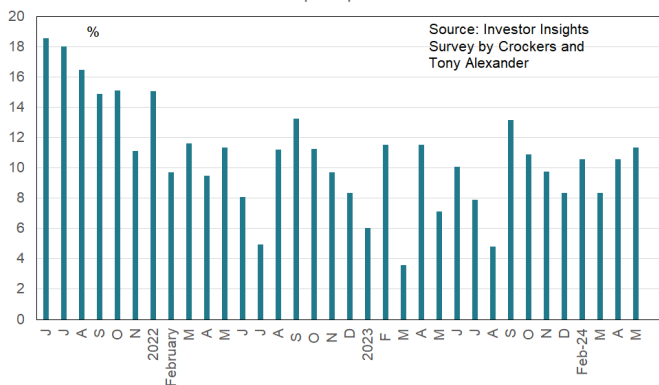


Proportion of investors on principal and interest mortgages planning to repay debt faster



There is no upward trend in those on interest-only facilities thinking about repaying principal. This may be because of cash flow constraints.

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



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

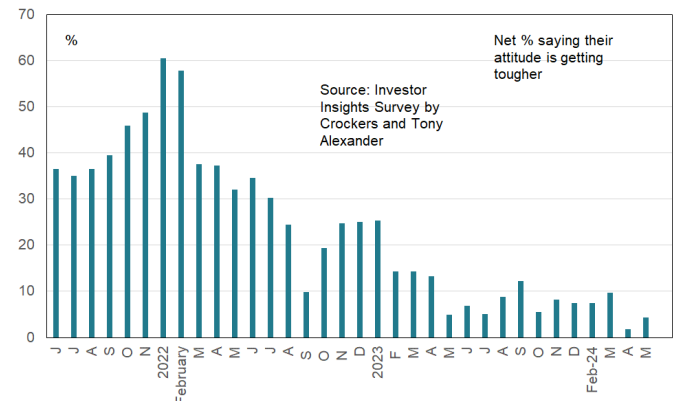
Respondents to this question can choose amongst three options.

- 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.

Few investors feel that their banks are being particularly obstructive at the moment. This was not the case back in 2021 when the credit crunch struck.

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

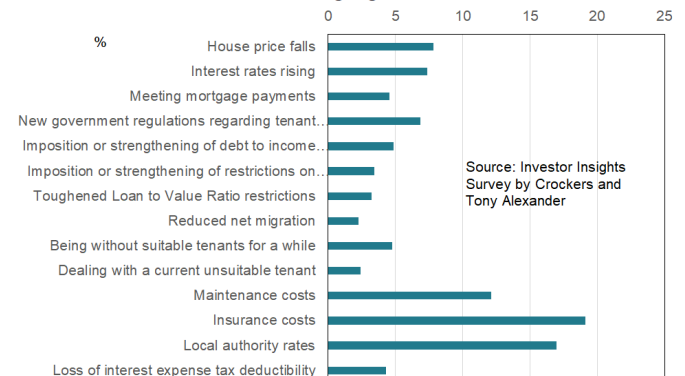


WHICH THINGS CONCERN YOU MOST REGARDING RETURNS ON YOUR INVESTMENT GOING FORWARD?

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

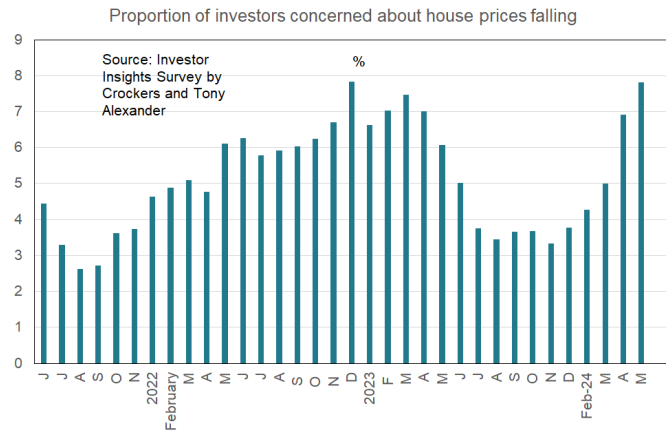
The things which investors are most concerned about are insurance costs, council rates, and maintenance costs.

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

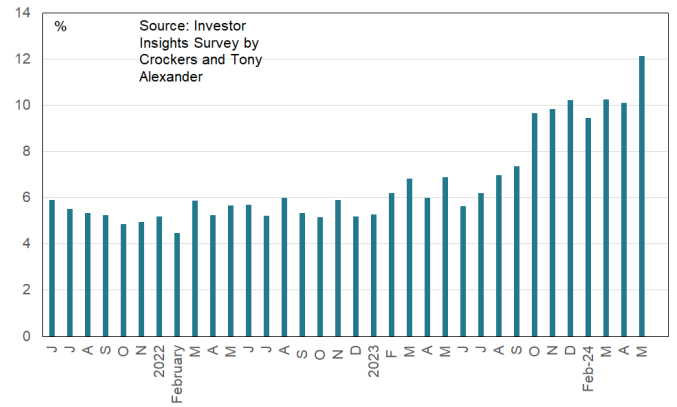




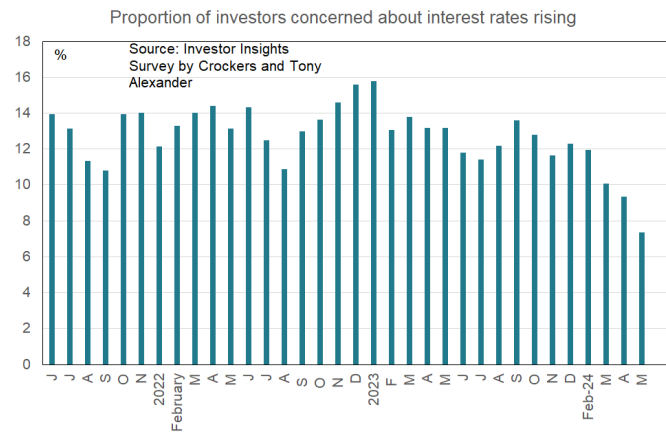
Worries about house prices falling have risen quite firmly recently as the real estate market has slowed and prices have started falling again.



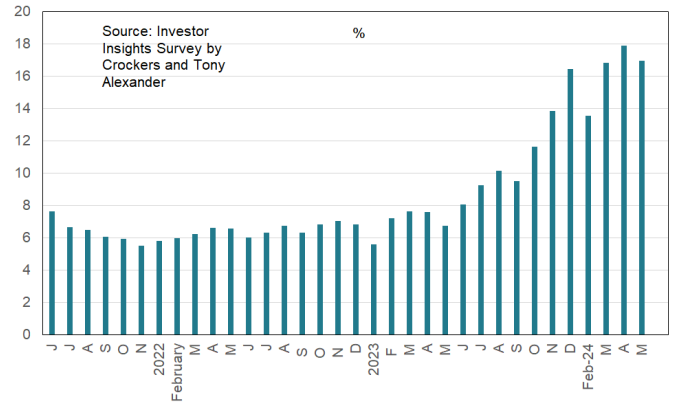
Proportion of investors concerned about maintenance costs rising



But worries about extra pain from interest rate changes continue to ease.

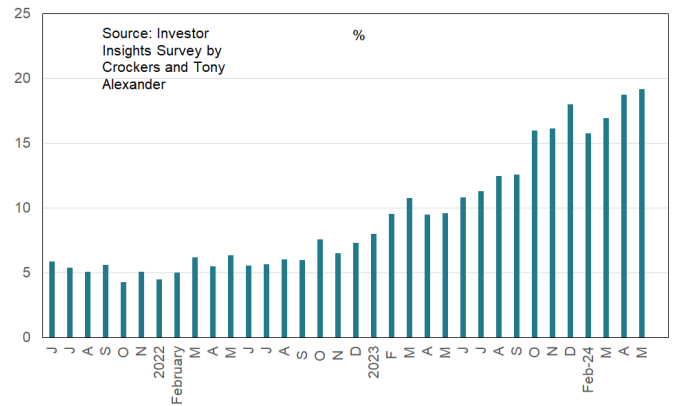


Proportion of investors concerned about council rates



These next three graphs show the speed with which concerns about insurance, rates, and maintenance costs have risen in recent times.

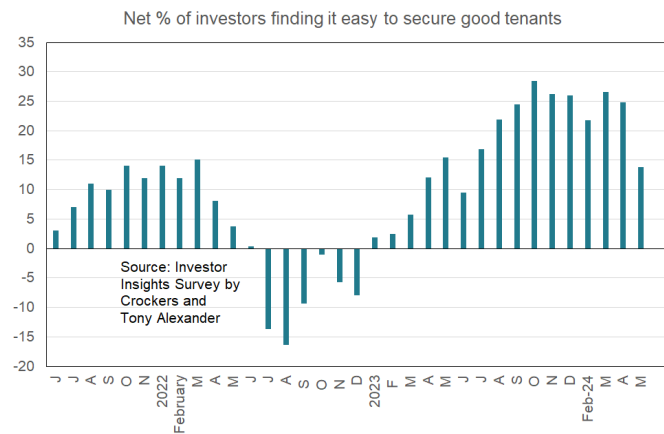
Proportion of investors concerned about insurance costs





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

This month there has been a firm decline in the net proportion of investors saying it is easy to get good tenants to 14% from 25% last month. Maybe the strong outflow of Kiwis is having an impact which now is being less offset by the large inflow of foreigners.



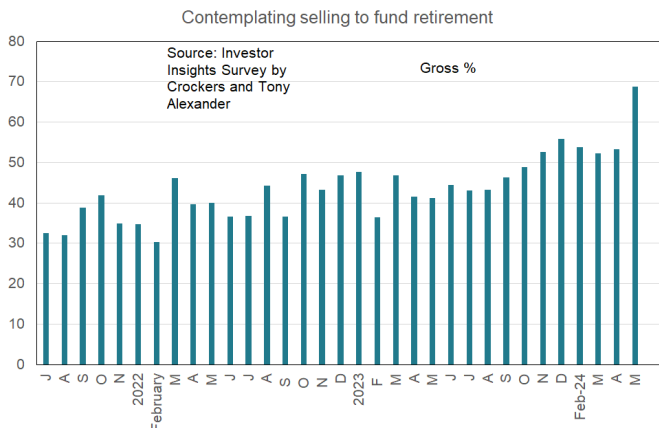
There were 350 responses received in this month's survey, with respondents located as follows.

Region	%
Northland	2.0
Auckland	44.6
Bay of Plenty	5.4
Waikato	10.2
Hawke's Bay/Gisborne	4.8
Taranaki	2.6
Manawatu-Wanganui	2.0
Wellington	9.7
Nelson, Tas., Marl	1.6
Canterbury	11.4
Dunedin City	2.8
Queenstown Lakes	2.6
Southland	0.3

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

For the growing number of investors who are looking to sell their property the motivation more and more is funding retirement. That perhaps is not surprising considering the fresh jump in hard-to-avoid costs incurred in retirement (and pre-retirement) of council rates and insurance.

This proportion has just jumped to a record 69%.



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- We assist BTR developers and owners in the design, development and management of their complexes

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