

# PIPA Annual Investor Sentiment Survey 2017



# Introduction

Welcome to the 2017 PIPA Annual Investor Sentiment Survey where we take a snapshot of Australia's existing and aspiring property investors to reveal the mood, confidence and key trends underlying the nation's real estate investment market.

It has been an eventful time for residential property investors since we published our last survey in late 2016. Locally, regulators have cracked down on interest-only mortgages in a bid to reign in soaring property prices, economic growth slowed early this year before finding its feet in the second quarter, and the political debate over negative gearing continued. Meanwhile China moved to restrict property investments by its citizens abroad, and geopolitical events continued to buffet global markets.

What stands out again in this year's survey is that investor confidence remains resilient despite these pressures. Some of the key themes for this year are:

- Most respondents believe now is a good time to invest, with a majority planning to buy a property over the next six to 12 months.
- While tightening of investor lending and rising rates on interest-only loans are the top concerns for respondents this year, investment activity remains buoyant with almost half of all investors reporting they purchased a property over the past 12 months, slightly up on the previous survey.

- Investors have continued to shake off the noise about a property "bubble", concerns about oversupply of apartments and proposed changes to negative gearing to focus on the long-term benefits of property.
- As rising borrowing costs prompt investors to hunt for a better deal, mortgage brokers are increasingly becoming the avenue of choice to secure financing.

This survey also again highlights the need for improved professional standards and regulation of the property investment advice industry. We are pleased that PIPA continues to be recognised as the peak professional association for those working in the industry as we continue to drive this agenda.

Distributed via our members' extensive investor networks, the PIPA Investor Sentiment Survey provides a rich insight into the views of Australia's residential property investors. I hope you find it as useful as we do.

Our thanks go to the 742 investors who participated in the survey.



CHAIR, PROPERTY INVESTMENT PROFESSIONALS OF AUSTRALIA

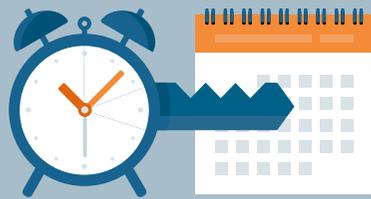


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What stands out again this year is that investor confidence remains resilient despite these pressures

# Summary of key findings

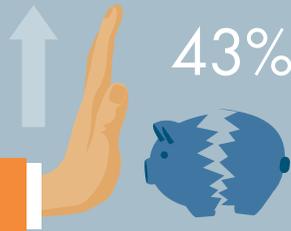
## Investors remain bullish on residential real estate

**70%** A significant majority of investors believe now is a good time to invest in residential property.



**61%** are looking to purchase a property in the next six to 12 months.

## An investor loan crackdown makes it harder to access finance for a growing contingent



**43%** More investors than last year (43% in 2017 versus 32% in 2016) said changes to investor lending policies have impacted their ability to secure finance for an investment property.

## Investors increasingly look to mortgage brokers as they hunt for a better deal

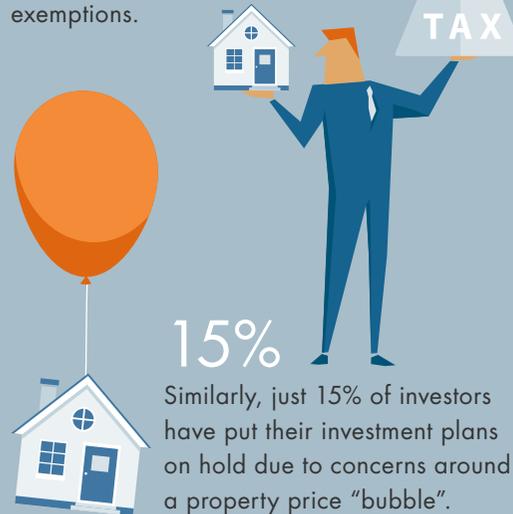
As investors hunt for a better deal, they are increasingly turning to mortgage brokers:

**83%** intend to finance their next loan through a broker, up from 71% last year.



## Investors shake off concerns about negative gearing changes, talk of a property price "bubble"

**14%** Only a minority of investors put investment plans on hold due to proposals to ban negative gearing and reduce capital gains tax exemptions.



**15%** Similarly, just 15% of investors have put their investment plans on hold due to concerns around a property price "bubble".

## Houses remain the top investment choice

Of those planning to invest in property in the next six to 12 months, those looking to buy a house has jumped to 67% from 59%.



## Brisbane still the favourite

The proportion of investors who see Brisbane as the state capital with the best investment prospects has fallen to 43% from 50%, but it still continues to be seen most positively of all capital markets.

## Rentvesting proves a popular strategy

The concept of "rentvesting" – where people rent in one location that suits their lifestyle and invest in another, often less expensive, location— is resonating.



**62%** A majority of survey respondents said they would consider rentvesting as a property investment strategy.

## Investors want to see greater professional standards

**84%** An overwhelming majority of respondents think that more education is needed for property investors and almost all (more than 90%) believe any provider of property investment advice should have formal training and be regulated/licensed.

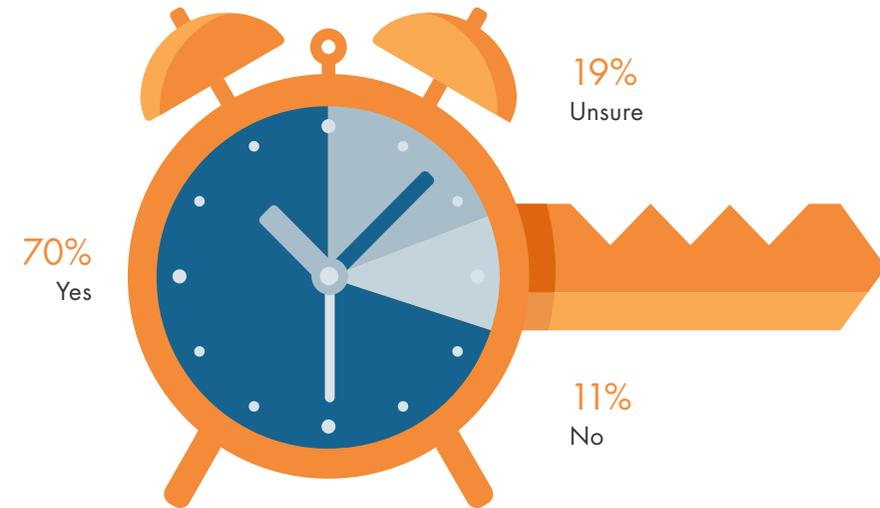


## Investors remain bullish on real estate and take a long-term approach to investing

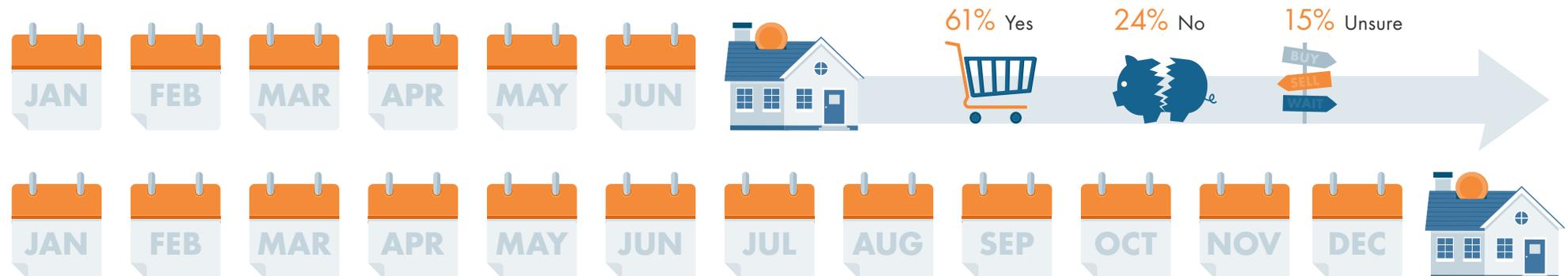
A significant majority (70%) of investors believe that now is a good time to invest in residential property. That's a very similar result to last year, when 71% thought it was a good time to invest. Moreover, 61% of investors are looking to purchase a property in the next six to 12 months, up slightly from 58% last year, and 47% purchased a property over the past year, up from 43% in the prior survey.

The optimism is consistent with the fact that investors focus on the long-term wealth benefits of real estate. Long-term capital growth and rental growth are seen as the two biggest reasons for investing in property by those surveyed. Reflecting the focus on long-term rental returns, the largest group of investors (47% this year, up from 37% last year) continue to have a "hold and never sell" approach.

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



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



## Why invest in property?

Investors' number one reasons



## What is your property investment exit strategy?



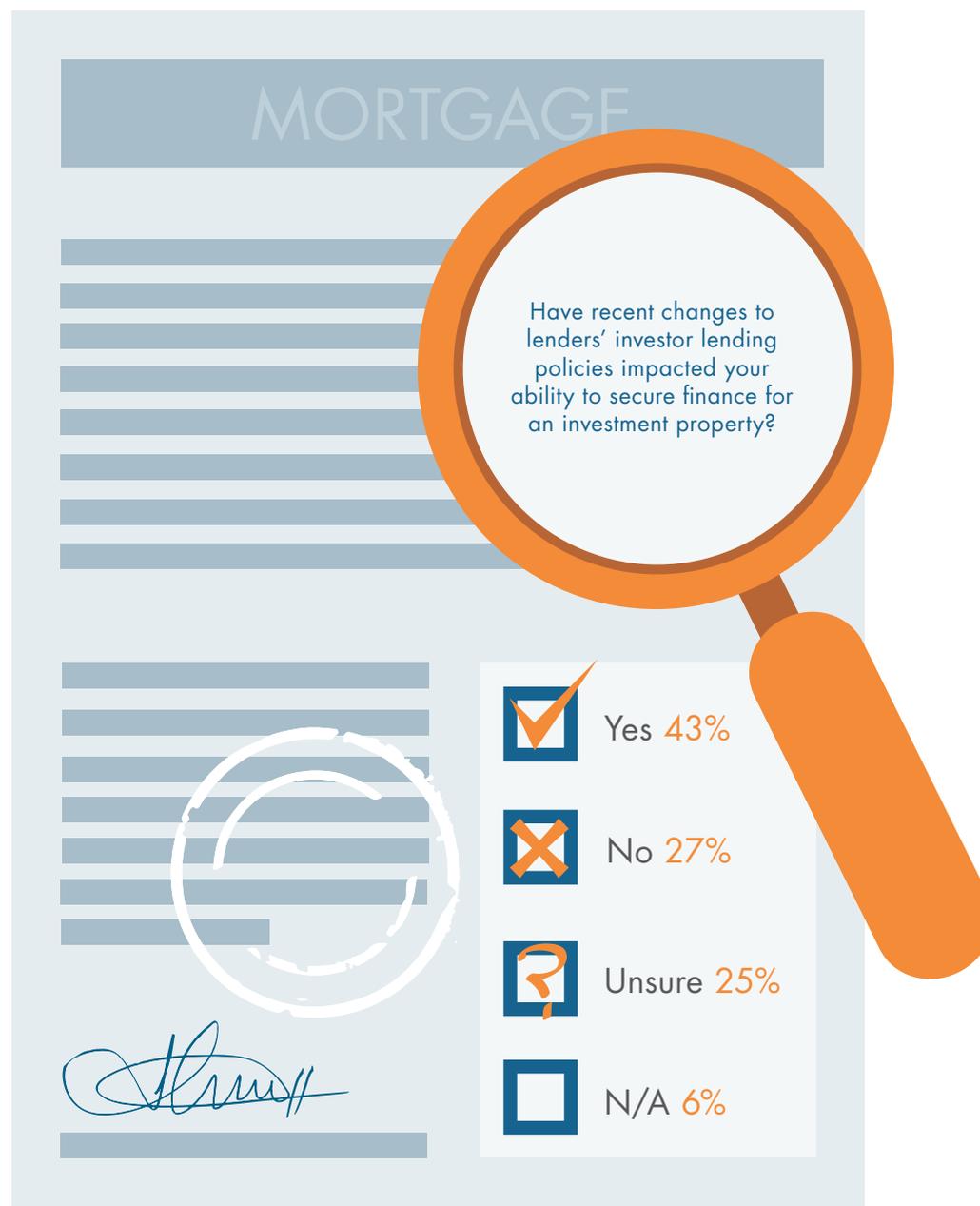
## The investor loans crackdown is making it harder to access finance for a growing group of investors

The two leading concerns of investors surveyed were further tightening of investor lending and banks raising interest rates on investment properties, and a majority (68%) of investors think it is unfair to pay higher interest rates compared to owner occupiers. Lesser but still significant concerns included a big correction in property prices and falling rental yields.

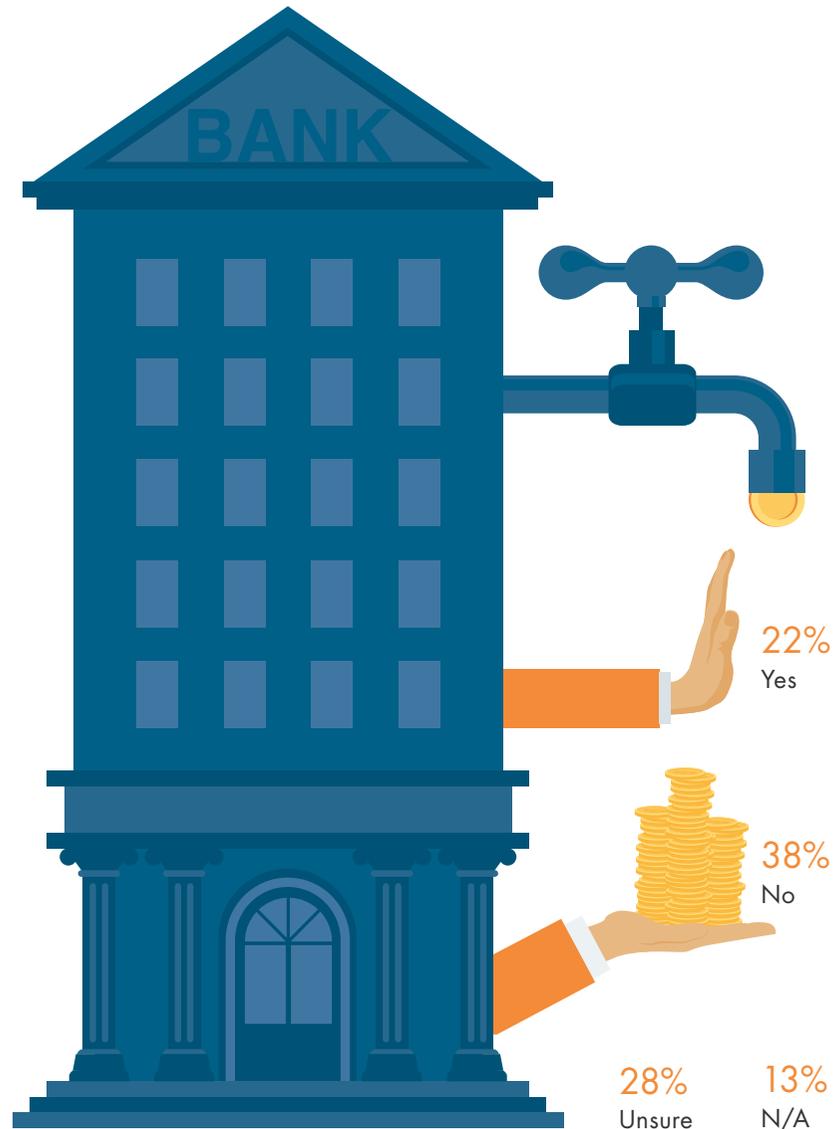
More investors than last year (43% in 2017 versus 32% in 2016) said changes to investor lending policies have impacted their ability to secure finance for an investment property. A smaller group (27%) said they hadn't been impacted while another significant minority (25%) said they weren't sure.

Despite the challenging lending environment over the past two years, the largest proportion of investors (38%) report no difficulty refinancing, although a significant minority (28%) aren't sure and 22% said they are having difficulty refinancing.

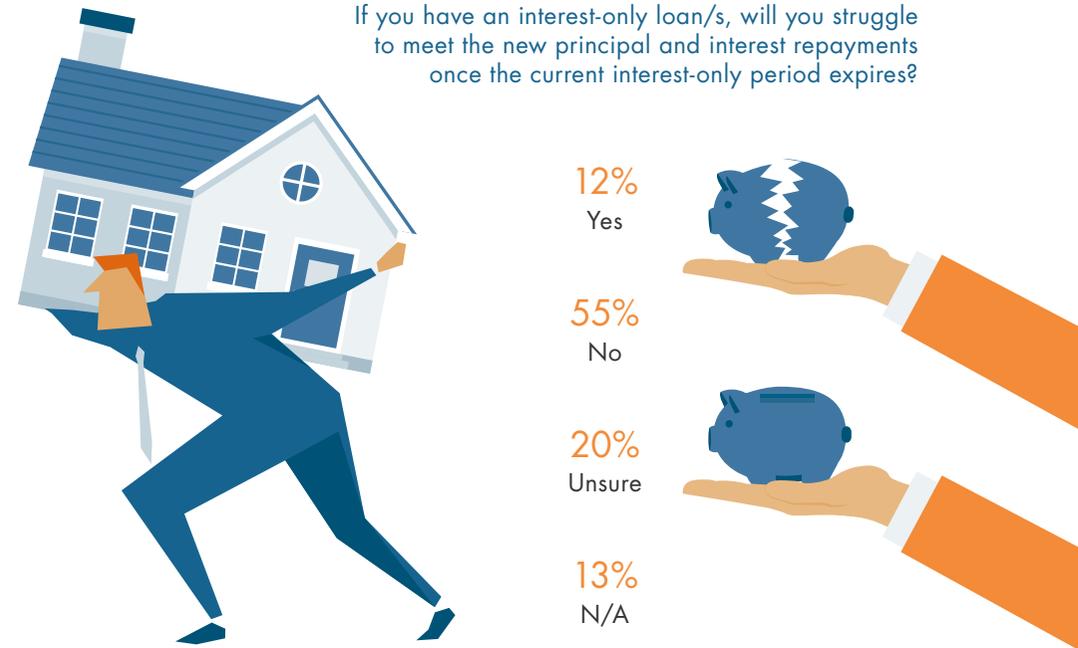
A majority (55%) of investors with interest only loans said they won't struggle to meet the new principal and interest repayments once the current interest-only period expires, and only 12% said they would struggle. However, further illustrating the uncertainty regarding the changes, 20% weren't sure if they would struggle.



Given the challenging lending environment over the past two years, do you currently find yourself in a position where you are unable to refinance an amount which you were able to borrow previously?



If you have an interest-only loan/s, will you struggle to meet the new principal and interest repayments once the current interest-only period expires?



Do you think it's fair that property investors have to pay higher interest rates, compared to owner occupiers?



## Investors are increasingly looking to mortgage brokers as they hunt for a better deal

As borrowing costs rise, investors are on the hunt for a better deal. Given lenders are raising interest rates out of cycle with the Reserve Bank of Australia's cash rate, almost half (49%) said they are considering fixing their interest rate for some or all their loans.

More than 23% said they would consider refinancing their loan for an interest rate differential of 0.5 percentage points, while another 23% would consider refinancing for one percentage point.

Given lenders are charging higher interest rates for interest-only loans, 29% of investors either have switched or intend to switch to principal and interest repayments while 36% have no plans to switch and 28% aren't sure.

In this environment, investors are increasingly looking to mortgage brokers to secure finance. A large majority (83%) intend to finance their next investment loan through a broker, up from 71% last year. And more than 73% of investors said they had secured their last investment loan through a broker, up from 65%.

Given lenders are raising interest rates out of cycle with the RBA's cash rate, are you considering fixing your interest rate/s for some or all of your loans?

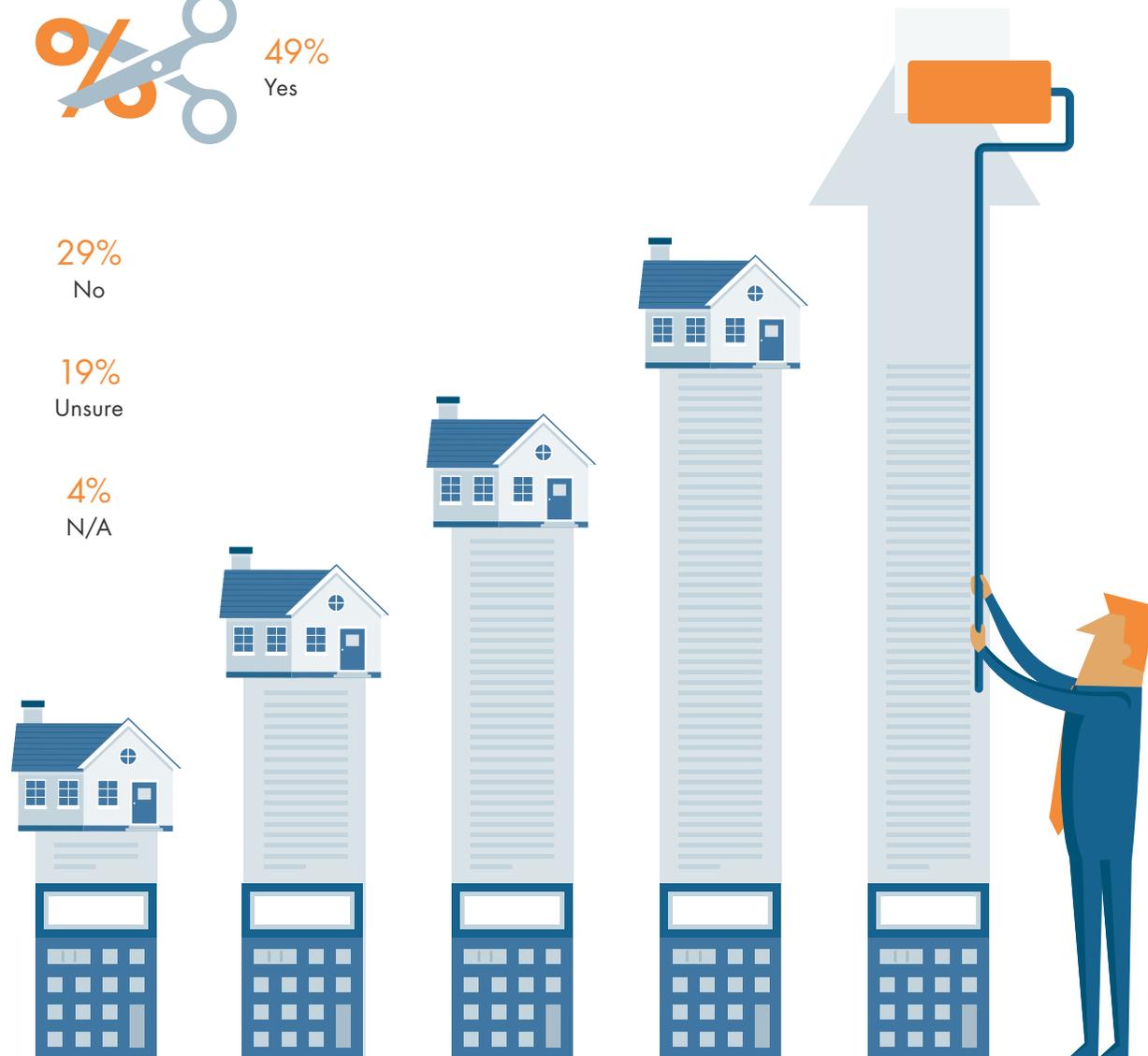


49%  
Yes

29%  
No

19%  
Unsure

4%  
N/A





Given lenders are charging higher interest rates for interest-only loans, have you/do you intend to switch to principal and interest repayments?

Yes 29%

No 36%

Unsure 28%

N/A 7%

## MORTGAGE

How do you intend to secure finance for your next investment loan?

10%  
Directly from a bank

3%  
Directly from a credit union, building society, specialist lender etc

83%  
Through a mortgage broker

2%  
Other

2%  
N/A (pay cash)



## Investors shake off concerns about negative gearing changes and talk of a property price “bubble”

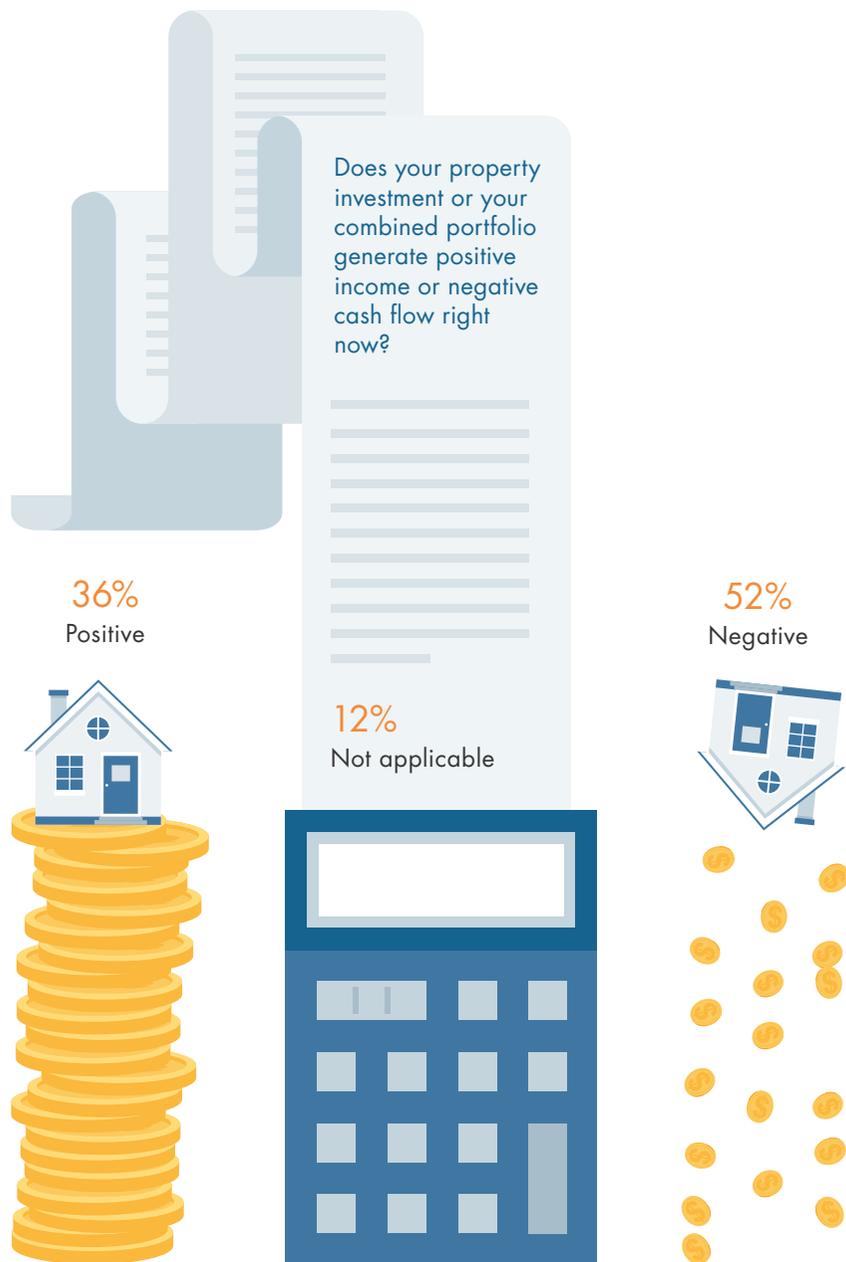
Respondents are not worried about the proposals and lobbying of the Labor and Greens parties to ban negative gearing and reduce capital gains tax exemptions, or changes to investment deduction allowances. Only 14% of investors have put investment plans on hold due to these proposals. Similarly, only 15% of investors have put their plans on hold due to concerns around a property price “bubble”.

While 52% of investors are negatively geared, the majority (62%) of these negatively geared investors expect to become positively geared within five years. Moreover, only a small fraction (1%) of investors are having trouble covering their cash flow shortfall at the moment.

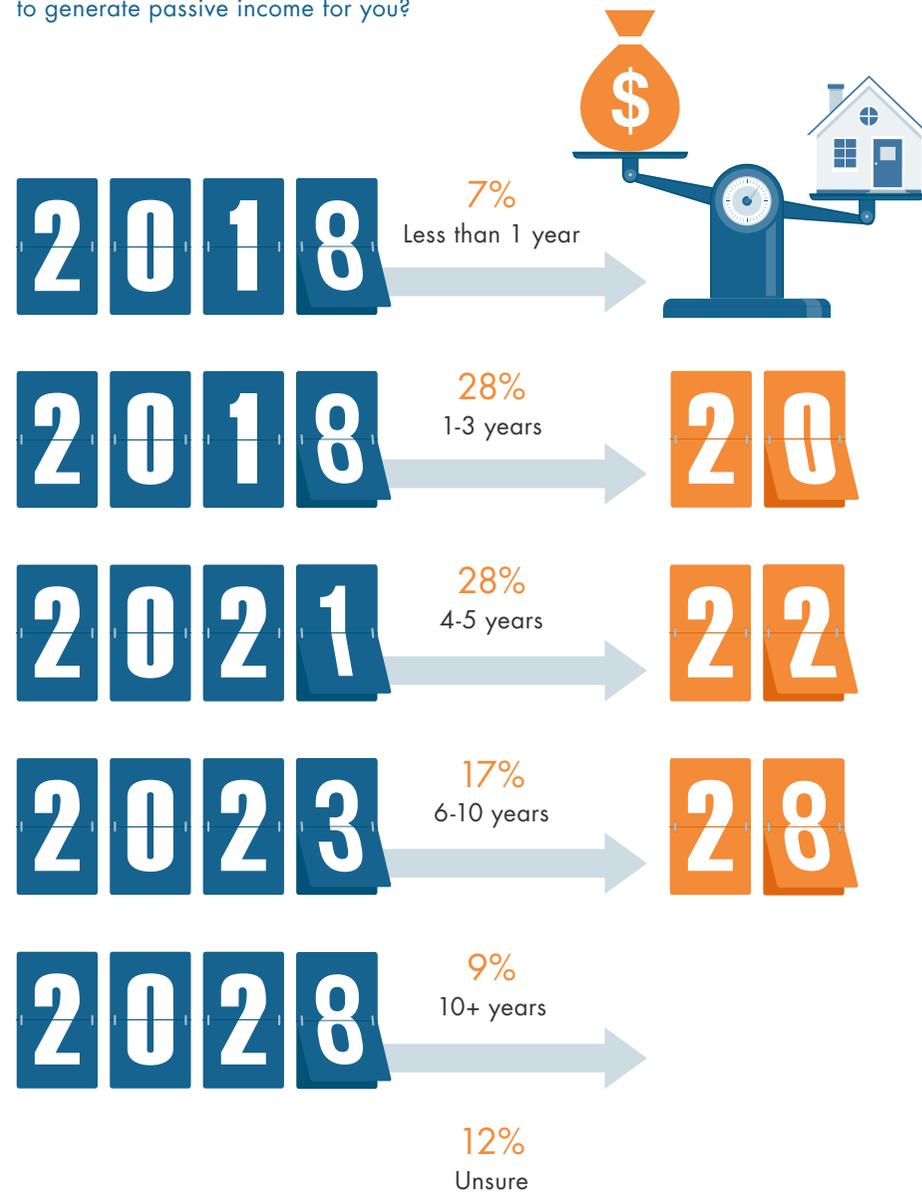


Has concern around a property price “bubble” caused you to put investment plans on hold?





If negative, how long until you expect it will turn positively geared to generate passive income for you?



## Investors increasingly favour established houses as an investment option

Of those planning to invest in property in the next six to 12 months, those looking to buy a house has surged to 67% in 2017 from 59% last year. This could be a result of concerns surrounding oversupply in many high-density markets, though the proportion of people looking to buy units or apartments has fallen only fractionally, to 9.3% from 9.6%. Much of the corresponding fall has been in the number of investors who are unsure what to buy, to 11% from 17%.

Meanwhile, the number of investors looking to buy existing or established properties has continued to rise, to 92% from 87%. Most of the corresponding fall has been in the number looking to buy brand new or off-the-plan properties, which has halved to 5% from 10%.

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92% of investors plan to buy an established dwelling

### What type of property would you buy?



### Would you buy?

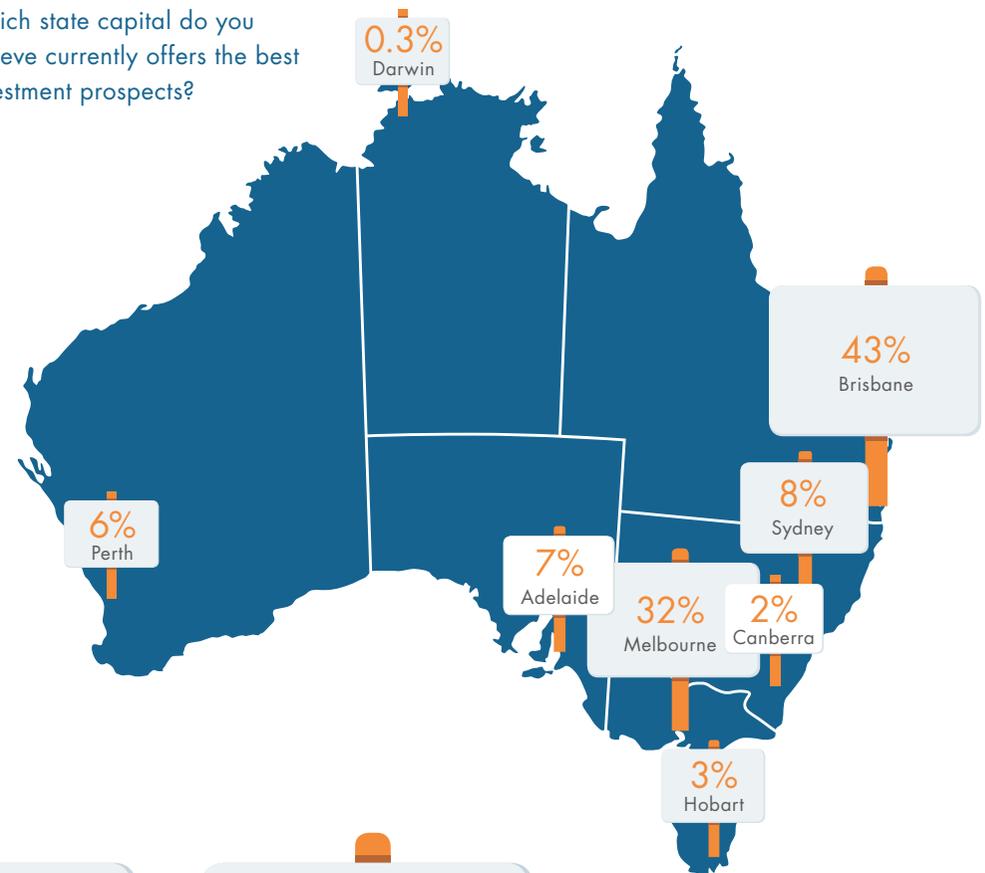


## As metro locations gain in popularity, Brisbane has lost some appeal but remains the favourite

Investors are looking more intently at opportunities in metropolitan markets and coastal locations. An increased majority (73%) of investors believe metro markets are the most appealing, up from 65% in 2016, and 12% believe coastal markets are the most appealing, up from 10% last year, while the proportion of investors that find regional markets the most appealing has fallen to 15% from 24%.

The proportion of investors who see Brisbane as the state capital with the best investment prospects has fallen to 43% from 49%. Nevertheless, it continues to be viewed more positively than any of the other capital cities. After Brisbane, Melbourne is the second most popular investment destination (32%), followed by Sydney (7.8%), Adelaide (6.6%) and Perth (5.5%).

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



Where is the most appealing place to buy right now?



## Rentvesting resonates as a property investment strategy

Nearly 62% of survey respondents said they would consider rentvesting—where instead of buying a home to live in, people rent in one location and invest in another— as a property investment strategy. A significant minority (30%) said they wouldn't consider the strategy and 7.7% were unsure.

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62% of investors consider rentvesting as a popular strategy

Would you consider **rentvesting** as a property investment strategy?

Rentvesting means renting in one location and investing in another.



30%  
No

62%  
Yes



## Property investors are sophisticated in their approach

This survey paints a picture of an investment community that is highly sophisticated, with investors doing a lot of planning and research before they buy. 21% of respondents have a detailed plan in writing to match their long-term investment goals and 33% of investors have a set strategy for investing.

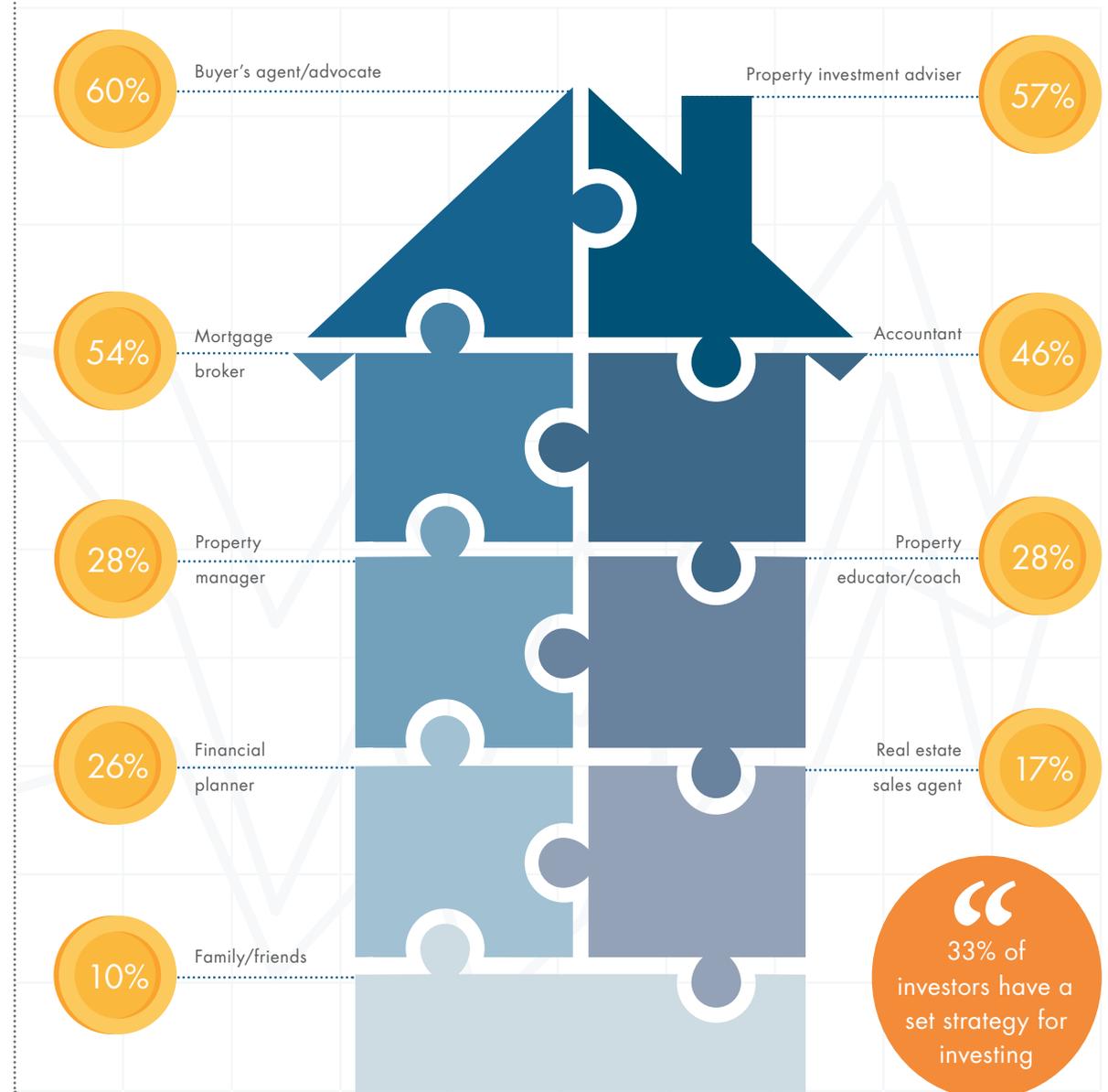
An overwhelming majority of respondents are investment veterans who have purchased a number of properties in the past. 42% hold two to four properties in their portfolio, while another 18% hold five to 10.

Investors continue to seek advice and services from a large variety of licensed and regulated professionals. More than half have in the past used the services of a mortgage broker, an accountant, and a lawyer or conveyancer. Mortgage brokers are the most commonly used service providers, with 85% of investors saying they have sought services from a broker in the past.

Interestingly, over the past year there has been strong growth in the proportion of investors having sought/planning to seek property investment advice from a buyer's agent/advocate. In the latest survey, the proportion of investors in this group has risen to 60% from 39% last year, making these professionals the most sought-after group for investment advice followed by property investment advisors (57%) and mortgage brokers (54%).

Investors derive information from a large number of sources, with professional advisors, research/data providers and podcasts among the most common. Perhaps reflecting the complexities of using a self-managed super fund (SMSF), most (86%) of investors continue to invest in property outside their SMSFs.

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



## Investors want to see greater professional standards for the industry

Despite their sophistication, a large majority (84%) of survey respondents think property investors need more education about the risks and potential benefits of investing in property. Even higher numbers (more than 90%) of investors surveyed continue to think that any provider of advice should have formal training and be regulated/licensed. Almost two thirds of investors are aware of PIPA and its role in representing the property investment industry.

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84% of investors believe more property investment education is needed



## About the survey

The PIPA Property Investor Sentiment Survey of 742 investors was conducted online in September 2017. Respondents were sourced from PIPA's database of property investors and its members' databases. 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.



To download a full copy of the results visit  
**[www.pipa.asn.au](http://www.pipa.asn.au)**