



Input to your Strategy for Adapting to Challenges

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Sunday 31 October 2021

Shares still favoured over residential property

Last week I invited the over 23,000 people subscribed to receive my weekly Tony's View publication to respond to a survey on investment choices. This is the second time this new monthly survey has been run and there were 1,753 responses.

A substantial quantity of data is now available which can be broken down by age bracket and the amount of investable funds in play for each respondent. The main results are discussed here while additional breakdowns of responses will be covered in the weekly Tony's View and Tview Premium publications over the next four weeks.

My aim with this new survey is to gauge the speed with which investors may be shifting away from housing as its boom passes, and which assets they are targeting. The key results include these.

- Kiwis are highly interested in growing their wealth.
- Intentions of investing in residential property are waning in favour of shares, commercial property, crypto assets and precious metals.
- Industrial/warehousing property is the most sought-after commercial property asset.
- Almost half people planning to buy shares will use an app to do so and Energy is the most favoured sector followed by IT and Health.

- Two-thirds of planned investments in managed funds will be in Aggressive or Growth types.
- Australia and the United States are level pegging for those investors looking at offshore purchases.
- Three-quarters of respondents have over half a million dollars in investable funds excluding the family home.

I am not a financial advisor, and nothing written here is intended as advice for any individual or group.

Are you thinking about adding money to existing or new investments like property, shares etc. in the coming year?

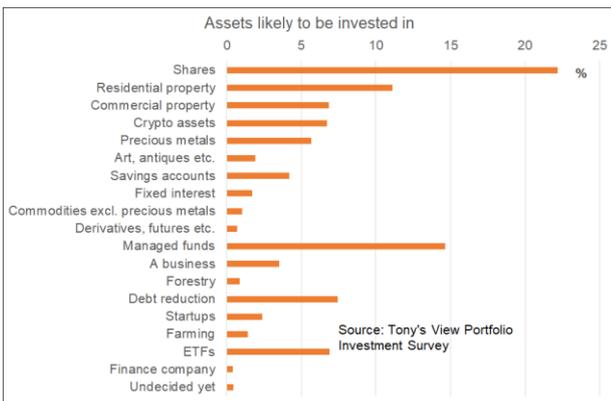
A gross 86% of the 1,753 respondents are thinking about adding to their investments in the coming year. This is statistically unchanged from the 88% of a month ago and a clear indication that Kiwis are interested in growing their wealth and not just spending funds as soon as they come into the household.

This tells us that the opportunities for marketing of portfolio assets to potential investors are very strong in New Zealand.

If so, which assets are you likely to invest more in?

A gross 22% of people say they will invest more in shares. In last month's survey this proportion was a high 38%, but the change does not reflect a sharp reduction in share purchase intentions. Instead, in response to useful feedback, the range of assets which people can select has expanded and one of the new options is Managed Funds. If we add the 15% favouring managed funds and 7% ETFs we exceed 38% favouring shares.

Investment in equities remains highly favoured.



Last month 20% of people opted for more investment in residential property. This month that proportion is much lower at 11%, and unlike shares there is no extra category into which a respondent could have placed their residential purchase choice.

Therefore, we can venture an opinion that our survey is recording a stepping back in investor intentions of purchasing residential property over just the past four weeks. Why might this shift have occurred?

Perhaps it is because the Reserve Bank has lifted the official cash rate and mortgage rates have risen firmly. Interestingly, this decline has also occurred over a period when the government and Opposition announced the removal of resource consent requirements for intensified dwelling construction in our major cities.

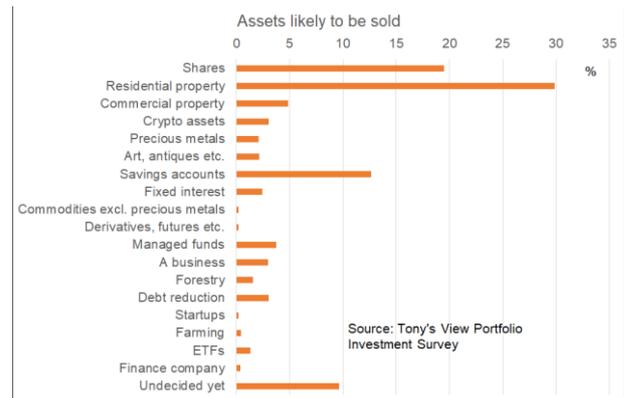
7% of people intend investing in commercial property which is down slightly from 11% last month. But an unchanged 7% intend investing in crypto assets while 6% will target precious metals – up from 4% last month.

Over time we will be able to focus in on categories such as debt reduction and investing in savings accounts to get some insights into the impact of changing interest rates and changing sentiment generally regarding economic and financial prospects.

In Tony's View this week we will look at asset purchase preferences broken down by age groups. After that we will break the results down by the amount of investable funds each respondent has to work with.

Are there any assets which you think you will sell to free up some cash?

A gross 19% of respondents say that they will sell some shares in the next 12 months. But 30% will sell residential property.

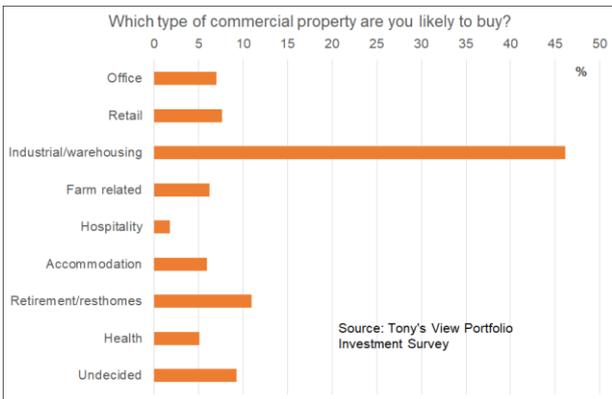


Over time we will be able to quickly identify which assets are going out of favour and will calculate net asset purchase measures by comparing purchasing with selling intentions.

If you are thinking about investing in commercial property, what type is it likely to be?

For the 7% of respondents who are looking at purchasing commercial property, almost half intend targeting industrial/warehouse property. This result is very similar to last month's. An unchanged 8% favour retail property and just 7% will look at office property, down from 11% last month.

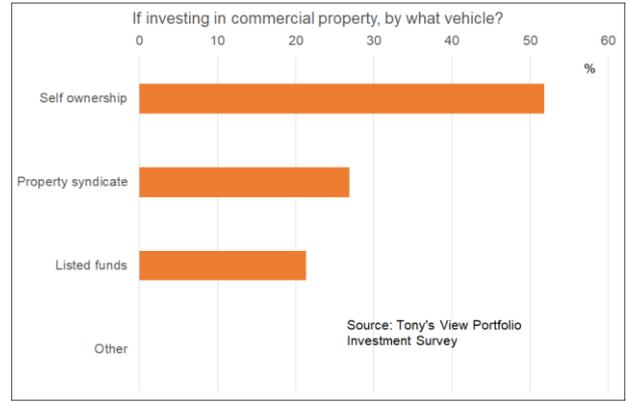
The range of property categories has been expanded this month, so we have to be wary of placing too much emphasis on this month's results versus last month's. But the overall preference is clear and the lack of interest in hospitality and accommodation is strong. The low interest in health-related property may seem out of line with growth in the health sector. But that could reflect the limited number of such assets which tend to become available.



If investing in commercial property, by what vehicle?

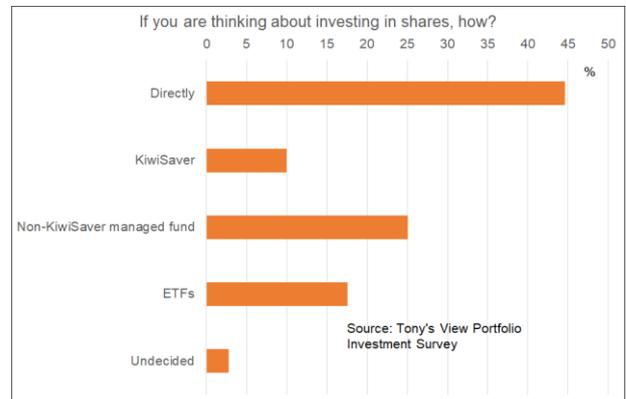
In response to suggestions made last month we have added this new question regarding how people will go about increasing their exposure to commercial property.

Just over half of those intending to buy commercial property will directly make the purchase themselves, 26% will go via a property syndicate, and 21% will invest via listed funds.



If you are thinking about investing in shares, how?

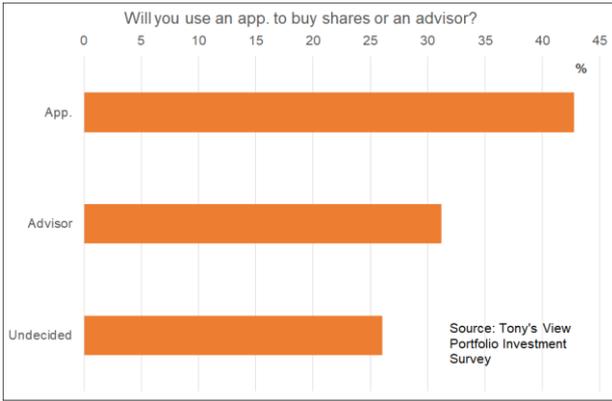
45% of people planning to invest in shares will do so directly, 10% via KiwiSaver, 25% via a non-KiwiSaver managed fund, and 18% via an exchange traded fund (ETF).



Will you use an app. to buy shares or an advisor?

43% of people who plan investing in shares will use an app., 31% will go through an advisor, and a large 26% are undecided.

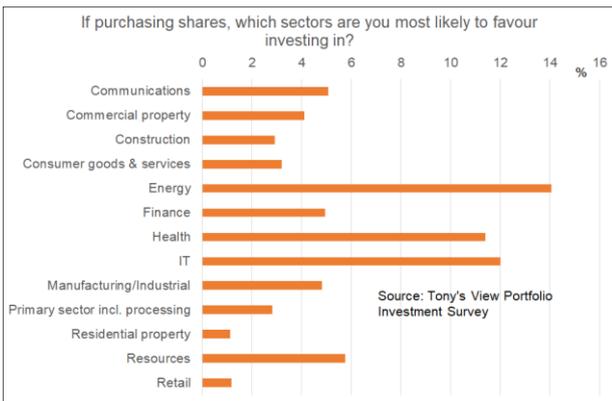




If purchasing shares, which sectors are you most likely to favour investing in?

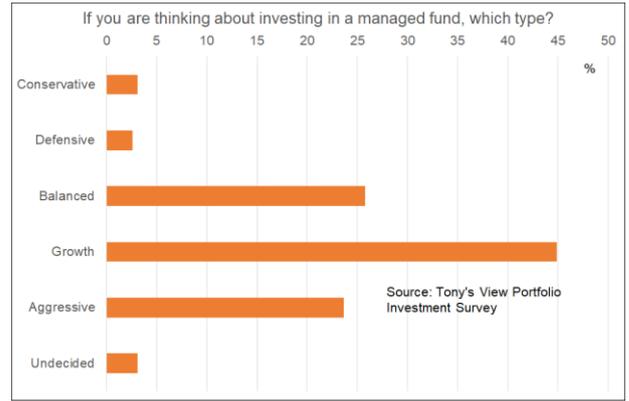
When asked which sectors they will target their share purchases towards, 14% favour energy. This is unchanged from last month. Next most favoured is the IT sector by 12% of respondents, then health for 11%.

Shares involving exposure to the residential property sector are least favoured.



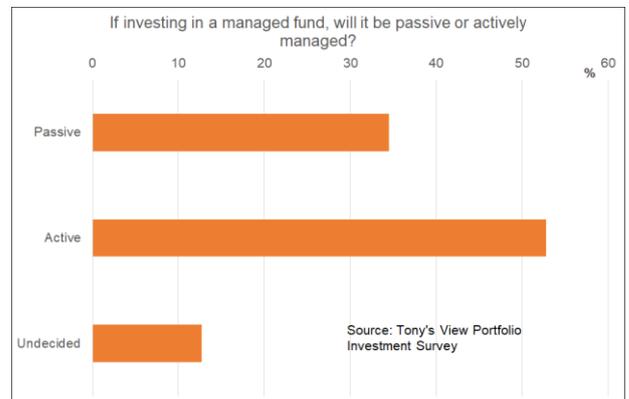
If you are thinking about investing in a managed fund, which type?

The preferences for managed fund risk profile are virtually identical this month to last month's results. 45% of people favour a growth-oriented fund, 26% balanced, and 23% an aggressive stance.



If investing in a managed fund, will it be passive or actively managed?

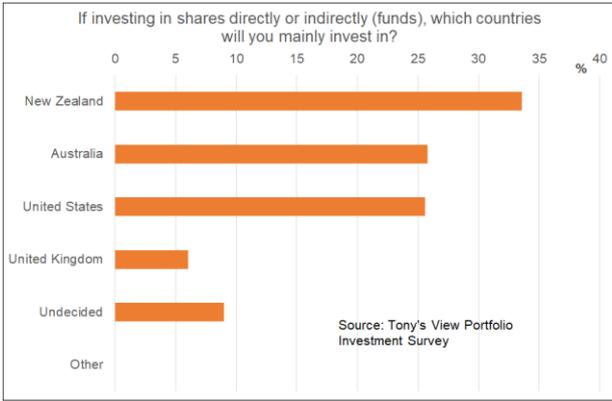
For the 15% of respondents intending to boost their investment in a managed fund over the coming year, 53% favour an actively managed fund. 35% prefer a passive (index tracking) fund and 13% are undecided as yet.



If investing in shares directly or indirectly (funds), which countries will you mainly invest in?

The final question in our survey relates to where investors are intending to place their funds geographically.

Exactly one-third of investors will focus their share purchases in New Zealand. 26% will target shares listed in Australia, with the same proportion favouring stocks listed in the United States. 9% favour the United Kingdom.



My aim in producing this publication is to help the growing number of average Kiwis looking to build an asset base over time for their retirement. If you want to discuss any particular product, business, or asset class then you'll need to do that with a Financial Advisor.

Next month we will include the option of "Globally distributed"

Respondents to the survey were distributed by age as follows.

< 30 years	3.2%
30 – 50 years	34.3%
51 – 65 years	40.8%
Over 65 years	21.7%

What do your investment assets (including savings but excluding family home) add up to?

Less than \$500k	25%
\$500k - \$2mn	34%
\$2mn - \$5mn	24%
Over \$5mn	17%



Links to publications

Tony's View Spending Plans Survey



Tony's View Business Survey



Tony's Thoughts Vlog



REINZ & Tony Alexander Real Estate Survey



Onerooft weekly column



mortgages.co.nz & Tony Alexander Mortgage Advisors Survey



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