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MORTGAGE ADVISERS SURVEY

May 2024

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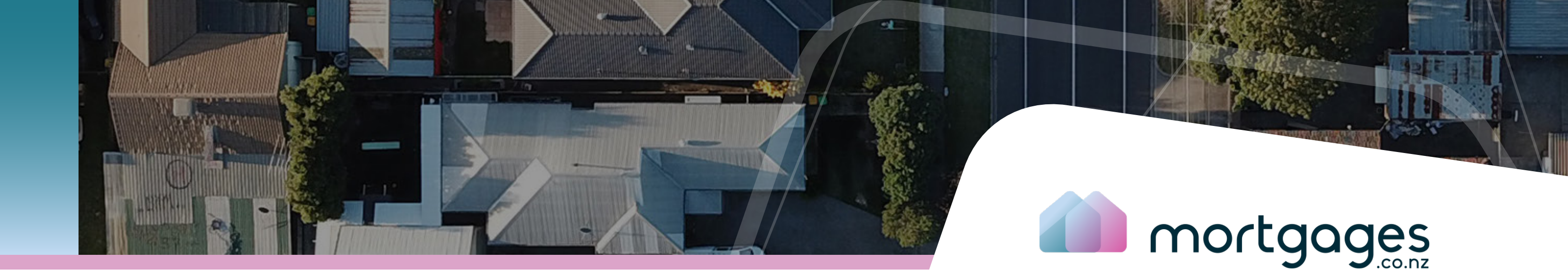


Buyers still cautious

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 46 responses.

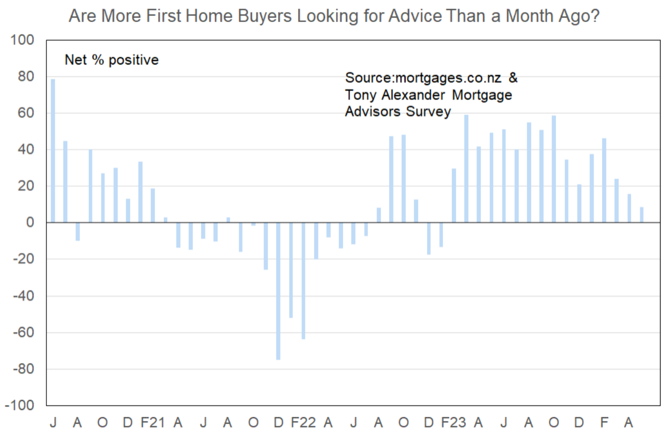
The main themes to come through from the 46 statistical and anecdotal responses include these.

- Amidst deepening concerns about job security fewer advisors are reporting that more buyers are entering the market.
- Buyers and existing property owners continue to overwhelmingly favour fixing their mortgage rate for one year or less.

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

Only a net 9% of advisors this month have reported that they are seeing more first home buyers in the market looking for financing advice. This is down from a net 16% in April and 46% in February.

The latest result is the weakest since January 2023 and gels with many other measures showing that although young buyers are solidly in the market there is a weakening in their enthusiasm – often due to new employment uncertainty.



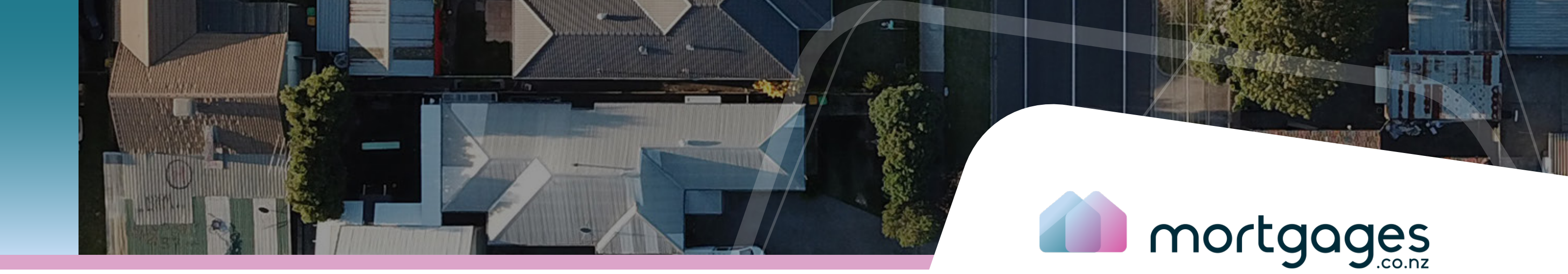
Comments on bank lending to first home buyers submitted by advisers include the following.

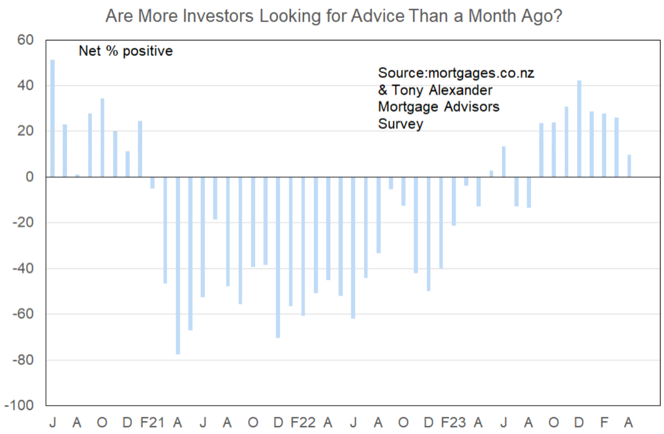
- Provided they are meeting the lenders test rate and show proven affordability for the mortgage, I'm having no trouble gaining approvals. Less concerned about discretionary spending.
- Banks have started keeping an eye on DTI but not implemented yet.
- Banks are open for newbuild properties but regularly change their position on whether they want to lend to high LVR customers to purchase an existing property
- Boarder & Flatmate Declaration being allowed for higher LVRs.

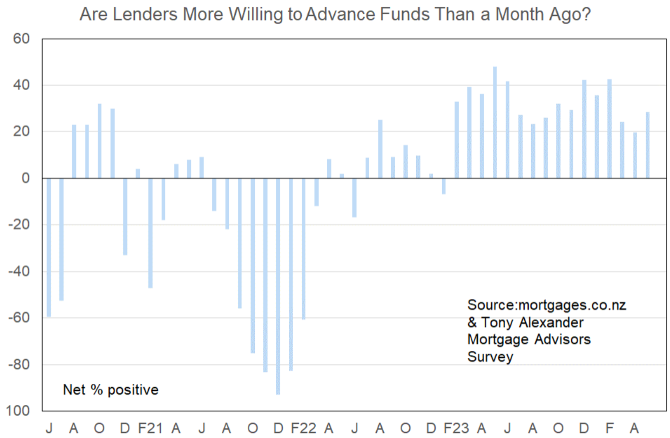
COMPARED WITH A MONTH AGO, ARE YOU SEEING MORE OR FEWER INVESTORS LOOKING FOR MORTGAGE ADVICE?

A net 0% of advisors in this month's survey have replied that they are seeing more investors in the market. This is down from a net 10% seeing more investors in April and a net 42% seeing more in December.

The surge in investor interest late last year which followed the earlier strong lift in home purchases by first home buyers has not been sustained in the face of rapidly rising costs and loss of expectations of immediate additional price rises.







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

- No investors in the market right now as they are waiting for the Brightline test changes 01/07/24. This is also when there will be a further influx of properties as cash strapped investors offload their investment properties.
- Been slow to react, but one bank now altered their rent calculations (after the taxation change) on their servicing calculator. Including DTIs within applications, but they're not using them yet. Interest only extension looks to be approved, but very time consuming and application intensive process
- One lender has changed their scaling of rental income for debt servicing, so it is the same now for both existing and new properties. This no longer disadvantages existing properties.

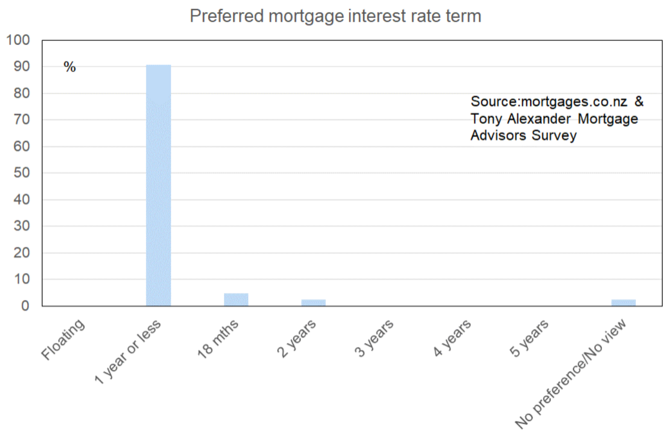
COMPARED WITH A MONTH AGO, ARE YOU FINDING LENDERS MORE OR LESS WILLING TO ADVANCE FUNDS?

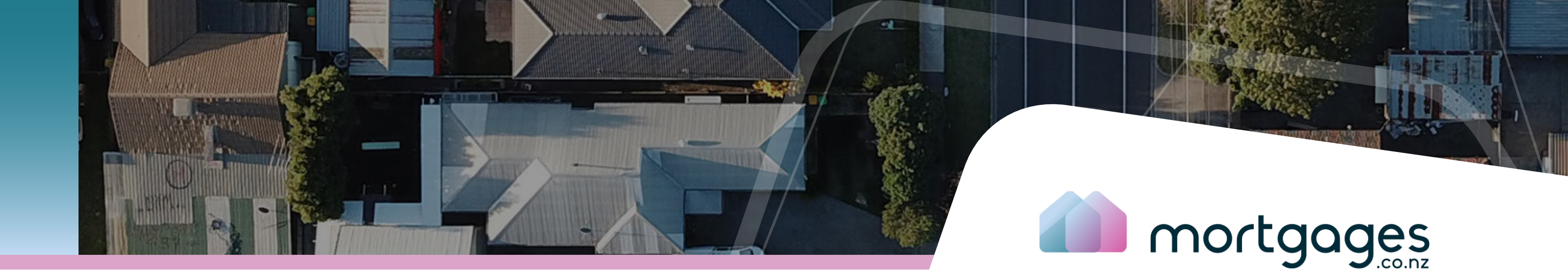
There has been a rise in the net proportion of mortgage brokers feeling that banks are becoming more willing to lend to 28% from 20% last month. This is only one month of recovery so it would seem too soon to conclude that the banks are becoming more willing to compete for market share.

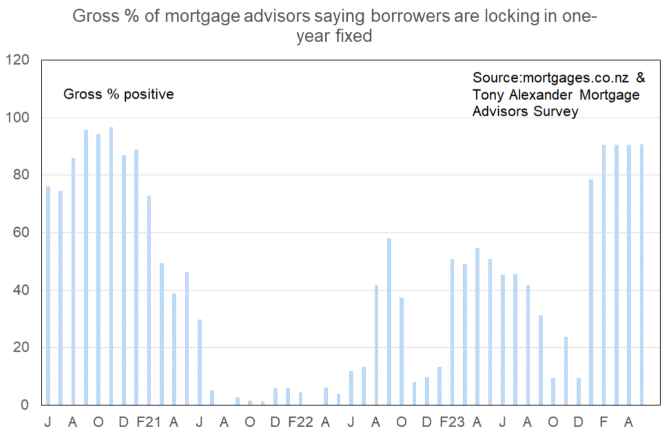
However, written comments submitted by mortgage advisors suggest that lenders are slowly easing their lending criteria though not universally so.

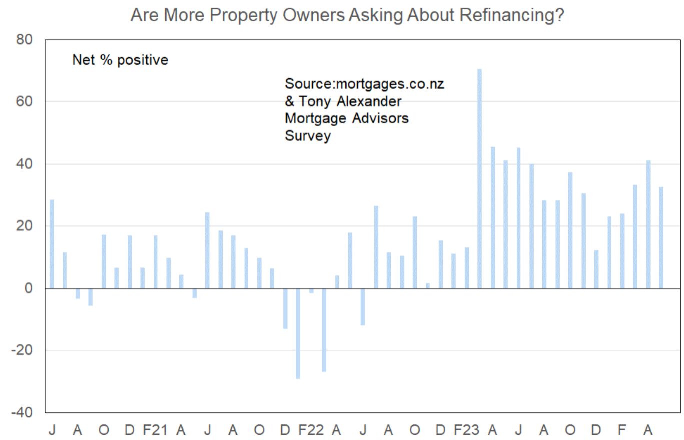
WHAT TIME PERIOD ARE MOST PEOPLE LOOKING AT FIXING THEIR INTEREST RATE?

For the fourth month in a row 90% of advisors have reported that buyers mainly favour fixing for a period of one year or less. There is a general belief that interest rates will fall within the next 12 months and beyond and potential property buyers and those looking at renewing a maturing fixed interest rate want to take advantage of that falling rate regime.









ARE MORE PROPERTY OWNERS ASKING ABOUT REFINANCING?

There was a noticeable lift in the proportion of brokers seeing more people asking about refinancing early in 2023. As the graph here shows this level of refinancing interest remains high with a net 33% of brokers this month seeing more refinancing enquiries. Interest in managing through this period of still high mortgage interest rates remains robust.

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.

- Buyers are wanting a steal at the moment and the stock is giving them this pathway. Lenders are fairly status quo but are seeing relaxing in the investment space with scaling reducing etc.
- Patchy at best.
- Buyers have settled into current rates as the new 'norm'. Buyers slow to make decisions and will move in if can't get price they are ok with. Some refinances are challenging due to value drops in property (pushing clients into high LVR). Better movement with clients selling and trading up, their homes are starting to sell.
- Clients seem worried about their money. Things are tight with regard to household costs and people seem very open to looking at ways to do things better and are seeking out alternative options and advice. Clients are engaging now to look at options even though they are not due to come off fixed rates till the latter part of 2024.
- More interest from investors looking at the market again with a cautious approach until the government has passed the legislation around

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the promised Bright Line changes. Looking at affordability and net return on investment.

- More pain to come
- Tauranga city council has reduced government valuations. This has led to a stalemate where vendors have advertised a property for sale at a certain dollar value and will not budge and buyers are not willing to pay a higher price when the GV is (sometimes) $200K lower.
- There's a lot of talk out there about the cost of living and high interest rates and it is making some clients reluctant to take on more debt and some unable to. I feel the banks may be easing a bit on expenses when reviewing applications
- I'm finding enquires have reduced considerably over the last few weeks and movers are finding it hard to sell. A lot of people worried about job stability.
- It has gone quiet with a bang
- Have a lot of "relationship change" applications at the moment, either separations or bringing a new partner into existing home ownership.
- I'm seeing people finally take note of the state of the economy and question their job security. Appears more people are finding this a reason to delay major financial decisions. Constant media around public sector redundancies is playing into this fear.
- Many younger people are probably not used to hearing rumours around the workplace of restructures and potential redundancies, especially coming off the back of seemingly endless pay rises and employers struggling to find workers.
- Sales numbers and values appear to be dropping, not because of tight credit conditions, but falling sentiment.
- Property listing improved but localised sales. An agent in one suburb can get people to attend open homes, in the suburb 5 km down the road there is a queue to get in during the open home with 20 offers placed.
- The turnaround times for approvals from most lenders currently is 5 days.
- Buyers are definitely taking their time in putting in offers so pressure has come off getting lending approved for live deals.
- FHB seems to have slowed, could be winter but I suspect most couples have at least one working in government meaning they are holding off till 6-7% reductions have happened.
- Not so many clients looking for new lending to purchase investment properties. Most enquires for investors are for refinancing existing lending onto better terms or to extend the interest only period.
- Buyers wait on the sidelines looking for a stupidly cheap deal while vendors are still unrealistic in their expectations. People don't want to put their property on the market until they have found a place to purchase, and vendors won't look at offers when upsizers haven't listed their properties - a big catch 22 and stalemate ensues.
- We are seeing quite a few properties that have something wrong with them (non-consented works, not matching Flats plan, etc.) seems more than usual. Not sure if this is being experienced by other mortgage advisers or not. Also, seeing effects of relationship breakdowns on property ownership and starting to see families struggling with mortgage repayments. Xxx bank are still insisting on not matching the market with their negotiated interest rates. All main banks are offering existing customers 6.85% fixed for 1 year, xxx still at 6.99%. When families are struggling, this predatory behaviour should be called out publicly.
- A lot of financial stress out these
- Turnaround times slow
- Having more FHB not wanting to extend the pre-approvals - worried about job security.
- Activity is steady but most clients showing limited urgency. Very considered steps even once have an approval. Good in some ways but does mean extended timeframes for most things.
- Still many trying to either pick bottom of the property market and or waiting for some meaningful reduction in interest rates.
- Borrowers appear more optimistic that we’re through the worst. Buying activity is slow as buyers are spoilt for choice, but they realise there are bargains to be found and are ensuring they are ready to pounce when they find the right house.
- Some buyers are trying to make the most of the lower prices despite the still high interest rates. Investors are looking forward to full interest rate claiming to happen. As long as a deal services

the banks are ready to lend

- Increase in number of applications from movers who have offer on new house subject to sale of their existing house.... multiple chains that are slow to convert
- Drop off of enquiries in Wellington due to government job cuts.
- Have had clients with pre-approvals advise due to job loss they are not able to proceed.
- No investors buying, some have tried to sell, and failed to achieve a reasonable price so are holding back until interest rates decrease and buying appetite returns. Some good buying in Wellington for First Home Buyers - had to dust off my interview routine and discuss things like how to buy a house and what different products etc! One bank notably out of the market resulting in refinancing opportunities. They must be losing huge numbers of customers. Generally speaking, Wellington borrowers, despite the doom and gloom in the Govt sector, seem more confident about borrowing after the last 2 years of sitting on their hands. It feels like we have bumped along the bottom for long enough. Can't wait for rates to return to sensible levels - 4.5 % would be great.
- DTI policy is creating more paperwork. Collecting more information that has no relevance to credit decision so the bank can report back to the RBNZ whether the DTI is 3.1 or 3.2
- Buyers still out there but in no rush to commit
- Regularly hearing from clients at risk of losing their job due to restructure
- Banks are approving loans; the response times are slow.

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