Media Release

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Regulations threaten property growth, say investors

Residential property investors are still confident, growing and looking to buy more properties despite rising interest rates – but many would consider selling up in the event of proposed new regulations.

More than half (52%) of all respondents in the 2014 ANZ Property Investment Survey, released today, cite government regulations and tax as their biggest worry, up from 37% two years ago.

One in three say Reserve Bank proposals that would require banks to treat investors with more than five properties as commercial customers would impact their investment strategy – mostly by not buying new properties, or by selling. Many also raised concerns about the proposed introduction of a 'warrant of fitness' for rental properties.

The impact of interest rate volatility, in a year in which the official cash rate has risen 1%, was cited by one in three as their greatest concern.

Despite these concerns, investors say they expect property values to grow by 4.8%, and rents by 2.8%, in the next year.

The proportion of large/full-time property investors has grown significantly, with those owning seven or more investment properties nearly doubling, to 26%, over the past four years.

Sarah Berry, ANZ's Head of Mortgages, said: "Investors continue to see property as an investment for the long term. The trend of holding on to properties and reducing debt gearing has continued. Twice as many investors have decreased their leverage ratios over the last year than increased them. While rising property values have contributed to this, it appears most investors are being responsible about gearing their portfolios.

"One area of concern is that one in five investors have not fully got to grips with insurers' move to sum insured. As a result, most of these investors are accepting their insurer's default value, meaning they could face a big loss due to underinsurance in the event of a disaster."

2014 ANZ Property Investment Survey – key findings

- Investors expect property values to grow by 4.8%, and rents by 2.8%, over the next year. Longer term rent expectations are higher, at an average of 4% per annum over the next five years.

- Expectations for value and rent rises are highest in Auckland and Christchurch. Auckland investors expect property values to grow 50% faster than the national average.

- The proportion of investors with seven or more investment properties has risen from 14% to 26% since 2010. Most of this growth is among investors who have most of their properties in Auckland or Canterbury.

- Those intending to buy within six months continues to rise, up to 23% from 17% in 2010. Investors holding properties in a family trust have increased from 23% to 31% in four years.

- 52% see government regulations and tax changes as the main risks to property investors (up from 37% since 2012). The proposed 'five-plus' property rules and warrant of fitness for rental properties are drawing particular concern. One in three investors think the 'five-plus' regulations would have an impact on their investment strategy. Of these, two-thirds (66%) say they would be less likely to buy another property.

- 35% identify interest rate volatility as a key risk, up from 28% last year.

- Average debt levels have fallen slightly in the last year. Investors with a debt/value ratio of over 74% fell from 32% to 28%. Those with a ratio of 90% or more fell from 8% to 6%.

The annual ANZ Property Investment Survey is run in conjunction with the NZ Property Investors' Federation. This year's survey involved 1,156 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.

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