PROPERTY INVESTMENT PROFESSIONALS OF AUSTRALIA

PIPA

PIPA Annual Investor Sentiment Survey 2022

Introduction

Welcome to the 2022 PIPA Annual Property Investor Sentiment Survey – Australia's most comprehensive snapshot of the nation's property investor community. This survey is a detailed portrait of Australia's residential property investors and how they think and feel at the present time.

Compared to last year, market and lending conditions are like night and day, with prices falling and interest rates rising. While many investors still believe it is a good time to buy, a sentiment highlighted in last year's survey has come to pass and helps to explain the rental crisis currently under way around the nation. Last year's survey found that 18% of investors were considering selling in the year ahead with a staggering 16.7% of investors committing to that intention and selling one or more properties in the past 12 to 24 months.

While there has been much conjecture about rental market pressures over the past year, it is clear that investors off-loading their properties is a big part of the reason for the undersupply. This is especially apparent when you consider that about 65% of investors sold a property over the past two years to an owner-occupier.

Clearly, this would partly explain the undersupply of rental properties available for tenants around the nation.

The survey did find that 45.1% of investors sold a property or properties in Queensland – the number one location by a long stretch – over the past two years.

Some of the reasons why investors sold around the nation included positive selling conditions (47.1%) – especially for Queensland investors who may have being waiting for a decade for any significant price growth – to reduce total borrowings (30.8%),

"In a sign of more rental stress for tenants to come, the survey found that about 19% of investors are considering selling in the next 12 months.

and changing tenancy legislation making it too costly or hard to manage (25.1%).

Unfortunately, in a sign of more rental stress for tenants to come, the survey found that about 19% of investors are considering selling in the next 12 months as well. If that comes to fruition, about 35% of investors would have sold one or more of their properties since the start of the pandemic.

Tellingly, the reasons why investors are thinking of selling include Queensland's new land tax law that will penalise owners of property in other states/territories (30.8%), changing tenancy legislation making it too costly or hard to manage (29. 6%), the threat of losing control of your asset because of new or potential government legislation (27.5%), and the threat of rental freezes being enforced by governments (23%).

Investors also reported a significant increase in expenses, with 88.7% of respondents indicating their holding costs had increased. However, 59% of investors said they were only passing on 5% to 10% of these higher costs to their tenants.

About 58% of investors believe that now is a good time to invest in residential property, which is down from 62% in 2021, and down significantly from the 67% recorded in 2020.

Virtually all (90%) investors continue to think that any provider of advice should have formal property investment training or education. Likewise, 75% of investors said a QPIA® qualification would influence their decision to work with a particular property investment professional.

Our thanks go to the record 1,618 investors who participated in the survey from around the nation.

Nicola Mcdougall

NICOLA MCDOUGALL,

CHAIR, PROPERTY INVESTMENT PROFESSIONALS OF AUSTRALIA

Summary of key findings

Cooling investor sentiment

58% of investors believe that now is a good time to invest in residential property, which is down from 62% in 2021, and down significantly from the 67% recorded in 2020.

Investors off-loading stock

Last year's survey found that 18% of investors were considering selling in the year ahead with a staggering 16.7% of investors committing to that intention and selling one or more properties in the past 12 to 24 months, according to the 2022 results.

Investors return to metro markets

The pandemic-induced pandemonium for regional markets is dissipating with nearly 56% of investors tipping metropolitan markets as offering the best investment prospects (up from 50% last year). Regional markets remained in favour with 23% of investors (down from 25%), with coastal locations falling to 15% from 22% last year.

Investors desert Queensland

45.1% of investors sold a property or properties in Queensland – the number one location by a long stretch – over the past two years, followed by New South Wales on 24.1% and Victoria on 19.1%.

Investors feel they are no longer in control of their assets

19% of investors indicated they may sell a property in the next year with the top reasons why being Queensland's new land tax law that will penalise owners of property in other states/territories (30.8%), changing tenancy legislation making it too costly or hard to manage (29. 6%), the threat of losing control of your asset because of new or potential government legislation (27.5%), and the threat of rental freezes being enforced by governments (23%).

Investors are seeking out qualified advisers

90% of investors continue to believe that any provider of property investment advice should have completed formal training or education.

Property investors remain mostly optimistic but fewer looking to buy

About 58% of investors believe that now is a good time to invest in residential property, which is down from 62% in 2021, and down significantly from the 67% recorded in 2020.

About 37% of investors purchased a property over the past 12 months, up from 29% last year and the year before.

Some 37% of investors are looking to purchase a property in the next six to 12 months, up from 35% in 2021, but well down on the 44% recorded in 2020.

The majority of survey respondents own one or two investment properties – in-line with historical averages. Nearly 22% of survey respondents own one property and nearly 25% own two. About four per cent of respondents had yet to buy an investment property.

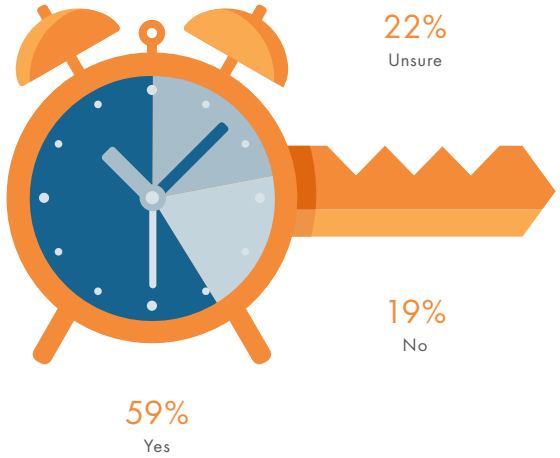
That said, there was good representation from first-time investors. Of all respondents who purchased in the past 12 months, about 16% purchased their first investment property in the year – the same percentage as last year but well down on the 29% recorded in 2020.

Of these first-time purchasers, 96% purchased an existing property (up from 81% last year) while just 2% purchased new or off-the-plan (down from 19% in 2021) and only 1% had purchased vacant land over the past year.

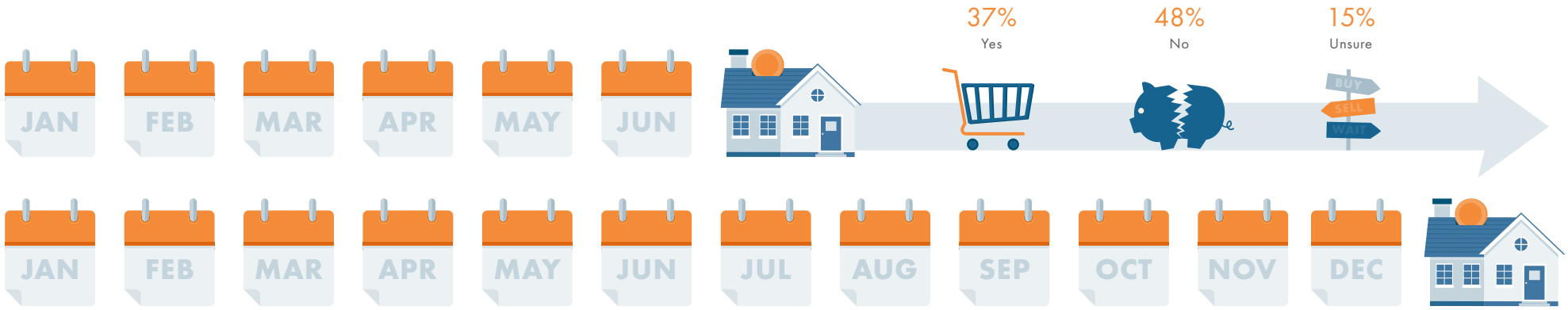
Among the first-time investors, about 29% (down from 37% last year) identified as rentvestors, with 45% of all investors indicating they would consider rentvesting personally.

Around 31% of property investors have some form of idea, plan, or strategy around their investing, however, 22% each said they had a "rough" or "fair" idea of their investment plans.

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?



Investors have had enough of political and price pressures

A staggering 16.7% of investors sold one or more properties in the past 12 to 24 months. Of those investors, 77% sold one property, 15% sold two, the remaining 8% sold three or more properties over the period.

According to the 2022 survey, about 33% of respondents sold a property to an existing homeowner, while 33% sold to an investor, and 24% sold to a first homebuyers.

Using 2021 Census as the baseline of 2.478 million private rental dwellings in Australia, it is estimated that hundreds of thousands of rental properties were sold in the past two years, with further analysis finding nearly two-thirds of these being purchased by existing homeowners. Clearly, this would explain the undersupply of rental properties available for tenants around the nation.

The survey did find that 45.1% of investors sold a property or properties in Queensland – the number one location by a long stretch – over the past two years. Using 2021 Census as the baseline of 553,432 private rental properties in Queensland, further analysis has found this equates to about 162,239 fewer rental properties - or a reduction in supply of nearly 30% in just two years - in Queensland.

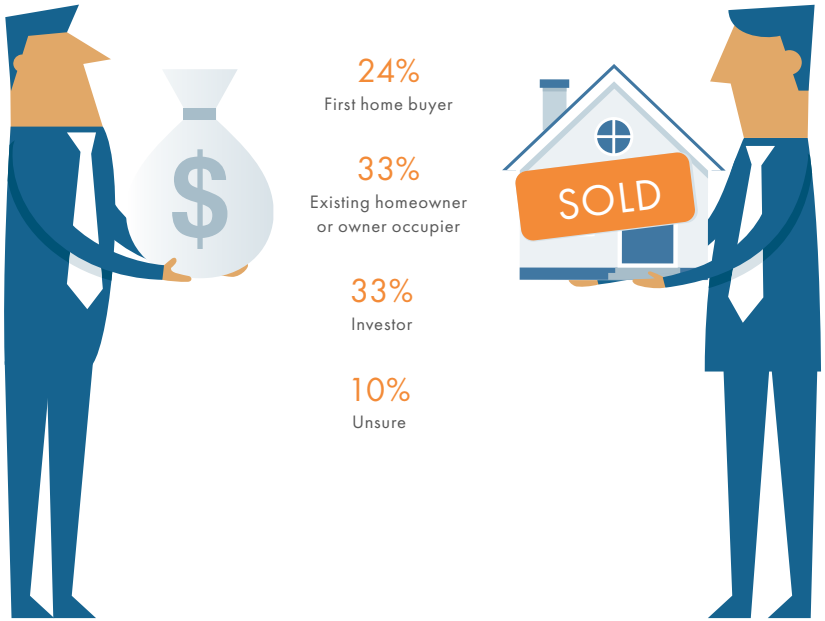
The reasons why investors sold over the period included positive selling conditions (47.1%) – especially for Queensland investors who may have being waiting for a decade for any significant price growth – to reduce total borrowings (30.8%), and changing tenancy legislation making it too costly or hard to manage (25.1%).

Unfortunately, in a sign of more rental stress for tenants to come, the survey found that about 19% of investors are considering selling in the next 12 months as well. If that comes to fruition, about 35% of investor would have sold one or more of their properties since the start of the pandemic.

Tellingly, the reasons why investors are thinking of selling include Queensland's new land tax law that will penalise owners of property in other states/territories (30.8%), changing tenancy legislation making it too costly or hard to manage (29. 6%), the threat of losing control of your asset because of new or potential government legislation (27.5%), and the threat of rental freezes being enforced by governments (23%).

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

What type of buyer purchased your investment property?



Moving on from the pandemic

While last year's survey showed a fair percentage of people were thinking of moving because of the pandemic, this year that desire has either disappeared or they are happy in their new home locations.

Only about 2% of respondents who moved to another location during the COVID19 pandemic, are considering returning to their previous home location.

However, for those who are considering a return to their previous homes, some of the reasons why include missing the lifestyle in their former location (55%), missing living in their previous location (35%) and missing having family and friends close by (38%).

For those considering a return to their former homes, the number destination to return to was Sydney (34%), then regional NSW (21%), and Melbourne (17%).

About 38% of investors say their property investment or portfolio is in positive cash flow territory.

A further 26% of investors say their portfolio is cash flow neutral. Only about 30% of investors say their property or portfolio is negatively geared.

For those investors with negative cash flow, more than 50% believe their portfolio will become positively geared within five years.

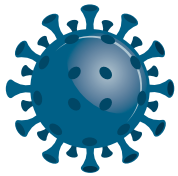
About 38% of investors say their property investment or portfolio is in positive cash flow territory

What are some of the reasons why you may return to your previous home location?

55%
miss the lifestyle in our former location

34%
miss living in my previous location

7%
are unable to work from home anymore



31%
COVID19 restrictions are over

14%
do need to travel to the office and the commute is now too hard

38%
miss having family and friends close by

Investment costs rising but investors committed to long term

Long-term capital growth continues to be the most important aspect when choosing an investment property, followed by long-term rental income.

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

Property investors are looking to improve their lot and have a financially secure retirement. When asked why they choose to invest, the most important reason was to provide a better life financially for themselves and their family, closely followed by to be self-funded in retirement.

However, investors also reported a significant increase in expenses, with 88.7% of respondents indicating their holding costs have increased. However, 59% of investors said they were only passing on 5% to 10% of these higher costs to their tenants.

About 62% of respondents own property jointly, 56% in their individual personal name, 11% as tenants in common, 13% in SMSF, and 18% in a trust.

How do you own property?

62%
Joint ownership

11%
Tenants in common

56%
Individually in my personal name

13%
In a Self-Managed Superannuation Fund

17%
In a Trust

Have the holding costs on your rental properties gone up?

89% Yes

11% No

If yes, how much of the costs are you passing onto your tenant/s to cover these increased expenses?

33% < 5%

9% 21% to 50%

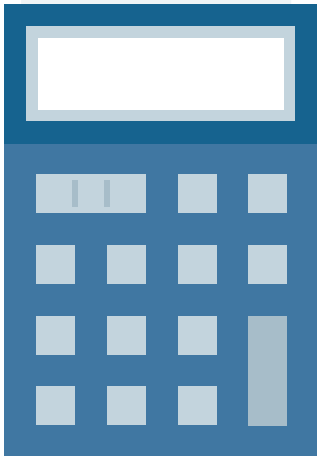
26% 5% to 10%

6% 51% to 75%

10% 11% to 20%

3% 76% to 100%

16%
My rent has risen by enough to cover these rising costs



Property prices to moderate

About 47% of respondents said changing market conditions had made it more likely that will buy an investment property in the next year, while about 55% said it would make then less likely to sell a property over the same period.

The vast majority of investors looking to purchase in the year ahead would buy a house (70%), followed by a townhouse or villa (4.8%), or an apartment or unit (4.02%).

When asked where property prices were heading in the next 12 months in their home state or territory, 40% said prices would stay the same, but 35% said they would be worse. A hopeful 25% indicated that prices would increase.

Last year, a staggering 76% (up from 41% in 2020) of respondents said prices were going to get better – and they were generally right.

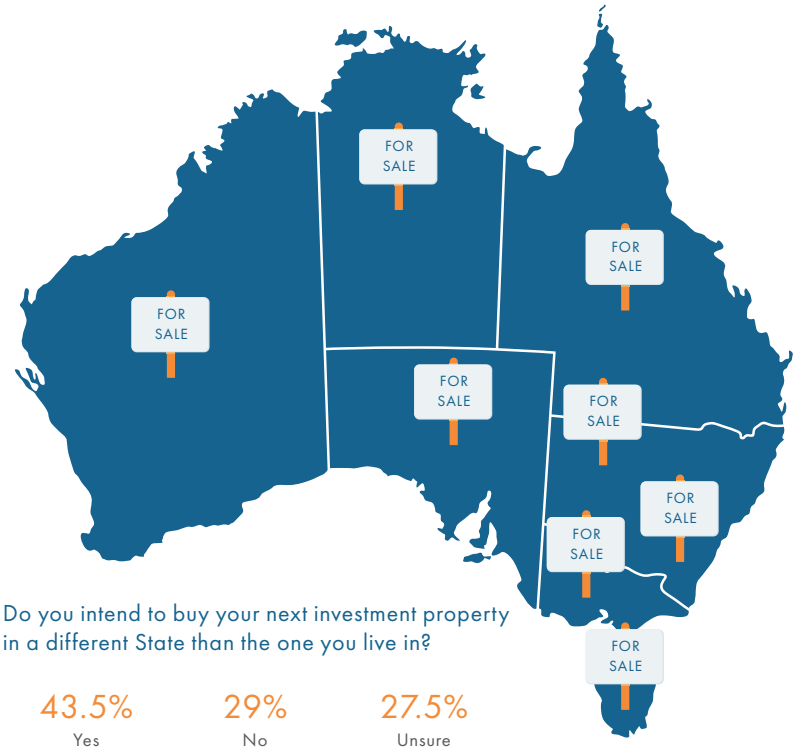
Borderless investing continues to increase in popularity, with 43.5% of investors (similar to 44% last year) investors looking to buy outside the state they live in.

What type of property would you buy?

70%	4.8%	4.02%	2%	9%
Existing or established	Townhouse/villa	Unit/apartment	House and land package	Unsure

Do you see property prices in your State staying the same, better or worse in 12 months' time?

40%	25%	35%
Same	Better	Worse



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

43.5%	29%	27.5%
Yes	No	Unsure

Rising interest rates, the biggest investor concern

The fact that interest rates has risen so rapidly this year has pushed this factor into the top concern for investors in the survey.

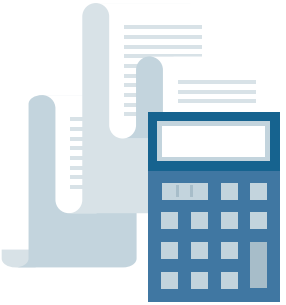
When asked what was the biggest current concern as a property investor, respondents indicated rising interest rates, followed by gaining access to lending, and Australian economic conditions.

Further, about 25% of respondents have found themselves in a position where they were unable to refinance an amount that they were able to borrow previously – up from 21% last year.

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

29%
Rising interest rates

29%
Gaining access to lending



12%
Australian economic conditions

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

25%
Yes

38%
No

23%
Unsure

14%
N/A

Queensland remains number one, but shine is lost

Queensland has often been the top investment location in this annual survey, with this year no different, however, it is obvious that its shine is not so bright anymore in the eyes of investors.

Last year, Queensland emerged as the winner at 58% of survey respondents. In 2022, though, only 33% of investors selected the Sunshine State as having the best investment prospects – the lowest percentage for many years.

In another big change to previous years, WA has skyrocketed up the rankings to take out second spot, courtesy of 17.8% of investors – this was an extraordinary jump compared to last year's result of 9%

New South Wales was third at 17.07% (up from 16% in 2021). South Australia landed in fourth spot with 15.37% of investors liking its investment prospects. Victoria landed in fifth position – the lowest ranking ever – with only 12% of the vote (which was an improvement on the 10% last year mind you.)

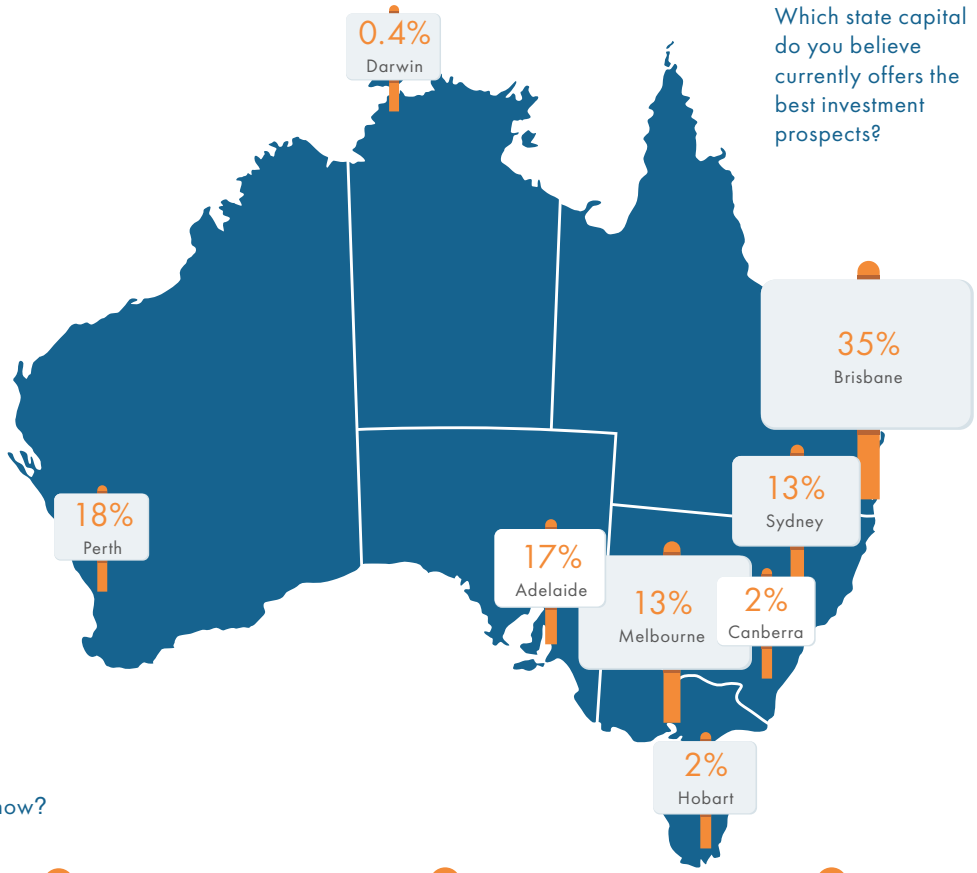
The number of investors who see Brisbane as the state capital with the best investment prospects was 35% – the top result – but, again, a significant reduction compared to last year's 54%.

Perth edged out Sydney to take out second spot with 17.7 per cent of the vote. Adelaide was also seen as having better prospects than the Harbour City with 16% of respondents.

Sydney and Melbourne landed in near equal fourth spot with about 13% of investor interest.

The pandemic-induced pandemonium for regional markets is dissipating with nearly 56% of investors tipping metropolitan markets as offering the best investment prospects (up from 50% last year. Regional markets remained in favour with 23% of investors (down from 25%), with coastal locations falling to 15% from 22% last year.

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



Where is the most appealing place to buy right now?

24%
Regional markets

56%
Metropolitan markets

15%
Coastal locations

0.2%
Mining towns

Qualified Property Investment Advisers top the list

Nearly 47% of survey respondents have sought, or are planning to seek out, advice from Qualified Property Investment Advisers (QPIA®) – the top result in this year's survey.

Mortgage brokers were a close second on 46%, followed by buyers' agent/advocate (44%), accountant (39%) and property educator/coach with formal/professional qualifications (27%)

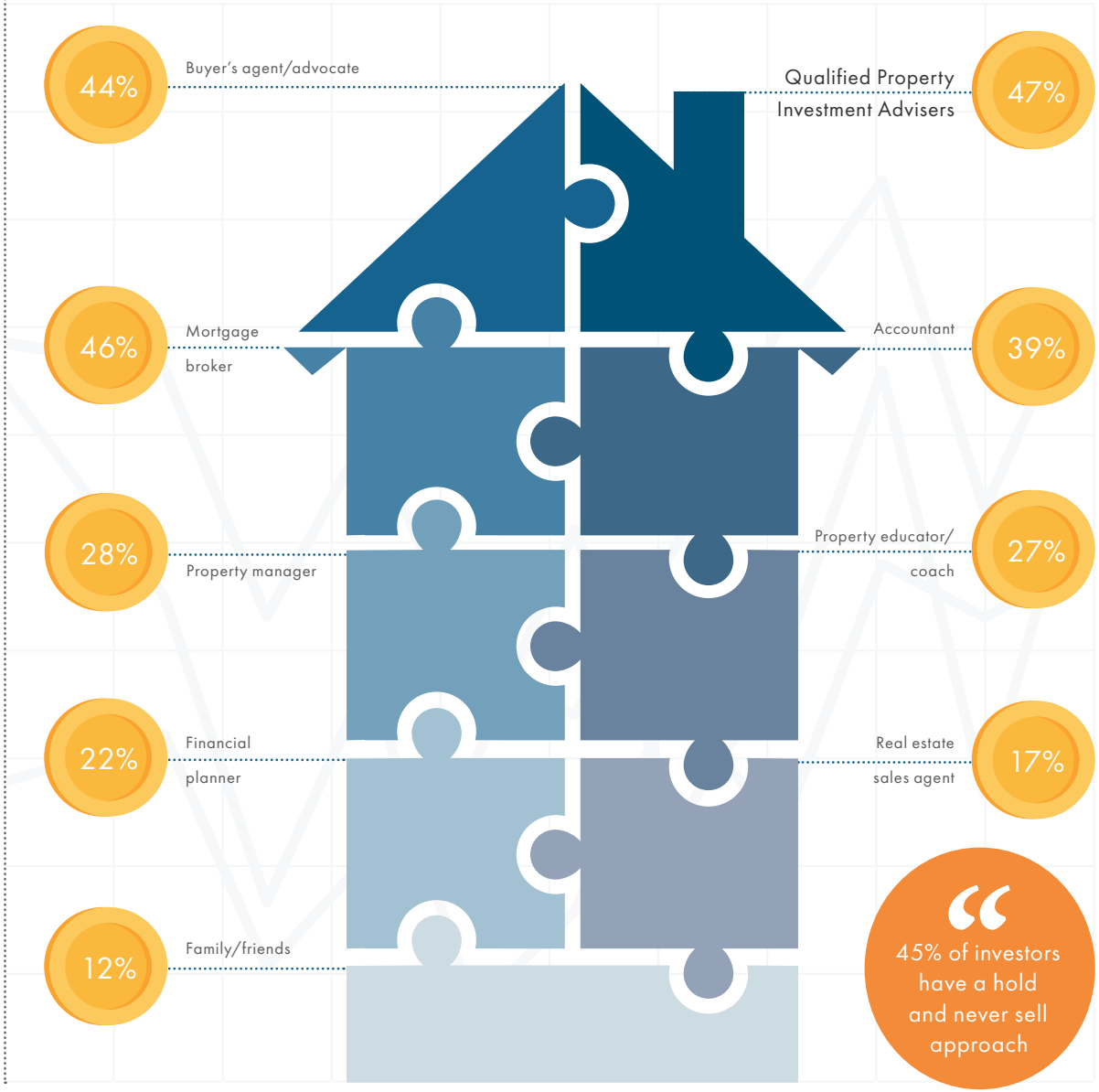
Of those that sought a professional investment advisor, about 57% paid the advisor a fee directly.

Of those that sought professional advice, about 48% (down from 55% last year) were provided with a written report or plan, but about 18% (down from 20%) weren't provided with a plan.

Investors continue to seek knowledge and education from a wide range of sources. In 2022, professional sources/advisors were the most popular source, followed by research and data providers, podcasts, internet searches, books, and webinars.

While many investors divested some, or even all, of their portfolio over the past two years, about 45% continue to have a hold and never sell approach (up from 39% last year) About 31% said they were considering selling down some or all of their portfolio (down from 35% in 2021).

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



Investors want educated and qualified advisers

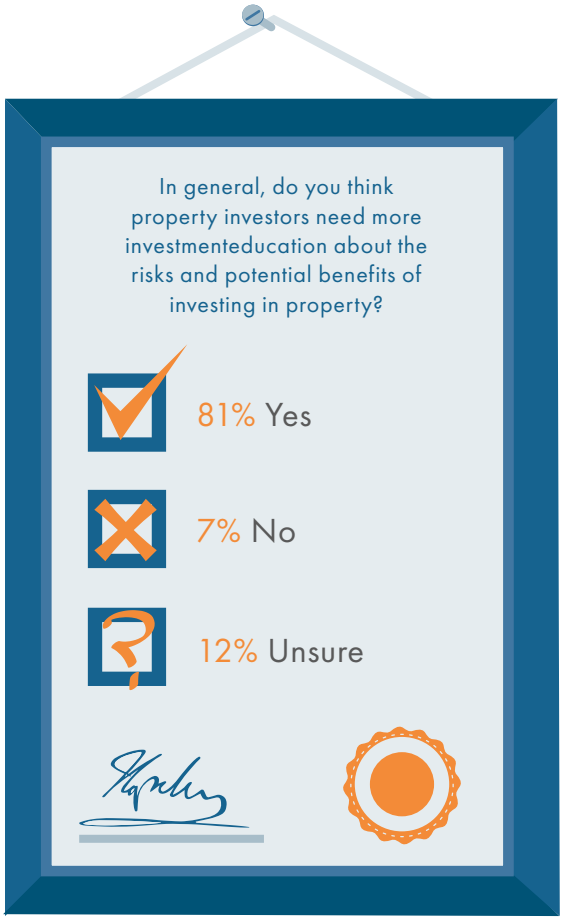
More than 80% of all investors continue to believe that more education is needed around the risks and benefits of investing in property.

Virtually all (90%) investors continue to think that any provider of property investment advice should have formal training or education.

More than 79% of survey respondents said they were familiar with what PIPA does – a sharp increase from 60% last year.

About 75% of respondents said a QPIA® qualification would influence their decision to work with a particular property investment professional.

> 90% investors think that any provider of property investment advice should have formal training or education



Would a QPIA® qualification influence your decision to work with a particular property investment professional?

Respondents profile

Almost 38% of all respondents reside in NSW while 24% reside in Victoria, and 24% live in Queensland.

34% were aged 36 to 45, while 29% were aged 45 to 55.

About 27% reported their gender as female and 72% were male.

20% of respondents had a household income of $150,001 to $200,000 while 17% had a household income of $100,001 to $150,000 – the same results as last year.

PROPERTY INVESTMENT PROFESSIONALS OF AUSTRALIA PIPA