Investor Insight

November 2024

Crockers
PEOPLE & PROPERTY

Tony Alexander
Independent Economist

EST.1971
crockers.co.nz

MANAGEMENT
BTR
BODY CORP

Low demand for new dwellings

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 330 responses include the following.

- Investors have very little interest in purchasing a newly built dwelling.
- Banks are seen as more willing to advance funds than before.
- Finding a good tenant remains difficult.

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

In this month's survey a net 9% of our existing residential property investors have said that they do not plan making a purchase in the coming 12 months. As the graph here shows this result is consistent with others since July when there was a slight pullback in net selling intentions, probably because of the shift that month in monetary policy expectations.

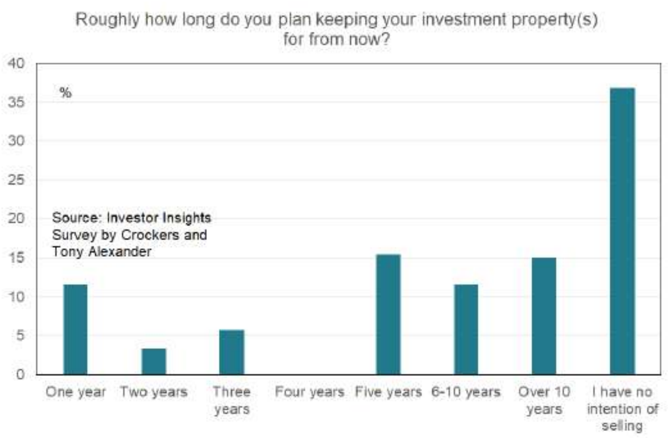
We can look at gross selling and buying intentions to see whether the improvement underway in recent months results from more investors saying they want to buy and/or more saying they no longer want to sell.

This graph shows that the gross proportion of investors looking to sell rose firmly in the second half of 2023, probably in response to the market firming over that period of time on the back of a lift in first home buyer activity.

A gross 22% of landlords say that they are thinking about making a property purchase and this result is also broadly consistent with others in our survey since July. Taken together these numbers gel with indicators from other surveys which show a rise in investor demand for property in recent months.

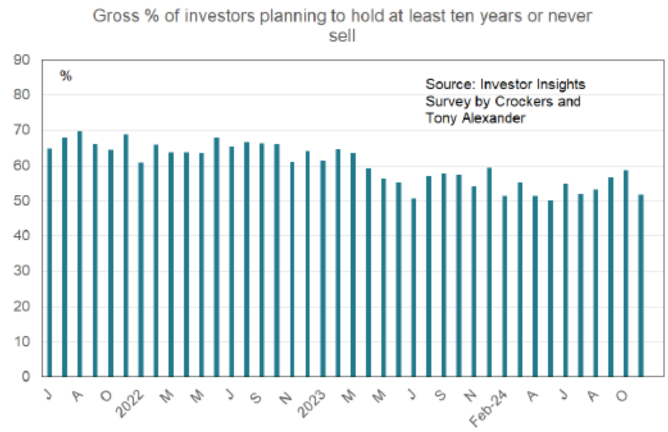
ROUGHLY HOW LONG DO YOU PLAN KEEPING YOUR INVESTMENT PROPERTY(S) FROM NOW?

Almost 37% of existing investors say they have no intention of selling their property and just 12% say they will sell within a year.



The proportion planning to hold forever or at least ten years has gone back down to 52% after hitting 59% last month. Clearly this measure can show volatility month to month, and it is best to concentrate on the trend seen in the next graph.

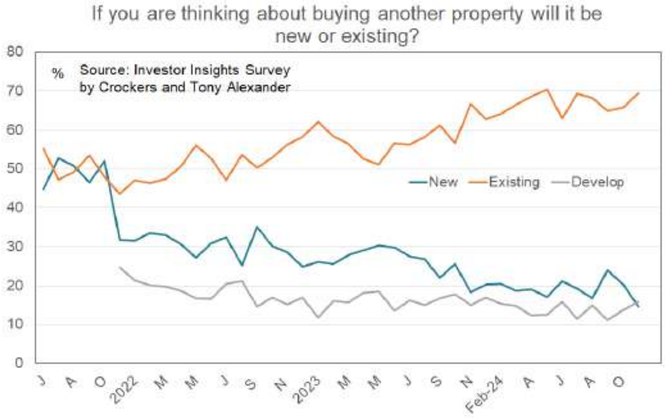
That trend is broadly downward though at a slow pace. The main change was over the middle of 2023 when investors could see the market firming and started to develop their offloading plans.



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

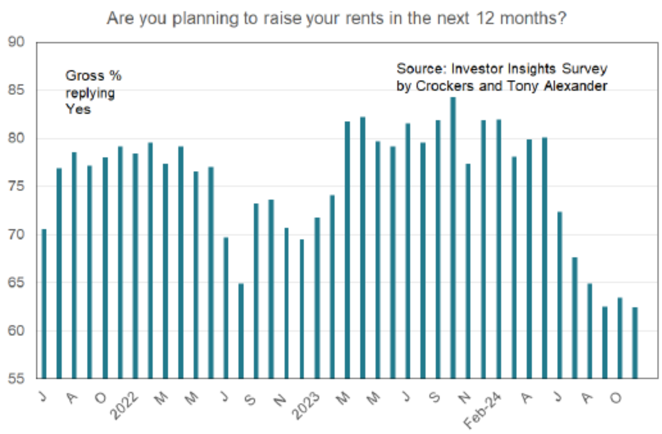
There is a slow upward trend in the proportion of investors looking to buy who would opt for an existing property. This is shown as the orange line in the following graph. This rise as compared with the downward trend in thoughts of buying new is consistent with the outcomes of analysis by property costing analysts.

They calculate that by and large it is cheaper for people to purchase an existing property – of which there are many for sale – than arrange to get something newly built. It may take some time for this dynamic to change given the rising council-imposed costs on developers and that implies upward movement in existing house prices.



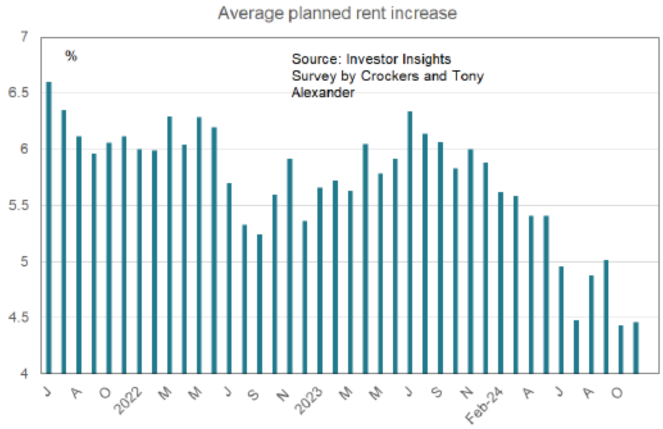
ARE YOU PLANNING TO RAISE YOUR RENTS IN THE NEXT 6 MONTHS?

Plans for raising rents fell away quite sharply from June and remain at low levels with just 62% of landlords looking to raise rents in the coming year. The peak was 84% in October last year as the annual net migration gain peaked above 136,000. That annual total is now below 50,000.

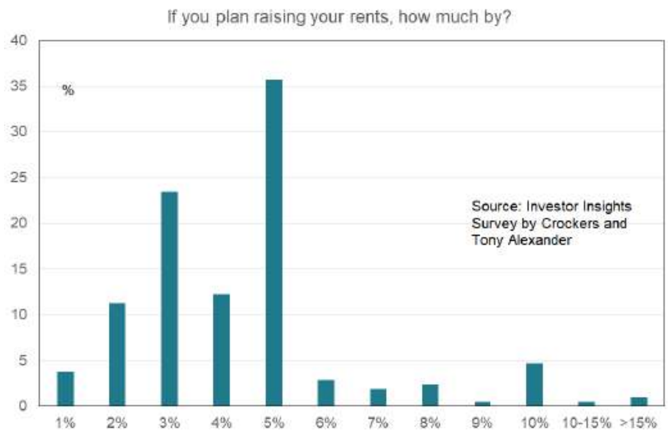


IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

The average rent rise desired by landlords sits largely unchanged from last month's survey at 4.4%. A year ago this was 6.0%.



This graph shows the rent rises planned by investors. 36% say they will raise their rents by 5%.



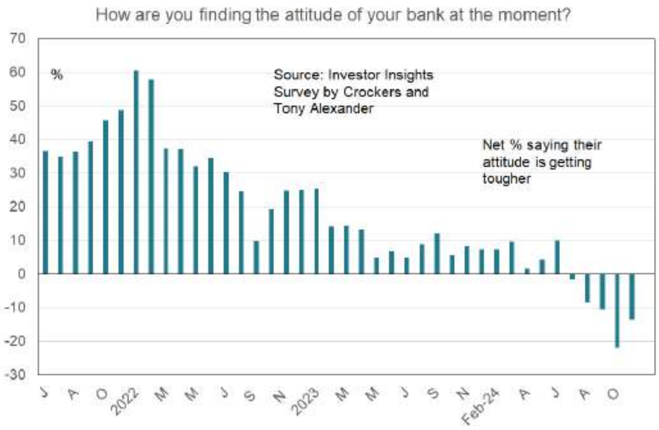
HOW ARE YOU FINDING THE ATTITUDE OF YOUR BANK AT THE MOMENT?

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.

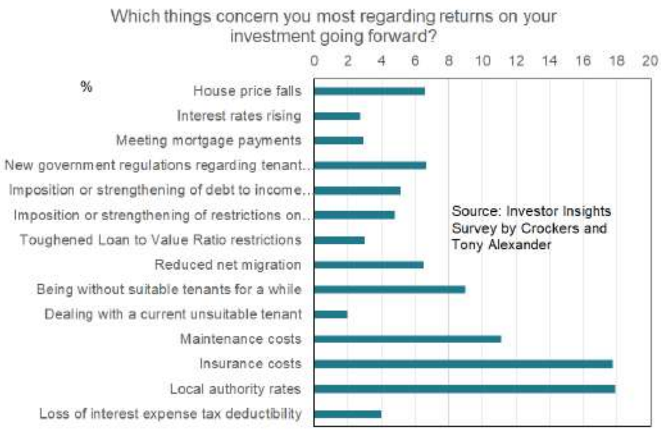
Last month a record net 22% of investors said that they were finding bank credit easier to get. That proportion has decreased this month to a net 14% which remains consistent with the generally better credit environment in place since July.



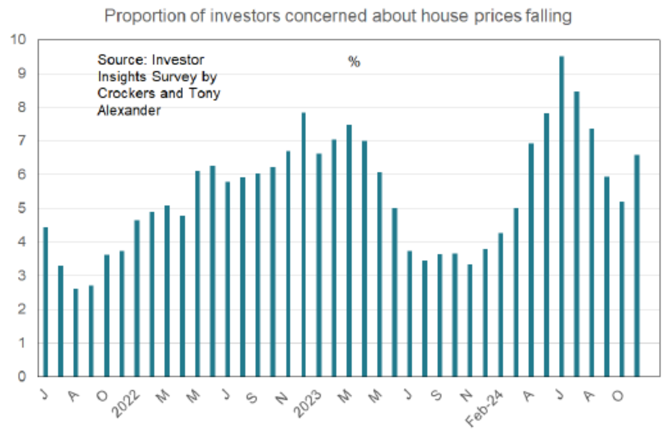
WHICH THINGS CONCERN YOU MOST REGARDING RETURNS ON YOUR INVESTMENT GOING FORWARD?

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

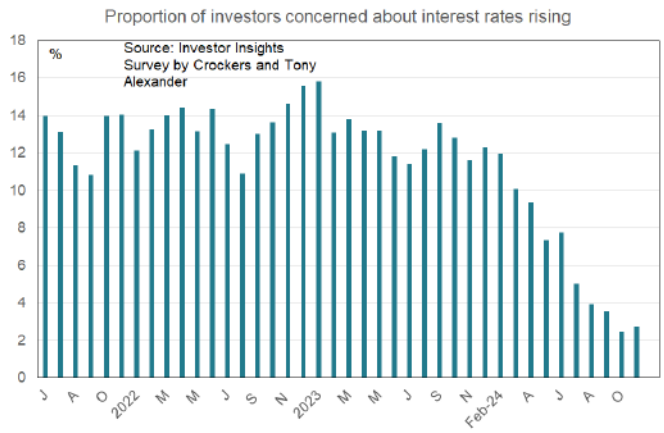
Insurance costs and council rates are again by far the greatest concerns held by property investors.



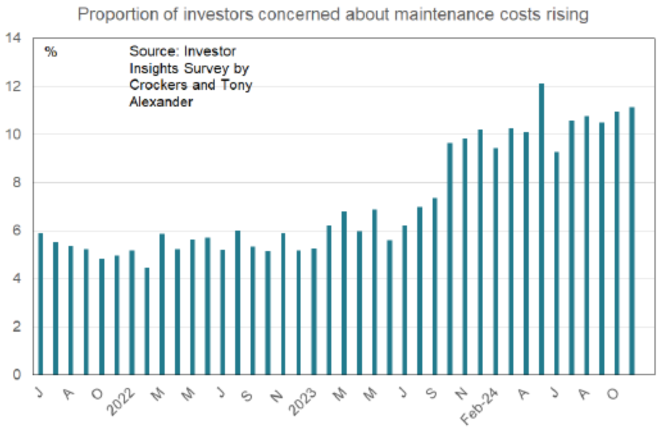
Looking at some of the individual areas of concern we see the following. Worries about prices falling took an unusual lift upward this month.



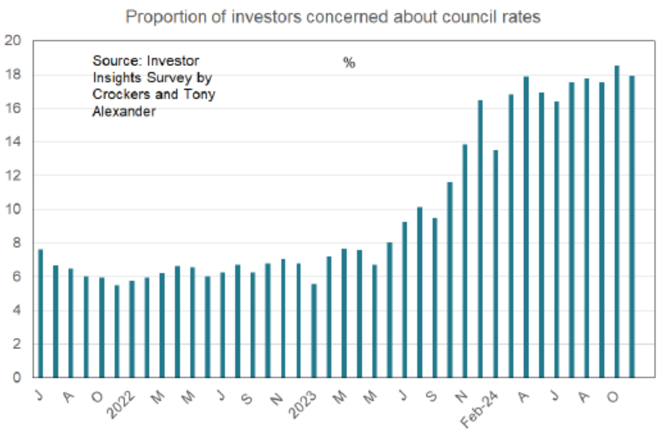
This rise in price concerns could have been caused by a slight lift in worries about interest rates shown here. Globally the degree of optimism in markets regarding interest rates falling has pulled back in the face of stronger than expected data on economic growth and inflation plus the potential inflationary impact of the incoming US President's policies.



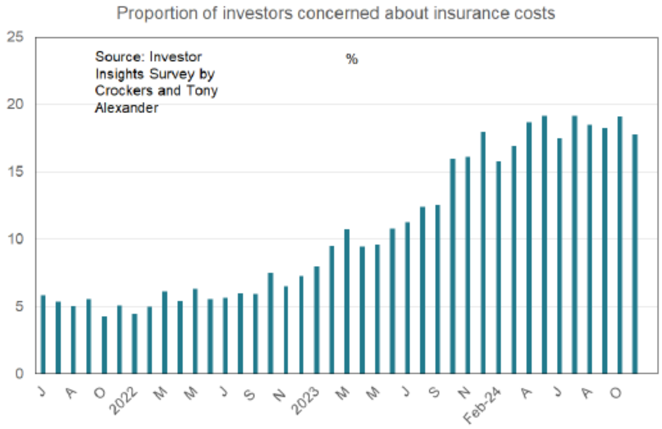
Worries about maintenance costs jumped up late last year and remain high.



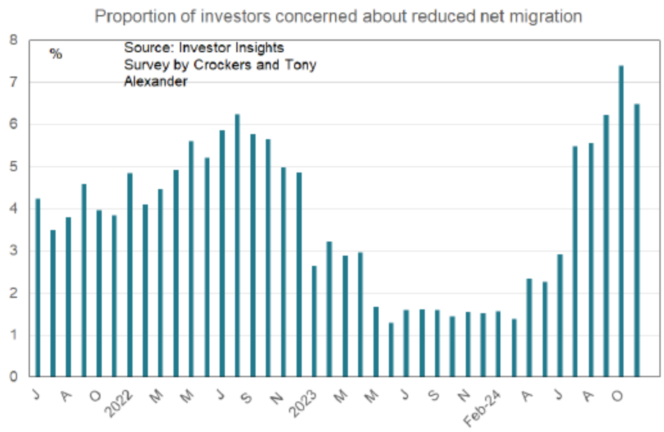
There is no easing underway in worries about council rates.



But there may be a minor decrease underway in insurance cost concerns. This would be consistent with feedback received from the insurance sector that the bulk of expected premium increases have now already been imposed.

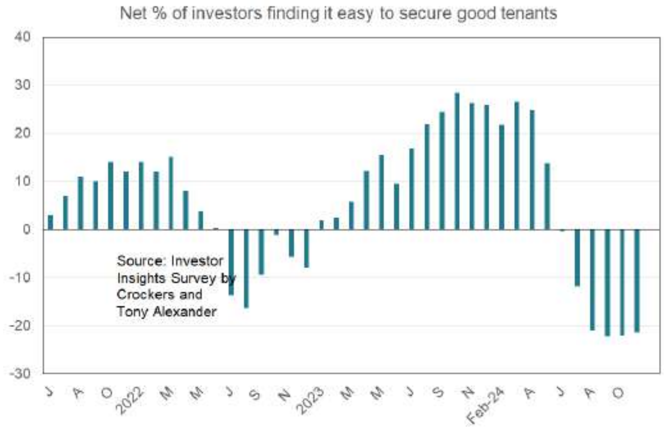


Investors are well aware of the impact which net migration flows can have on the rental market and their concerns about these flows jumped up in the middle of this year and remain high.



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

A net 21% of investors have reported that it is hard to find a good tenant. A year ago a net 26% said that it was easy. The rental market has changed substantially since the middle of this year. This will likely reflect a combination of falling net immigration and labour market weakness.



There were 330 responses received in this month's survey, with respondents located as follows.

Region	%
Northland	1.2
Auckland	49.4
Bay of Plenty	5.2
Waikato	7.3
Hawke's Bay/Gisborne	3.3
Taranaki	2.1
Manawatu-Wanganui	2.1
Wellington	11.8
Nelson, Tas., Marl	2.1
Canterbury	10.6
Dunedin City	3.0
Queenstown Lakes	1.5
Southland	0.3

YOUR PROPERTY, PROPERLY MANAGED

Get in touch to learn about our wrap around services for management, body corporate and BTR needs for your properties and complexes.

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 Residential Society

BUILD-TO-RENT: btr@crockers.co.nz

- Request a free Build-to-Rent proposal
- We assist BTR developers and owners in the design, development and management of their complexes

CROCKERS PROPERTY GROUP
F 0800 CROCKERS (2762 5377)
E property@crockers.co.nz

2 Onslow Avenue, Epsom, Auckland 1023
PO Box 74054, Greenlane, Auckland 1546

Crockers Property Management Ltd
Crockers Body Corporate Management Ltd

MANAGEMENT
BTR
BODY CORP

EST.1971
crockers.co.nz

Crockers
PEOPLE & PROPERTY