PROPERTY
INVESTMENT
PROFESSIONALS
OF AUSTRALIA

PIPA Annual Investor Sentiment Survey 2024

Introduction

Welcome to the 2024 PIPA Annual Property Investor Sentiment Survey – Australia's most comprehensive snapshot of the nation's property investment community.

This research paints a detailed portrait of Australia's residential real estate investors and how they think and feel right now.

This year's survey found 14.1% of respondents sold at least one investment property in the past year – an increase from 12.1% last year. Of those investors exiting the market, their property was bought by another investor in 31% of transactions (up from 24% last year and similar to the 33% reported in 2022). However, overwhelmingly, those rental homes were bought by existing homeowners (44%) or first-home buyers (21%)

The past three annual PIPA investor surveys – which is now in its 10th year – have shown that investors are continuing to offload their rental dwellings which is fundamentally reducing the supply of stock available to tenants, with the percentage of investors selling over the past year higher than the year before.

And the areas where the reduction of rental supply are being most keenly felt are our biggest capital cities with survey respondents indicating they had sold at least one dwelling in Brisbane (26% up from 23.3% last year), Melbourne (21.7% down from 24.8% last year) and Sydney (14.9% up from 8.9% last year).

When it comes to investors selling in regional areas, the number one location was Regional NSW (10.5% similar to last year) followed by Regional Victoria (9.32% up from 6.4% last yar) and Regional Qld (7.4% down significantly from 16.4% in the 2023 survey).

> "Investors believe that Western Australia is the most pro-property investment state in the nation.

At a State or Territory level, Queensland experienced the most investor sales over the past year (33.4% but down from 39.7 % last year), followed closely by Victoria (31% similar to last year), with NSW (25.4% up from 19% last year).

The strong market conditions in the Sunshine State over the past year can partly explain its high volume of investor sales, while New South Wales and Victorian Governments have introduced a plethora of anti-investor rental reforms and new property taxes over the same period.

Of those investors who sold over the past year, nearly 65% indicated the holding period was less than 10 years, with nearly one in five saying they sold an investment property that they had owned for less than three years.

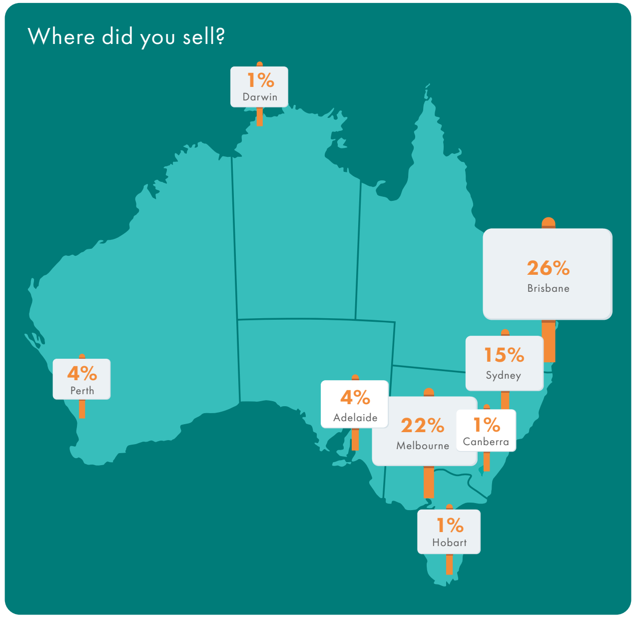
It's clear that investors have not only had enough of being the golden gooses to financially fluff up state government bottom lines, but they also are reacting to the myriad rental reforms and property taxes that make holding an investment property either unpalatable or unviable for them.

When asked which reasons contributed to selling one or more of their investment properties over the past year, survey respondents indicated it was predominantly due to increased general holding and compliance costs such as insurance, minimum standards, property management fees, etc. (44.1%) followed by increased land tax or government charges (35.4%) and to reduce total debt exposure (32.9%).

Interestingly, increased lending costs was not in the top three reasons for selling (25.4%) and was similar to other selling motivations such as existing or future maintenance issues and costs (25.4%), concern about new or proposed changes to tenancy legislation such as removal of no grounds' evictions, minimum housing standards, property alterations, pets in property, restrictions on removing a tenant prior to sale, etc. (24.8%) and the future risk of rental freezes or caps enforcement by State Governments (24.2%)

Perhaps unsurprisingly, given these national results, survey respondents indicated that Victoria was the least accommodating state or territory for property investors in the nation, followed by the ACT, and NSW, which were all seen as anti-property investment. At the other end of the spectrum – by a sizeable margin it must be said – investors believe that Western Australia is the most pro-property investment state in the nation.

About 29% of survey respondents indicated it was a good time to sell, with the top three reasons for doing so over the next 12 to 24 months being increased general holding and compliance costs such as insurance, minimum standards, property management fees, etc. (57.1%), increased land tax or government charges (53.3%) and concern about the new or proposed changes to tenancy legislation such as removal of no grounds evictions, minimum housing standards, property



alterations, pets in property, restrictions on removing a tenant prior to sale, etc. (47.9%) and future risk of rental freezes or caps enforcement by State Governments (47.9%).

More than 70% of survey respondents indicated they were paying between $10,000 and $60,000 in additional mortgage interest annually to service their investment property debt compared to when rates were at record lows during the pandemic. In addition to higher interest costs, some 36% say they also have experienced costs increases of between 11% and 20% over the past year for such expenses as higher land taxes, compliance and minimum standards improvements, property insurances, property management. More than 21% said costs had increased 21% to 41% and five per cent said their costs had increased 41% to 60%

As a result, 10.9% of respondents reported experiencing difficulty covering the cash flow shortfall at present and were drawing on their savings, with a further 42.7% saying cash flows were tight. Despite perceptions inflamed by some politicians and the media, most investors (54.6%) are passing on just 10% or less of their higher total operational costs to tenants in the form of rent increases with 20.1% indicating they had passed on 11% to 20%.

In reasonably positive news, 45.7% of investors believe that now is a good time to invest in residential property, but this percentage is down from the 56% reported last year and down significantly from the 62% recorded in 2021.

Virtually all (93%) investors continue to think that any provider of property investment advice should have formal training or education. About 75% of survey respondents indicated they were aware of PIPA with 72% saying that PIPA membership and operating under a code of conduct would positively influence their decision whether to work with a property investment professional.

Our thanks go to the 1,288 investors from around Australia who participated in our 10th annual survey.

Nicola Mcdougall

NICOLA MCDOUGALL,

CHAIR, PROPERTY INVESTMENT PROFESSIONALS OF AUSTRALIA

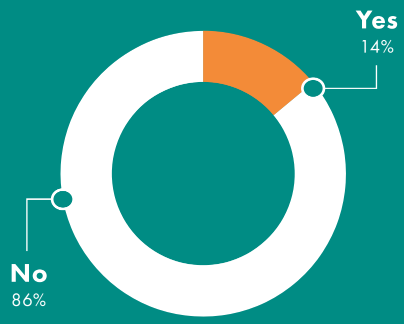
Key findings

Investors selling and fewer buying

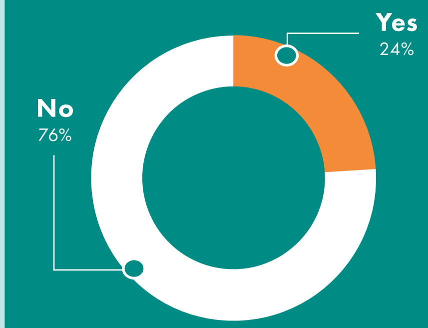
This year's survey found an increase in the percentage of investors who sold at least one property in the past year (14.1%) and a decrease in the percentage of investors who had purchased a property over the same period (24.1%) compared to last year.

Last year, about 26% of investors purchased a property over the previous 12 months, down from 37% in 2022.

Over the past 12 months have you **sold one or more** investment properties?



Have you **purchased one or more** residential properties in the past 12 months?

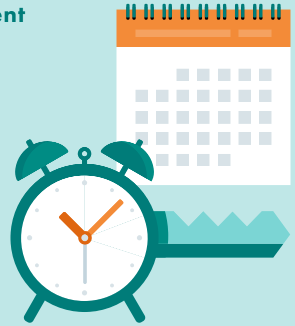


Recent investors exiting market

Of those investors who sold over the past year, nearly 65% indicated the holding period was less than 10 years, with nearly one in five saying they had sold an investment property that they had owned for less than three years.

What was the **holding period of the investment property** you sold

2% < 1 year	**16%** 1 to 3 years	**23%** 3 to 7 years
24% 7 to 10 years	**29%** 10 to 20 years	**12%** 20+ years



Investor sentiment cooling

In reasonably positive news, 45.7% of investors believe that now is a good time to invest in residential property, but this percentage is down from the 56% reported last year and down significantly from the 62% recorded in 2021.

Savvy investors are clearly recognising that Melbourne offers excellent future capital growth – even though its market has been the most depressed of any capital city in the nation over the past year – with 26.2% of survey respondents indicating it was the best place to invest right now, followed by Perth (25.1%) and Brisbane (17.8%). Regional Queensland is the best regional market to invest, according to this year's survey results.

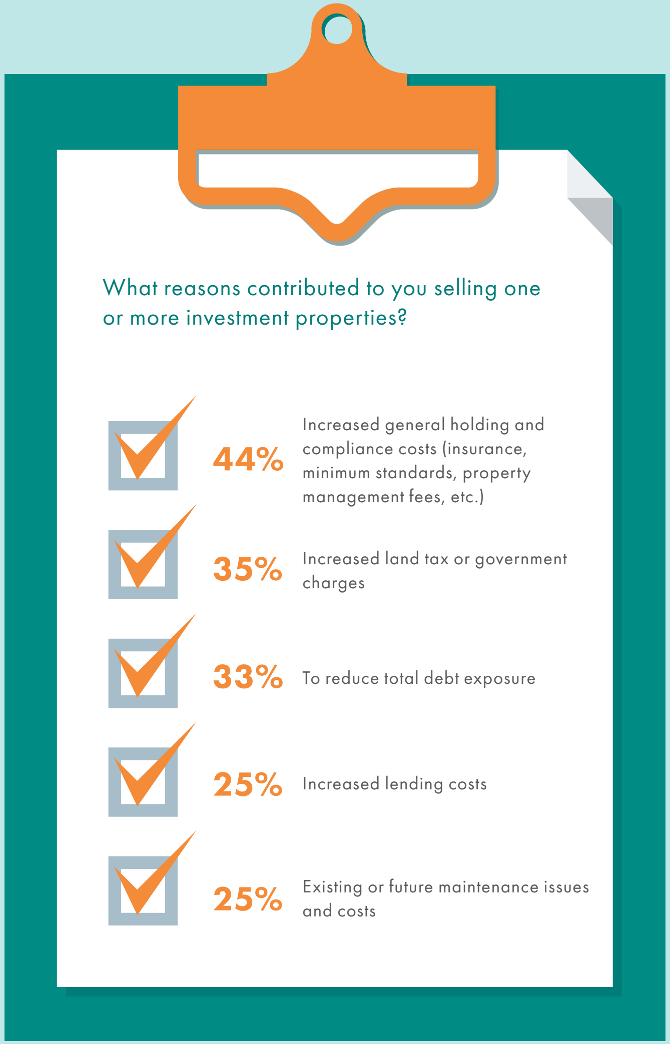
Where is the **best place to invest** in Australia right now?

26% Melbourne	**25%** Perth	**18%** Brisbane
9% QLD - Regional	**8%** Adelaide	**5%** Sydney
3% NSW - Regional	**2%** VIC - Regional	**2%** WA - Regional
1% Canberra/ACT	**1%** Darwin	**1%** Hobart

Key findings

Rental reforms and new taxes

When asked which reasons contributed to selling one or more of their investment properties over the past year, survey respondents overwhelmingly indicated it was increased general holding and compliance costs such as insurance, minimum standards, property management fees, etc. (44.1%) followed by increased land tax or government charges (35.4%) and to reduce total debt exposure (32.9%)



Investors react to new anti-investor policies

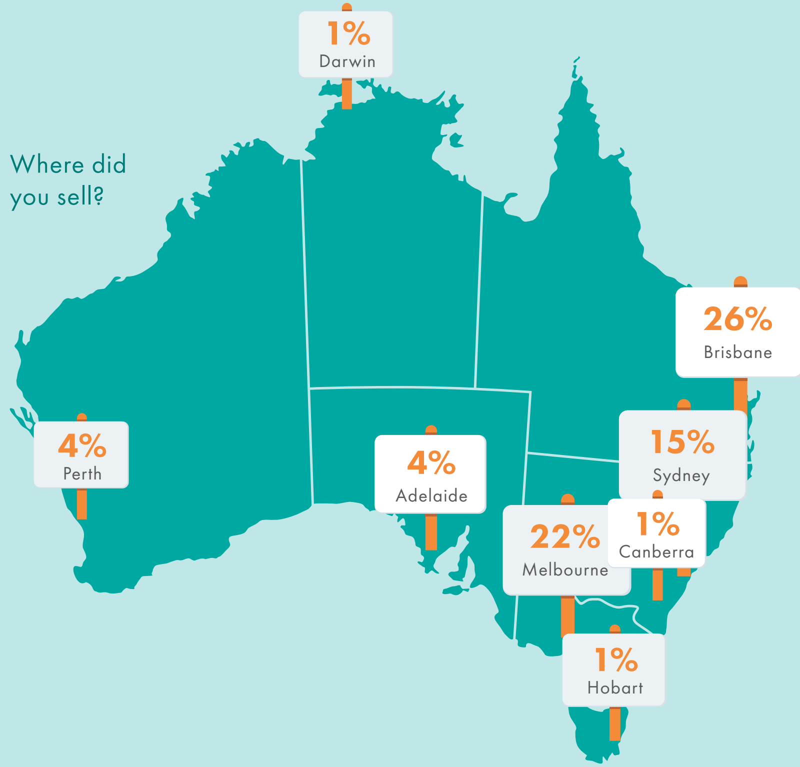
Survey respondents indicated that Victoria was the least accommodating state or territory for property investors – a detrimental position it held last year, too – followed by the ACT, and NSW, which were all viewed as being anti-property investment. At the other end of the spectrum – by a sizeable margin it must be said – investors believe that Western Australia is the most pro-property investment state in the nation.

NSW has had the biggest turnaround compared to last year – and not in a good way. Last year, it was viewed as the most accommodating of property investors, but this year it is viewed as having anti-property investor tendencies.

Conversely, Queensland has improved in the rankings with investors, increasing from one of the worst to one of the best States or Territories for property investment. Clearly, it has learned from the disaster that was the interstate land tax debacle in 2022.

Rank in order from **worst to best**, which State or Territory Government is pro-property investment or anti-property investment. In considering your answers take into account stamp duty, land tax fees, duties, levies, any incentives on offer as well as how supportive their tenancy legislation is towards the property owner.

Key findings



Rental supply dwindling in capital cities

The areas where the reduction of rental supply is being most keenly felt are our biggest capital cities with survey respondents indicating they had sold at least one dwelling in Brisbane (26% up from 23.3% last year), Melbourne (21.7% down from 24.8% last year) and Sydney (14.9% up from 8.9% last year).

When it comes to investors selling in regional areas, the number one location was Regional NSW (10.5% similar to last year) followed by Regional Victoria (9.32% up from 6.4% last yar) and Regional Qld (7.45% down significant from 16.42%)

At a State or Territory level, Queensland experienced the most investor sales over the past year (33.4% down from 39.7 % last year), followed closely by Victoria (31% similar to last year), with NSW (25.4% up from 19% last year).

Holding costs soaring

More than 70% of survey respondents indicated they were paying between $10,000 and $60,000 in additional mortgage interest annually to service their investment property debt compared to when rates were at record lows during the pandemic as well as costs increases such expenses as higher land taxes, compliance and minimum standards improvements, property insurances, property management.

As a result, 10.9% of respondents reported experiencing difficulty covering the cash flow shortfall at present and were drawing on their savings, with a further 42.7% saying cash flows were tight. Despite perceptions inflamed by some politicians and the media, most investors (54.6%) are passing on just 10% or less of their higher total operation costs to tenants in the form of rent increases with 20.1% indicating they had passed on 11% to 20%.

What percentage of your **total operational cost increases** have you been able to pass on in rental increases?

55% < 10% in total	**20%** 11% to 20% in total	**4%** 21% to 40% in total
2% 41% to 60% in total	**1%** 61% to 80% in total	**1%** 81% to 100% in total
2% 100% + in total	**2%** Experienced no cost increases	**12%** Unsure

Property investors remain mostly optimistic, but fewer looking to buy

About 46% of survey respondents believe it is a good time to invest in residential property, which is down from 55% of investors last year, 58% in 2022, and 62% in 2021.

About 24% of investors purchased a property over the past 12 months, down from 26% last year, and 37% in 2022.

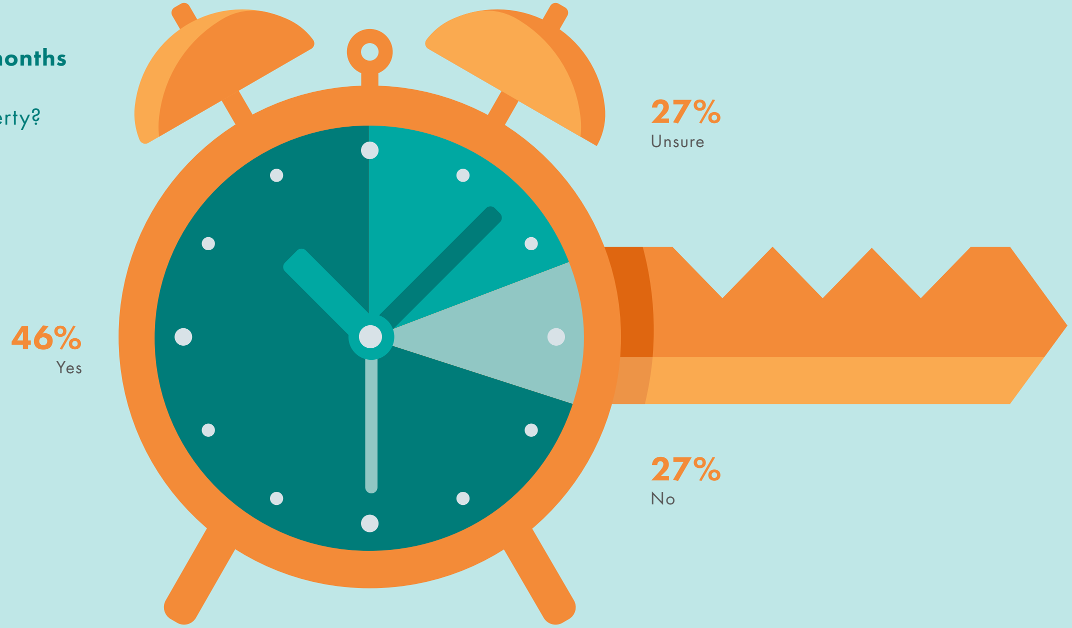
The top locations for property investment purchases over the past year were Brisbane (24.4%), Perth (21.1%), and Regional Qld (17.8%)

The majority of survey respondents own one or two investment properties – in-line with historical averages. About 27% of survey respondents own one property and 24% own two. Some 3% of respondents are yet to buy an investment property.

About 64% of survey respondents owned at least one investment property in Qld, followed by VIC on 39.5% and NSW on 27.1%

About 45% of investors indicated they would consider rentvesting personally, up from 42% last year.

Do you think the **next 12 months is a good time to buy** a residential investment property?



What **location/s did you buy** in the past 12 months?

24% Brisbane	21% Perth	18% QLD - Regional	15% Melbourne
10% VIC - Regional	8% Sydney	8% NSW - Regional	3% Adelaide

Investor sales higher

A staggering 14.1% of investors sold one or more properties in the past 12 months. Of those, 77.6% sold one property (up from 71% last year), 15.5% sold two (22% last year), and the remaining 7% sold three or more properties.

Of those investors exiting the market, their property was bought by another investor in 31% of transactions (up from 24% last year and similar to the 33% reported in 2022). However, overwhelmingly, those rental homes were bought by existing homeowners (44%) or first-home buyers (21%)

Survey respondents indicated they had sold at least one dwelling in Brisbane (26% up from 23.3% last year), Melbourne (21.7% down from 24.8% last year) and Sydney (14.9% up from 8.9% last year).

When it comes to investors selling in regional areas, the number one location was Regional NSW (10.5% similar to last year) followed by Regional Victoria (9.32% up from 6.4% last yar) and Regional Qld (7.45% down significantly from 16.42% last year).

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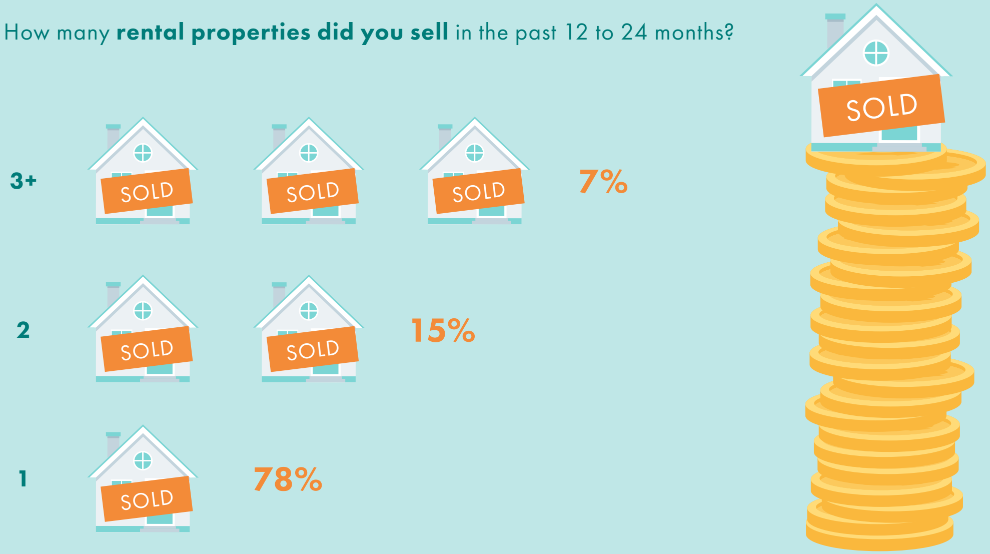
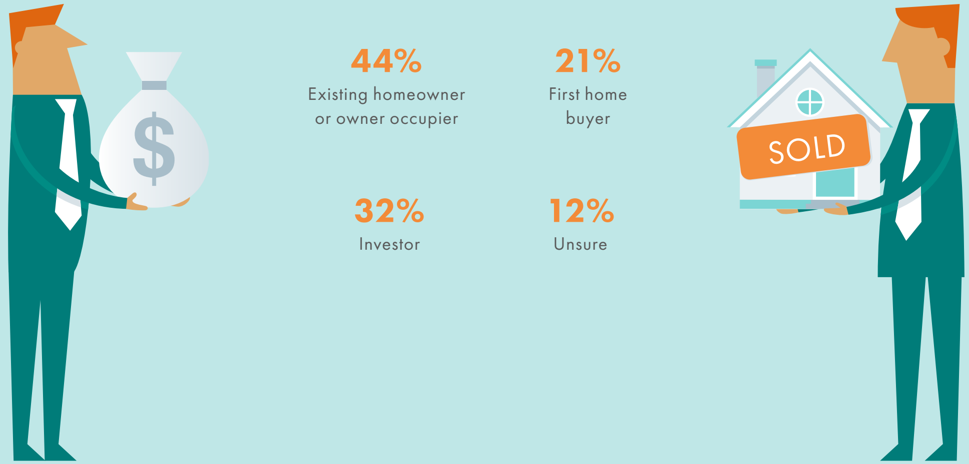
At a State or Territory level, Queensland experienced the most investor sales over the past year (33.4% but down from 39.7 % last year), followed closely by Victoria (31% similar to last year), with NSW (25.4% up from 19% last year).

The strong market conditions in the Sunshine State over the past year can partly explain its high volume of investor sales, while New South Wales and Victorian Governments have introduced a plethora of anti-investor rental reforms and new property taxes over the same period.

How many **rental properties did you sell** in the past 12 to 24 months?



What **type of buyer** purchased your investment property?



Reforms impacting sales activity

When asked which reasons contributed to selling one or more of their investment properties over the past year, survey respondents indicated it was predominantly due to increased general holding and compliance costs such as insurance, minimum standards, property management fees, etc. (44.1%) followed by increased land tax or government charges (35.4%) and to reduce total debt exposure (32.9%).

Interestingly, increased lending costs was not in the top three reasons for selling (25.4%) and was similar to other selling motivations such as existing or future maintenance issues and costs (25.4%), concern about the new or proposed changes to tenancy legislation such as removal of no grounds' evictions, minimum housing standards, property alterations, pets in property, restrictions on removing a tenant prior to sale, etc. (24.84%) and the future risk of rental freezes or caps enforcement by State Governments (24.2%)

Perhaps unsurprisingly, given these national results, survey respondents indicated that Victoria was the least accommodating state or territory for property investors, followed by the ACT, and NSW which are all seen as anti-property investment. At the other end of the spectrum – by a sizeable margin it must be said – investors believe that Western Australia is the most pro-property investment state in the nation.

Rank in order from **worst to best**, which State or Territory Government is pro-property investment or anti-property investment. In considering your answers take into account stamp duty, land tax fees, duties, levies, any incentives on offer as well as how supportive their tenancy legislation is towards the property owner.

What **reasons contributed to you selling** one or more investment properties?

- **44%** Increased general holding and compliance costs (insurance, minimum standards, property management fees, etc.)
- **35%** Increased land tax or government charges
- **33%** To reduce total debt exposure
- **25%** Increased lending costs
- **25%** Existing or future maintenance issues and costs

Holding costs soaring

More than 70% of survey respondents indicated they were paying between $10,000 and $60,000 in additional mortgage interest annually to service their investment property debt compared to when rates were at record lows during the pandemic.

In addition to higher interest costs, some 36% say they also have experienced costs increases of between 11% and 20% over the past year for such expenses as higher land taxes, compliance and minimum standards improvements, property insurances, property management.

As a result, 10.9% of respondents reported experiencing difficulty covering the cash flow shortfall at present. Despite perceptions inflamed by some politicians and the media, most investors (54.6%) are passing on just 10% or less of these higher costs to tenants in the form of rent increases.

> "10.9% of respondents reported experiencing difficulty covering the cash flow shortfall at present.

With higher interest charges on debt, **how much additional interest are you now paying annually** to service the debt on your investment property/ies compared to when interest rates were at their lowest during COVID-19?

2%
< $1000 increase

11%
$1001, to $5,000 increase

11%
$5,001, to $10,000 increase

18%
$10,001, to $20,000 increase

19%
$20,001, to $40,000 increase

10%
$40,001 to $60,000 increase

6%
$60,001, to $80,000 increase

2%
$80,001, to $100,000 increase

4%
>$100,000 increase

6%
Debt-free

Excluding higher interest costs of debt and regular maintenance costs, **what percentage of cost increases have you experienced** to account for higher land taxes, compliance and minimum standards improvements, property insurances, property management, etc.?

13%
< 10% in total

37%
11% to 20% in total

21%
21% to 40% in total

6%
41% to 60% in total

2%
61% to 80% in total

1%
81% to 100% in total

3%
100% + in total

2%
Experienced no cost increases

16%
Unsure

Government interference increasing rents

Myriad rental reforms and new property taxes over the past few years have increased holding costs for investors, which has left them with no choice but to increase rents – a situation contrary to the supposed intentions of state government intervention into the rental market.

When asked what their action would need to be if governments continued to increase costs, 39.1% of survey respondents said they would have no choice but to increase rents to help subsidise some of these increased total operating costs, followed by having no choice but to increase rents to help subsidise all of these increased operating costs (24.1%) and highly likely to increase rents (17.2%).

Plus, the continual changing of the goal posts by various levels of government – masquerading as tenant-friendly policies – is continuing to negatively impact property investment sentiment as well as rental housing supply.

When asked what the biggest challenges or concerns were that might derail their property investment strategy, a whopping 86.8% said it was government interference in the rental market (regulation, rental caps or freezes), followed by a blow out in holding costs of the property (67.6%) and inflation and higher interest rates (61.6%). Survey respondents could select multiple answers.

If governments continue to increase costs, what would your **action need to be on rents**?

1%
Wouldn't consider increasing rents

6%
Might consider increasing rents

17%
Highly likely to increase rents

39%
No choice but to increase rents to help subsidise some of these increased operating costs

24%
No choice but to increase rents to help subsidise all of these increased operating costs

13%
I would be forced to sell one or more of my investment properties

As a current or prospective property investor, which are some of **biggest challenges or concerns** that might derail your strategy?

87%
Government interference in the rental market (regulation, rental caps or freezes)

60%
Political point scoring by some political parties during the current housing crisisaccommodation

68%
Blow out in holding costs of the property

53%
Passing on higher holding costs to tenants via higher rents

53%
Growing negative public perception of property investors, even though we play a vital role in supplying critical-needed private rental accommodation

62%
Inflation and higher interest rates

Investors deserve control of their assets

It's clear that investors cannot keep up with the raft of rental reforms occurring around the nation. In fact, 55% of survey respondents indicated they had some or limited knowledge of changing tenancy laws with nearly 10% also saying they had received no direct communication from the relevant State or Territory Government informing them of rental law changes.

About 80% of investors also believe it is either extremely important or very important to be able to remove a tenant in the event they need to unexpectedly sell their investment property – even though this option is no longer available to some investors because of changing tenancy laws.

Some 44% of survey respondents also said they were aware of a property investor who had decided to sell one or more of their investment properties due in part or in full by recent tenancy reforms.

> "55% of survey respondents indicated they had some or limited knowledge of changing tenancy laws.

How important is it to be able to **remove the tenant** in the event you need to unexpectedly sell your investment property?

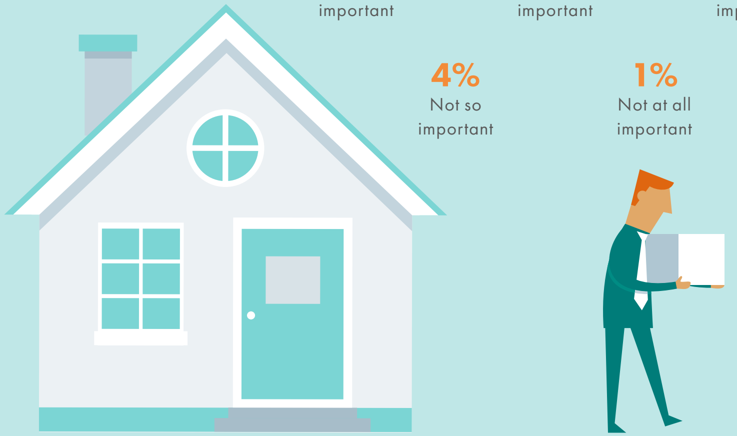
52% Extremely important

26% Very important

15% Somewhat important

4% Not so important

1% Not at all important



Are you aware of any property investor who has **decided to sell one or more of their investment properties** due in in part or in full by recent tenancy reforms?

44% Yes

56% No

How informed are you about the **changes to tenancy laws** across Australia?

23% I have some information and knowledge from information passed onto me via my property manager

17% I am moderately informed of these tenancy law changes in the State/s or Territory/ies in which I own investment property

19% I have very limited knowledge of these changes, through my own reading and investigations

11% I am fully informed of these changes and my obligations as a property owner who rents out an investment property

16% I am reasonably informed of these legislative changes

10% I've had no direct communication from my State or Territory Government informing me of these changes

4% Not informed at all

More investors experiencing negative cash flow

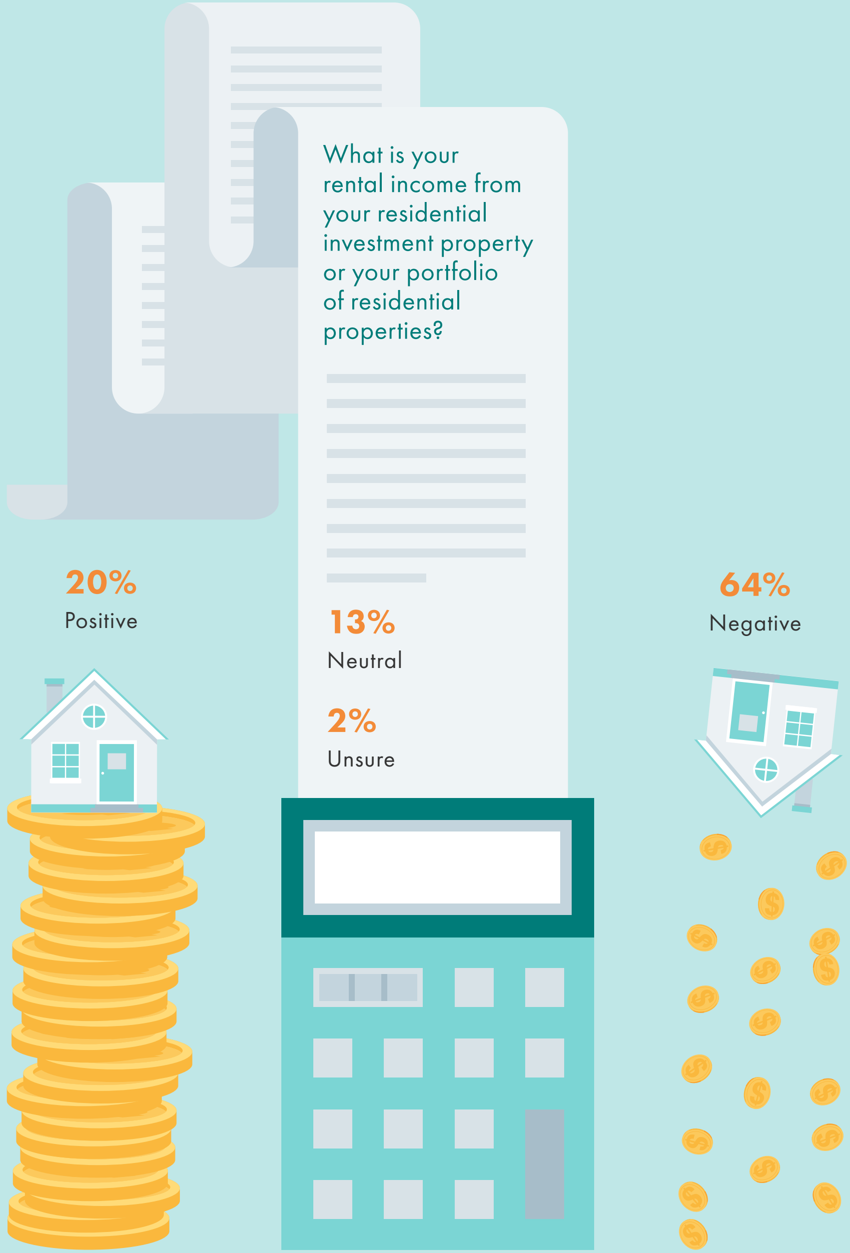
The impact of significantly higher interest rates as well as soaring holding costs has pushed more investors into negative cash flow territory.

When asked what their rental income was from their residential investment property or portfolio of residential properties, nearly 65% said it was negative cash flow (requiring their financial support), up from 57.6% last year, and up from a low of just 30% in 2022.

> "Just 20% of respondents say their property investment portfolio is in positive cash flow territory.

Just 20% of respondents say their property investment portfolio is in positive cash flow territory, which is similar to last year. but a marked reduction from 38% in 2022.

For those investors with negative cash flow, about 24% believe their property will become positively geared in three to five years, with a further 18.4% indicating five to seven years, or seven to 10 years.



Investors targeting Melbourne

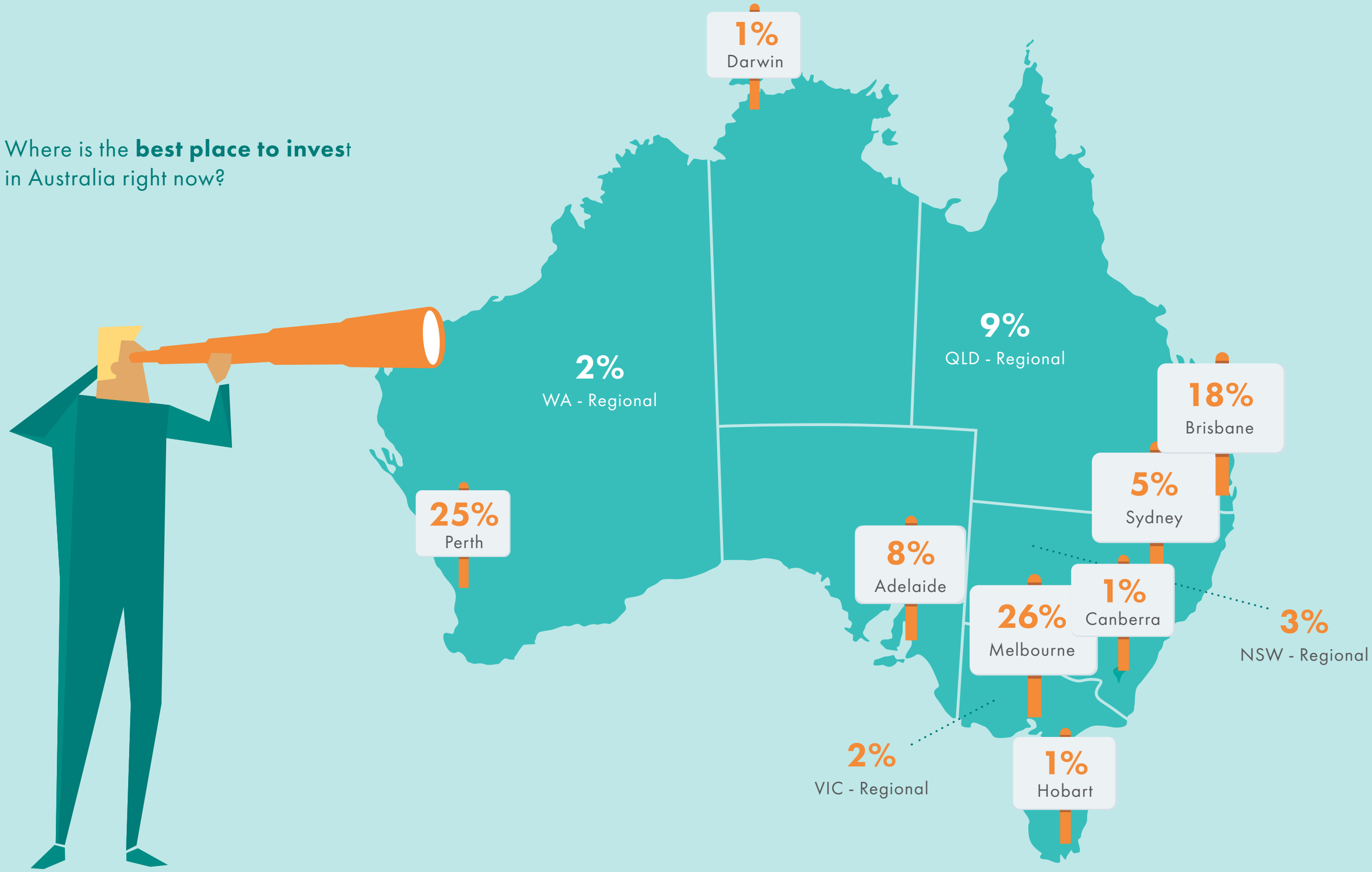
Savvy investors are clearly recognising that Melbourne offers excellent future capital growth – even though its market has been the most depressed of any capital city in the nation over the past year – with 26.2% of survey respondents indicating it was the best place to invest right now, followed by Perth (25.1%) and Brisbane (17.8%). Regional Queensland is the best regional market to invest, according to this year's survey results.

Last year, investors indicated that Perth was the capital city with the best investment prospects – and they were right with property prices in the Western Australian capital the city market leader over the past year.

Brisbane's third placing in this year's survey is its worst for many years, especially considering some 54% of respondents placed it as the most investment-worthy back in 2021.

The number one reason why investors believe these locations are the best to invest in right now was good long-term capital growth prospects (57.5%), followed by good population growth (52.6%) and major capital city (47.9%)

Where is the **best place to invest** in Australia right now?



Why do you think now is a **good time to buy** in this location?

58% Good long-term capital growth prospects

53% Good population growth

48% Major capital city

46% Low vacancy rates

40% High demand - tight supply

38% Good rental yields

34% I would always buy in any stage of the market cycle if I could afford it and it was part of my investment plans

33% Major government spending on infrastructure happening or planned

31% Good current local economic activity and conditions

33% Housing shortage

Property investors employ professionals

Nearly 95% of investors employ the services of a professional property manager.

Nearly half of survey respondents have sought advice from Qualified Property Investment Advisers (QPIA) over the past year.

Mortgage brokers were the top professionals for investors in this year's survey (52.2%), followed by accountants (46.2%), and buyers' agents/advocates (42.2%)

Of those that sought a professional investment adviser, 61% paid the advisor a fee directly.

While many investors divested some, or even all, of their portfolio over the past few years, 34.5% continue to have a hold and never sell approach (down from 43% last year). About 41% (up from 36% last year and 31% in 2022) said they were considering selling down some or all of their portfolio.

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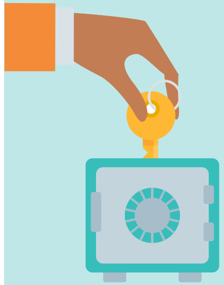
What is your property investment **exit strategy**?



35%
Hold and never sell

41%
Sell down some/all

5%
Live off the equity

19%
Unsure at this stage

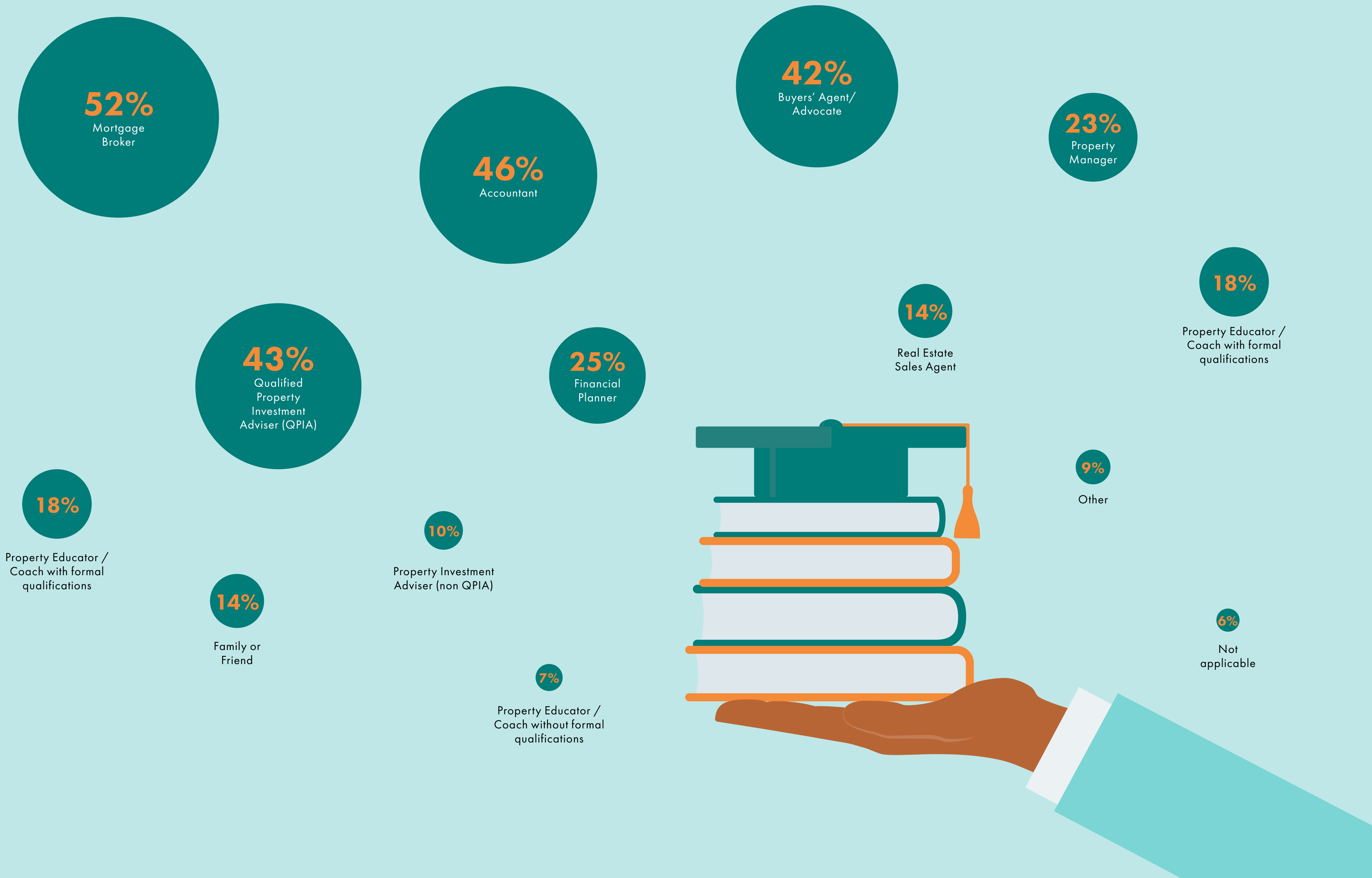
Do you employ the services of a **property manager**?

94%
Yes

5%
No

1%
Unsure

Where have you sought **property investment advice**?



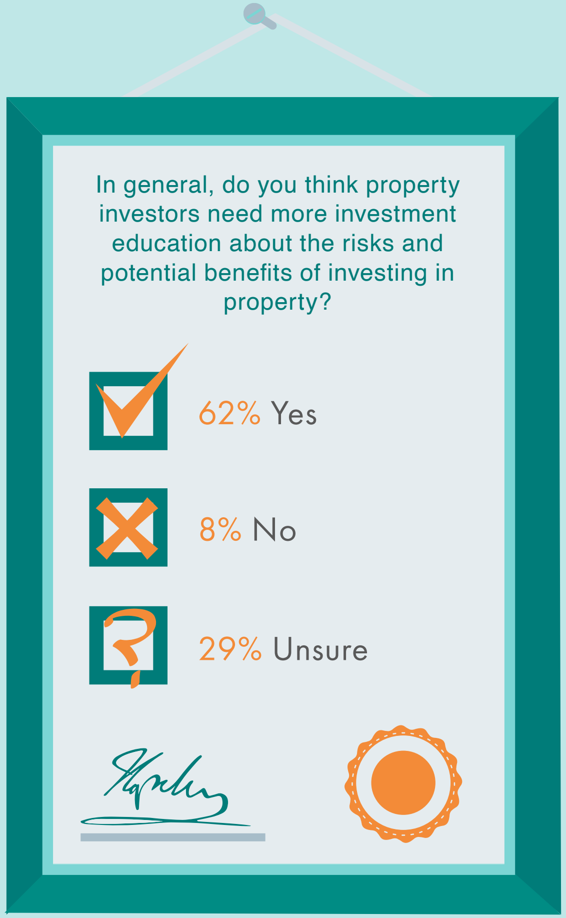
Investors looking for educated and qualified advisers

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

About 75% of survey respondents indicated they were aware of PIPA with 72% saying that PIPA membership and operating under a code of conduct would positively influence their decision whether to work with a property investment professional.

About 62% of respondents said a QPIA qualification would influence their decision to work with a particular property investment professional.

Would a **QPIA qualification influence your decision** to work with an individual with this professional qualification?



Would PIPA membership and operating under a strict code of conduct **influence your decision** to work with an individual or business?

Respondents profile

Some 33% of respondents reside in NSW, while 27% live in Victoria, and 27% live in Queensland.

The majority (32.9%) are aged 36 to 45, while 30.8% were aged 45 to 55.

About 69.1% were male while 29.2% were female.

31% of respondents reported a household income of $150,001 to $200,000 while 19% had a household income of $200,001 to $250,000. A similar number (16.7%) had a household income of $100,001 to $150,000.

PROPERTY INVESTMENT PROFESSIONALS OF AUSTRALIA PIPA

About the survey

The 2024 PIPA Annual Property Investor Sentiment Survey of 1,288 investors was conducted online in August 2024. Respondents were sourced from PIPA and PICA's databases of property investors as well as member and non-member client databases.

PIPA's membership base includes qualified 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, conveyancers, depreciation specialists, lenders, and developers.

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

To download a full copy of the results visit
www.pipa.asn.au