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MORTGAGE ADVISERS SURVEY

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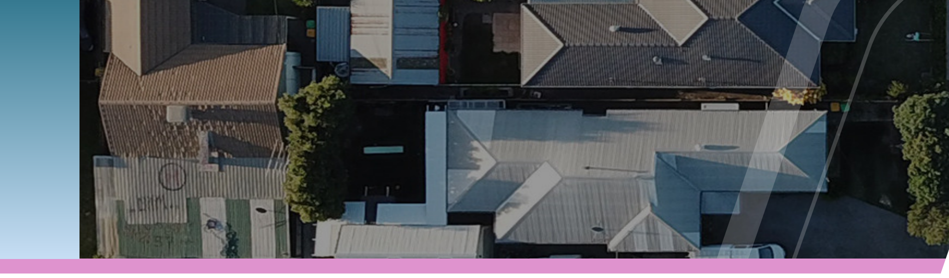

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Caution returns to the mortgage market

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 56 responses.

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

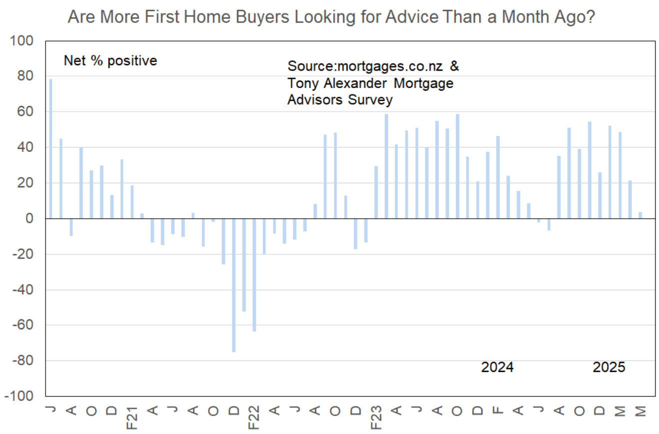
- Brokers are very frustrated with slow application processing by banks.
- There has been some easing off of activity levels recently with uncertainty about the international environment.
- Banks do not appear to be much competing for business by discounting mortgage rates at the moment.

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

In our survey of mortgage brokers around New Zealand this month a net 4% have reported seeing more first home buyers looking for financing advice. This is down from 21% last month and a recent peak of 55% in November and is the weakest result since −7% in July last year.

This indicator of reduced new flows of young buyers into the market is consistent with a drop off in their demand also evident in my monthly survey of real estate agents.

Brokers noted some concerns about the international situation, some holding back waiting for medium to long-term mortgage rates to go below 5%, and feelings that urgency is not required.



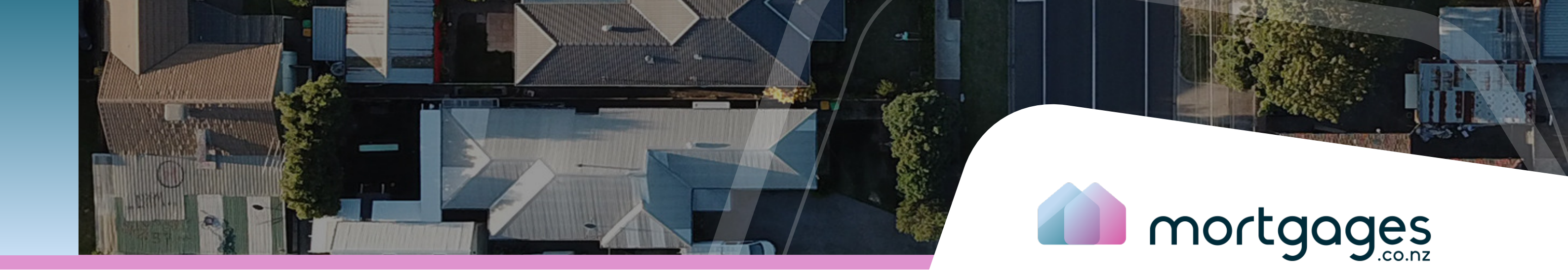
Comments on bank lending to first home buyers submitted by advisors include the following.

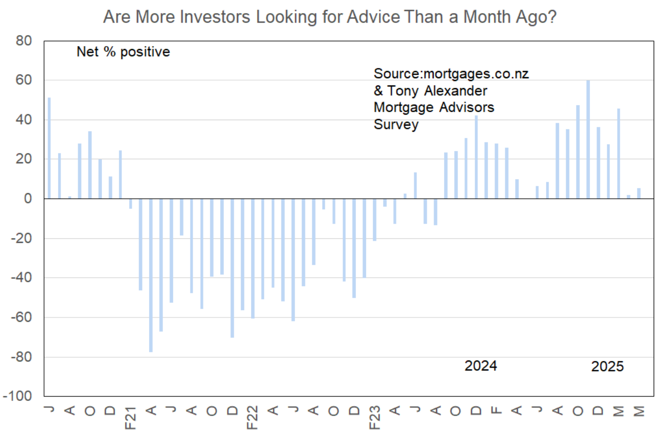
- Banks are wanting live deals only as they are stretched on capacity to assess deals. Strict criteria on assessment is slowing down turnaround via adviser channel. Bank direct access appears faster.
- Low equity easier to get across the line.
- No real changes to last month although it appears LVR restrictions are impacting new to bank business with almost no chance of low equity loans unless accounts are already held with main banks. First Home Loans still readily available, however.

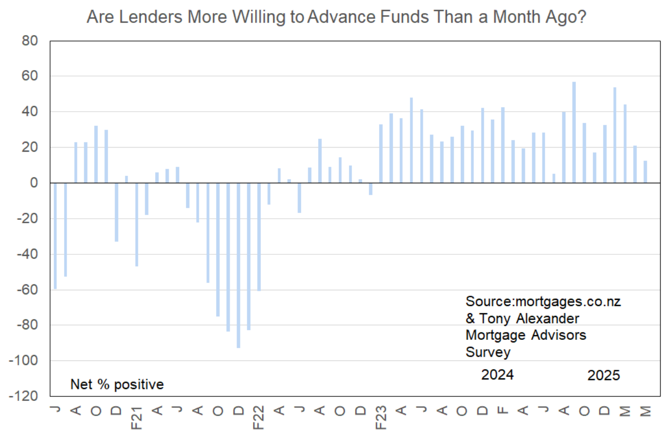
COMPARED WITH A MONTH AGO, ARE YOU SEEING MORE OR FEWER INVESTORS LOOKING FOR MORTGAGE ADVICE?

A net 5% of mortgage advisors have reported observing more investors in the finance market. This is little changed from 2% last month but down from 46% two months ago and a recent peak of 60% in November.

The initial euphoria about falling interest rates have passed and investors are digesting factors such as the absence of a sustained upward track in prices as yet and higher rental operation costs.







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

- Investors are very quiet in the market. I have clients seeing value in townhouses in ChCh which are well priced due to low demand.
- The banks are now way more willing to lend to investors including for one bank to increase Interest only term back up to the full 10 yrs again. The ridiculous rules that were put in place around 2020 are now thankfully getting to be a distant memory.
- Starting to see investors creep closer to DTI limits.

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

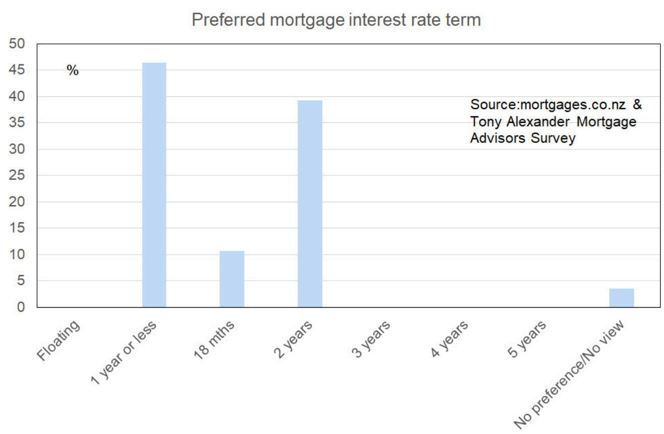
For the third month in a row there has been a slight easing in the net proportion of mortgage brokers feeling that banks are easing up n their lending criteria. This tells us that those criteria are in fact still easing but the biggest easing actions by banks responding to strength in the mortgage market have probably already been undertaken.

The graph here clearly shows the credit crunch which developed early and again late in 2021, but the general absence of extra tightening moves since early-2022.

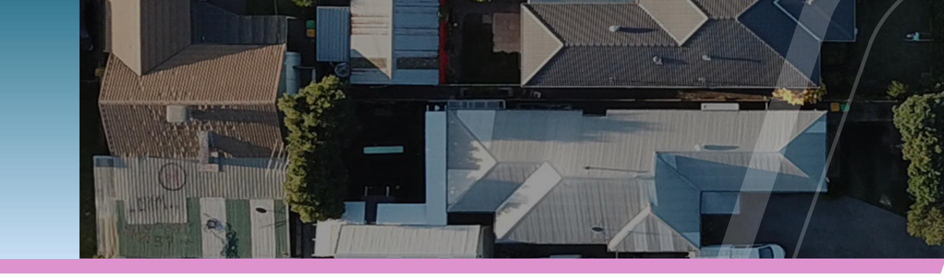
WHAT TIME PERIOD ARE MOST PEOPLE LOOKING AT FIXING THEIR INTEREST RATE?

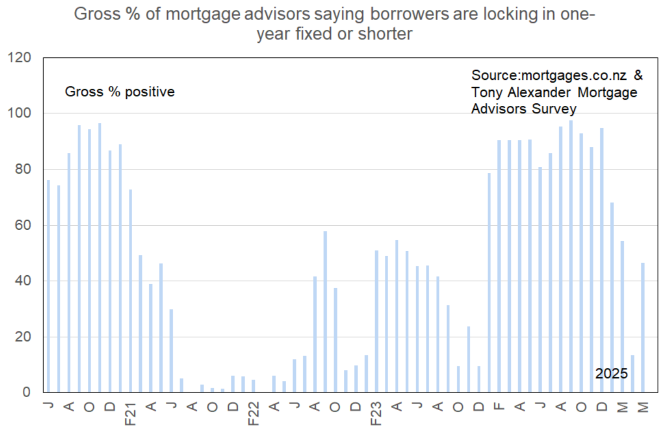
Borrowers are continuing to show a strong preference for fixing only short periods of time – though having said that the typical Kiwi borrower rarely fixes for a term longer than three years even when long rates are at record lows.

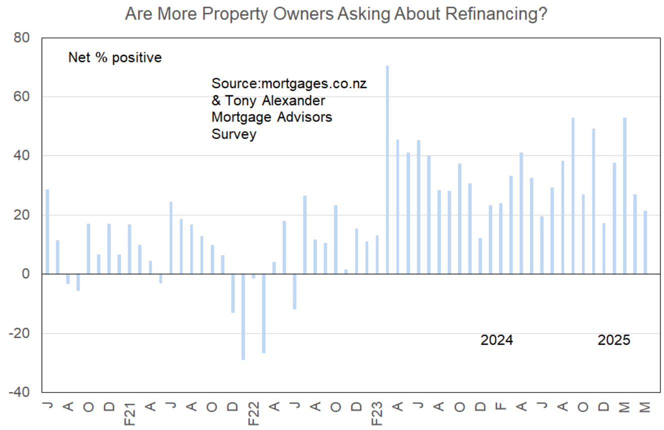
46% of brokers have said that borrowers prefer fixing one year, up from 13% last month but consistent with the 54% of two months ago. It looks like the dip last month may have been a statistical aberration.



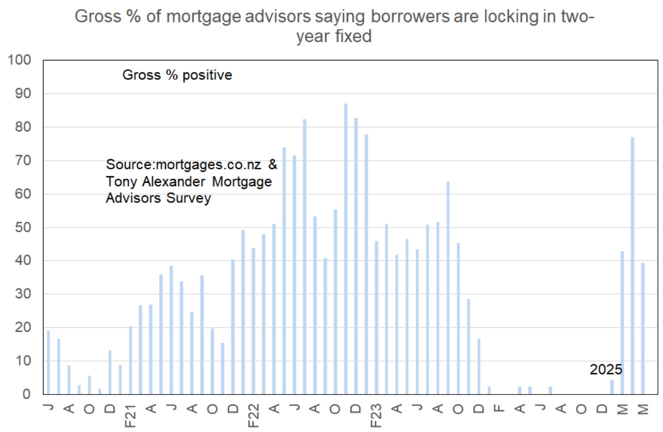
This graph shows the recovery in preference for fixing one year.







This next graph shows how fixing two years has been back in the spotlight since the start of this year.



ARE MORE PROPERTY OWNERS ASKING ABOUT REFINANCING?

Over the past two months there has been a reduction in the net proportion of advisors saying that people are enquiring about refinancing. But at 21% this proportion still tells us that this area of activity remains strong.

The fact that people have tended to fix for only very short periods of time since 2020 indicates that this sort of business will form a large part of broker and bank processing activity and this may help explain the long bank processing times for fresh mortgage applications.

Mortgage Advisors' Comments

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

- Overall activity level has reduced from the Jan-March period, more so than normal winter slowdown.
- I'm finding the market all of a sudden gone quietish - maybe just rebuilding my pipeline after 2 very busy months.
- Lenders - absolutely horrendous turnaround times. Worst I've ever seen in 27 years of doing this job. inefficient processes particularly with reworks or simple requests.
- Banks are getting competitive in refinance space, more clients asking for retention offer despite still being within cashback clawback period.
- Banks are taking much longer to assess, longer than the times during COVID. One bank is taking 30 days to hear back.
- Steady as she goes with no records being set and a busy week followed by a quiet week on the new enquiry front. Agents reporting mixed and overall low open home numbers/urgency from buyers.

- Buyers are cautious and are negotiating hard. Lenders are not moving on interest rates. The special advertised rates are what are offered to customers. Banks continue to be sneaky with same day approvals for customers walking into a branch.
- The market seems wobbly. Less confidence / urgency from buyers. Banks more cautious lending to self-employed clients. Definite seasonal drop off.
- Assessors seem to be asking a lot more questions again and asking for supporting documentation that seems to be box ticking. It appears that this is a way to shift the blame for slow turnaround times, stating that they need more information and moving onto the next in the queue as opposed to taking a bit more time in assessing the application.
- One bank allowing $ for $ refinance without having to verify income (strange how they can be so relaxed when it suits them). Turnaround times still embarrassing and now nearly taking 2 weeks. Those confident with jobs know it's a good time to buy but also anticipate further price drops to property so in no rush to buy. Many people feel that interest rates still have room to fall so struggling to get people to take advantage of the 4.99% for 2 years.

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This publication is written by Tony Alexander, independent economist.
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