Media Release

For Release: 6 September 2011

ANZ survey shows property investors remain cautious

Property investors continue to play it safe, focusing on consolidation rather than growth, according to the latest ANZ Property Investment Survey released today.

The survey reveals that most investors now intend to hold onto their properties for the longer term, with fewer looking to purchase more property.

ANZ New Zealand General Manager Specialist Distribution Craig Moffat said property investors were showing realistic expectations of price increases and anticipating modest rent rises.

“This suggests investors understand that the dynamics of property investing have changed. They are wisely managing their portfolio as a business, focusing more on achieving positive cash flow and managing risk, rather than capital gains.”

Plans to raise rents as a result of the 2010 May Budget appear to have eventuated – with 27 per cent of investors planning increases in 2010 due to the changes, and in 2011 some 26 per cent had increased their rents as a result of the Budget.

The survey of property investors throughout New Zealand, run in conjunction with the NZ Property Investors’ Federation, asked about issues affecting the residential property market and where investors thought the sector was heading over the next 12 months. This year’s survey received a record 1,800 responses – almost double the number last year.

The survey shows that investors are expecting modest increases to property prices – around 2.5 per cent over the next 12 months, and 6-10 per cent over the next five years. This is slightly more optimistic than last year, with 71 per cent expecting an increase in 2011, compared with 59 per cent in 2010.

Eighty per cent of investors said they were expecting rents to increase over the next 12 months (an average of up to 5 per cent) and 98 per cent expect an increase over the next five years (an average of 6-10 per cent).

NZ Property Investors’ Federation President Andrew King said the prospect of higher rentals was a natural expectation among many investors. "Rental prices have not kept pace with general inflation or the price of properties, so when combined with tax changes, rental increases are overdue in many cases."

Owning in a family trust is now less common (30 per cent in 2009 down to 23 per cent in 2011). Investors who previously owned property under an LAQC now mainly own their property in a Look Through Company. The two main structures overall are now Look Through Companies (39 per cent) and Owning in Your Own Name (40 per cent).

"Investors are clearly reviewing the most appropriate ownership structure in an evolving environment. The popularity of Look Through Companies, in particular, was interesting. With increases in rental prices and the withdrawal of building depreciation, I would have thought more owners would have chosen Qualifying Companies as an appropriate structure for their rental properties," Andrew King said.

Government regulations and tax changes are now considered the biggest risk for investors (26 per cent, up from 13 per cent in 2010). Other risks such as tenants defaulting on payments, properties remaining vacant, and property prices falling have decreased this year.

This year's survey also reveals that almost 40 per cent of investors have examined their insurance cover as a result of the Canterbury earthquakes.

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