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MORTGAGE ADVISERS SURVEY

February 2024

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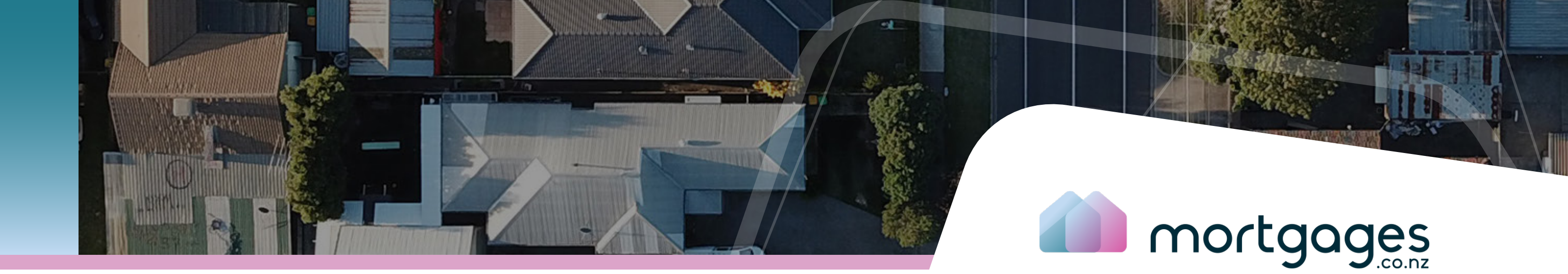


First home buyers back

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 53 responses.

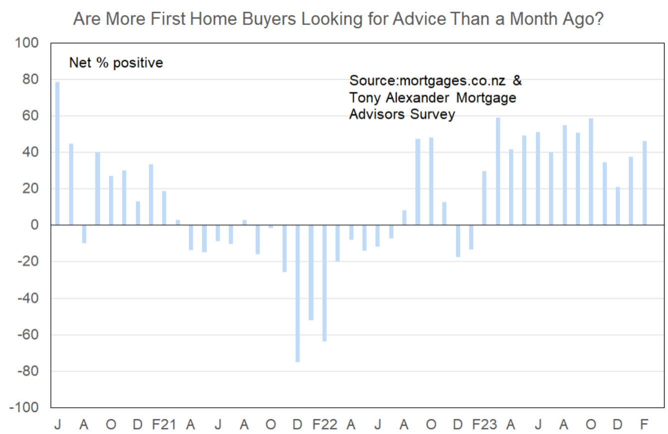
The main themes to come through from the statistical and anecdotal responses include these.

- While first home buyers are active others and particularly investors remain cautious.
- Banks are slowly easing their lending criteria still but not overly competing for business in general.
- Some buyers are awaiting much greater clarity on how the debt to income (DTI) regime will work and where interest rates are headed. New confusion has appeared in this space.

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

First home buyers continue to have a strong presence in the housing market as we start to advance through 2024 in an uncertain interest rates environment. A net 46% of our survey respondents have reported that they are seeing more first home buyers looking for advice.

This is up from a net 38% in January but consistent with almost all other results since this time a year ago.



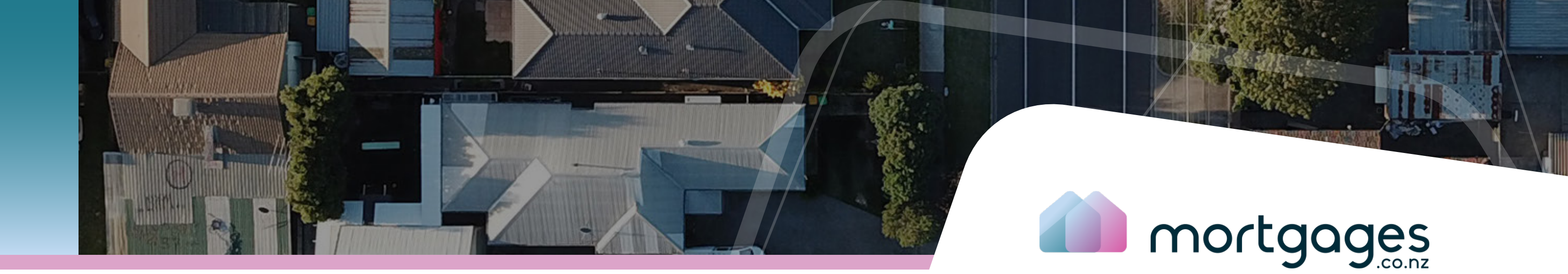
Comments on bank lending to first home buyers submitted by advisers include the following.

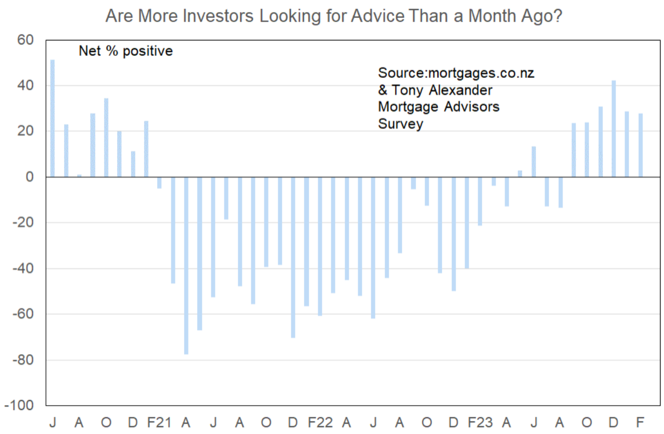
- More supportive in assisting first home buyers however we are still limited in obtaining pre approvals for clients with less than 20% deposit.
- General market has taken a wait and see approach.
- No changes here. Some banks have started offering more cash back and sharp rates for first home buyers even if high LVR.
- Kainga Ora tightening up their criteria so a little more difficult to get First Home Loans approved through the banks that do them.

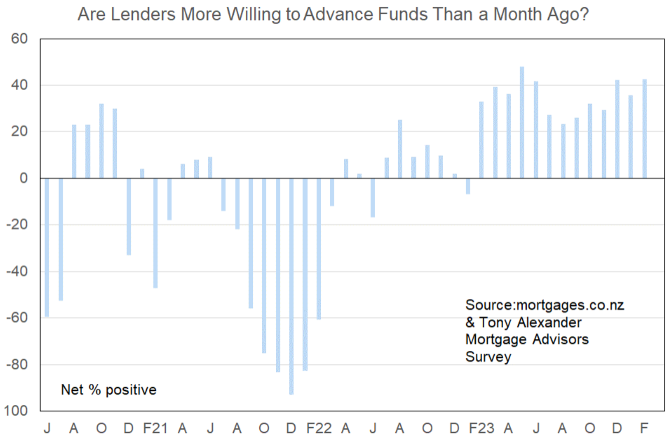
COMPARED WITH A MONTH AGO, ARE YOU SEEING MORE OR FEWER INVESTORS LOOKING FOR MORTGAGE ADVICE?

Our survey shows that investors began moving into the housing market in the latter part of 2023, perhaps encouraged by what the polls were suggesting would be the outcome for the general election.

A net 28% of survey respondents this month have said that they are seeing more investors, virtually the same as January's net 29% and consistent with other months since September.







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

- LVR rules are tough for preexisting property, Some banks are shading rental income plus adding second dwelling expenses i.e. rates insurance etc.
- Investors slowly coming back but its very slow and they are weary.
- I'd say banks are cautious and wanting evidence of ongoing costs like rates and insurance to be verified.
- Waiting for the government to change the rules for LVR.

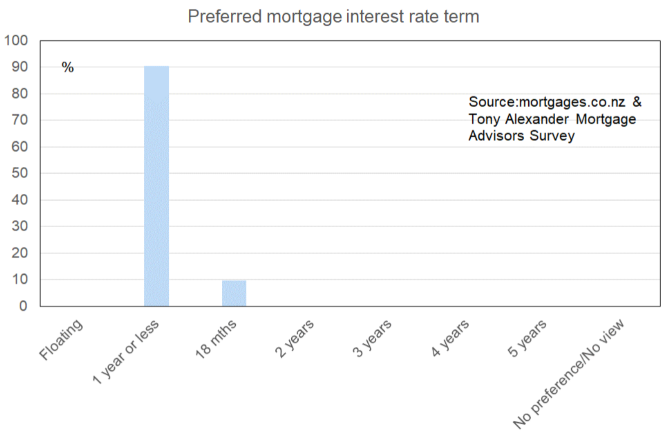
COMPARED WITH A MONTH AGO, ARE YOU FINDING LENDERS MORE OR LESS WILLING TO ADVANCE FUNDS?

One factor which mortgage brokers have been reporting as assisting the market this past year has been an improvement in the willingness of banks to advance funds to home buyers. A net 43% this month have said that banks are becoming more willing to lend. This is the strongest result since May last year.

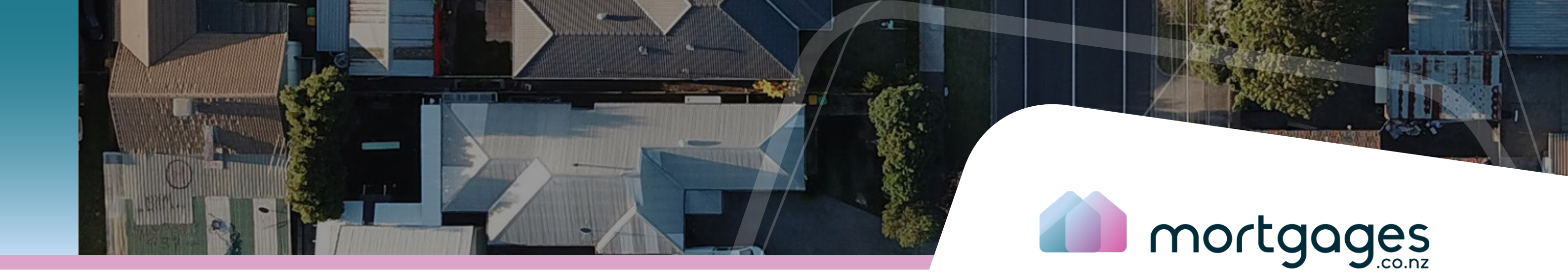
WHAT TIME PERIOD ARE MOST PEOPLE LOOKING AT FIXING THEIR INTEREST RATE?

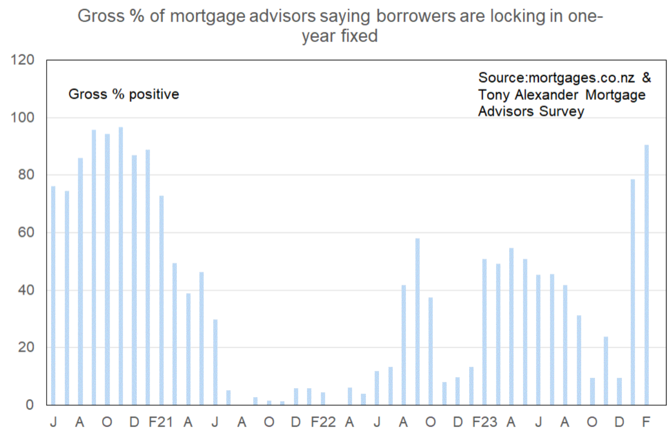
For the second month in a row brokers have overwhelmingly reported that their clients wish to fix for a period of one year or less. Six months apparently is especially popular.

This month 90% of brokers reported a one year or less preference from 79% last month and just 10% in December. No-one has interest in fixing long and this reflects the widespread expectation amongst borrowers that the next change in interest rates will be a decrease – though when that will happen is impossible to accurately predict.



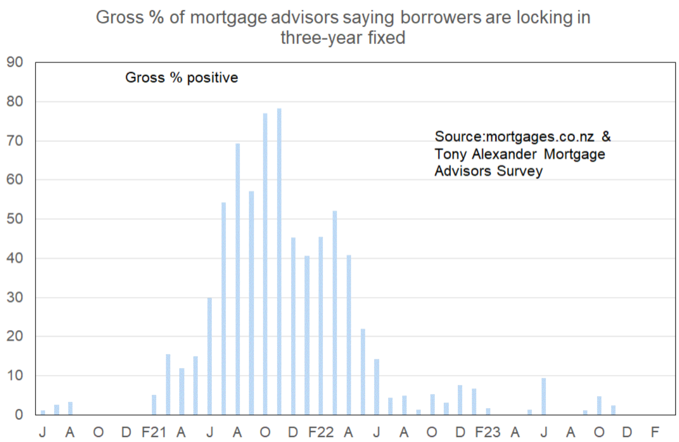
This graph shows the extreme jump in preference for fixing one year or less recently.



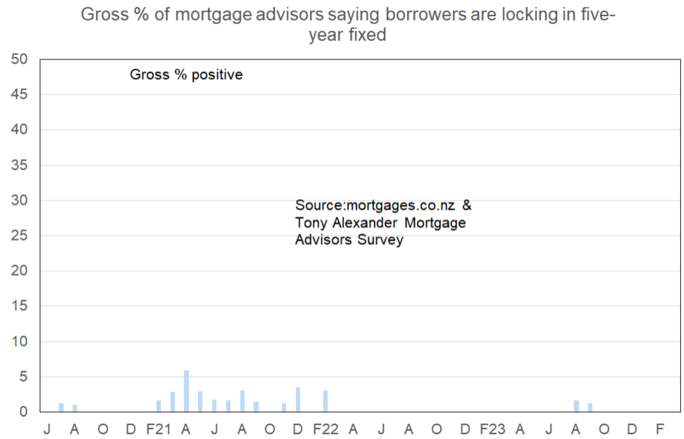


Preference for fixing two years has collapsed after being at high levels.

Fixing three years was only popular through 2021 into early-2022.

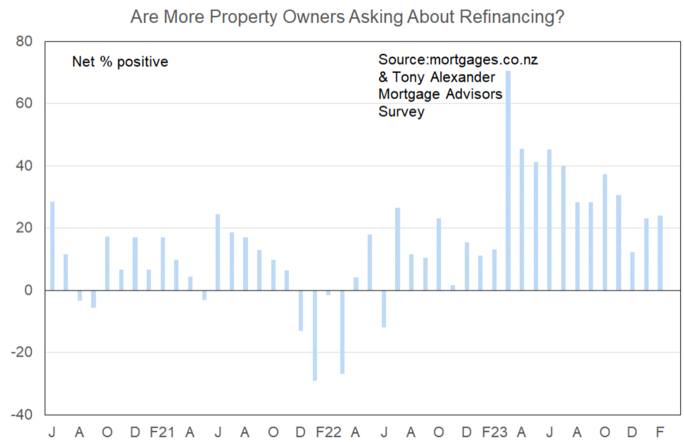


Kiwis hardly ever fix longer than three years, even when the five year rate was 2.99% from mid-2020 to mid-2021.



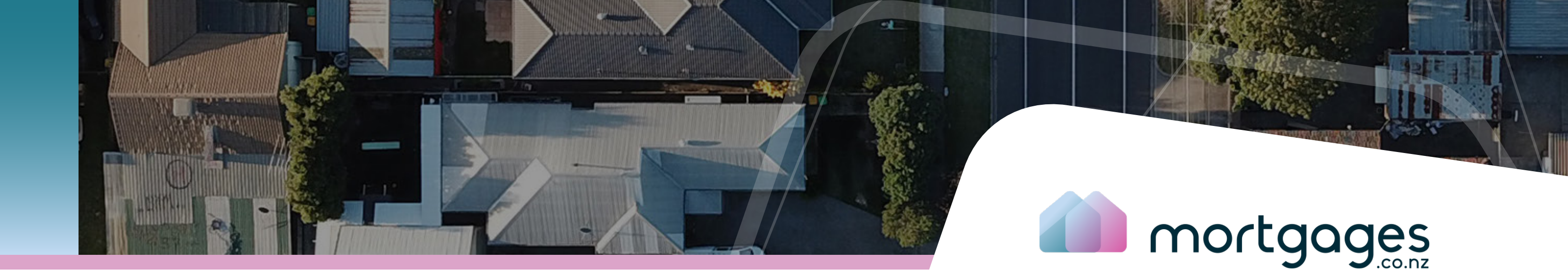
ARE MORE PROPERTY OWNERS ASKING ABOUT REFINANCING?

There is a mild downward trend underway in the proportion of mortgage brokers saying that people are asking about refinancing their existing mortgage.



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

- Finding the market quiet. Most queries are from existing clients concerned about interest rate increases.
- Big increase in enquiry, especially from those looking to update/upgrade existing property and move up the ladder, or to see what investment opportunities could be open to them.
- Lenders have started getting late on approvals. Only during holidays they were up to date since most of the advisers are away on holidays. frustration have started to build up.
- We are being prepared for new DTI restrictions with lots of verbal reassurances and zero detail. The issue seems to be how to set standards in the higher cost of living cities.
- The banks are playing lip service to clients who ask for Interest Only facilities. On one hand, they encourage clients to talk to them if they face difficulties in keeping up with the mortgage payments, but on the other the process cannot be any harder. They make you go through all hoops possible and still say no.
- Seems to be mixed messages in media about the year ahead, the market needs some clarity from the Government, which will calm it further or increase the activity level upwards.
- Enquiry has defiantly picked up, I'm finding most enquiry coming from movers at the moment. First Home Buyers have also picked up momentum.
- A strong sense that interest rates have peaked means owner-occupiers who have held back are now looking to get on with buying. The media have successfully conditioned readers to the idea the interest rates are poised to fall but wise heads will counsel against going 'all in' on that possibility because the world still remains an uncertain place.
- Lenders are not budging on pricing.
- More activity, banks slow to react to swap rates, RBNZ probably in their ear.
- Some banks now tinkering around the edges of the policies with some loosening which is welcome news for some clients e.g. residency, bonus income, overseas income
- There seems to be a number of well organised first home buyers, with enough deposit and income to qualify, who are entering the market.
- Still lender's response are quicker as less applications.
- Lenders pretty reasonable on applications. Plenty of demand for mortgage borrowing.

WAIKATO

- First home buyers are incredibly active in the market. Most are ending up in multi offer situations, with some clients missing out on several at the time before securing a property. Clients are offering above asking because they don't want to miss out. There is urgency and client's are no longer sitting on pre-approvals for extended periods of time. The market absolutely feels like it is changing.
- General market has taken a wait and see approach. Buyers are very cagey.

BAY OF PLENTY

- More buyers in the market. Mini boom. There seems to be more confidence and maybe trying to get in ahead of the introduction of DTI. Xxx bank has reduced int rates and yyy bank will match any main bank advertised rate.

MANAWATU-WANGANUI

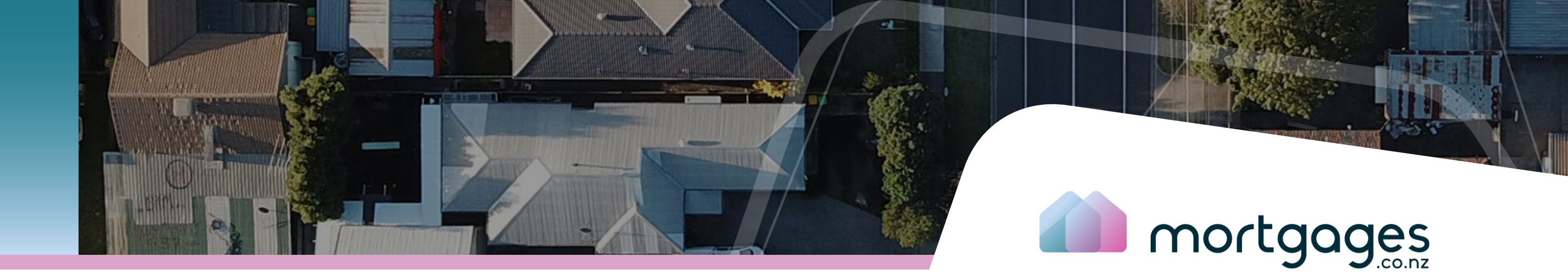
- Lots more enquires coming through in the last couple of weeks. But had my slowest couple of months for last 3.5 years

HAWKE'S BAY

- More multi offers on properties especially in the first home buyer price range. A little more FOMO creeping back into the market.
- Investors are still holding back due to high interest rates & a bit of uncertainty ahead of changes to DTIs and LVRs mid year.

WELLINGTON

- A lot of confusion re interest rates.
- 6 Month Rate appears to be very popular.
- Good properties in Wellington are selling at high prices now with multi offers, however, other properties are not getting any offers.
- Xxx bank today announced that they will match the best fixed rates publicly advertised by any



major bank.

- Interestingly banks are not competing on price i.e. price matching special offers (xxx bank matching advertised rates - but that's just an advertising gimmick). Yyy bank continue their flip flop between branch and unit post approval (pre settlement) applications. Just a mess.
- Bank turnaround times are excellent. There is a willingness to lend. Activity has picked up as expected for this time of year.
- We have had quite a bit of enquiry about what the implications of the new DTI's will mean.
- The media seem to have got on the band wagon of the DTI's as we are getting a lot of calls relating to this with worried FHB's and Investors. Other than this not much really has changed for us which at this time of the year is normal given all the public holidays that happen straight after the Christmas period. We have clients who are waiting to see what the Reserve Bank are going to do with the OCR before they decide on refixing their home loans.

NELSON/TASMAN/MARLBOROUGH

- Buyers market still present with little buyer motivation to move on transactions. First home buyers with KiwiSaver as 10% deposit is common..

CANTERBURY

- It's an odd market - I can see the market lifting but clients are still very cautious and many struggling with rates expiring and going onto a higher rate. I've had 2 investors selling up as they feel all they're doing is making the banks richer.
- Prospective clients are optimistic about the year ahead, and keen to get underway, despite the current high rates and household expenses rise. I am seeing an increase in Refinance clients who are looking more at their financial situation and options, even if they are not due to come off low rates for a number of months yet.
- •	Cash incentives have increased for FHB over 80% - xxx bank $3,000; yyy bank 1% up to $20,000
- Had a couple of clients get declined through me then approved by going to the same bank directly. Seems they can bend the policies a bit more if clients go directly to bank.

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