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Tony Alexander

MORTGAGE ADVISERS SURVEY

February 2025

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Banks opening the lending window

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 69 responses.

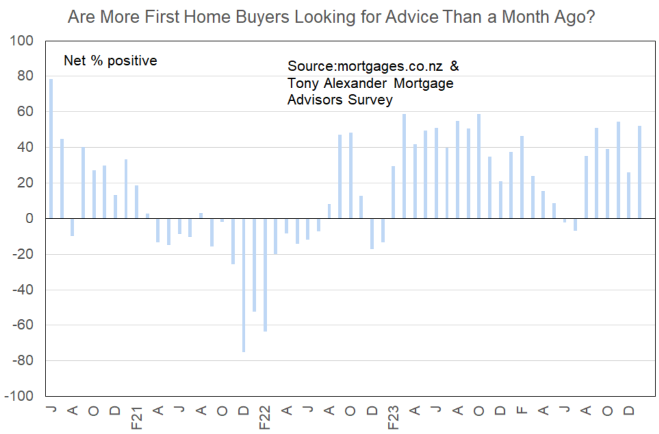
The main themes to come through from the statistical and anecdotal responses include the following.

- Banks have cleared mortgage backlogs and processing of loan applications is now a lot better than at the end of 2024.
- There is some extra easing of lending criteria occurring and a near record proportion of mortgage advisors feel that banks are becoming more willing to lend.
- The preference of borrowers for fixing at a one year term or less remains high but has pulled back – perhaps as people question the extent to which interest rates will keep tracking lower through 2025.

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

A net 52% of mortgage advisors replying in this month's survey have said they are seeing more first home buyers in the market. This is a recovery from 26% in our last survey two months ago and broadly back to where things were from September through to November.

Some young buyers are hastening their search because of expectations that lower interest rates will bring more buyers into the market through 2025.

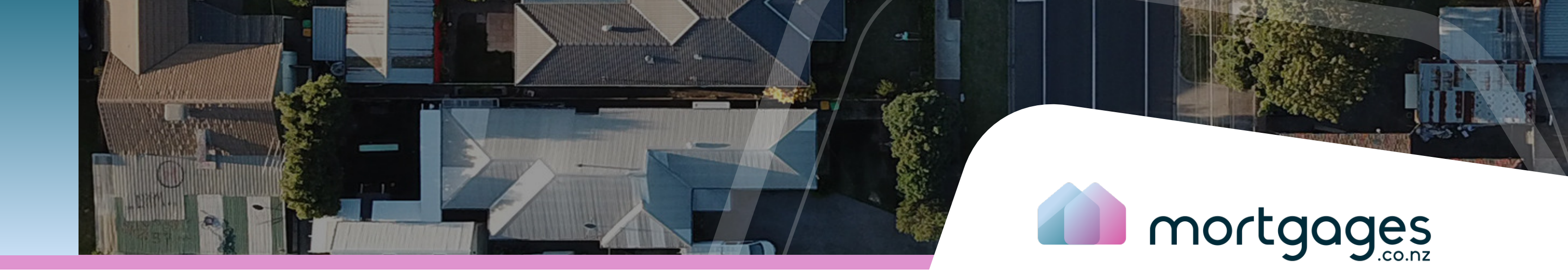


Comments on bank lending to first home buyers submitted by advisors include the following.

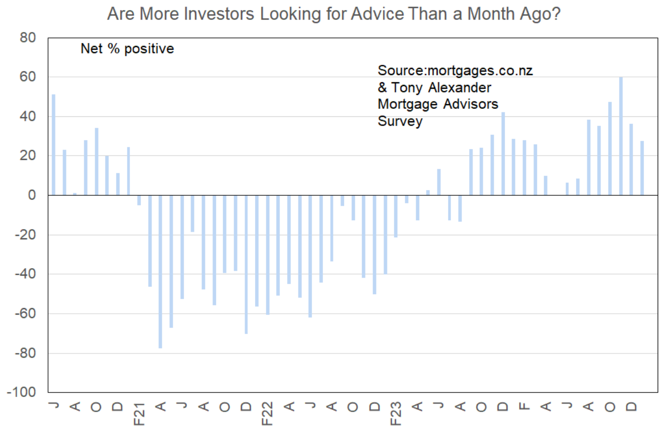
- Seems to be a fresh optimism with first home buyers with rates now reducing. A lot more activity in this area with increased enquiry levels and increased settlement levels
- More banks offering pre-approvals for existing main bank customers.
- It's getting better - more allowance for boarder income and preapprovals for high LVR sneaking back in which is great.
- They are more flexible when it comes to historic late or missed payments-certainly seeing a change here.
- Lenders offering generous cashback for first home buyers. Ability to pause Kiwisaver contributions to reduce expenses in order to fit lender servicing calculators.

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

A net 28% of brokers this month have reported seeing more investors in the market. The level is positive but down from a net 36% in December and 60% in November.



Investors are having to more closely consider the impact of rising expenses such as council rates, insurance and maintenance in an environment where getting good tenants has become more difficult. The lack of sustained upward movement in prices generally may be causing some potential investors to question how long they may have to hold a property to cover negative cash flows.



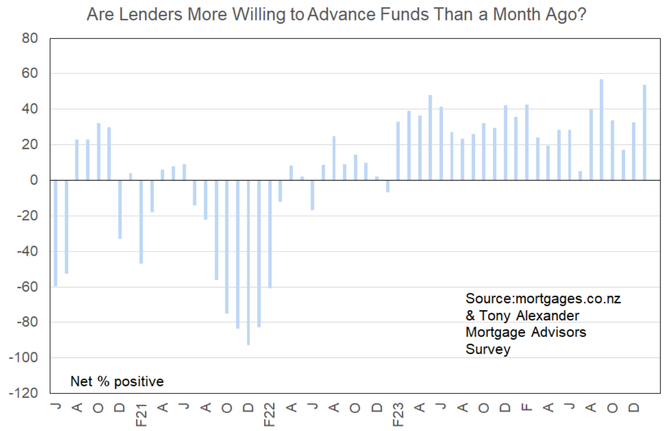
Comments made by advisors regarding bank lending to investors include the following.

- A lot easier with better test rates. However we are starting to see DTI upper limit of 7 being tested. It won't be long until this is a major factor.
- Investors getting ready to jump. They are being a bit more particular about their properties and are tending to look to newer builds on smaller sites in Tauranga. Here too, more enquiry and more settlements
- Removal of the requirement to include Rates and Insurance on investment properties has been undertaken by most lenders. A couple are still lagging behind.
- More applications are getting close to or over the DTI restrictions, so DTI's will become more prevalent in 2025

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

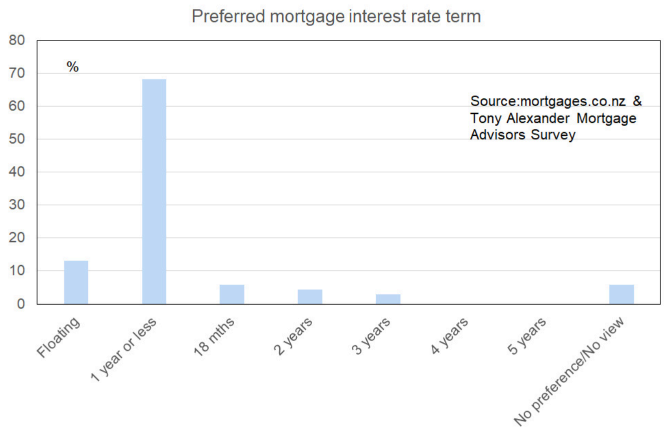
A strong net 54% of brokers have reported that banks are becoming more willing to advance funds. This reading is backed up by the comments advisors have submitted in our survey along the lines of easing stringency around expenses to be included in calculations, slightly more willingness to lend with deposits less than 20% of purchase price, and downplaying of past financial issues.

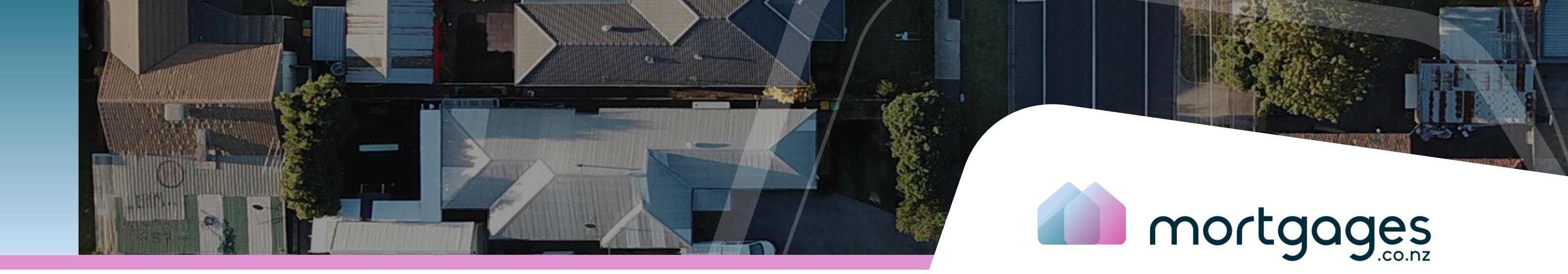
The recent introduction of a three year 4.99% fixed rate is perhaps reflective of bank competition for mortgage business generally entering into a new phase.

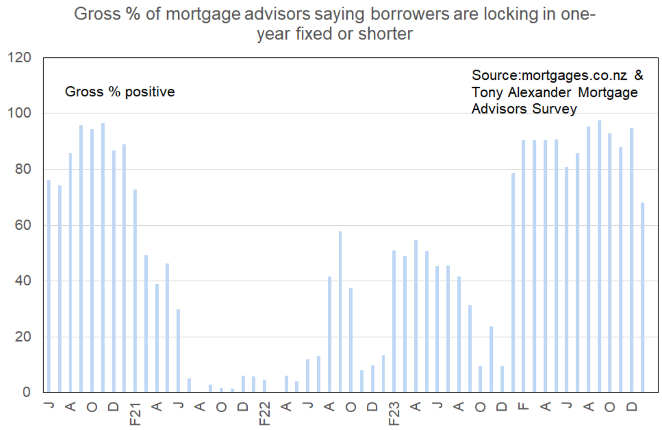


WHAT TIME PERIOD ARE MOST PEOPLE LOOKING AT FIXING THEIR INTEREST RATE?

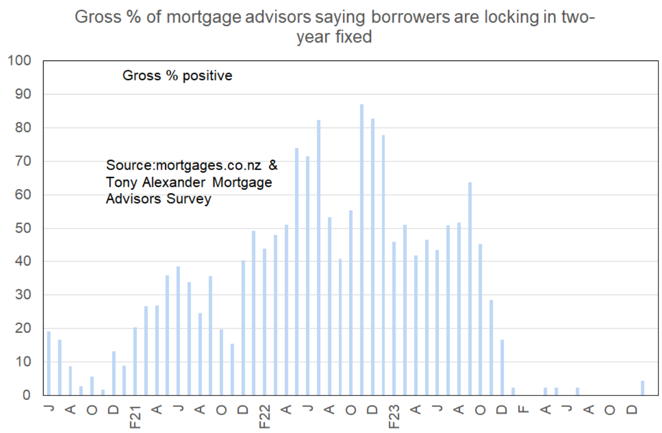
Some fraying at the edges of choosing only one year fixed or less is starting to appear. People may be getting less confident that mortgage rates will fall a lot further from current levels. This month a still high 68% of brokers have reported that borrowers favour fixing for one year. But this is down from 95% two months ago as shown in the second graph below.

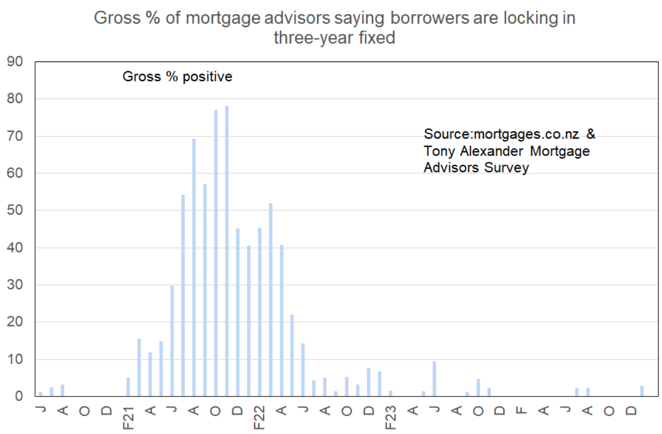






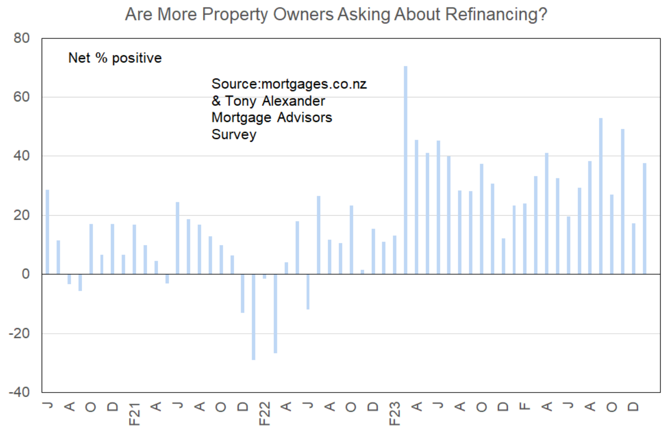
As yet the actual preference for longer terms is still small and the 4.99% three year rate one bank is offering has not resulted yet in any surge of three year fixing. That might only come if other banks follow suit and if cautionary signals come from the Reserve Bank at their next rate review on February 19.





ARE MORE PROPERTY OWNERS ASKING ABOUT REFINANCING?

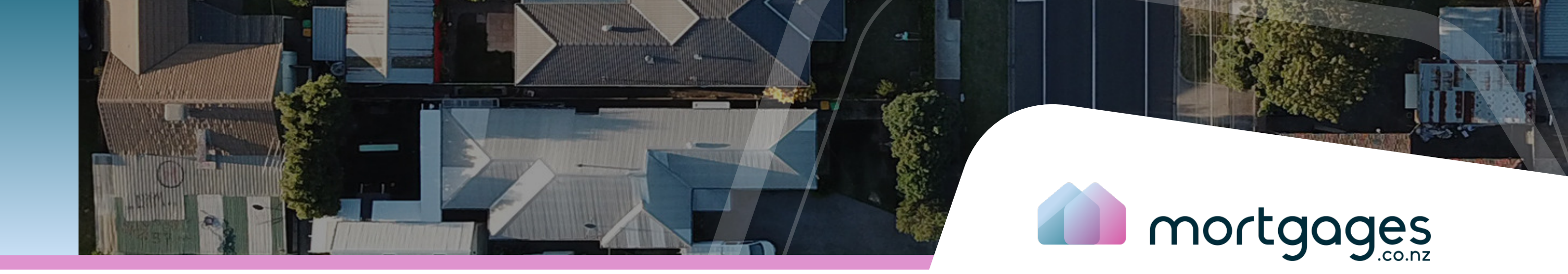
A net 38% of mortgage advisors around the country have this month reported that people are looking at refinancing. This reading is consistent with most other months since early in 2023 when we allow for the recent high month to month volatility in this particular gauge of interest rate risk management thoughts.



Mortgage Advisor's Comments

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

- Sleepy period coming out of holiday season. Recent interest rate reductions yet to spur interest levels yet. Some banks are well geared up to respond and support approvals, others not so much.
- December had a distinct lack of new enquiries offset by a busy period of existing buyers in market transacting presenting the month as being "busy", but our pipeline of work had shrunk materially. January has however seen more than usual new enquiry which hopefully will continue
- We are finding that clients are feeling a little more relieved with interest rates coming down. Some are wanting to take advantage of getting a cash contribution to give them some extra cash by trying to refinance their existing loans. A lot of top up loans and refinancing to clear consumer debt coming through following the festive season.



- No real significant changes in lending. Lowering of test rates is making things easier but now starting to hit DTI limits especially for investors. Not causing issues so far.
- Bank wait times finally back to an acceptable level and there seems to be a commitment from a few of the bank to try their best to keep them there.
- FHBs are telling me there are now 20-30 people at open homes as opposed to maybe 5 back in Nov/Dec
- Pre-approved buyers now starting to offer on homes. I had several pre-approved clients who pulled back and stopped offering on properties from about October on but are now all in varying stages of offering on/confirming offers on a home.
- Loan approval turnaround time frames are back to their norms now across all banks.
- Wellington remains problematic due to the downsizing of Government, increasing WCC Rates and more expensive house insurance. Apart from pockets of optimism Wellington remains in a difficult position. Anecdotal evidence is that Auckland is similar especially difficult for Tradies. Also anecdotally apparently Christchurch is going very well. Reductions in test rates very welcome and perhaps a bit more before lending appetites return to a more neutral setting.
- Last month was still recommending fix for 6 months with hope of lower long term rates later in the year. Now seeing first 3 year rate below 5% I will be recommending at least taking some of the loan at this level. It’s way below long term average so you are definitely going to be ahead
- First Home buyers have been very active in the New Year - the lower interest rates have motivated them to get on the property ladder and their expectations of pre-covid interest rates have now dampened.
- I think there is more momentum in the market especially for FHB who are fearful that interest rates are on the decline and there will be more competition for properties so many clients have come back out of the woodwork to get going again on the FHB journey as they dont want to miss the boat
- Noticing an upturn in people looking to build new homes, when compared with the last 18 months.
- Reduced test rates are improving the borrowing capacity of all classes of borrower, and we've spent a lot of time revising pre-approvals to give client's more scope.
- It appears that there has been an increase in overall enquiry for lending generally, compared to 3 months ago. The lower interest rates are making property appear more appealing again, and there is a hangover feeling for FOMO. This may come back. Lots of sentiment amongst businesses I deal with, that the second half of the year will improve a lot
- Banks now reopen for preapprovals after clearing the backlog over Xmas.

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