



Investor Insight

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PEOPLE & PROPERTY

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The credit crunch may be over

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, and plans regarding property purchases and intentions to sell.

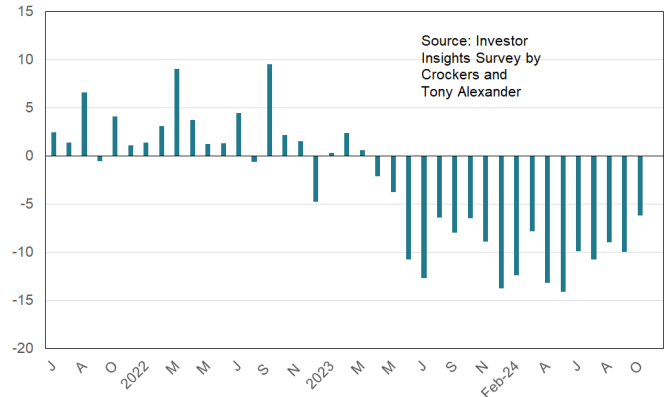
Key points of interest from this month's survey, which received 277 responses include the following.

- There has been a noticeable improvement in investor perceptions of the willingness of banks to lend. The credit cycle has turned well away from the crunch conditions imposed by the government and Reserve Bank late in 2021.
- Worries about interest rates have fallen away and this has likely contributed to a sharp reduction also in concerns about house prices falling. However, investors are keeping a wary eye on the rapid decline in net migration flows.
- Prospects look good for a further slowing in the annual pace of rents growth despite elevated concerns about key costs such as rates, insurance, and maintenance.

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

A net 6% of the landlords responding in our survey this month have said that they plan selling an investment property in the coming year. This result continues the situation in place since early 2023 whereby sellers appear to outnumber buyers from this group.

Net % of investors planning to buy a property

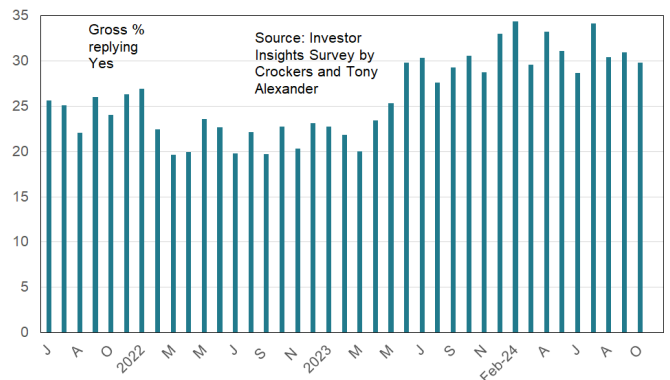


However, an easing trend is underway in this measure, and it seems reasonable to assume that once the REINZ monthly data begin to show a consistent pattern of house price rises and interest rates fall further this measure will turn positive.

We can look at gross selling and buying intentions to see whether the improvement underway in recent months results from more investors saying they want to buy and/or more saying they no longer want to sell.

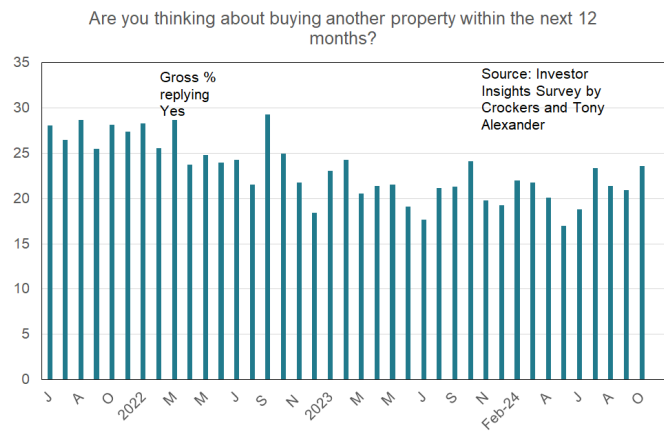
This next graph shows that there is no fresh trend in selling intentions. The main change in this gauge happened over the first half of 2023 as investors were faced with extra increases in interest rates and an upturn in house prices driven by first home buyers.

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

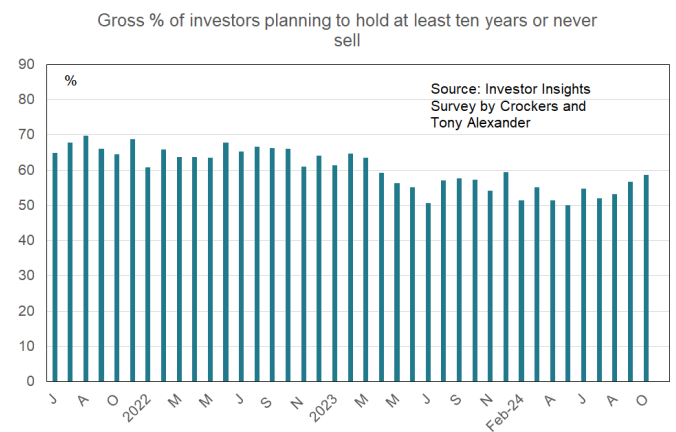




While a gross 30% of investors say they are thinking about selling in the coming year a gross 24% shown in the graph below say they are thinking about buying. This measure has been edging upward since June.



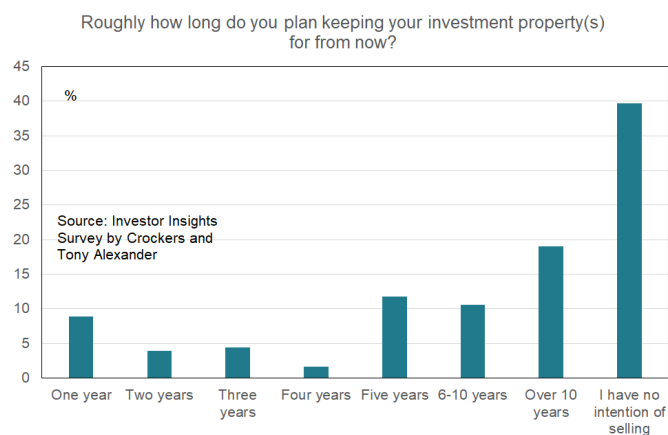
The proportion planning to hold forever or at least ten years has edged up to 59% from 57% in September and a low of 50% in May. It appears that signs of an improving housing market and falling interest rates may be encouraging more investors to remember the long-term focus required for generating best returns from holding this particular asset.



Therefore we can reasonably say at this stage that the easing of investor net selling intentions is being driven by increased thoughts of making a purchase. Increased thoughts about selling happened a year and a half ago.

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

Some 9% of investors plan holding their property only for the coming year while in total 31% say they will hold for up to five years.



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

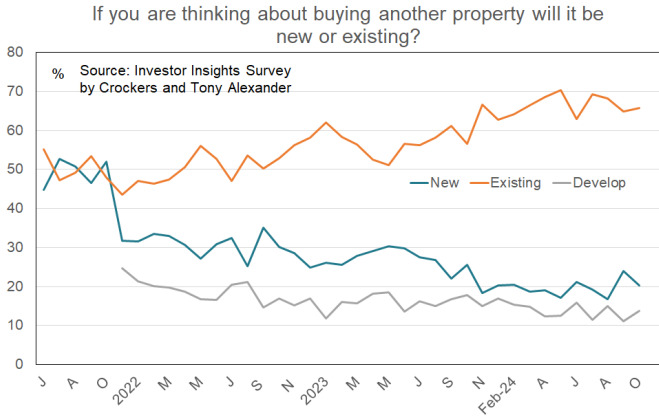
There are as yet no fresh trends underway when it comes to investors looking to buy who would purchase a new as opposed to an existing property. The incentive to purchase new has been diminished by the change in interest expense deductibility rules to treat provision of rental accommodation the same as other businesses.

This early into this new environment it seems premature as yet to say that this absence of any change means the removal of interest deductibility actively encouraged a lot more demand for new housing and therefore new construction.

In fact, the trend since late in 2021 has been the opposite. However, it pays to remember that this survey captures the thoughts and plans of existing property investors – not new ones and there is evidence from the likes of CoreLogic that there has recently been good growth in new people

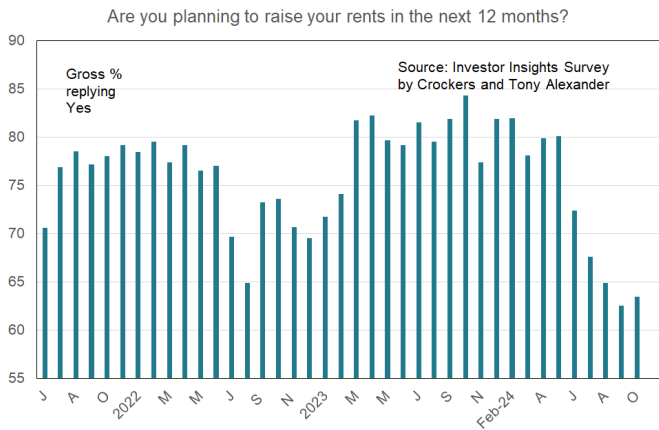


entering the property investment market. They may favour newbuilds.



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

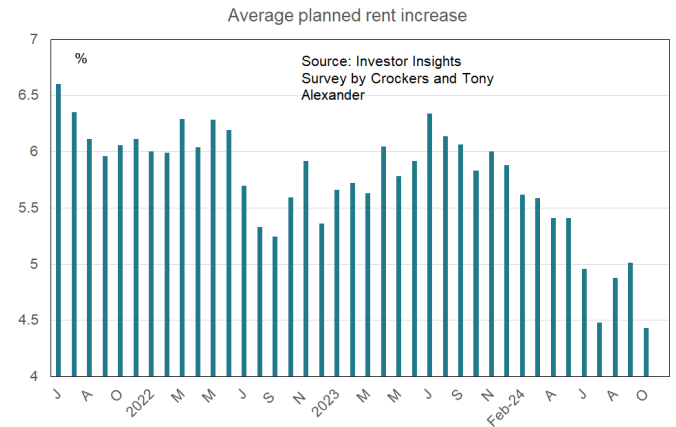
A gross 64% of our survey respondents have reported this month that they plan raising their rents in the coming year. This is essentially unchanged from 63% in September and consolidates the decline in this measure which started in June.



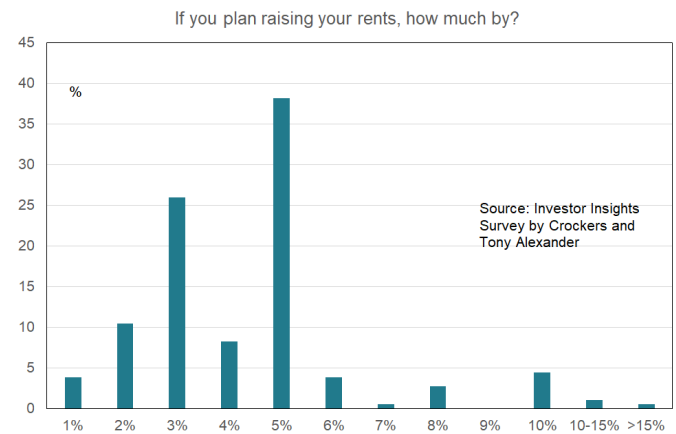
IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

The average increase in rents which landlords are planning has fallen back to 4.4% from 5% last month. A downward trend in this measure

appears to still be in place. This is important because one of the key drivers of the recent annual 2.2% inflation rate alongside higher council rates was increases in rents. It bodes well for inflation and therefore interest rates if this measure continues its trend decline.



This graph shows the rent rises planned by investors. 38% say they will raise their rents by 5%.



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

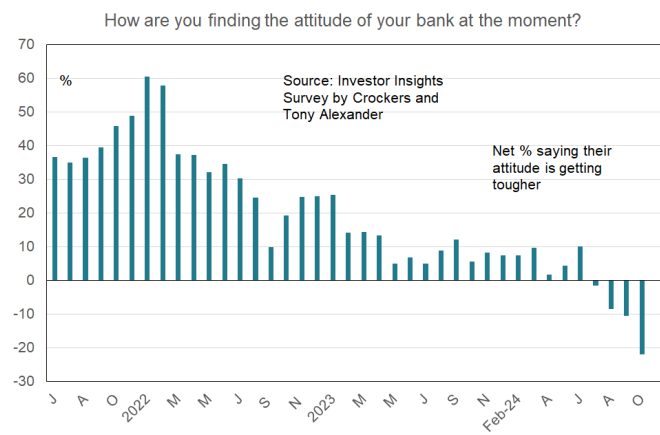
Respondents to this question can choose amongst three options.

- 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.

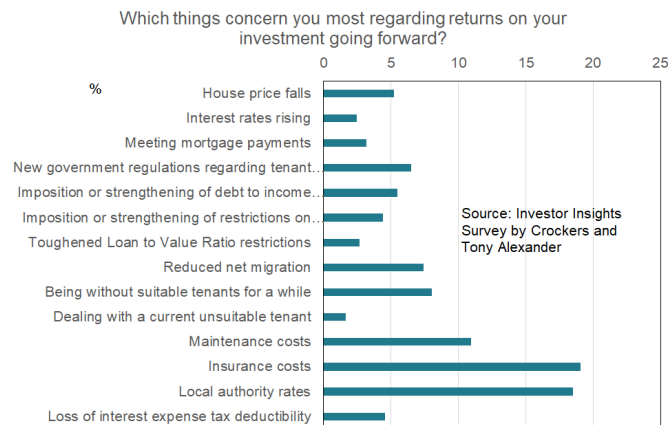
A record net 22% of our respondents have said this month that they are finding an improved willingness to lend from their bank. This is an important development because a key factor which caused the sharp fall in house prices from late-2021 was a reduction in credit availability.



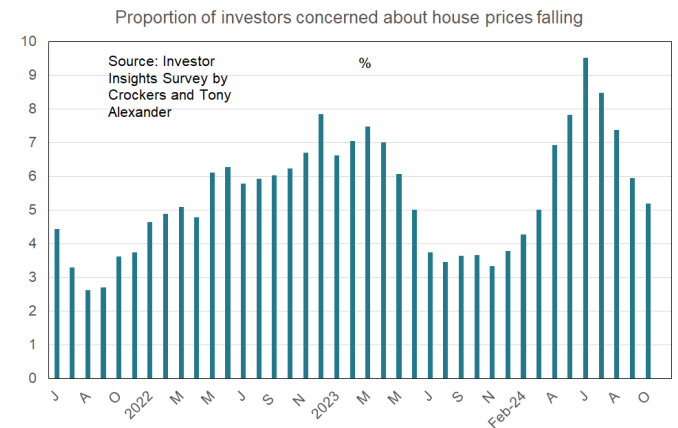
WHICH THINGS CONCERN YOU MOST REGARDING RETURNS ON YOUR INVESTMENT GOING FORWARD?

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

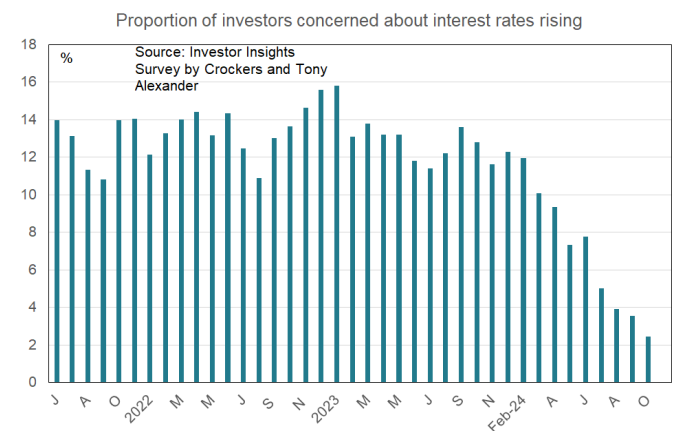
Insurance costs and council rates remain by far the greatest concerns held by property investors.



Looking at some of the individual areas of concern we see the following. First, worries about house prices falling are continuing to decline as shown here.



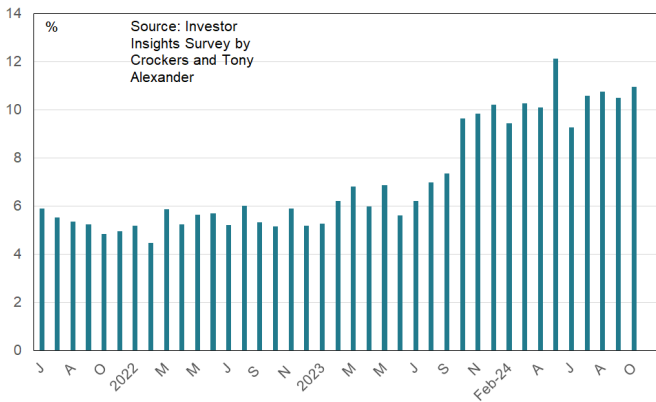
Strongly related to this change will be the change in the proportion of landlords worried about high interest rates.



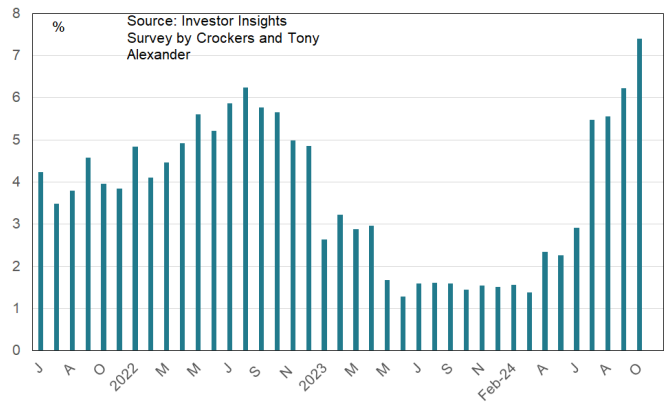
Concerns about maintenance costs rose strongly over the second half of last year and remain high.



Proportion of investors concerned about maintenance costs rising

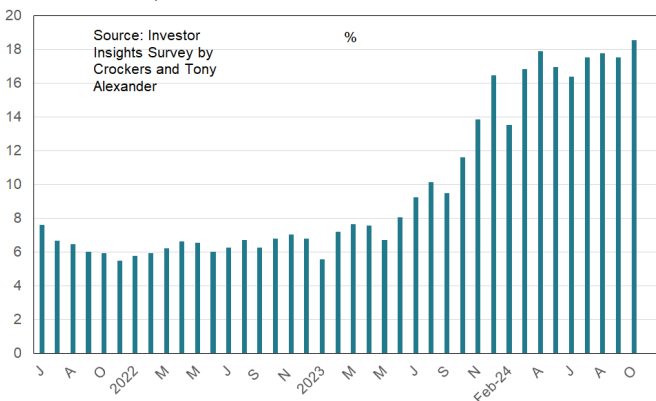


Proportion of investors concerned about reduced net migration



High also are the concerns about council rates.

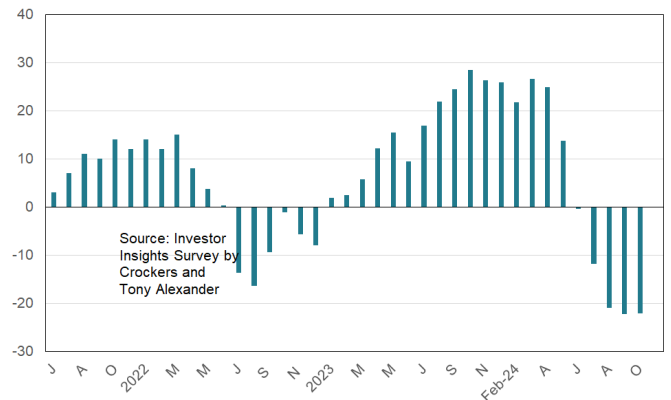
Proportion of investors concerned about council rates



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

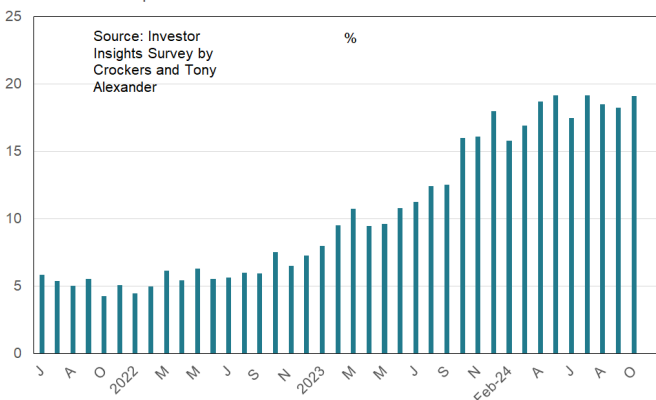
For the second month in a row a record net 22% of our survey respondents have reported that it is hard to find good tenants. Tenant availability has radically changed since early this year.

Net % of investors finding it easy to secure good tenants



And the same for insurance costs.

Proportion of investors concerned about insurance costs



Since April there has been a sharp rise in investor worries about net migration flows. Given the trend in these flows such worries are likely to increase even further.



There were 277 responses received in this month's survey, with respondents located as follows.

Region	%
Northland	1.4
Auckland	37.9
Bay of Plenty	7.1
Waikato	7.9
Hawke's Bay/Gisborne	4.2
Taranaki	2.9
Manawatu-Wanganui	2.9
Wellington	16.4
Nelson, Tas., Marl	1.1
Canterbury	12.9
Dunedin City	3.9
Queenstown Lakes	1.8
Southland	0.1

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