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&

Tony Alexander

MORTGAGE ADVISERS SURVEY

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Buyers edge 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 54 responses.

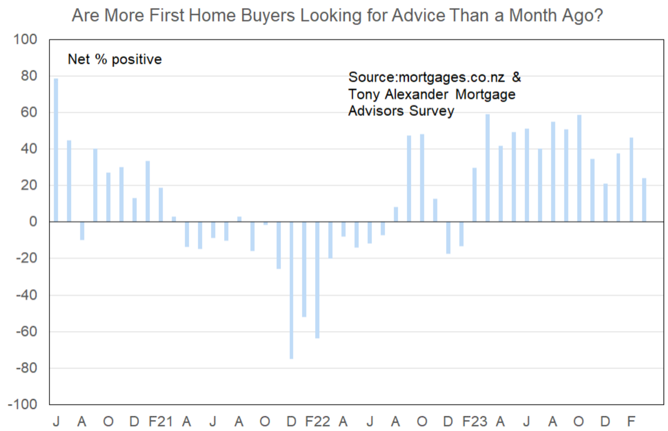
The main themes to come through from the statistical and anecdotal responses include these.

- Buyer interest in residential property remains but it has eased slightly recently.
- Bit by bit banks are slowly easing their lending criteria.
- Borrowers overwhelmingly only want to fix their interest rate for a period of one year or less.

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

A net 24% of the 54 advisers responding in this month's survey have reported that they are seeing more first home buyers in the market. However, this is a decline from a robust net 46% last month and about equal to the net 21% in our early-December survey.

Consistent with measures in my other surveys and indicators from other sources, there has been some cooling in the intensity of buyer demand in recent times.

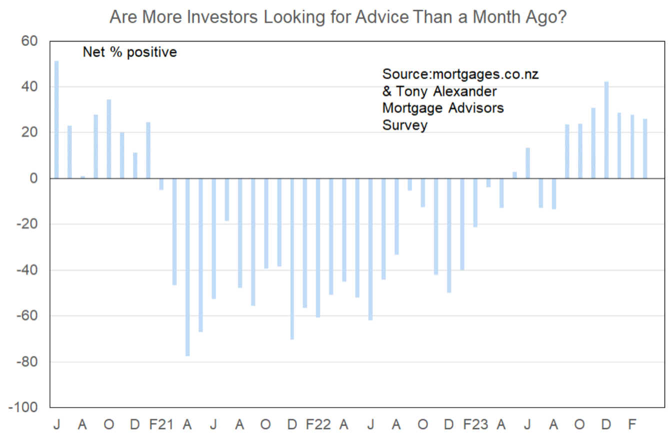


Comments on bank lending to first home buyers submitted by advisers include the following.

- Higher UMI requirements remain but banks are showing more flexibility in this space e.g.: now open to including boarder income, may approve outside of the normal rules with strong mitigants.
- Slight relaxation of the rules for high LVR borrowers, still only preapprovals available for 20% purchasers or Kainga Ora applications, however all banks taking live deals for nonbank customers for low deposit home loans now.
- The Banks are definitely softening towards first home buyers - they are not as aggressive towards them and actually seem to want to assist FHB's get into homes.

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

A net 26% of mortgage brokers have reported that they are seeing more investors looking for advice. This is about the same as last month's 28% and indicates that although buying from investors is still relatively weak according to other measures, their interest in the market is nonetheless there.



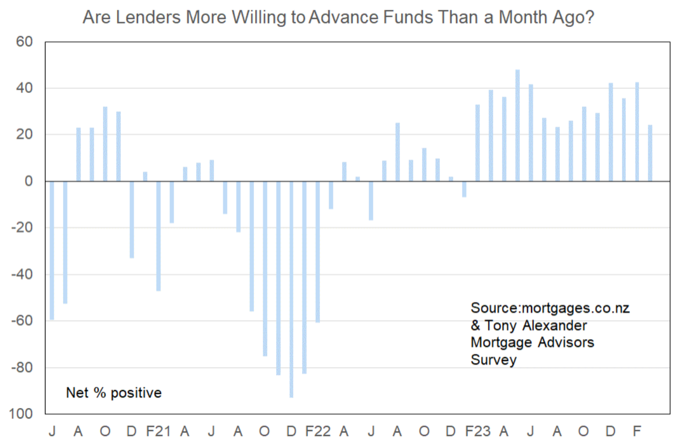
Comments made by advisers regarding bank lending to investors include the following.

- One bank has re-jigged their haircuts applied to investment income and starting to see DTI calcs included as part of banks servicing calculations.
- One bank updated its criteria recently, making affordability for investors a bit easier.
- No changes. More investors are enquiring and just started buying slowly.
- One lender has simplified the calculation of investment property expenses in the debt servicing calculation which is great. The same lender has also now included a calculation of the DTI in their debt servicing calculator in preparation of them being introduced.

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

Despite comments of brokers above indicating that banks are tweaking their eligibility criteria for the better, there has been a drop in the proportion saying that banks are more willing to lend. The decline has been to a net 24% from 43% last month.

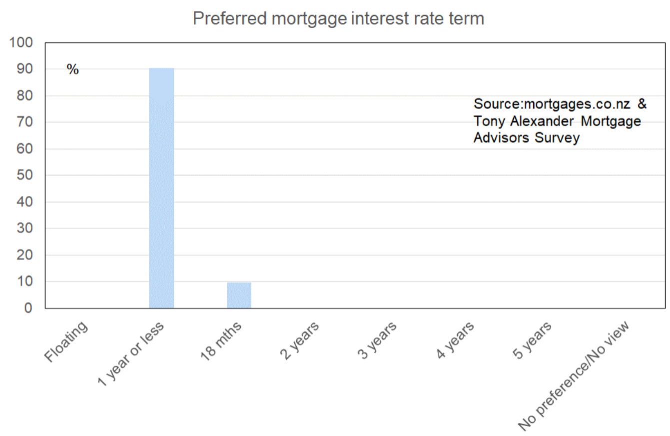
In the context of the past year this is a small decline and we have seen similarly readings before but without the drop being sustained.



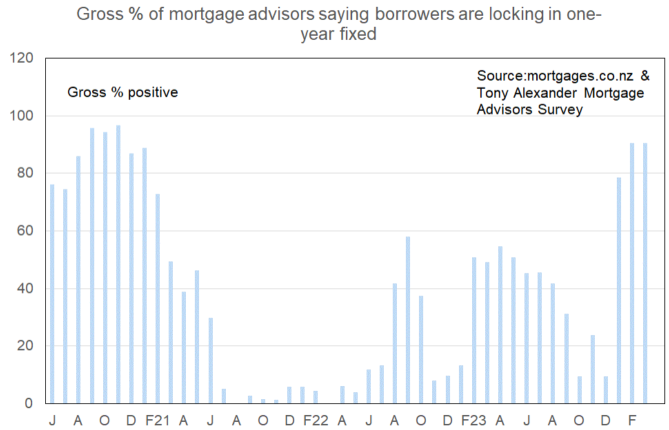
WHAT TIME PERIOD ARE MOST PEOPLE LOOKING AT FIXING THEIR INTEREST RATE?

Brokers stronger report that borrowers prefer to fix for one year or less. 90% say this is the preference with just 10% saying two years is the popular choice.

There is no interest in fixing for longer than two year period.

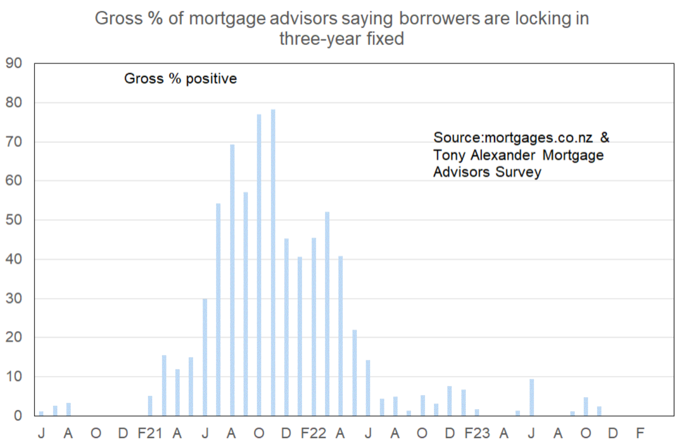


The sharp shift to fixing one year or less is clearly seen here.



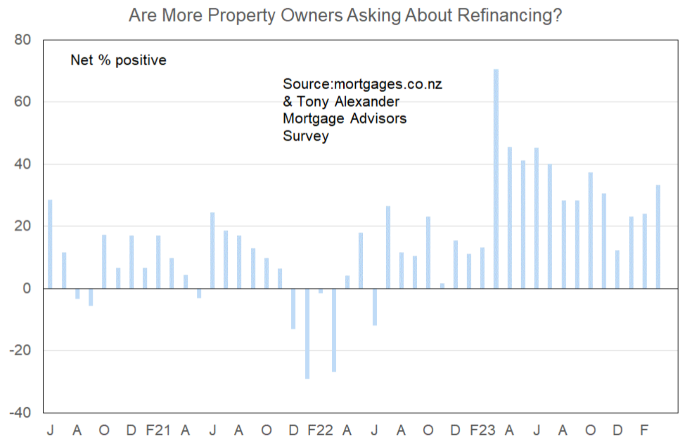
Fixing two years used to be popular – not now.

It has been quite some time since borrowers gave preference to fixing long.



ARE MORE PROPERTY OWNERS ASKING ABOUT REFINANCING?

A net 33% of brokers have reported that they are receiving more requests from borrowers for refinancing information. This perhaps reflects the strains which people are under and the natural desire to try and find debt cost savings.



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

- With more and more confirmation of relaxation around tax, LVR's, CCCFA etc. the market is reacting strongly
- Plenty of first home buyer activity in terms of preapprovals, but conversion to settlements is a bit slow - almost feels like buyers are now spoilt for choice so struggle to make a decision!
- Buyers don't seem to be in a hurry to find something given the high levels of supply. Existing borrowers keen to shop around for deals or look at interest-only to help them survive the high-rate environment we're in

currently.

- Buyers taking their time, no urgency.
- I have had a lot of outstanding pre-approvals - this weekend - 5 lots of clients have bought - more than any other time this year - not sure what has galvanised action, but clients keen to buy. Some others are stuck as need to sell their property and buy another - seems no problem finding a place to buy, but harder to sell what they already have.
- Interest rates and the state of the housing market still the biggest conversation starters with clients. Slight uptick in applications, but no where near the 2020 and 2021 peak
- Vendors happy to sell, lots of stock on market, Buyers are confident in buying and have more choice, They are happier now they are buying an asset which is expected to grow in value.
- Fewer buyers, lenders have not changed their approach to FHB or investor lending. Fixed rate rollovers are for 6 months or 1 year.
- With the OCR unchanged, short term interest rates dropping is increasing first home buyer confident and mortgage interest tax deductibility and bright line test, becoming more favourable for investors, increases enquiry levels.
- Buyers certainly are looking for "bargains" right now and have the upper hand on the sellers.
- New enquiry up now that the short weeks are out of the way and the hysteria around the OCR has calmed. Banks asking for recent interim financials from business clients. Haven't seen this level of concern since GFC.
- Banks are insisting on and reviewing YTD P&L for the 2024 financial year. A full comparison is made against the 2023 financial year and approving the lending values on the lower of the two. We are spending a considerable amount of time with our business clients reviewing the P&L as a first step to cover the affordability factor before even starting the application process.

BAY OF PLENTY

- Loan applications have increased 6 x over the past month.............extremely manic busy
- I'm seeing slightly fewer low deposit borrowers and there seems to be more people with 20% deposit coming out of the woodwork. Seems that there is a pretty strong sentiment particularly with first home buyers that the time is right to jump in. Investors seems to be quite choosey on the properties they are willing to consider
- Getting more enquiries for FHB wanting to get into the market now, but they mostly can't afford the lending, based on servicing, with bank stress rates around 9%. Loan repayments are still more expensive than rents at present.

HAWKE'S BAY

- Buyers are starting to hold back and watch market. Talking to REAs who are seeing less traffic at open homes and less commitment to make an offer. Lifestyle block owners are having to wait some months for a sale.
- There are definitely some positive signs out there and bank turnarounds are slightly longer which suggests more activity. A bit hot and cold, but the OCR announcement should provide a little more confidence after the panic in the week before.

WELLINGTON

- Clients are a lot more active and seeing some home builders coming back in along with upgrading of homes. Clients now know that if they can afford it now in the future will be no problem. I'm starting to work nights again to keep up early in the week.
- Banks want to lend, but tripping themselves up with compliance. More are wanting info on insurance premiums and verification around this.
- Interest rates declining, banks want to say yes, however property for low deposit loans must be in reasonable condition without too much deferred maintenance. Too much unsecured debt is problematic, so reduce limits as much as possible and consolidate if necessary to be bankable! Interest rates slowly dropping. Wellingtonians definitely closed up shop due to the large number of Government workers and contractors present - this has dampened their spirit to upgrade their properties. Less impact on FHB's. Job security is playing a bigger part than reducing interest rates
- Seeing a lot of interest from first home buyers

looking at properties in that $550-700k region
- FHBs now worried about job security and paying such a high mortgage.
- Existing Investors happy about the interest deductibility coming back but have no interest to purchase new properties given the high rates.
- Some vendors not accepting offers, despite multiple offers - thinking they can hold out for more! Cannot believe this.
- Wellington buyers more cautious in light of government cutbacks, especially those with contracts not permanent employees.
- A significant increase in new listings is resulting in more choice for buyers, meaning they are not having to act so quickly for FOMO and happy to make conditional offers.
- More listings fewer buyers will put pressure on sellers to drop price expectations.
- A lot of property has come on the Wellington market, don't think it will all sell.
- One bank has now allowed FHBs to use two boarders' income if they are over 80% LVR which is awesome news. Most banks are shut to over 80% LVR pre-approvals which makes it more stressful for the FHB.
- Its busy enough but not really busy. Banks can be quick or slow it depends on the assessor you are dealing with. Buyers are not rushing out to purchase.

NELSON/TASMAN/MARLBOROUGH

- Enquiries lifting but sale and purchase contracts still low and few. CCCFA assessment proving tiring for buyers to work through and often give up. Buyers market still very much in play.
- Providing clients with links to download relevant bank information and the use of technology is making clients better prepared to apply for lending.

CANTERBURY

- Great to see xxx bank matching yyy bank's 5k cashback now both best in market for first home buyers, and xxx relax rules for new build loans also now leading the pack.
- Busy market, biggest shift is with people looking to sell and buy again ($850k to $1.3mil range) as there is an urgency to act or they believe they will be priced out. Some very good properties selling 200k lower than what they sold in 2021.

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