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MORTGAGE ADVISERS SURVEY

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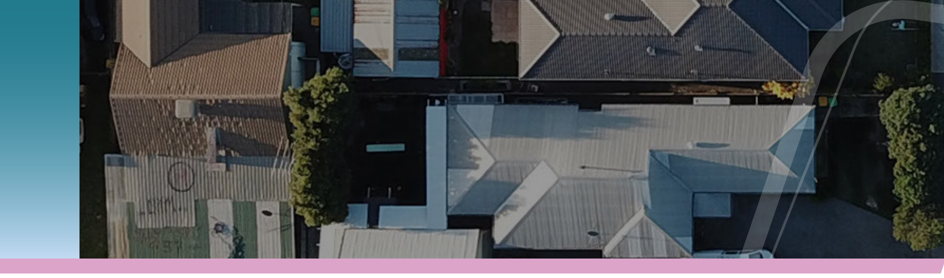

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Buyers still cautious

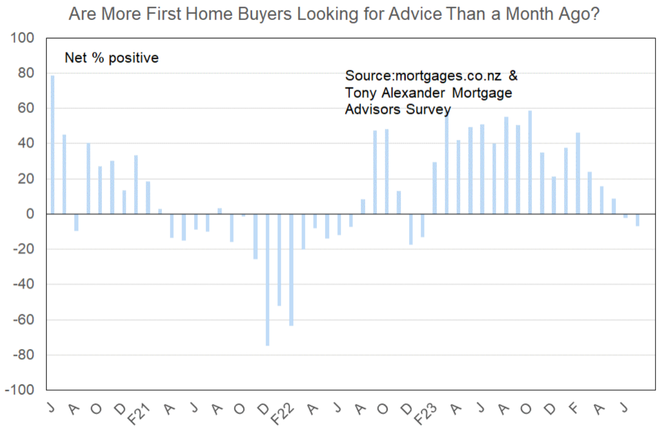
Each month we invite mortgage advisers around the country to give insights into developments in the residential real estate market from their unique perspective. Our latest survey, undertaken this week, attracted 54 responses.

The main themes to come through from the 58 statistical and anecdotal responses include these.

- A few more investor buyers are starting to appear, but activity levels are still low. Introduction of DTIs has had no noticeable impact but easing of LVRs has provided a small boost.
- Application processing times with banks have blown out and this may account for a sharp deterioration in perceptions of bank willingness to lend.
- A net 7% of advisers say that first home buyers are now backing away from the market.

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

A net 7% of mortgage brokers have said that they are seeing fewer first home buyers making enquiries. This is a deterioration from a net 2% negative last month and the weakest result since January last year. The measure is now well away from the net 46% positive result in February and reveals one of the starker deteriorations in Kiwi economic engagement from early this year.



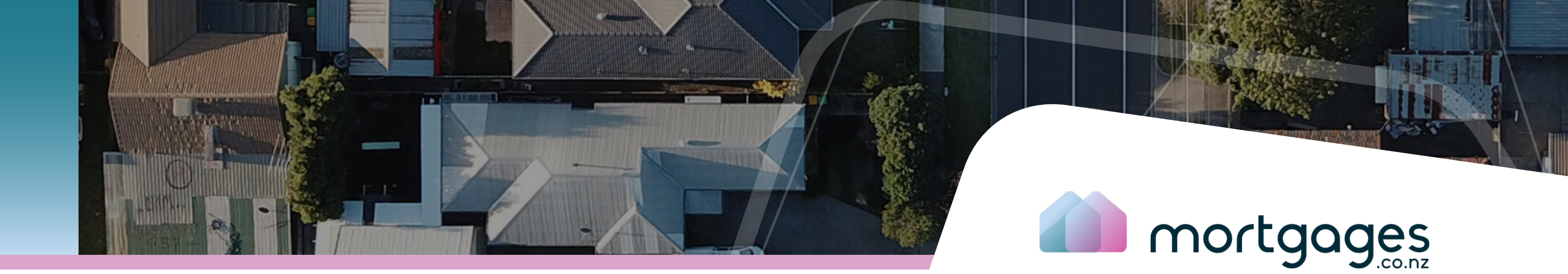
Comments on bank lending to first home buyers submitted by advisers include the following.

- Some banks are really scrutinising build reports nail for nail and also demonstration of affordability popping up with 2x KO banks.
- Some affordability calculator changes reflect now higher minimum expenses making loan approvals harder.
- Focus continues to be on affordability. Not seeing any focus on DTI's yet other than measuring them.
- One bank has changed UMI threshold from $1250.00 to $750 for over 80% deal for new customers.

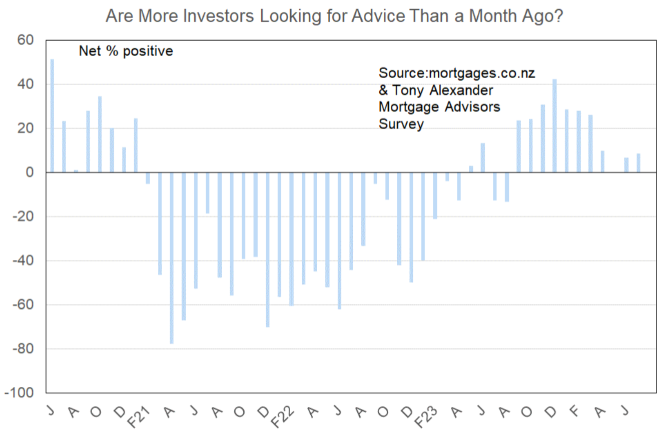
COMPARED WITH A MONTH AGO, ARE YOU SEEING MORE OR FEWER INVESTORS LOOKING FOR MORTGAGE ADVICE?

A net 9% of advisers have reported seeing more investors looking for advice. This is a small improvement from a net 7% last month but is still well down from the recent peak at 42% in December last year.

Why might this investor reading be stronger than that for first home buyers? Probably because of the surge in job insecurity revealed in my monthly survey of real estate agents depressing young buyer demand particularly, but hopes of canny counter-cyclical purchasing bringing some investors into the market. The easing of minimum investor



deposit requirements from 35% to 30% of purchase price may also have slightly helped.



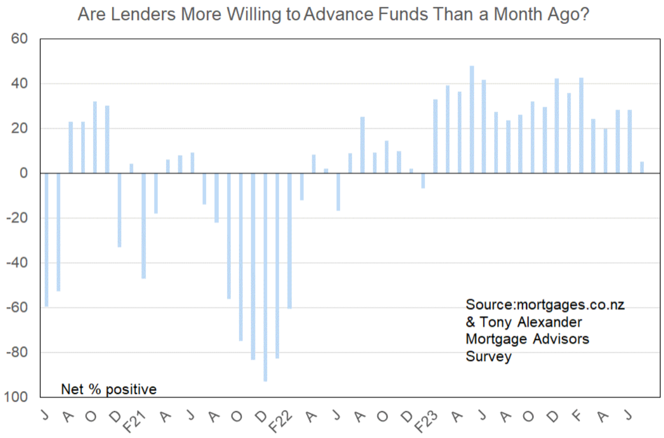
Comments made by advisers regarding bank lending to investors include the following.

- No real change other than the change in LVR's to 70% for existing properties. DTI calculations with all lenders are different which is interesting Not all calculators provided to advisers are picking up the right information. Also seems there is confusion over whether new properties are exempt.
- Being especially pedantic around the exact insurance cost and council rates of an investment property when still only applying for pre-approval. Not being willing to condition for an amount that could be confirmed later.
- LVR's eased to 70% as DTI's introduced (7x)

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

This question has yielded the biggest change in our measures this month. Only a net 5% of mortgage advisers are saying now that lenders are becoming more willing to advance funds. The outcome is positive but well down from a net 28% in June and 43% in February.

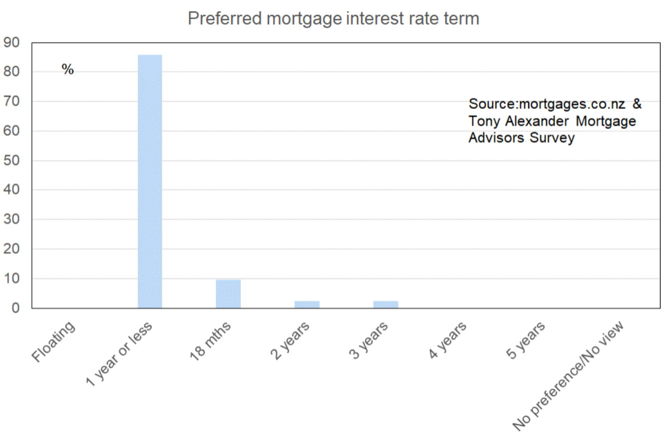
A number of brokers stressed that processing times for applications have blown out and this may explain the result here.

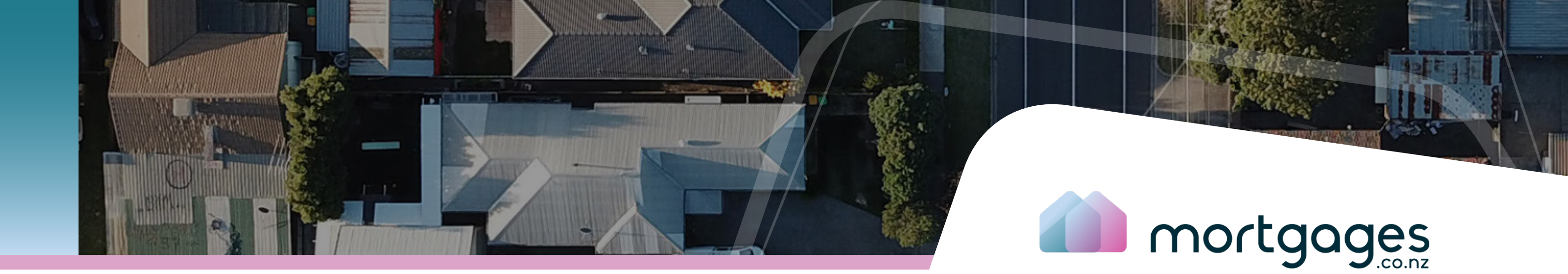


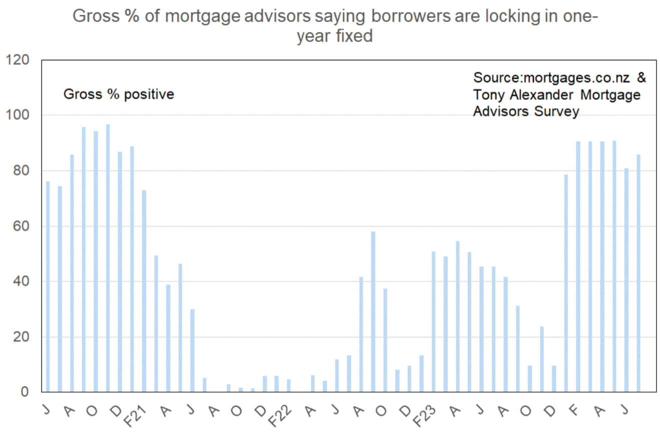
WHAT TIME PERIOD ARE MOST PEOPLE LOOKING AT FIXING THEIR INTEREST RATE?

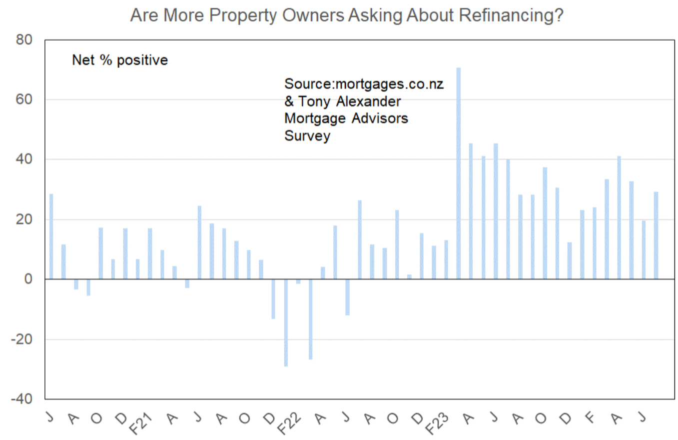
The widespread expectation that the next change in monetary policy will be an easing and that it will come much sooner than the Reserve Bank's previously indicated September quarter of 2025 is encouraging people to only fix short.

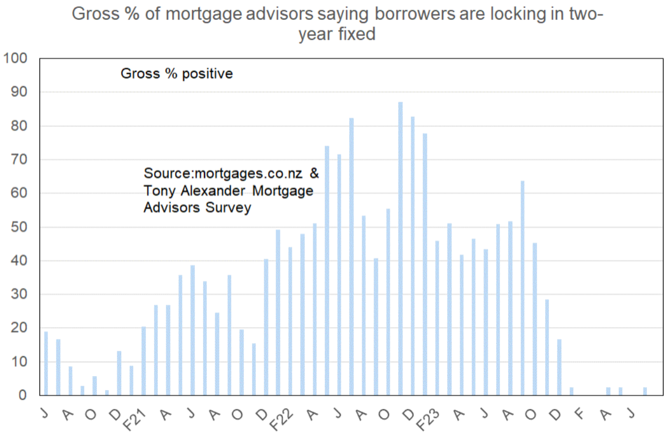
86% of brokers say that borrowers are opting for a one-year term or less (six months is popular) and only 10% say fixing two years is preferred.











ARE MORE PROPERTY OWNERS ASKING ABOUT REFINANCING?

A net 29% of mortgage advisers this month have reported that borrowers are increasing enquiries about refinancing. There are still some people rolling off rates near 3% onto new rates above 6.5%. Also, cashflow strains for owners from higher council rates and insurance premiums may be driving a greater focus on attempts to save an extra 0.1% off one's new interest rate.

The problem for many people is that they could lower their rate by fixing long, but expectations of monetary policy easing are discouraging people from doing so. While this situation exists the cashflow pressures on people will likely add extra downward pressure to other areas of household spending such as hospitality and retail.

Mortgage Adviser's Comments

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

- Typical quieter winter months but early signs of increased buyer interest in our region with multi offers becoming more common again
- More enquiry in general this week than the last 2 months. Still seeing people come off under 3% rates and looking for options. Some self employed retail owners on a slippery slope now, as sales slump.
- No confidence with buyers currently.
- Channel disparity is alive and well, I guess a way to manage margin flows. One bank is 2 days direct, 2 wks otherwise, CEO's not in touch with 3rd party channels.
- A slowdown of new enquiry is a concern over recent weeks.
- Have found an increase in older clients seeking lending to buy their first home. These applications often requiring strong mitigations of future repayment strategies for longer terms that enable higher lending to achieve buying a home.
- Bank turn around times have ballooned out in recent weeks, with the many having significant wait periods even for urgent applications. Xxx

bank has returned to market on the 1 year rate of 6.85% meaning a lot more incentive for their existing customers to stay put.

- Turnaround times are terrible. If you are unfortunate enough to be a business client, you could wait a month for an answer. The biggest headache for buyers at the moment is getting an answer out of a bank.
- It's a pretty slow winter in wellington. Clients have more credit issues now and banks are still picking at all applications. Business client poorer 2024 results are now coming through.
- LVR increase has been positive. Banks looking to do more low-equity lending.
- I'm finding things have suddenly picked up especially in the first home buyer's space. DTIs now all in force although not really relevant yet with the high interest rates. I'm seeing a lot of pain across all industries now which won't be yet out in any reporting. Bank turnaround times across lending and maintenance teams for most banks are painfully slow which is making things hard.
- 50/50 applications seem to be getting over the line.
- Most are holding back
- A slow market with banks wanting business and slower than anticipated application responses from some lenders
- No urgency from Borrowers or Buyers, and Banks slow as well and showing no urgency, feels flat as can be.
- Turn around times are appalling currently. 12 days with xxx - at a time when the market has supposedly slowed down. No real change in interest rates and banks not really matching each other. Higher cash contribution rates currently i.e. 0.90% not the usual 0.80% - with minimum amounts for first home buyers
- Most recent enquiries coming from existing homeowners looking to move up to next home. Buying & selling in the same market.
- Arrears are up, some banks have made umi easier
- Xxx bank extremely critical with discretionary expenses - they have the best First Home Buyer deal but very difficult to get approved if clients have been spending high in recent months - which almost all of them have been a bit different to future budgets. Even though budget still is reasonable and achievable applications are being deferred for a few months.
- I have seen a change in the way banks treat bad account behaviour, if there are some missed direct debits etc and the clients have big incomes the bank lets it go.
- Our biggest issue is turnaround times from lenders at the moment. Very apparent that the workloads in the broker units have increased as more borrowers see the value of using a mortgage broker for their finance - our channel is getting busier. Banks need to shift or better utilise resources that are based in the branches. Buyer activity has slowed down in the past 6 weeks, and it seems this is a general theme across all industries. High rates are starting to bite.
- Enquiry has ramped up for me this month with some good intention to purchases here too, plus the first home buyer pre-approval requests that aren't that serious. So a mixed bag but intention to purchase is back on the whole which has been lacking for the first half year. Good buying choices out there without real bargains or panic sales present, overall a good market for buyers.
- Some good cash incentives on offer even for low equity loans
- New "Purchase" business still quiet, lots of refi and IO application requests
- Busy again
- In the last few weeks I have seen an increase in activity from my pipeline of preapproved clients while at the same time, new enquiry has slipped to a lower level.
- I presume my pre-approved clients are more closely watching the market and becoming aware that this is probably the best buying opportunity of the next cycle.
- Banks are taking way too long to approve loans, xxx 13 working days
- There are very few first home buyers willing to commit to the purchase at the moment, instead of FOMO, it is FOOP (fear of overpaying) that is making them wait. The ones who bought six months ago are seeing the property values still going down, that is spooking the new first home buyers to committing to the purchase. Investors have started looking at the market again although high interest rates are not making it easier to justify the purchase. Job security

seems to be the biggest concern for a lot of buyers, if self employed, cash flows are being tested for a lot of industries, making the owners vary of committing to borrowing more. Business lending seems to be on the rise - albeit from the nonbank lenders, banks are still very difficult to deal with when it comes to asking for business loans. There are lot current owners that are looking to sell (mostly investors) due to cash flow issues. Some of them bought it at a low rate of 3s or 4s and now they have to pay interest rates at close to 7s, that's pushing them to put their properties on the market due to cash flow issues. Overall, there is a lot of financial pain in the market and cuts to OCR couldn't come sooner for a lot of borrowers at the moment.

- It is a market of two halves. A larger number of homeowners are struggling financially which is meaning more people are looking at refinancing options. People who aren't able to hold onto their property are looking to sell to either clear debt or downsize. This leaves the door open for both first home buyers and investors alike. The financial pain is not over, so I see increased activity from first home buyers and investors in the coming months as more stock comes onto the market. I haven't noticed a change in banks mindset to lending, however the CCCFA changes that come into affect at the end of the month may free things up a little more and will certainly help with approval turn around times.
- Apart from investor lending at 70% LVR, there is no perceptible change in lenders approach. Buyers are looking for bargains and there is an expectation that property prices could drop further - therefore no hurry to make the buying decision.
- No rush, very slow process. Buyers taking their time.
- Looks like a tough winter ahead for many in Wellington.
- We are seeing a blow out in the time it is taking for a loan application to be picked up.
- Investors still not too keen to get into the market, waiting for more stock to come, with more choice they are hoping this will drive prices down.
- First Home Buyers have not been overly concerned around the grant being removed as it was too restrictive anyway. I've been busy with first home buyers particularly wanting to get property before any perceived price increases.

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