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Tony Alexander

MORTGAGE ADVISERS SURVEY

November 2024

Spring bounce in demand

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 75 responses.

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

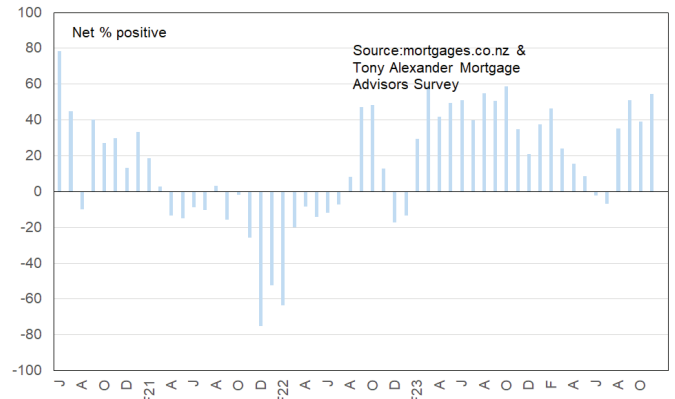
- Brokers have become very frustrated about a blowout in bank application processing times. Some blame this on the Commerce Commission recommending brokers get three quotes for clients.
- Further strength has appeared in buying interest from both investors and first home purchasers.
- Anticipation of easing monetary policy has boosted interest in floating mortgage rates.

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

A net 55% of brokers responding in this month's survey have said that they are seeing more first home buyers in the financing market. This is up from 39% last month and the strongest result since October last year.

Last year's surge in young buyer demand fizzled out as worries surfaced about interest rates going higher and as a large number of vendors entered the market causing a decline in FOMO. This time around brokers note that falling interest rates are causing people to expect stronger housing activity going forward with more buyers appearing.

Are More First Home Buyers Looking for Advice Than a Month Ago?



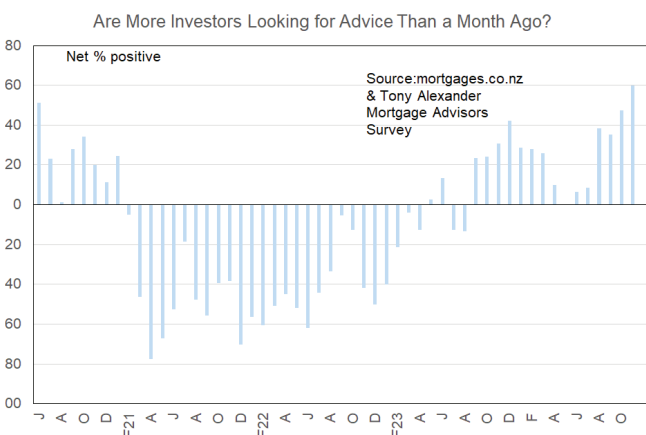
Comments on bank lending to first home buyers submitted by advisors include the following.

- Banks are tightening up on receiving applications from FHBs that do not have 20%. They only want live deals - i.e. auctions or signed sale and purchase agreements. No new to bank lending over 80%.
- Minimal changes to criteria given LVR restrictions but competition gearing up with some lenders now offering cash-backs.
- The banks are still quite restrictive with their policies and the time taken from the application to approval is quite lengthy for a First Home Buyer. Most of the lenders are at a minimum of 10 working days as their turnaround times.
- Lowering test rates are helping FHB
- Preference to existing customers for first home buyers with LVR above 80%, preapprovals to new to bank customers no longer welcome, live applications are not necessarily getting preferred with turnaround times blowing out with all the banks, feedback is one of the banks is giving a 24 hour turnaround to customers who approach the bank directly.

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

A record net 60% of brokers around New Zealand have said that they are seeing more investors in the market. This reading is up from 47% in October and just 9% four months ago.

The turnaround in investor demand has been quite strong and this looks to be due to falling interest rates offsetting the depressing effect on rents of rising unemployment and migration losses.



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

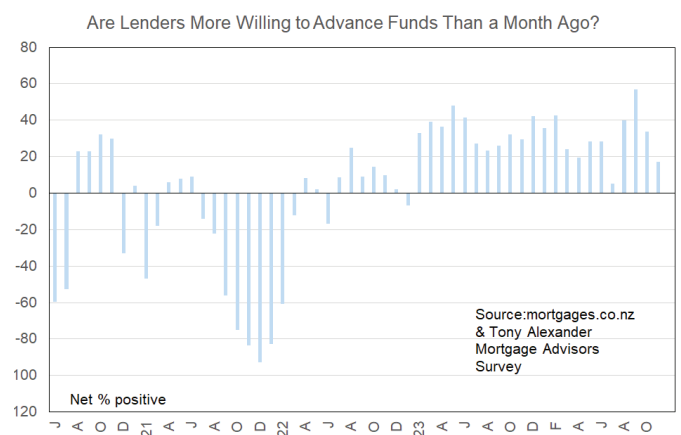
- DTI becoming more of an issue as test rates drop.
- Closely looking at DTIs for self employed.
- Has become slightly easier with not so much focus on rates and insurances for the rental properties and with test rates coming down, it does become a little easier for them to buy. Rental income shading has come down to 20% more or less.
- Investors seem to be coming back in force. Banks are lending, interest rates falling, good deals to be made. Never a better time than right now for investors to be back in the market.
- Slow turnaround, but bank test rates are reducing, which allows more lending.

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

A net 17% of mortgage advisors have reported that banks are becoming more willing to advance

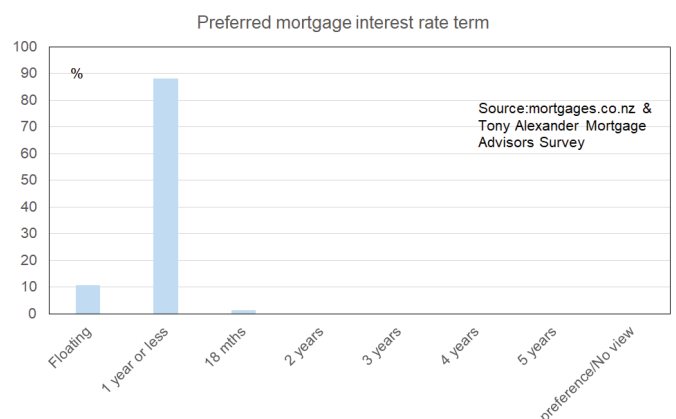
funds to home buyers. This is down from a net 34% last month and 57% in September with one cause potentially being the blowout in loan application processing times.

Comments from brokers indicate deep frustration at long processing times and this is offsetting some easing of lending criteria - admittedly in limited ways.



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

A notable feature of this month's survey has been a jump to 11% of brokers saying that people are opting for a floating mortgage rate. This appears to be driven by a desire to see what happens at the next official cash rate review on November 27 with widespread expectations of another 0.5% rate decline.



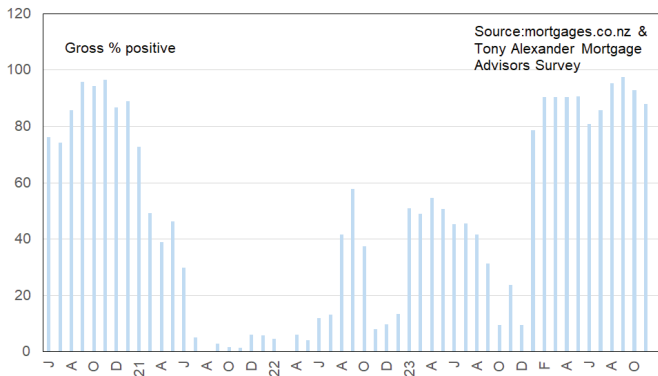
A still very high 88% of brokers report that people are choosing to fix 6 – 12 months.

Mortgage Adviser's Comments

Following are the general comments which mortgage advisors volunteered in this month's survey. Enjoy. Of note this month is the large number of comments about very slow bank processing times for loan applications. I have taken many of these comments out as they get repetitive after a while, but the concern is certainly strong amongst brokers.

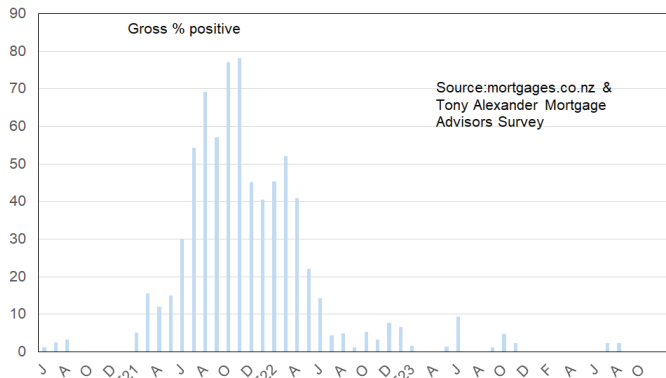
- More lenders are now not offering pre-approvals. Options for preapprovals are now very limited. No problem for live applications with a signed sale and purchase agreement, but not having a pre-approval can knock the confidence of first home buyers
- Turn around times are still terrible, especially when clients can get 24-48 hour approvals from the same lender, and a broker application will take 10 plus working days. Activity finally picking up with an end of the year rush. Expecting a busy Jan and Feb as potential purchasers rush in before the inevitable property value increase that will happen over the next 18-24 months.
- It has got manic busy
- Bank turnaround times are very slow. Pre-approvals very hard to get, deals need to be 'live'. The market is patchy. A lot of enthusiasm leading into Spring, but new client enquiry has eased off.
- Big lift in new inquiry and buyers being highly motivated to contract property. Not surprising considering the drop in OCR and falling rates, test rates, etc. Banks are all short on resources and turnaround times are not fit for purpose. Happens every cycle.....
- Bank turnaround times have blown out to > 10 days except for 1 bank. When buyers are finding a house, more often than not they are usually going to multi offer, and having to put down 15 working days for finance is tough to get that deal over the line.
- Bank appetite is good but treating the adviser channel poorly. Turnaround times and extent of assessment appears to be better going direct through a few providers which is frustrating and anti-competitive. Volume is building and

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



Interest in medium to long-term fixed mortgage rates is completely absent.

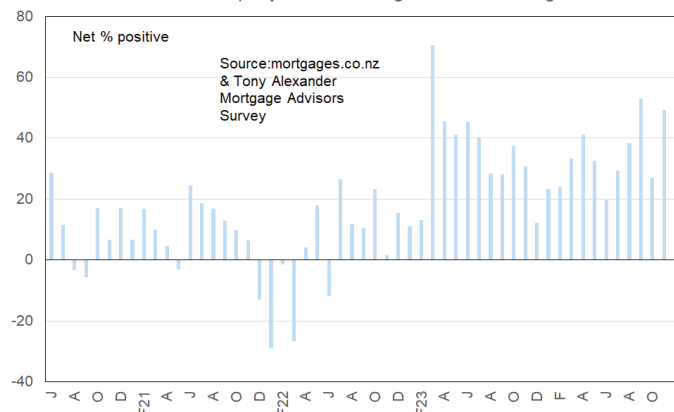
Gross % of mortgage advisors saying borrowers are locking in three-year fixed



ARE MORE PROPERTY OWNERS ASKING ABOUT REFINANCING?

A net 49% of brokers report that they are receiving more enquiries from people regarding refinancing. This high reading likely reflects the impact of interest rate declines to date with further falls widely expected.

Are More Property Owners Asking About Refinancing?



opportunity exists for Banks outside the main lot to gain market share through better response times and test rates.

- Lots of low deposits coming through, as housing prices haven't increased a lot in our region buyers are seeing the downward trend as an opportunity to get on the market now. They are also chasing the Cash Contributions now, and who has the better offer.
- Lender turnaround times are very very slow. Fewer banks taking preapprovals
- Can't get high LVR preapprovals rolled over at client's own bank, so everything comes to a halt wasting everyone's time
- Enquiries increasing as people see interest rates start to fall and many feel lending will become more affordable, although I suspect that DTI's will in due course offset this and limit availability somewhat.
- Most banks only doing pre-approvals for existing clients now, not for new to bank
- It's still a buyers' market. Little sign of movement in prices yet.
- The inquiries have increased recently.
- More squeeze on pre-approvals for nonbank clients as there is large demand. Live deals open doors. 2nd tier lending is doing a great job in meeting various needs.
- In the North Shore area I am advising clients to not wait to buy as the market could have bottomed out and investors are sniffing around so could push prices up, albeit very gradually.
- Some banks now closed for a period of time to preapprovals for nonbank clients - all very well for Comcom to suggest x3 pre-approvals - they should talk to the banks on that. Definitely busy - everyone has woken up to 6 weeks till Christmas.
- A number of clients now floating until the next OCR announcement on 27/11. Although the enquiries are increasing, it is off a low base in Wellington as there is still a lot of concern around job security from those employed directly or indirectly by central government. Investors still need a reality check as they have not really considered the additional amount they need to top-up the mortgage repayments as the rental yields are still not there.
- As interest rates ease there is definitely more interest across the market, Investors

are definitely returning, (not stampeding but returning which is great).

- Its patchy work wise, busy 2 weeks out of 3 are busy. I have a lot of clients leaving for Australia, either renting their homes out or in some cases selling one to deleverage while away. It seems that with people leaving its hard to get a tenant, I think rents might take a beating early 2025 and properties not priced correctly or that are manky won't be rented which hasn't happened in Wellington for 10 plus years. We are expecting a pickup in Jan Feb as buyers see IR drop and house prices won't remain where they are forever.
- It is certainly a lot quieter than normal for the time of the year.
- Biggest issue is bank turn around times. This is now over 2 weeks for most lenders. Some are now not taking new to bank pre-approval applications.
- Lots more people looking to chase cash at banks as rates drop. Break fees likely to get bigger as many people fixed for 2 years plus in the last cycle and still have a year or more to go on higher rates
- Clients still showing a preference for 6 and 12 month refix but I sense rates are close to bottoming out and rate competition will soon return to where it historically sat - the 2 year space. The stars are beginning to align for First home FOMO to re-emerge in 2025.
- Banks don't seem to understand that their delays in processing applications actually make the problems worse as we're forced to multi bank applications as we can't wait 2 weeks for a response.
- Most customers coming off fixed rates are floating, waiting for next OCR announcement, with the intention of fixing a week or two later once any impact is made to fixed rates. With lower interest rates, people are starting to get serious about getting into their first home, after sitting on the sidelines pretty much all year. Currently building a decent of pipeline settlements in January. Parents are helping a lot of people out with gifts.
- More people looking for construction loans
- Although retail rates have come down and the test rates have come down as well, there is not that mad rush from buyers to purchase. they

are taking their own time and negotiating hard. Realistic vendors are able to sell the properties, but buyers are being very tight with the spending. Lot of refixes are leaving their rates on floating in anticipation of the rates coming down further after the 27th of Nov OCR decision. The ones who are fixing are more or less fixing for 6-12 months.

- Banks are so slow and even have no ability to prioritise live deals. Rates are driving up more interest in the market. Range of properties in the market but the good ones seem to be selling quickly and for good prices. Constant activity, feeling positive about the months to follow.
- For lending above 80% LVR, the banks not doing Pre-approvals but will look at applications with an accepted offer attached, or 'draft' Sale and Purchase Agreement only for a property going to Auction or Tender or Deadline sale.
- First home buyers are still in play, investors are making a slow comeback. Property prices are not increasing the way real estate agents want them to or expected them to. There is no FOMO at this stage. Pricing between banks is more or less similar with xxx bank prepared to waive LEP till the end of the year for above 80% LVR while also allowing their customers to choose a lower interest rate, if interest rates move lower prior to settlement ,after they have locked in a higher interest rate earlier.
- It appears the housing market is starting to move, seeing a few where there were multiple offers, mainly in the mid-range of prices. With the test rates moving down people will be able to borrow more than before so this may make a difference down the track. Plus the interest rates moving down /cost of funds. I have quite a few pre-approvals in place and find the investors are still lowballing their offers. I have had the odd one who pulled out due to nervousness with their employment.
- There is still a stream of first home buyers. Most are successful and translating into good, settled business for us.
- Christchurch market is Hot! Lots of activity and offers made, selling at Auction etc. Clients are all trying to make their move ahead of Xmas and there are so many homes listed. existing homes seem to be less preferred in some areas with First home buyers opting for new builds that are

ready to go now (not turnkey for a later future date). Affordability is getting easier with lower test rates. Lots of clients looking at investments too. People are waiting on lower rates and floating in between RBNZ announcements before deciding on a fixed rate. Most often 6-12months being preferred fix.

- The biggest issue right now is turnaround from application to approval
- A lot of niggly stuff such as requests to break loans that are locked in at a higher rate. Seem to be very few straightforward deals. But things are getting easier as test rates drop with OCR drops.

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This publication is written by Tony Alexander, independent economist.

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