Investor Insight

February 2025

Crockers

PEOPLE & PROPERTY

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EST. 1971

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Banks open to lending

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.

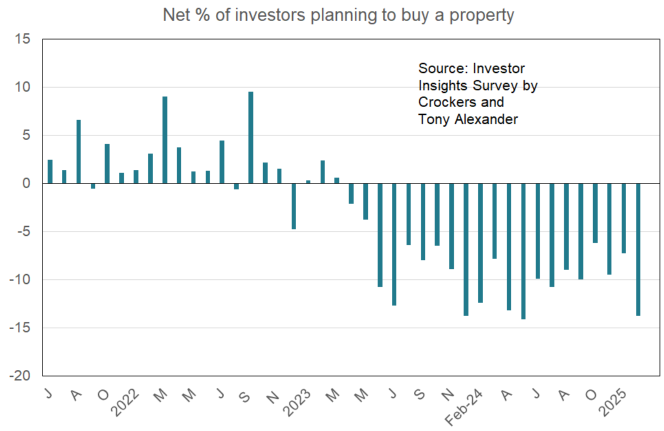
For instance, we will track changes in pressures on rents, points of particular concern, and plans regarding property purchases and intentions to sell.

Key points of interest from this month's survey, which received 287 responses include the following.

- An increasing proportion of investors are considering reducing the size of their real estate portfolio.
- Concerns about the potential for house prices to rise have increased while optimism regarding the extent of interest rate declines has eased.
- Landlords continue to report difficulties in securing good tenants, but banks are perceived as being willing to advance funds.
- More investors are considering selling.

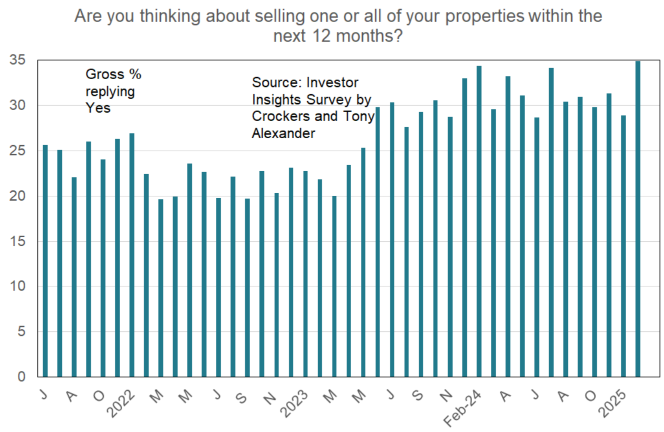
ARE YOU THINKING ABOUT BUYING ANOTHER PROPERTY WITHIN THE NEXT 12 MONTHS?

Our second survey of residential property investors for 2025 has revealed that a net 14% are considering selling their property this year. As the graph below shows this is a deterioration from the net 7% of last month and a result in line with the weak period late in 2023 and early in 2024.



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.

The deterioration in net selling intentions this month has largely been driven by a rise in the proportion thinking about selling to 35% from 29% in January. This is the highest result since our survey started in mid-2021.

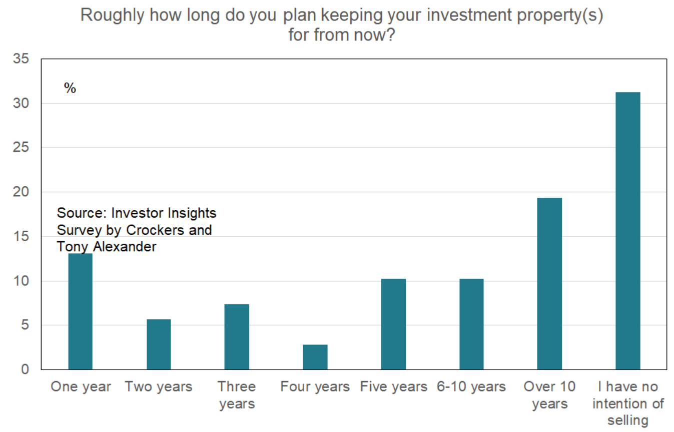


The gross proportion of investors thinking about buying (again) has remained relatively constant for some time. This tells us that our results here are not necessarily inconsistent with other commentary regarding investors showing interest

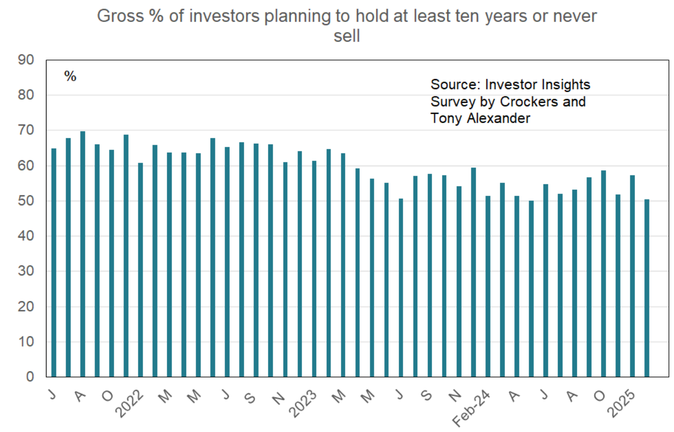
in investing in residential property – keeping in mind that our survey covers existing investors but is under-represented amongst those who are considering investing for the first time.

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

The majority of investors continue to plan keeping their property for at least ten years or never selling.



But this proportion has eased back to 51% this month from 57% last month. This decline leaves in place the mild downward trend in this gauge which stood at 65% when our survey started just after the investor rule changes of early-2021. Note that restoration of ability to deduct interest expenses has not restored this measure back to where it was.

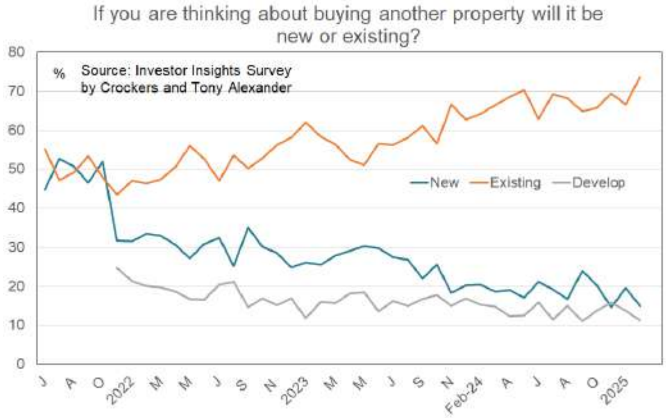


IF YOU ARE THINKING ABOUT BUYING ANOTHER PROPERTY WILL IT BE NEW OR EXISTING?

It is expected that as average house price rises this cycle there will be a rising proportion of investors bumping up against the new limit of debt at seven times income. And when that happens it is likely that these investors finding themselves unable to finance the purchase of their desired propoerty will either shift to a lower-priced option or purchase a new build.

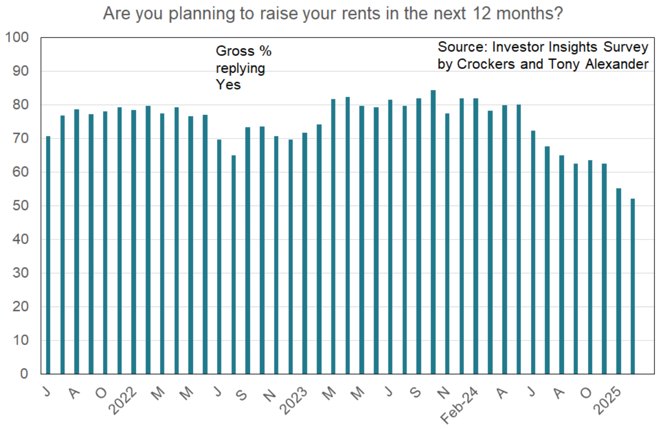
Our survey shows that as yet there is no uptick in plans for purchasing a newly built or about to be built dwelling. Only 15% of those investors considering a purchase would buy new and just 12% would initiate a development themselves. The majority of 74% would seek out an existing property.

One factor behind this preference may be the plethora of recently built townhouses available in some parts of Auckland and perhaps to a lesser degree the centre of Christchurch. Tauranga may also have a perceived over-supply of new apartments for the moment.



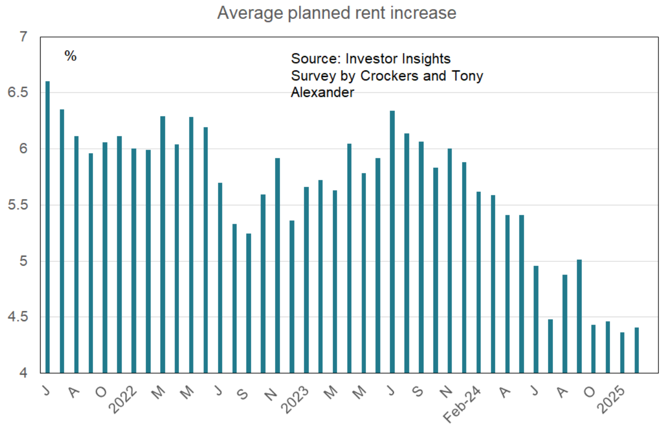
ARE YOU PLANNING TO RAISE YOUR RENTS IN THE NEXT 6 MONTHS?

There has been a downward trend underway in the proportion of investors indicating they will seek to raise their rents over the coming 12 months. As recently as May last year the proportion was 80%. Now, it is just 52%.

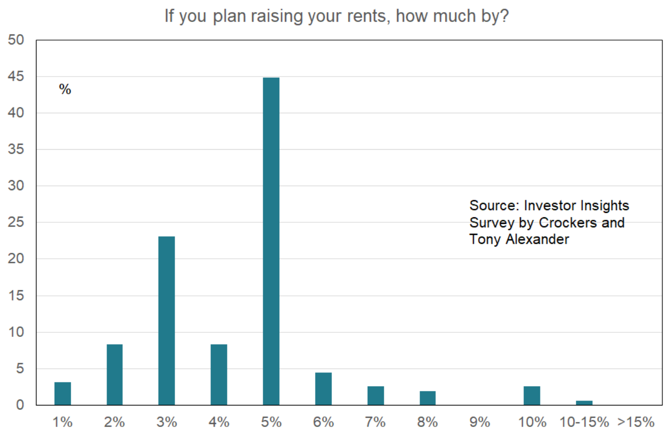


IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

The average rent rise planned by landlords if they can achieve it is 4.4% which is consistent with results since October. A year ago, however, the average rent rise considered achievable was 5.6%.



This graph shows the rent rises planned by investors.



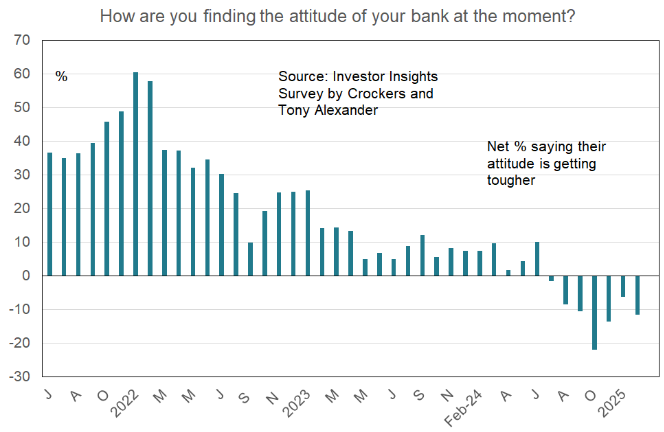
HOW ARE YOU FINDING THE ATTITUDE OF YOUR BANK AT THE MOMENT?

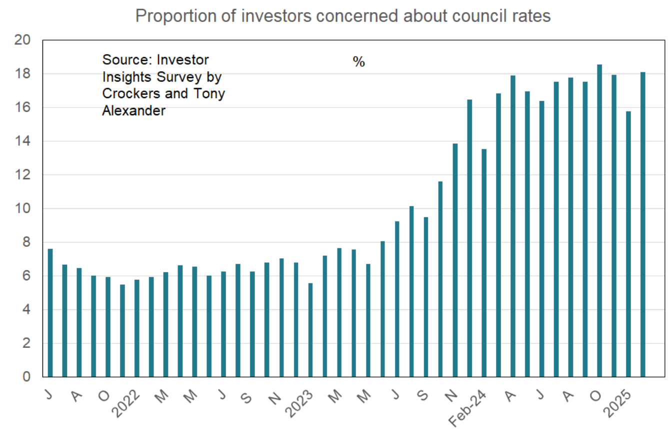
Respondents to this question can choose amongst three options.

- 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 net 11% of landlords responding in our monthly survey have indicated that they are finding their bank more willing to advance finance. This is a distinct change from a year ago when a net 7% still felt that banks were making finance more difficult to attain.

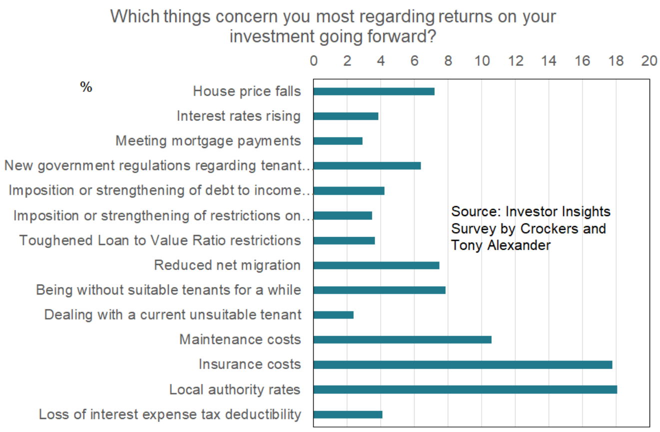




WHICH THINGS CONCERN YOU MOST REGARDING RETURNS ON YOUR INVESTMENT GOING FORWARD?

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

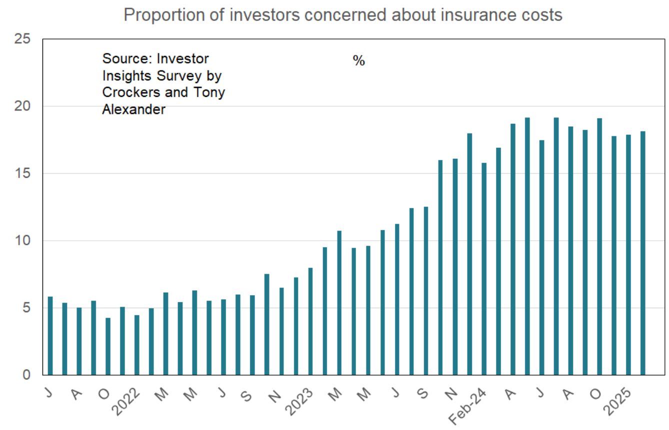
Insurance costs and council rates still remain by far the greatest concerns held by property investors.



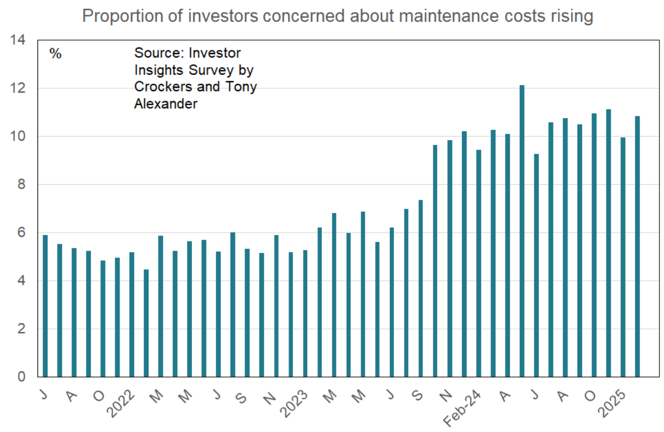
Looking at some of the individual areas of concern we see the following.

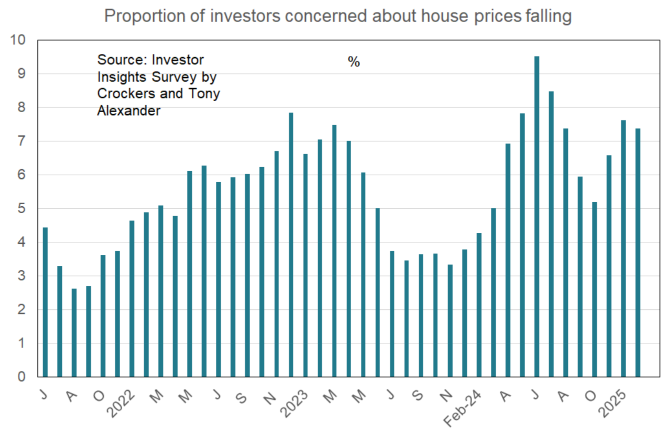
Worries about council rates rose sharply from the middle of 2023 and remain elevated.

Concerns about insurance costs have, however, been trending up since the middle of 2022 and perhaps earlier. As yet, comments by some insurance experts that premiums may decline this year due to good profit margins are not having any soothing impact. This may reflect landlord concerns about higher reinsurance costs related to climate change and the recent fires in California.

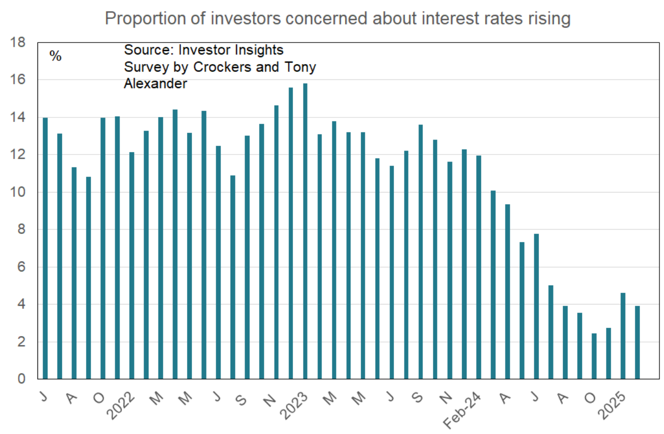


Maintenance cost concerns continue to track at high levels.





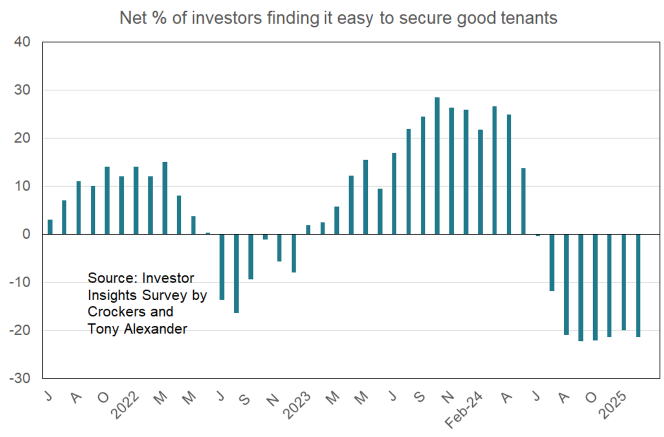
Of interest this month is a continuation of the recent rise in the proportion of investors concerned about interest rates going up. Although monetary policy has just eased as expected the hopes of many that perhaps interest rates will fall to very low levels have become more realistic.



There has also been a recent rise in concerns about house prices falling. Given that many investors count on reasonable capital gain to offset running costs this loss of price gain expectation in an environment of rising expenses helps explain the decline in net buying intentions discussed above. But this decline is manifesting itself largely as increased thoughts of selling rather than any observable decline in intentions to buy again.

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

There was distinct deterioration in the ability of landlords to secure good tenants towards the middle of last year and those difficulties have continued. A net 21% of investors have reported good tenants as hard to find whereas a year ago a net 22% felt such desired people were easy to secure.



There were 287 responses received in this month's survey, with respondents located as follows.

Region	%
Northland	3.1
Auckland	38.3
Bay of Plenty	6.3
Waikato	8.0
Hawke's Bay/Gisborne	4.1
Taranaki	1.4
Manawatu-Wanganui	2.8
Wellington	15.7
Nelson, Tas., Marl	3.0
Canterbury	12.2
Dunedin City	4.2
Queenstown Lakes	0.7
Southland	0.1

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