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MORTGAGE ADVISERS SURVEY

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Buyers return

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 65 responses.

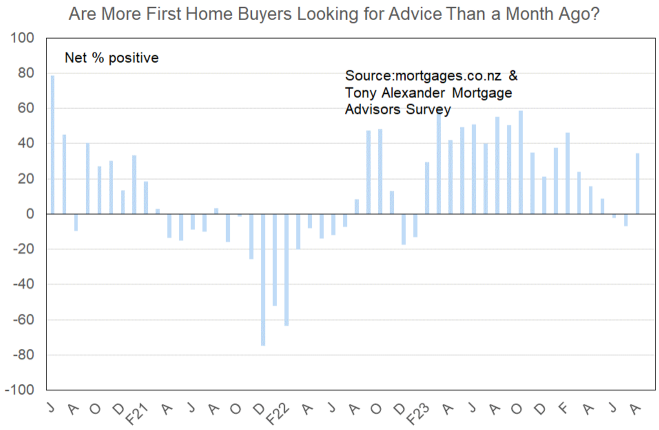
The main themes to come through from the statistical and anecdotal responses include these.

- Buyers are returning to the residential real estate market with both investors and first home purchasers increasingly evident.
- Banks are firmly perceived as being more willing to lend funds, but processing times have blown out.
- The widespread community anticipation of lower mortgage rates has driven borrowers almost exclusively to fixing one year or less – mainly six months.

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

A net 35% of mortgage brokers this month have reported that they are seeing more first home buyers in the market. This is a strong turnaround from the net 7% who early in July said that they were seeing fewer first time purchasers.

The change in sentiment about interest rates appears to be the driving factor behind this turnaround.



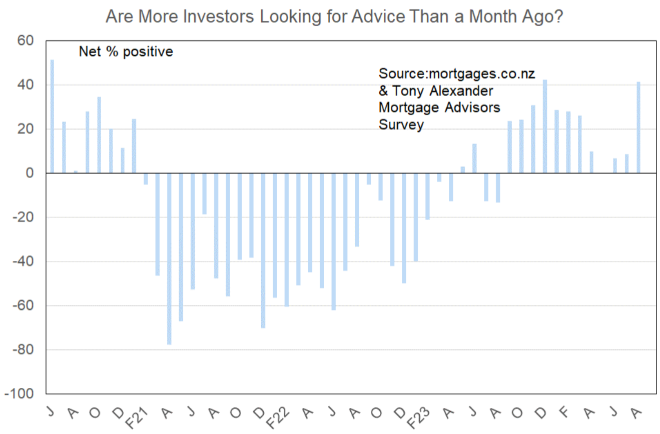
Comments on bank lending to first home buyers submitted by advisers include the following.

- Seem to have sprung to life with a view prices are at low point, a number of Pre-approved clients now signing S&P agreements.
- Lowered UMI minimums across several banks which is assisting first home buyers lend a little more.
- No real impact with DTIs yet.
- Pretty tough on poor account conduct, the cost of living increasing has meant a few aren't managing things as well or had their hours reduced earlier this year
- Just as long as the FHB's have a 20% deposit and can afford the lending under the new DTI rule, then all of the Banks are lending quire easily.

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

A net 38% of brokers this month have said that they are seeing more investors in the market. This is a gain from just a net 9% last month seeing more investors and the strongest result since December last year.

Factors contributing to the change appear to be the interest expense tax deductibility and brightline test changes, along with hopes for lower mortgage rates. However, brokers still note that for many investors are few and far between and numbers still don't stack up in favour of a purchase in many instances.



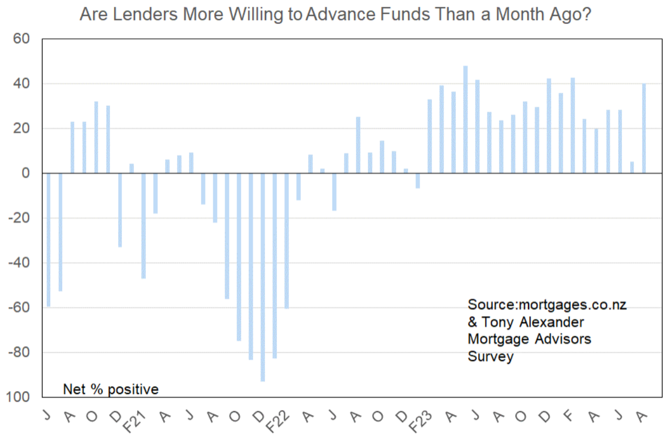
Comments made by advisers regarding bank lending to investors include the following.

- Most still double counting rates/insurance as well as discounting rental income making affordability tough to meet.
- Slow changes on CCCFA
- DTI influencing this space with some not able to get approvals due to this restriction. Actually makes our lives somewhat easier as we can have initial assessments based on this and either rule in or out progressing an application
- Removal of rates and home insurance for most lenders now, which has vastly improved affordability. Still a couple including these, that will hopefully change over the coming weeks as they are now out of market for property investors.

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

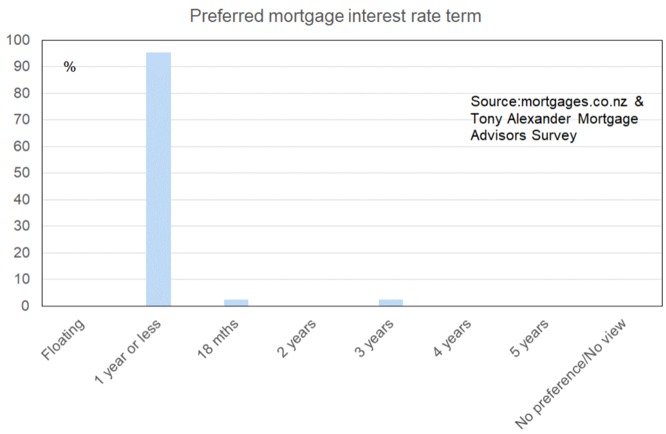
A net 40% of brokers this month have reported that in their opinion banks have become more willing to lend funds. This is a change from the unusually low net 5% feeling this way in July.

As was the case last month, a number of brokers stressed that processing times for applications have blown out.



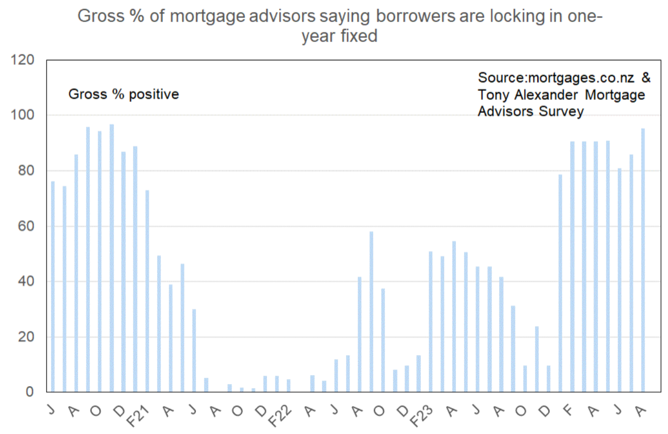
WHAT TIME PERIOD ARE MOST PEOPLE LOOKING AT FIXING THEIR INTEREST RATE?

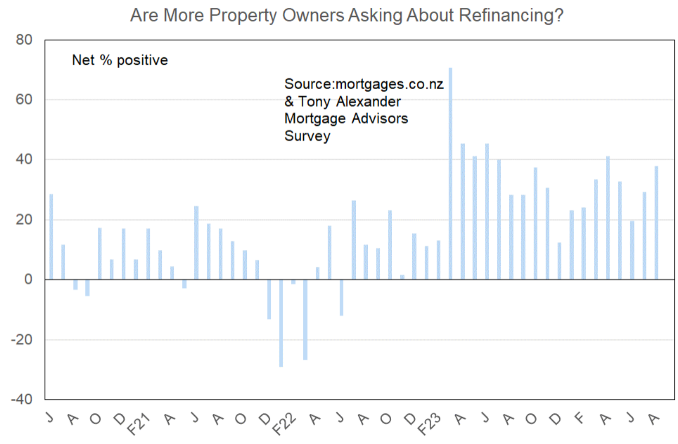
A gross 95% of mortgage advisors have reported that customers want to fix for one year or less.

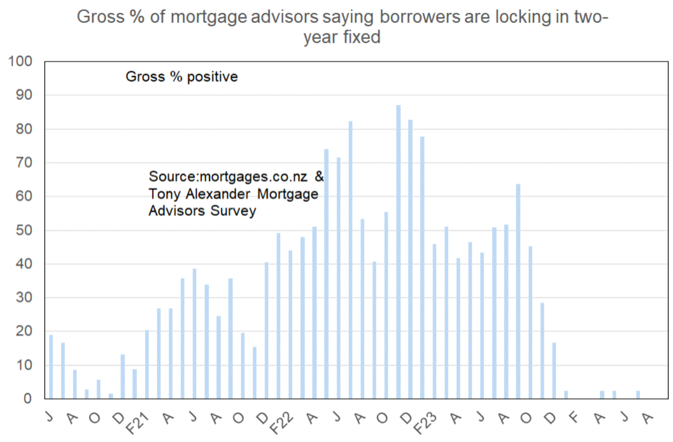


This is the highest such level since November 2020 when 97% of brokers said people wanted to only fix short. But back then the motivating factor was the level of the one year fixed rate near 2.29%. This time it is not the common 6.85% one year fixed rate which is attracting people but the very strong expectation that interest rates will fall firmly over the coming year.

In other words, people only look forward to where rates are likely to go when they are high and set to fall, not low and set to rise.







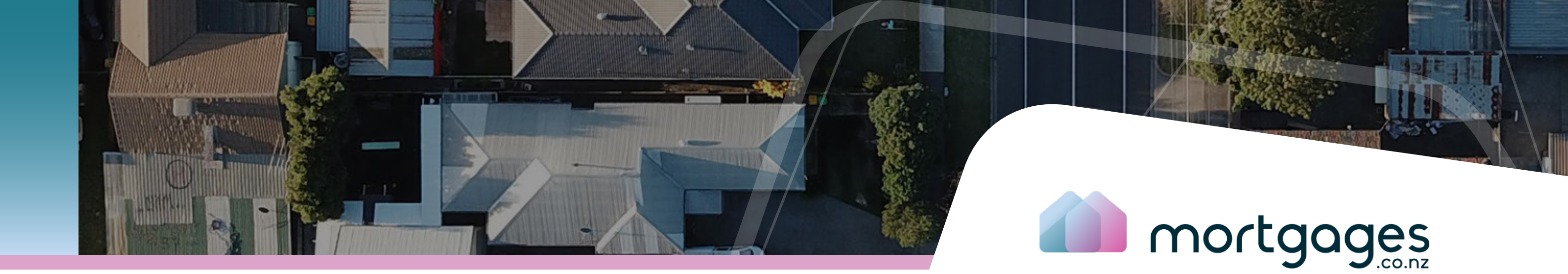
ARE MORE PROPERTY OWNERS ASKING ABOUT REFINANCING?

A net 38% of mortgage advisors in this month's survey have said that they are observing more property owners making refinancing enquiries. Given the widespread expectation that interest rates will fall this jump from a net 29% last month is more likely to reflect plans to sell rather than a search for a cheap rate in high rate times.

Mortgage Adviser's Comments

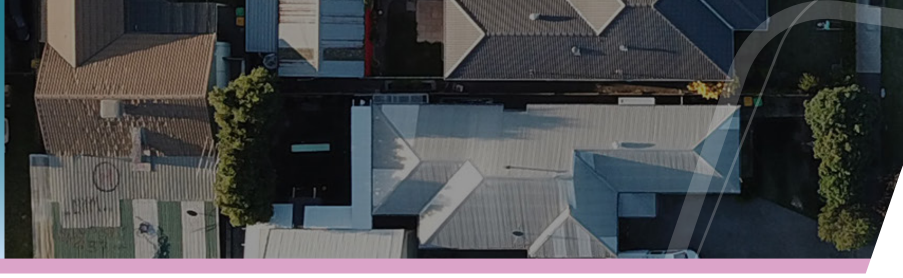
Following are the general comments which mortgage advisors volunteered in this month's survey. Enjoy.

- Enquiry and activity have seen huge growth in last 4 weeks
- A notable slowdown in new enquiry coming through over July - odd given clearly looking like now is the best time to buy with rate relief imminent and likely to push up house prices at least a little.
- Spring fever is starting
- Most people are wanting to fix for 6 months. Interest rates seem to be dropping each week over the last two weeks. New enquiries are increasing.
- Banks lowering test rates. Less scrutiny on living expenses. More flexibility to try and make an application work. Very slow turn arounds but they might be getting a little better with some lenders.
- First home buyers are out in bigger numbers than the previous months. Investors are beginning to make basic enquiries but are put off when the rental returns don't add up. Main banks still offering 0.9% cash contribution while the smaller banks are offering 1% cash contribution.
- Rates coming down, Test rates coming down. Banks making things easier with changes to



CCCFA. Still lots of houses on the market, and buyers not showing any FOMO at this stage.

- There is no change to banks' willingness to lend money. If the deal stacks up with their high debt servicing thresholds (High test rates) then it will be supported. The positive is that fixed interest rates are slowly coming down. One or two banks have reduced their test rates slightly. Not enough to make any material difference but it is at least heading in the right direction which will eventually bring more borrowers back into the market. There appears to be a few more people starting to sell and buy again. They put plans to upgrade or downsize on hold while interest rates climbed but some are thinking it is a good time to buy even if they do not get top dollar for the house they are selling. The change over difference is roughly the same but the competition on the properties they want to buy is quite low, so some people are going forward with plans they had previously put on hold. There is a bit more enquiry from first home buyers and investors as well. My clients all want the best possible interest rate deal at refix time and they are prepared to move banks to achieve this. So refinance applications are also up.
- Plenty more enquiry from buyers looking to do all sorts of things, appetite is back, and quality has also improved, takes time to see this flow to transactions given slow credit applications and a lot of conditional sale pending. Bullish outlook.
- It seems to be the story of the up-sizers at the moment - a huge number of deals subject to sale and increased requests for bridging finance to get purchasers across the line. First home buyers still very active, but I have seen less enquiry from this group in the last month
- Application turnaround times at all banks are still dismal.
- Lending standards continue to loosen. Debt servicing test rates have started to decrease. The adviser units in banks remain under resourced and take much longer to decision adviser originated loan applications compared to direct channels (branch / mobile lending managers), an ongoing point of frustration.
- Banks appear under resourced with time frames still 10 days + for an approval.
- In general banks are slow to react, and remain unsure about what they need to do to comply with new legislation. Seem to have massively cut their staffing and turn around times are abysmal. xxx very anti adviser by shutting down pre-approvals, trying instead to get customers to go direct to branch.
- Not as much multiple offer situations and good bargains still to be found.
- xxx has dropped the test rate. Wait time for approvals with banks are still 10-13 working days. Real Estate agents are not giving enough time to customers for pre-approval putting a lot of pressure on MA's and Banks
- I feel banks have relaxed on account conduct and poor credit scores, they will accept excuses
- General increase in lending enquiries off the back of interest rate decreases and improved media reporting. I foresee this flowing through to more property transactions and a return to a steadier property market
- Still stall in market till interest rates drop need get below 6%
- Seeing a continued uplift in enquiry for refinance and purchasing. First Home Buyers with lower budgets are having to make a number of offers before being successful.
- A little bit more optimism with the prospect of lower rates and better serviceability ahead.
- I think the period from the election to May was about the hardest it's been since I started 9 years ago with very patchy demand from buyers in the Wellington region. I was probably 50% down on revenue. It's picked up since April and am having to become more aggressive with marketing to grow things back. I would say that period was tougher than covid and that uncertainty
- FHB jumping into the market. Upper end is very slow though. Great time to be upgrading for people who bought a few years ago.
- People are waiting for the interest rate drop
- Bank turn around time is very poor. Then they advise 24 hour response at branch.
- I am as busy as I was late 2020 - it has gone mad! People are buying houses; investors are back in the game and customers are looking to pick up cash incentives on refinances.
- More enquiry for buying first investments property - due to tax changes and interest deductibility, with 2 year brightline test, reducing mortgage interest rates and house prices stable.



Trying to get ahead of the Spring movement, I guess. Refinancing - clients can get a cash contribution to help with the increase in the interest rates on refix (subject to meeting servicing criteria). FHB - most are still needing parental support, with lending over >80%.

- More positivity in the market that rates will reduce quicker than predicted. Increase in people considering purchasing an investment property.
- Definitely more enquiry from buyers keen to make a move into the market in the last week or so - finally!
- CCCFA is filtering away, Banks taking a more common seance approach to affordability

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