



Investor Insight

October 2021

Crockers 
PEOPLE & PROPERTY

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A survey of investors

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.

- Lockdown has not brought about a sustained deterioration in investor plans to purchase property.
- Rising interest rates have yet to incentivise selling by investors.
- Planned resource consent changes on intensification have yet to shift intentions more towards purchasing new builds.
- No trend changes in rents growth are apparent.

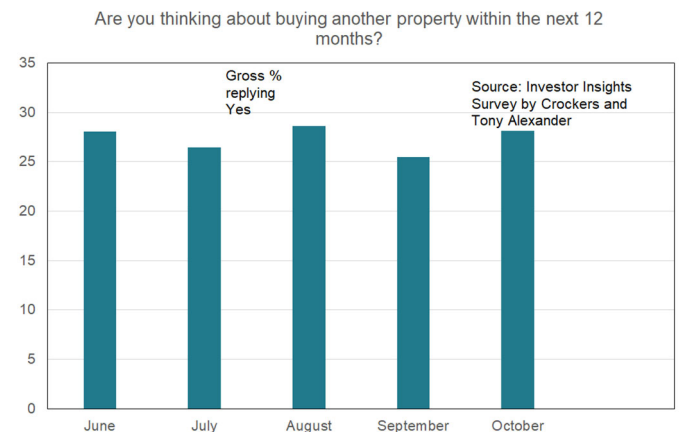
In this month's survey we received 577 responses.

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

Our survey has been running for five months now and one interesting result is that there is as yet no trend change in the proportion of existing property investors considering purchasing another property in the coming year. This month's gross 28% result is up from 25% in September but the same as June's 28%.

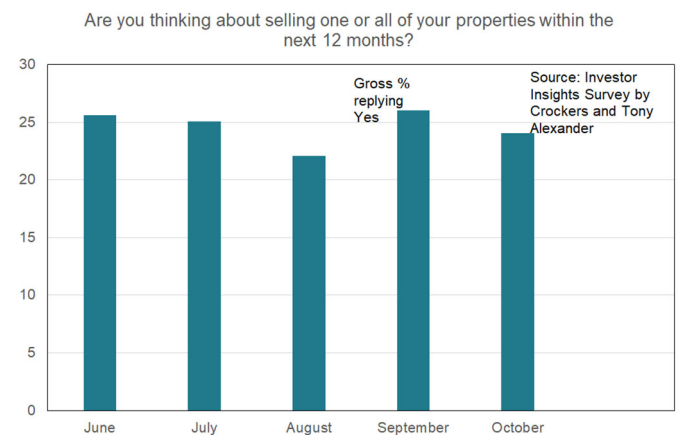
We can conclude that while there is a definite drop in buying intentions evident in other surveys following the March 23 tax announcement, (not captured in this survey), the drop in buying

interest is not continuing. The shock impact of the tax announcement has passed.



ARE YOU THINKING ABOUT SELLING ONE OR ALL OF YOUR PROPERTIES WITHIN THE NEXT 12 MONTHS?

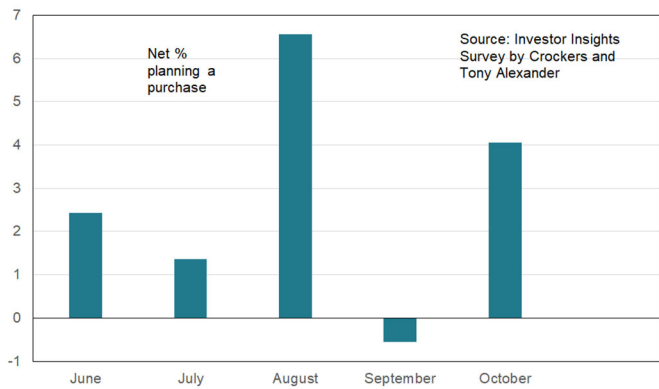
In similar vein, there is no trend change in existing investor selling plans. This month a gross 24% of respondents say they plan to sell, little changed from June's 26%.



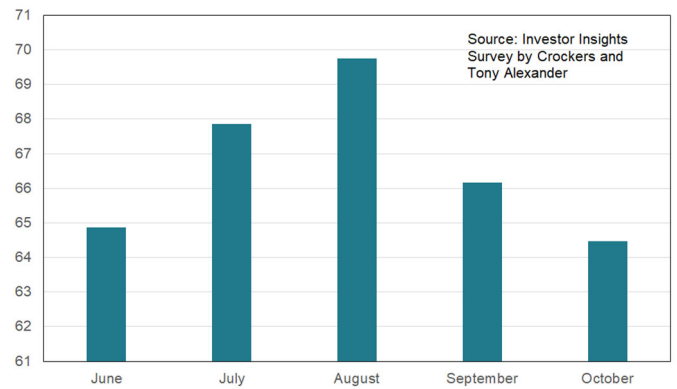
And if we bring our two results together to construct a net purchasing intentions measure, we find a recovery this month after September's easing. This tells us that the broadly negative impact lockdown had on buying and selling sentiment reversed this month.



Net % of investors thinking about buying another property within the next 12 months



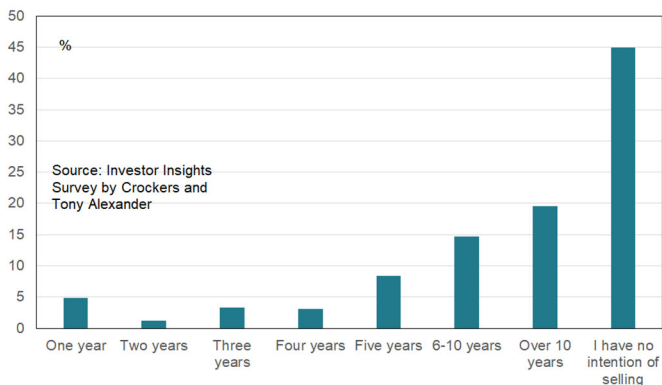
Gross % of investors planning to hold at least ten years or never sell



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

Our surveys consistently show an over-whelming majority of residential property investors plan holding their properties for the long-term, as shown in this graph below:

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

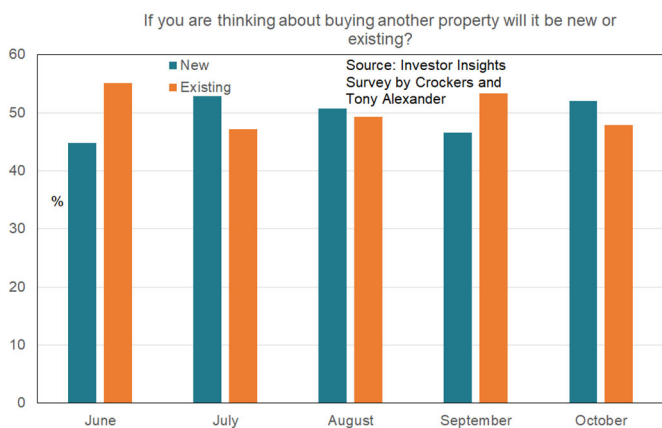


Our next chart (top of next column) shows the proportion of investors who each month have responded that they intend holding for at least ten years or not selling at all. The result has fallen for two months in a row, but it seems too soon to conclude that this is a new trend.

Answering this question requires thinking about one's property holdings from a lifetime portfolio point of view as opposed to perhaps the more emotional reaction to policies perceived as anti-investor and sentiment which get captured in the preceding question.

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

Things remain relatively evenly split between the proportion of investors planning a purchase who would opt for new as those who would opt for an existing property. It will be interesting to see if this measure alters next month as investors think about the medium to long-term implications of the government's plan to remove resource consent requirements for intensified developments in our top five cities. Finding land to build a three-unit complex on, will from August next year become exceptionally easy.

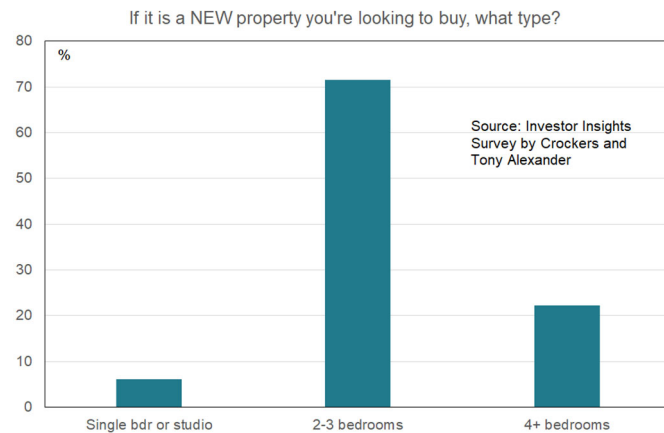


IF IT IS A NEW PROPERTY YOU'RE LOOKING TO BUY, WHAT TYPE?

As always, there is a near equal split in investor preference regarding the type of property they will buy between a standalone house and a townhouse.

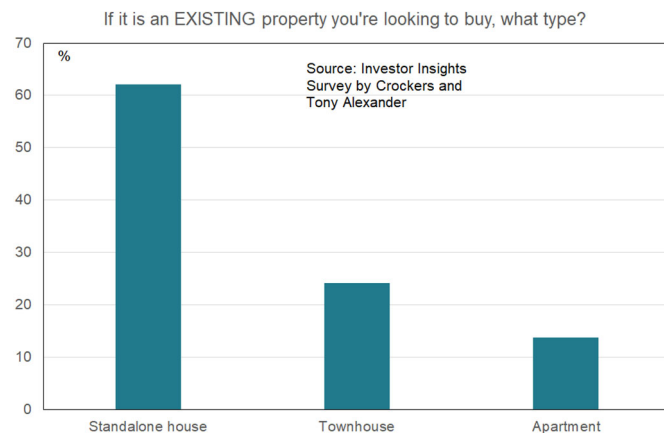


The strong preference in size remains for a 2–3-bedroom home.



IF IT IS AN EXISTING PROPERTY YOU'RE LOOKING TO BUY, WHAT TYPE?

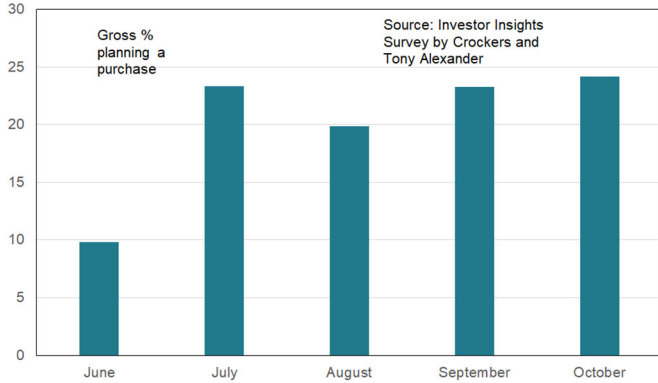
When it comes to the intentions of some investors regarding purchasing an existing property, the overwhelming preference continues to be for a standalone house.



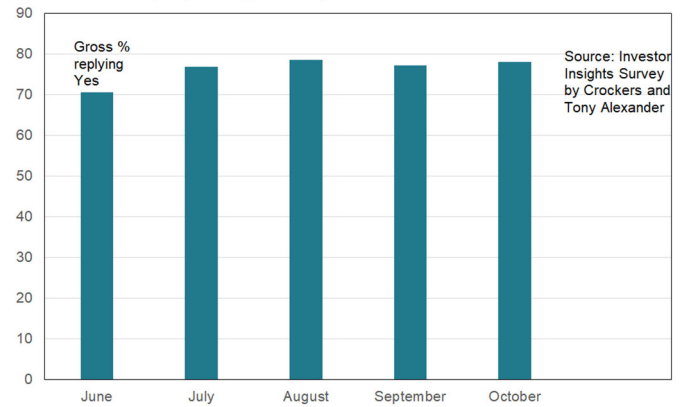
The townhouse purchasing intentions may be rising marginally. But the opportunity continues to exist for first home buyers to target their efforts towards existing townhouses or apartments where competition from investors will be relatively light.



Gross % of investors planning to buy an existing property who would purchase a townhouse



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



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

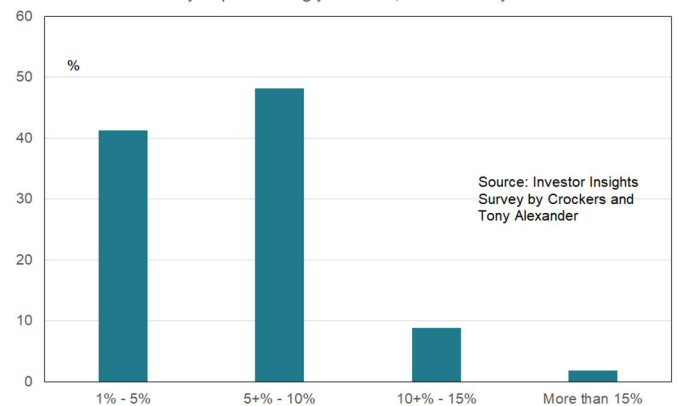
Rents are set with reference to the market and not just by desire of a property owner.

One question people frequently ask is whether landlords will raise rents in response to interest rates going up. The evidence from past interest rate cycles suggests no. These are early days as yet in the current rising rates environment, and most investors will not feel the effects of tightening monetary policy for some time. But so far, there is no upward trend apparent in plans/desires of landlords to raise their rents. Perhaps this is not too surprising considering that changes in rents largely reflect changes in tenant incomes rather than landlord cyclical costs.

IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

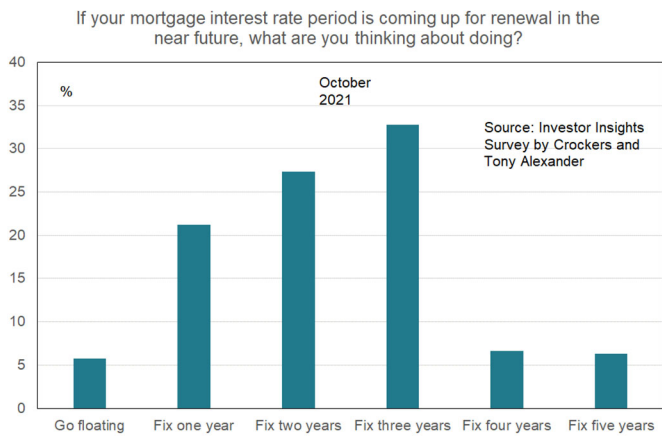
For those landlords intending to raise their rents, the most commonly cited increases are in the ranges of 1-5% and 5-10%. The average is about 6% and this average has shown no trend change since our survey started.

If you plan raising your rents, how much by?

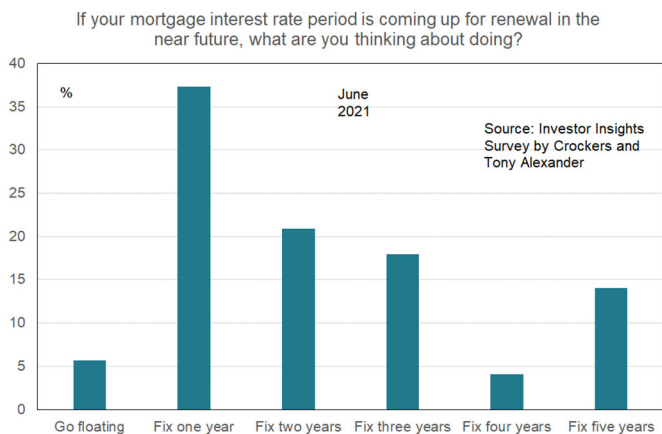


IF YOUR MORTGAGE RATE IS COMING UP FOR RENEWAL IN THE NEAR FUTURE, WHAT ARE YOU THINKING ABOUT DOING?

As was the case a month ago, just over 30% of investors with a mortgage interest rate coming up for renewal plan fixing for three years. The proportion favouring the two-year term is unchanged at exactly 27%.



But these choices are quite different from our first survey in June when the one-year term was highly favoured.

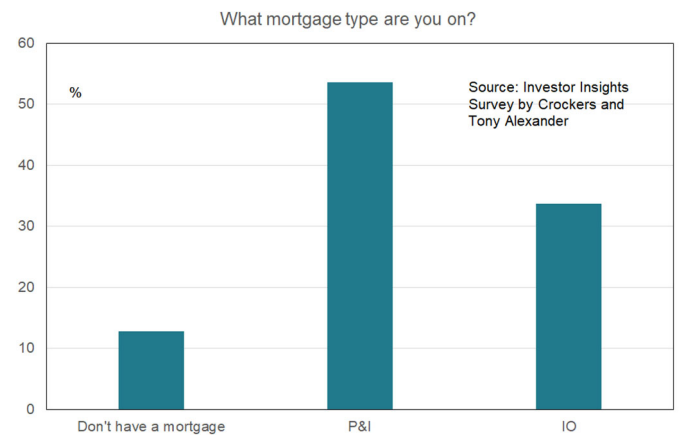


Note that to allow for the possibility of splitting one's fixed rate across a number of time periods, respondents are allowed to choose more than one fixed term option.

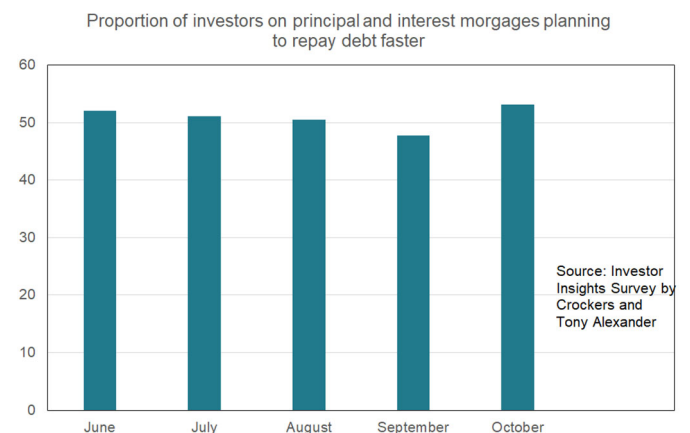
WHAT ARE YOU THINKING REGARDING THE SPEED WITH WHICH YOU ARE PAYING DOWN PRINCIPAL ON YOUR MORTGAGE?

Are fears of interest rate rises causing investors to accelerate the pace at which they intend reducing their debt levels? As yet there is little sign that this is happening. The proportion of

investors paying down principal has remained unchanged since June at approximately 54%.



The proportion planning to accelerate principal repayments has lifted only slightly this month. As yet, we cannot conclude that rising interest rates are altering borrower behaviour beyond shifting towards fixing rates for two or three years.



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

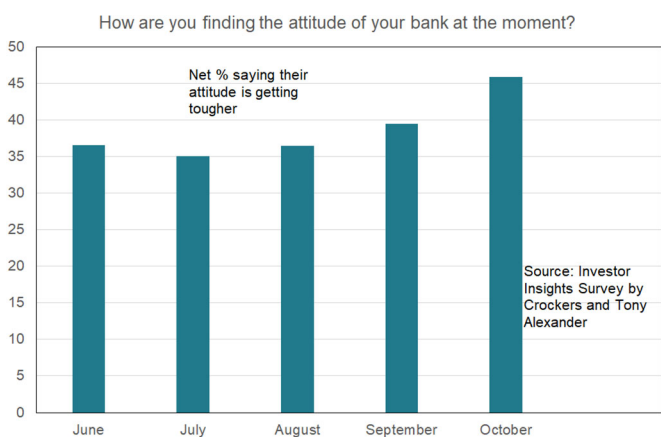
Respondents to this question can choose amongst three options.

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



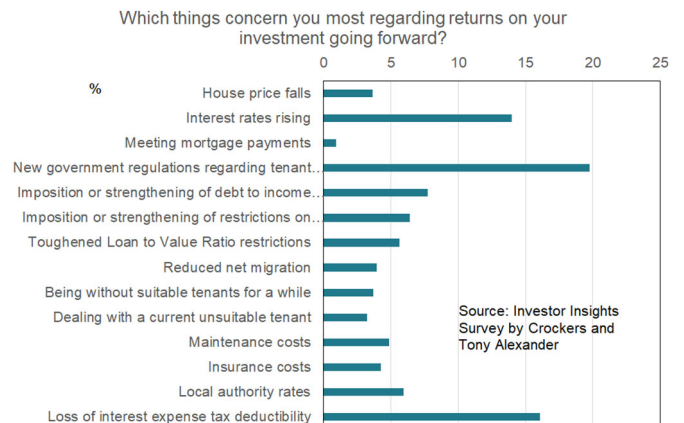
We can calculate the net proportion feeling that things are getting tougher and show the result in the following graph.

The following graph shows that there is an upward trend in investor perceptions of difficulties working with their financier. A net 46% say things are getting tougher, up from 39% last month.



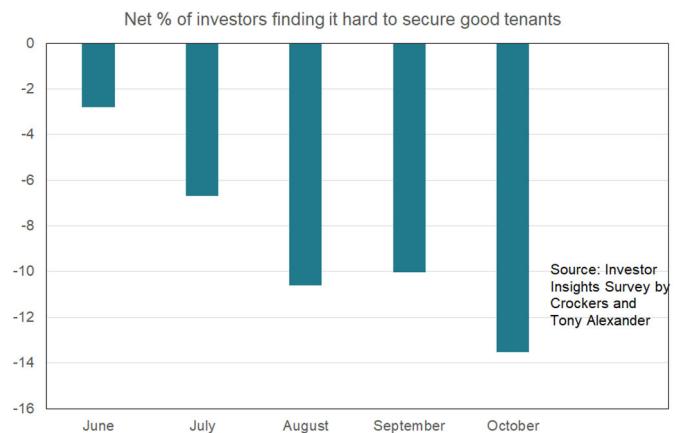
WHICH THINGS CONCERN YOU MOST REGARDING RETURNS ON YOUR INVESTMENT GOING FORWARD?

Respondents are able to choose more than one response to this question. A gross 19% are concerned most about new tenancy regulations and 16% rate loss of interest expense deductibility as their greatest concern. These two top concerns are not trending up or down.



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

24% of landlords feel that it is easy to find good tenants currently. Compared with the 10% saying it is harder than usual we see a downward trend in the net proportion finding it hard to get good tenants.

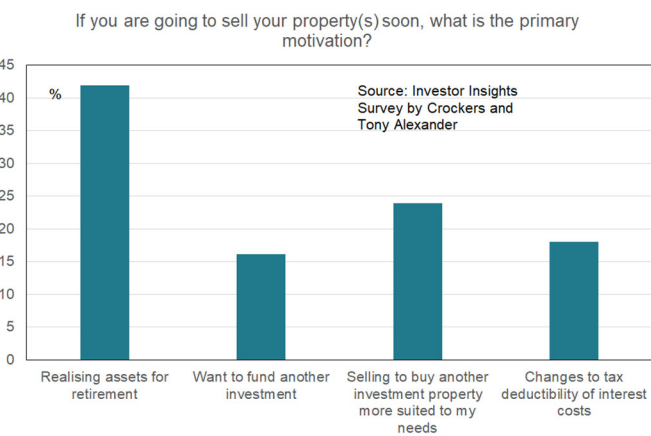
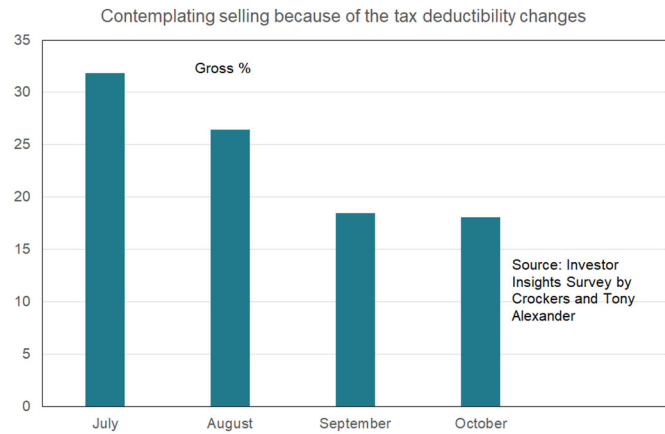


IF YOU ARE GOING TO SELL YOUR PROPERTY(S) SOON, WHAT IS THE PRIMARY MOTIVATION?

When asked why they are selling a property in the near future, 42% of the sellers say it is because they are financing their retirement, 16% want to fund a different investment, 24% are selling to buy a more desired property, and 18% cite the tax changes announced in March. Are



these changes eliciting an increasing response?
No.



There were 577 responses received in this month's survey, with respondents located as follows.

| Region | % |
|--------------------|------|
| Northland | 3.1 |
| Auckland | 40.2 |
| Bay of Plenty | 6.7 |
| Waikato | 8.6 |
| Gisborne | 0.2 |
| Hawke's Bay | 3.4 |
| Taranaki | 1.5 |
| Manawatu-Wanganui | 2.7 |
| Wellington | 10.6 |
| Nelson, Tas., Marl | 3.2 |
| West Coast | 0.5 |
| Canterbury | 13.9 |
| Dunedin City | 3.6 |
| Queenstown Lakes | 1.7 |
| Southland | 0.5 |

INVESTOR INSIGHT

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- Enquire about stress-free property management for your residential or commercial property

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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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