



Investor Insight

November 2022

Crockers 
PEOPLE & PROPERTY

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Property development interest falling

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.

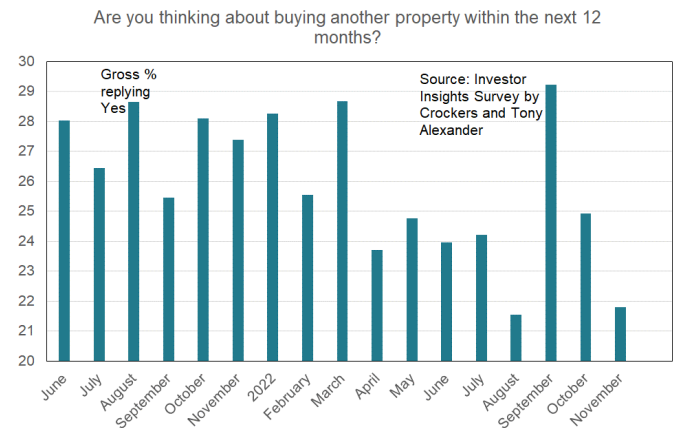
- There is a slight rise evident in the proportion of investors looking to buy who will seek an existing rather than new property.
- Interest in undertaking one's own property development continues to decline.
- The proportion of investors planning rent rises is slowly trending down, but average rent rises sought have increased for two months in a row.
- Despite rising interest rates and tax rule changes hitting interest expense deductibility, investors are showing no inclination towards accelerating their pace of debt repayment.
- The proportion of investors concerned about legislation changes strengthening tenant rights continues to track slowly downward.

In this month's survey we received 391 responses.

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

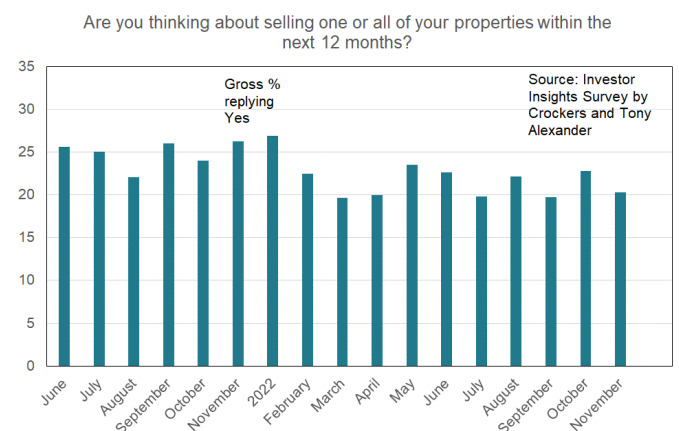
22% of investors responding this month have said that they are thinking about buying a property in the next 12 months. This is down

from the strong results of 25% in October and 29% in September but not back to August's outcome of just under 22%.



The recent round of increases in fixed mortgage rates is likely to have encouraged investors to take a step back and not necessarily follow the wave of first home buyers who came into the housing market about four months back.

The proportion of investors thinking about selling a property has changed very little ever since our survey started in June last year. There is no evidence of any wave of selling despite rising interest rates, falling house prices, and tax rule and other changes disincentivising property investment.

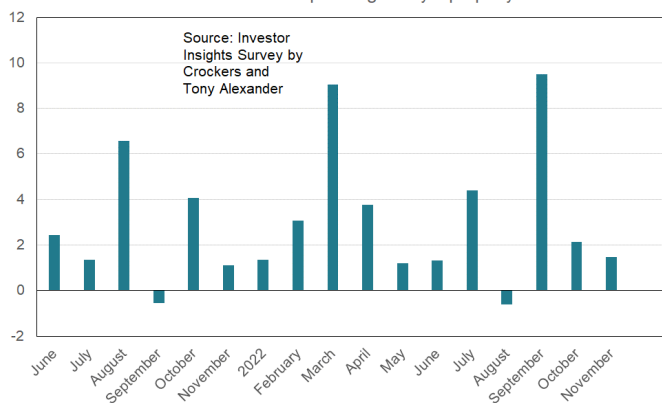




Putting the two measures together we can calculate net buying intentions, and this can give an indication as to whether price pressures are upward or downward from the people who already own residential property investments.

A net 1% of investors plan buying property, little changed from 2% in October but well down from September's 10% when buying intentions were quite strong.

Net % of investors planning to buy a property



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

Recently there has been a lift in the proportion of investors looking to make a purchase who will seek out an existing property. This is shown as the orange column in the following graph. In contrast, the grey column shows a downward trend in the proportion who will do their own development.

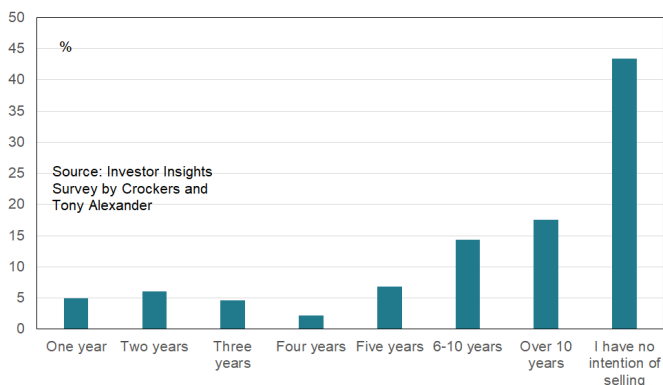
If you are thinking about buying another property will it be new or existing?



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

Our survey consistently shows near 65% of people plan either never selling their property or keeping it for at least ten years.

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



There are a growing number of difficulties and business failures being reported in the home construction sector with an increasing focus on the impact of these problems on those waiting for a property to be built and in some cases losing hundreds of thousands of dollars.

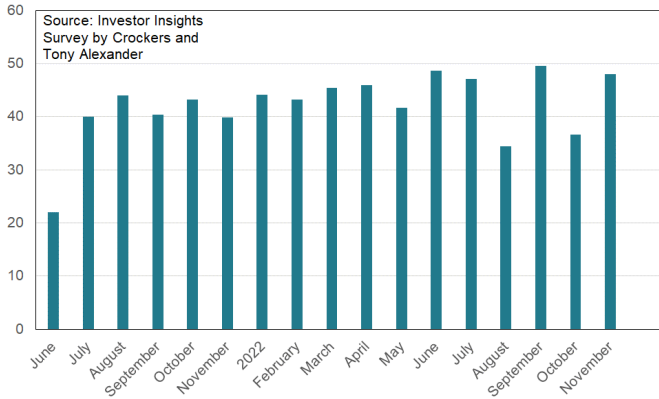
This is unfortunately a normal development late in the upward phase of the housebuilding cycle. The sheer magnitude of the boom in consent numbers to record levels and the long period during which construction has been growing since 2011 suggests considerably more woe lies ahead for some in the coming year.

WHAT TYPE OF NEW PROPERTY IS PREFERRED?

There has been a recovery in the proportion of those looking to purchase a new dwelling who will opt for a townhouse.

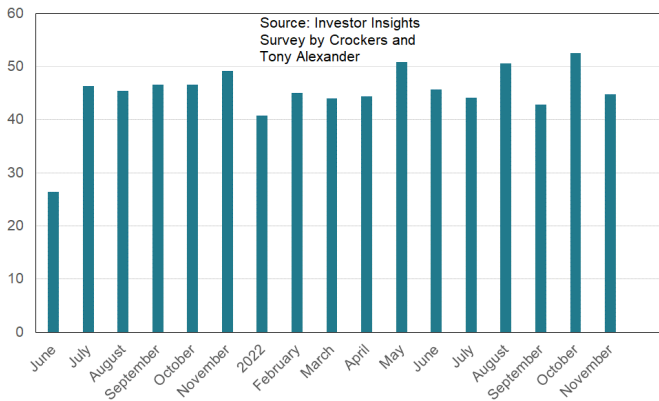


Gross % of investor buyers seeking a new TOWNHOUSE



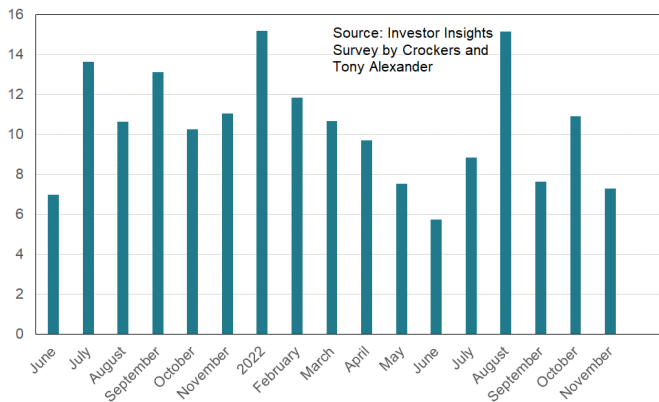
Demand for a new standalone house is showing no trend change.

Gross % of investor buyers seeking a new STANDALONE HOUSE



But demand for an apartment is relatively weak.

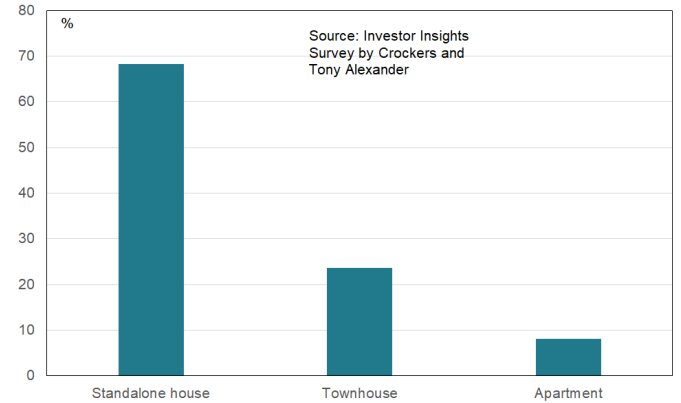
Gross % of investor buyers seeking a new APARTMENT



WHAT TYPE OF EXISTING PROPERTY IS PREFERRED?

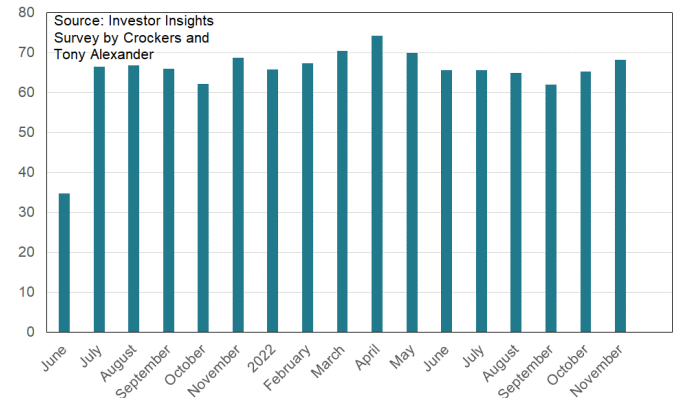
The overwhelming preference for those looking to buy an existing property is for a standalone house.

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



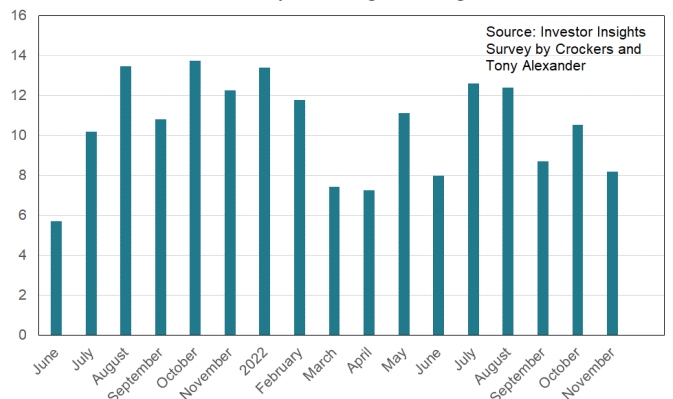
This preference appears to be rising.

Gross % of investor buyers seeking an existing standalone HOUSE



At the expense of preference for an apartment.

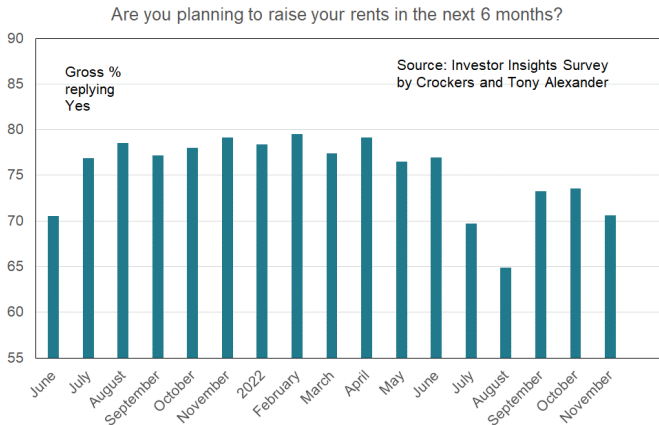
Gross % of investor buyers seeking an existing APARTMENT





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

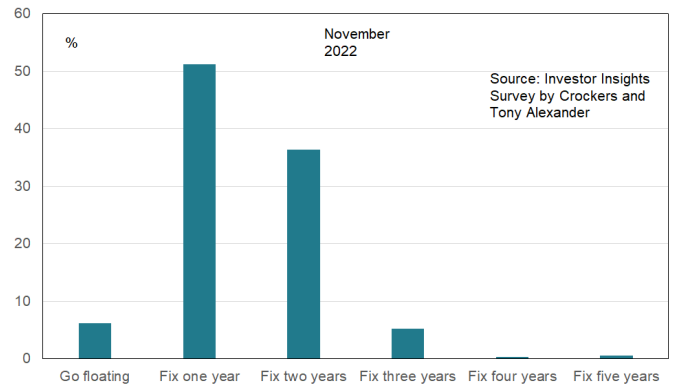
There has been a slight fall in the proportion of investors intending to raise their rents in the next six months to 71% from 74%. The underlying trend in this proportion looks to be down.



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

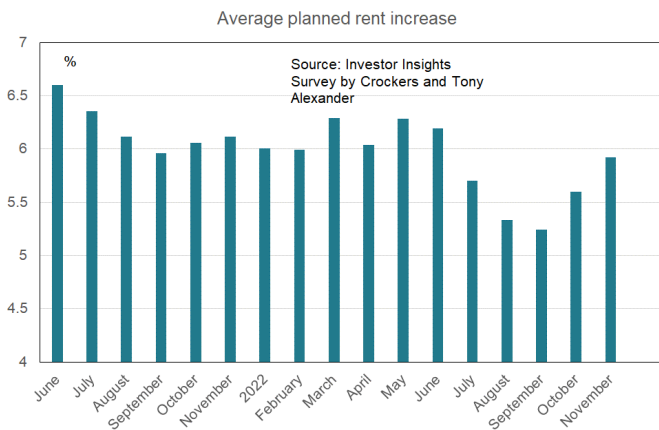
The most favoured time periods for fixing one's mortgage rate are one and two years.

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



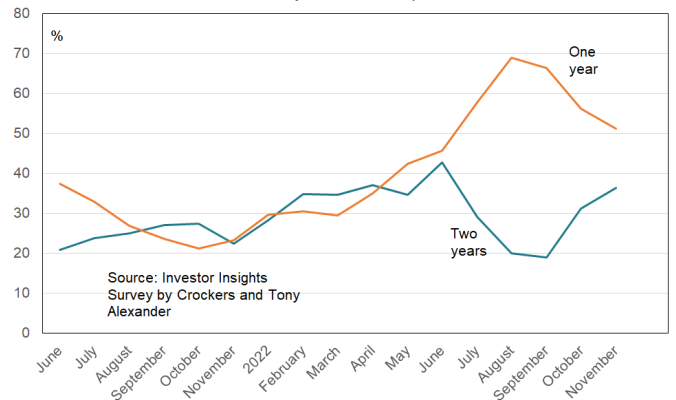
IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

The average rent increase sought by those planning to raise rents if the market allows is 5.9%, up slightly from 5.6% last month and a low of 5.2% in September.



With interest rates rising people have shifted slightly away from renewed support for the one year term back towards fixing two years.

One and two year fixed rate preferences

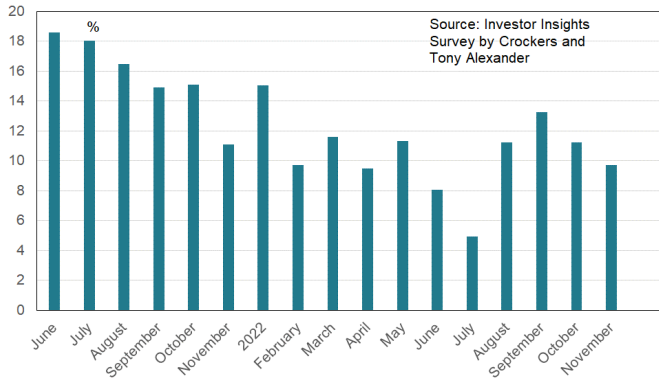


WHAT ARE YOU THINKING REGARDING THE SPEED WITH WHICH YOU ARE PAYING DOWN PRINCIPAL ON YOUR MORTGAGE?

There is no upward trend underway in the proportion of investors on interest-only financing who plan shifting to repaying principal.



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.

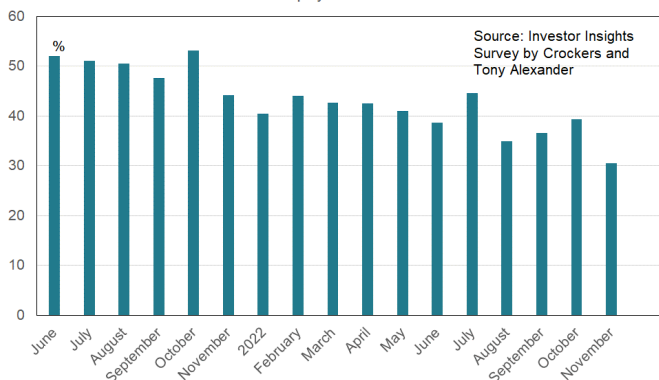
- Getting tougher
- Getting more relaxed
- No change, nothing apparent.

We can calculate the net proportion feeling that things are getting tougher and show the result in the following graph.

For two months in a row now we have recorded a rise in the proportion of investors saying that they are finding the attitude of their bank to be tightening. This might reflect rising interest rates because comments made by mortgage advisers in a separate survey show that banks are slowly easing up their lending criteria, including to investors.

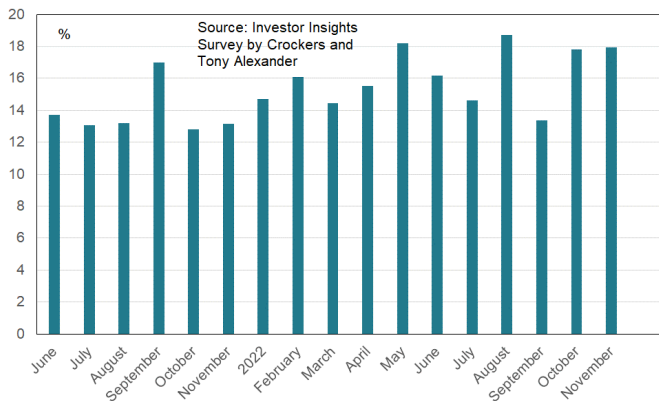
Similarly, for those already repaying principal there is no rising proportion planning to lift their repayments.

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

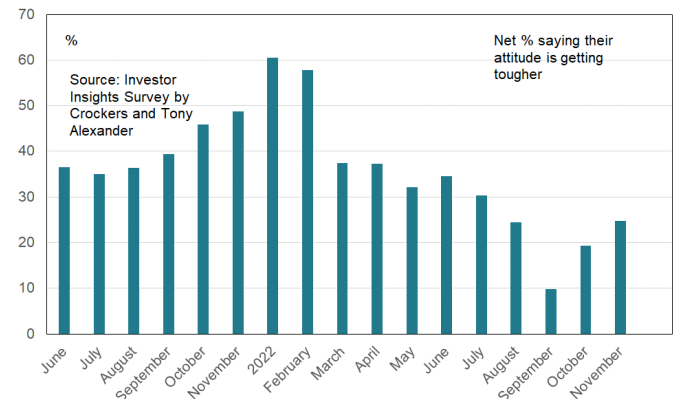


The proportion of investors who do not have a mortgage is holding steady near 18%.

Proportion of investors who do not have a mortgage



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



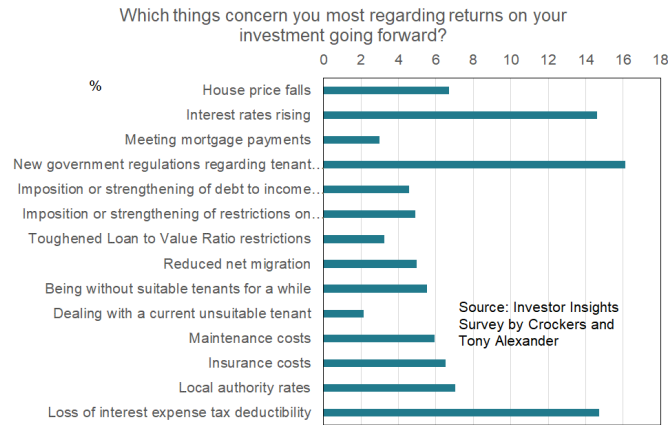
WHICH THINGS CONCERN YOU MOST REGARDING RETURNS ON YOUR INVESTMENT GOING FORWARD?

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

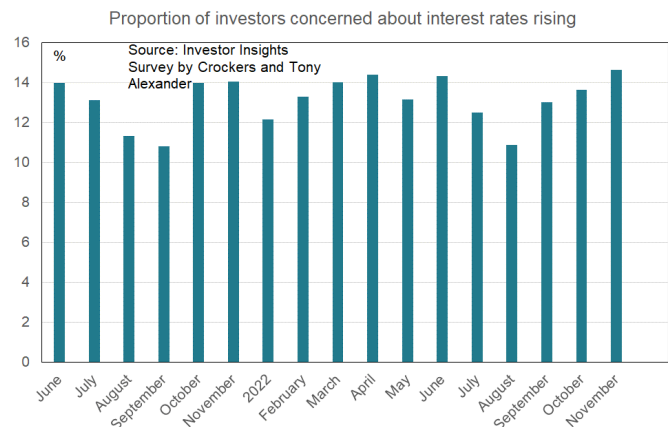
As usual, the three things which continue to cause most concern for residential property



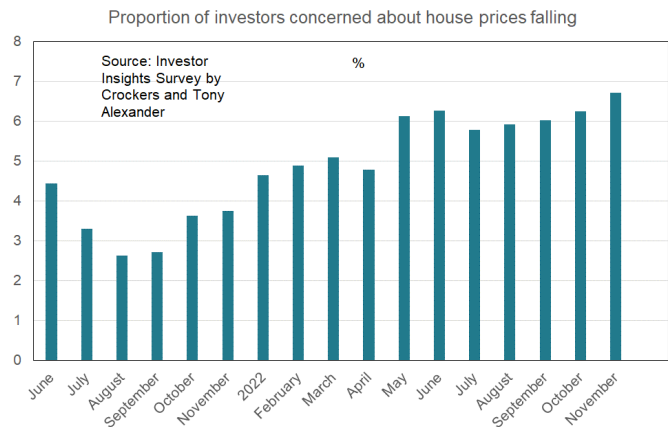
investors are new government regulations favouring tenant rights, loss of interest expense deductibility, and rising interest rates.



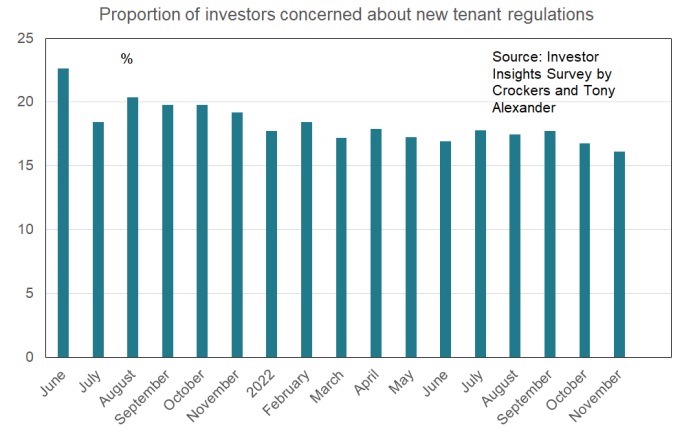
Concerns about rising interest rates are increasing.



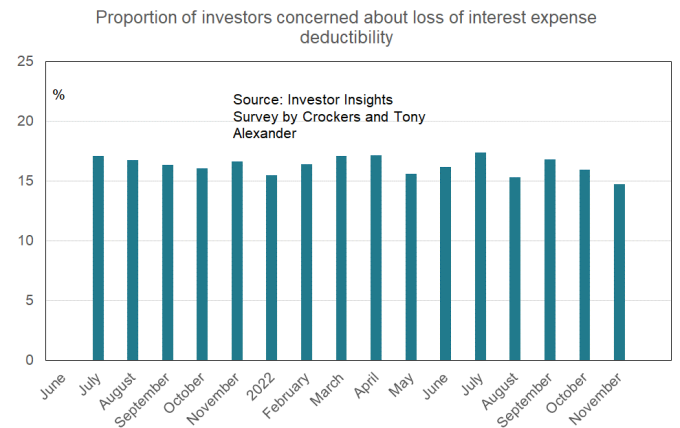
As are worries about house prices falling.



Ever so slowly, concerns about new tenant legislation are easing.



And despite the decreasing proportion of interest expenses able to be deducted from income for tax purposes, there is a decreasing trend in concerns about this change.

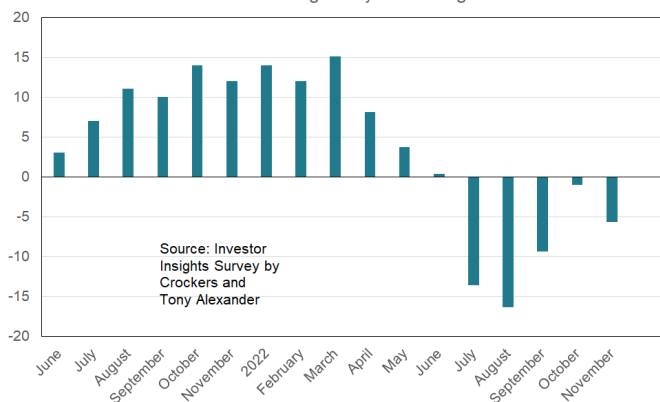


HOW EASY IS IT TO FIND GOOD TENANTS AT THE MOMENT?

There are more investors saying it is hard to find good tenants currently than saying it is easy. The situation noticeably changed in the middle of the year from easy to hard, perhaps reflecting the impact of weak population growth during the pandemic showing through.



Net % of investors finding it easy to secure good tenants



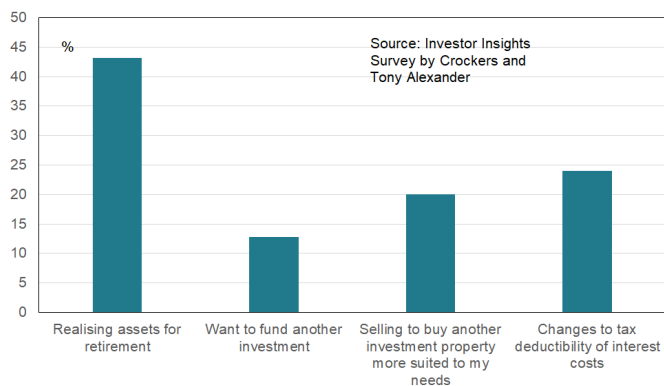
There were 391 responses received in this month's survey, with respondents located as follows.

Region	%
Northland	2.1
Auckland	44.0
Bay of Plenty	5.9
Waikato	8.0
Gisborne	0.5
Hawke's Bay	2.6
Taranaki	1.8
Manawatu-Wanganui	3.1
Wellington	12.1
Nelson, Tas., Marl	3.1
West Coast	0.1
Canterbury	11.1
Dunedin City	3.6
Queenstown Lakes	1.5
Southland	0.8

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

When asked why they may be selling, funding retirement is the most common response given by investors.

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



There are no clear trends up or down in any of these measures, with 'realising assets for retirement' remaining the main driver.

INVESTOR INSIGHT

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- 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

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