



Investor Insight

June 2021

Crockers 
PEOPLE & PROPERTY

EST.1971
crockers.co.nz

Tony Alexander
Independent Economist

MANAGEMENT
REALTY
BODY CORP



A new survey of investors

Welcome to the first Investor Insight survey compiled by Crockers Property Management and Tony Alexander. Each month we will 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.

This first survey can of course not tell us how things are changing, but it can give some valuable insights into the structure of the residential property investment sector.

In this survey we received 1,032 responses.

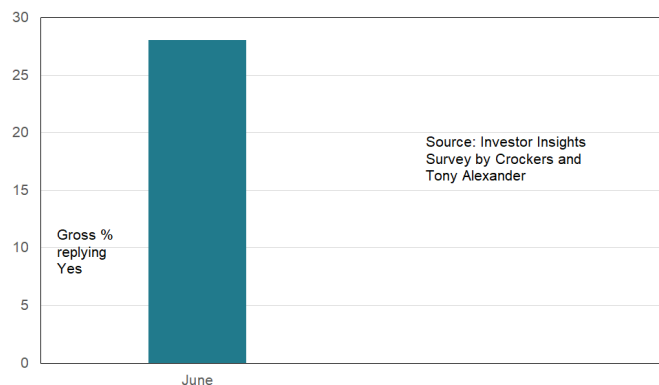
ARE YOU THINKING ABOUT BUYING ANOTHER PROPERTY WITHIN THE NEXT 12 MONTHS?

Over time this question will allow us to gauge the impact of factors such as changes in interest rates, tax policy variations, the general state of the economy and so on.

For this first survey, a gross 28% of respondents have reported that they plan buying another property. This result is considerably stronger than the gross 8% of real estate agents in the REINZ & Tony Alexander Real Estate Survey reporting that they are seeing fewer investors in the market for property.

We imagine that the result here would have been quite different for most months up until April this year.

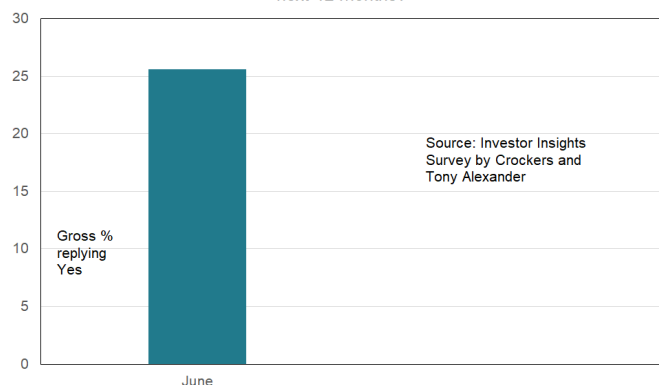
Are you thinking about buying another property within the next 12 months?



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

A gross 26% of investors have indicated that they intend selling their property within the coming year. This sounds like a relatively high percentage, but it will take some time to gain a feel for what “normal” looks like

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

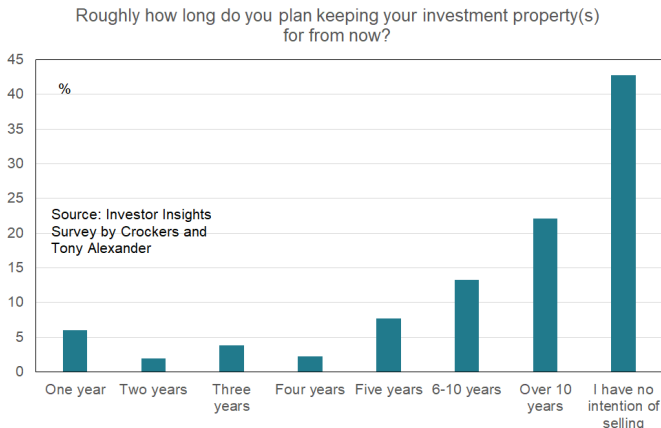


Perhaps we can however gain some immediate insight from the following question.



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

The responses show that 43% of investors have no intention of selling, and 22% plan holding their property for at least another ten years.

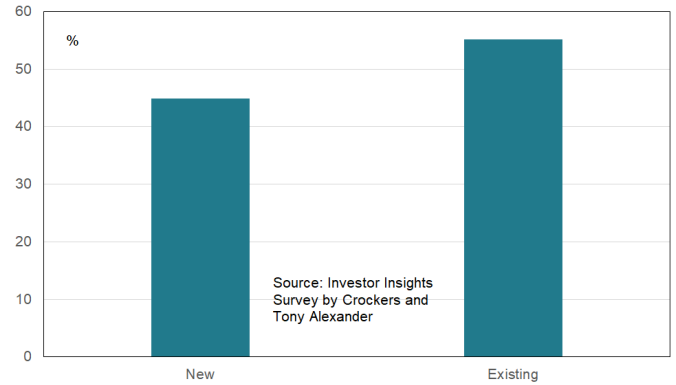


Just over one-third plan selling within ten years and 22% within five years. Interestingly, while a gross 25% of respondents in the previous question indicated they intend selling their property within the coming year, the proportion implying that in this question is just 6%. We suspect there remains a strong element of concern regarding the government's recent tax changes which continues to manifest itself as threats to sell.

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

For the gross 28% of investors thinking about buying another property, 45% are looking at buying one which is new and 55% are looking at buying an existing property. Over time, tracking this response will give insights into whether the government's policy actions are truly steering investors towards financing the construction of new dwellings. It is unfortunate that we do not have a pre-March 23 reading for this measure.

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



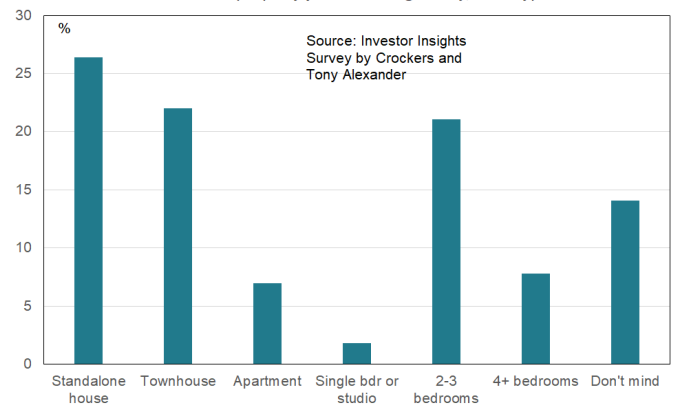
IF IT IS A NEW PROPERTY YOU'RE LOOKING TO BUY, WHAT TYPE?

Over time the responses to this question may prove useful to developers seeking insights into the types of properties investors will show a preference to buy.

In this initial survey we have found that 27% seek a standalone house, 22% a townhouse, and 7% an apartment. The size preference is strongly in favour of 2-3 bedrooms dwellings, with studios and single bedroom properties not favoured at all.

Some 14% of investors indicate that they do not mind what type of property they purchase.

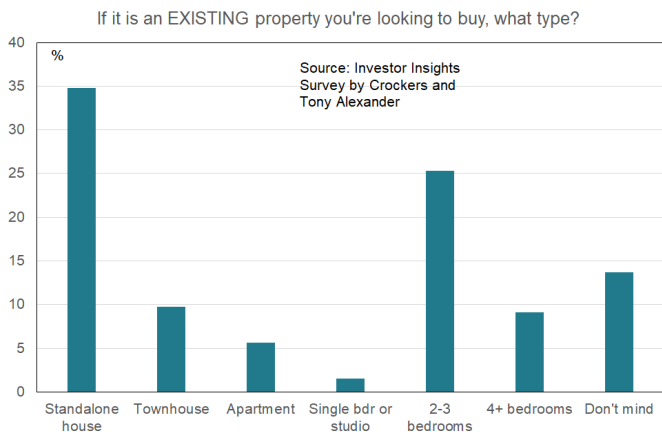
If it is a NEW property you're looking to buy, what type?





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

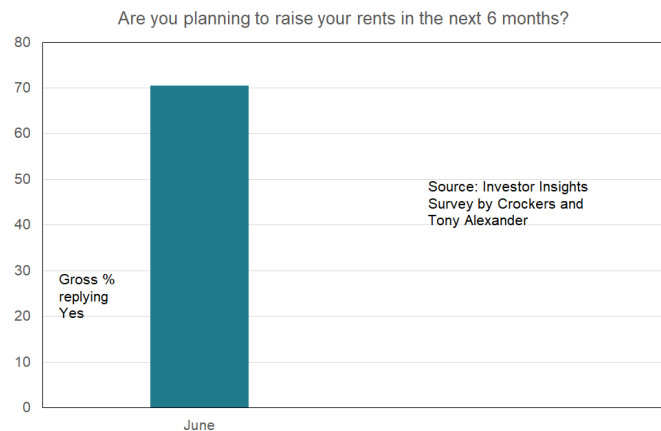
Our survey reveals a clear difference in preferred dwelling between those looking at buying new and those seeking to purchase an existing property. For the 28% of investors thinking about buying a property, a gross 35% of investors indicate they would prefer to purchase an existing house when making their purchase. The clear preference is for properties with just 2-3 bedrooms, and there is little interest in existing townhouses and apartments.



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

A gross 71% of respondents have reported that they plan to raise their rents over the next six months. That is, 614 said they plan raising rents, 256 said they do not plan to raise them, and 152 opted for "Maybe"

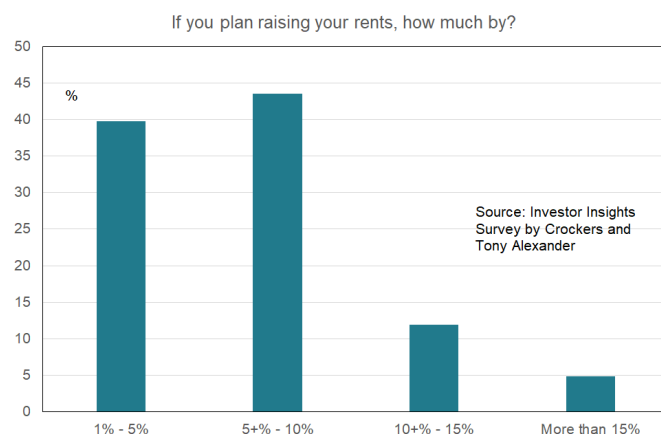
In reality, because rents have to set by property managers with reference to the market the actual rise in rents is likely to be less than the "hopes" expressed here by many property owners. Nonetheless, it is the change in rent plans which is the important variable we are after and which we will be tracking from next month.



From next survey we will remove the "Maybe" option and include an option for people to reply that they plan cutting their rents.

IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

Of those investors planning to raise their rents, 39% intend increases of between 1% and 5%, 43% intend 5% - 10%, 12% 10% - 15%, and 5% plan rises of more than 15%. The average rise planned is just over 6.5%.



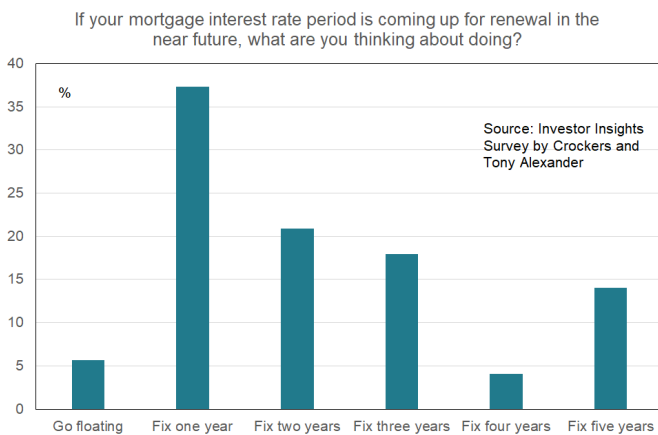
In similar vein to the previous question, intentions inevitably run into market realities and it is the change in these measures we are principally interested in rather than the actual desired rent rises themselves.



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

After many years of falling interest rates the world has now entered a period when central banks are under pressure to remove extraordinarily low interest rates. These rates are no longer needed to fight depressionary economic conditions which were expected from early-2020. As debate heats up regarding rising interest rates there will be intense interest from borrowers in how to manage their exposure to interest rate costs. In this section we can gain some insight into the actions which people are thinking about taking.

The term most favoured by borrowers is one year with 37% preferring it. Just 21% prefer the two-year period, 18% three years, and 4% four years. 14% opt for five years.

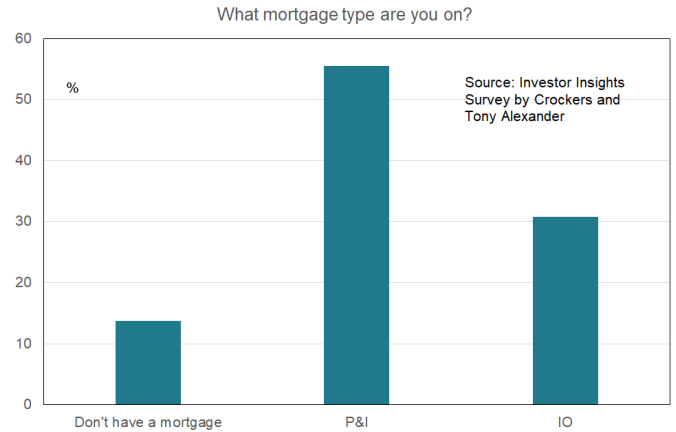


Note that to allow for the possibility of splitting one's fixed rate across a number of time periods, respondents are allowed to choose more than one fixed term option.

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

We will ask this question each month but may not report the results monthly given the likelihood that the results may not change that much. Having said that, once interest rates are higher, we could see some shifts in intentions of paying down principal, and in fact currently many investors are doing just that because of the tax changes coming in.

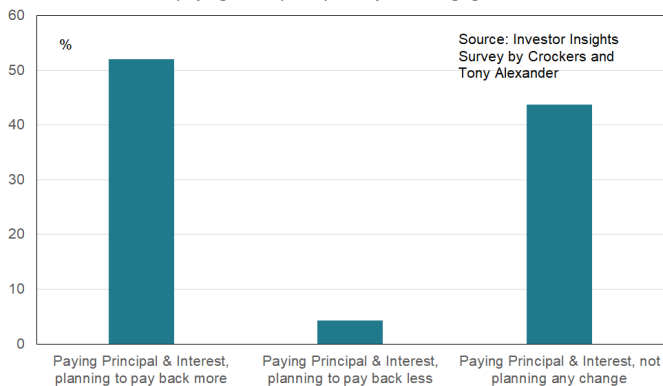
First, some 14% of investors have reported that they do not have a mortgage, 55% have a mortgage on which they are paying principal and interest, and 31% are on a mortgage with repayments of interest only.



Of those investors already paying down their debt, a gross 52% plan to pay back more than they have been paying, just 4% plan paying back less, and the remaining 44% plan no repayment changes.

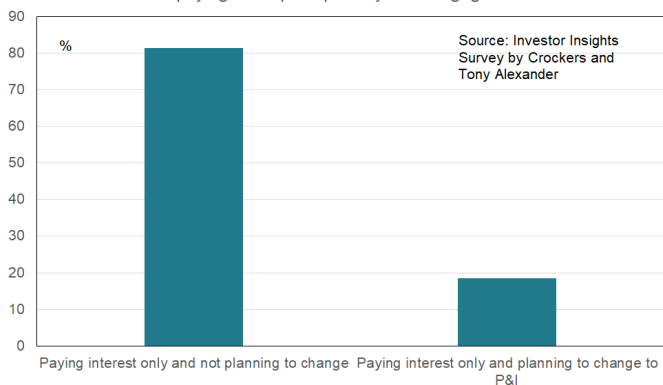


What are you thinking regarding the speed with which you are paying down principal on your mortgage?



Of those investors with an interest-only mortgage, only 19% plan changing to making principal repayments.

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?

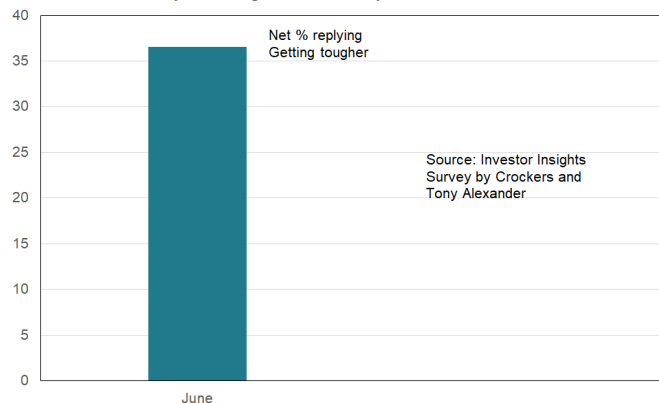
Respondents to this question can choose amongst three options.

- 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. We see that with 373 people saying that their bank is getting tougher and only 14 people saying they are more relaxed (596 no

change), a net 37% of respondents feel that their bank is getting tougher.

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



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

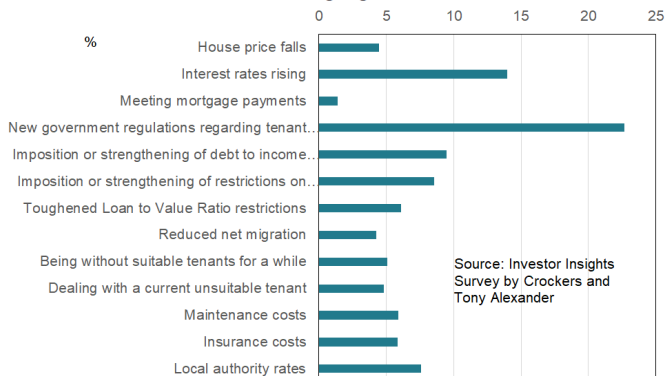
In this final question we will seek to track the specific points of investor concern over time, and it is likely that the range of options respondents can choose from will alter as we go forward.

For this first survey we specified 13 alternatives along with an “Other” category. The concern expressed by more investors than any other was “New government regulations regarding tenant rights, dwelling standards etc.” This was followed by “Interest rates rising”.

Unfortunately, the option of “Loss of interest expense tax deductibility” dropped out of the list.



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



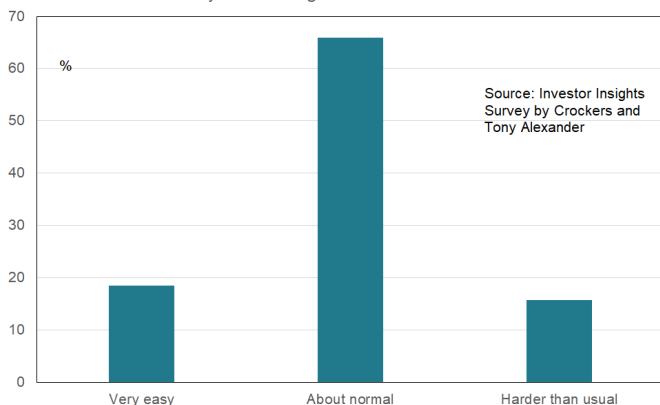
There were 1033 responses received in this month's survey, with respondents located as follows.

Region	%
Northland	1.6
Auckland	48.2
Bay of Plenty	4.8
Waikato	6.8
Gisborne	0.3
Hawke's Bay	3.5
Taranaki	1.3
Manawatu-Wanganui	2.9
Wellington	10.3
Nelson, Tas., Marl	1.6
West Coast	0.1
Canterbury	12.1
Dunedin City	3.2
Queenstown Lakes	2.0
Southland	0.8

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

A gross 18% of investors report that they are finding it very easy to get good tenants at the moment while 15% say it is hard to find such people. A large 65% say things are normal. Results to this question might not change much over time but we will track developments nonetheless.

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



INVESTOR INSIGHT

Get in touch to learn about our wrap around services for management, body corporate and sales needs for your properties.

MANAGEMENT: pm@crockers.co.nz

- Request a free rental appraisal
- Enquire about stress-free property management for your residential or commercial property

BODY CORP: bc@crockers.co.nz

- Request a free proposal for your Body Corporate
- Find out how Crockers can assist your Residents' Society
- Let us manage your unit titled property sale

REALTY: sales@crockers.co.nz

- Request a free property sales appraisal
- Let us manage and market your tenanted property sale

CROCKERS PROPERTY GROUP

F 0800 CROCKERS (2762 5377)

E property@crockers.co.nz

525 Manukau Road, Epsom, Auckland 1023

PO Box 74054, Greenlane, Auckland 1546

Crockers Property Management Ltd
Crockers Body Corporate Management Ltd
Crockers Realty Ltd Licensed (REAA 2008)

MANAGEMENT
REALTY
BODY CORP

EST.1971
crockers.co.nz

Crockers 
PEOPLE & PROPERTY