mortgages.co.nz

&

Tony Alexander

MORTGAGE ADVISERS SURVEY

June 2024

ISSN: 2744-5194

Buyers more 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.

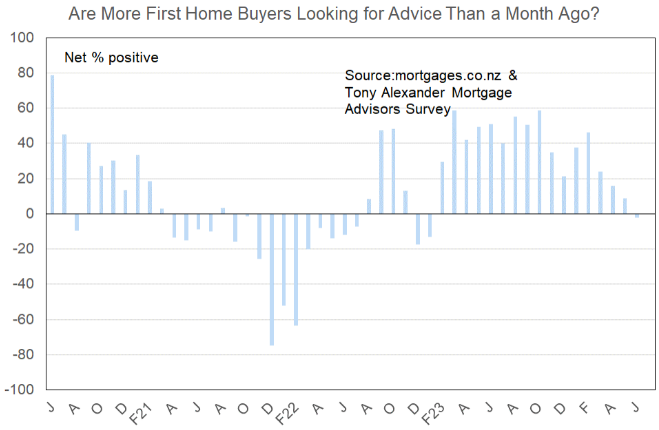
The main themes to come through from the 54 statistical and anecdotal responses include these.

- First home buyers are backing away from the housing market.
- Investors are showing some new yet still mild interest in buying while the market is weak.

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

A net 2% of the respondents in this month's survey have said that they are seeing fewer first home buyers in the market looking for advice. This is the first negative result since January 2023 and is well down from the net 46% in February who said they were seeing more young buyers in the market.

Economic conditions in New Zealand have noticeably deteriorated since the earliest months of this year. In particular, worries about employment security have jumped higher and for many potential young house buyers this will be the first time they have seen a weakening of the labour market without any official moves to provide economic stimulus.



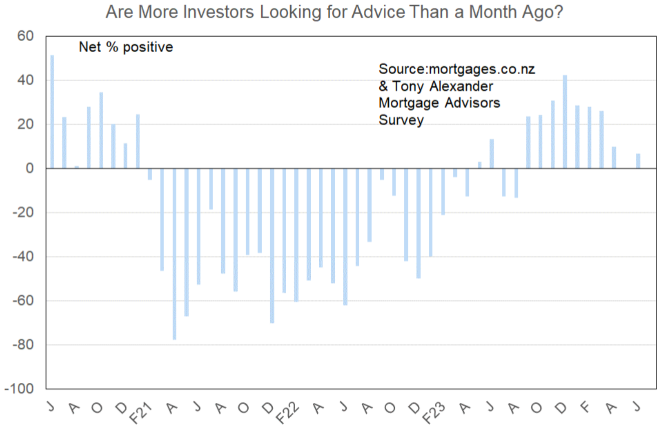
Comments on bank lending to first home buyers submitted by advisers include the following.

- Slight improvements in allowing boarder income to assist servicing.
- Main change in last few months is confirmation of full House Insurance - no exclusions.
- Offering more cash contributions if client is an FHB (0.9% v 0.8%), allowing a boarder for high LVR lending.
- Banks want to lend to first home buyers, but it's the buyers that are now uncomfortable with buying as they are really scared of the banks' interest rates along with the chance of them losing their jobs. Lots of uncertainties in this arena.
- No changes, other than not having the First Home Grant.

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

A net 7% of mortgage brokers have noted that they are seeing more investors in the market looking for advice. It is not common for this measure to be stronger than that for first home buyers and a number of advisors noted that investors are showing increasing interest in purchasing now that the tax rules have changed.

But as our graph here shows, the rise in investor buying interest in the latter part of last year did not last long and it may be safest to say that since April there has been little net change in investor presence in the market as buyers.

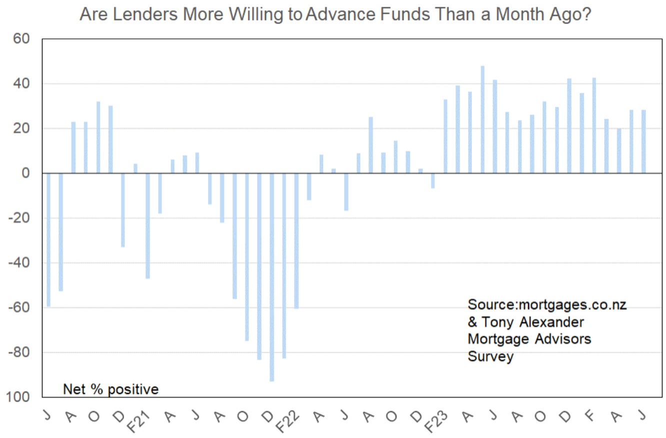


Comments made by advisers regarding bank lending to investors include the following.

- Starting to see changes with the rental haircuts with the reintroduction of interest deductibility, but banks are very slow to open the door much wider.
- They have altered their calculators to allow for tax deductibility of interest cost (in a round about way) and are less punitive when allowing for rates & insurance costs associated.
- Due to the upcoming easing of interest deductibility, the banks have reverted back to not differentiating when a house was purchased when shading/ haircut, rental income assessment. Now rental income is treated the same regardless of when purchased.

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

A net 28% of mortgage brokers have this month said that banks are becoming more willing to lend money for a house purchase. This is unchanged from May's result and consistent in fact with almost all other months since February 2023.

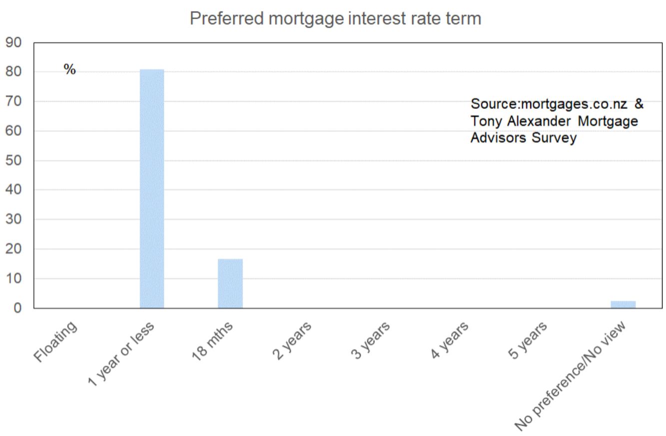


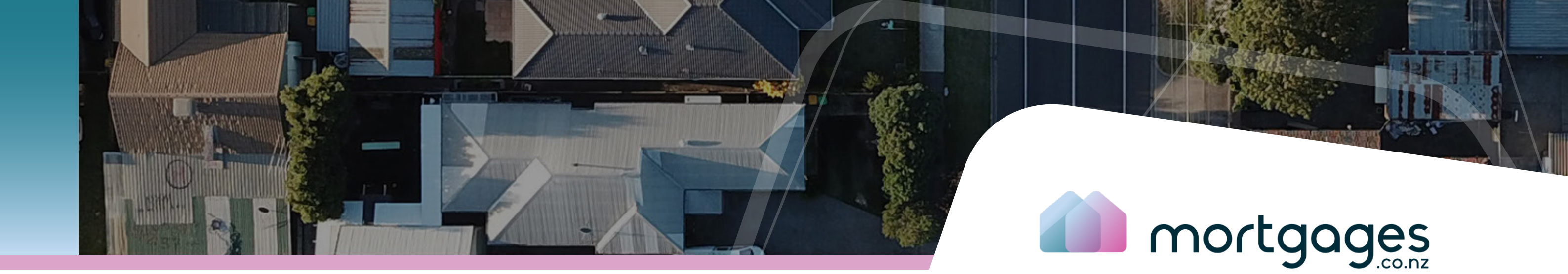
WHAT TIME PERIOD ARE MOST PEOPLE LOOKING AT FIXING THEIR INTEREST RATE?

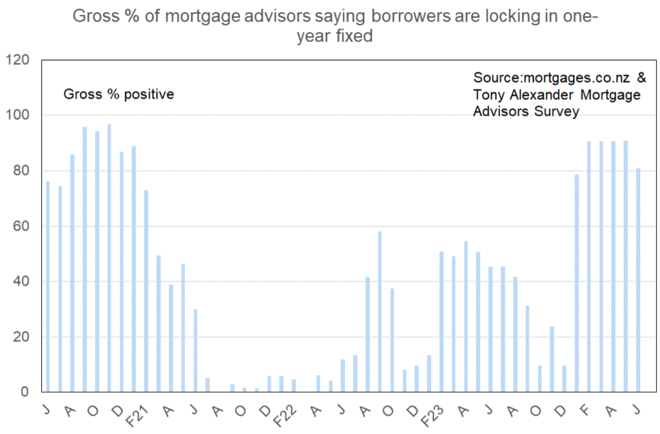
There is a widespread view amongst economists and the general public that the next change in monetary policy will be an easing. Most expect this easing to come early next year and that is why borrowers are showing high preference for fixing their mortgage interest rate for just a 12 month period.

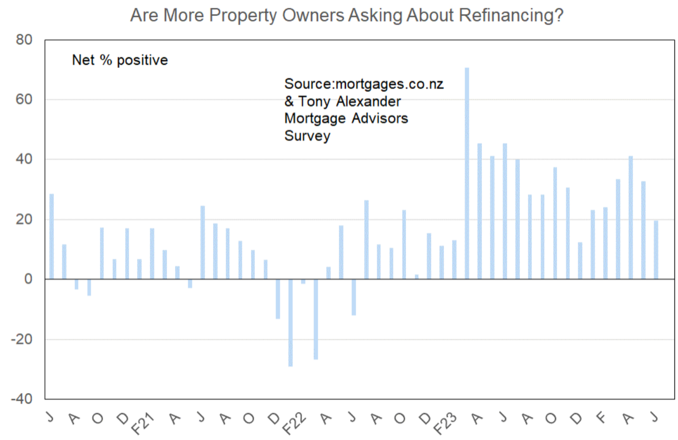
People wish to eventually take advantage of lower rates and feel that locking themselves into a long term now would deny them that chance.

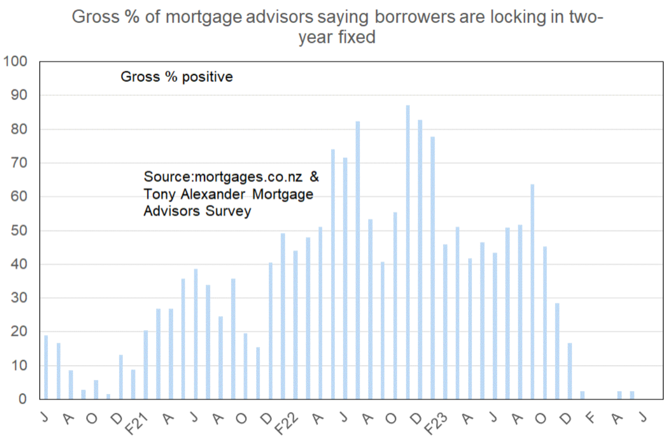
81% of brokers say that buyers favour fixing for one year or less while 17% say they favour fixing from just over one year to two years.











ARE MORE PROPERTY OWNERS ASKING ABOUT REFINANCING?

There is an easing underway in the net proportion of brokers saying that more people are stepping forward and enquiring about refinancing their existing mortgage.

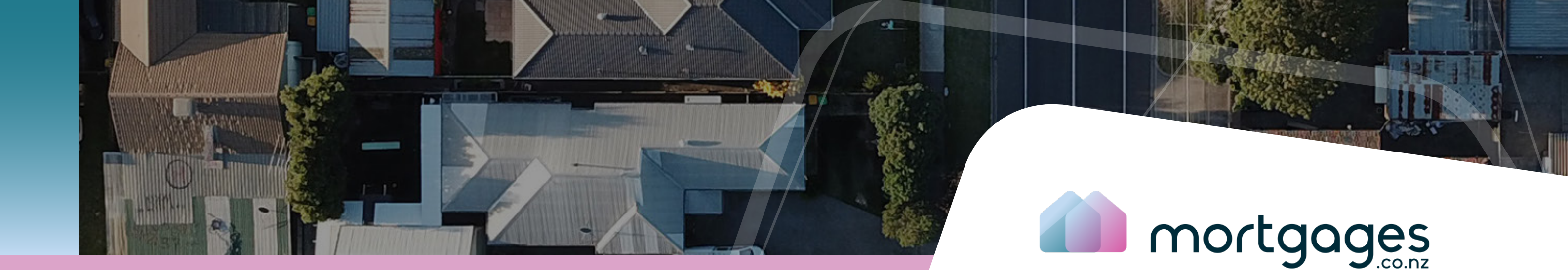
As previously noted, it is difficult to figure out what this means for the general supply of properties coming to the market. But the rise in this measure earlier this year does correlate with a rise in fresh property listings at the same time.

This suggests fresh listings may now be easing off and that is a result we can also see in my monthly survey of real estate agents.

Mortgage Adviser's Comments

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

- It has been a lot quieter.
- Banks overall are keen to help, but need to adhere to cumbersome legislation. Will hopefully be relaxed in the near future.
- Turnaround times are extending with most lenders as demand increases. It can take up to 3 weeks to have an application assessed.
- Someone turned the tap off in AKL. Quietest I can remember in a long time. Lots of existing clients and referrals looking for refi to get cash from a new lender, but new enquiry for lending has really dropped away. Lots of interest rate discussions
- DTIs has added more compliance with extra documents needed to show debt (student loans) and banks wanting to count every bit of income. Another way to make lending harder after just removing one (CCCFA and expense verification).
- Banks are incredibly slow. 2 - 3 weeks to assess an application. Bring on AI!
- Investors are very slowly starting to appear and put a toe in the water. I am doing a lot of 2nd and 3rd home loans and some decent numbers.



People are finding the house they want quickly, so stock does not appear to be an issue. House prices are reasonable and not showing signs of increasing and I am seeing very few multi offer scenarios. The increased cost of house insurance is starting to filter through, as are increased Council rates for 2025 year.

- Waiting to see how banks interpret CCCFA changes, small top-ups, quick interest only requests?
- Processing of applications very slow at moment. Buyers are cautious. Lenders are all go as long as serviceability is there, and they are prepared to listen around discretionary expenses.
- A high degree of caution from buyers. No urgency to purchase, especially FHBs. Vendors have met the market (after adjusting to lower prices over the last 12-18 months) but are now facing flat/lower prices again. The market feels like it is in a 'stalemate' until interest rates start to fall materially. Construction is decimated, though savvy developers are getting projects underway given 12-24 month lead times. Pre-sales are very hard to come by, so cashed-up developers are the only ones bringing new projects for funding approval.
- Enquiry is starting to pick up. I think clients are thinking interest rates have peaked and they are preparing to make their move.
- FHB can get pre-approvals for finance to a certain level, but they are really scared when you let them know the amount of the repayment!
- Now that we are into winter, the clients have hibernated for at least the next few months. Buyers want more certainty on the interest rates declining along with the cost of living too. The Reserve Bank has a big job on its hands to "do the right thing" for Kiwis now and to get out economy back on track.
- Wait times are a bit of a concern at the moment with lenders taking up to 8 days. Similar to Covid times. Seeing more landlords selling to their tenants.
- Sections not moving and building construction has slowed. Buyers lacking motivation to enter and move up the ladder, content with sitting and waiting. Lenders not looking to reduce test rates despite all agreeing rates will come down in 2025.
- There isn't anything new about being a lender. Have enough deposit, affordability, and as long as the property you are purchasing doesn't have major maintenance issues, then they are still in the business of lending money. Buyers have more stock to pick from, at lower prices than 2 years ago, and are able to push back on real estate agent pressure tactics. Vendors wanting to sell a property at auction are excluding a large pool of buyers who don't have a 20% deposit. These buyers would need to spend money on Registered Valuation for the bank and lawyer to get their KiwiSaver out, not to mention other important due diligence tasks such as building reports, Lim's. All up you are going to spend about $2,500 minimum on each property before you can even confidently bid at auction.
- I'm seeing a pattern of a number of long term homeowners with small mortgages looking to purchase rental properties
- Some properties in hot demand. Others can't get an offer. Market very piecemeal currently. Wellington majorly impacted by the Government and Contractor withdrawals. Stopping customers from trading up due to uncertainty. Also part of the normal winter trend
- Phone calls have died off. The odd first home buyer enquiry. Otherwise I'm keeping busy by helping clients access 0.9 - 1% cashback by refinancing their lending after 3-4 years with their current bank. Cash retention payments for existing customers seem fairly easy to obtain now too.
- Property market is in hibernation. Even clients who get approved find that the gap between buyer and vendor price expectations is too great.
- It is taking way too long for all the banks to assess and approve loans, generally between 8-10 working days .
- Market place is anticipating property prices will decrease or stay the same for longer. They are also expecting the interest rates to not drop until the end of 2025.
- Have had several enquiries from investors over the last month looking for funding. First Home buyers are active as well.
- Most banks have an 8 day turnaround time for looking at an application. 6 days for getting documents out. They blame it on regulations, but it is really just poor investment into staff

and not providing them with resources to do the job the concern is that I have is the market is quiet not busy at present and no one lender is resourced well. What is the plan when the market turns?

ISSN: 2744-5194

This publication is written by Tony Alexander, independent economist.
Subscribe here https://forms.gle/qW9avCbaSiKcTnBQA
To enquire about having me in as a speaker or for a webinar contact me at tony@tonyalexander.nz
Back issues at www.tonyalexander.nz

Tony's Aim
To help Kiwis make better decisions for their businesses, investments, home purchases, and people by writing about the economy in an easy to understand manner.

Feel free to pass on to friends and clients wanting independent economic commentary.