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Media Release

For Immediate Release

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Optimism running high with property investors says survey

New Zealand's property investors remain optimistic about property prices and they continue to look for strong capital gains to offset low yields.

The annual ANZ Property Investor Survey (in association with the New Zealand Property Investors Federation) released today shows that only 2% of the 453 respondents expect prices to fall over the next year, with only 1% anticipating a price fall over the next five years.

The median price expectation over the year ahead is 5%, 7.5% for five years, and 10% over the next decade.

"The results of our survey tell us that residential property investors are optimistic about property prices and tend to have a long term hold ownership strategy," says ANZ Chief Economist Cameron Bagrie.

But he warns of clouds on the horizon.

"It is precisely this sort of exuberance that the Reserve Bank is seeking to quell. Continued house price gains of double-digit magnitude will see housing become even more unaffordable to the average New Zealander. Investors need material capital gains as the average gross yield is 4.5%.

"We concur with the general view of property investors over the long term, although they do seem a little optimistic: the expectations are that house prices will grow faster over the coming decade than they have averaged historically over the last 50 years.

"We note that both the Reserve Bank and Minister of Finance are looking at tightening up on the use of Loss Attributing Qualifying Companies (LAQCs) and stricter enforcement of existing tax rules on capital gains (made on properties that are bought with the intention of selling for a profit).

"Given the results of our survey, a clamp down of this nature would appear to have implications for many residential property investors. While uncertainty remains, Reserve Bank and Government investigations are still in the exploratory stages and will not be acted upon for some time.

"Consequently, while we recommend that property investors keep a close eye on developments, they should not be overly concerned yet."

The proportion of equity in relation to the total value of properties is not high, with 62% of respondents reporting a gearing ratio of 0.5 or less.

Martin Evans, President of the New Zealand Property Investors Federation is pleased to note the equity figures but reminds investors to keep their eye on the long-term goal.

"Many New Zealanders have the vision of investing in long term property assets to boost their wealth to provide a good standard of living in retirement" says NZPIF President Martin Evans.

"It's pleasing to see that many have already reached that level of wealth and are able to enjoy the benefits of their chosen investment vehicle.

"However many wise investors choose to hold off purchasing when cycles are peaking; instead realising that this is a long-term strategy, and there will be plenty of other opportunities when yields improve."

The average market value of residential properties was \$1.47 million and the average equity held by respondent investors was \$700,000. In general, investors are reasonably well placed to weather any contractions in property prices - and in many cases expand their portfolios.

Most still have an appetite to buy, with half of respondents expecting to buy another investment property in the next 12 months. Only 17% don't plan to buy in the next five years.

Survey respondents own an average of five residential properties.

Loss Attributing Qualifying Companies are the most common ownership vehicle used by 55% of respondents, while 36% hold properties privately in their own name.

Most investors are in the market for the long term, with an overwhelming 87% of respondents citing this as one of their strategies.

There's a wide age-range of property investors, with 60% under 50 years. Only 12% are over 60 years, throwing doubt on the talked-about "bow-wave" of properties hitting the market as retiring property investors liquidate their assets.

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