



Investor Insight

February 2023

Crockers 
PEOPLE & PROPERTY

Tony Alexander
Independent Economist

EST.1971
crockers.co.nz

MANAGEMENT
REALTY
BODY CORP



Investor shock eases further

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.

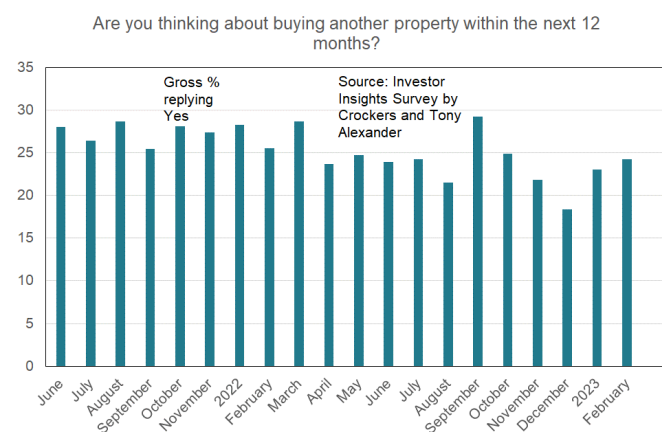
In this month's survey we received 304 responses.

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

- Net intentions of purchasing another property have shifted back to average after a sharp fall following the Reserve Bank's November 23 tightening of monetary policy and prediction of recession.
- The return of tourists and foreign students may account for a rise in plans to purchase an existing apartment.
- Over 70% of existing investors favour fixing their mortgage rate for just one year.
- Banks are seen as becoming more willing to provide investor financing.
- Good tenants are increasingly easy to find. This may reflect strong developments in tourism and migration flows.
- Property investors are becoming more concerned about insurance costs.

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

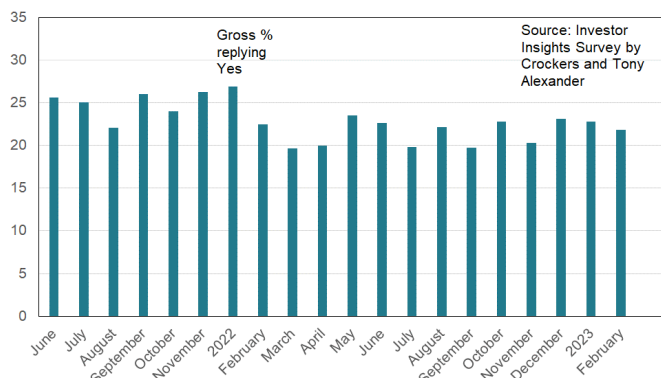
In this month's survey of property investors a gross 24% have reported that they are thinking about making a purchase within the coming year. This is the second monthly rise in a row and takes purchase intentions almost to the average over the time our survey has been running of 25%. The low-point was 18% late last year when investors were reacting to the record tightening of monetary policy on November 23 and the Reserve Bank's warning about recession over 2023.



The proportion of respondents thinking about selling a property has declined marginally over the month to just under 22% from just below the average 23% seen in January. Note that there appears to be a very mild downward trend in selling intentions.



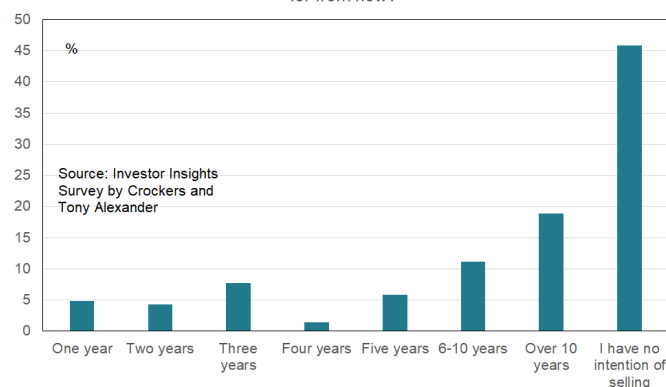
Are you thinking about selling one or all of your properties within the next 12 months?



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

A key characteristic of residential property investors is that the time-frame over which they plan retaining ownership of their property is far longer than often portrayed in the media. The following graph shows the proportion of respondents in our survey who plan holding their property for the time period shown. 46% plan never to sell, 19% plan holding at least a decade, and 11% plan holding 6 – 10 years.

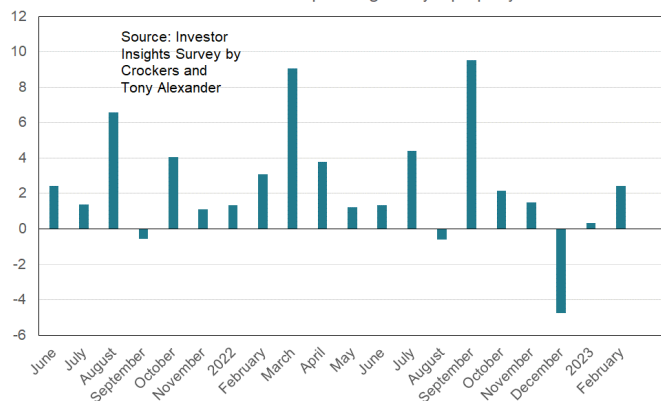
Roughly how long do you plan keeping your investment property(s) for from now?



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.

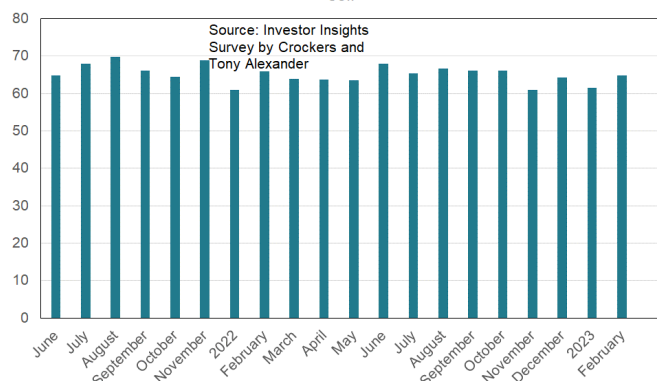
A net 2% of our respondents are now planning to purchase a property in the coming year. This is up from 0% in January and the record low of -5% in December and equal to the average since mid-2021.

Net % of investors planning to buy a property



There is no upward or downward trend in the proportion of investors planning at least a decade-long holding period.

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

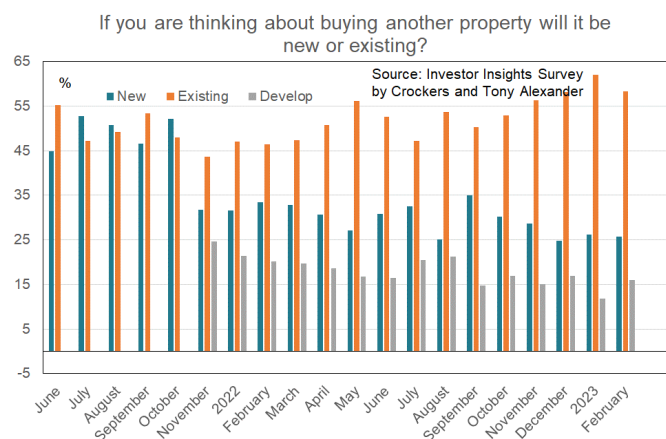


As has been observed in a number of other sentiment surveys, residential property investors have retreated from the high levels of pessimism felt after the inflation shock and monetary policy tightening over the December quarter last year.



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

The following graph tracks three things. The orange columns show the proportion of investors planning a property purchase who will aim for an existing dwelling. The trend is upward with just a small move down this month. In contrast the grey column showing the proportion intending to undertake their own development is trending down as is the proportion planning to buy something new constructed by an outside party.

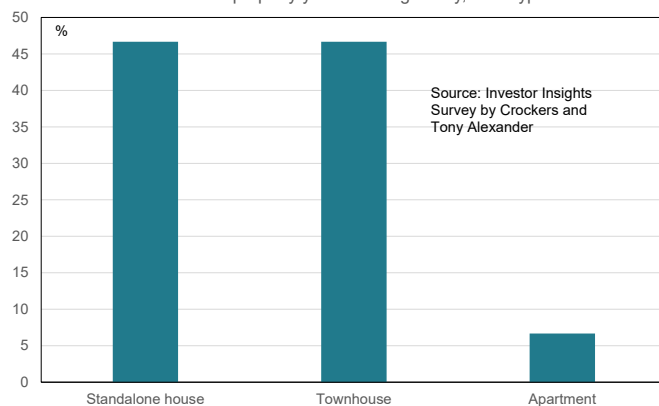


The growing aversion to purchasing new or undertaking one's own development likely reflects the high publicity given to problems in the construction sector including the lack of and cost of staff and materials. Less well known is the closing of most banks' doors to financing multi-unit developments.

WHAT TYPE OF NEW PROPERTY IS PREFERRED?

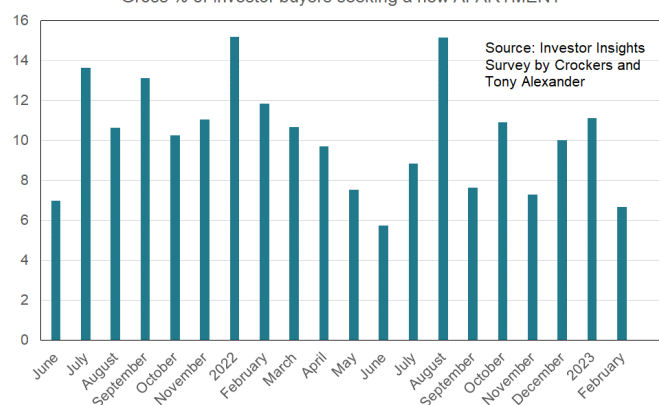
Of those investors intending to purchase a new property there is an even split between preference for a standalone house and a townhouse. Desire to buy a new apartment is low.

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



There is no clear trend change in preferences for townhouses and standalone houses, but a slight downward trend is apparent for newly constructed apartments.

Gross % of investor buyers seeking a new APARTMENT

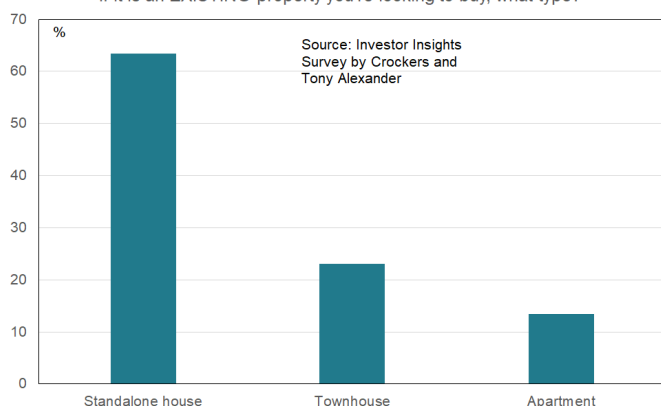


WHAT TYPE OF EXISTING PROPERTY IS PREFERRED?

For those investors looking to make a fresh purchase who have indicated they will purchase an existing property, the strong preference remains for a standalone property.

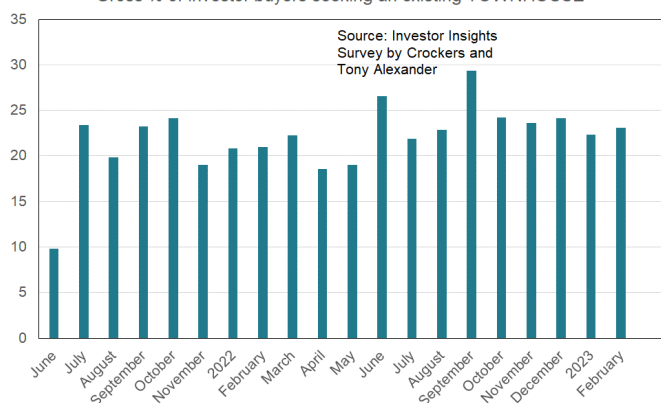


If it is an EXISTING property you're looking to buy, what type?



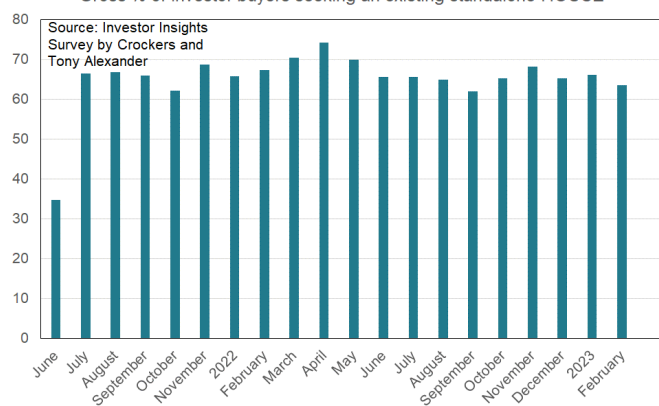
There is a mild upward trend in preference for an existing townhouse – though the rise is slow and volatile with a recent plateauing.

Gross % of investor buyers seeking an existing TOWNHOUSE



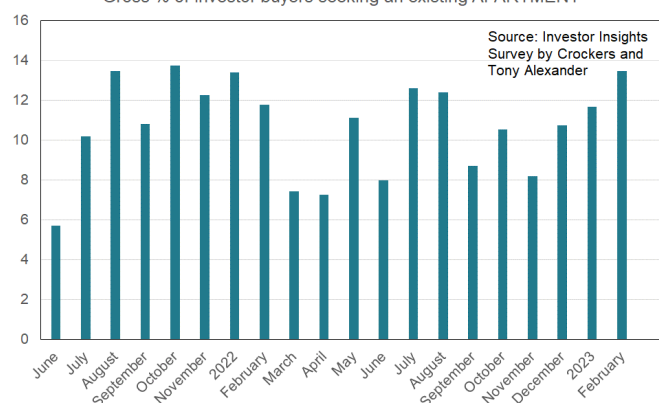
Preference for an existing standalone house is usually near 63% of those planning to purchase an existing property.

Gross % of investor buyers seeking an existing standalone HOUSE



But there has been a firm lift recently in investor preference for an existing apartment. There might be some response underway to the return of tourists and foreign students.

Gross % of investor buyers seeking an existing APARTMENT

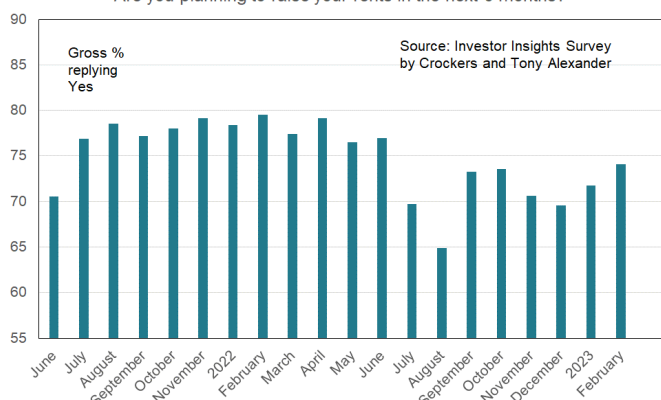


ARE YOU PLANNING TO RAISE YOUR RENTS IN THE NEXT 6 MONTHS?

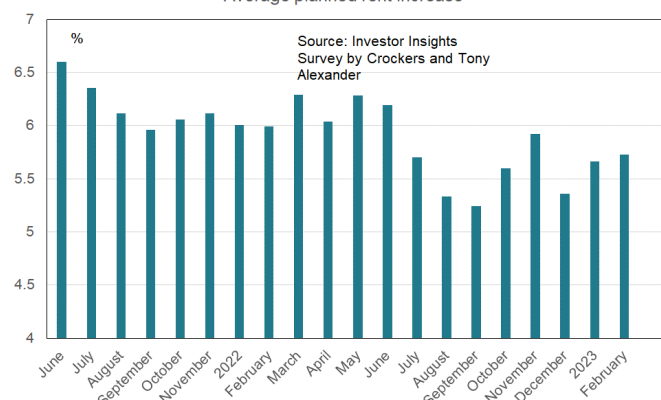
The proportion of existing residential investment property owners planning to raise their rents over the next six months has risen over the past two months to sit at the highest level since mid-October last year.



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



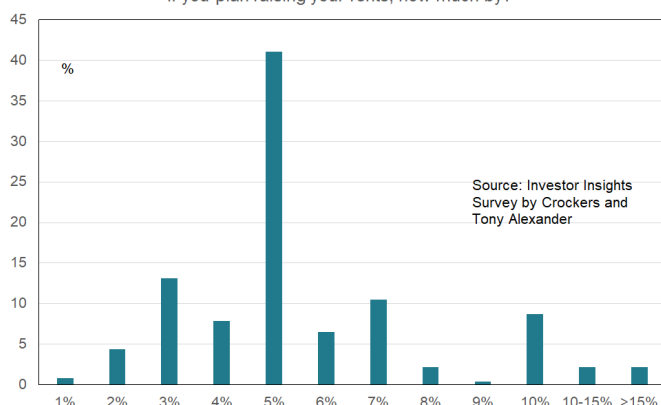
Average planned rent increase



IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

For those investors planning (hoping) to raise their rents the most commonly desired increase is 5%.

If you plan raising your rents, how much by?

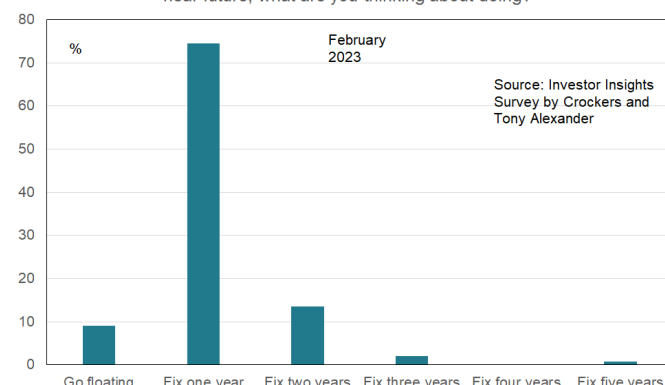


The average rent rise desired is 5.7%. This is below the year and a half average of 5.9% but well ahead of the 5.3% recorded just after the record tightening of monetary policy and recession prediction late last year.

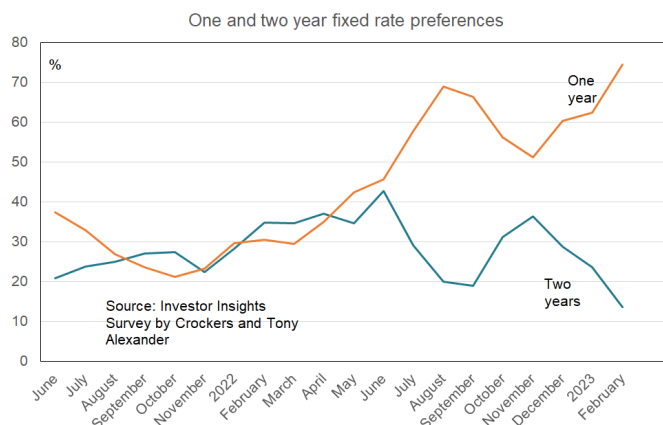
IF YOUR MORTGAGE RATE IS COMING UP FOR RENEWAL IN THE NEAR FUTURE, WHAT ARE YOU THINKING ABOUT DOING?

The term overwhelmingly favoured by investors for fixing one's mortgage rate is one year.

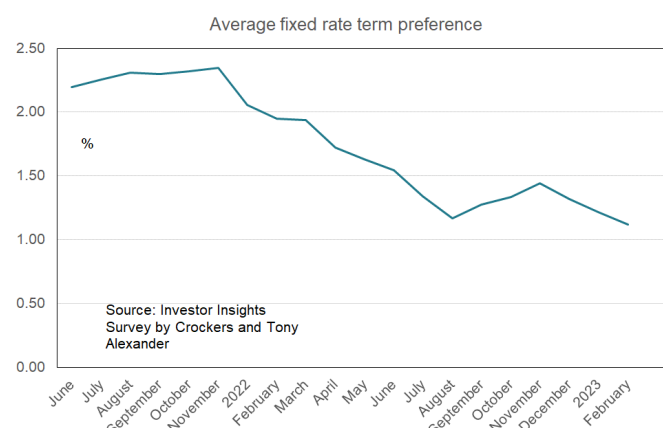
If your mortgage interest rate period is coming up for renewal in the near future, what are you thinking about doing?



The preference for the one year term has risen firmly over the past three months to the highest reading since our survey started.

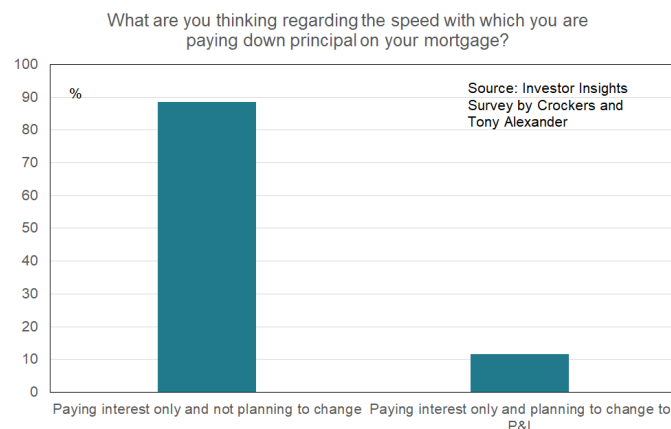


The preference for two year fixing has equally fallen away quite rapidly recently. Taking the other terms into account – traditionally very lowly favoured – the outcome is a steady decline in term preference since house prices started falling late in 2021.

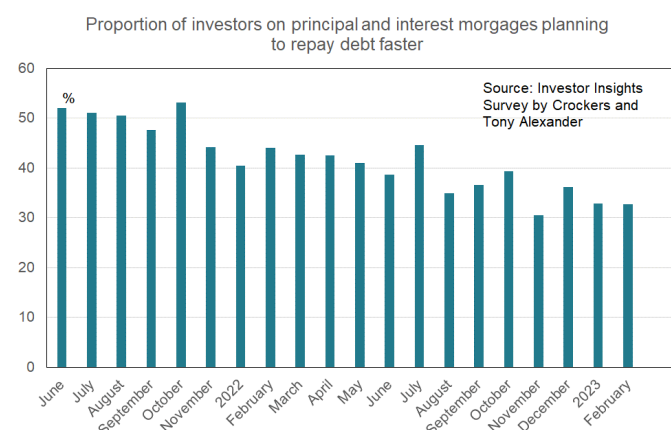


WHAT ARE YOU THINKING REGARDING THE SPEED WITH WHICH YOU ARE PAYING DOWN PRINCIPAL ON YOUR MORTGAGE?

Very few investors are so concerned about interest rates that they intend accelerating their repayment of debt.



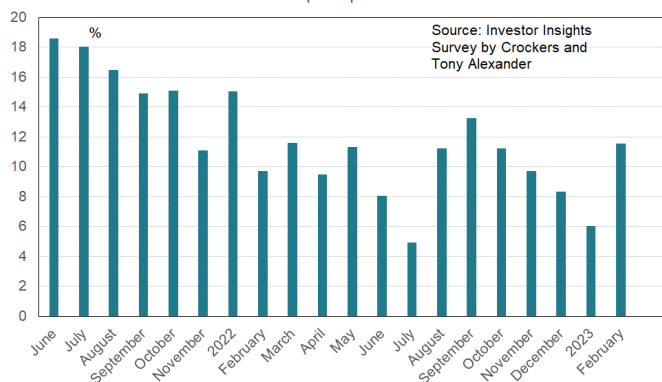
There is no upward trend in the proportion of those already repaying principal who intend repaying more.



However, this month we have seen a fairly strong rise in the proportion of those on interest-only mortgages planning to shift to repaying principal.



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



The rise to 12% from 6% last month has however happened before without any alteration to the trend, so for the moment it seems best to treat this result with caution.

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

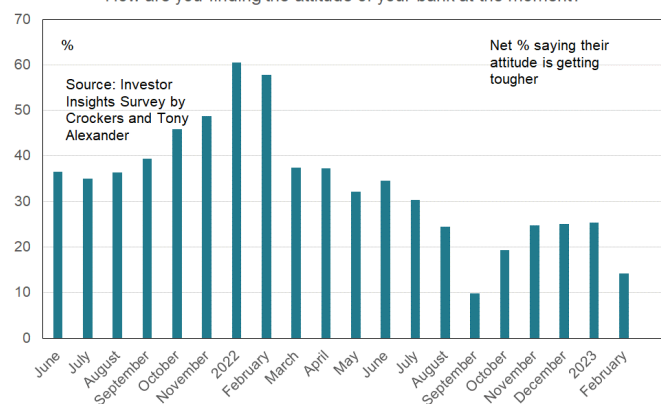
Respondents to this question can choose amongst three options.

- 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 decrease in perceptions of toughness. This gels with the results of my separate survey of mortgage advisers which shows that banks are becoming more willing to lend in an environment where low real estate sales means they are failing to achieve lending targets.

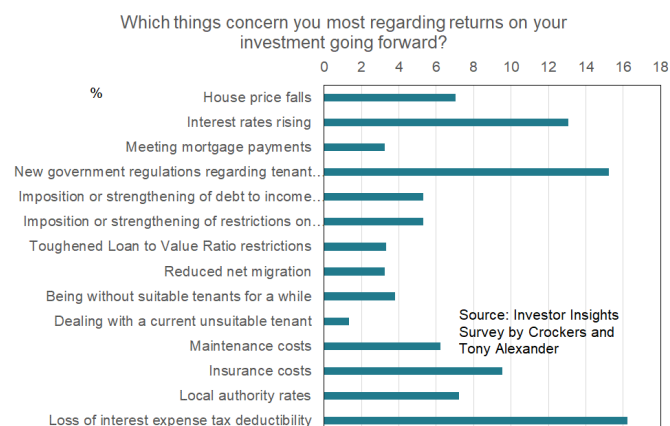
How are you finding the attitude of your bank at the moment?



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.

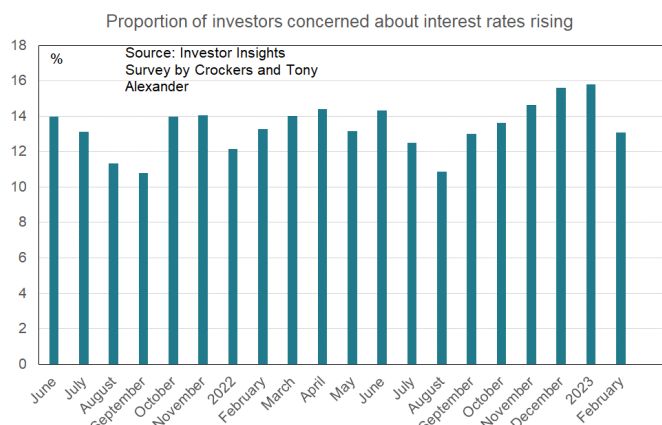
The three things which continue to cause most concern for residential property investors are new government regulations favouring tenant rights, loss of interest expense deductibility, and rising interest rates.



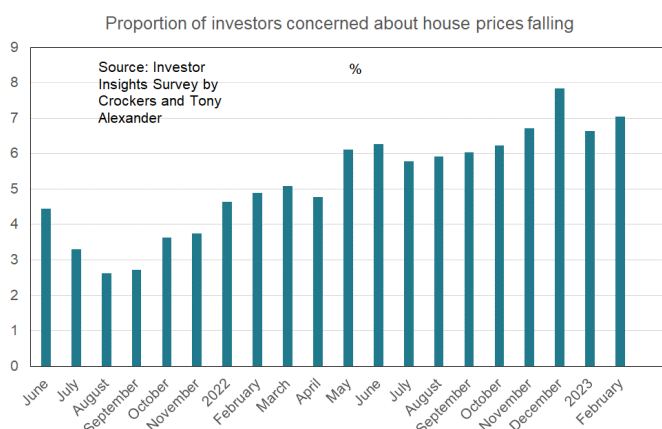
The past month has brought a sizeable decline in concerns about interest rates rising further as banks have cut their fixed lending rates for terms of two years and beyond. Behind the scenes



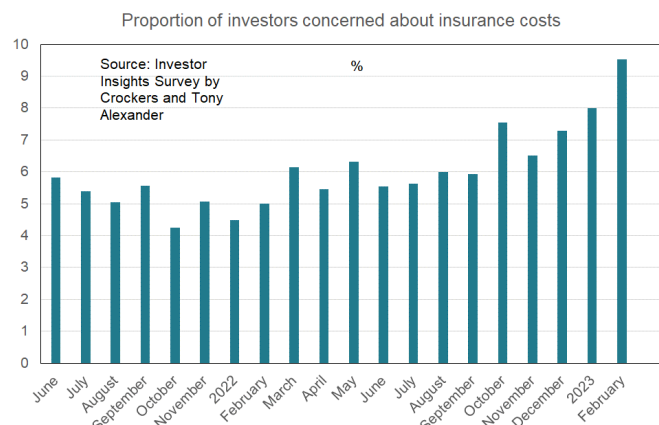
they are also offering newly discounted one and two year rates though for the moment these 4.99% and 5.99% offerings are not being advertised.



Worries about house prices falling continue to trend up.

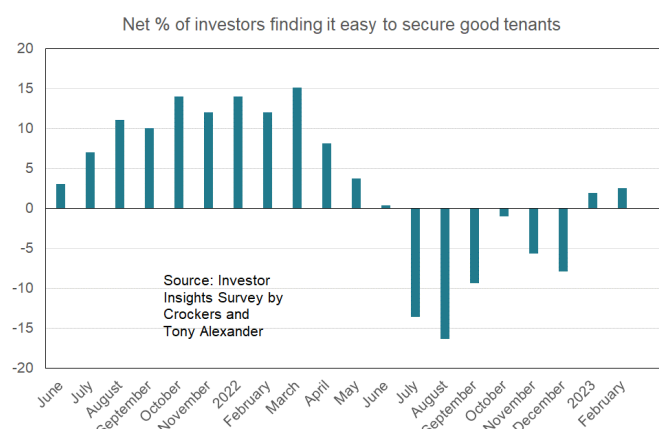


This month's survey has seen a rise in the proportion of investors concerned about insurance costs to 10% from 8% in January and 7% in December.



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

For the second month in a row there has been a slight rise in the net proportion of existing property owners feeling that it is becoming easier to secure good tenants.



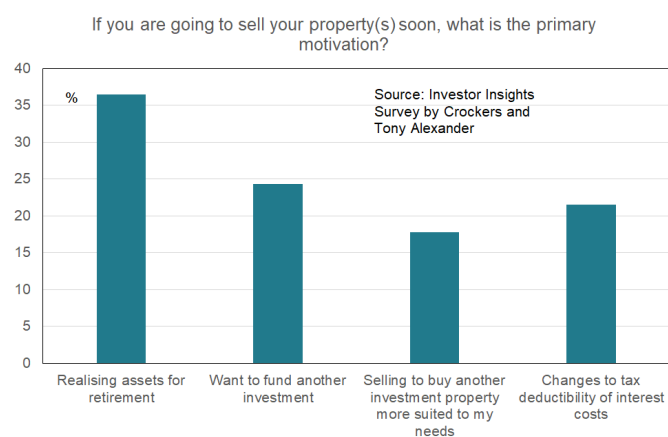
The latest rise is not as large as seen in January compared with December. But the key development is the upward trend which is in line with the results above for desired rent rises. Data from Statistics New Zealand show that net migration flows into New Zealand have turned very rapidly upward and this may be having an impact on the balance between rental property demand and supply. The same applies to the boom in inbound tourism encouraging the



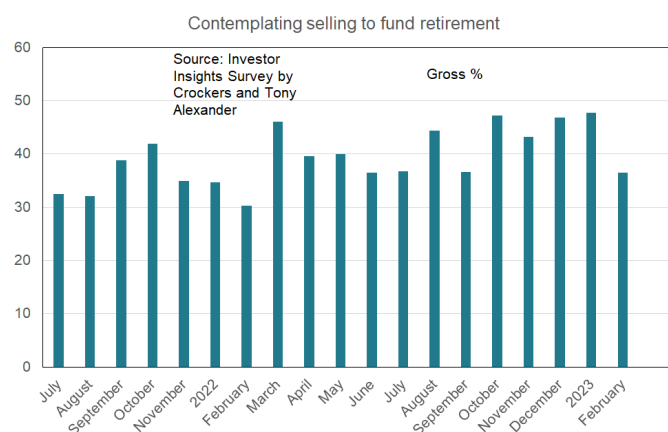
movement of accommodation back towards the tourism sector and away from long-term tenancies.

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

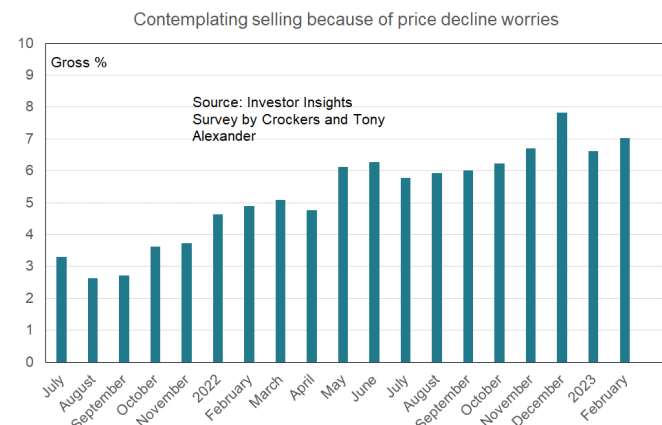
For those existing investors who are looking at selling their property in the next 12 months the primary motivation remains funding retirement.



This proportion has dipped slightly this month. But standing back we can see the broad trend is upward. This may reflect the key NZ demographic trend which is an aging population.



Thoughts of selling to beat expected price declines remain above average but below the shock levels of December immediately after the record tightening of monetary policy.



There were 304 responses received in this month's survey, with respondents located as follows.

Region	%
Northland	0.7
Auckland	39.0
Bay of Plenty	7.2
Waikato	8.5
Gisborne	0.1
Hawke's Bay	1.3
Taranaki	1.6
Manawatu-Wanganui	3.0
Wellington	13.8
Nelson, Tas., Marl	3.9
West Coast	0.1
Canterbury	14.1
Dunedin City	4.3
Queenstown Lakes	2.0
Southland	0.7

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