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Tony Alexander

MORTGAGE ADVISERS SURVEY April 2025

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Caution returns to the mortgage market

Each month we invite mortgage advisors around the country to give insights into developments in the residential real estate market from their unique perspective. Our latest survey has attracted 52 responses.

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

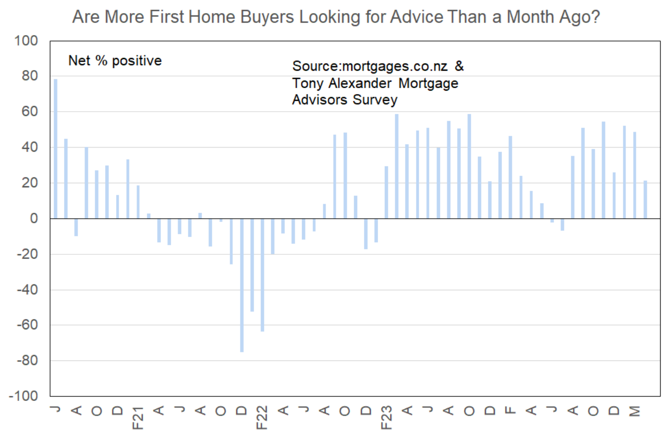
- Bank turnaround times for credit applications have blown out further.
- More buyer caution is appearing amidst global uncertainties.
- Borrowers overwhelmingly favour fixing two years now.

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

The net proportion of mortgage advisors saying that they are seeing more first home buyers in the market has decreased this past month from a strong 49% to 21%.

As the graph shows, this is the lowest reading since early-July last year just before the Reserve Bank acknowledged weakness in the economy and signalled their intention to cut interest rates.

The fact that more advisors are saying they are seeing first home buyers is reflected in their comments which mainly indicate good loan demand. But those comments also indicate a rise in concerns about things such as the international economic environment. For the moment, it looks like strength in the market is on a waning trend.



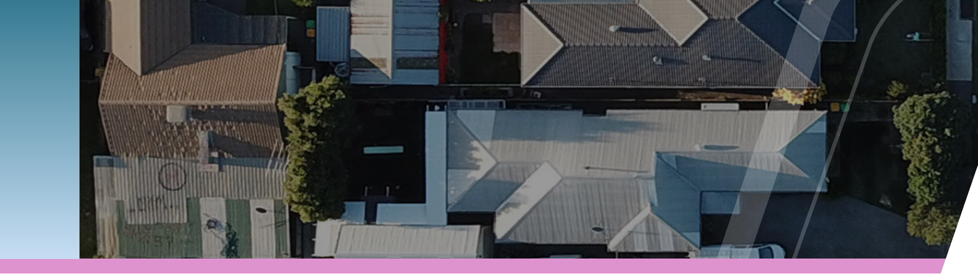
Comments on bank lending to first home buyers submitted by advisors include the following.

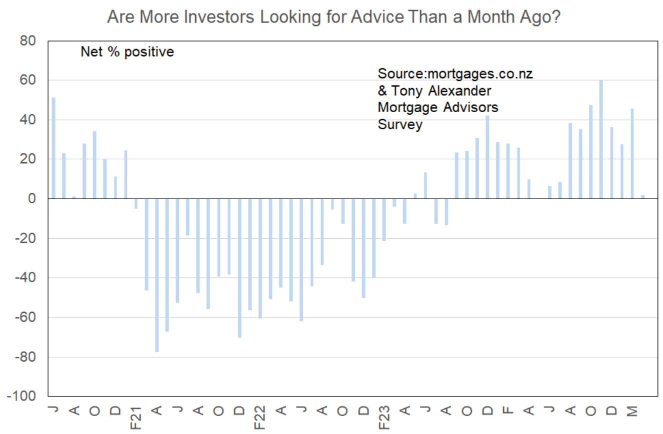
- Properties that previously might have not been taken as security are starting to be accepted.
- Lower test rates, Low Equity Premiums being removed - helping get the numbers up.
- It’s getting easier but turn around times are still the biggest bug bear. Some banks now allow us to use two boarder income for high LVR which is a big change from not allowing any not that long ago and boarders can make all the difference.

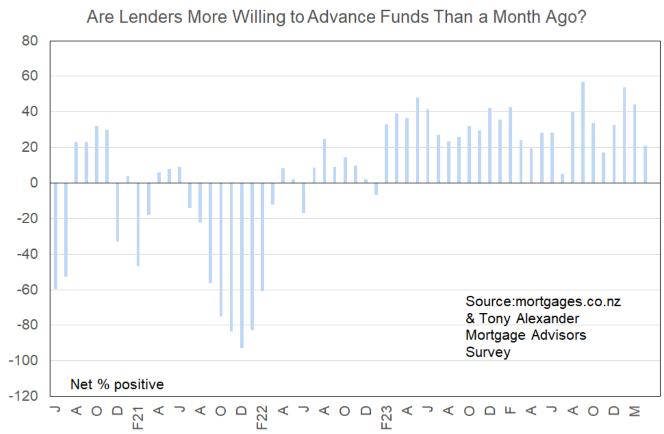
COMPARED WITH A MONTH AGO, ARE YOU SEEING MORE OR FEWER INVESTORS LOOKING FOR MORTGAGE ADVICE?

Only a net 2% of advisors this month have said that they are seeing more investors in the market. Barring the 0% reading of May last year this is the weakest result since −13% in August 2023.

Overall we can say that investor demand has generally looked more tentative than that from other buyers following the easing of monetary policy in August last year. That tentativeness is now manifesting itself in a preparedness of many to step back from the market as they assess what is happening internationally and where interest rates might be headed.







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

- Test rates are dropping, and easing of criteria i.e. rates and insurance no longer being double counted.
- Policy is shifting a little, which allows for more clients to qualify for lending in this arena.
- One major bank has opened up approvals for investors to 90% LVR for newbuilds. A non-bank lender now welcomes applications for investors 90% LVR for newbuild or existing properties

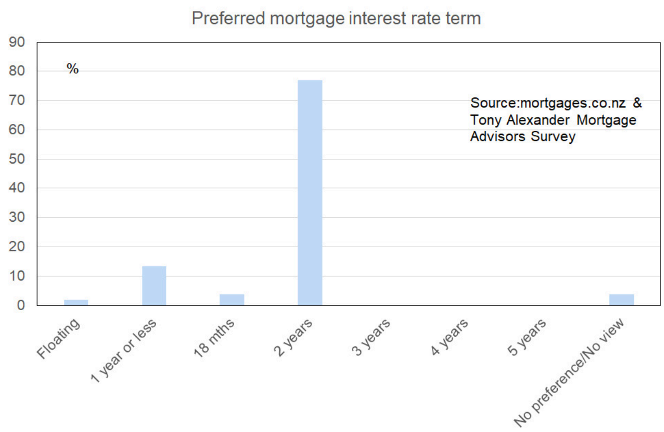
COMPARED WITH A MONTH AGO, ARE YOU FINDING LENDERS MORE OR LESS WILLING TO ADVANCE FUNDS?

A net 21% of mortgage advisors have this month reported that they see banks as more willing to lend than before. This positive result continues a trend of improving credit availability since February 2023.

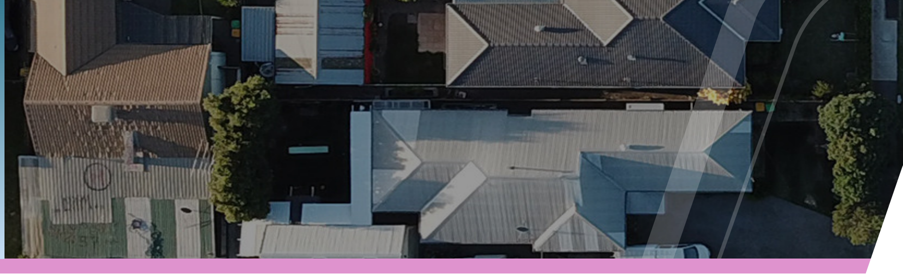
The ironic and troubling thing however is that at the same time banks are opening their doors to more lending, the time taken to process loan applications is blowing out. Many brokers have expressed deep frustration at this development which seems to be the result of a combination of lack of bank resources and a strategy to drive borrowers towards accessing lenders directly rather than through brokers.

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

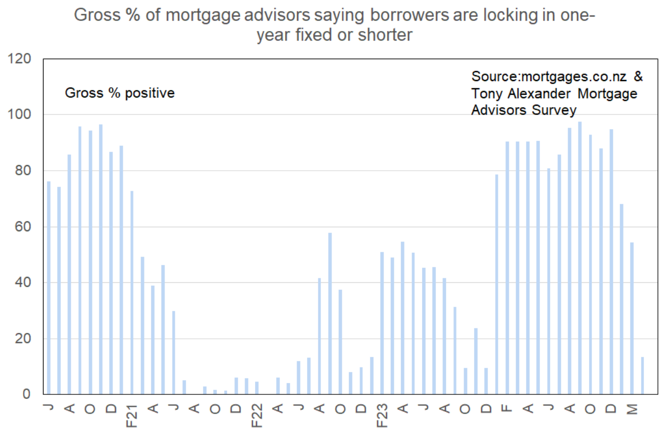
Two months ago only 4% of mortgage brokers said that borrowers preferred the two year fixed rate term over all others. Now, 77% say that term is the most highly favoured, as seen in the following graph.



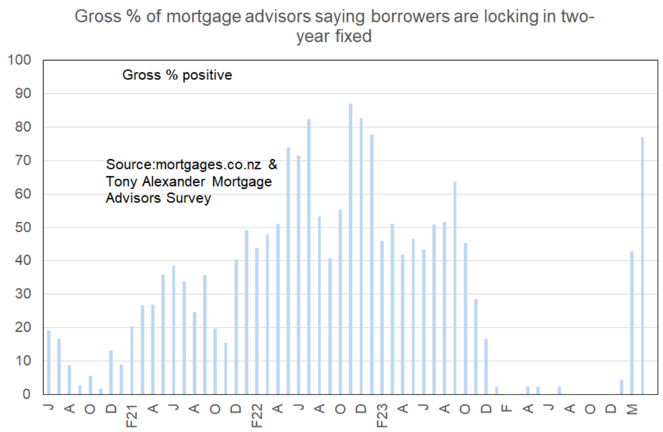
This development likely reflects the appearance of 4.99% two year fixed rates.



This graph shows the rapid decline in borrower preference for fixing one year or less recently.

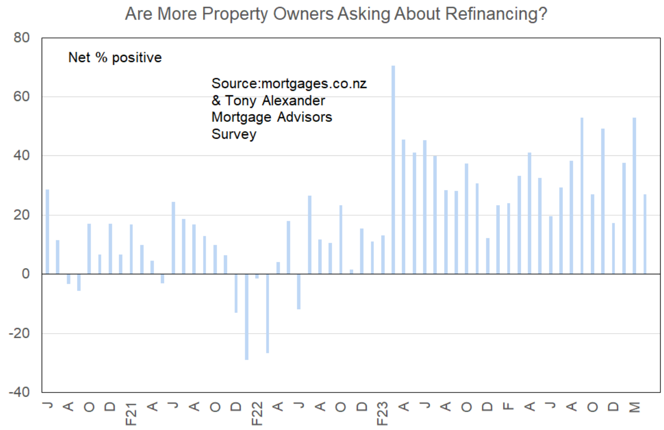


The preference for fixing two years has soared.



ARE MORE PROPERTY OWNERS ASKING ABOUT REFINANCING?

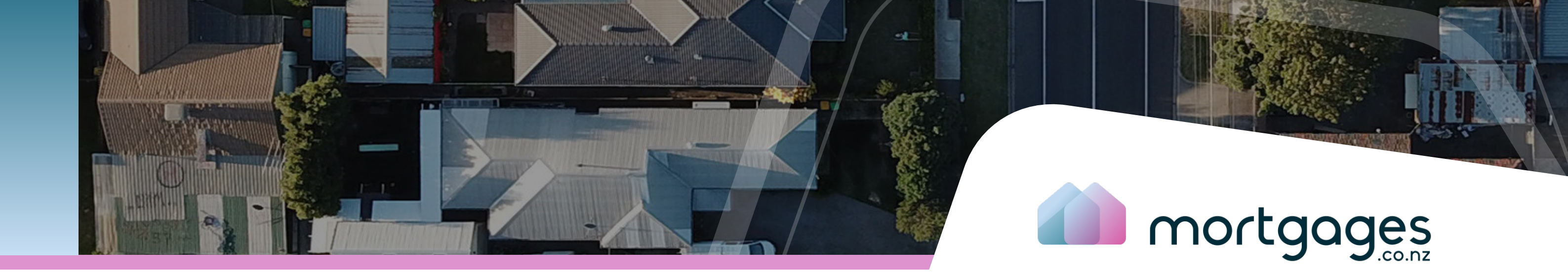
A still relatively firm net 27% of mortgage advisors say that they are receiving more requests from clients for mortgage refinancing. This reading is down from 53% last month, but as the graph shows this gauge can be quite volatile and we cannot say yet that refinancing demand is falling back to the weak levels of 2021-22.



Mortgage Advisors' Comments

Following are some of the general comments which mortgage advisors volunteered in this month's survey. Enjoy.

- Enquiry seems to have halted, despite really good buying conditions. Something needs to give but it doesn't appear vendors are the ones that will reduce prices. Business owners in certain sectors are very much hurting.
- Overall the market is so much better then 6 months ago. Heaps of houses for sale. Heaps of buyers out there. Banks easing criteria and keen to lend. Interest rates dropping. I'm expecting my biggest year ever come end of FY 2026 - Very optimistic.
- Some lenders (one in particular) are looking like they are preferring a direct relationship with existing clients for lending. Buyers are still few and far between - good houses that are well priced sell - buyers definitely looking for discount on the listed price . No interest in building unless owner builder. Lots of re-finance due to relationship break ups. Lenders' turn around times are exceptionally long - told it's because of volume and ability to retain and hire staff.
- Generally small but positive tweaks to bank policies are ongoing. Increasing new build and investment inquiry.
- Good cash contributions from some lenders at present, lending servicing rate being lowered is allowing more to obtain lending. Buyers are very picky at present with so much stock on the market.



- The market is still slow, but definitely recovering with more inquiry underway
- Timeframes with lenders for assessing are back to pre-Christmas with most lenders taking 10-15 days. Pricing and loan docs with some lenders are taking over a week - makes it really hard when the time frame from unconditional and settlement is two weeks or less.
- Job market and global uncertainty causing people to put their property plans on hold. No faith that the banks will make future cuts to the fixed rates so fixing for 2 years at 4.99%.
- One bank lifted boarder income maximum from $200 to $300 per week. I am seeing more clients wanting top ups to buy cars, take advantage of the Energy loans at the banks and to do projects around the home. SLA for the banks is back out to horrendous waits for clients.
- Activity on people seeking guidance and advice on refixing is way up. Activity across the board refinance new buyers first home buyers and investors noticeably has fallen way down last 4-6 weeks
- Wellington is very very quiet.
- Had a lot of preapproved clients finally putting in offers and getting properties under contract in March.
- One bank’s test rate reduced to 7.10%. Some banks made changes to benchmark expenses. Buyers are under no pressure to make decisions and are taking their time to do anything.
- Bank turnaround times are extremely slow.
- With much hype on the OCR reducing and the market becoming 'hot', whilst leads are steady, we are still not seeing a huge demand for our services compared with a few months ago
- Seeing more stock available but no immediate increase in expectation on sale prices. Still flat.

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This publication is written by Tony Alexander, independent economist.
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