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&

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MORTGAGE ADVISERS SURVEY

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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 56 responses.

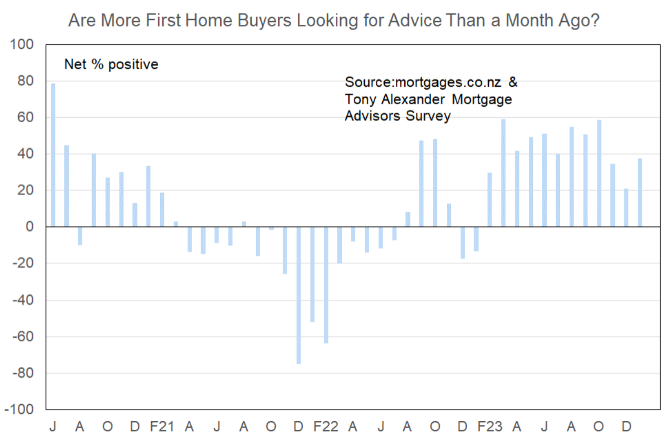
The main themes to come through from the statistical and anecdotal responses include these.

- Banks are slightly easing lending criteria for first home buyers.
- Anticipation of more buyers coming forward is encouraging some people to try and make their purchase now rather than waiting

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

In our first survey for the year a net 38% of advisors have reported that they are seeing more first home buyers looking for advice. This is up from a net 21% in December and 35% in November, suggesting that the December dip was simply a pre-Christmas stepping back.

Now, with people returning from holidays and evidence of markets rising and interest rates slowly falling with more declines expected, young buyers are showing renewed interest in making a property purchase.



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

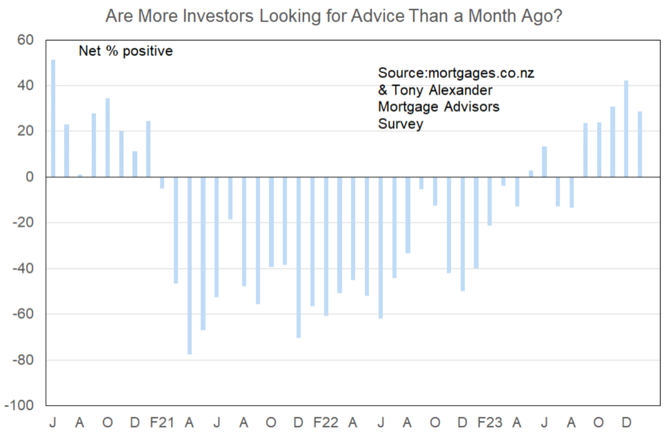
- No Change. Still limited low deposit funds available. No pre-approvals.
- Banks seem more willing to workshop deals and have them work, I think they are keen to get business done and locked in before rates start to come down.
- Some are open to negotiate the surplus income required per month - if it's a strong deal otherwise it's worth submitting. Xxx bank in particular is lenient with boarders and will allow 2 for over 80% LVR which is really helpful to FHB reliant on boarder income that don't meet Homes & Communities FHL criteria.
- Inclusion of boarder income in high LVR loans has been helpful, especially for individual purchasers.

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

Whereas our surveyed revealed a dip in first home buying interest pre-Xmas and now a recovery, for investors the pattern is the opposite.

A net 29% of our survey respondents have said that they are seeing more investors coming in for advice. This is down from a net 42% in the December survey but about the same as November's 31%.

Investors are still struggling to make the numbers work with high cost increases and high interest rates, and banks are showing little new enthusiasm for lending to investors as yet. But tax rule changes are being greeted positively and this may bring more interest forward as the year progresses. There is no evidence of a wave of new investors appearing as such.



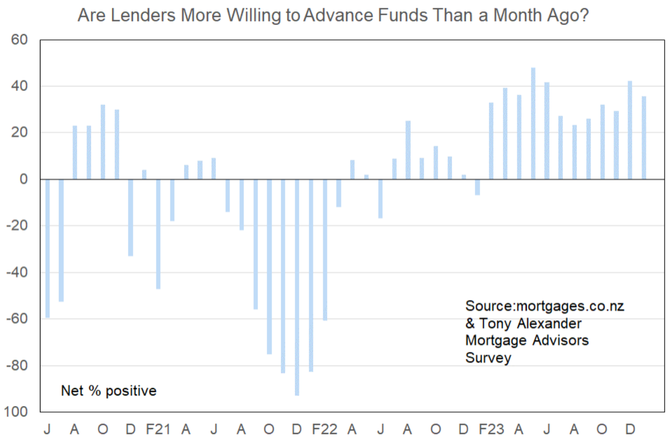
Comments made by advisers regarding bank lending to investors include the following.

- Previously banks shaded the rental income by 20% to allow for Rates, insurances, prop management fees and the possible tax liability on the non-tax deductibility and vacancy. with the introductions of deductibility and the banks now requiring the actual rates and insurance cost to be included in the expenses, The banks have reduced the shading, however, it seems the banks are overly conservative for investment proposals.
- Still very difficult to get the numbers to stack up, but the banks are easing their criteria slowly but surely.
- Not much change yet, but expect some as the year progresses. Interest rates are still prohibitive for a lot of existing investors.

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

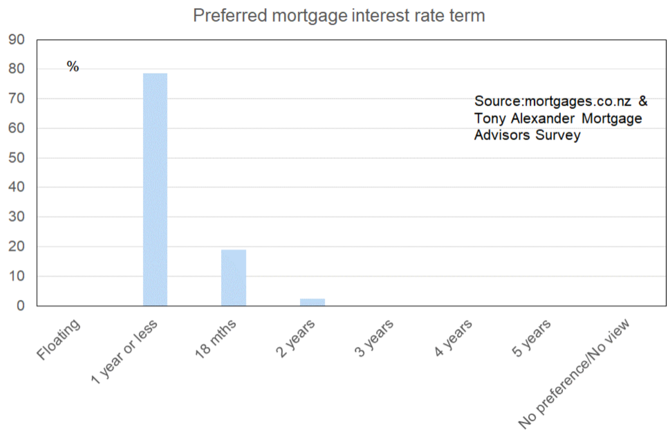
A net 36% of respondents this month have reported that lenders are becoming more willing to advance finance. This outcome is broadly consistent with others since March last year and evident in the comments which brokers have submitted regarding changes in bank lending criteria.

No broker however has indicated that banks are falling over themselves to advance funds. Caution continues to prevail, but the direction of change is positive – if slow.

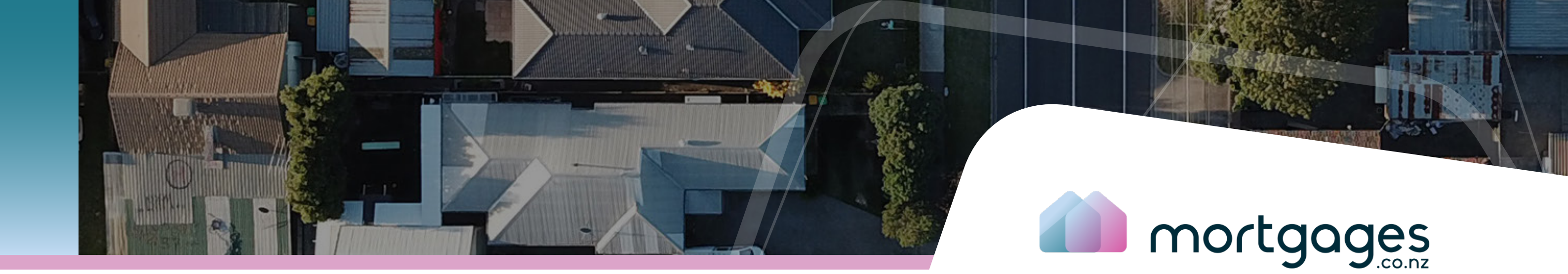


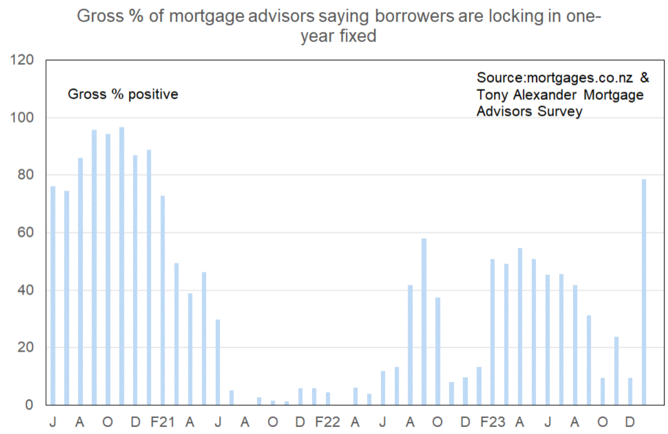
WHAT TIME PERIOD ARE MOST PEOPLE LOOKING AT FIXING THEIR INTEREST RATE?

Almost 80% of brokers have reported that borrowers prefer to fix their mortgage interest rate for one year or less. This would capture the rise in interest in fixing just six months evident in media discussion about market trends amidst expectations of interest rates falling this year.

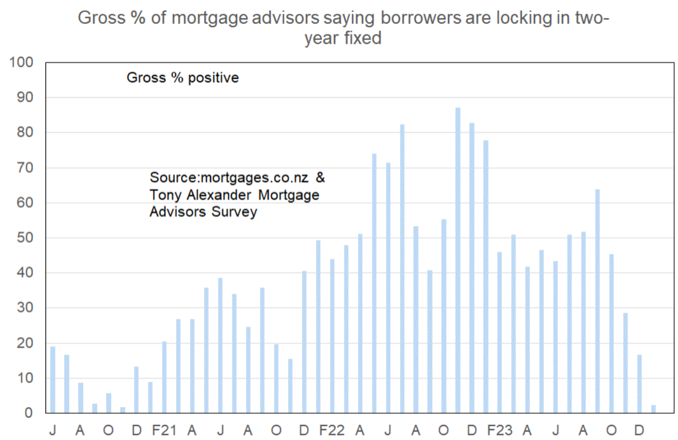


The preference for fixing one year or less is at the highest levels since days of the pandemic frenzy when these short rates were exceptionally low near 2.3%. Currently they are just under 7% by and large.

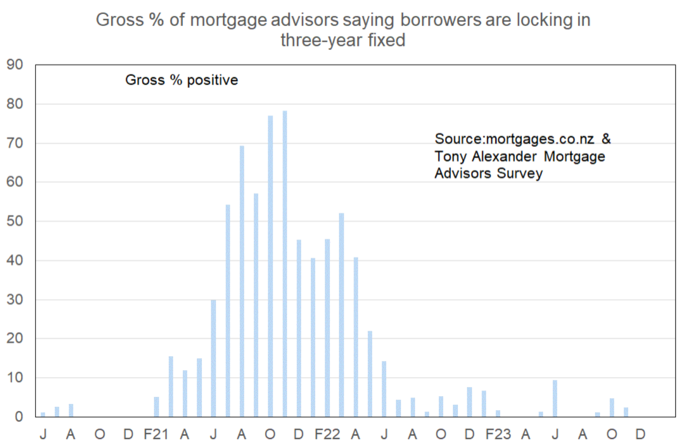




Interest in fixing two years has almost disappeared. Maybe that is why some banks have cut their two year rates. It looks like they are doing borrowers a favour – but the rate is irrelevant for almost everybody.

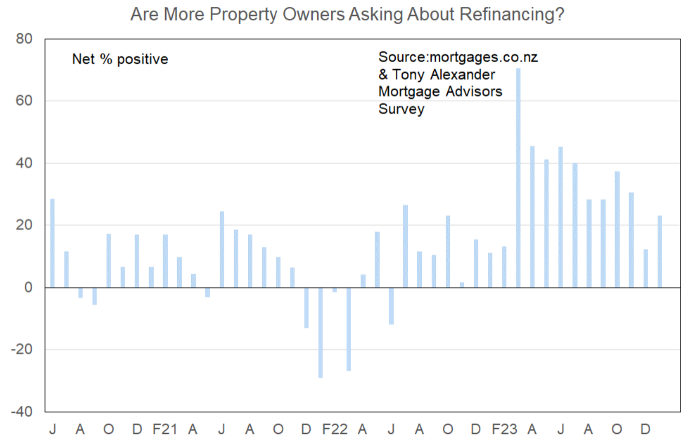


No demand exists for the three year fixed rate.



ARE MORE PROPERTY OWNERS ASKING ABOUT REFINANCING?

A net 23% of brokers say that they are seeing more people looking for advice on refinancing their existing mortgage. This result, like that for December, is on the low side compared with most months in 2023.



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

- There is a general feeling from clients coming into the office that now is a good time to buy, unsure why, but they feel like they need to get in now.
- Overall, there is an increase in enquiry level, as confidence is up with Govt taking action, and making changes it said it would, espec. confirmation around tax cuts, interest deductions returning, and property value growth showing 3 months of positive growth, starting to show a new upward price cycle beginning.
- Some banks actively looking for deals - must be

quiet.

- Clear downward pressure on rates – xxx bank put out a 6 month rate for 6.89% which is unheard of elsewhere in the market. Announcement from RB this month early too - rate market seems set to move quickly. Seeing lots of people looking to lock in a house before the market turns.
- Catch22 for RBNZ and big banks with rates, margins, profits, perception. Seems clients are saying rates as high as they are going to go so looking to purchase max they can now as value will go up and payments down - no more sitting on the fence
- This year has started with a bang, loads of enquires and people ready to take control around refixing, restructuring and refinancing needing advice. I think 2024 will be a busy year.
- Enquiry starting to pick up, but reasonably quiet Jan, mainly interest rate and refi enquiries.
- It has gone mad - so many people wanting pre-approvals to buy - x3 per day on average
- Rate shock still evident and it's clear many have not prepared.
- Turnaround times are quick - less than 3 working days
- Still feels to early in NY to get sense of market.
- If we could see some small dip in Fixed rates across market, I think this may be little push clients are wanting to see to then have confidence rates have peaked and will reduce not increase.
- The first home buyers I am seeing tend to be well organised joint applicants who have saved well in both KiwiSaver and their personal savings. They tend to be on above average household incomes.
- All first home buyers are new immigrants who have been here a year and now qualify.
- There is increased activity with first home buyers, with the expectation that interest rates will go lower and house prices higher.

BAY OF PLENTY

- Enquiries are certainly picking up again very quickly
- 2024 has kicked off super busy.

WAIKATO

- I've noticed a real increase in people wanting to buy whether first-time buyers or existing owners

HAWKE'S BAY

- Much shorter turnaround times ATM
- Only the first week back for a lot of people, so probably a bit early to have much indication of what the true picture is.
- One first home buyer is wanting to be ready for 'an influx of listings from investors once the brightline is reduced.
- First home buyers are still active with more tentative interest from investors.
- Some seasoned borrowers considering reducing debt as tiring of the high rates.

TARANAKI

- First home buyers are keen to buy before investors return to the market

WELLINGTON

- More sales are falling over due to noncompliance to new council consent process.
- Seems to be more activity now than October and November.
- FHBs are back big time in Wellington, I thought it would be steady, but it has been really busy!
- Interest Rates across all the main banks seem to now be in sync. Waiting to see if they will do any 'summer specials' as they did nothing over Spring. There is going to be a lot of xxx bank customers coming off 4.99% who did not get a cash back who will be looking to refinance maybe.
- Quite a few calls over the holiday period from first home buyers wanting to test the waters and see if they are ready for an application to the bank, working with some, others sent away to finalise a few things and then relook at their situation.
- Customers waiting for wholesale rate decreases to be passed on

NELSON/TASMAN/MARLBOROUGH

- Very little action in the region. Buyers are not motivated to purchase as there is plenty of property on the market and little pressure to act quickly.

CANTERBURY

- Buyers that are pre-approved are finding it hard to secure a suitable property, listings seem to be low with vendors expecting high prices atm
- Clients are very keen to get a head start on the homes expected to come to market in the new year, I have been busy over the Christmas / New Year period with clients going under offer during that period and also wishing to get a pre-approval in place to hit the ground running.

OTAGO EXCLUDING QUEENSTOWN LAKES

- Very quiet start to the year.

QUEENSTOWN LAKES

- December was a huge month of settlements even though I see from new stats low on listings. Not sure if this is just a timing issue/fluke or if it could mean things are starting to pick up?

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