

Property Investor Survey

Input to your Strategy for Adapting to Challenges

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Investors wary

Each month I survey residential property investors in order to gauge how things are changing over time across a wide range of indicators. For instance, I track changes in pressures on rents, points of particular concern, and plans regarding property purchases and intentions to sell.

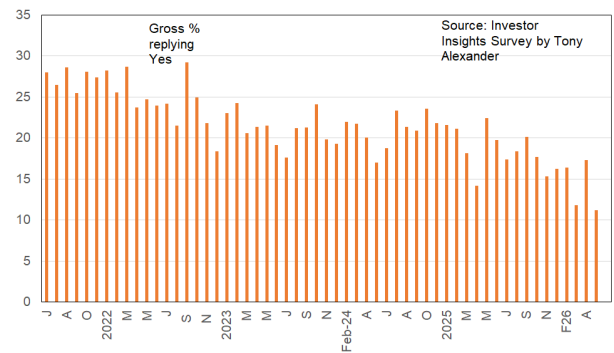
Key points of interest from this month's survey, which received 229 responses include the following.

- Net property buying interest of investors continues to edge lower.
- Worries are slowly easing (but remain high) regarding council rates and insurance. But concerns have jumped recently over interest rates and potential for house prices to fall.
- Good tenants are still considered as relatively difficult to find, but the depth of difficulty is slowing ebbing away.

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

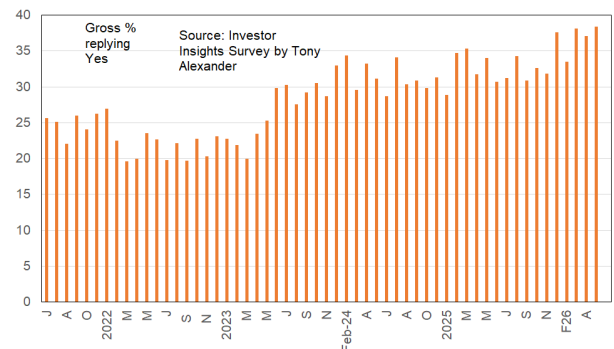
The first graph here shows a falling trend since late-2022 in the proportion of investors saying they will buy another property soon. The latest result is 11% which is the lowest on record. A year ago the number was 22%.

Are you thinking about buying another property within the next 12 months?



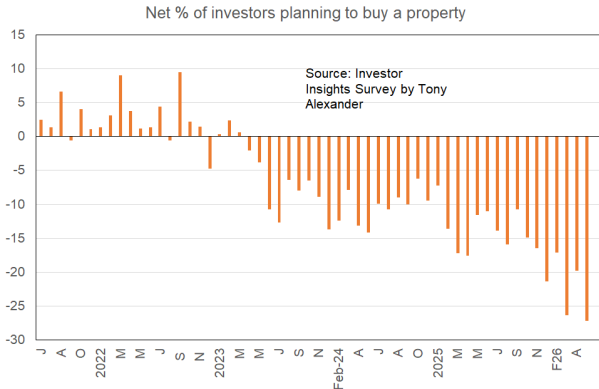
In contrast, when I ask investors whether they plan selling a property in the coming 12 months we see a rising trend since early in 2023 when first home buyers became a stronger force in the property market. The latest result is 38% of investors looking to sell compared with 34% a year ago.

Are you thinking about selling one or all of your properties within the next 12 months?



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Putting the two measures together we get a net 27% of investors looking to sell in the coming year. This is the largest net selling measure for the five years this survey has been run.



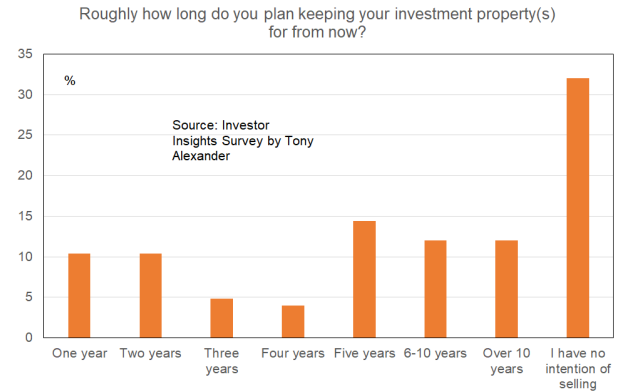
The housing market in New Zealand is undergoing a period of transition, but it is not away from investors overall deserting the asset. Instead the change in expected net returns due to higher costs and reductions in expected long-term capital gains have taken away feelings of panic by those who have not yet bought.

There are many other factors helping to explain this shift in FOMO by average Mum and Dad investors. But the result is that the investor market is being left more to those with experience of good property management and/or perhaps who are undertaking the activity as just one part of a portfolio structured with outside advice.

After all, since 1951 on average 32% of the housing stock in New Zealand has been devoted to rentals (ownership rate average = 68%). This proportion is likely to continue going forward and investors are strongly needed in order to produce this rental accommodation.

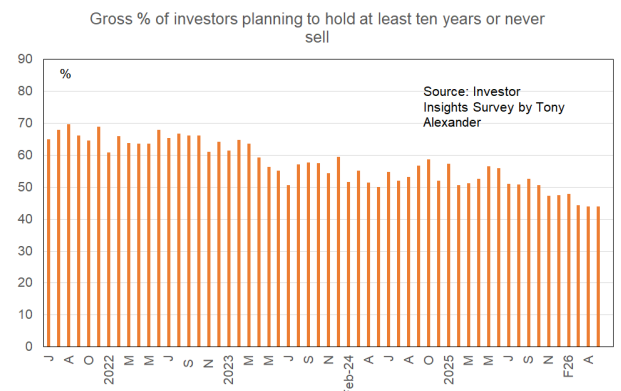
ROUGHLY HOW LONG DO YOU PLAN KEEPING YOUR INVESTMENT PROPERTY(S) FROM NOW?

This graph shows the proportion of respondents planning to hold their property for the period of time measured on the horizontal axis.



We can see that over 30% have no intention of selling. Clearly there is a disconnect in people's interpretation of this question compared with the one just discussed where 38% of people say they are thinking of selling in the coming year versus 10% here.

What matters are the trends and that is why I like to focus on the proportion saying they plan never selling or holding for at least ten years. That proportion sits at 44% and has remained steady (mildly down maybe) for the past three months.



The trend broader nonetheless is down at a slow pace, assisted by the aging of this survey's population.

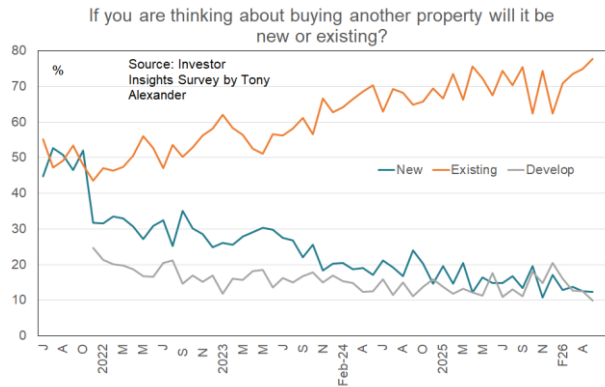
IF YOU ARE THINKING ABOUT BUYING ANOTHER PROPERTY WILL IT BE NEW OR EXISTING?

I ask this question to see if some insight can be delivered for home builders. If there is insight, then it is not particularly positive. There has been



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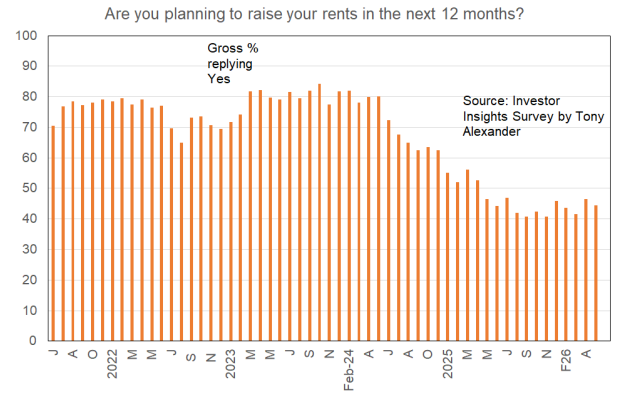
a falling trend in the proportion of investors wanting to buy who say they will purchase a newbuild since early-2022. Note the recent lift in the proportion saying they will focus their attention on something already built. This likely reflects the cheapness of buying an existing property compared with getting one built – with new fears about extra cost escalation running through people’s minds because of the war in the Middle East.



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

I ask this question to see how the balance between tenant and property availability is playing out broadly when it comes to rental movements. We know from many sources that in almost all parts of the country rents are lower now than they were a year ago.

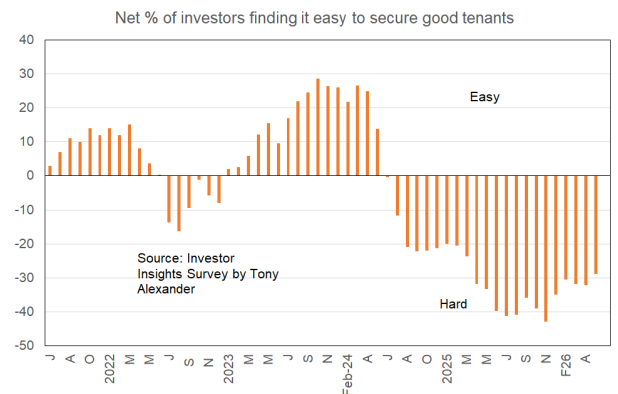
This graph shows that landlords on average started losing optimism/plans regarding rent rises from about the middle of 2024. But note the stabilising of this particular measure since about this time a year ago.



The period of things shifting firmly in favour of tenants may be ending. To whit...

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

The greatest difficulty reported by landlords in finding tenants occurred in November last year when a net 43% said things were hard. That proportion now is 29%. The balance of power still lies with tenants – but things are slowing changing.

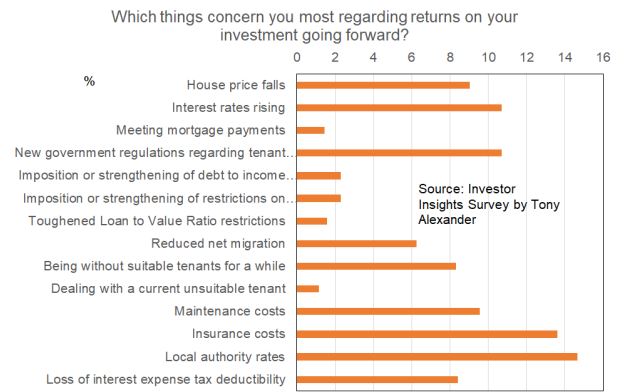
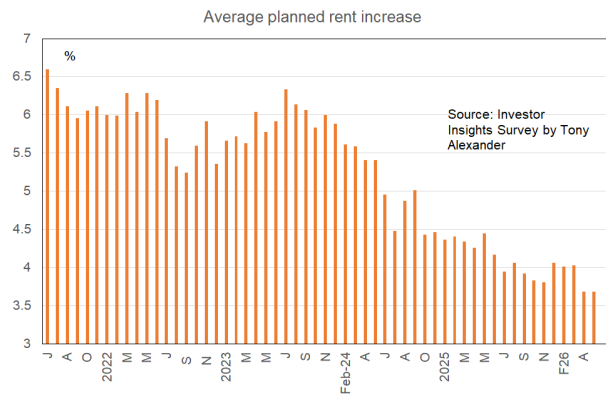


IF YOU PLAN RAISING YOUR RENTS, HOW MUCH BY?

The average rent increase planned (desired) by landlords sits unchanged from last month at 3.7%. Some stabilising of this measure looks to be underway after the substantial fall from the peak of 6.3% recorded in July 2023.

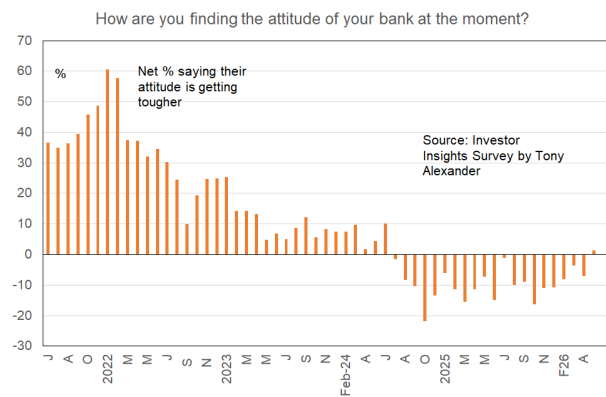


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HOW ARE YOU FINDING THE ATTITUDE OF YOUR BANK AT THE MOMENT?

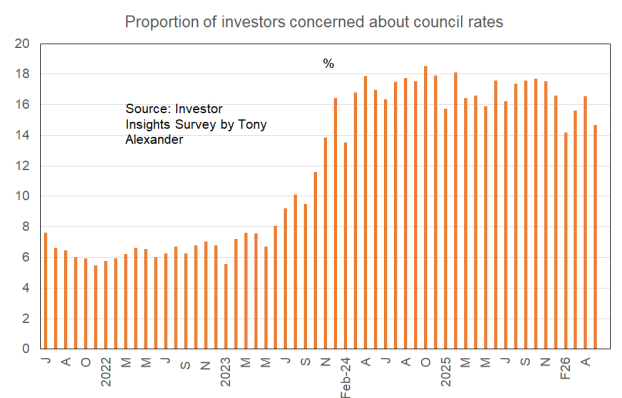
Investors perceived that banks were getting quite willing to lend to them from the middle of 2024. But now a net 1% have just reported that they feel their lender is getting a tad tougher. If so, this may accord with some other evidence suggesting banks are recognising the long-term shift in lending opportunities underway for the investor market and redirecting their focus more towards first-time buyers.



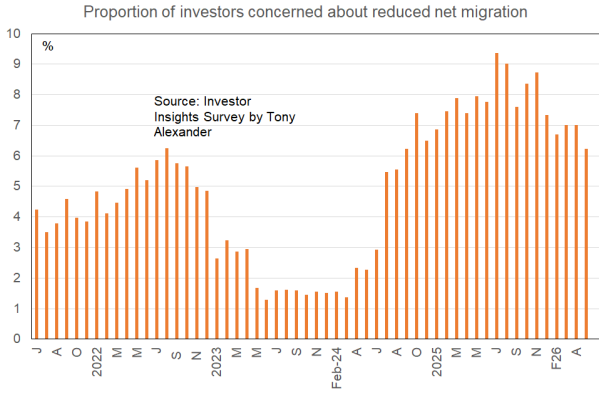
WHICH THINGS CONCERN YOU MOST REGARDING RETURNS ON YOUR INVESTMENT GOING FORWARD?

Council rates and insurance costs continue to be the two things which concern investors most as they contemplate the future for their investment.

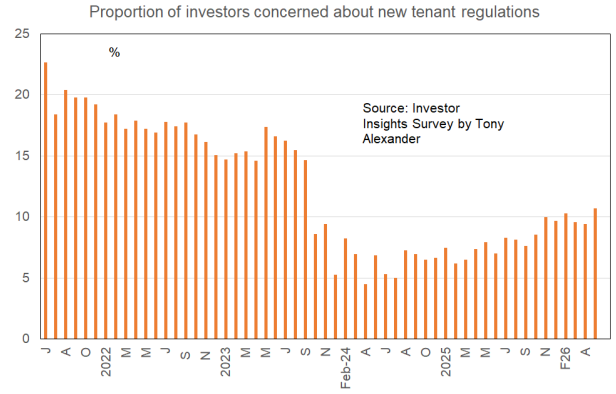
But there has recently been a mild easing of concerns about council rates.



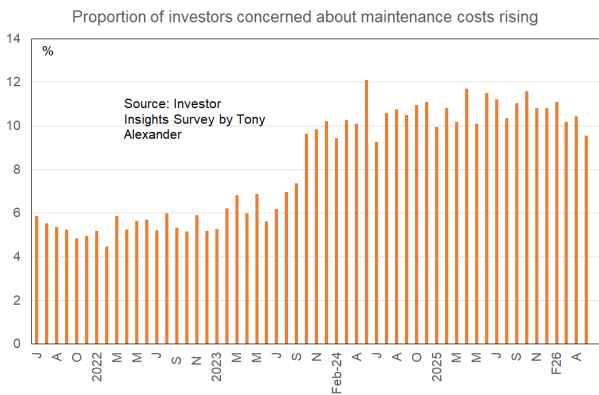
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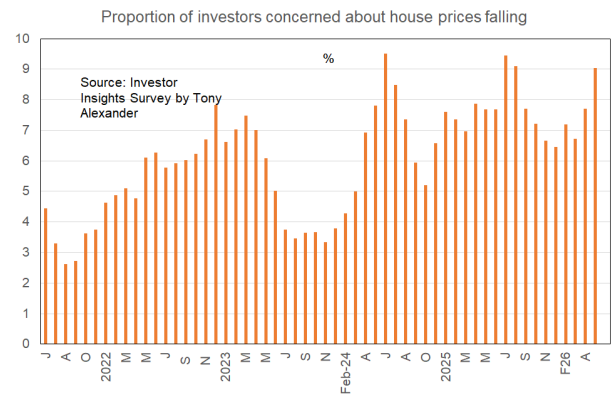
Maybe worries about maintenance costs are easing a tad also.



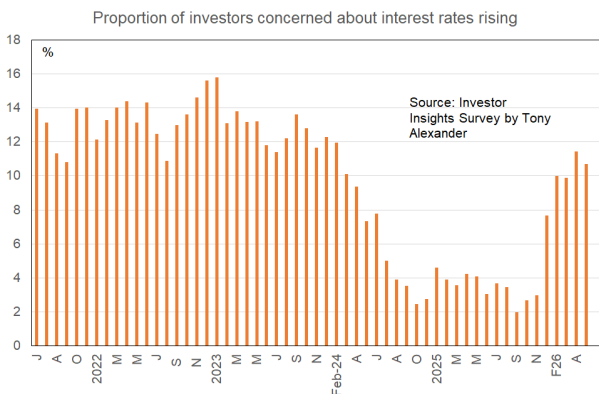
Concerns that house prices will fall have decidedly risen over the past two months.



In contrast, concerns about interest rates have sharply increased since December.



There were 229 responses received in this month's survey, with respondents located as follows.



Worries about tenant legislation are also creeping higher as we approach the general election.

Region %	
Northland	0.4
Auckland	36.8
Bay of Plenty	6.7
Waikato	10.3
Hawkes Bay/Gisborne	4.0
Taranaki	2.2
Manawatu-Wanganui	4.9
Wellington	13.5
Nelson, Tas., Marl	3.1
Canterbury	11.7
Dunedin City	3.6
Queenstown Lakes	2.7
Southland	0.1



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