

# TONY'S VIEW – Property Investor Survey

## Input to your Strategy for Adapting to Challenges

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### My Aim

To help Kiwis make better decisions for their businesses, investments, home purchases, and people by writing about the economy in an easy-to-understand manner.

## Your views

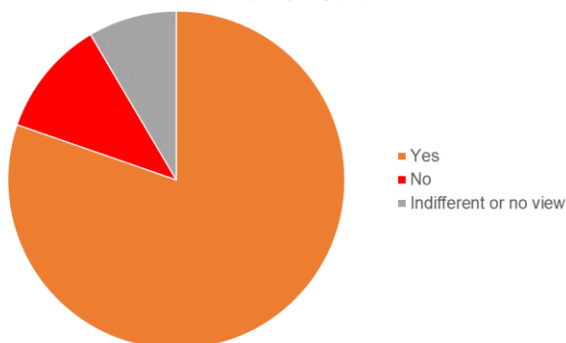
On Monday afternoon two days ago, I sent an invitation to the near 19,000 subscribers on my email list to receive Tony's View, inviting residential property investors to complete a survey. The response has exceeded 3,600 people and as a result I've decided to initiate a new monthly survey of these people. I will put something together myself which will be different from the survey sent out last week. But if anyone has suggestions for what to include please email me your ideas for consideration. As some of you noted, this week's effort was hardly perfect!

So, what is it we have learnt from this survey? Let's start with the numerical responses. I commenced with questions regarding whether people support the government's housing goals or not. Generally, there is strong support for the government's goals. But the open mike responses people offered at the end of the survey show overwhelming opposition to the means they have chosen to achieve them.

### Are you supportive of the government's aim of improving access to home ownership for young people?

A net 69% of people said they do support this goal. That is, 80% said they support it, 11% said they oppose it, and the rest were unsure or indifferent.

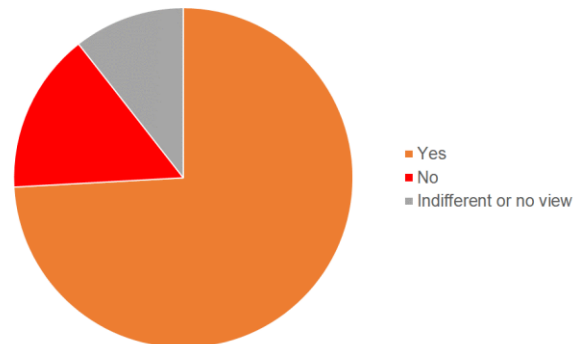
Are you supportive of the government's aim of improving access to home ownership for young people?



### Are you supportive of the government's aim of improving tenant conditions such as security of tenure and living conditions?

A net 59% of respondents support this goal. That is, 74% support it, 15% oppose it, and the rest are unsure or indifferent.

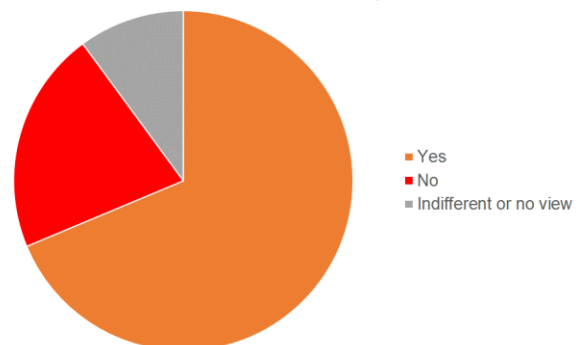
Are you supportive of the government's aim of improving tenant conditions such as security of tenure and living conditions?



### Are you supportive of the government's aim of producing a more sustainable rate of increase in house prices?

A net 47% of respondents support this goal. That is, 68% support it, 22% oppose it, and 10% are indifferent or have no view.

Are you supportive of the government's aim of producing a more sustainable rate of increase in house prices?



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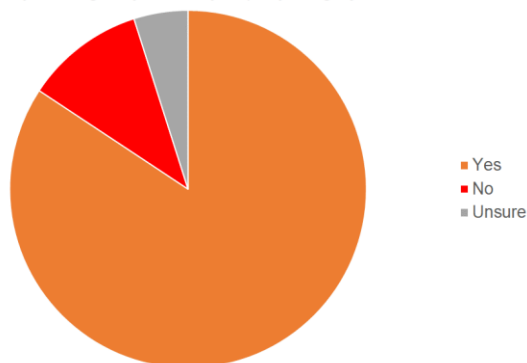
There is a large grouping of people who are of the opinion that the government should not be interfering in the market forces which are propelling prices higher.

## Will you be negatively affected by the policy changes just announced?

A net 75% of respondents say that they will be negatively affected. That is, a gross 85% said they will be, 10% said they won't be, and the rest were unsure.

Clearly, 85% is a high proportion. But in all probability, this will not concern the government given the inaccurate language they have used to describe people choosing to build retirement wealth through providing rental accommodation. But 11% have said they will not be negatively impacted and perhaps these are people without a mortgage on their property. Data from CoreLogic for instance tell us that about 12% of people investing in property do so without a mortgage.

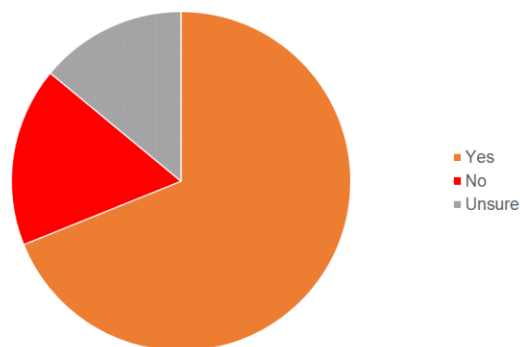
Will you be negatively affected by the policy changes just announced?



## Do you plan making any changes as a landlord in response to the policy announcements of March 23?

A gross 70% of respondents say they will change something. 16% say they will change nothing and 14% are unsure whether they will or not.

Do you plan making any changes as a landlord in response to the policy announcements of March 23?



Which then brings us to the nitty gritty of this whole thing.

## If you plan making changes what might they be?

A gross 74% of the over 3,300 respondents said that they will raise their rents more than they had previously been planning to. (Statistically, I read that as the same as the 70% saying they plan to change something in response to the new policies.) A number of people noted that because of the change they would have to abandon their previous policy of not matching market rents because they wanted to retain their preferred tenants.

32% said they would not buy as they had been planning, and 25% said that they would sell. Only 8% said that they would switch their accommodation from long-term rental to short-term accommodation for visitors. But in an environment of rental property shortages this shift plus the high proportion of owners saying they will sell will have a noticeable impact on availability and eventually average rents.

	Gross %
Raising rent by more than previously planned.	74
Not buying another property as previously planned	32
Seeking higher paying tenants	29
Cutting spending on myself to help offset reduced net renting cash flows	26
Selling	25
Switching to an alternative investment	23
Switching to short-term holiday rentals	8
Renovating	6
Taking in a boarder(s).	2

I reviewed 1,000 of the responses to see what people listed under "Other" for this category. There were a small number of people saying they will switch toward investments in commercial property, a

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few planning to pay down their mortgage, some looking to load their mortgage debt onto other assets where deductibility of interest cost will remain. A number said they will switch towards property trading or property development.

None of the options noted by people under "Other" were in particularly large numbers.

### Comments Submitted by Respondents

I invited respondents to answer the following question.

#### What are your thoughts in general regarding the changes just announced?

I considered whether or not to include an open mike question, tossing up between not doing it because the answers will be similar, negative, and potentially long, against the possibility that there may be an angle to interpret the changes which most of us are missing. I decided to leave the open question in. If the responses were printed out on A4, no spaces between replies, they would add up to over 260 pages. So, understandingly, I'm not going to reprint them here! But here is a selection from the first three hundred who replied. If anyone wants the whole thing, email me. Good luck!

- Misguided and angry at being lied to in the lead up to the last election.
- Needed very much. I worry for my kid's future. For me - yield is still OK, I'm still long term bullish on ChCh, happy to take a longer view.
- I do not believe they will have any effect on the housing "crisis". They will decrease the availability of rentals and make it harder for tenants to secure a property.
- It does not address the issue. There is no supply side resolution in the short term, they only need to look at the Christchurch market to see that it can be resolved through an increase in supply. The statement "tax loophole" for the interest deduction is political stupidity.
- They have made matters worse for tenants, there will be fewer houses to rent.
- This is hurting working NZ. Yes, there may be more access for FHBs, but I feel the renters will be left behind creating greater social inequalities.
- Not fair that other asset classes get to still claim interest expenses. How is that fair! Mates who invest in businesses for their Investing get to,

but I now don't as I choose residential property. But new builds and commercial are exempt.... It's a very odd policy that has singled out property investors. I'm now going to change my tact and do more flips instead of just buying for long term hold.

- I believe something needed to happen but not clear the govt has thought through things properly particularly when it comes to the non deductibility of interest expense. This is the main reason I will consider upping my rents more due to the direct cash flow hit.
- I think rents will generally rise to offset landlords increased costs.
- As an owner of a leasehold apartment (purchased at a time and age when the negative outcomes of such investments were not widely known) it is really painful finding out that we have to dump even more cash into an investment that already had no chance of capital gain. However, I am one of the few in this situation. I do agree that the house prices need to become more manageable for first home buyers, but I strongly feel this should be met by more supply, rather than punishing landlords. I feel for the mum and dad investors who have tried to do something productive with their life savings, rather than have it sitting in the bank doing nothing, so they purchased a rental property and now have to get smacked with further cash outflows in the way of tax. It's disappointing.
- I think there has been an initial over-reaction on the impact. Once people settle down and take stock, I think they will find a way to make the new normal work. Residential property will still be a good investment class. Personally, the changes won't impact me too much as I have invested in high yielding good cashflow properties. I hope the definition of new builds will include properties that were built last year too though.
- I believe the government intervention is a way to pretend to solve a problem without solving a problem. I believe a strong message has been sent to landlords that we are not wanted and not required as per previous statement. I doubt professional landlords will be deterred by the changes, many ma and pa friends want to throw the towel in, but the most determined landlords still want to own property, so there will be the odd property available to rent. I describe the changes as being like a carbon tax. You add a levy onto the product you don't want to succeed in order to make the other more attractive, at least if rents skyrocket, people that can't afford a home will surely have the ability to buy a house and not rent.

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- It seems a rash and poorly considered political decision to appeal to a voter base, rather than a carefully considered economic decision designed to create a better level of living for renters and first home buyers. We seem to have this obsession with home ownership for all, when for many long-term renting will lead to better outcomes.
- I do not believe recent changes will make any difference to the housing market in the short-term. The bright-line test will reduce the stock on the market even further.
- It hurts but at a cost of \$5k per rental I am assuming even small capital gains will offset that and some.
- Not well thought out, unfair. Who makes legislation retrospective, labelling landlords "speculators", and saying it was a loophole? more worrying was the statement that in May they will be looking at interest only loans. They have no idea
- The government doesn't know the difference between investors, and speculators at all. And doesn't listen to anybody in the know.
- I'm supportive of the changes to first home buyer caps etc. for easier access to grants and of rules that are aimed at making new builds more attractive than existing homes as investments, as it goes to the core of the issue and may help to get more new homes built. maybe. I am not supportive of the changes to interest deductibility and will seriously considering selling property to pay down debt but will at the very least ensure that at every opportunity rents are raised as much as possible moving forwards.
- I feel that the government was under enormous pressure from within its ranks and some within the media to do something about housing, which they have also been promising to do since they first came to power. However, I am not convinced this is anything more than optics. By potentially driving private investors out of the market it is just going to put additional pressure on the rental market with the government (taxpayers) having to cover any slack, which is going to be difficult giving the limited spare capacity in the construction industry. Whilst I think we may see a few more first home buyers getting into the market I also feel we will see an increase in homelessness and people staying in motels (fewer rentals available) as a result of these new policy settings.
- People were getting far too greedy - its a great move.
- I find it hard to fathom how the government can make one rule for interest deductibility for property investors and another for every other type of business in NZ which can claim interest as an expense. Interest is a legitimate business expense.
- I'm also concerned the new policies will have unintended consequences whereby large-scale developments will be put on hold, delaying new housing... exactly what the country needs, and the government wants.
- I have an issue with the retrospective nature of the policy change. I believe she would have achieved the same slowing of the market if she made the changes for any new purchases. This is really just a tax gathering exercise. I am also very concerned about the government's comments regarding potential rental control/caps, if this was to happen you will see a mass exodus from this investment type.
- All good apart from no more interest deductions - it is an expense, not a profit, will reduce my renovation spend on rentals to nothing (apart from Healthy homes) and force me to increase rents. Too severe. Over 10 years maybe but extremely unfair to new investors just trying to get ahead in life (I am not one) and have another income on retirement besides meagre pension. I can afford it - just - but will impact other areas of my life where I spend my disposal income.
- Gone too far! With regard to someone who has to leave Ak on a work transfer but wants to retain family home as will be moving back paying capital gains on years rented etc is nuts... best to leave it empty or with a house sitter ... anything but tenants. Also, at the other end there are a lot of transient workers who move cities and want to be tenants so need a supply of good quality rentals and never intend to buy on that location... think young professionals and corporate/worker accommodation.
- These announcements are just like a growl to scare those who are taking unfair advantage of the tax system loopholes. Truly hardworking savers / families are also getting the punishment though - Govt. should cap number of houses one can own. We are a hard-working couple who just got a chance to secure investment property with a vision to leave one free hold property to both our kids however we feel Govt. Is whacking everyone with the same stick. It's just not fair.
- Government treatment of residential investors fails to recognise the value they provide to NZ rental market. New policy especially interest deductibility removal changes playing field for mum and dad investors who are chasing better returns than term deposit rates. It encourages investors to focus on new builds that have higher degree of price fluctuation.

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- Ridiculous targeting of landlords who are part of the solution, not the problem. Sadly, the negative impacts will hit the poor tenants more than it will the landlord. The proposed changes are significant and haven't even been finalised or the impacts fully understood. The changes should apply to future purchases, not hit those who have made significant financial decisions based on the current tax regime. You expect changes to occur and there is always the need to adapt but this is draconian. Total lack of understanding that this is a business. They also haven't addressed the key issue that if they want to dissuade us from investing in property, they need to provide a decent alternative.
- I think the Government is confused and bowing to pressure. I agree the most recent rate of increases are unsustainable and with kids you wonder how they will achieve home ownership in years to come. But the lack of analysis behind the impact of the changes and no consultation is terrible. Interest deductibility is not a loophole so just a continuation of political spin we are seeing more and more of from this Government. The perennial renters will end up paying more and their dreams of home ownership will become even more distant. People will hold houses for longer. I think they still haven't addressed supply adequately where the big issues lie. We don't have the tradies and now the wood if you believe the press to scale up at pace. My concern is that trying to stop price rises isn't an exact science and they could do more damage than good. There could be many new property owners looking at dwindling equity positions, they stop spending, and the overall economy slows. I'd like to see more data on whether our "housing shortage" is still there and what that will look like over the next 5 years.
- This Government at its worst. Not in its election manifesto, no consultation. Very poor. I can see how leveraged landlords would be seeking a rate increase. I will not. I am keen to hang on to my excellent tenants and don't feel this issue should impact them.
- Intent good, (slowing down house price rise), but interest deductibility changes are penalising the majority of investors who only own say 3/4/5 properties bought for retirement. I have voted Labour/Greens, (as thought they were out to help the less fortunate), the last 2 elections but the contempt by these parties shown to a section of the population is beyond belief. Blue will be my new colour of choice. Thanks
- It is unworkable and as such there will need to be some changes. CAs and investments people have not been consulted on proposal and IRD is scrambling to make legislative changes. Will sit back and see what actually eventuates and then make good decisions for the business from there.
- End of housing as an investment class, will look to sell and get into commercial property and/or shares.
- Very rushed, no consultation on negative effects. Could well backfire on them leaving a lot more homeless and other tenants paying higher rent.
- An attack on the people aspiring to get ahead and an attack on the people who are never going to own their own home.
- If we can't claim the interest costs it makes no financial sense for us to own a rental property at all and the changes to tenancy laws in recent times had us thinking about getting out anyway. We would rather invest in a holiday home in an area better suited to our golf & for our immediate family's own exclusive use. FYI we are in our early 60's & both still working full time.
- I feel for those highly leveraged with one or two rentals purchased within last 5 years - once again seems to be the people that want to achieve in life (middle income earners) being hit where it hurts with the loss of a legitimate business expense being able to be deducted!
- I agree with what the govt is trying to achieve but not how they are doing it. They could have let the LVR's work and worked on supply.
- Removal of tax deductibility of interest is a major. I refinanced mortgage at better rate last year and passed full benefit to tenants by reducing their rent. They are great young people and contribute to our small community however I can no longer afford to support them. I am now forced to put rent up or flip to short term holiday rental which will deliver surplus cashflow. Not necessarily my preferred option but financially I now have to.
- The brightline tests I am OK with. However, moving the goal posts on claiming interest rate as pre tax expenses is wrong....as interest rates are a normal cost of doing business (which investors are engaged in). This was my retirement plan.... now the government may have to support me. Idiots.
- Wait until the next election before selling.
- I have long thought that investment in property should not be seen as the premier way to "earn" wealth. Its a non-productive asset which doesn't really benefit anyone but those who were essentially lucky enough to buy early on. As a group we have enjoyed an extended period disproportionately good capital gains - its only fair that this time has come to an end. As an individual I have been decremented by the policy changes, but as a country we will all benefit.

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- Uncertainty to the investment environment is the biggest casualty of this change. What will the government screw with next, with no advice or consultation?
- I think it was a clever move of the government to discourage investors away from property investments and into stocks, bonds & shares. However, the Robin Hood approach in this instance I feel is very short sighted as it means there is likely to be less property investments, making less rentals, making it harder for renters in an already very competitive market. There are already record numbers of tenants in emergency housing or motel accommodation with Winz so it is going to end up more likely that the government will need to provide housing for them. So, any gains from the Robin Hood take from the wealthy property investor will end up being lost in the future with the expense of having to provide housing them.
- I see it as a haircut to rent, so will partially recuperate from rent hikes. The change will keep the interest rate lower for longer, so I benefit from lower mortgage as well.
- I think they are great and needed. I think a whole lot of levers are needed to bring this into balance, both for housing affordability, levelling the playing field between first home buyers and investors, and reducing the incentives to invest in property like a stack of cards. I don't believe residential investment can be treated as a traditional business, because there is no other business where an investor is competing against non business purchasers. I believe a community needs its' members to have security of tenure and good living conditions, to have a healthy society - whether people choose to rent or buy.
- Won't work. Rents will rise. Supply is the problem.
- We have been subsidising rent for our long-term tenant for almost a year after they were impacted by Covid. With these changes it simply becomes uneconomic to keep the property.
- Disappointed - feels as though the rug has been pulled out from under our feet. We only own 1 rental property, but now with the changes we will have to reduce spending to counter the tax bill in coming years. We live within our means already. Guttled to be honest, especially when its a supply and demand issue. Next CAB off the rank will be rent caps.
- It just seems a perpetual ongoing of cost increases from all directions. Middle class is becoming more and more squeezed.
- I have positive cashflow so can absorb costs, I worry other landlords may over spike rents and government or RBNZ may come down harder on landlords, I'm definitely not buying anymore and I'm growing my share portfolio, there is better growth and yield to be made there. I can't trust this government with housing policies and would feel more confident with my money invested in other countries as current government changes to tax policies may affect the NZ sharemarket.
- I'm actually going to hold off selling a house that is caught under the 5-year brightline test as I'm now going to be taxed more in other areas. I will also be holding off from renovating my investment properties as this money will be used instead for my increased tax bill. I expect rent control to be implemented off the back of this announcement. My rentals are currently below market rent so I will bring them to market value so that I'm not permanently left behind.
- They have taken landlords back to when interest rates were 4%, which was not that long ago. If you were able to survive then you can survive now. those who buy and sell on rising market may get burnt.
- I'll be raising rents to contribute toward covering the costs associated with the Government's new policies.
- We will be restructuring debt across to commercial property and away from residential debt.
- Pleased this government finally has the guts to make investment in property less (or roughly equally) attractive than investment in more productive growth areas. It should really be a cross party accord, much as was done for NZ Super many years ago. But insufficient time (and goodwill from Nat/Act who will appeal to property speculators. We have one modest (1 brm) rental and will now be encouraged to look at shares and other more constructive investment areas, a broader portfolio now more likely.
- I think the new rules to disallow interest deductibility are wrong, punitive and are taking away a right to claim an expense incurred in generating taxable income. I suspect they will lose a good number of swing voters with this new law.
- Not sure why the interest non deduction was extended to existing investors. It will drive me out of the investment as it creates an extra \$120pw cost that I can't cover.
- The interest offset removal is nonsense and is unfair. We had saved up dearly and paid off our home loan quickly to afford a rental property and we are now unfairly pinged for this. We just want to plan ahead for our retirement in twenty years to have an additional source of passive stable income.

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