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Shares favoured over residential property

Welcome to the first set of results from a new monthly survey I have set up looking at the area of portfolio investment. Using this terminology rather than just “investment” makes it clear that we are looking not just at the residential property sector which has long been my focus, but other investment asset types as well.

These include shares, managed funds, commercial property, crypto assets, precious metals, and so on.

Last week I sent a survey to my 23,000 subscribers inviting people to respond to seven quick questions regarding their investment thoughts for the coming year. This first survey was experimental and based on invited feedback from respondents there will be some changes for next month’s survey.

As with my other surveys, best value will accrue over time as we track trends and gain an ability to challenge popular, yet often misconceived, views on things such as the immediate effectiveness of policy changes, and the motivations behind people’s actions.

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

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

A gross 88% of the 1,857 people who responded last week said they are thinking about investing more in the coming year. This seems quite a high reading in the context of the historical belief that Kiwis are not good savers or investors and spend most of what they earn. It tells us that a substantial portion of people do anticipate earnings at a high enough level to allow an increase in the quantity of funds set aside for future potential use.

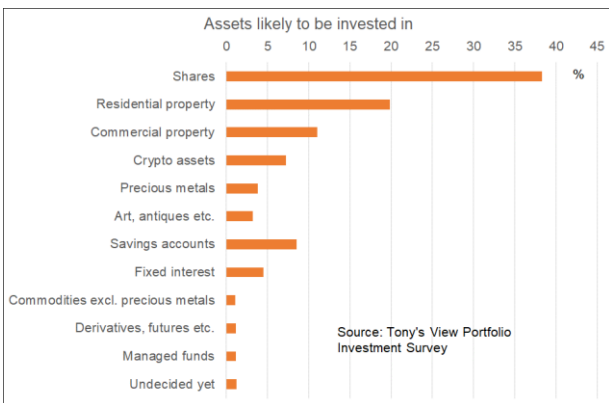
Over time we will be able to tell if this 88% reading is unusually high, low, or simply average. From the next survey I will ask about the broadly defined amounts of money people have in portfolio products. I will also have a breakdown by age.

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

Now we start to get into more interesting stuff. When asked which assets they are likely to buy, 38% of people intending to make an investment chose shares. Only just over half this proportion opted for residential property.

This breakdown may come as a surprise to many people given the popular belief that all Kiwis do is watch rugby, eat fish and chips, and buy each other's houses.

There is a substantial quantity of money which people intend allocating to shares. From the next survey we will gain insight into whether these share investors favour local or offshore equities, managed funds and the likes of ETFs, use an app. or advisor, and so on. Many thanks to the people who suggested seeking such information from the next survey.



11% of people reported that they will seek to invest in commercial property, and crypto assets such as NFTs and cryptocurrencies came in only just behind this proportion at 7%. Precious metals, such as gold, came in at 4%.

9% of people will "invest" in savings accounts. The next survey will include a broader range of asset options such as forestry, farmland, a business, start-ups etc.

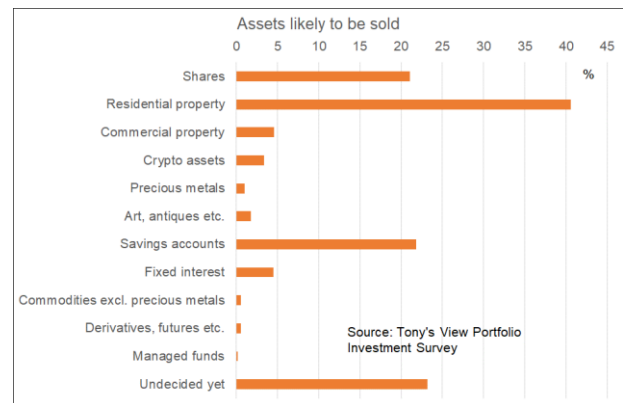
Are there any assets which you think you will sell to free up some cash?

There are some 1,600 people planning to invest more and just 120 or so people planning to sell some existing investments. Therefore, when looking at this next chart, do not blindly compare one percentage for selling with that for the same asset regarding buying and make any bold conclusions about buying and selling pressures. Note the high 23% of people thinking about selling an asset who are as yet Undecided. This

proportion is just 2% for those planning on making an asset purchase.

For those planning to sell some assets, 41% feel it will be residential property. This comes from some 390 people saying this, as compared with 660 or so saying they will invest more in residential property.

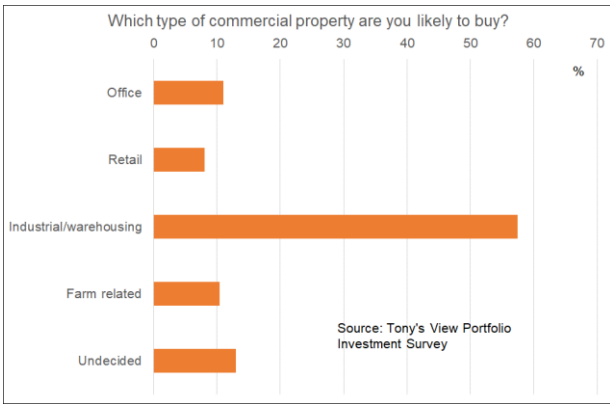
21% of people say they will sell some shares. This involves about 200 saying so as compared with almost 1,300 planning to buy more shares.



I will experiment with a clearer net purchase measure another time.

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

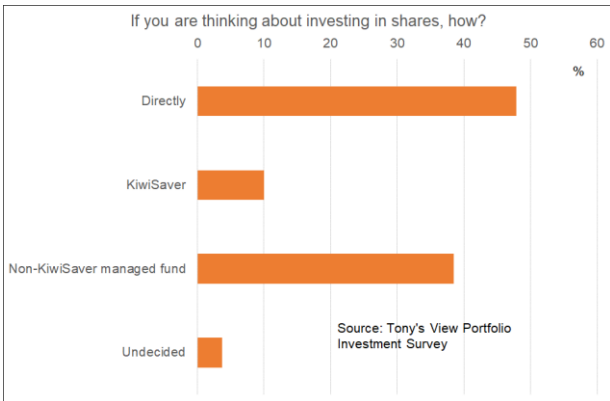
Of the 11% of people saying they are thinking about a commercial property investment, the overwhelming majority of 57% favour industrial/warehousing. Retail is the least preferred option – perhaps suggesting an absence of a desire for counter-cyclical investment at a time when the sector is very weak, or perhaps driven by a belief that permanent changes to online shopping make physical premises less valuable.



From next month this question will include the options of Hospitality, Accommodation, and Retirement.

If you are thinking about investing in shares, how?

For the 38% of people thinking about investing in shares, almost half plan to do so directly, 10% through their KiwiSaver fund, and 38% through a managed fund outside their KiwiSaver fund.



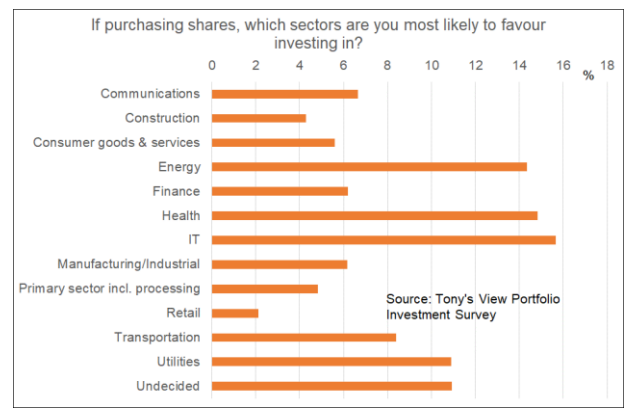
From the next survey we will ask whether people intend to purchase shares through an ETF (exchange traded fund), and whether they will use an app or go through an advisor.

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

When asked which sector of listed shares people intend purchasing, Information Technology, Health and Energy are the most targeted. As

with plans for purchasing commercial property, Retail is the least favoured sector. Construction is only slightly less favoured which is interesting considering the boom in construction activity which is underway.

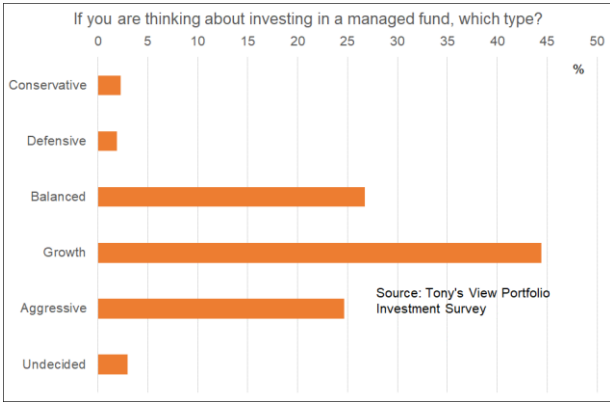
Either people are unwilling to ride that boom, or there are deep concerns regarding the impact of materials shortages, the effects of lockdowns, staff shortages, rising costs and whether these can be passed on. The sector is certainly one which is facing a great range of challenges. It is also one which tends to go through often extreme cycles of activity.



From next month the listed share options for commercial property, residential property, resources, and retirement operations will be added.

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

For the 48% of people planning to boost their investment in shares through a managed fund including KiwiSaver, 44% favour one oriented towards long-term growth. 27% favour a balanced fund and 24% one which adopts an aggressive stance of higher risk with potential for higher reward.



I read the low proportions favouring conservative and defensive funds as indicating people have few fears about the economic/corporate profit outlook over the next few years.

Next month we will ask whether people will opt for a passive fund or one which is actively managed. We will also ask whether investment will be targeted domestically or offshore.

Many thanks to the people who responded in this first Portfolio Investment Survey. I hope you find something useful from the results contained here. As already mentioned, there will be changes for the next monthly survey. I am sure many people will feel inclined to suggest further changes. However, there is a limit to how big one can

realistically make a survey and how useful some indicators are which do not change very much from month to month.

Nevertheless, feel free to send your suggestion if you like as each month from here on will contain at least one special extra question.

Remember, 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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