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&

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MORTGAGE ADVISERS SURVEY

November 2023

Investors slowly returning

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 last week, attracted 75 responses.

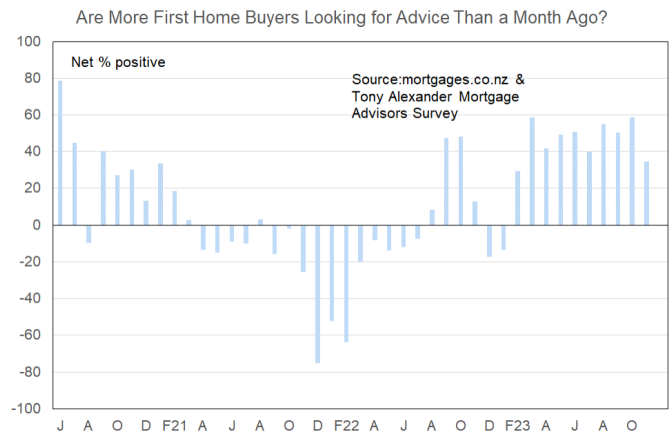
The main themes to come through from the statistical and anecdotal responses include these.

- First home buyers remain actively engaged with the housing market.
- Demand from investors is rising.
- Confirmation of a change in government alongside discussion of rising prices is bringing more people into the market.

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

This month 75 mortgage brokers from around New Zealand have responded to our survey and the first result of note is that a net 35% report they are seeing increased numbers of first home buyers looking for advice. This is a decline from a net 59% in October but consistent with the strong results in place since February this year.

First home buyers have been the key drivers of the turning in New Zealand's residential real estate market this year and our survey shows they remain well engaged with the market – despite extra rises in interest rates recently.



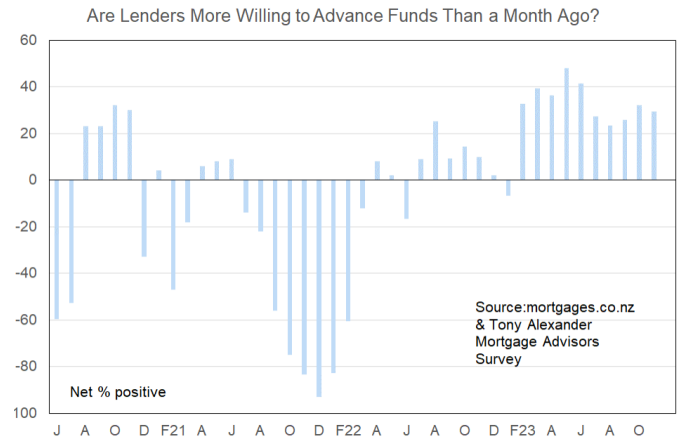
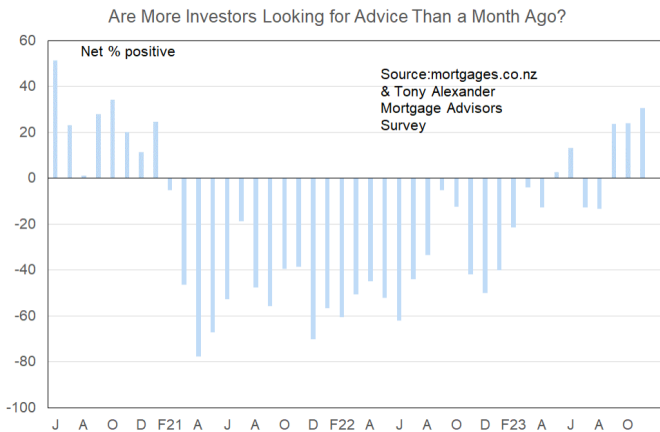
Comments on bank lending to first home buyers submitted by advisers include the following.

- Same criteria as always. Not so hard on discretionary spending.
- Over 80% is still limited if not eligible for the first home buyer's mortgage. It is hard for buyers not being able to obtain a pre-approval. There has been a small softening in UMI's required for over 80% but very little else.
- xxx new policy for those with less than 20 % deposit ,will accept 1 boarder up to \$ 200 PW.
- Servicing requirements continue to be tight in relation to high LVR lending across all the main banks. When clients aren't eligible under Kainga Ora first home loan scheme there remain limited options to proceed with other than mainly a 'live' deal which is then subject to low equity margins etc.

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

For the third month in a row the net proportion of brokers reporting that they are seeing more investors seeking advice has increased. The outcome this month is a net 31% from 24% last month. Three months ago a net 13% were still saying there were fewer investors in the market.

As the graph clearly shows, there has been a firm turnaround in investor interest in recent months.



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

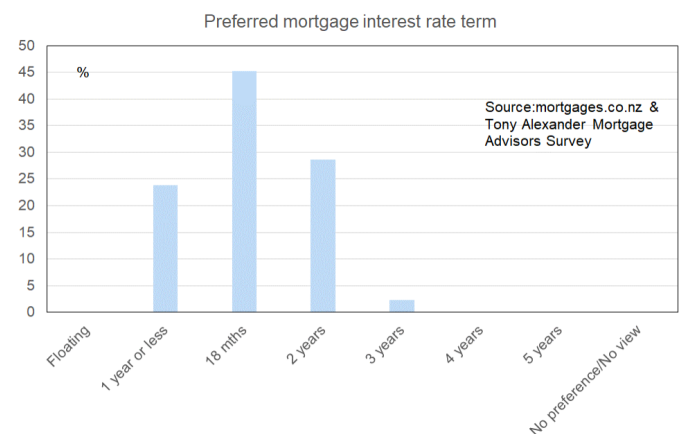
Comments made by advisers regarding bank lending to investors include the following.

- Reduced hair cuts on rentals at one large bank.
- Rental calculations vary across banks, with some banks trimming the rental income very hard. Some count rates and insurance as an expense, some don't.
- A few are easing up but its still pretty tough.
- Waiting on confirmation of changes to interest deductibility laws.
- Loan servicing assessed at 9.15% is a tough hurdle to jump.

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

A net 29% of mortgage advisers have reported that banks are becoming more willing to advance funds. This outcome is consistent with others since February and the comments supplied by respondents show that lenders are slightly and slowly improving lending rules as each month goes by. But they remain hesitant to make any large changes.

The term most favoured by borrowers for fixing their mortgage interest rate is 18 months with 45% of brokers noting this preference. 24% say that the one year term is most favoured by their client base and 28% say the two year term is most favoured. As good as none say borrowers want to fix longer than two years.



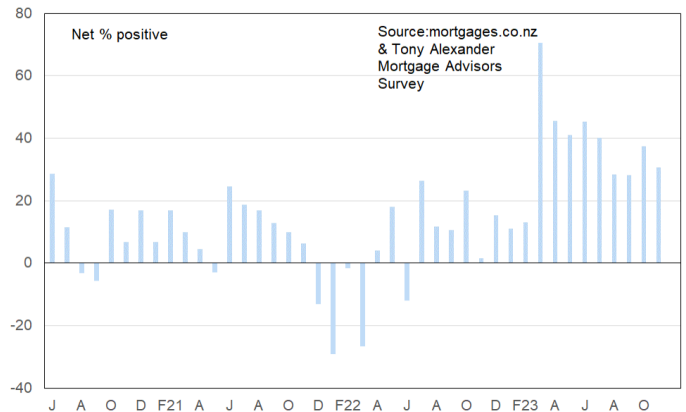
The preference for fixing one year has recovered slightly this month after easing in October – with that October result potentially distorted by the inclusion for the first time in our survey of the 18-month option.

There is no point publishing graphs for the four and five year terms as few months' results are above 0%.

ARE MORE PROPERTY OWNERS ASKING ABOUT REFINANCING?

In recent months there has been no particular strengthening or weakening of the proportion of brokers reporting that more people are seeking insight into refinancing their current mortgage.

Are More Property Owners Asking About Refinancing?



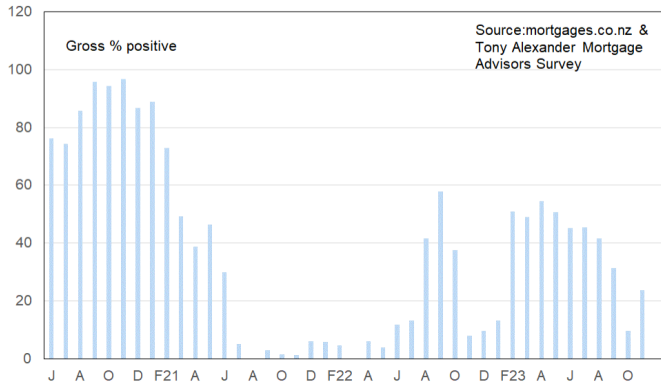
Mortgage Adviser's Comments

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.

NORTHLAND

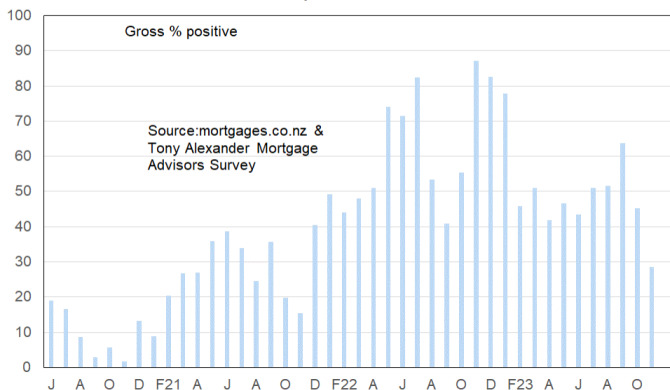
- Banks love brokers - seeing many banks rejecting direct contact with customers unless lending very straight forward. Good quality applications (all information, good diary note with all mitigating circumstances covered) are being approved quickly.

Gross % of mortgage advisors saying borrowers are locking in one-year fixed



In contrast to the rise in one year preference this month the preference for fixing two years has backed off slightly.

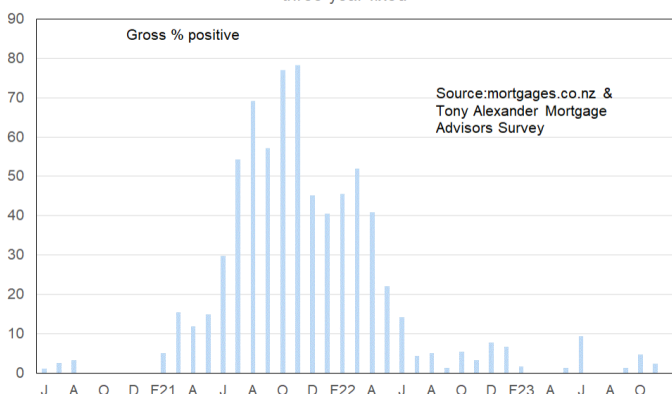
Gross % of mortgage advisors saying borrowers are locking in two-year fixed



We might be able to interpret these shifts as meaning people are becoming slightly more confident of rate falls a year or so from now.

For the record, here is the graph of brokers saying the three year term is most preferred.

Gross % of mortgage advisors saying borrowers are locking in three-year fixed



AUCKLAND

- Real estate market still tight with servicing hard most customers now moving on to higher interest rates. People very cautious and conservative about doing anything reflected in flat lending markets.
- Seems to be in a wait and see the govt holding patten.
- People still uncertain; sense is there are people wanting to move on/up but a little spooked still with interest rates still increasing.
- Test rates are limiting borrowing capacity. Clients are finding they are not able to borrow as much as they would like.
- Given the lower house prices, although this is changing, and that locking in a 2-year fixed rate means you are likely to be at the top of this interest cycle regardless of short-term rate movements, now is a good time to buy.
- Increased volume of "Sell/Buy" applications with current homeowners looking to upgrade property while AKL prices are still reasonable.
- Auction rooms busy, owners holding on until coalition confirmed.
- Sadly a large number of mortgagee rescues under way and more to come
- I've been surprised at the amount several young (25 year old) first home buyers have managed to save. Most still get a small top up from Mum & Dad to get them to 80% to avoid the LEPs but very commendable savings records.
- Investors starting to come out in force to pull trigger on property - may have missed the bottom waiting for election result
- Auction activity seems to be picking up with pace. I've had clients going to auctions where we picked would go for just below C/V, but have seen auctions going above CV by a fair amount.
- Small increase in confidence, enquiry volume up slightly since changes after election.
- The general public seemed to be relieved that there has been a change of Govt and are keen to get back to "normal living" and to now look at selling/buying or for first home buyers to purchase their first home - regardless of the current fixed interest rates.
- The xxx Bank seems at present to be the main bank fully prepared to look at approving loans more easily again - far more than the other

banks.

- Buyers that have been sitting on the side-lines are acting now. Driven by a sense that prices are at a low point and that buyer competition will get stronger in 2024. Still tough to get a finance approval that meets the market.
- There has been a significant change in the last month, now every one of my clients find themselves in a multiple offer situation or at a heated auction, so buying is not getting tough again with competition from other buyers
- Property market appears to be turning. Seeing enquiry for bridging finance, as clients wish to purchase before selling.

BAY OF PLENTY

- Multi offers and selling at auction in Tauranga has increased month on month.
- Really busy.
- More competition between banks and they are making it easier to refinance \$ for \$. More properties on the market. Still slow to start the spring rush.
- Yyy bank Refi Short Form Assessment has created a lot of noise. Stright and easy process. zzz has the most competitive rate at the moment. Lots of FHB enquiries, however income is not enough to service the mortgage due to high SSR rate . I am hearing once again FOMO as buyers are making comments like, next year interest rate will come down, therefore house price will go up and we won't be able to buy house.
- One question you could add to above. Are we seeing more existing homeowners selling & upgrading, the answer to that at this time is a definite YES
- Still getting plenty of enquiries from FHB. I am also seeing a lot of separations, where one party is buying out the other in the family home.

WAIKATO

- Overall, things are slow. Investors are still waiting to see what changes come with the change in government.
- First home buyers are still having offers accepted when competitive, and for most of the buyers we've helped in the last month,

we've had the bank approve the property beforehand so they're a few steps ahead of other purchasers.

- Definitely more competition for properties and more multi offers. Not seeing a huge number of auctions in Waikato, as often they're requiring buy/sells.
- Bank turnaround times are blowing out a bit - some out to over a week, others still really good at 3-4 days.
- Some banks are pricing in good discounts, others are sticking to their advertised rates. Retention cashback is worth asking for when a refinance isn't an option for people
- Lots of requests for advice around repayments, managing cost of living, etc
- I have been busy and got lots of approvals for buyers, but they can't find houses to buy
- The market is heating up again.

MANAWATU-WANGANUI

- Had 3 - 4 weeks of almost no enquiries. Started picking up significantly the last week however
- Fair amount of nervousness with rising living costs, interest rates and people rolling over from much lower rates

HAWKE'S BAY

- Buyers are back. Listings are up. Things feel as though they are moving again.
- Investor interest is back for the first time in a couple of years. Some still waiting for the government's promises to come about.
- Still the high cost of living and high interest rates are restricting peoples' ability to borrow with high test rates and MLA's impacting on people's ability to borrow.

WELLINGTON

- Lack of supply has seen the property market turn around price wise. However until interest rates start dropping, I don't think it will go too far.
- Higher interest rates are impacting on FHB's desire to obtain their own properties. Very low listings (slowly improving now) are resulting in higher demand and more offers being placed. Now need to put your 'best' offer forward to obtain the property.

- Noticed a lot more mortgagee sales popping up in the news and online, interest rates are starting to bite hard. Activity in Wellington is really quiet in the regular market.
- First Home Buyers a very welcome sight in an otherwise grim market in Wellington. Some of my investors have sold or are trying to sell off parts of their portfolio. High interest rate climate + tight lending policy has prompted them to focus on debt reduction not looking for bargains. Buyers for investment property only sporadic here. Some Lenders noticeably higher than others at re-fix time - possible opportunities for those with simple loan structures to move Lenders. All in all - it remains a bit shit - only slightly less so thanks to First Home Buyers
- Some banks are turning around applications within 24 hours, others up to 8 working days!
- The gap in the interest rates between the main banks has closed, if not the same.
- Investors are waking up to the fact that despite a new Government and anticipating the return of the interest deductibility, the numbers in terms of a rental yield do not stack up and most cannot, or are not willing, to top-up the mortgage by a minimum few hundred dollars each week.
- The spring listing surge in Wellington has not happened, however, have seen an increase in properties with issues coming onto the market to take advantage of the lack of supply.
- I feel the market would take off again as soon as banks are allowed to issue pre-approvals to FHB for 90% LVR.
- The high test rates together with high actual rates mean that buyers will need to find bigger deposits

NELSON/TASMAN/MARLBOROUGH

- Finance is out there, and all lenders are open for business. Demand is healthy in the low deposit sector confirmed by the KO schemes over-subscribed so there needs to be a better market solution. Co-Own private schemes could do this if better understood. Appetite for owning property is low and will need to see some regulation changes to get support before things pick up. CCCFA still impacting some older borrowers from realising their property dreams or exit plans

CANTERBURY

- It's very hard for FHBs to get into the market as the property CAPs for existing homes are far too low so they're missing out on being eligible for a First Home loan and First Home starts grant
- Using Non-bank lenders now, more so than in the past as clients with credit report issues are coming to the market more than before.

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This publication is written by Tony Alexander, independent economist.

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