mortgages.co.nz

&

Tony Alexander

MORTGAGE ADVISERS SURVEY

April 2024

ISSN: 2744-5194

Buyers more cautious

Each month we invite mortgage advisers around the country to give insights into developments in the residential real estate market from their unique perspective. Our latest survey, undertaken this week, attracted 51 responses.

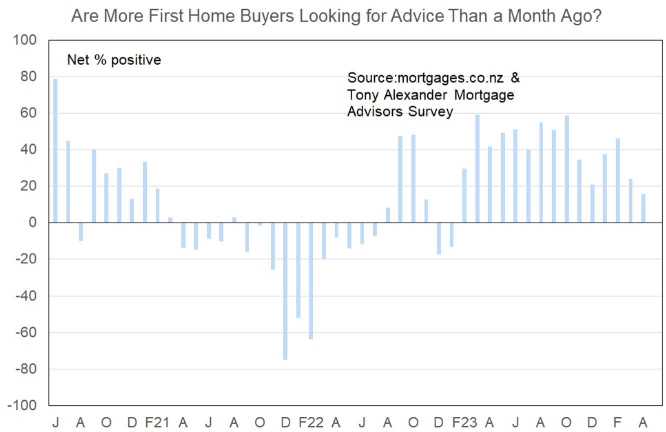
The main themes to come through from the statistical and anecdotal responses include these.

- Buyer interest in residential property remains but it has eased slightly recently.
- Bit by bit banks are slowly easing their lending criteria.
- Borrowers overwhelmingly only want to fix their interest rate for a period of one year or less.

COMPARED WITH A MONTH AGO, ARE YOU SEEING MORE OR FEWER FIRST HOME BUYERS LOOKING FOR MORTGAGE ADVICE?

A net 16% of the 51 mortgage brokers replying in this month's survey have said that they are seeing more first home buyers in the market. This is down from 24% last month and the weakest result since -13% of January 2023.

The result gels with measures in my other surveys showing that people are responding to their worsening expectations for the economy and new fears about income and employment by pulling back from earlier plans to purchase a property.



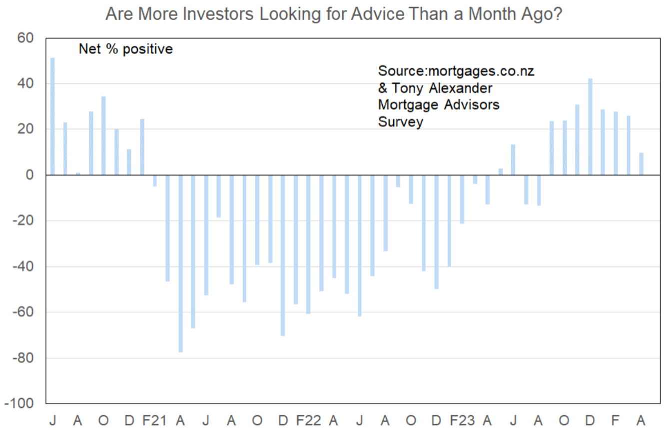
Comments on bank lending to first home buyers submitted by advisers include the following.

- Two banks are now offering 60-day preapprovals for main-bank first home buyers. Also reducing the amount of surplus income per month based on deposit (15% or more is more lenient with surplus income, as an example). Xxx bank have now introduced boarder income for low-deposit lending and First Home Loan products. This has been long awaited!
- No real changes but banks appear to have slightly more availability of funding in the low equity space.
- Some indications of nervousness by lenders around contractors & length of contracts.
- All the banks are looking at deals over 80% for their existing customers for preapprovals and also new to the bank, as long as it's a live deal. The UMI threshold is less than what it was 6 months ago.

COMPARED WITH A MONTH AGO, ARE YOU SEEING MORE OR FEWER INVESTORS LOOKING FOR MORTGAGE ADVICE?

A net 10% of mortgage advisors have said that they are seeing more investors looking for assistance. This is down from 26% in March and the peak of 42% in December and is the weakest result since -13% in August last year.

The investors are still in the market looking to purchase and many brokers have noted this in their written comments. But an air of caution prevails amidst rising costs of running a rental business.



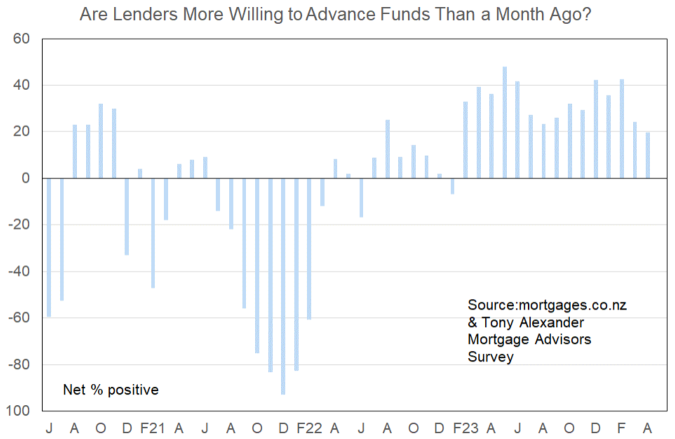
Comments made by advisers regarding bank lending to investors include the following.

- Some banks are no longer requiring we factor in insurance/rates costs.
- DTI calculations are being added to UI calculators, however not really flowing through to significant changes at this point.
- Not too much change here, but investors are definitely starting to come back with the promise of the return of interest deductibility.

COMPARED WITH A MONTH AGO, ARE YOU FINDING LENDERS MORE OR LESS WILLING TO ADVANCE FUNDS?

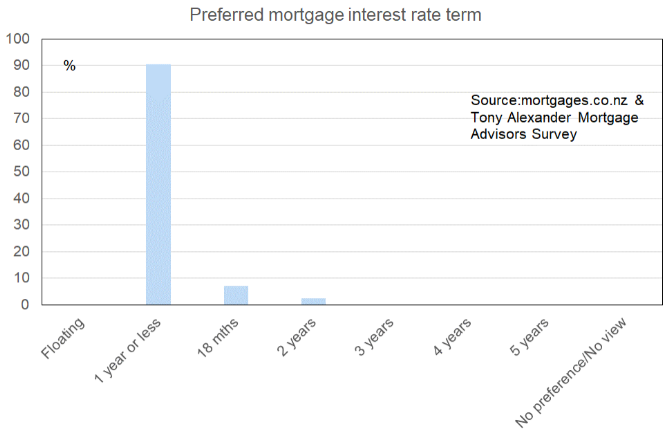
Many of the written comments supplied by brokers indicating easing lending criteria being applied by banks. This is reflected in the net 20% of brokers saying that banks are becoming more willing to advance funds.

This however is down from a peak of 43% in February indicating that as we head into Winter the pace with which banks are becoming more willing to advance funds has eased off to some degree. At least the direction of change is positive still for those looking to make a home purchase.

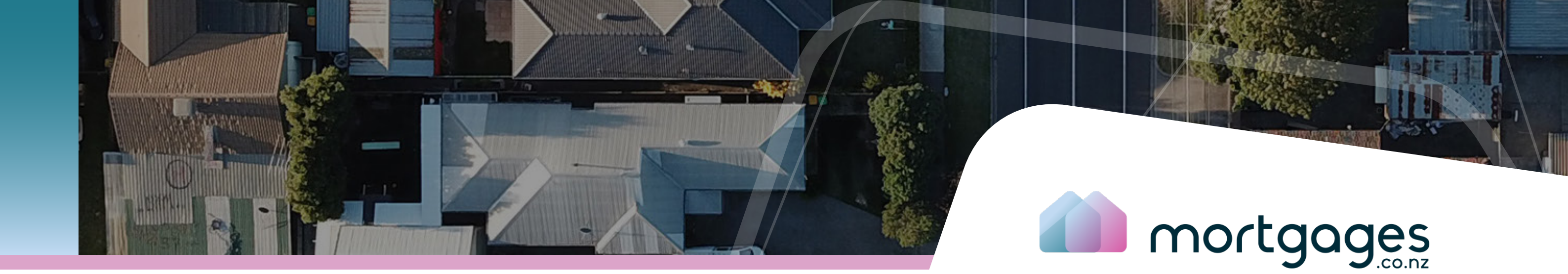


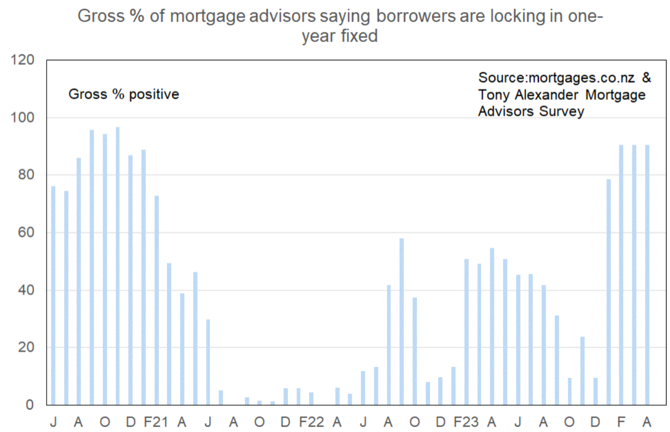
WHAT TIME PERIOD ARE MOST PEOPLE LOOKING AT FIXING THEIR INTEREST RATE?

It remains the case that almost all borrowers favour fixing their interest rate for a period shorter than two years. Most overwhelmingly favour fixing six months or one year only in expectation of monetary policy easing from late this year.

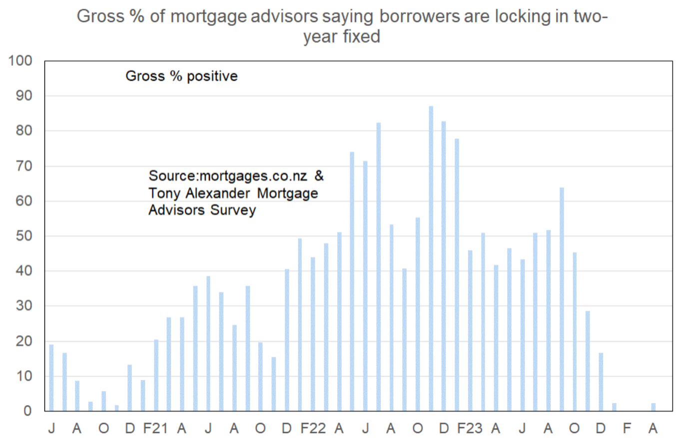


The desire to fix 6-12 months has been exceptionally strong since the start of this year.

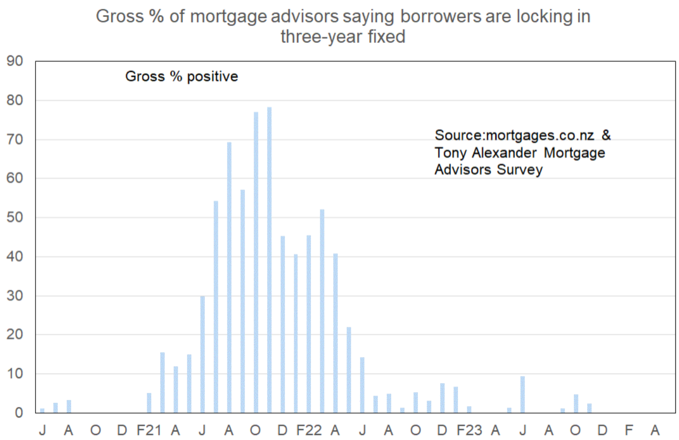




Almost no borrowers wish to fix two years.

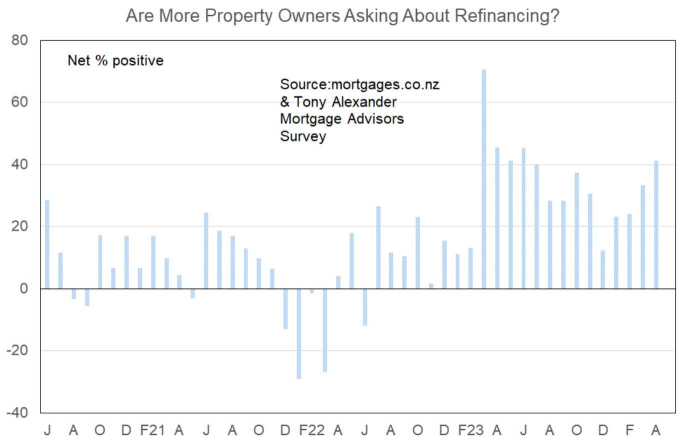


Fixing for three years is of interest to no-one.



ARE MORE PROPERTY OWNERS ASKING ABOUT REFINANCING?

For the fourth month in a row brokers have reported that they are seeing more people enquiring about refinancing their mortgage. The cost of living has increased sharply for those with mortgages over the past 2-3 years and cash flow considerations at a time of rising job loss worries are naturally leading people to seek cheaper funding. Whether they find it is another story, however.

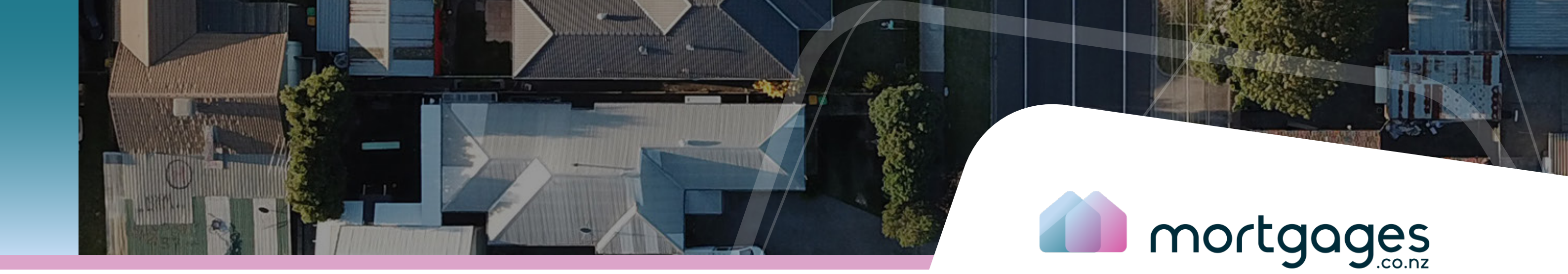


Mortgage Adviser's Comments

Following are the general comments which mortgage advisors volunteered in this month's survey, grouped by the region in which the advisor primarily works. These insights can be very useful for placing flesh around the bones of the numerical indicators.

AUCKLAND

- Its still a quiet market but those that are around are serious buyers. I had my first investor enquiry last week in a long time.
- Banks are implementing new policy around TDTI which is unlikely to impact servicing for some time but does mean collecting some additional evidence
- Noticing more owners seem to have run out of gas in terms of getting through the high rate



environment. I think many people thought a new government would have an instant impact.

- Have been looking for creative solutions for property investors to restructure into so they can put off selling decisions in the hopes of a stronger market.
- Large disparity between carded rates and specials with some banks, others stubbornly refusing to meet the market. More buyers in general coming to market now that there is ample supply and rates have begun to dip, even if only slightly.
- Buyers are doing their best to borrow the maximum they possibly can. Lenders are not yet trigger happy.
- Xxx bank is getting hungry for business after falling behind in market share over past 12 months. Turn around times blowing out for some lenders. Cash Contribution wars starting to heat up, and that's great for clients.
- Nonbank lending seems slower. Lots of applications but quality is marginal. Borrowers are paying a high premium for nonbank lending which buys them some time, whether that's ideal for the borrower or not is yet to be determined. Smaller developers' margins are being eaten up while awaiting sales to repay.
- Large changes in the housing market in a short space of time. i.e. agents came into the new year with high clearance rates at auctions and were anticipating a good sales year. We have since seen huge growth in listing numbers and reduced clearance rates in the space of 2 odd months - it is becoming increasingly difficult to shift this stock. Anecdotally we have noticed that the reasons for listing are largely around unaffordability due to high interest rates, also some packing up and moving to Australia. Buyers we have approved that were showing signs of being very motivated are now all of a sudden more relaxed and see opportunities and are opting to take their time with purchasing. Business clients in general are becoming very stressed, costs have gone up and revenue has decreased. In particular, clients who are sub trades to the construction industry are really having to hustle to find forward work and also are very nervous about late payers. Aged debtors/creditors are not looking pretty for a lot of these.
- The market is currently uneasy it would seem. It is starting to feel like a wait-and-see approach is being taken which may be as a result of the current economic conditions and fears.
- Noticeable softening in the property market since the 'R' word got a lot of media attention. I think will flow through into flat or lower selling prices. Borrowers with fixed-rate loans rolling over are experiencing pain, and cutting back on spending to cope. If things are tough now, they'll be tougher as each month passes - until the RBNZ loosens the torture equipment imposed on homeowners. Wellington has the potential to be a dark spot with confidence being hit by government downsizing. Conversely, savers - particularly retirees - aren't really loosening the purse strings.
- Clients are taking much longer to commit to a property general speaking, there are some who are just ready to go. If they need to sell their existing property also, they often find a property to buy fairly easily, but then can't sell theirs, or at least not for as much as they want/need to complete the new purchase and in the required timeframe. It's a vicious cycle. Currently running lots of numbers and scenarios then big delays from the client when it comes time to take action. Refinances are fairly quick and easy. Hardly any serious investor applications, mostly just running scenarios which is fair considering the cost of finance vs rental income, there's a fairly big gap that the clients need to fill to cover the additional lending. Getting a lot of new enquiries coming in but then it's really hard to get in touch with them, there's no urgency at all.

WAIKATO

- Defintiely an increase in enquiry from clients looking to upgrade to their second home.
- First homeowners are able to be very firm with offers, lots of listings, plenty of choice, first homeowners are happy to leave main centres to get better value but still be close to work.

BAY OF PLENTY

- Still plenty happening
- Tweaks being made to policy around DTI across the board with the Banks, no significant changes

at this point however general feel is they're still working through things

- Buyer's market. Sellers have not realised they need to make a concession on price and buyers are not prepared to pay higher prices. Potential job losses are stopping people from buying.
- FHB are back in the market but are very cautious as to how much they are spending. Lots of customers are enquiring about refinance hoping to get a better interest rate and cash back.

WELLINGTON

- The FHB's I'm working with seem to be active - not just making enquiries, actually progressing to making offers and securing properties. They know if they can afford now, they are going to be in a good position going forward. Also keen to get in before the market ramps up again. Bank turnarounds seem to be on the up again as in taking longer. Still quiet with investors' enquiries. Might change with the new tax year now in play and the changes.
- Quieter in Wellington with concern over employment situations.
- Contractors who previously walked from one contract to another now not able to do this.
- Buyers have the ability to take their time when considering a house and with high number of listings vendors are expected to be more negotiable on their price if they want a sale.
- Strange market currently with a liquorice all sorts of client requests. Enquiry is mixed, some weeks are strong others are weak. I do wonder if Wellington will stand out as a region where nothing happens like it did in early 2010s with no change while the rest of the economy starts to fire back up again when interest rates drop.
- Buyers are not in a hurry to make up their minds - real estate agents will be tearing their hair out! There are plenty of properties to choose from.
- Banks have been taking longer since the Easter break and are a little picky on applications. One bank's business assessors don't seem to know what they are doing and are taking ages and ages with their assessments.
- Two major bank's rate offerings are out of sync with the other two main banks.

NELSON/TASMAN/MARLBOROUGH

- No changes and the market is slow, test rates remain the same, servicing a challenge for most. Buyers not motivated to commit and make things happen. Property sales volumes low.

CANTERBURY

- More investors becoming active. The market seems to be factoring in interest rate decreases in the near future. Lots of restructures happening in the employment market, some uncertainty there for first home buyers.
- A lot more enquiry for healthy-home top ups. 0% at one lender, 1% at many lenders. Solar panels, insulation and electric vehicles being the most common.
- A definite drop off in new enquiry for mortgages across the board of buyer types - loss of confidence still from ANZ rate increase media coverage a few weeks ago maybe, recessions and doom & gloom job losses - hard to say but a noticeable slow down appears to be starting.
- Lenders seem to be trying to make deals happen, Kainga Ora on the other hand seem to be toughening up, whereas before if lender approved then so did Kainga Ora
- The biggest hurdle still seems to be affordability, with test rates at 9% still. Banks are looking at the DTI ratios, but these tests are just for information only at this point, and do not affect approval or assessments.
- A lot of enquiry for top-ups and refinance to get cash back and better rates. Clients very interested in one bank's free refinance service. Also a lot of requests for advice on refixes.

ISSN: 2744-5194

This publication is written by Tony Alexander, independent economist.
Subscribe here https://forms.gle/qW9avCbaSiKcTnBQA
To enquire about having me in as a speaker or for a webinar contact me at tony@tonyalexander.nz
Back issues at www.tonyalexander.nz

Tony's Aim
To help Kiwis make better decisions for their businesses, investments, home purchases, and people by writing about the economy in an easy to understand manner.

Feel free to pass on to friends and clients wanting independent economic commentary.