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MORTGAGE ADVISERS SURVEY

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Strong first home buyer interest

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.

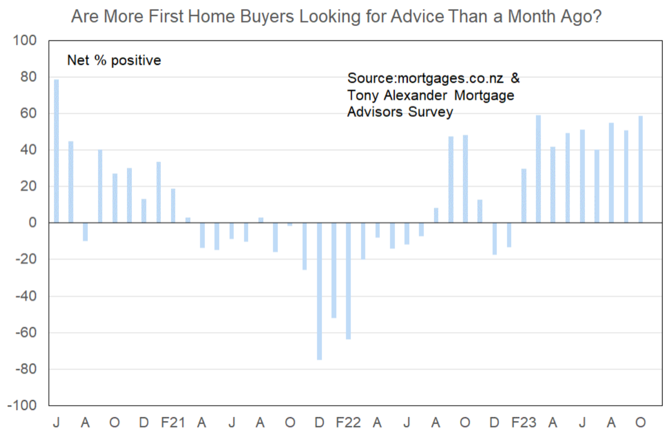
The main themes to come through from the statistical and anecdotal responses include these.

- First home buyers remain strongly interested in purchasing a property.
- Investor enquiries are at their highest levels since late-2020.
- Borrowers strongly prefer the 18 and 24 months terms for fixing their interest rate.
- Seasonal patterns of activity for now have been disturbed by the general election.

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

In this month's survey a net 59% of our 75 respondents have said that they are receiving more enquiries from first home buyers. This tells us that the extent to which young buyers are driving the upturn in the housing market is not easing and if anything may be strengthening.

Only our first survey in June 2020 showed a higher net proportion of mortgage brokers saying that more first home buyers were seeking financing advice.

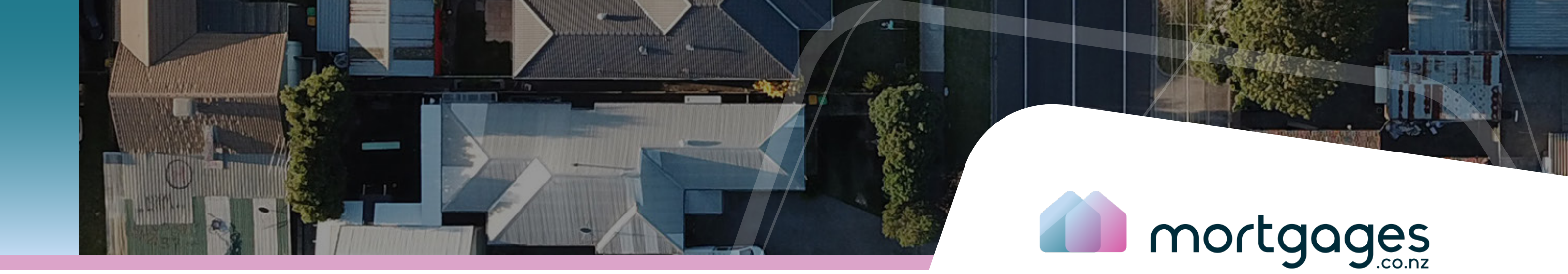


Comments on bank lending to first home buyers submitted by advisers include the following.

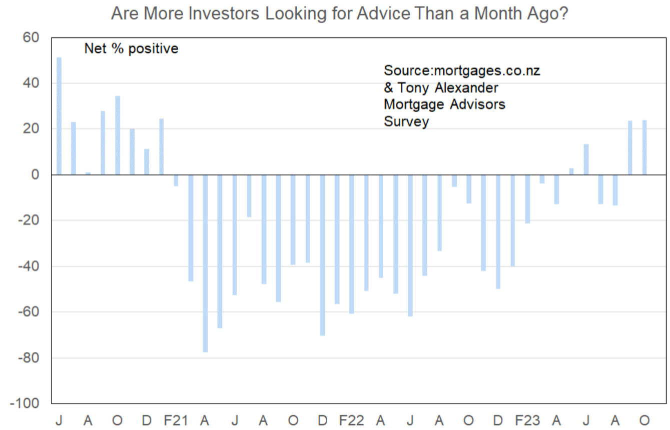
- Still can't get preapprovals for high LVR > 80% without a live deal which is disappointing as you can't send them out 'house shopping' with confidence
- Interest rates and margins are impacting serviceability.
- One bank has dropped their monthly surplus requirements for over 80% lending, another is incentivizing higher cash contribution for FHB
- Banks starting to look at different ways to help clients - each bank has their own interpretations of compliance within CCCFA.
- Partners scheme running out of funds has been a bit of block for some clients.
- Loan servicing surplus criteria continues to slowly loosen but still a tough ask with the test interest rates hovering around 9%

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

A net 24% of mortgage brokers have reported that they are receiving more enquiries from investors. This is the same reading as last month and tells us the surge in investor enquiry in September was not a statistical blip. The situation is now markedly different from almost all other months since



early-2021 when tax rules for investors changed.



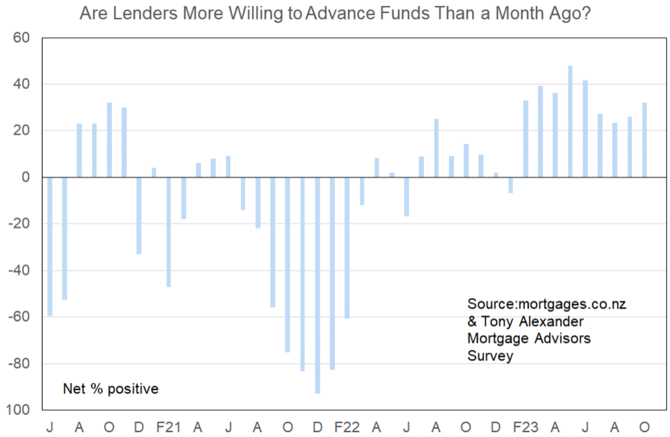
Comments made by advisers regarding bank lending to investors include the following.

- Not much change in this area - everything seems to be hinging on the election
- Tweaks to the shading of the rental income has decreased, however, the actual rates and insurance expense, in most cases, exceed the shaded allowance when a percentage of the rent was considered.
- No changes. 65% LVR for existing investment properties, 80% LVR new builds, 80% overall LVR for owner occupied and Investment property.
- Enquiries are steady, however, once investors do the numbers as part of the application process and speak with their accountant, they no longer wish to proceed as they cannot make the numbers work or they are not willing to top-up the difference.

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

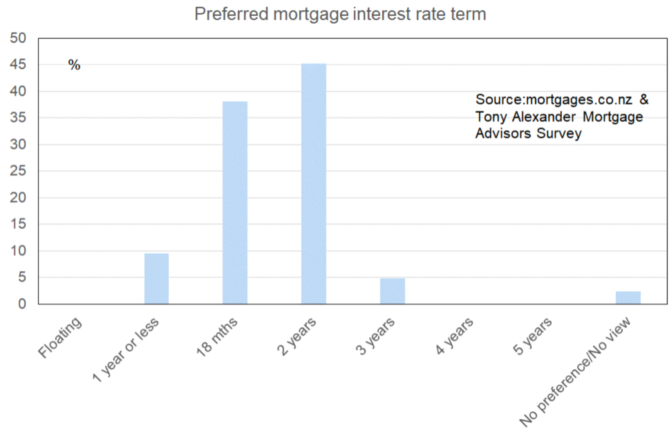
The main change in perceptions of bank willingness to lend to home buyers happened earlier this year. Since that change in February things have not altered much with a net 32% of brokers this month saying that lenders are getting more willing to advance funds.

We have come a long way from the deep credit crunch days of late-2021 when at one stage a net 93% of mortgage advisors reported that lenders were pulling back on funds availability.



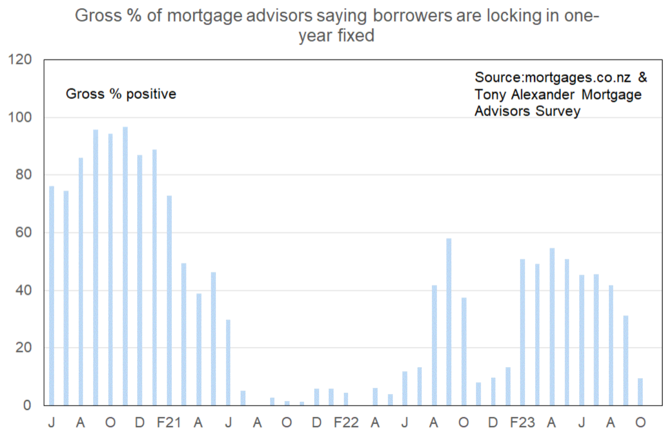
WHAT TIME PERIOD ARE MOST PEOPLE LOOKING AT FIXING THEIR INTEREST RATE?

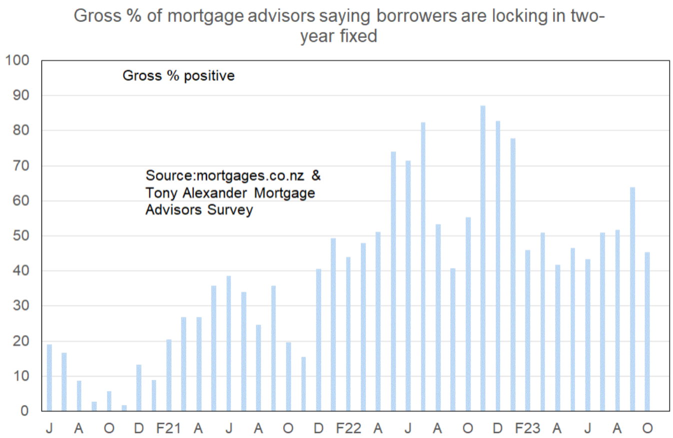
From this month's survey we have added in 18 months as one of the choices brokers can make for the term which they feel borrowers most want to fix at. 38% have said that 18 months is the preferred fixing term.



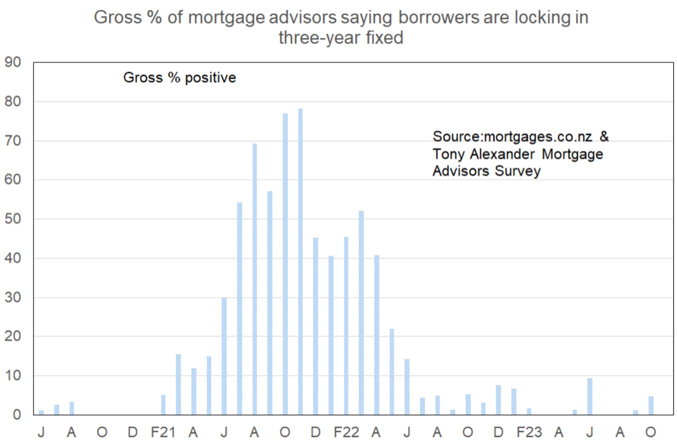
10% have chosen one year, down from 31% last month. 45% have said two years, down from 64%. In other words, doing some basic maths we can see equal numbers of brokers choosing one year as two years when the 18 month choice was not available. That makes sense.

The following graphs show term preferences, but we can't yet put a time series in place for the 28 month term. Plus, be aware of the step down in preference for one and two years from this month because of the survey change.



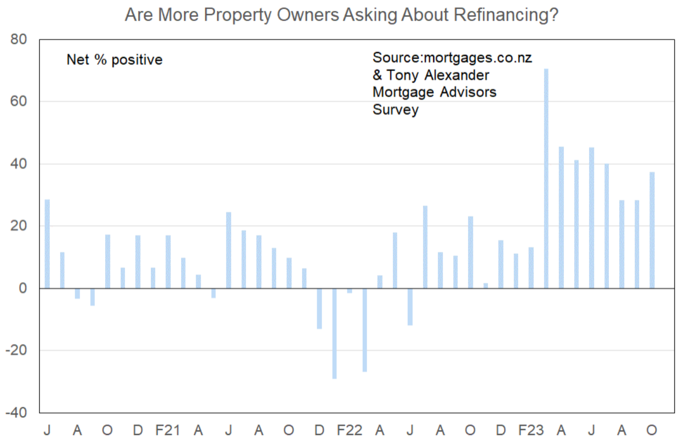


There is understandably no obvious impact on the three year preference from our survey change. Interest in that and longer terms remains near zero.



ARE MORE PROPERTY OWNERS ASKING ABOUT REFINANCING?

A net 37% of brokers have this month reported that they are seeing more people making enquiries about refinancing. This continues a string of relatively high readings for this measure in place since March and likely reflects the extra hikes in mortgage rates in an environment where many people have been rolling off record low short-term fixed rates previously secured during the dying days of the pandemic.



Mortgage Adviser's Comments

Following are the 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.

AUCKLAND

- First home buyers are active. No change in level of interest from investors. Lenders continue to be conservative when assessing applications for lvr above 80%.
- Interest from those who feel the housing market has hit the bottom in AKL. Starting to see a few more distressed vendors, or a greater

willingness from vendors to take lower offers with few conditions.

- Xxx have introduced like for like refinancing, interesting concept, see how it pans out.
- While investors still seem to be on the fence waiting for election result, first home buyers look to be out in force. My buyers are struggling with the low stock - being forced to look at property types or even cladding types (shudder) they would otherwise avoid.
- Election stall in progress, others not waiting to jump the gun.
- The lack of competitiveness by one of the main banks is resulting in many clients looking to refinance away from them. There is a degree of arrogance from them in regards to not offering any discount off the carded rates which is of concern especially if this continues in the long term.
- Xxx's new refinance product is both surprising and exciting.
- Its crazy busy, a lot of new, do-able mortgage clients this week - people are buying and settling, lots of new builds being completed.
- yyy is not looking for business - really high rates and low cash (too many outstanding 'back my build' clients with discounted floating rates riding out their 3 years?). Can't see how I will ever be out of a job (open banking or not), financial literacy is pretty poor in general, even with high earners.
- A strong mood amongst FHBs that now's the time to buy if I can afford the interest. It can only get easier. Short term pain/long term gain
- Xxx's move is very ballsy, will others follow suit?
- It shouldn't be this busy so close to an election.
- Many borrowers have adjusted to the high interest rates. General perception is that rates have peaked, and house prices have bottomed so now is a good time to buy if you're buying long term."
- It seems like we are in a holding pattern at present, with interest rates slightly up, and some banks are tweaking their servicing criteria up, some down slightly. All seem to be waiting for structural change in the market, to move up or down at present.
- Market has certainly changed a lot over the last 3 months, lot more enquiries coming through, still mainly first home buyers, some of the investors have started getting the preapprovals done to be able to start looking for bargains, properties are selling in good areas for a slightly higher price compared to the beginning of the year, good clearance rates in auctions, some of the lenders are still struggling with turnaround times, high stress test rates still making it difficult for borrowers on lower incomes to get the kind of loan amounts they want, interest rates are making a dent on the repayments even for clients with 20% deposits. lot of preapprovals sitting as repayments are scaring some of the first home buyers to commit to the loan amount.

BAY OF PLENTY

- Enquiries have doubled in last 4 weeks, our 'holiday' has finished.
- Lack of housing stock on the market. First Home Buyers keen to buy but vendors still holding out for rise in property values.
- The FHBs that I'm seeing, are struggling to find a property within their financial capacity currently.
- Despite an election there is still good activity
- First home buyers are waiting for lowering of interest rates, but we have suggested not to do this as the housing prices may be increasing and they may miss the boat. have suggested they navigate and plan for the higher interest rates (which we have done anyway). Kainga Ora's first home buyer partnership being pulled is a blow to first home buyers. Banks are ranging from impeccable service and thinking outside the square to shutting down completely and being difficult to deal with. you can't tell what assessor is going to approve what from what lender. makes it very unsettling. one way to combat this risk factor is to have to send applications to several lenders given some of the inconsistencies and the slow turnaround times for some.

WAIKATO

- Big increase in activity in last few weeks. People starting to see the light at the end of tunnel and getting used to the higher interest rates.
- Banks are still a mess of conflicting policies around CCCFA.

HAWKE'S BAY

- Slightly more activity from first home buyers
- Good to see some common sense being applied around discretionary spending, but there is a higher level of pedantic when it comes to insurance - if it is paid annually then we are being asked to provide statements.
- Higher % of people splitting their rates between 2 and 3 years as less confidence around the timing of potential rate reductions, and increasing fear of further rate increases.
- The FHP scheme suspension was disappointing. Some who missed out on this will convert to an FHL, and lower home purchase value, but for most it's back to the drawing board.

WELLINGTON

- Some lenders still have restrictions on new to bank clients in the over 80% wanting them to be a "Live Deal", others are happy to issue a pre-approval. Bank's keep increasing their interest rates despite the OCR not increasing and therefore increasing their test rates making first home buyers that were approved a few months ago with a higher amount, now at a lower amount, making their home search harder due to their now lower purchase price. Mum and Dad wanting to help, but not wanting to complete a full application form, and in some cases would disadvantage the potential first home buyer anyway due to their higher living expenses and liabilities.
- My clients report a very competitive market in Wellington, with the estimated values coming in lower than the actual selling level. Although there is much data from the likes of Corelogic, which shows a flatter market, it certainly doesn't seem the case especially for Wellington city.
- Still seeing good clean offers from the banks.
- Lenders will lend if your finances are in order. Election is holding the market back...
- Election FOMO - unfounded, however.
- Plenty of enquiries. Clients are asking what it is going to cost for their loan repayment at the time of application. They are more aware that interest rates have risen.
- Doesn't feel like the typical spring as the listings have not come on ... yet ... maybe after the election?
- Have had a few, only a few, handful enquires of people looking to buy land to then build their home. It's been ages since I have had anybody looking into doing this.
- Wellington is very quiet on the enquiry side of things leading up to the election, if no government forms straight away its going to be very quiet till 2024. Nonbank space is horrendous, they seem to think they can take on main bank deals, while the main banks are prepared to lower their own underwriting strategy. I'm getting stuff approved at banks I can't at a nonbank.
- Venders are holding off in the hope values will go up, but if values go down more, we may see a jump in listings.
- Inquiries have picked up.
- Having a lot of clients coming off Interest Only at the same time as low interest rates so their costs are increasing substantially as they move to Principal . Some are now in a position where they cannot afford to make the payments so are looking to sell property.
- Over the last week or so given school holidays, upcoming election and shortage of properties on the market less inquiry has come through with investors keen for change of government.

NELSON/TASMAN/MARLBOROUGH

- Refinance enquiries have picked up as people are worried about affordability and seeking lower rates of which there are none. They often do not meet affordability hurdles at the current test rates and therefore even a longer-term loan may not be an option. Some will also find a lower equity position than previous finance terms and the reality of their situation is a tough one, some are grim. Banks are focusing on the refinance market over new purchases but servicing needs to meet test rates with comfort.
- SME assessment timeframe remains long and service to this market is lacking.
- Lack of deposit remains a barrier for first home buyers.
- I have encountered situations where customers are downsizing which is the right thing to do but still faced with strict assessment criteria to approve residual debt at current bank,

a negative effect of the CCCFA law which customers don't see coming until they are under the pressure of trying to secure contracts and change in loan amounts needed.

- Times are tough. Customers really struggle to decide on refix terms.

CANTERBURY

- Existing preapproved buyers much more urgent than in the past creating some short term uptick in market activity , however "new enquiries" are up and down week to week - reflecting maybe some election uncertainty.

OTAGO EXCLUDING QUEENSTOWN LAKES

- Fielding more enquiries from first home buyers and agents are reporting far greater numbers through open homes priced in the first home buyer range. Investors are sitting on the fence hoping like hell there is a change of government this weekend. A change will likely see a number of seasoned investors revisit further property purchase/s.

QUEENSTOWN LAKES

- Quite critical over business income - a lot of sensitivity and shading applied.

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