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INVESTING INSIGHTS

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Sharesies

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Residential property sentiment picks up

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Each month I invite more than 28,000 people to give their thoughts on managing their personal wealth. The primary aim is to track changes in asset preference over time. But we can also gain interesting insights into the way people plan to purchase shares, the types of shares sought, use of an advisor compared with using an app, active versus passive funds management and a preference for which countries to invest in.

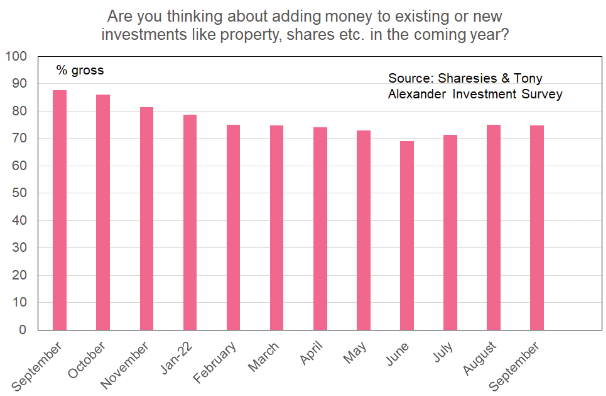
The key results from the September survey yielding 993 responses include:

- Interest in purchasing residential investment property continues to increase.
- Plans to add to share portfolios have eased off in the face of recent market volatility and weakness.
- Interest in purchasing NZ-listed shares continues a slow upward trend.

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?

On the face of it, recent share market volatility has not hampered investors' plans to add to their portfolios. A gross 75% of respondents plan to boost their asset holdings—unchanged from last month.



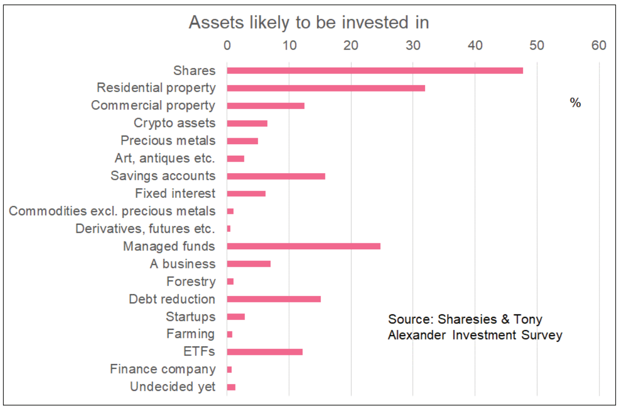
Asset-purchase plans bottomed out in June, coinciding with widespread worries about inflation and rising interest rates. It is interesting that the resurgence of these same concerns hasn't had quite the same restraining effect on investment willingness this time around.

But, the devil is in the detail!

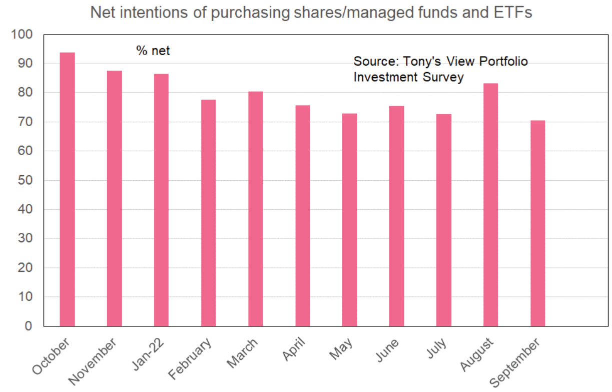
If so, which assets are you likely to invest more in?

We ask people about the assets they plan to buy more of and those they plan to sell some of. The first graph here covers the former, the second the latter.

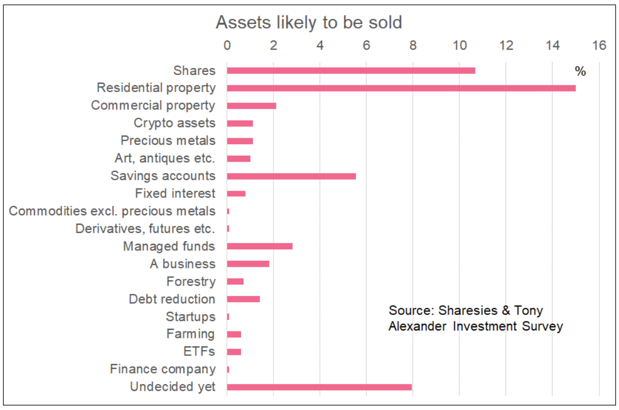
There is still considerable interest in investing in shares, individually as well as through managed funds and exchange traded funds (ETFs). There is also strong interest in residential property as an asset class.



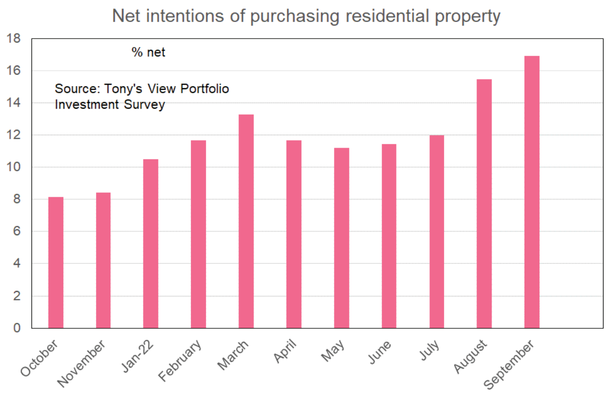
There has been a small drop this month in net plans to boost exposure to equities. In fact, it looks like the rise in August was an aberration and the series is actually showing a slow downward trend in respondents' intentions to increase exposure to equities.



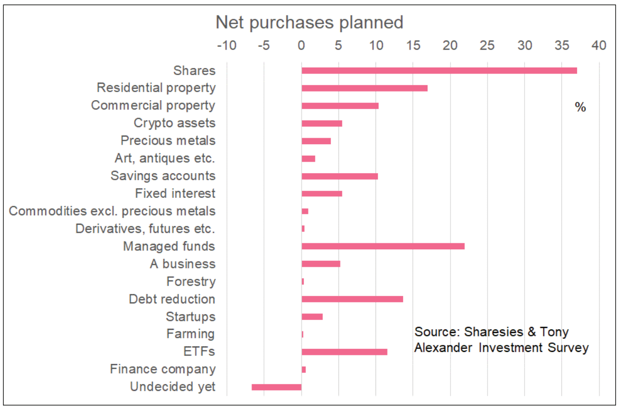
We ask which assets investors are thinking of selling. Residential property typically ranks highest here.



On the other hand, investor interest in the residential property sector is clearly picking up. This is consistent with other recent surveys of real estate agents and mortgage advisers.



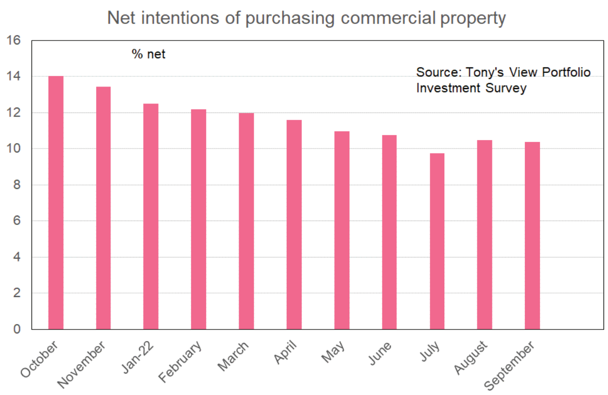
Combining the two sets of responses gives us net asset purchase plans, which we can track over time to see if there are any interesting changes or trends.



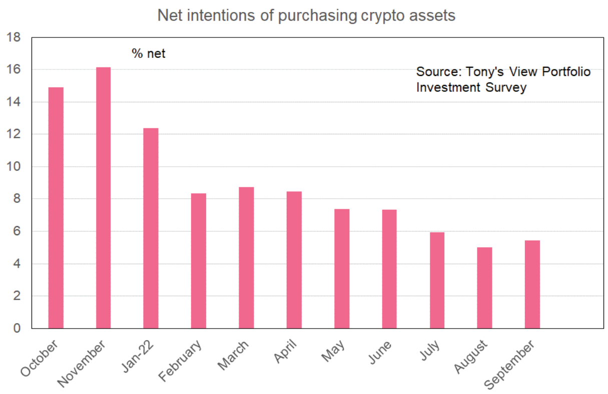
The gross proportion of this month's respondents who said they might buy residential investment property rose to 32% from 29% in August and 25% in July. Meanwhile, the proportion planning to sell has increased to 15% from 13% in both August and July.

Rebounding interest in purchasing property could be attributed to stabilising interest rates, some slight easing of bank lending criteria, lower purchase prices, and evidence that first home buyers are returning to the market.

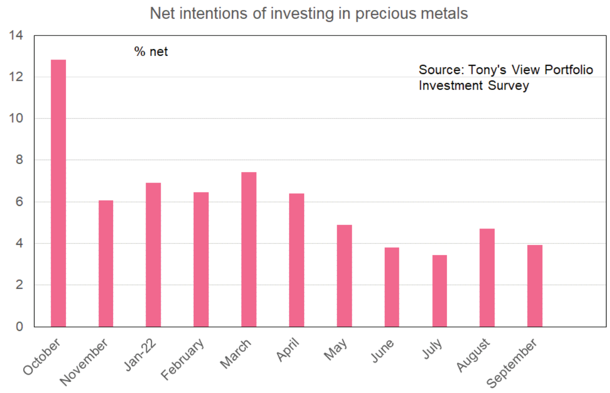
Net plans to invest in commercial property have flattened over the past two months, after trending downward since the first investor survey in October last year.



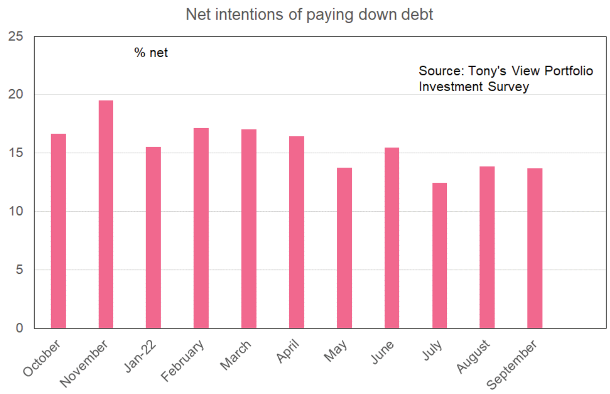
Net demand for crypto assets has inched up, despite the price of Bitcoin falling to an almost two-year low. This may reflect improving sentiment towards the sector following the Ethereum merge, which marks a shift away from the energy-intensive model that has previously damaged the reputation of crypto assets.



Net intentions to invest in precious metals continues to fluctuate within a narrow range after declining earlier this year.

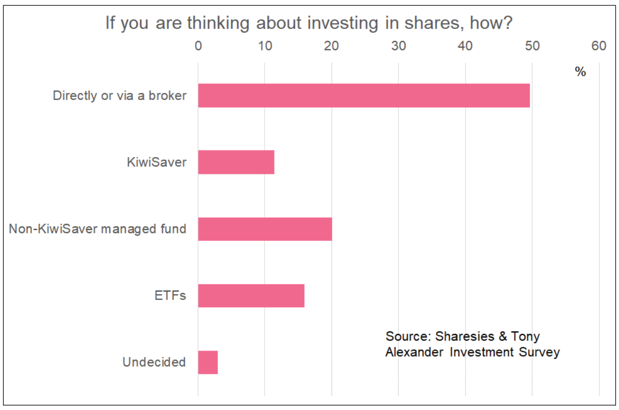


Net plans to repay debt have stabilised. The earlier downward trend may have reflected borrowers becoming accustomed to higher interest rates than seen over the past three years. Interestingly, rates are now at similar levels as they were in the decade before 2019.

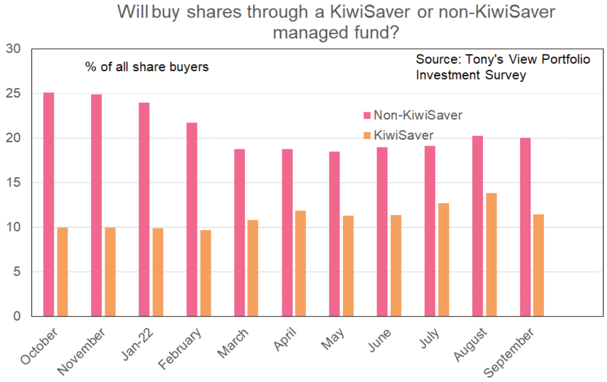


If you are thinking about investing in shares, how?

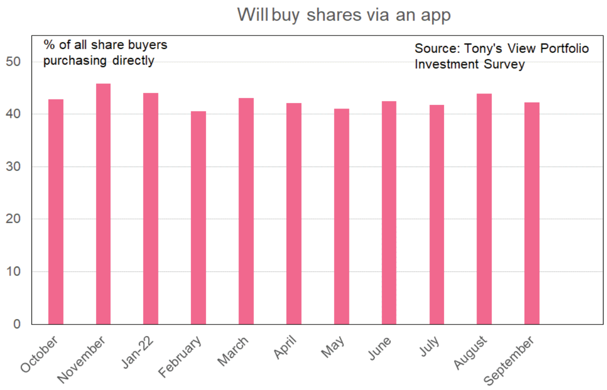
Exactly half of people looking at buying shares will do so themselves or through a broker. Some 11% will invest via their KiwiSaver fund.



The proportion of respondents who intend to invest via KiwiSaver rather than through a non-KiwiSaver managed fund has eased off for the first time in a number of months, but remains above levels seen earlier this year.



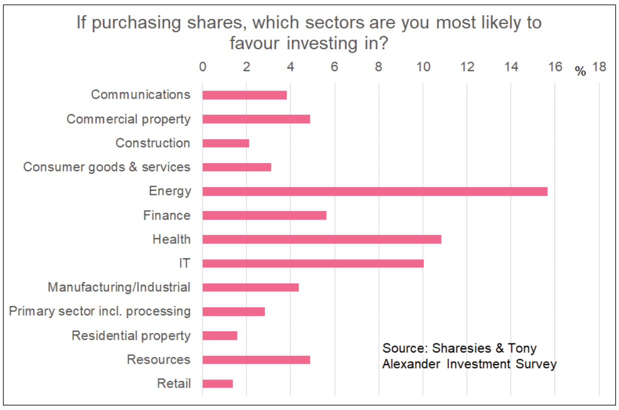
There is no meaningful change in respondents' plans to use an app to buy shares.



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

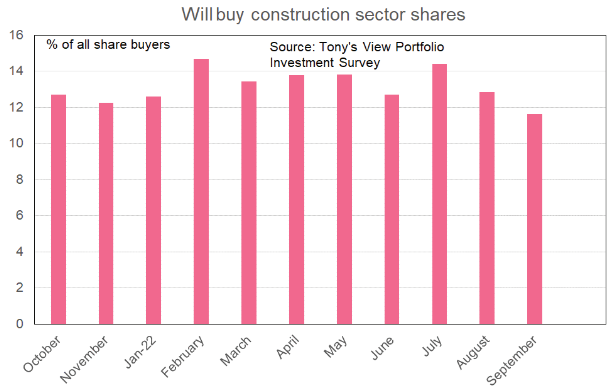
With this question we aim to see change over time in the sectors people prefer.

As ever, energy, health, and IT remain the most heavily-favoured sectors.



The proportion of equity investors favouring the construction sector continues to trend downward.

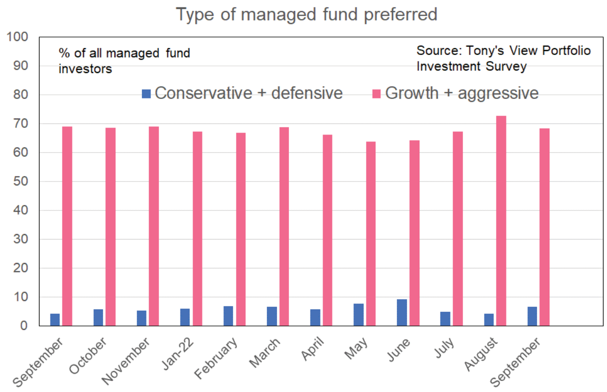
This perhaps reflects deepening concerns about the industry's prospects amid rising prices, supply constraints and a tight labour market.

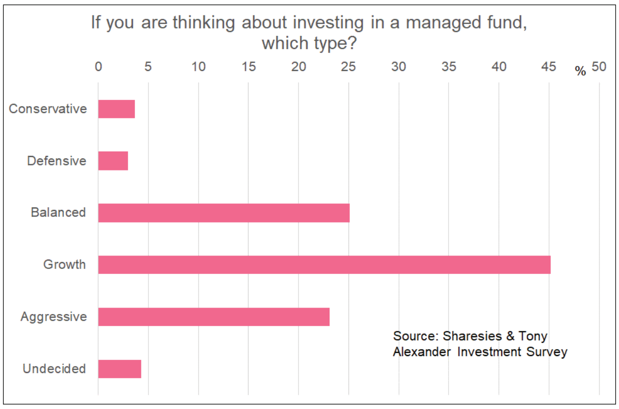


In contrast, demand for shares with exposure to residential property has jumped sharply, mirroring the rebound in plans to purchase residential property directly. Combined, this could signal a shift in sentiment towards the recently downtrodden housing market.

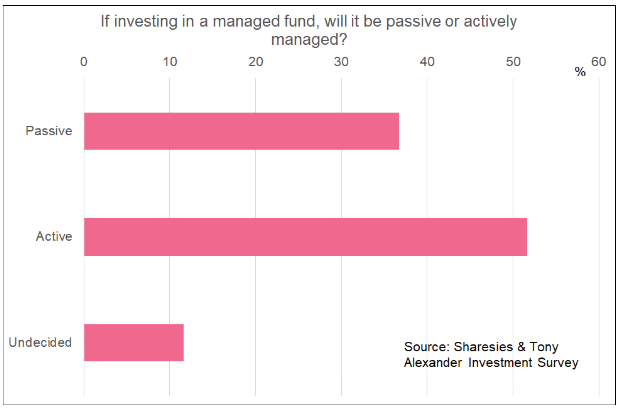
If you are thinking about investing in a managed fund, which type?

This month we have seen a small pullback in preference for growth or aggressively managed funds, though they remain significantly more popular than defensively-positioned funds.

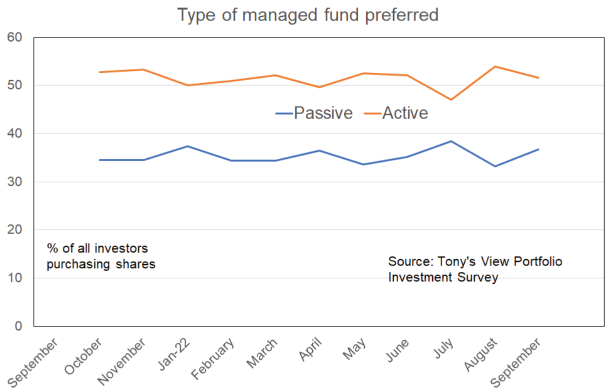




The proportion of investors who would opt for a passively managed (index-tracking) fund is around 37% compared to 52% of respondents who prefer actively managed funds.



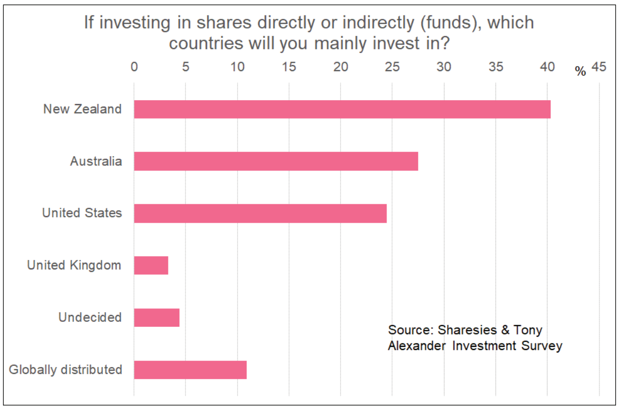
There has been no significant change in preference for either active or passive funds since the first survey almost a year ago.



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

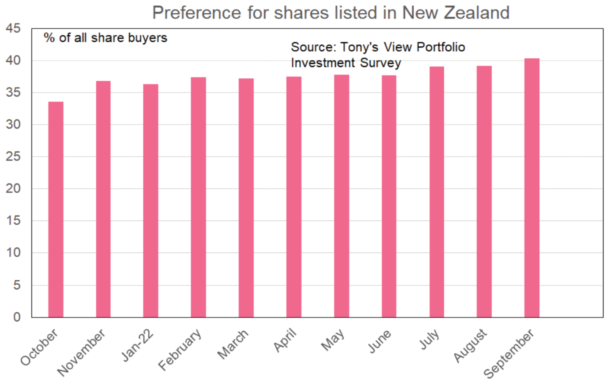
In case there should one day be a firm shift in people's view of New Zealand's long-term prospects, we seek insights into share purchase preferences by country.

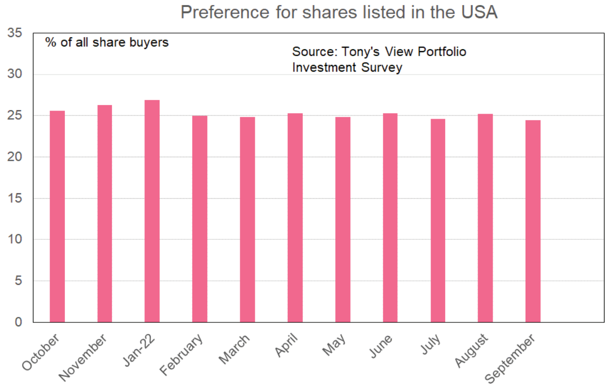
We Kiwis largely restrict ourselves to listed shares in New Zealand, Australia, and the United States.



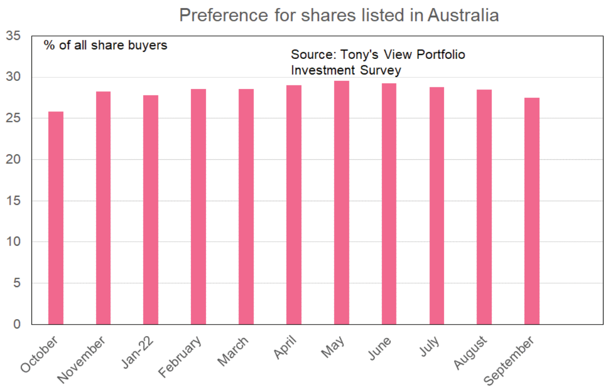
Respondents' preference for NZ-listed shares continues to edge higher. This could reflect the weak Kiwi dollar, which makes offshore assets relatively more expensive.

Sharesies





Respondents' preference for Australian-listed shares continues to drift downward slightly. This could also be due to the exchange rate effect.



However, there is no evident change in sentiment towards US-listed shares.

Respondents to the survey were distributed by age as follows.

< 30 years	2.8%
30 – 50 years	32.1%
51 – 65 years	42.3%
Over 65 years	22.8%

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

Less than $500k	21%
$500k - $2mn	38%
$2mn - $5mn	23%
Over $5mn	18%

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.

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