



Investor Insight

December 2022

Crockers 
PEOPLE & PROPERTY

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Purchase intentions continue waning

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.

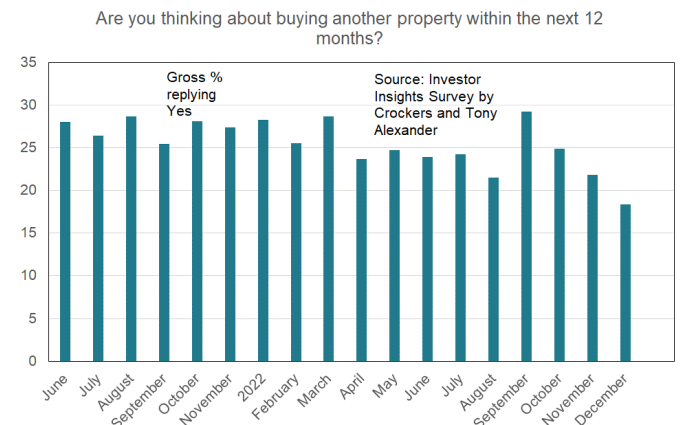
Key points of interest from this month's survey include the following.

- Following recent interest rate rises investors' net intentions of purchasing property have declined.
- There is no sign of investors exiting the market; in fact, the proportion considering selling is the lowest since our series began.
- Investor interest in buying a new property is waning while interest in purchasing an existing property is relatively rising.
- Despite rising interest rates there is no clear sign that investors plan accelerating their debt repayments.
- Investors have become more concerned about interest rates rising and property prices falling. But there is a slow decline in concerns about the loss of interest expense deductibility.

In this month's survey we received 362 responses.

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

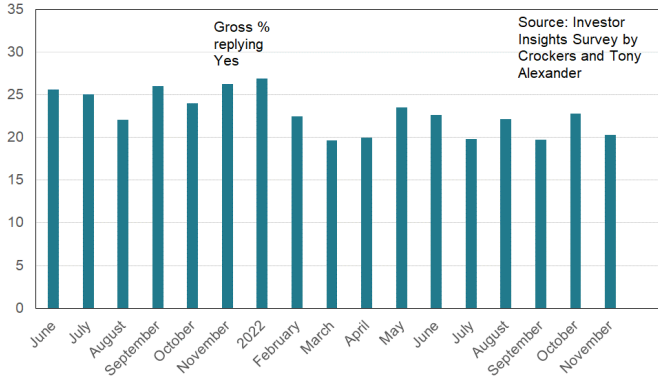
As has been observed in other measures of residential property activity since the monetary policy tightening of November 23, our survey has shown a strong decline in investor buying intentions. A gross 18% of investors have said they are thinking about making another property purchase in the next 12 months, down from 22% in November and the second lowest reading in our survey.



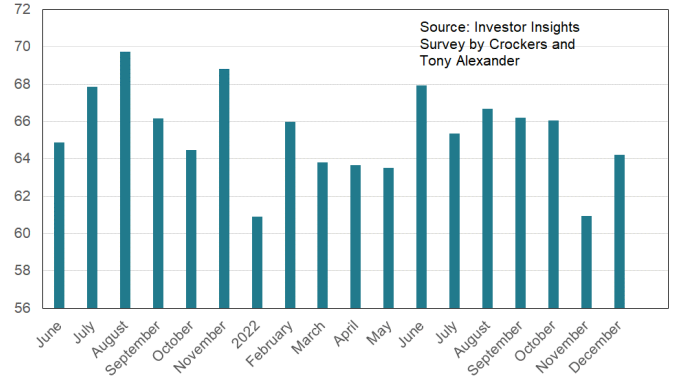
But as has been the case ever since LVRs returned in February 2021 and tax rules were changed, there remains no sign of a wave of investors looking to sell – even allowing for the 1% rise in fixed mortgage rates since the middle of October. A gross 23% of our respondents have said that they are thinking about selling in the coming year, up from 20% in November but the same as in October and many other months since June last year.



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



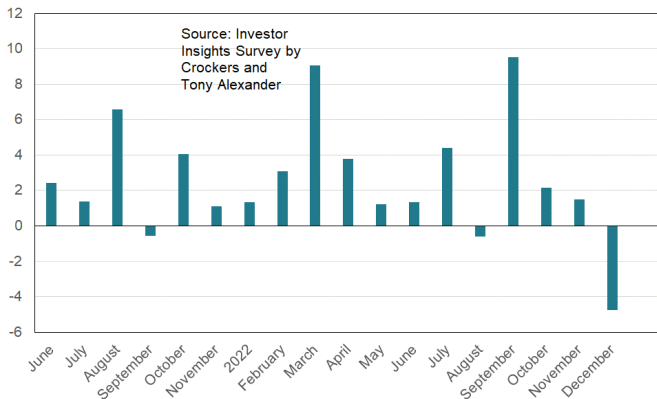
Putting the two measures together we can calculate net buying intentions, and this can give an indication as to whether price pressures are upward or downward from the people who already own residential property investments.

A net 5% of our 362 respondents indicate they plan selling in the coming year. This is easily the weakest to date for our survey.

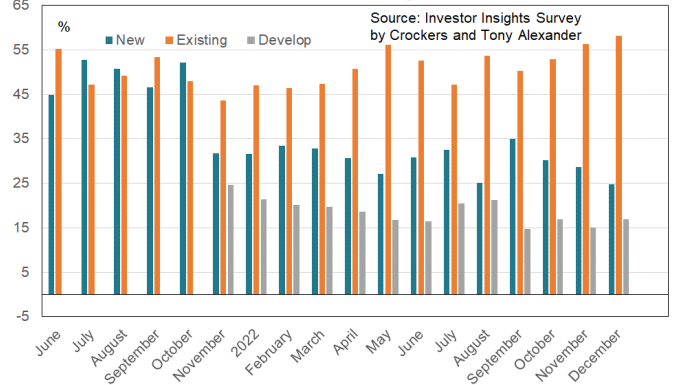
IF YOU ARE THINKING ABOUT BUYING ANOTHER PROPERTY WILL IT BE NEW OR EXISTING?

There is a new downward trend underway in the proportion of investors intending to make a purchase who will favour a new property and a rise in the proportion looking at purchasing an existing property.

Net % of investors planning to buy a property



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 nearly 65% of people plan either never selling their property or keeping it for at least ten years.

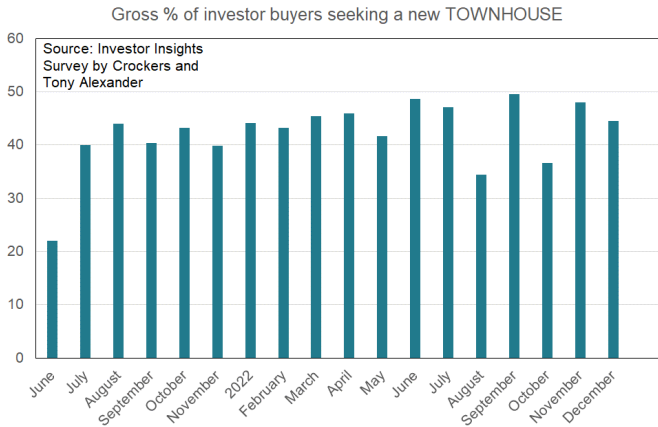
There are two key forces at work in opposition to each other in this space. There is a disincentive to purchase new, or at least off the plan, provided by the growing list of building companies going into liquidation, and developers finding projects can no longer work financially and cancelling their developments.

But there is a strong incentive to purchase new courtesy of the investor tax changes from March 27 last year.

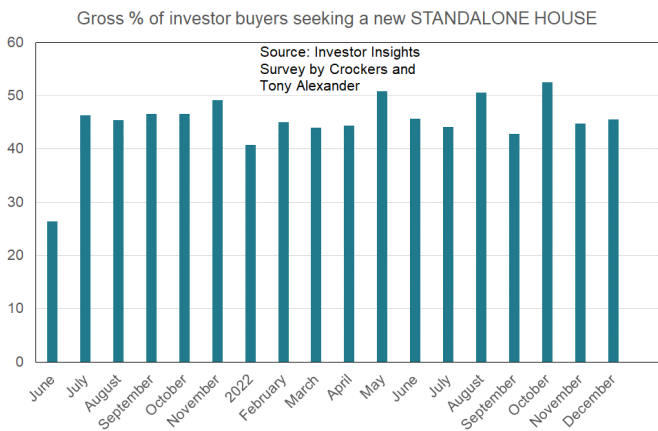


WHAT TYPE OF NEW PROPERTY IS PREFERRED?

For those investors who are thinking about buying something new, the trend towards favouring townhouses has for now flattened out.

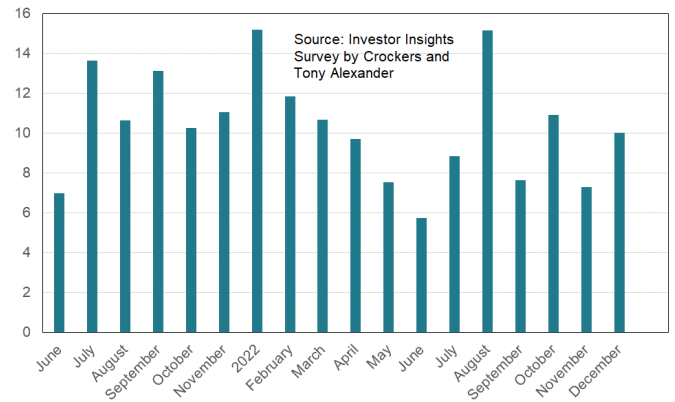


Demand for a new standalone house is showing no trend change.



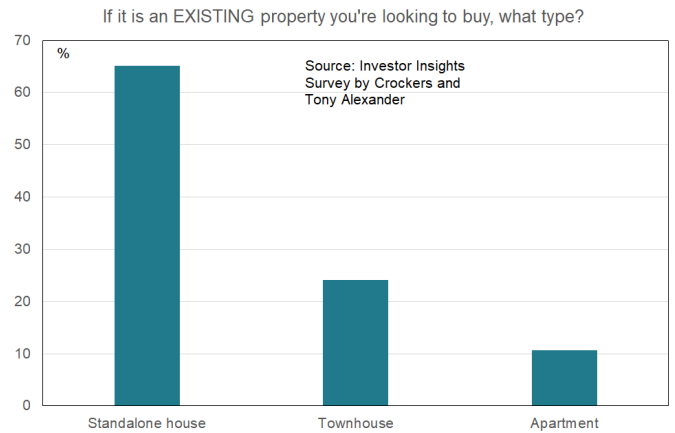
Demand for an apartment remains relatively weak.

Gross % of investor buyers seeking a new APARTMENT



WHAT TYPE OF EXISTING PROPERTY IS PREFERRED?

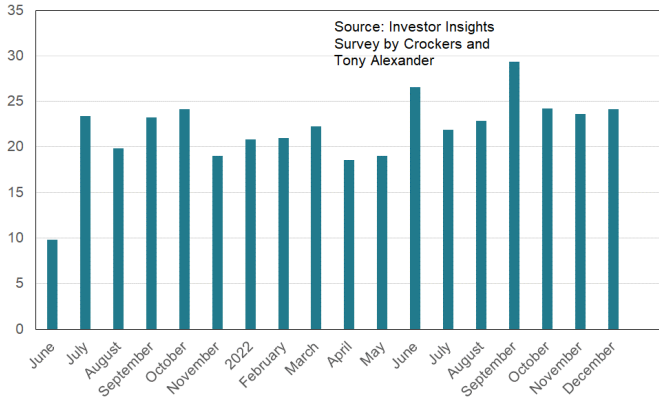
The overwhelming preference for those looking to buy an existing property is for a standalone house.



The preference for an existing townhouse has edged up in recent months.

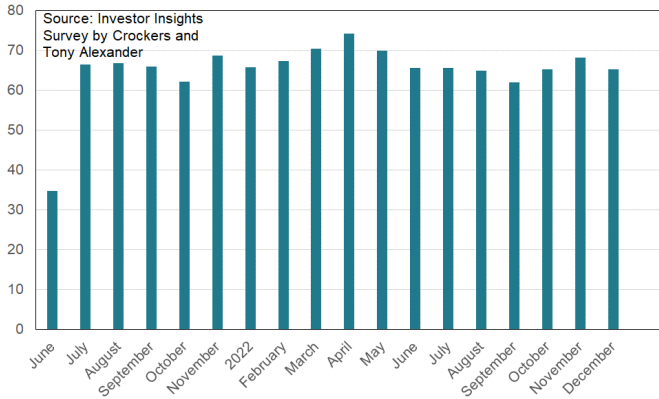


Gross % of investor buyers seeking an existing TOWNHOUSE



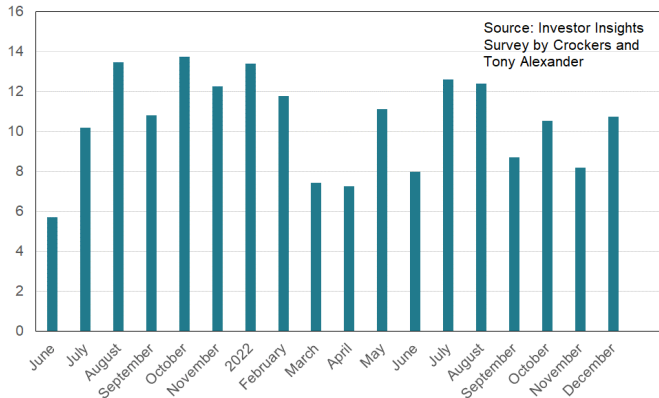
No trend change is apparent in the very strong investor preference for a standalone house when purchasing used.

Gross % of investor buyers seeking an existing standalone HOUSE



Preference for an existing apartment remains low.

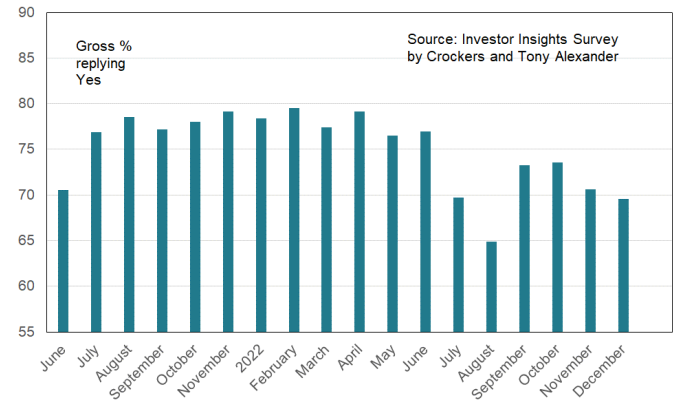
Gross % of investor buyers seeking an existing APARTMENT



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

The proportion of investors planning to raise their rents in the next six months has edged lower over the past two months. In fact, there seems to have been a general stepping down in the proportion of investors planning rent rises from around the middle of the year.

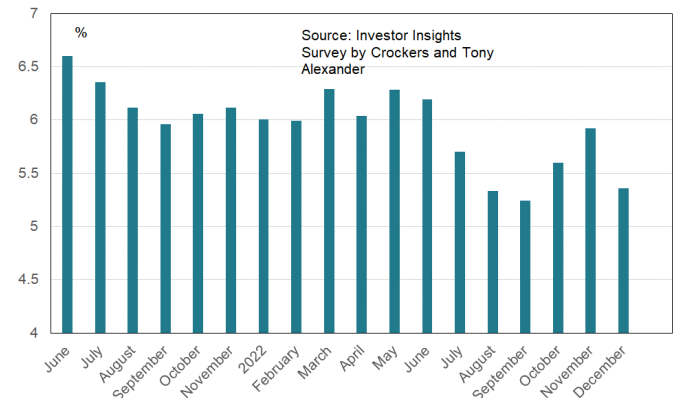
Are you planning to raise your rents in the next 6 months?



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 5.3%, down from 5.9% last month but consistent with the levels of August and September.

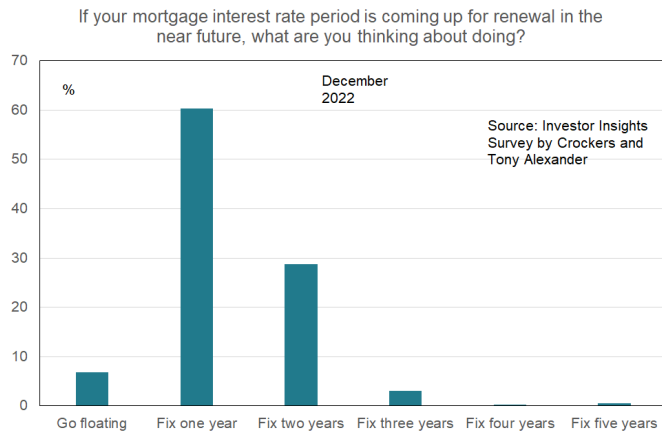
Average planned rent increase



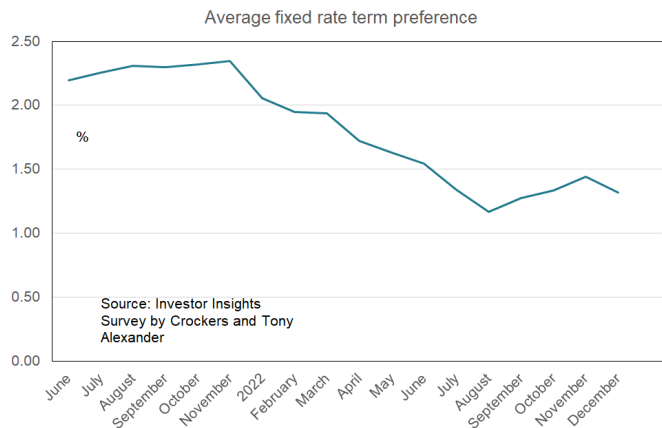


IF YOUR MORTGAGE RATE IS COMING UP FOR RENEWAL IN THE NEAR FUTURE, WHAT ARE YOU THINKING ABOUT DOING?

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



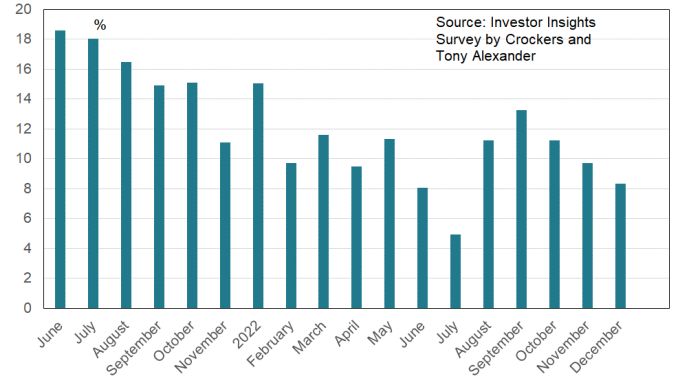
The average preferred term has been trending down since late last year.



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

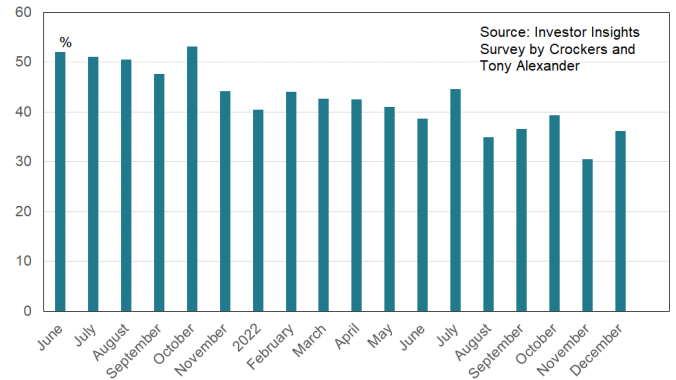
Despite newly rising interest rates there is no upward trend underway in the proportion of investors on interest-only financing who plan shifting to principal repayment.

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



And despite the rise this month in the following graph, we cannot yet conclude that there is a rise underway in the proportion of those already on principal and interest mortgages who intend accelerating their debt reduction.

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



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

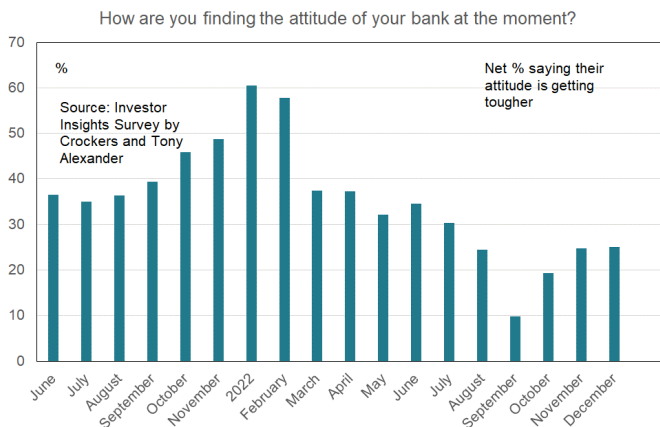
Respondents to this question can choose amongst three options.

- 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.



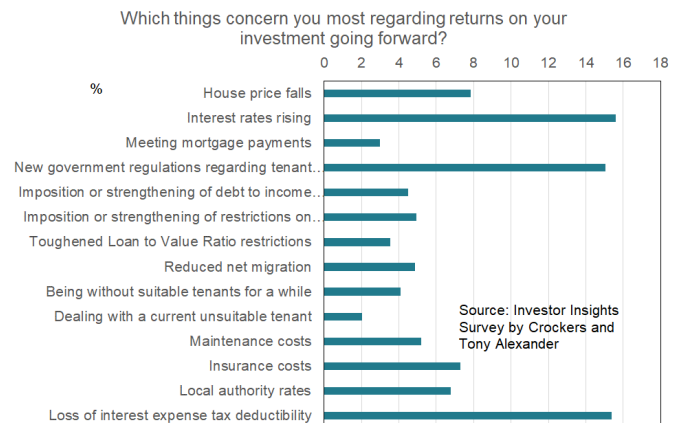
There has been a flattening in recent months in the net proportion of our respondents who feel that banks are getting tougher in their attitudes towards lending. Things were improving, more recently they have not been.



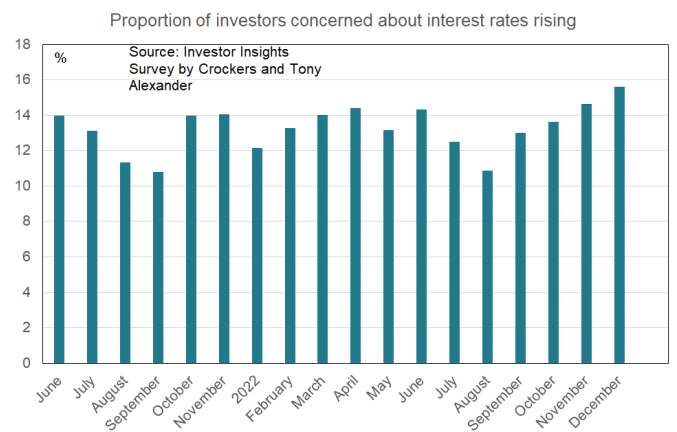
WHICH THINGS CONCERN YOU MOST REGARDING RETURNS ON YOUR INVESTMENT GOING FORWARD?

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

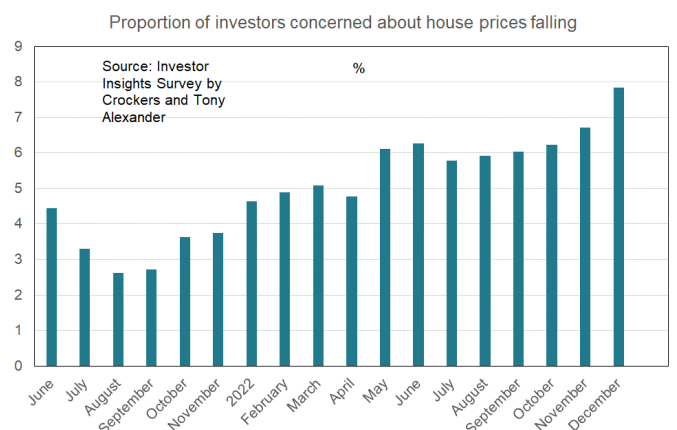
The three things which continue to cause most concern for residential property investors are new government regulations favouring tenant rights, loss of interest expense deductibility, and rising interest rates.



Concerns about rising interest rates are increasing.

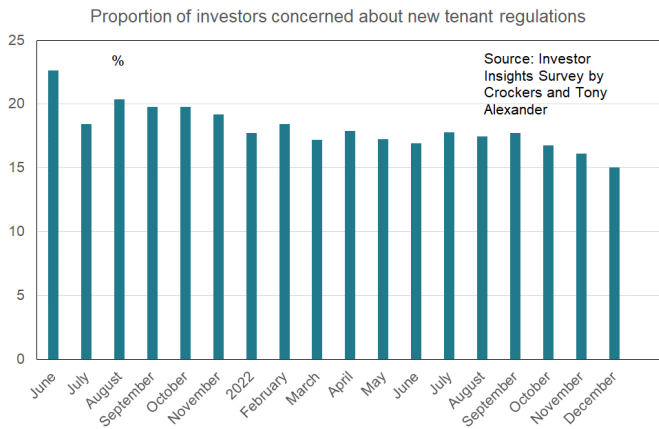


So too are worries about house prices falling.



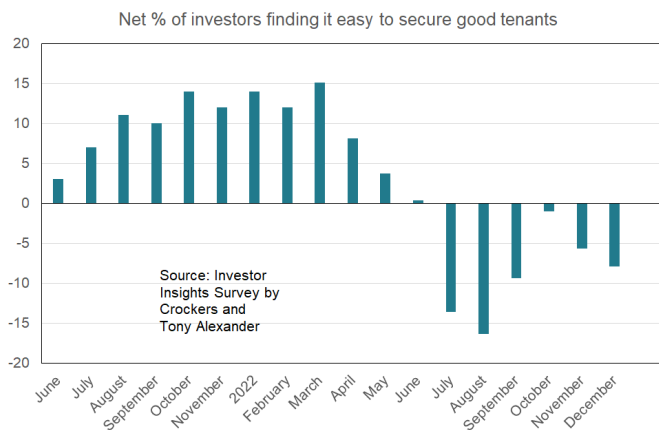


Worries about new tenant legislation are continuing to ease.



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

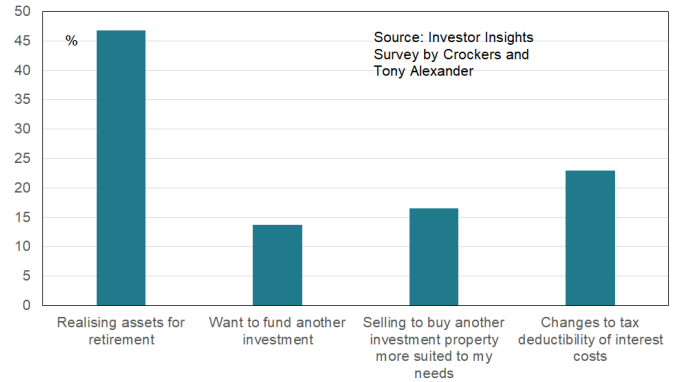
Since the middle of the year more investors have said it is becoming harder to find good tenants than have said it is becoming easier.



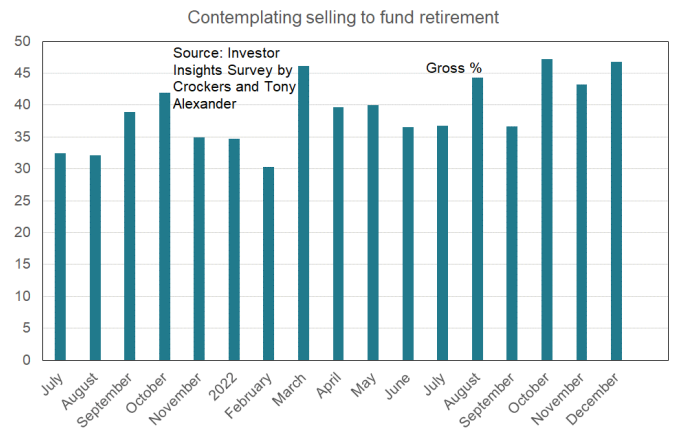
IF YOU ARE GOING TO SELL YOUR PROPERTY(S) SOON, WHAT IS THE PRIMARY MOTIVATION?

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

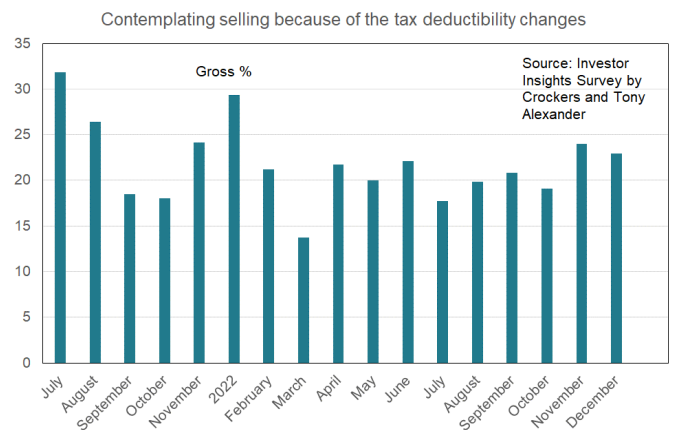
If you are going to sell your property(s) soon, what is the primary motivation?



There is a minor upward drift in this proportion.



Despite rising interest rates and a decreasing proportion of interest costs now eligible for offset against rental income, there is no upward trend in concerns about the deductibility change as a reason for selling.





There were 362 responses received in this month's survey, with respondents located as follows.

Region	%
Northland	2.4
Auckland	46.8
Bay of Plenty	7.0
Waikato	7.5
Gisborne	0.1
Hawke's Bay	2.2
Taranaki	2.4
Manawatu-Wanganui	2.4
Wellington	11.3
Nelson, Tas., Marl	2.1
West Coast	0.1
Canterbury	11.3
Dunedin City	3.0
Queenstown Lakes	1.6
Southland	0.1

INVESTOR INSIGHT

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