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&

Tony Alexander

MORTGAGE ADVISERS SURVEY

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Pullback from the war shock continues

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 57 responses.

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

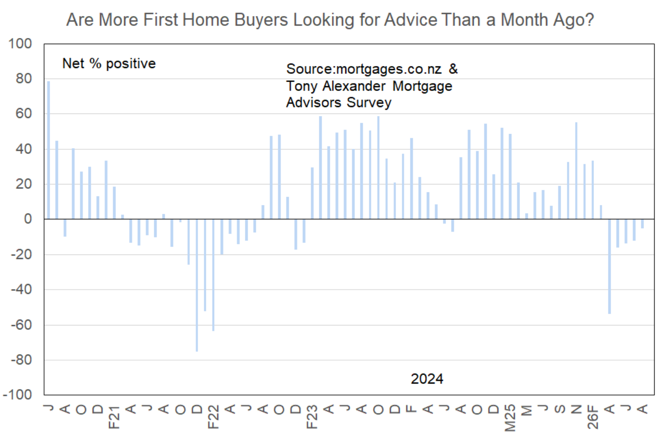
- While investors remain on the sidelines compared with past levels of activity, first home buyers are increasingly dominant.
- Bank financing is not a significant issue and willingness to lend has been good since early-2023.
- Borrowers strongly favour the two year period for fixing their mortgage interest rate.

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

Since falling away strongly following the onset of war in the Middle East at the end of February there has been a lessening of the withdrawal of first home buyers from the housing market.

This month only a net 5% of mortgage advisors have reported that they are seeing fewer young people in the market. This is an improvement from a net 12% in July and the low of 54% seen in April.

Evidence from my other surveys shows that first time buyers remain the dominant force in New Zealand's housing market.



Comments on bank lending to first home buyers submitted by advisors in this month's survey include the following.

- They are still there and active but lack of urgency and slow to progress.
- Status quo - Banks are keen and the offers are widely known and similar across the banks that want to be in this space. Affordability is the key test and barrier; turnaround is good for easy deals from a few banks that support the adviser channel. Property quality can be a barrier with some banks asking more questions than others over this in regard to maintenance and insurance cover without exceptions.
- We are struggling with some of the banks needing a large amount of upfront information that is unnecessary & clearly just box ticking. There are other providers who are very keen to be supporting these buyers - so the business is going there.
- No major changes. The Kainga Ora program is working well for a number of first home buyers with less than 10% deposits
- The over 80% LVR space has opened up with more pre-approvals allowed now than six months ago.
- Slight drop off in new enquiry. Quite a few preapprovals but clients struggling to find the 'right' property
- Not too much change, but there is a slight increase in over 80% lending. Still an active space.

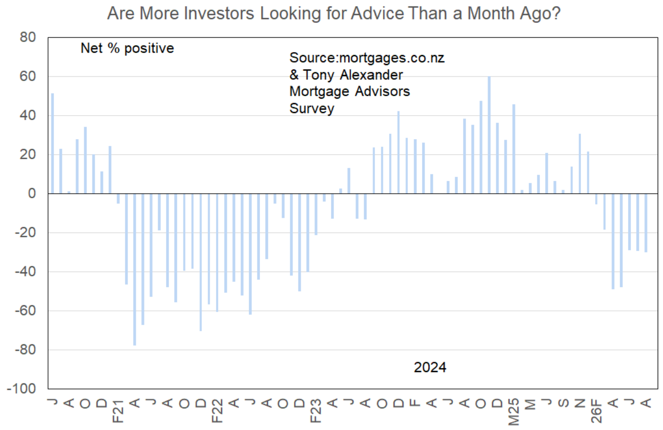
COMPARED WITH A MONTH AGO, ARE YOU SEEING MORE OR FEWER INVESTORS LOOKING FOR MORTGAGE ADVICE?

Unlike first home buyers where the withdrawal following the outbreak of war has almost completely ended, the results of our survey show that investors remain on the sidelines.

A net 30% of mortgage brokers this month have reported seeing fewer investors. This result is unchanged from the previous two months but slightly better than the net 48% negative results of April and May.

Before war broke out but going back to early-December, a net 22% of brokers observed more investors in the market. The fact that this proportion

deteriorated to −6% in our early-February survey tells us that investors were backing off before worries soared about fuel costs and world growth.



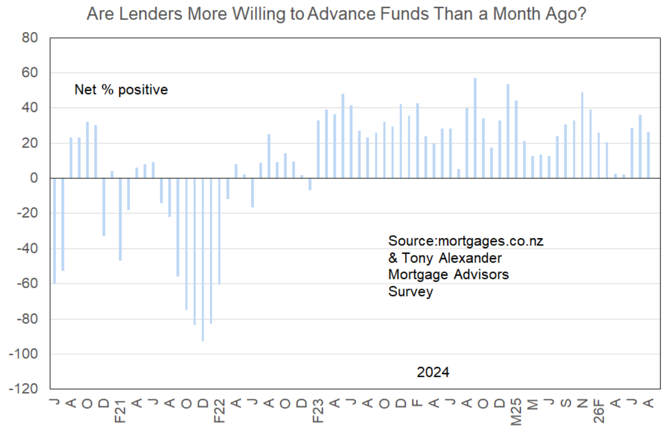
Comments made by advisors regarding bank lending to investors include the following.

- More willing to make the deal work now the market is slower.
- A handful of banks opening up to over 70% LVR investor deals.
- We have had some really good success in the space of supporting investors who are looking to buy their first rentals. The banks are willing to support split lending structures between banks & not pushing to have everything which is great for the clients.
- Digging into the security, especially if it may not be Healthy Homes compliant, and the costs to bring up to rental standard.
- Tending to be more lenient on debt to income ratio totals if equity good and solid cashflow.

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

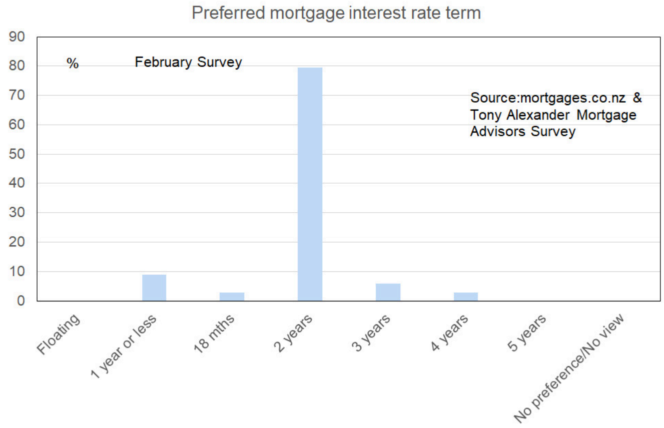
A net 26% of mortgage brokers have reported that banks are more willing to advance funds. This is roughly where things have stood since June but a sharp improvement from the low net 2% positive results of April and May.

Since the start of 2023 brokers have been reporting good willingness of banks to lend to home buyers and the situation now appears about normal for the post-boom and slump period.

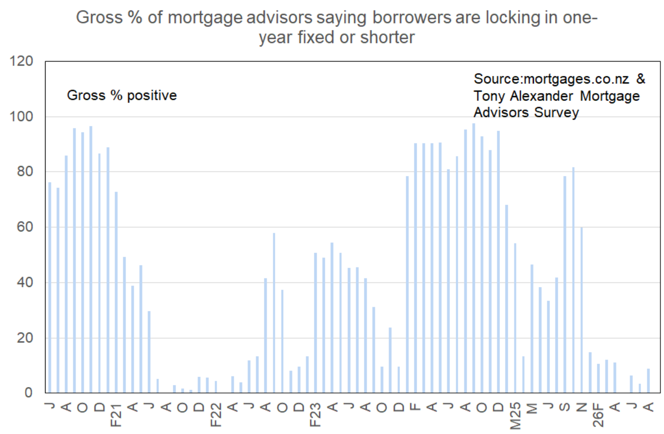


WHAT TIME PERIOD ARE MOST PEOPLE LOOKING AT FIXING THEIR INTEREST RATE?

Almost 80% of brokers report that borrowers prefer to fix their mortgage rate for the two year period.

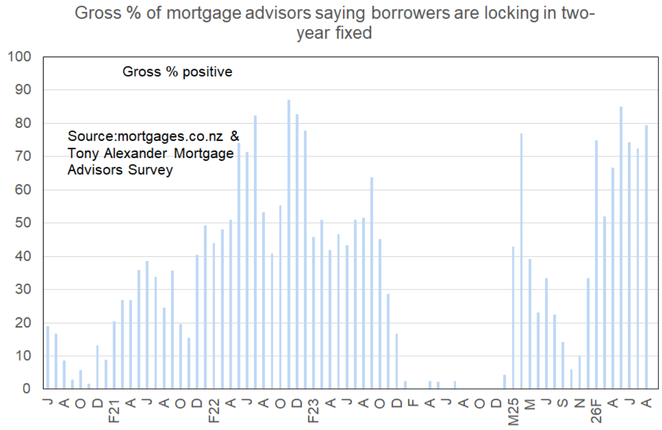


The one year term fell out of favour in December and few borrowers are looking to fix there.

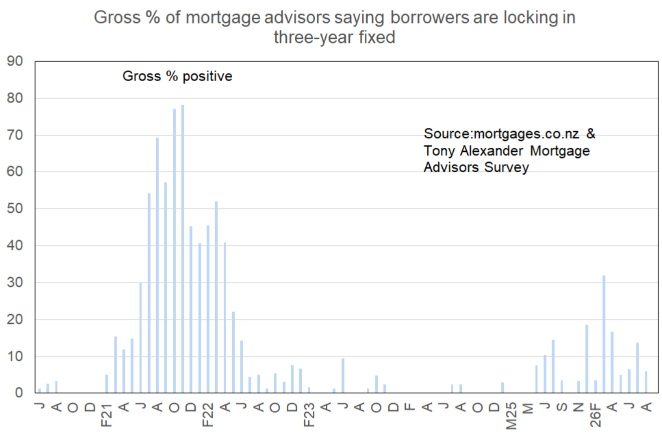


The two year term has been highly preferred by borrowers since December last year and no

movement away from favouring this time period is apprent yet.

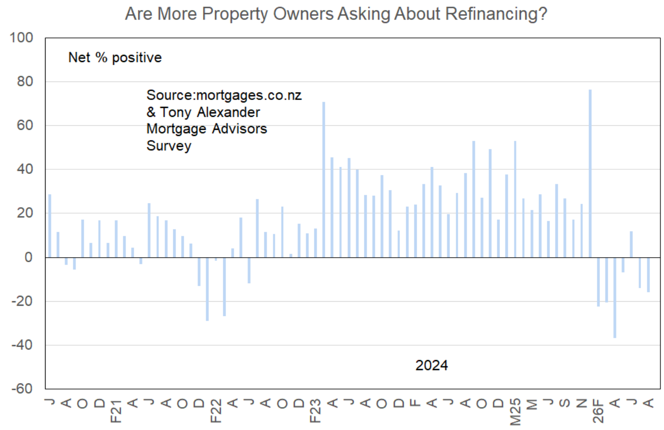


There was a lift last month in the proportion of agents saying that borrowers were preferring the three year term. But this month this preference has fallen away again.



ARE MORE PROPERTY OWNERS ASKING ABOUT REFINANCING?

Enquiries about refinancing soared in December as banks strongly competed for business from each other with enhanced cashback offers. But since then and with interest rates rising few people have been making enquiries about breaking their mortgage while banks have eased back in their up front competitive efforts.



Mortgage Advisors' Comments

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

- Slower last month with no real urgency from even Approved buyers. As is common in these slower times you are left spending a lot of time on the fringy deals and trying to make things happen.
- Steady as she goes - banks are relaxing criteria which is great on the one hand, but banks also increasing interest rates on the other, which will become restrictive. Steady deal flow, looking forward to Spring and getting through the election
- The lift in real rates from lenders has created a good lift in activity from me converting pre-approval business into actually offers and deals written. While prices of homes are unchanged or down the interest rates have created some urgency for buyers to get into action as they face missing out on lower rates and easier affordability measures, buyers market remains.
- Very subdued - no one in a hurry
- We have had a large change in the enquiries coming in - from clients who were thinking about maybe doing something and looking at preapproval, to clients who have now either found a house & want to make an offer, or who are getting preapproved but being ready to do something rather than a wait & see approach. We thought that things would have quietened down with winter & coming into election year, but this

hasn't happened, however speaking with other advisers this doesn't seem to be the consensus.

- Very quiet and low level of enquiry - election coming, cost of living, its winter, property prices are soft. A great time to buy and first home buyers are doing exactly that. Clients that own multiple properties are keen to sell but most are grimly holding out for better conditions.
- Banks very open to lending at the moment. Quick turnarounds, Shows a quieter market
- Developers still cannot move stock so are transferring property to investment entity until market starts to move
- 1st Home buyers have filled one bank 3 months ahead for Pre-Approved finance, others not offering unless a S & P Agreement is provided, reducing options for others.
- A reasonably quiet market, but still flowing with first home buyers leading the way - to be expected with multiple factors influencing - Winter, Offshore uncertainty and leading into elections. That said, there is always good business to be done.
- 30% of my business is to first home buyers and that % is growing. First home buyers are more confident and have time to make sound decisions and buy the right property.
- I am in Wellington and it is pretty quiet. Buyers with pre-approvals are still sitting on their hands not rushing to do anything.
- After being very quiet for some time enquiries have picked up this week - hopefully it lasts!
- Market feels quiet. Clients are cautious but most first home buyers that seek pre-approval are actively offering on properties, not delaying. Definitely feel like new enquires have slowed for all areas - refinancing, FHB, investor market. Few buyers buying and selling - upgrade or downsizing, reducing debt etc
- Buyers hold all the cards and are conspicuously reluctant to play them. Approvals are being renewed rather than used. First home buyers are the clear exception and the most active part of my book; investors have largely parked themselves until after the election because nobody wants to guess at future tax treatment.

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This publication is written by Tony Alexander, independent economist.
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