

News Release

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Meth contamination top worry for property investors

Methamphetamine contamination has been named as the biggest concern facing New Zealand's residential property investors.

In the 2016 ANZ Property Investment Survey, released today, 38% of investors said they were worried about the prospect of contamination from the production or use of meth in their properties.

Meth damage, which is associated with health concerns, can require costly remediation. Concerns are at their highest in the Waikato where nearly two-thirds (63%) of investors cite this as a risk.

ANZ Head of Mortgages Glenn Stevenson said: "While the exact scale of the meth problem isn't known, the risk of contamination is top of mind for many investors. The consequences for a property owner can be huge, with the bill to fix the problem potentially running into tens of thousands of dollars."

The top three areas of concern were damage to property, government regulations (particularly loan-to-value and potential loan-to-income ratios) and tenants defaulting on payments.

Nearly a third of investors said limits on high loan-to-value ratio lending had significantly impacted on their strategy over the past year, with nearly half of these (14% of all investors) saying they had not bought a property they would otherwise have bought.

"Despite their concerns, and through changes in regulations which have had a significant impact on investors' strategies, a major theme of recent years remains: investors continue to see property as a long-term investment. They are holding on to properties and seeing significant reductions in their LVR levels, primarily through capital gain," Mr Stevenson said.

2016 ANZ Property Investment Survey – key findings

- 84% of investors expect values to increase by 2.5% or more and 53% expect rental incomes to rise by 2.5% or more in the next year.
- Waikato investors are the most optimistic about values in the short term – 98% expect increases in the next year.
- Canterbury investors are the least optimistic about rentals and values – 55% expect rental income to hold or fall in the next year; 88% expect values to rise in the next year. Canterbury investors are more optimistic over the medium term.
- Two thirds of all investors plan to buy again, continuing a rising trend since 2011.
- Auckland investors are the most likely to buy again soon: 57% plan to buy in the next two years, compared with 53% of investors nationally.
- 11% of Aucklanders say the majority of their investments are in Waikato.
- Interest rate volatility was cited as a concern by just 8% of all investors.
- 31% of investors say high LVR lending restrictions have significantly impacted on their strategy in the past year, up from 16% in 2015. Nearly half of these (14%) say they have not bought a property they would otherwise have bought.
- More than half of investors (53%) say their LVR has fallen over the past year. Only 18% now have an LVR over 75% compared with 27% in 2015.
- Around half of all investors feel further restrictions will impact on their strategy; 29% would be less likely to buy an investment property.
- 89% of all investors plan to hold on to their property for the longer term.

The annual ANZ Property Investment Survey is run in conjunction with the NZ Property Investors' Federation. This year's survey involved 784 online interviews with property investors throughout New Zealand, asking about issues affecting the residential property market and where investors see the sector heading over the next year. The survey was open for responses from 7 to 28 August 2016.

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