

PIPA Annual Investor Sentiment Survey 2020



Introduction

Welcome to the 2020 PIPA Annual Property Investor Sentiment Survey – Australia’s most comprehensive snapshot of the nation’s property investor community.

This survey is a rare and detailed portrait of Australia’s residential property investors and how they think.

While there is no doubt that 2020 has been one of the toughest in living memory for everyone around the globe, property investors have remained stoic in the face of the unprecedented uncertainty that we are all experiencing.

About 67% of investors believe that now is a good time to invest in residential property, which is down from 82% in 2019 and no doubt a direct impact of the pandemic.

However, at the current time, the property market has continued to show its resilience with prices materially stable in most parts of the nation.

That said, there is likely to be big changes to not only where people choose to invest, but also to where they may prefer to live in the years ahead.

Indeed, more than 17% of respondents say COVID-19 has made them consider moving to another location with main reasons being improved lifestyle factors (78%), working from home in the future (46%) and housing affordability (40%).

It seems that regional locations are set to benefit from plenty of new residents with investors indicating their top

locations to migrate to are regional NSW (21%), regional Qld (18%), Brisbane (16%) and regional Vic (14%).

Queensland is definitely in the sights of investors, with 36% saying it offers the best investment prospects over the next year, followed by Victoria (27%) and New South Wales (21%).

Likewise, the proportion of investors that say regional markets are the most appealing has increased to 22% from 15% in 2019, with coastal locations also on the rise – up to nearly 12% from 8% last year.

While the financial challenges have been plenty over recent months, property investors have generally been able to manage their cash flows and expenses over the period.

Only about 8% of investors applied for a mortgage repayment pause or holiday during the pandemic with the majority (75%) also not needing to extend its original term.

About 16% of investors had tenants who applied for a rent reduction or holiday during the pandemic with about 47% of requests proving to be eligible under the relevant state-based legislation.

Our sincere thanks go to the 1077 investors who participated in the survey.

Peter Koulizos

PETER KOULIZOS,
CHAIR, PROPERTY INVESTMENT PROFESSIONALS OF AUSTRALIA



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Summary of key findings

Majority believe still a good time to invest

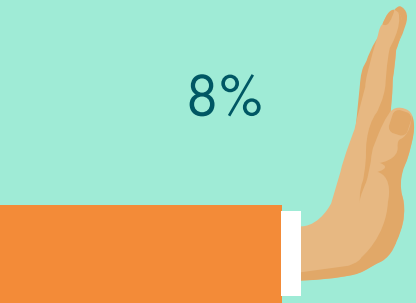
67% of investors believe that now is a good time to invest in residential property, which is down from 82% in 2019 and is a sentiment no doubt directly related to the pandemic.



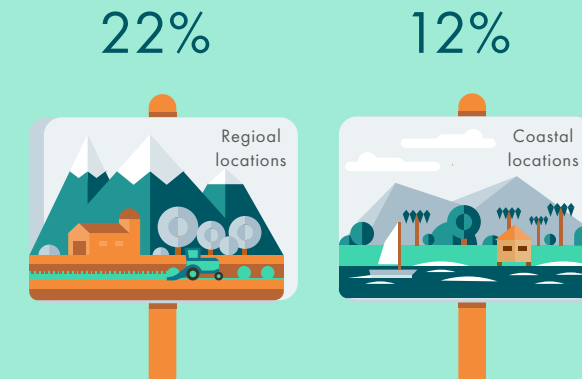
Mortgage repayment pauses in minority

Only about 8% of investors applied for a mortgage repayment pause or holiday during the pandemic with the majority (75%) not needing to extend its original term.

8%



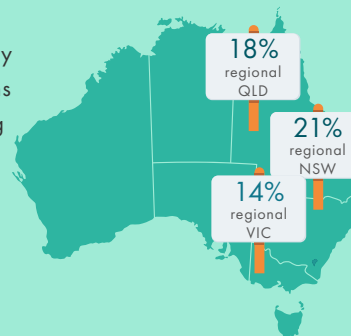
More investors considering regional and coastal markets



The proportion of investors that say regional markets are the most appealing has increased to 22% from 15% in 2019, with coastal locations also on the rise – up to nearly 12% from 8% last year.

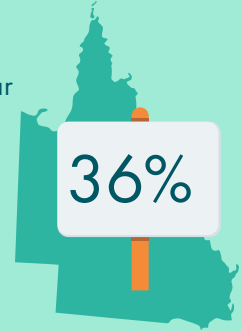
Regional markets set to benefit from new residents

Regional locations are set to benefit from plenty of new residents it seems with investors indicating their top locations to migrate to are regional NSW (21%), regional Qld (18%), Brisbane (16%) and regional Vic (14%).



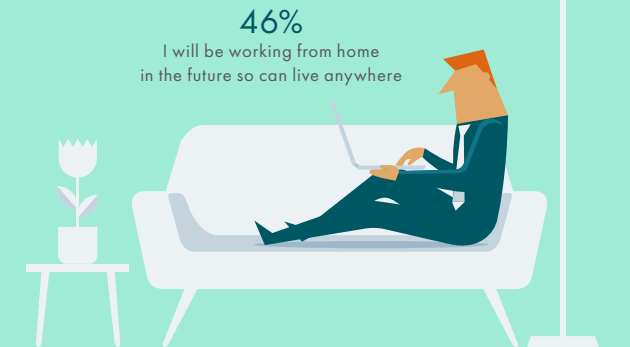
Queensland offering the best prospects for investors next year

Queensland is definitely in the sights of investors, with 36% saying it offers the best investment prospects over the next year, followed by Victoria (27%) and New South Wales (21%).



Investors on the move post-pandemic

More than 17% of respondents say COVID-19 has made them consider moving to another location with the main reasons being improved lifestyle factors (78%), working from home in the future (46%) and housing affordability (40%).



Property investors remain optimistic about the market with the vast majority keen on established houses

Around 98% of property investors have some form of idea, plan or strategy around their investing, with nearly 28% having a detailed and modelled plan designed to match long-term investment goals.

Some 77% of investors says any concerns about potential falling house prices won't cause them to put investment plans on hold.

About 67% of investors believe that now is a good time to invest in residential property, which is down from 82% in 2019 and no doubt a direct impact of the pandemic.

44% of investors are looking to purchase a property in the next six to 12 months, down from 48% in 2019.

Of those looking to invest in the next six to 12 months, 74% are interested in purchasing an established house, with the remaining distribution including townhouse/villa at 5.7%, unit/apartment at 2.0% and house-and-land package at 3.9%.

About 29% of investors purchased a property over the past 12 months, down from 34% in the 2019 survey.

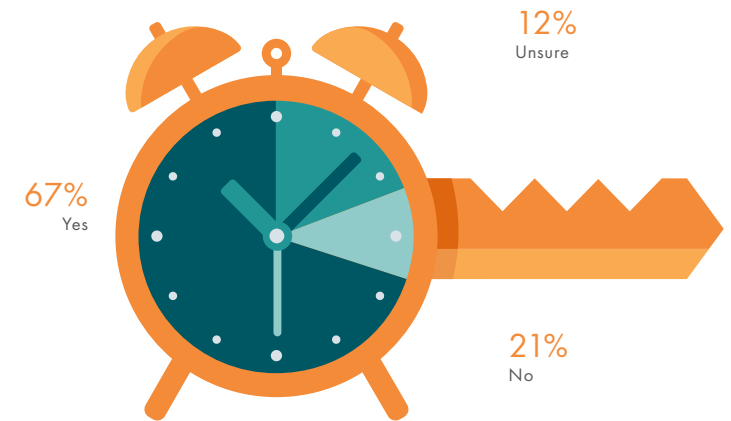
The overwhelming majority of respondents are investment veterans who have purchased several properties in the past – 43% hold two to four properties in their portfolio, while another 17% hold five to 10. About 27% of investors only own one investment property. This was similar to the 2019 results.

That said, there was good representation from first-time investors. Of all respondents who purchased in the past 12 months, 29% purchased their first investment property in the year – up from 21% last year.

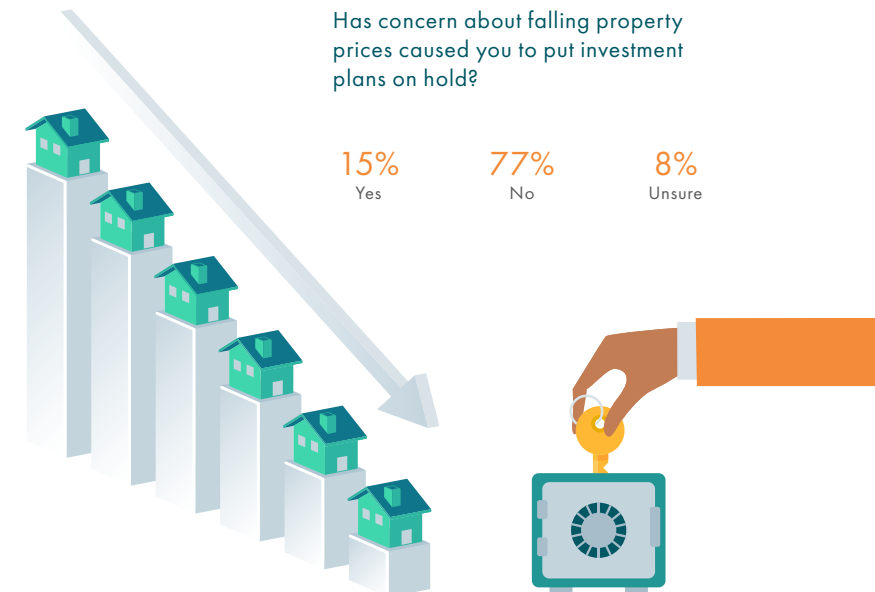
Of these first-time purchasers, 81% purchased an existing property (up from 75% in 2019) while 12% purchased new or off-the-plan (down from 16% in 2019). The remainder purchased vacant land.

The rise of the rentvestor is well and truly established in this cohort. Among these first-time investors, more than 44% (up from 34% last year) identified as renting elsewhere while the remaining 56% owned the home they lived in.

Do you believe now is a good time to invest in residential property?



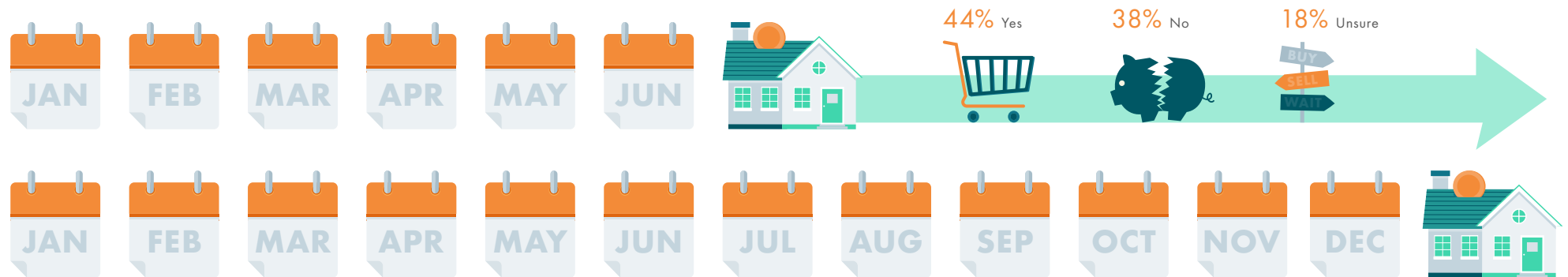
Has concern about falling property prices caused you to put investment plans on hold?



What type of property would you buy?



Are you looking to purchase an investment property in the next 6-12 months?



Investors are open to moving to other locations post-pandemic with regional areas set to benefit the most. Lifestyle factors and working from home were the most common reasons

About 45% of investors say the pandemic has made it more likely they will buy a property in the next 12 months, however, nearly 21% say it has made them less likely to do so.

COVID-19 has also made it less likely that investors will sell a property over the next 12 months at 71%. About 7% said it had made them more likely to sell in the next year.

More than 17% of respondents say COVID-19 has made them consider moving to another location with the main reasons being improved lifestyle factors (78%), working from home in the future (46%) and housing affordability (40%).

Regional locations are set to benefit from plenty of new residents it seems with investors indicating their top locations to migrate to are regional NSW (21%), regional Qld (18%), Brisbane (16%) and regional Vic (14%).

About 18% of investors are concerned about the impact of coronavirus on their portfolio.

Only about 8% of investors applied for a mortgage repayment pause or holiday during the pandemic with the majority (75%) not needing to extend its original term.

About 16% of investors had tenants who applied for a rent reduction or holiday during the pandemic with about 47% of requests eligible under the relevant state-based legislation.

The vast majority of investors (92%) also didn't withdraw funds from their superannuation but for those who did it was because their income had fallen (49%) or they were opportunistic (40%).

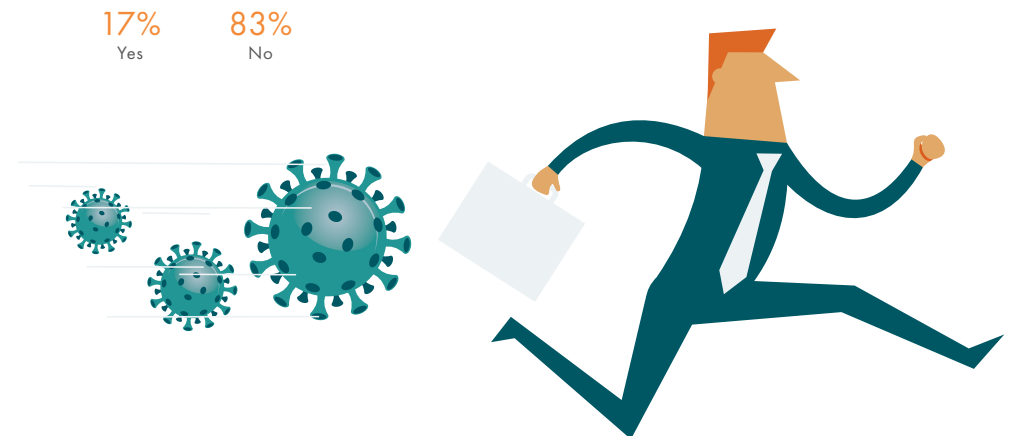
Has COVID-19 made it more or less likely that you will buy property within the next 12 months?



Did you withdraw funds out of your superannuation during COVID-19?



Has COVID-19 made you consider moving to another location?



What is currently the biggest concern for you as a property investor?



9%
Coronavirus



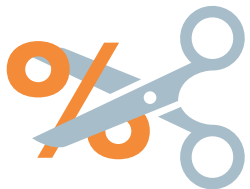
9%
A big correction in
property prices



18%
Australian economic
conditions



12%
Job security



7%
Falling rental yields



29%
Gaining access
to lending



9%
Long periods
of rental vacancy



2%
Oversupply of
new property



5%
Being ripped off by a
property spruiker

Property investors continue to seek long-term capital gains.

Long-term capital growth beat out cash flow – both long- and short-term – as the most important aspect when choosing an investment.

Short-term tax benefits continued to be seen as the least important driver when choosing an investment.

When it comes to the reasons why people invest in property, it seems that investors have a clear eye on the horizon.

The number one reason why they invest is to provide a better life for themselves and their families, followed by being self-funded in retirement and to add to their retirement next eggs.

Why invest in property? Investors' number one reasons



Lending and the economy continue to concern investors

The two leading concerns of the investors surveyed were gaining access to lending and Australian economic conditions – the same situation as last year.

About 22% of respondents have found themselves in a position where they were unable to refinance an amount that they were able to borrow previously.

About 43% (down from 44% in 2019) said they were able to refinance, while 20% were unsure.

About 14% of investors say that they have more money going out than coming into the household right now (cash flow deficit each month right now), however, 86% said they had a cash flow surplus each month.



Do you currently find yourself in a position where you are unable to refinance an amount which you were able to borrow previously?

43%
Yes

22%
No

20%
Unsure

15%
N/A



What description best describes your current cash flow position:

I have more money coming into the household than going out right now (cash flow surplus each month right now)

86%

I have more money going out than coming into the household right now (cash flow deficit each month right now)

14%



Investors keen to seek out the best deals

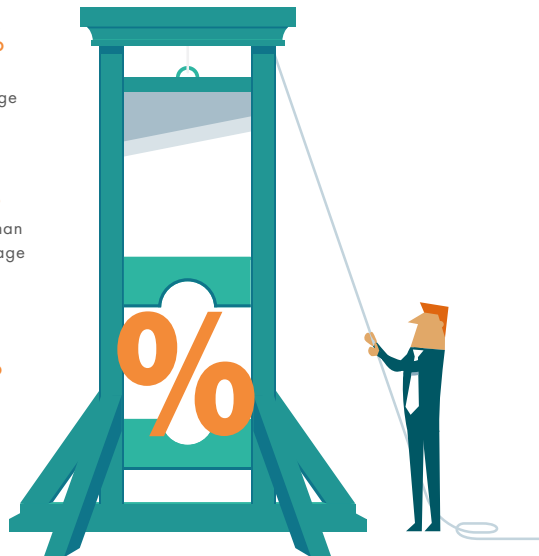
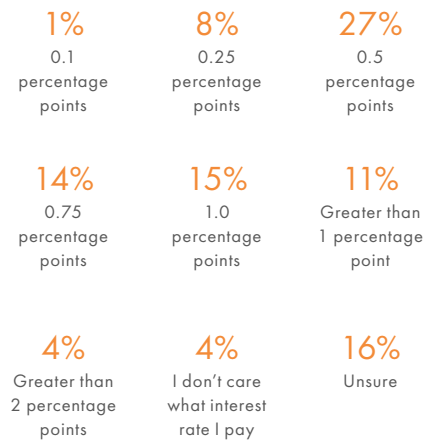
About 27% of property investors said they would consider refinancing their loan for an interest rate differential of just 0.5 percentage points while just under 15% said they would consider refinancing for one percentage point. Both were similar to the 2019 results.

About 71% of investors secured their last investment loan through a broker, a similar result to last year.

Only 17% secured their last loan directly from a bank – down from 20% in 2019.

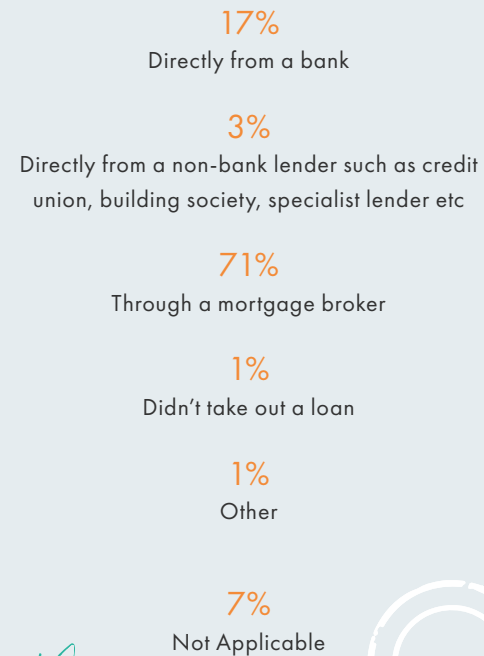
Nearly 80% intend to finance their next investment loan through a broker, about the same as last year's survey result.

Given the current interest rate you are paying, at what interest rate differential would you consider refinancing your loan/s?



MORTGAGE

How did you secure your last investment loan?



Signature



Houses remain number one for investors

The number of investors looking to buy existing stock continues to be high reflecting 91% – the same as last year’s result. The number of investors looking at off-the-plan units or house and land packages sits at 5%, also the same as the 2019 survey.

When asked where property prices were heading in the next 12 months in their home state or territory, 41% of respondents said they were going to get better, down from 63% last year, 33% thought they’d stay the same, up from 29%, while 24% thought they’d get worse, up from 7% last year.

However, nearly 49% of investors believe market conditions in their State or Territory are flat, with 29% saying it’s improving and 22% believing the market is declining.

Borderless investing continues to be popular, with 41 per cent of investors looking to buy outside the state they live in.

Would you buy?



Do you intend to buy your next investment property in a different State than the one you live in?

41% Yes

26% No

33% Unsure



As metro locations retain their popularity, Brisbane stays in favour while Sydney's appeal is back on the rise

Queensland is definitely in the sights of investors, with 36% saying it offers the best investment prospects over the next year, followed by Victoria (27%) and New South Wales (21%).

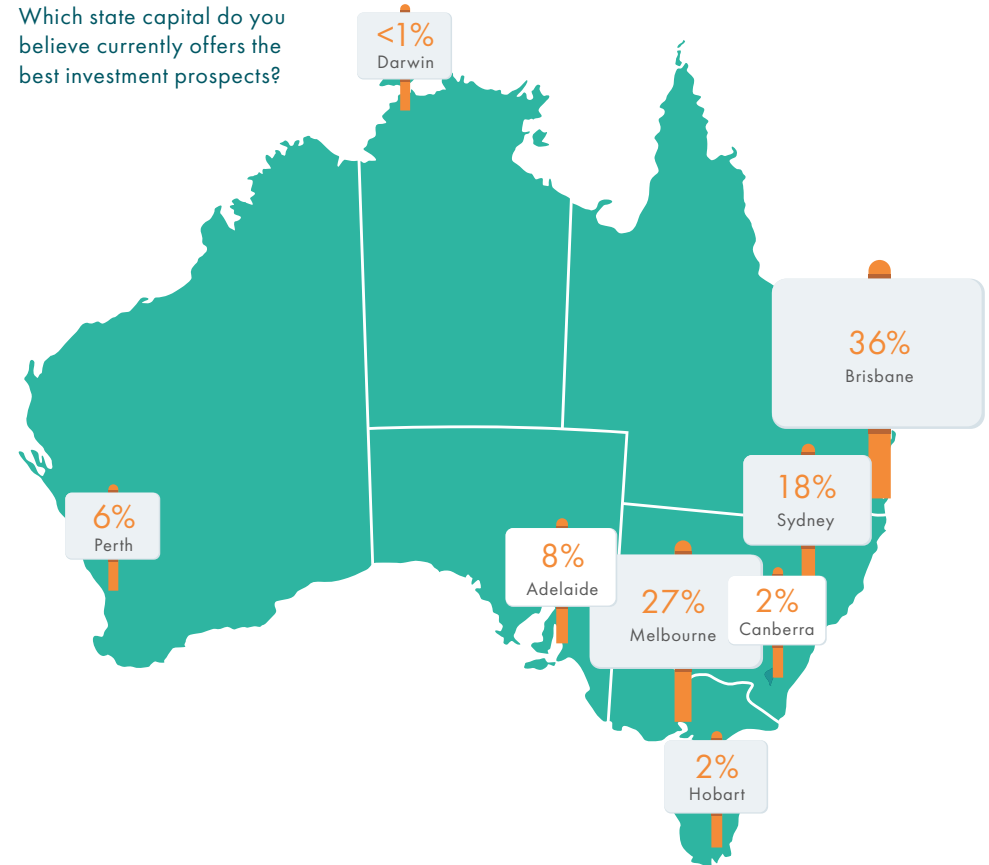
The number of investors who see Brisbane as the state capital with the best investment prospects has fallen to 36%, down from 44% in 2019. Brisbane continues to be seen more positively than Melbourne at 27%, the same as last year, Sydney at 18%, up from 14%, and Adelaide on 8%, up from 7%.

Perth has increased slightly in appeal (6% vs. 4% last year), while Canberra is up to 2% from 1% last year. Hobart is the top pick for 2% of investors while Darwin is in favour with only 0.2%.

Investors remain keen on opportunities to invest in metropolitan markets, but the appeal is down from 73% in 2019 to 61% in 2020.

Meanwhile the proportion of investors that say regional markets are the most appealing has increased to 22% from 15% in 2019, with coastal locations also on the rise – up to nearly 12% from 8% last year.

Which state capital do you believe currently offers the best investment prospects?



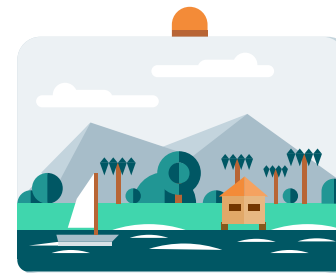
Where is the most appealing place to buy right now?



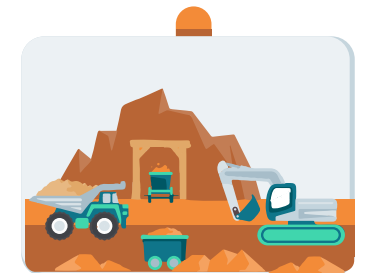
22%
Regional markets



61%
Metropolitan markets



12%
Coastal locations



1%
Mining towns

Property investors are on the hunt for the professional advisers and expert assistance

Investors continue to use the services of specialised professionals with mortgage brokers, accountants and lawyers/conveyancers the most popular services.

Investors are seeking property investment advice most commonly from property investment advisors, buyer's agents/advocates and mortgage brokers.

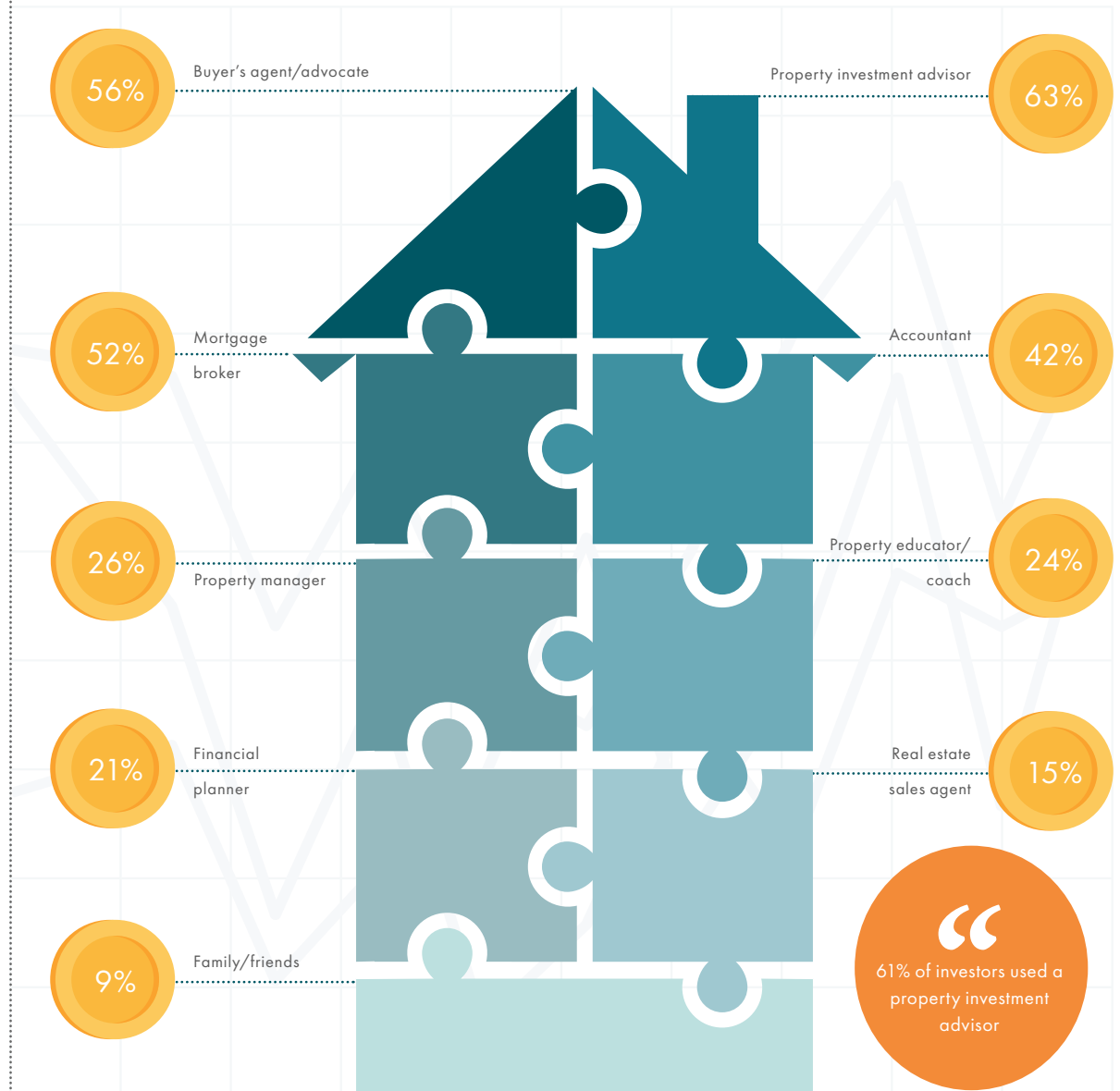
Of those that sought professional investment advice, 60% paid the advisor a fee directly.

Of those that sought professional advice, 53% were provided with a written report or plan, but 16% weren't provided with a plan.

Investors seek knowledge and education from a wide range of sources. In 2020, professional sources/advisors were the most popular source with podcasts in second place.

The largest group of investors (51% this year, up from 46% last year) continue to have a "hold and never sell" approach.

Where have you sought/where do you plan to seek property investment advice from?



Advisers needs to be qualified and licensed

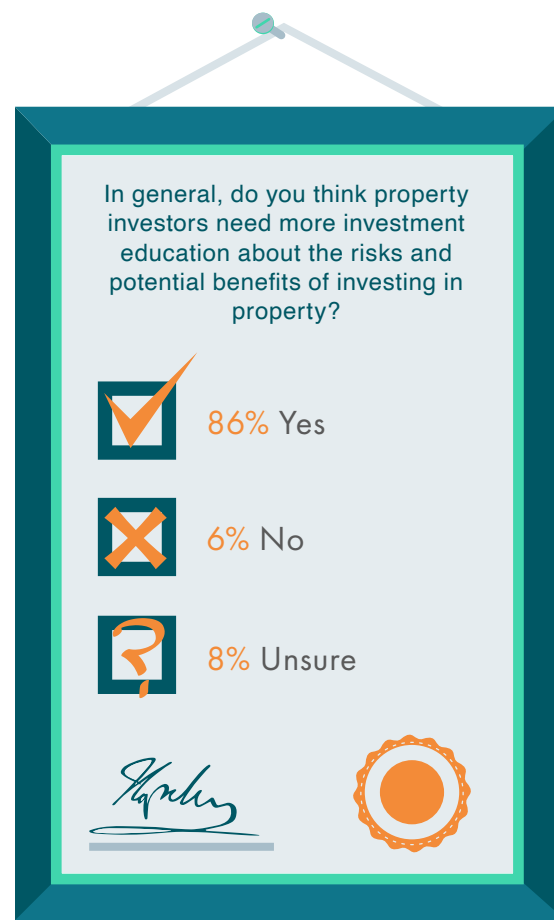
The survey found 86% of all investors continue to believe that more education is needed around the risks and benefits of investing in property.

Virtually all (93%) investors continue to think that any provider of advice should have formal training.

About 90% of investors believe the property investment industry should be regulated and licensed the same way financial planners, mortgage brokers and real estate agents are.

Nearly 90% of investors are aware that PIPA exists – a similar result to the 2019 figure – while 28 per cent said an advisor's PIPA membership influenced their decision in selecting them.

About 85% of respondents were aware of the not-for-profit association PICA, which is an advocacy group working on behalf of investors, up from 78% last year.



About the survey

The 2020 PIPA Annual Property Investor Sentiment Survey of 1077 investors was conducted online in August 2020. Respondents were sourced from PIPA and PICA's database of property investors and its members' databases of investors. PIPA's membership base includes property investment advisers, as well as a range of professionals whose business operations form part of the property investment process. These include financial planners, property buyers and advocates, accountants, mortgage brokers, real estate agents, lenders and developers.

PIPA is the non-profit association for Australian property investors.



To download a full copy of the results visit

www.pipa.asn.au