

Investor Insight

July 2024

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PEOPLE & PROPERTY

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Good tenants harder to find

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.

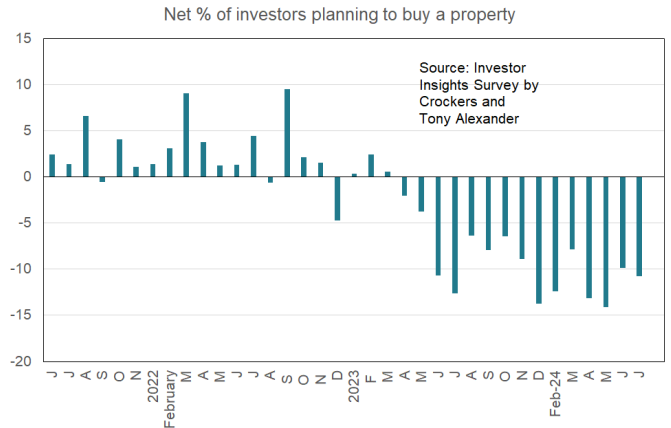
For instance, we will track changes in pressures on rents, points of particular concern, plans regarding property purchases and intentions to sell, and shifts in preferences for property types.

Key points of interest from this month's survey, which received 290 responses include the following.

- The pace of growth in rent rises sought by landlords continues to slow.
- Finding good tenants has become the hardest since mid-2022.
- Existing investors remain net sellers of property.
- For the first time on record more investors feel bank willingness to lend is improving than say it is worsening.

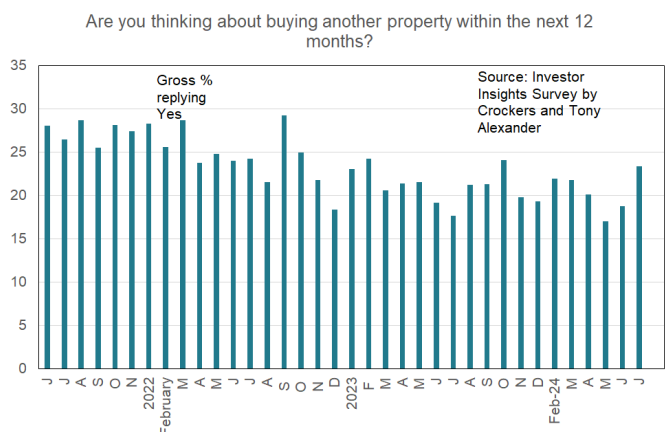
ARE YOU THINKING ABOUT BUYING ANOTHER PROPERTY WITHIN THE NEXT 12 MONTHS?

A net 11% of property investors say that they intend selling an investment property in the next 12 months. This measure has been in firm negative territory since the middle of 2023 as investors have been hit by rising expenses. Aging of the cohort of people who form this survey population will also likely account for some trend deterioration in this measure but not the sudden 2023 change.



This month's net 11% negative result comes from the offsetting of two gross purchase and sale measures.

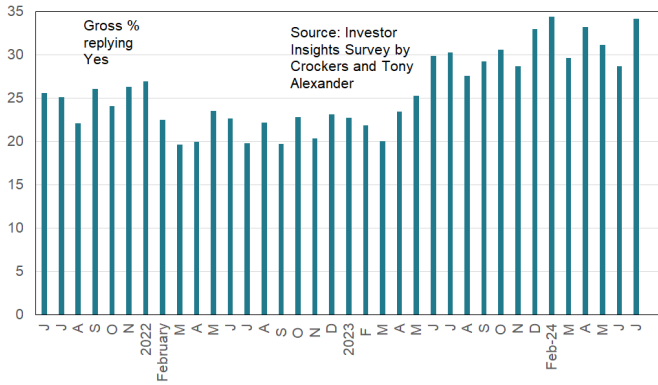
A gross 23% of investors have reported this month that they are thinking about making an additional purchase in the coming year. This is a firm result compared with recent months but will need to be repeated next month before we can safely say that interest in purchasing by investors has definitely lifted.



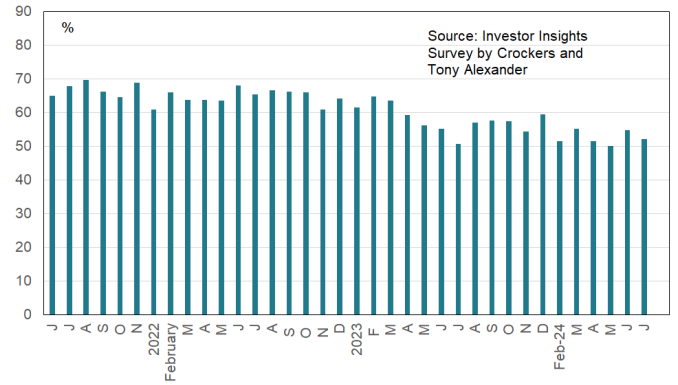
A gross 34% of existing investors have reported that they are thinking about selling their property. This is up from 29% in June and 31% in May.



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



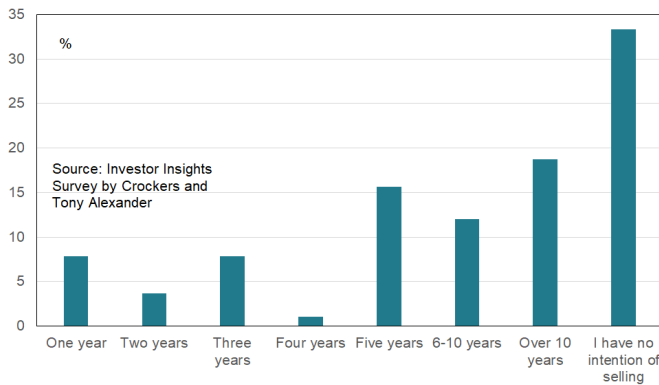
Gross % of investors planning to hold at least ten years or never sell



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

Just 8% of investors report that they plan holding their property for no longer than one more year. 16% will hold up to five years, 19% over ten years, and 33% say they have no plans for selling.

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



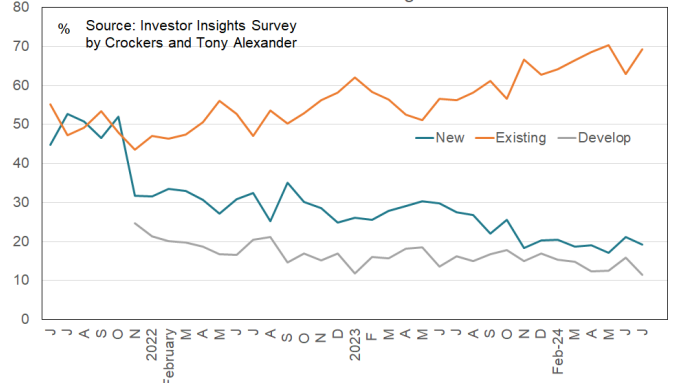
The proportion who indicate that they intend holding for at least ten years or never selling stands at 52% from 55% in June and 50% in May.

This measure can be broadly considered to be trending downward, but the main part of this trend decline occurred in the first half of 2023. The slight trend is likely to reflect a combination of the simple aging of the population we survey here and the structural lift in the costs of holding property represented by soaring insurance and council rates. The lift in interest rates is now in the process of being partially reversed.

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

In our survey this month a low 19% of those planning to buy in the coming year report that they would purchase a new property. 69% favour an existing property and an equal record low 12% would undertake the development themselves.

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

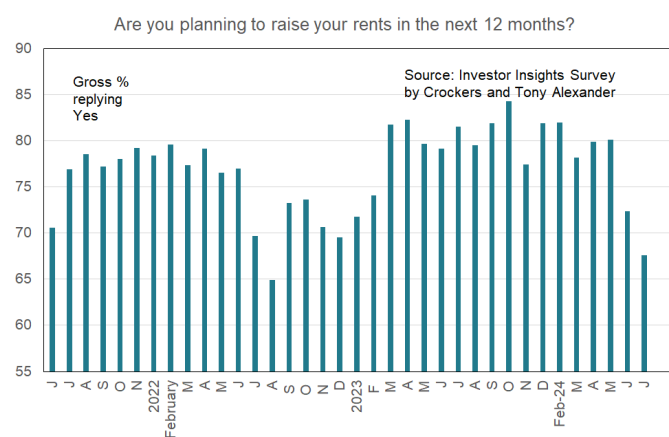




Note the trend decline in intentions to purchase or develop something new since the earliest days of our survey which started in June 2021.

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

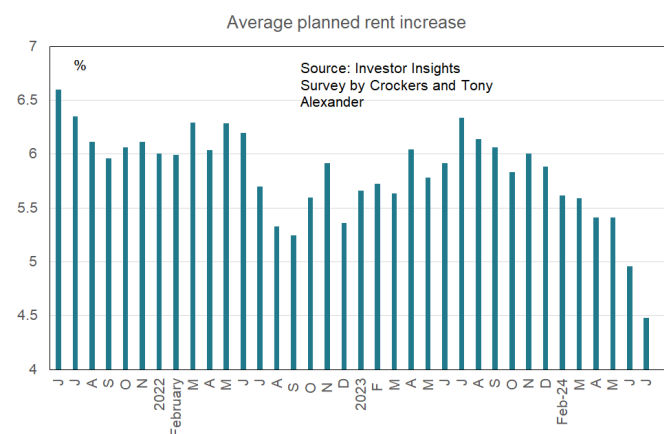
A gross 68% of our survey respondents this month have reported that they plan raising their rents over the coming year. This is a decline from 72% last month and 80% in May and means substantial declines in this measure have occurred for two months in a row.



Some of this easing will reflect the general slowing of inflationary pressures in the economy but a lot likely reflects the change in ability to find good tenants discussed below. Note that this result reinforces a key outcome of deeper research into investor rent pricing behavior in recent years. Rents are set with an eye to the ability of tenants to pay and do not reflect a simple cost-plus pricing policy. Had such a policy been in place we would have seen much stronger rents growth in response to soaring costs.

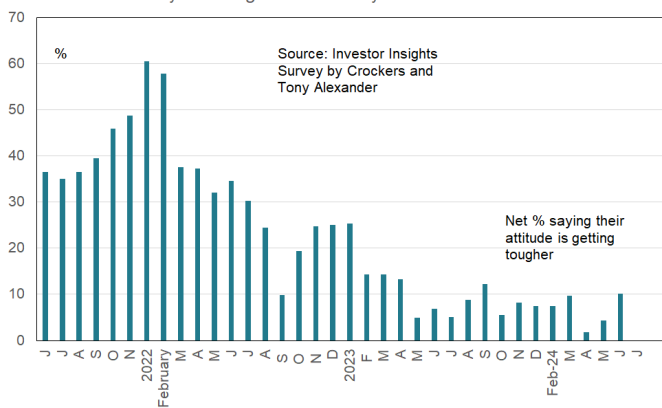
IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

The average rent rise which investors are hoping to achieve in the coming year has eased to a record low of just 4.5% from 4.9% in June and 5.4% in May. The peak targeted rent rise was 6.3% reached exactly a year ago.



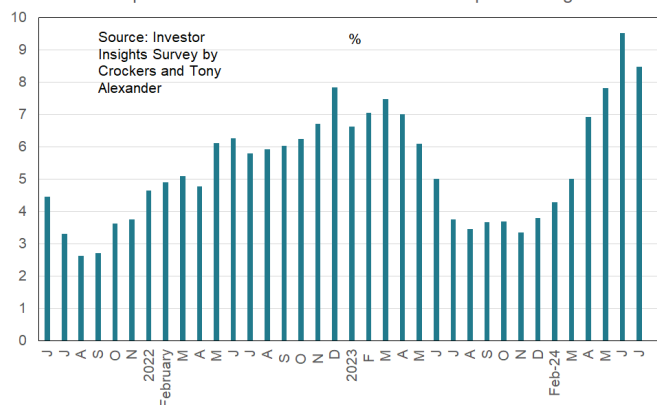


How are you finding the attitude of your bank at the moment?



Concerns about house prices falling soared over the June quarter but have eased marginally this month.

Proportion of investors concerned about house prices falling

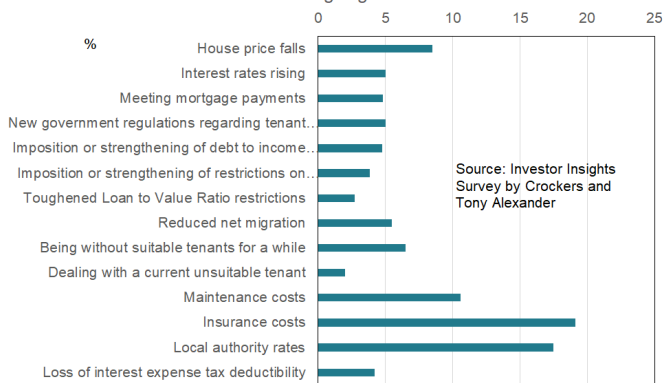


WHICH THINGS CONCERN YOU MOST REGARDING RETURNS ON YOUR INVESTMENT GOING FORWARD?

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

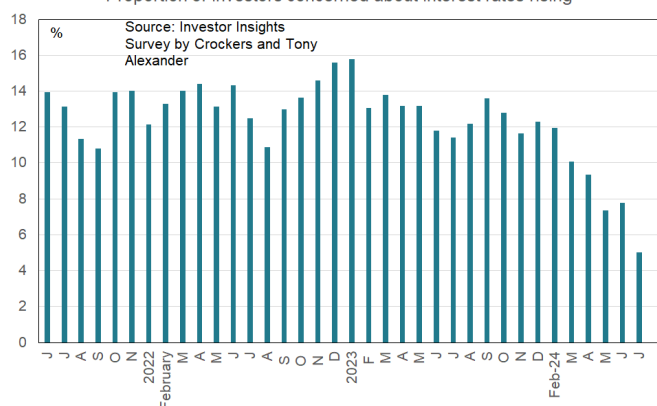
The things which investors are most concerned about are the same as last month - insurance costs, council rates, and house prices falling.

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



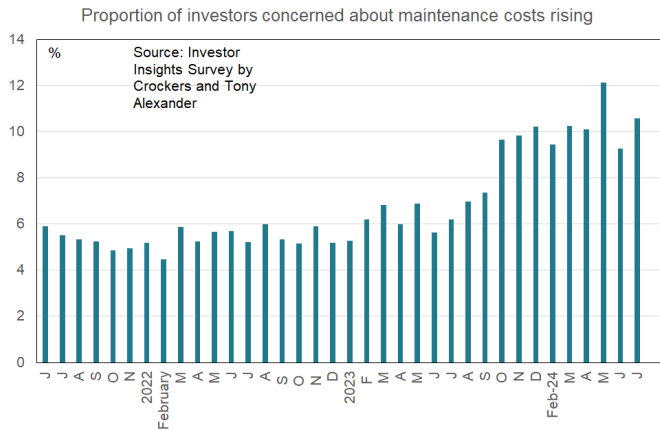
Worries about interest rates have taken a noticeable step down this month as media discussions have focused on falling inflation, dovish commentary from the Reserve Bank, weak economic data, and expectations of rate cuts coming before year-end.

Proportion of investors concerned about interest rates rising

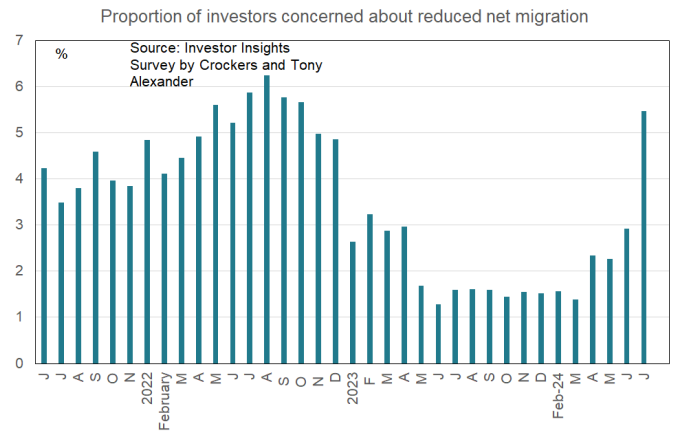




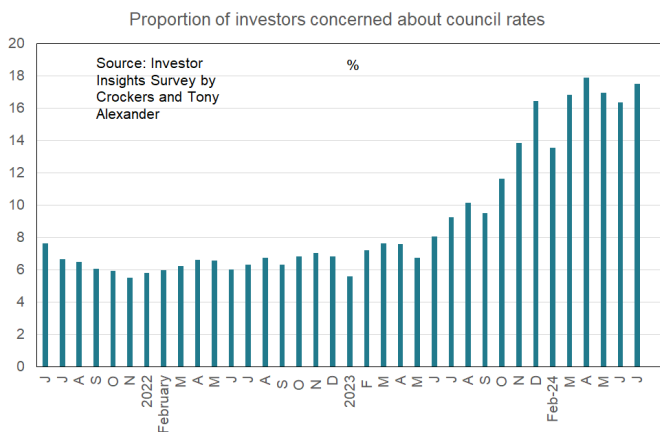
Concerns about maintenance costs jumped in the middle of last year and remain firm.



Interestingly there has been a very sharp jump in concerns about net migration easing.



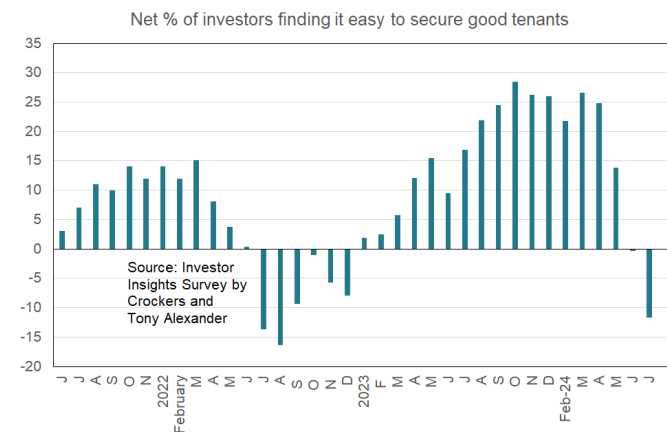
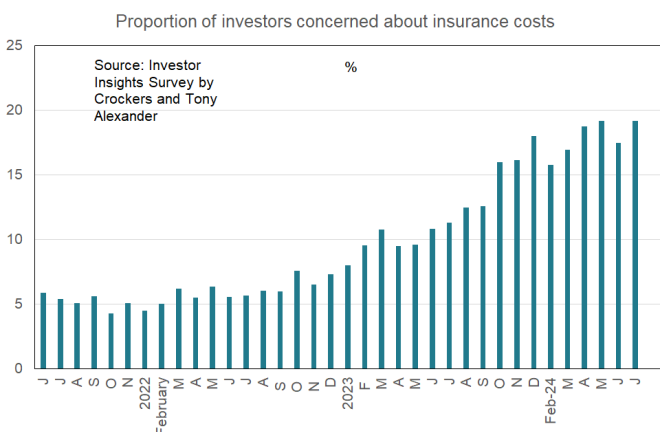
Worries about council rates soared late last year and also remain high.



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

A net 12% of investors have reported that it is difficult to find good tenants. This is the weakest result since August 2022 and a firm decline from a net 25% in April saying that good tenants were easy to find. The turnaround in this measure has been quite stark and could be attributable to the sharp drop in net migration flows recently reported by Statistics New Zealand.

In contrast to the two previous areas of concern worries about insurance costs are still trending upward.





There were 290 responses received in this month's survey, with respondents located as follows.

Region	%
Northland	0.3
Auckland	37.6
Bay of Plenty	6.9
Waikato	6.6
Hawke's Bay/Gisborne	3.9
Taranaki	1.7
Manawatu-Wanganui	4.8
Wellington	14.5
Nelson, Tas., Marl	3.4
Canterbury	13.1
Dunedin City	3.8
Queenstown Lakes	2.8
Southland	0.7

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

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