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MORTGAGE ADVISERS SURVEY

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Quiet mortgage market conditions

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 63 responses.

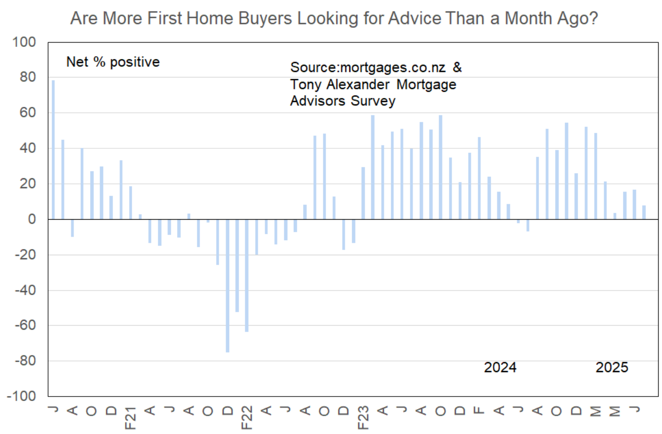
The main themes to come through from the statistical and anecdotal responses include the following.

- Brokers continue to report slow bank processing times and concerns that banks are outright favouring direct to bank clients over those brought to them by the broker channel.
- There remain both investors and first home buyers in the market. But levels of interest are not necessarily strong.
- Banks are competing for business with cashback offers and still some slight tweaking of lending criteria here and there.

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

The fresh surge in first home buyer activity in the real estate market which happened in the second half of last year reached somewhat of a plateau from the June quarter of this year.

But still a net 8% of brokers responding in our survey report that they are seeing more young buyers in the marketplace.



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

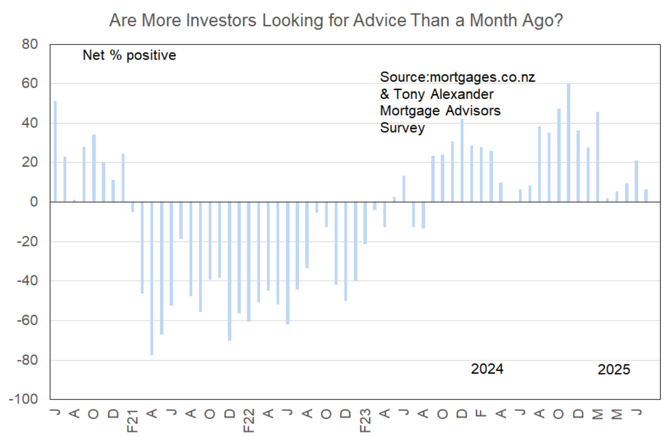
- Status quo, with very minor tweaks to policy settings, and just longer wait times.
- Lack of preapprovals above 80% are still restricting FHB confidence to put in offers on properties. Bank turnaround times are the other restricting factor
- Requirements for servicing surplus recently reduced by some banks.
- Not much change in the banks' policies. Some lenders are being able to use two boarders for clients with less than 20% deposit, this gives a slightly higher approval amount. The amount of loan being approved by the banks is not much of the issue, the issue is buyers have too much choice at the moment and that is making them take a longer time in finalising their decisions.

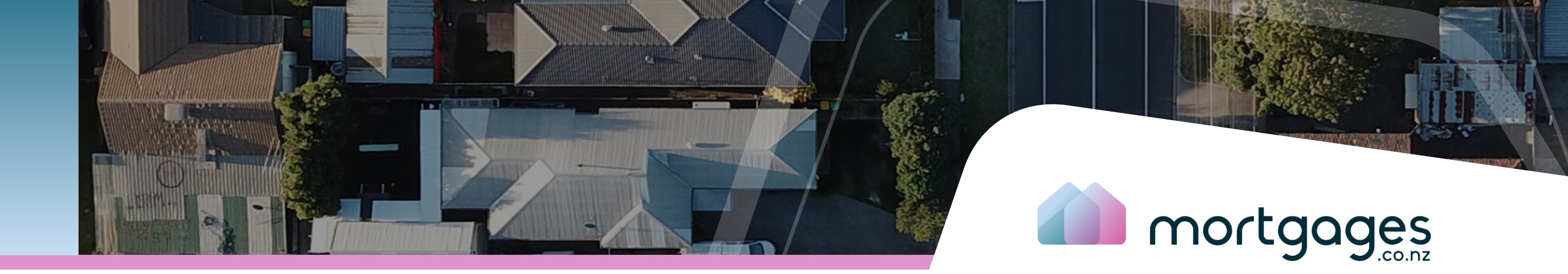
COMPARED WITH A MONTH AGO, ARE YOU SEEING MORE OR FEWER INVESTORS LOOKING FOR MORTGAGE ADVICE?

Only a small net 6% of brokers say that they are receiving more enquiries from investors looking to make a property purchase.

On two occasions since early-2023 investors have stepped forward showing purchasing interest, and two times this interest has quickly faded. A third upturn does not appear at hand.

Having said that, brokers have noted some improvement in bank willingness to lend to investors.





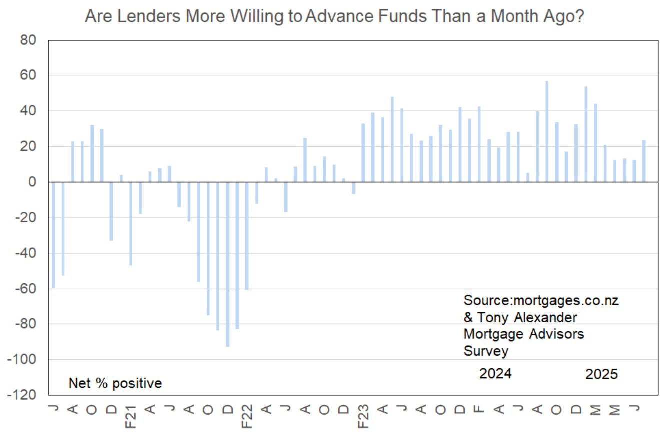
Comments made by advisors regarding bank lending to investors include the following.

- Harder on expenses shown by the clients. More drilling on expenses is done now.
- Some banks are introducing a 10 year interest only period and those that aren't are losing business with investors financing elsewhere.
- Competitive in the cash contribution market
- They are a little more willing to take gross rental income rather than trolling through financial accounts if equity is good on their portfolio or at least the properties offered as security
- Investors can purchase brand new property with less than 20% deposit and some of the brand new properties have come down a lot in their asking prices, making it attractive to purchase for investment. The yield on them is getting better especially the two bedroom ones. From the banks' point of view, it is good as they can lend to investors. Getting more approval done for the investors now as opposed to 6 months ago.

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

There has been a lift this month in the net proportion of brokers saying that lenders seem more willing to advance funds – to 24% from 13% in each of May, June and July.

As noted here previously, the period of extreme unwillingness or inability of banks to lend finished in the middle of 2022. The next change after that was a lift in credit availability early in 2023. That is the time when first home buyers came to dominate the market.

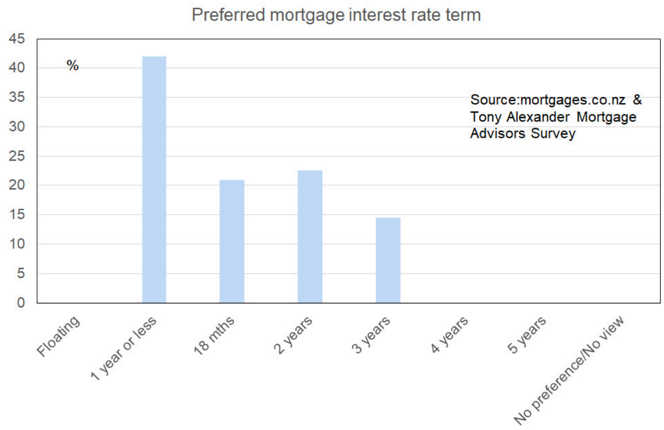


WHAT TIME PERIOD ARE MOST PEOPLE LOOKING AT FIXING THEIR INTEREST RATE?

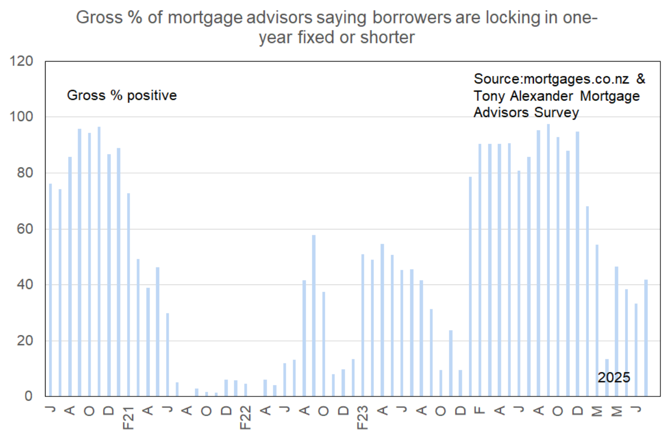
With almost no fear evident of interest rates rising for a long time and with some extra easing of monetary policy anticipated, borrowers are mainly fixing for short time periods.

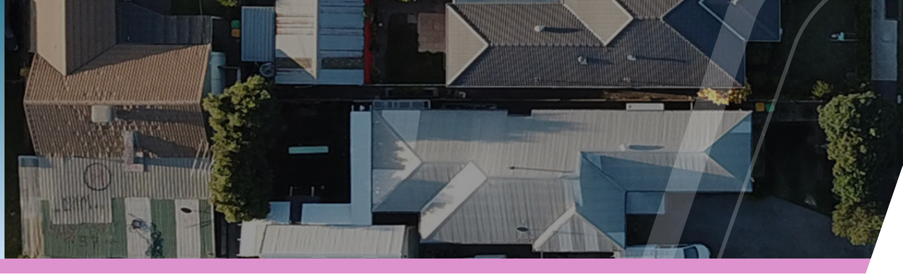
42% of advisors say that people most prefer the one year fixed rate term, 21% 18 months, 23% two years, and 15% three years.

Note that many people split their loan across a number of terms – though still for just short time periods.

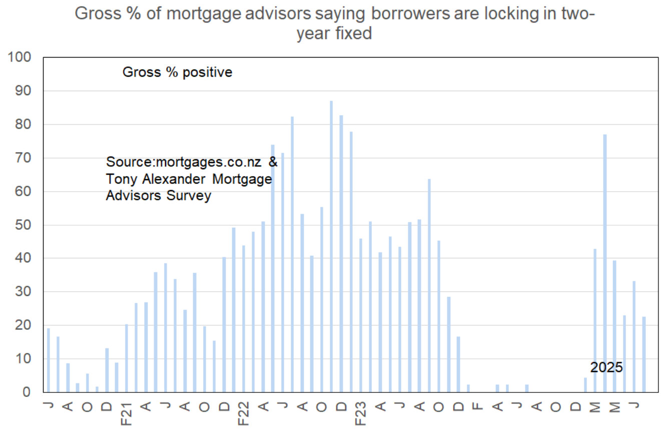


This graph shows the changes in the proportion of agents saying people prefer fixing one year. Things have changed by little in the past four months.

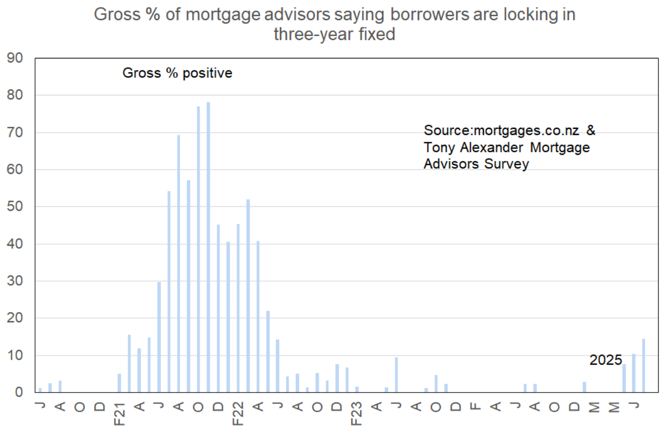




Interest in fixing for two years remains mild.

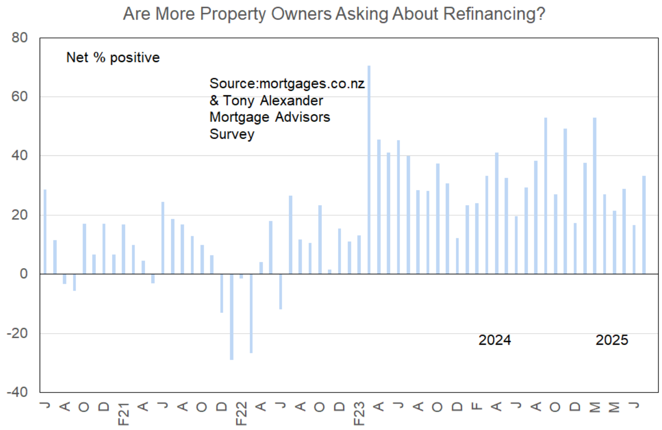


There has been a further small lift in borrower preference for fixing three years.



ARE MORE PROPERTY OWNERS ASKING ABOUT REFINANCING?

A net 33% of mortgage advisors have reported that they are receiving more enquiries about refinancing. This may reflect the large volume of fixed rates coming up for renewal before the end of this year plus awareness of cashbacks which banks are offering new clients.



Mortgage Advisors' Comments

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

- More clients walking away from properties if due diligence doesn't stack up due to the buyer market we are in and stock levels
- We are busy with First Home Buyers as they feel now is a great time to buy here in Wellington. People are finding it tough out there still and feel that the OCR has to drop more to assist, meaning most are fixing for a year and some for two years.
- Market is shrinking in terms of new business available, so we are seeing changes in client behaviour; more adverse problems arising due to job/income losses.
- More current homeowners looking at selling and upgrading to newer homes hence increase in debt level. Cash contribution from lenders is a factor in people looking to refinance.
- Uptake in activity but am still seeing the disparity between what purchasers are wanting to pay and vendors are expecting. Agents seem to be putting pressure on purchasers to reduce the conditions particularly finance dates.
- Very little interest in Investment property loans as there's no longer the yield or capital gains.
- Buyers are cautious. Vendors are not happy to negotiate.
- Investors - only ones active that I've come across are those who are focusing on yield and buying in places like Rotorua or Invercargill

- First home buyer enquiries and activity continue to increase whereas investors seem more likely to be listing to sell than buy. Refinancing enquiries are consistently high with people keen to benefit from the cash contribution offers available when switching lending to a new bank.
- Banks are demanding more from advisors in regard to minutia.
- I'm mainly operating in the second tier market, has been very slow. Developers sitting on their hands, few buyers needing to bridge as they're buying conditionally rather than the FOMO situation a few years back where they'd have to be unconditional to win the property. Hard to see improvement in the short term
- It's gone very quiet since school holidays, lots of preapprovals but no one is acting with any urgency at the moment.
- The number of enquiries is down from all borrowers as they hibernate for the winter. Buyers are sitting on their hands with no urgency to make a decision. As fixed rate loans are expiring more interest to move banks for a cash incentive.
- Banks more open to over 90% LVR owner occupied lending. Turn around times with banks are still very slow.
- DTI of 7x for investors is becoming an issue as test rates fall and borrowing capacity increases.
- New enquiries have been very quiet over the last couple of months. A number of business owners I've spoken to are finding things very difficult, and are hanging on hoping for a pick up in activity.
- Slower enquiries, standard seasonal but people getting ready for spring buying. Banks faster turnaround times than previously. Hopefully this is maintained going into spring/summer so we don't have the 10+ working days for finance again.
- The North is still slow with properties over a $1,000,000 difficult to move - there are still properties in the $650- $800K range that are moving
- Really weird time, some weeks we get lots of leads and it feels like a big pick up then the next few weeks very quiet. It's like the market doesn't know what it wants
- Banks still slow to process applications. Rates are very comparable across most lenders and cashback seems to be the drawcard for people looking to refinance. Slight tweaks with some banks opening up for pre-approval again for low deposit FHB outside of Kainga Ora.
- More attention on what condition the security is in with deferred maintenance and anything to do with high moisture readings
- Banks steadily improving turnaround times, most now within 2 weeks instead of 3-4. Buyers generally still not in any rush. Still a huge amount of misunderstanding how fixed rates work and first home buyers waiting for the OCR to stop falling to get the lowest rates - or worse, mortgage-holders spending months on floating waiting for the next OCR.
- Turnaround times still challenging, although there are 1-2 banks that will act quicker if there is some urgency.
- First home buyer, relocate and refinancing remain steady, increases in investor and construction interest
- Banks assessment times seem to have become the norm now with little to no improvement of turn around times.
- Still problems with bank turnaround times.
- Anecdotally, lots of people at open homes for some properties. More property appears to be on the market in Wellington. We shall see how that pans out in terms of action. Wellington remains quiet from my perspective but as a 1 man band, hardly indicative of the market
- Lenders' assessment turn-around times are improving. Assessors are less experienced, and approvals are sometimes harder due to this.

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