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MORTGAGE ADVISERS SURVEY

December 2023

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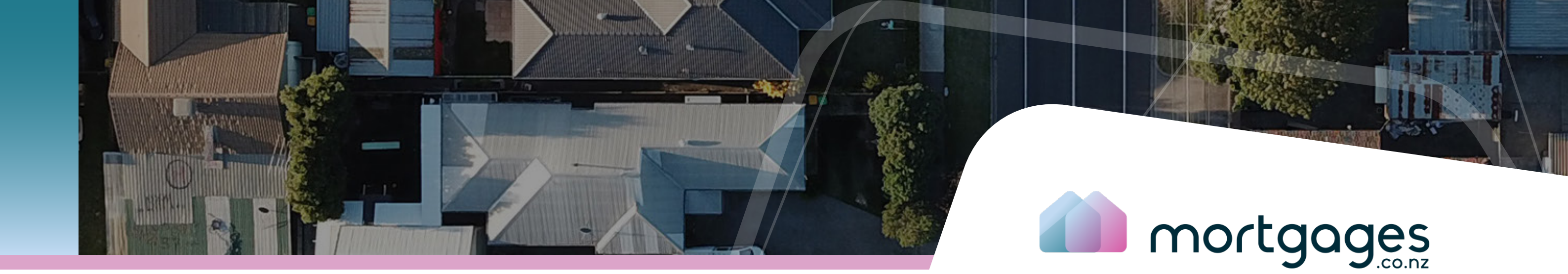


Investors increasingly present

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 57 responses.

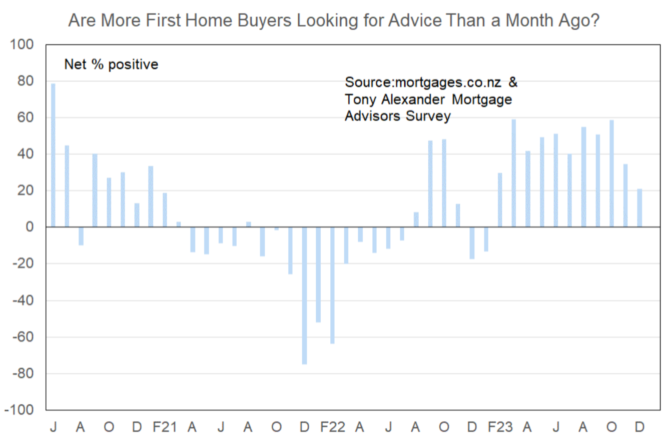
The main themes to come through from the statistical and anecdotal responses include these.

- The extent to which advisers are seeing more first home buyers has eased, but investors are increasingly present.
- Borrowers overwhelmingly favour fixing 18 months over all other terms.
- There is some slight easing underway in bank lending criteria and test interest rates.

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

A net 21% of our 57 respondents this month have said that they are seeing more first home buyers in the market. This tells us that young buyers are increasingly looking to make a purchase. However, the speed with which they have been moving into the market has slowed down recently.

Last month a net 35% of advisers said they were seeing more first home buyers and in our October survey the result was a net 59%.



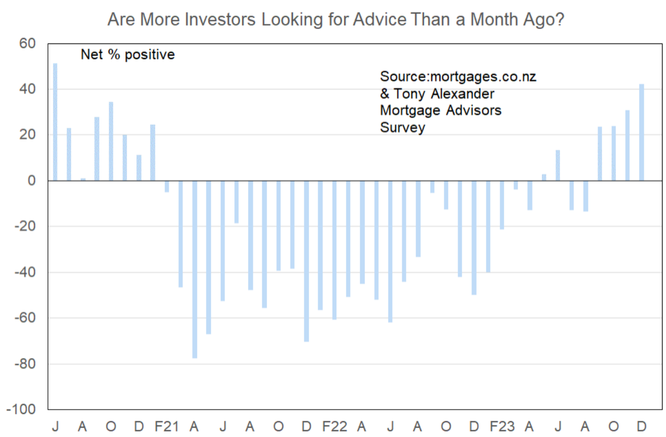
Comments on bank lending to first home buyers submitted by advisers include the following.

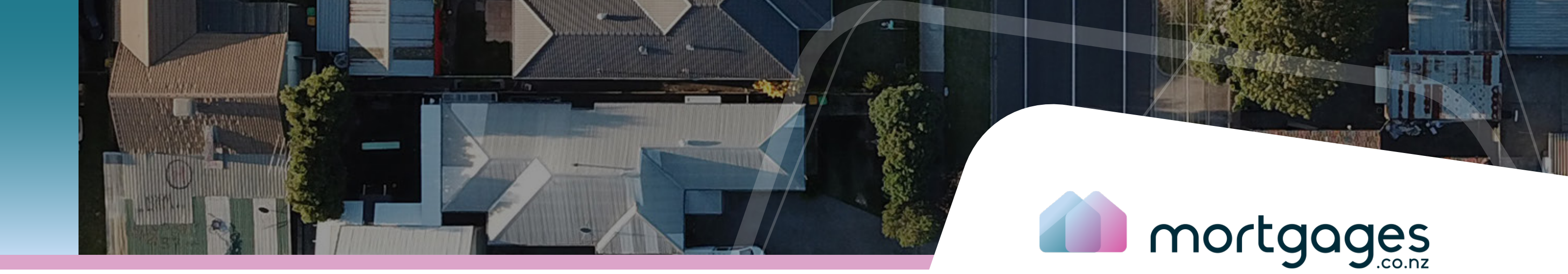
- Banks are lowering their UMI for over 80% lending.
- Lenders seem to be applying a slightly lower test servicing rate (xxx bank have just dropped theirs today), however still requiring live deals for lending over 80%.
- Debt serving ability is still key with high testing rates and cost of living this is the main restriction on borrowers. No change.

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

While the speed of market entry by first home buyers is slowing, for investors it is accelerating. This month a net 42% of mortgage advisers have reported that they are seeing more investors looking for advice. This is up from a net 31% last month and 24% in October, and is the strongest result since June 2020.

Some respondents have noted that the change in government has had an impact. But many also noted that investors are still wary and concerned by high interest rates and rapidly rising costs for the likes of insurance and council rates.



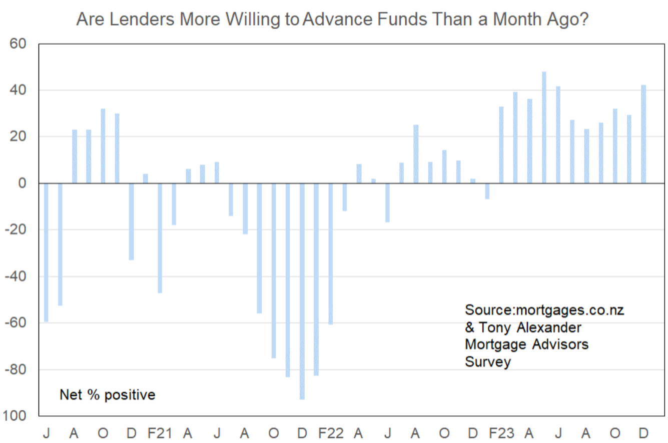


Comments made by advisers regarding bank lending to investors include the following.

- I have had a massive increase in investor enquiries since the change of government. At this stage it feels more like enquiry, but they are defiantly waiting in the wings and ready to punch next year.
- A little more scrutiny in relation to the Rates and Insurance expenses. Requiring verification of these upfront as they no longer accept these as a given in the declared expenses.
- Lenders are beginning to soften the investment expenses calculations for investment properties due to Government tax deductibility changes.

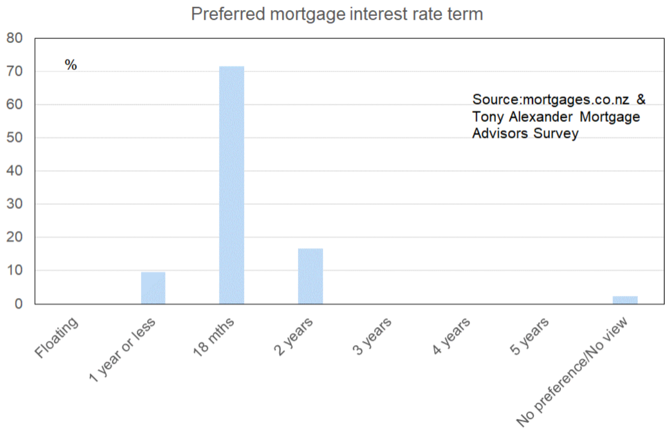
COMPARED WITH A MONTH AGO, ARE YOU FINDING LENDERS MORE OR LESS WILLING TO ADVANCE FUNDS?

This month's survey has shown a recovery in adviser perceptions of bank willingness to advance funds. A net 42% have reported that they feel banks are more willing to lend compared with a net 29% in November. The willingness of banks to lend changed noticeably at the start of this year.

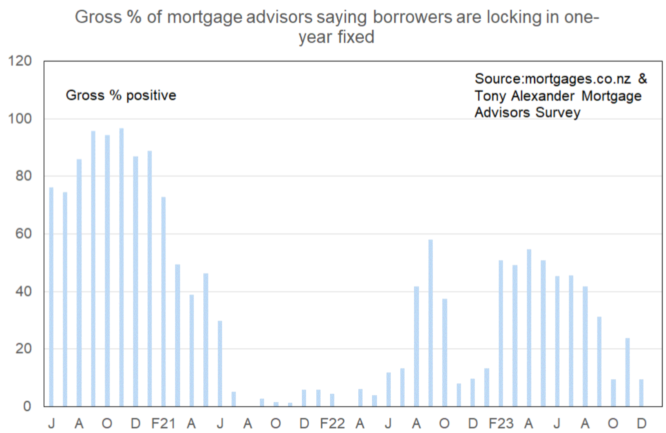


WHAT TIME PERIOD ARE MOST PEOPLE LOOKING AT FIXING THEIR INTEREST RATE?

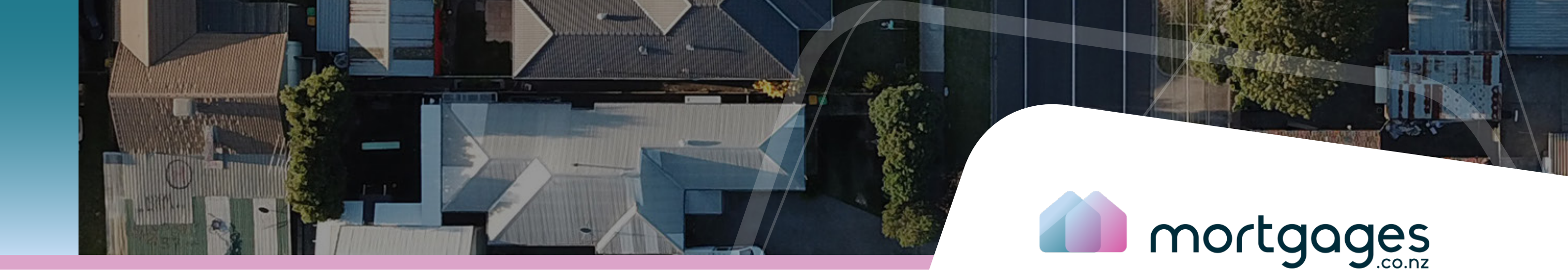
A net 71% of our survey respondents this month have reported that buyers most favour the 18-month term for fixing their interest rate. Just 10% say the main preference is fixing one year, 17% say two years, and none say people want to fix three years or longer. That makes sense given where we are in the interest rates cycle and the widespread expectations of monetary policy easing late next year.

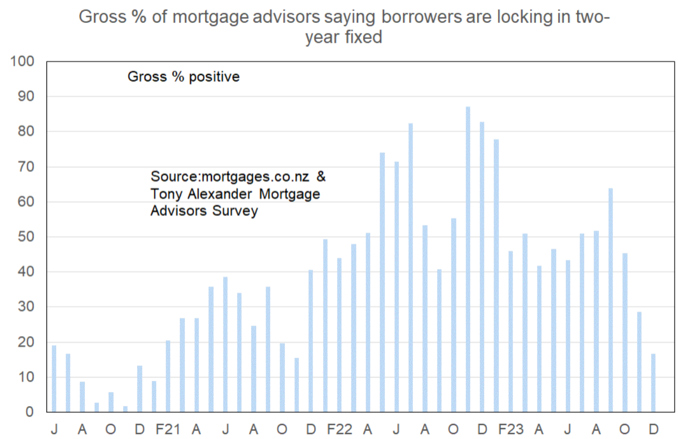


The preference for fixing one year has declined further this month. In November a net 24% of advisers had reported this term as most highly favoured.

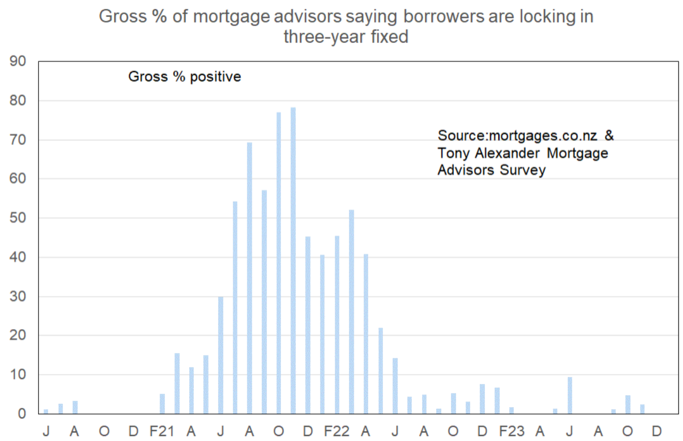


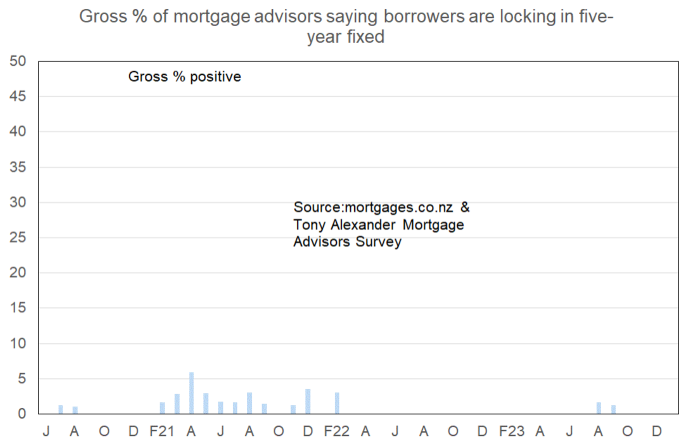
A net 17% say two years is the preferred term for rate fixing. But this is down from 29% last month and 45% in October.





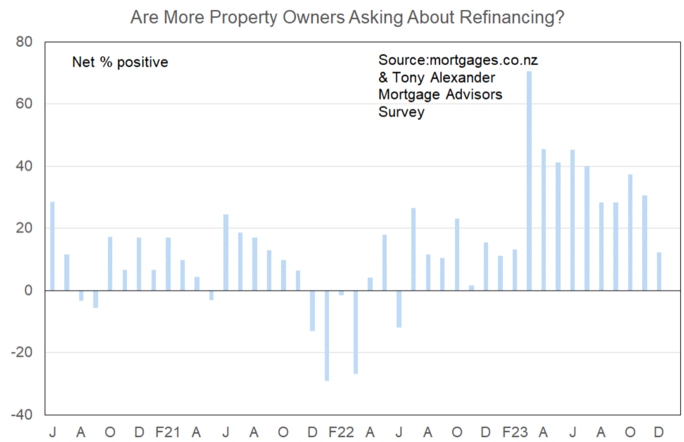
The desire for fixing three and five years is currently zero.





ARE MORE PROPERTY OWNERS ASKING ABOUT REFINANCING?

There has been a further decrease this month in the net percent of mortgage advisers saying that they are seeing more people looking to refinance their mortgage. This decline might reflect anticipation of easing mortgage rate pain not too far down the track.



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

- As we are now into December it feels like some have just given up for the year and because it's hard in general to find what they want and get approval for what they need most have just put things off to next year. No December rush.
- Lots of borrowers are struggling with higher rates and banks aren't being as understanding as their press releases might suggest they are. Second tier lenders are there but dont really add any value in a lot of cases other than to buy (costly) time until the inevitable sale of the

property. CCCFA still keeps the brakes pumped on options for lots of borrowers in genuine need.
- Couple of lenders increased their test/servicing rates last week, whilst one has just announced this morning a decrease to their test rates. These are largely sitting around the 9% mark
- Quietest December in a long while. One bank has realised chasing margin and ignoring brokers has had an impact on their volumes over the past 6 months, now they are meeting the market with rates and cash. Only one main lender still out to lunch when it comes to over the top rate expectations and a willingness to not even try and complete with the rest of the main lenders. Increase in 2nd tier funding requests.
- Significant increase in Kiwis overseas looking to buy here, not coming home, just buying for investment.
- High LVR servicing thresholds dropped but offset with higher test rate. Still tough but not as tough as before
- Seems to be slowing down for Christmas - many clients on the cusp keen to get through holiday period and start doing serious business next year. Still expect to get surprised with an urgent settlement or two before the break just like every year though!
- Clients seem to be financially optimistic so are looking to purchase their first home or upgrade their existing home or wanting to discuss options regarding investment properties. Feels like 2024 is going to be BUSY for our industry! (in a good way!)
- Market slowed as we get closer to Christmas. Not much new enquiry. First Home Buyers with pre-approval are now actively making offers having sat back for most of the year.

BAY OF PLENTY

- Overall enquiries have now gone quite in lead up to Xmas.
- I'm seeing a general increase in optimism from investors with upcoming changes to brightline, income deductibility etc. First home buyers are still operating, but starting to find the busier market is making it harder, with multi offers, auctions etc on the rise.
- Three months prior to election everything went very quiet - it always does this, but this time seemed much more so, but back to normal enquiry and activity levels now.

WAIKATO

- Definitely a busier market post election/ Government forming and a lot more people coming forward at this time of year to request pre-approvals and to make a plan for next year. It seems to me as though lots of people are scaling back holidays/time off in favour of getting their ducks in a row at home.
- With most recent RBNZ result, lots more conversations about how long rates will stay high for and what that looks like for people - and planning for that to be more like 1-2 years rather than 6-12 months.

HAWKE'S BAY

- First Home Buyers remain positive and are getting themselves organized before there is a change to the LVR restrictions and Interest deductibility legislation promised by the new government which will bring forth many investors looking to snap up first home stock.

TARANAKI

- Investors are keen to buy but hesitant to do so due to uncertainty around brightline.

WELLINGTON

- Very quiet over the last 2 months in Wellington. Many think it won't be them that is affected by any new government cost cutting, its the guy at the next desk that's getting laid off.
- Cost of funds reduced significantly over past month and banks taken most of this as margin - although this appears to be what the RB wants. Customers are a lot more aware of what's happening in the market, although some of this information is not accurate due to inaccurate or lack of depth reporting.
- Feels like the spring busy period missed Wellington. Yes, the election was an excuse but also seen a few potential sellers not sell due to interest rates so high (compared to what they

are currently on) and with a hope that after April'24 there will be more buyers out there with the return of Investors.

- It's not the mad rush it can be at this time of the year, it is busy enough though. Banks are taking a wee bit longer than they were.
- FOMO was starting to be mentioned in talking to buyers - but that seems to have subsided now.
- Seeing a lot of pain for clients coming off low interest rates and moving onto rates in the 7%'s. This is causing a lot of stress. Have seen some investors sell because they can't afford to cover the costs.

NELSON/TASMAN/MARLBOROUGH

- Buyer enquiry up and able to secure deals with property and finance if they are committed and organised. Bank timeframes are better than earlier in the year and for the most part willing to work with us to get a deal done.

CANTERBURY

- There are a couple of banks making it super hard to get lending. But the majority are easier to work with. So different from 2 years ago with that horrible CCCFA update. I almost wanted to quit.
- Interest rates and test rates continue to be the main barrier to lending affordability. Banks are doing what they can to work around this and make other parts of the calculation more appealing i.e. accepting boarder income, lowering test rates, less shading of rental income, etc.
- 'm seeing property prices increase substantially in Canterbury and properties selling at high prices at Auction. Very much a seller's market again.

QUEENSTOWN LAKES

- A lot of enquiries to 're-finance', however this is due to rates increases as clients look to save funds. A lot of the enquiries I am getting for this however is clients with small loan sizes, so refinancing would often cost them more.
- So more people seeking advice of refixing.

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This publication is written by Tony Alexander, independent economist.
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