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Tony Alexander

MORTGAGE ADVISERS SURVEY

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Strengthening signs grow

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 last week, attracted 53 responses.

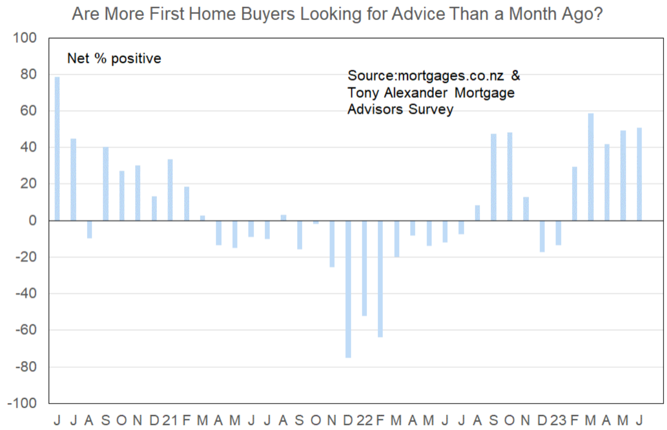
The main themes to come through from the statistical and anecdotal responses include these.

- First home buyers are solidly in the market, assisted by some easing in credit rules.
- Investors are still rare but starting to express some mild interest.
- The one year, 18-month, and two year terms are most favoured for fixing one's mortgage interest rate.

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

For the fifth month in a row a strongly positive net proportion of mortgage advisers have reported that they are seeing more first home buyers in the market looking for advice. Last month the reading was a net 49%, this month it is 51%.

There is increasing discussion about house prices bottoming out and many buyers have been waiting up to two years for market conditions to be more favourable to buyers. Initially they may in 2021 have held off buying because of a lack of choice, lack of ability to attach conditions to offers, and high cost of repeatedly undertaking work required to make a bid then failing to secure a property.

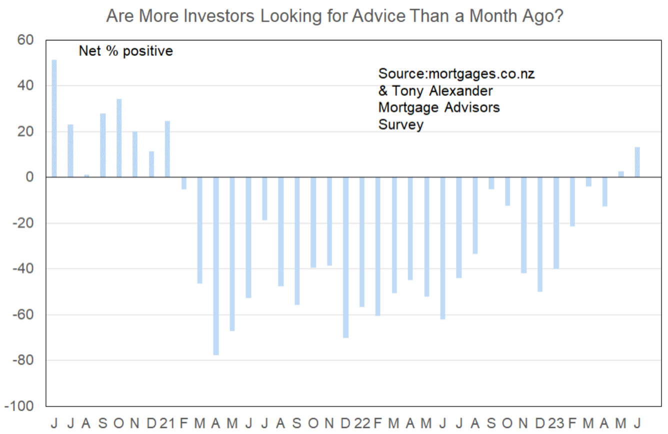


Comments on bank lending to first home buyers submitted by advisers include the following.

- A little more low deposit lending opened up 1st June. CCCFA relaxed at same time making things a little easier.
- More relaxed with expenses, provided bank statements are in order.
- slight softening in acceptance of over 80% lending. Kainga Ora loans still the main way to purchase with a small deposit, needing a live deal elsewhere. Further softening in the cccfa is positive.
- Loosened LVR requirements with RBNZ changes. Reduced UMI surpluses required for debt servicing.

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

For the second month in a row our survey has shown more brokers as seeing extra investors in the market seeking advice rather than fewer. The latest result of a net 13% positive is the strongest since January 2021 and up from 3% in May and -13% in April.



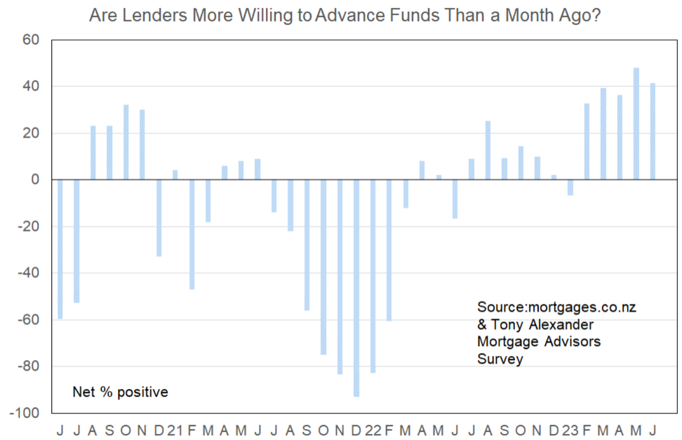
Comments submitted by mortgage brokers indicate that the overall level of interest from investors is still very low. But the discussion of the market bottoming out and interest rates peaking appears to be eliciting some selected interest.

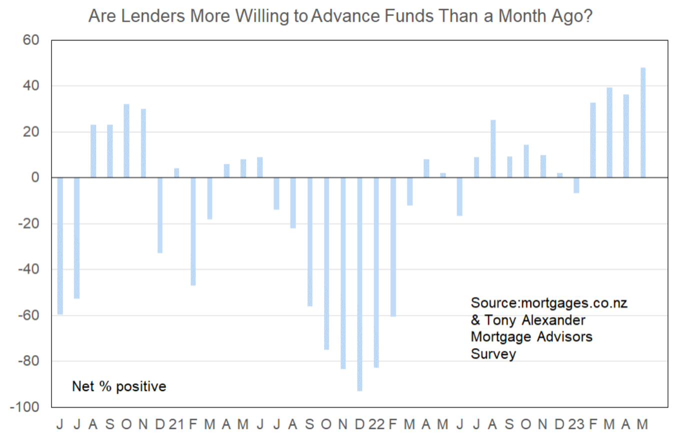
Comments made by advisers regarding bank lending to investors include the following.

- Haven't noticed much difference yet with LVR increasing from 60-65%.
- Deposit requirements have reduced to 35% but again test rates have gone up, with interest rates so high, investors are not keen to take on debt at the moment. Interest deductibility is what everyone is waiting for - waiting for election results to see if there is a change of government.
- Less of a deposit required now.

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

A net 42% of mortgage advisers this month have reported that they are noticing banks as being more willing to lend funds for a home purchase. This is slightly down from a net 48% last month but makes for five months in a row of strongly positive results for this measure.



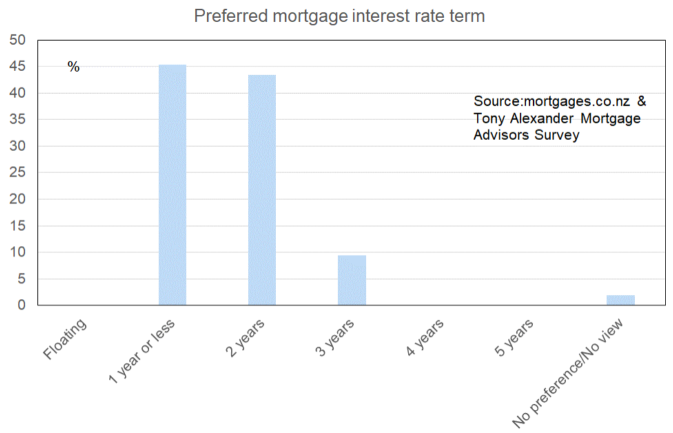


In an environment of low sales and with the Reserve Bank perhaps still sensitive to any signs that mortgage rates are being discounted, banks are relying on easier lending rules in order to at least protect market share.

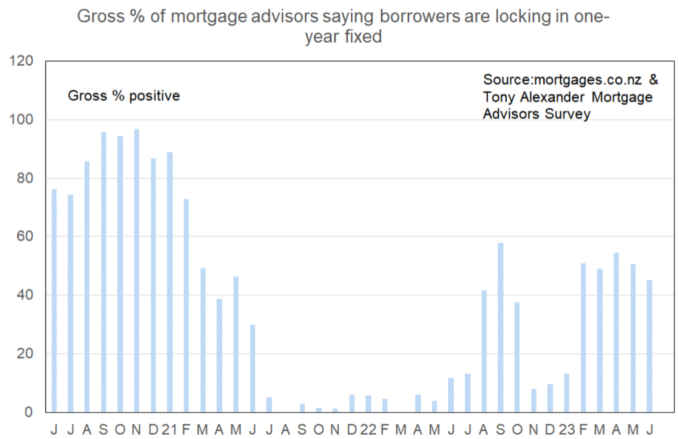
The easing of lending toughness has been assisted by the June 1 change in Loan to Value Ratio rules allowing banks to undertake extra lending at less than 20% deposit, and cutting the minimum investor deposit from 40% to 35% of property valuation.

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

The one and two year terms continue to be most favoured by borrowers. There is no interest in floating of fixing longer than three years. Not captured in our survey is the strong preference which many people have for the 18-month term.

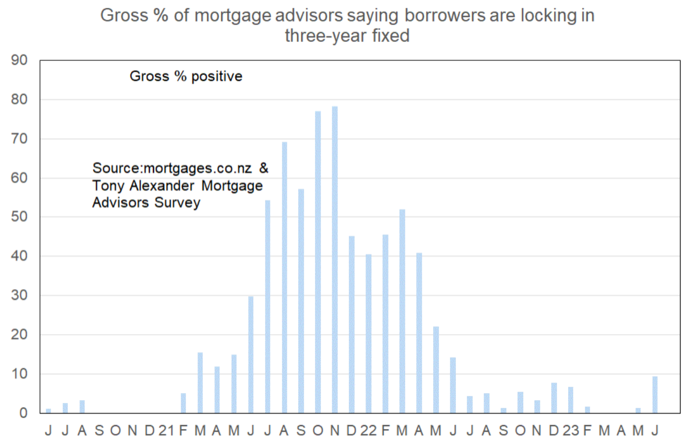


The one year term preference has been very strong since February.

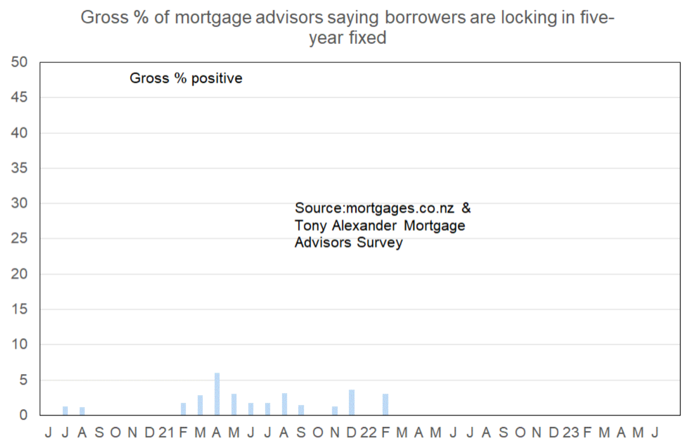


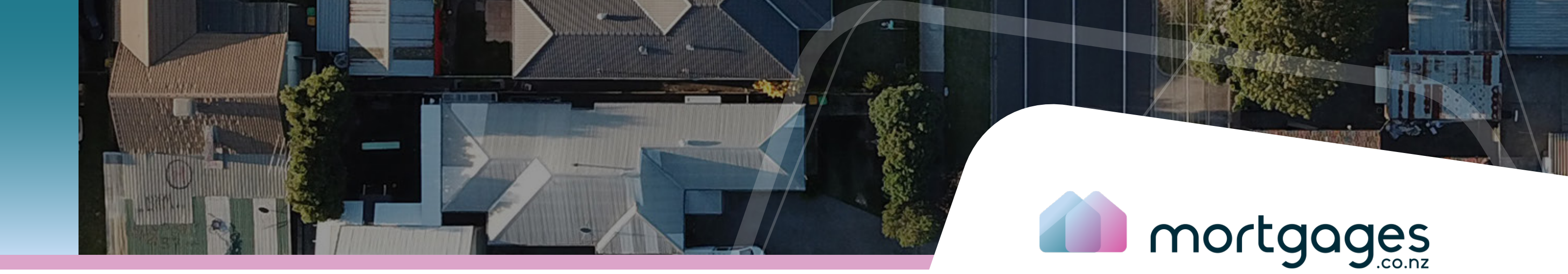
The two year preference slipped has settled at levels near 45% of borrowers as compared with 75% for a few months late last year when worries about interest rates ising were very high.

Preference for fixing three years has increased this month, perhaps assisted by some recent cuts to that term in contrast with recent increases for one and two years.



No-one wants to touch five year rates with a bargepole.





Mortgage Adviser's Comments

Following are the 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

- Seeing a change in sales and auction rooms with a few surprises on the upside recently. Improving credit criteria will help support. One headwind is still off the plans purchasers 2 years ago coming up for settlement who may have fallen out of criteria / suffered drop in value
- There are more buyers in the market now than say 3 months ago. There is a lot more activity with contracts being written, even some of the properties are being sold in auctions as well. There are properties that are getting multi offers - something that wasn't there around 2 months ago. So definitely a lot more activity, property prices are still lower than the peaks of 2021, but I would say higher than pre-COVID. For first home buyers, it is still a good opportunity to purchase while the prices are relatively low. Interest rates are high, but we might be at the peak of the rates as well, that's why most people are choosing to fix for 1 year.
- Lenders not applying microscopic scrutiny of household expenses for the last few weeks has been good for all classes of borrower. Combine that with relaxed LVR restrictions and the world has become a quite a bit rosier for high LVR customers (i.e. first home buyers). They better be quick though; I see property inventory running short by Autumn 2024.
- Buyers more relaxed that the market has bottomed out. Most are competing with other buyers when bidding or putting offers of properties, especially first home buyers. Very few good properties on offer.
- Banks are asking what business they are losing to the competition. i.e. conscious of losing market share.
- Rates and cashback offers not quite as good as they were with some banks not competing.
- 1% cashback still available but ceilings like $12K or $20K being applied. Also the threat that these offers could be withdrawn without notice.
- First home buyers are galvanised to seek advice, but slow to implement action - they struggle to make a move when they cannot see others doing the same. One thing I have not seen anywhere (I may have missed it) are the literally thousands of new home owners (RBNZ exempt), that have used the discounted floating rates for their purchases - especially the turnkey buys - these folk are sitting on rates circa 5.88 for xxx bank today (yyy bank a fraction more) that are not facing the high refix rates for, in many cases another couple of years - some will be coming to the end-of the discount but most are doing ok - comparatively.

BAY OF PLENTY

- Crazy busy at the moment
- Its still pretty tough to get FHB approved, due to bank servicing/test rates being 8.5-9%. But banks have eased up on the CCCFA requirements, making it easier for change in spending habits prospectively.

WAIKATO

- Market starting to warm up again.

WELLINGTON

- Seems like a normal winter with good demand but nothing drastic yet, spring and a government change would see the market take off. Banks' affordability criteria will be the issue then with high test rates getting close to 9%.
- Property values and sales are still decreasing in Wellington with major issues around turnkey settlements not settling due to drop in value, some developers not willing to compromise and are keeping deposits instead.
- Market has started to turn, with customers now competing with other offers on the table (multi offers). The price delta between new builds and existing homes is increasing, resulting in the new build market significantly slowing down
- 18 month rate very popular.
- Good clean offers coming back quickly from the

banks.
- Buyers are still a little hesitant, thinking it might go lower.
- Enquiry has picked up further in the last month again. Banks are busier

TOP OF THE SOUTH ISLAND

- Rising frustration from borrowers with the poor government led policy that has been restricting access to funds in the finance industry.

CANTERBURY

- For the first time ever (in 16 years) got an approval as exception to LVR rule for investor refinancing from a 2nd tier lender. Fell off my chair.
- More investors making plans to purchase in the next 6 months.
- Non-bank lenders priced out of the game at the moment with rates around 10%.
- Although lender appetite seems to have increased, stress test rates have increased which negate most of the positive impact.
- More activity in FHB area with some clients having better success in finding a property that suits budget. They do need to be resilient about the purchase process though, as it can take a few disappointments before they are successful with their offer.
- Seem to be a few newer assessors in some of the larger banks who are not as confident around making a decision. They're reluctant to pick up the phone and discuss further or obtain clarity. More long term assessors happy to call and go over a deal to elicit further detail or your feeling about the client - this made for a smoother process and a better outcome.

QUEENSTOWN LAKES

- Banks are more open to assessing applications, however their higher test rates are restricting the deals meeting criteria

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