mortgages.co.nz

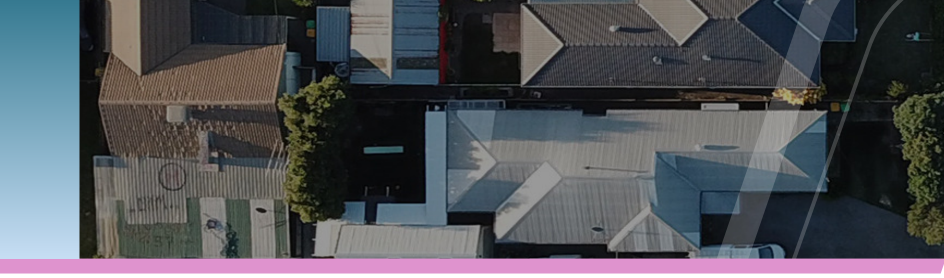
&

Tony Alexander

MORTGAGE ADVISERS SURVEY

March 2025

ISSN: 2744-5194



Activity levels picking up

Each month we invite mortgage advisors around the country to give insights into developments in the residential real estate market from their unique perspective. Our latest survey has attracted 70 responses.

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

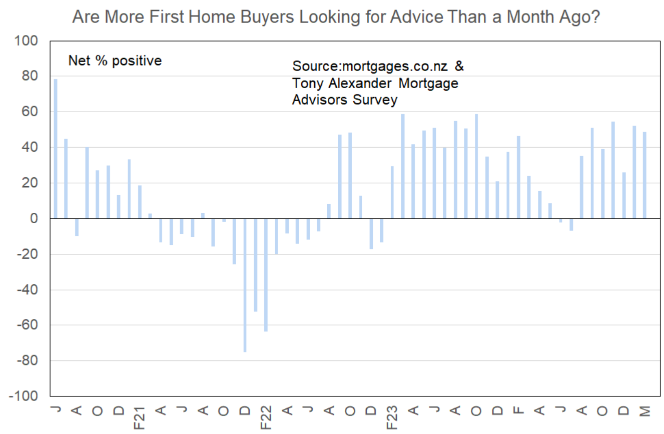
- Activity levels have picked up but bank processing times for applications are increasing again.
- More buyers are running into the new DTI constraint.
- Competition between lenders is picking up and some fees such as for low equity lending are easing off.

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

A net 49% of the mortgage advisors responding in this month's survey have reported that they are seeing more first home buyers in the market. This is barely changed from the strong net 52% last month and as the graph here shows, apart from a blip downward in the middle of last year as sentiment on the economy fell sharply, young buyers have had a strong market presence since the start of 2023.

They have been attracted by lack of competition from other buyers such as investors, lower prices, and a good range of stock on offer.

Average NZ house prices currently sit where they were two years ago and four years ago after the initial pandemic surge of 2020. They are ahead about 24% from this time five years ago. Over this period average wages have grown by about 29%.



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

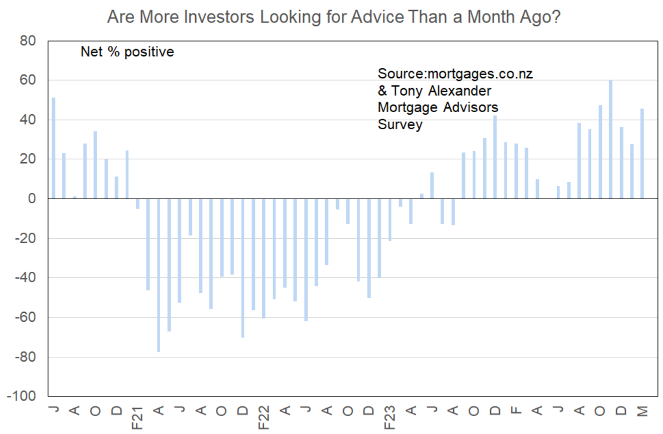
- More high LVR lending available, even pre-approvals. Sharper rates and fewer/lower fees for FHBs.
- No real changes but appears to be more desire among banks to compete for FHB business with reduced or removed low equity margins/fees and cash-back being offered.
- Lower test rates are allowing customers to borrow more on their income. DTIs are starting to impact borrowing amounts
- A few more lenders are open to applications over 80% LVR

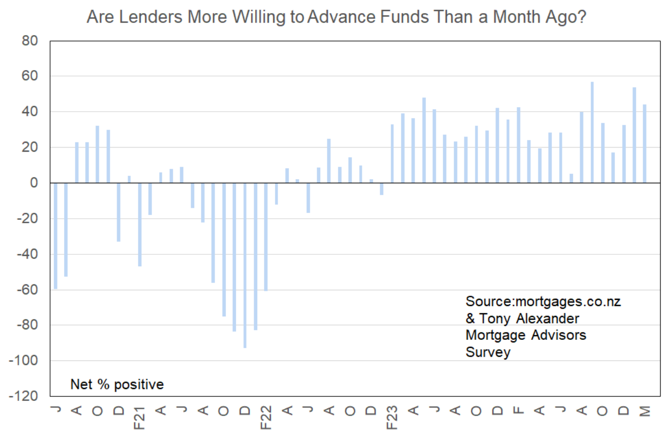
COMPARED WITH A MONTH AGO, ARE YOU SEEING MORE OR FEWER INVESTORS LOOKING FOR MORTGAGE ADVICE?

A strong net 46% of brokers in this month's survey have reported that they are seeing more investors enquiring about property financing. This is a rise from a net 28% last month and as can be seen in the following graph confirms that interest in property buying by investors is firm.

Low interest rates are proving to be an attractive motivator. However, many brokers have noted that more and more investors are coming up against the new DTI (debt to income) rules with banks more firmly enforcing these ratios now. Previously the banks were largely running the numbers but not enforcing the limits much, possibly because the proportion of their lending which is above the seven times income for investors is still quite low.

mortgages.co.nz





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

- Lower test rates are allowing customers to borrow more on their income. DTIs are starting to impact borrowing amounts.
- All lenders pretty much just scaling rental income in debt servicing calculators rather than having to account for the rates and insurance costs as additional costs.
- Not much interest from the investors as yields still not making sense. Cashed up investors are still scared to enter the market in case they overpay for the house. Rents are also not increasing.
- DTI's have finally had an impact.

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

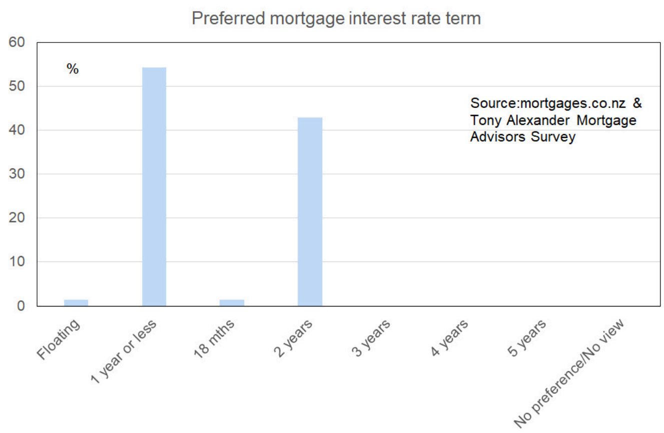
A net 44% of brokers have reported this month that lenders are becoming more willing to advance funds. This is in line with the net 54% result last month and 33% of December and can be seen in the increasing bouts of rate discounting for fixed terms of three years and less.

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

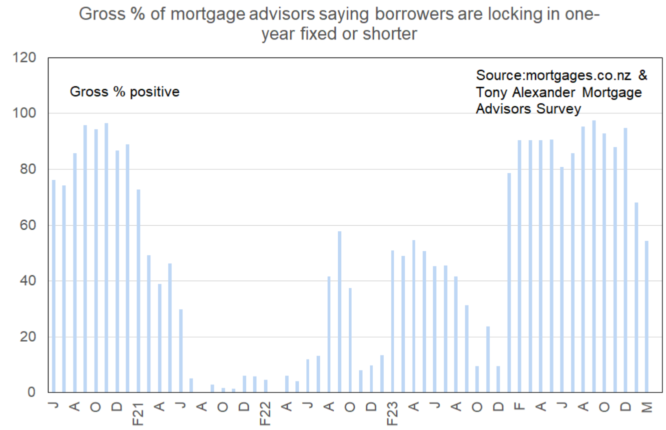
There has been a noticeable shift this month in the time period for which borrowers are preferring to fix their mortgage rate. Last month 68% of brokers said people preferred to fix one year and in December 95% of brokers said this. Now, 54% say one year is the preferred term

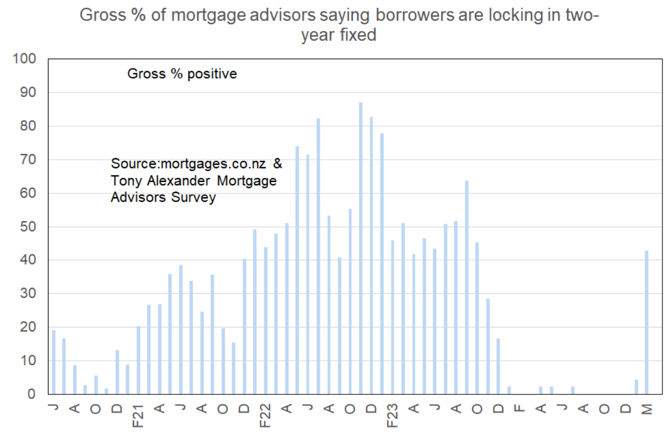
At the end of 2024 no brokers said borrowers preferred to fix for two years. One month ago that proportion was 4%. Now it is 43%.

Banks briefly flirted with a discounted three year fixed rate but quickly switched to discounting the two year rate and that is where people are tending to fix now along with the one year term, as shown in the following graph.

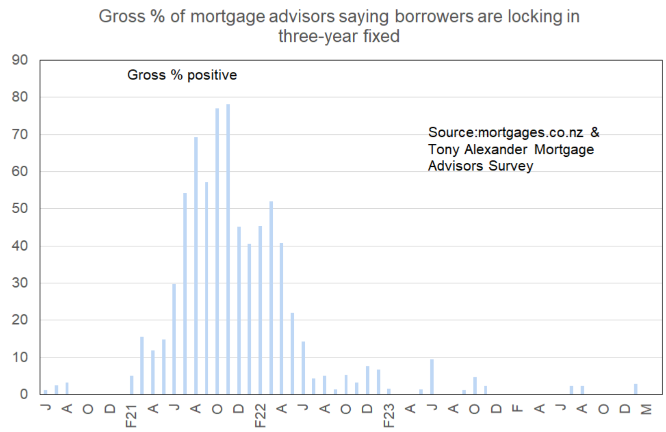


This next graph shows the easing off of preference for fixing one year while the one after shows the jump in two year fixed as the preferred term.



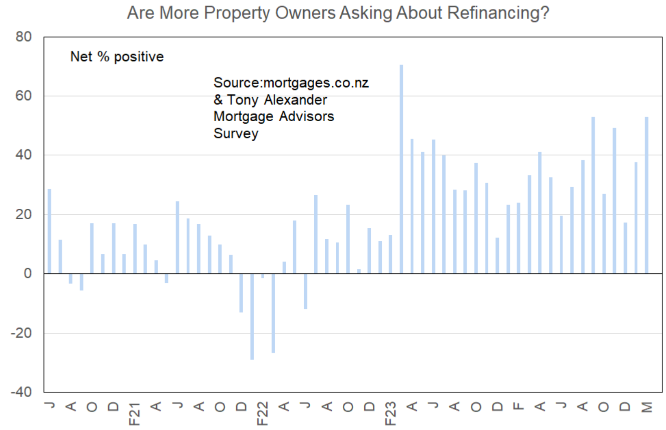


The preference for fixing three years remains low.



ARE MORE PROPERTY OWNERS ASKING ABOUT REFINANCING?

A net 53% of mortgage brokers in our March survey have reported that they are seeing more people enquiring about refinancing their mortgage. Interest rates have fallen and as borrowers roll off rates above 7% there is keen interest in how much they can reduce their debt servicing burden in the near future.



Mortgage Advisors' Comments

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

- Applications are starting to hit DTI limits, but banks have approved applications outside these recently. Starting to see people looking to upgrade their homes now they are seeing lower interest rates.
- Many more people pitching up at auctions looking to buy.
- Busiest I've been since post-Covid frenzy.
- Feels like the previous Mexican standoff is continuing to edge in buyers favour as some vendors need to sell (or want to move on something else)
- A lot of non-matrimonial couple purchasing i.e. siblings, friends etc. just to get on to the property ladder. Also parents helping out kids a lot more
- Turnaround times stretching out again. Can be 10 days +. Once confirmation of loan structure sent to the Bank, the time taken to get loan documentation out to solicitor/conveyancer very poor. Banks seem to be leaving to last minute. This is reflecting badly on Advisers.
- Lower test rates are allowing customers to borrow more on their income. DTIs are starting to impact borrowing amounts
- 2 year 4.99% has certainly shifted a lot of buyers to fixing for a bit longer, some still wanting to

hedge with 6 months though, but the shift has definitely started. -Timeframes are started to push out again at the banks. The market seems to have a bit of a spring again and things are feeling a bit more buoyant despite overseas uncertainties.

- I am seeing increased activity across the range of clients. Bank turnaround times are starting to increase, especially in the support areas for fixed rate reviews and loan maintenance.
- Overall banks are pretty active in lending, especially with the drop in the test rates. Affordability of some clients has gone up by nearly $100k just over the last 3 months with the change in OCR
- Banks turnaround times have increased again. Buyers are still taking time to finalise property selection as there are lot of listing available.
- Steady demand for new lending across the board with new builds and investor activity starting to come back on after a decent hiatus.
- Definite increase in enquiry in the last month or so. Turnaround times have blown out for all requests - maintenance, refixes, restructures as well as new lending applications. Still a number of customers in difficult financial situations, that pain isn't over yet.
- Shift to split fixed approach rather than all on shorter terms - 4.99% 2 years is popular. Wait and see approach on a floating rate is becoming less common with most people now choosing to lock in. Bank turnaround times briefly improved but are very poor again. Pricing requests/restructures can take 7 + business days which makes our job difficult.

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 https://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.