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&

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MORTGAGE ADVISERS SURVEY

October 2024

Strong buyer demand evident

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 59 responses.

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

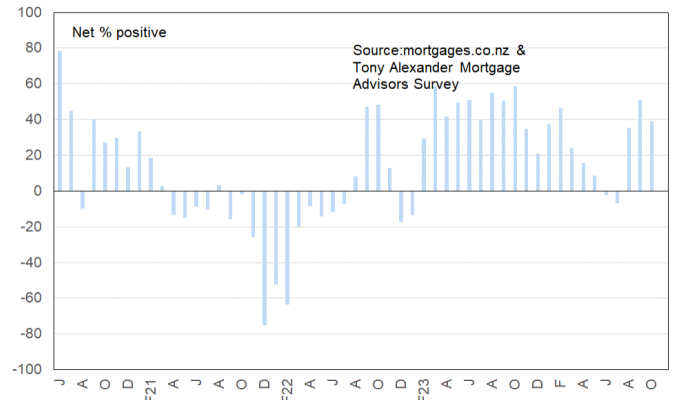
- Bank turnaround times for processing applications are increasing.
- First home buyers remain active in the market and investor presence has noticeably risen.
- Borrowers still strongly favour fixing their mortgage interest rate for less than one year.

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

A net 39% of the mortgage advisers responding in this month's survey have said that they are seeing more first home buyers in the market. This is down from a net 51% in September but still a level consistent with an argument that young buyers are active.

The turnaround in first buyer demand since the middle of the year has been quite large. This tells us that changes in interest rate levels and expectations are a driving factor because the employment situation has deteriorated and continues to do so.

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

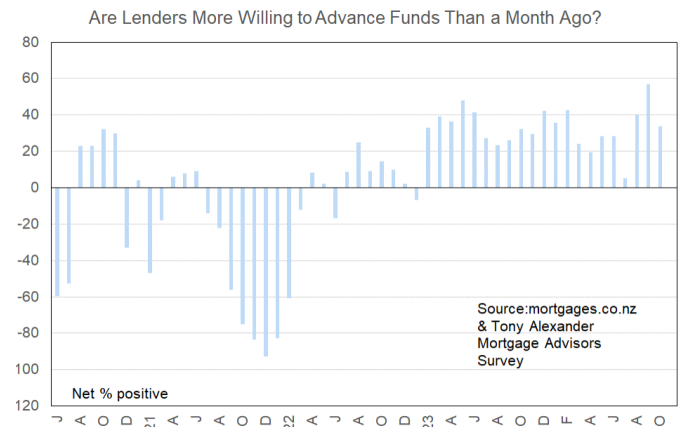
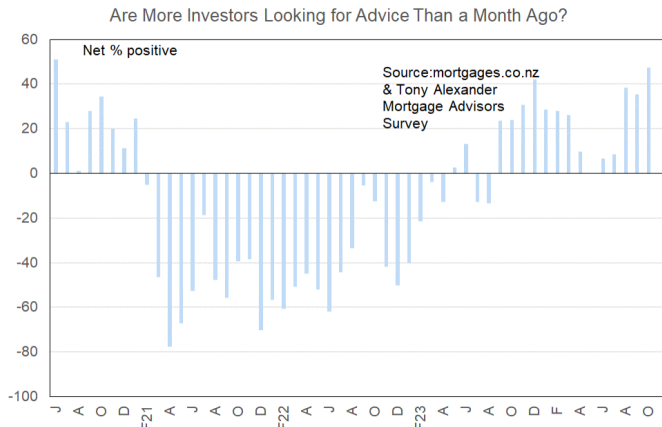


Comments on bank lending to first home buyers submitted by advisers include the following.

- Big cash offers for new business
- In general the banks are more open to business than they were at the beginning of the year.
- Building report needed to confirm deferred maintenance
- Recognising Developer funds can be treated as first home loan deposit is a helpful and pragmatic change.
- If the clients have good incomes with little to no other debt and they have a 20% deposit, then the Banks already are looking to lend to the clients quite easily.
- There is definitely more activity, but over 80% lending is still tough. Esp with timeframes pushing back out again

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

A net 47% of brokers have reported that they are seeing more investor buyers in the market. This is up from a net 35% last month and the strongest result since June 2020. Falling interest rates and feelings that the best time to buy is right now appear to be driving factors behind the rise in investor demand.



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

- Mum and dad investors seems to be making moves, and banks happy to accommodate.
- More and more investors are buying new homes which are issued CCC and title recently
- Fewer checks on insurance premiums & body corp/rates which is a recent change by most banks due to CCCFA.
- Starting to see a softening in policy, but nothing too significant since the last survey
- One bank recently lowered the shading on rental income - another bank improved their assessment process around insurances on investment properties when applied for separately to any owner occupied lending.

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

Bit by bit since early in 2023 banks have been easing their lending criteria – sometimes encouraged by changes in the CCCFA legislation and perhaps at other times by silent nods from the central bank regarding acceptance of better credit access.

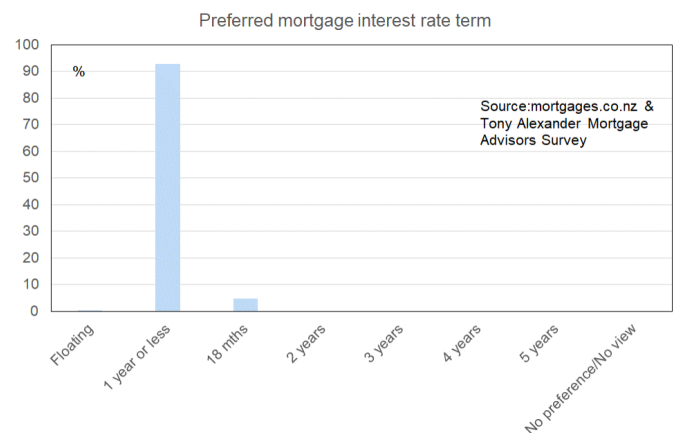
A net 34% of mortgage brokers have this month reported that banks are becoming more willing to lend. Although this is down from a net 57% last month the result is still on the high side and backed up by the comments brokers have made regarding some criteria being eased.

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

There has been extensive noting in the media of the way in which borrowers have been either floating or fixing their interest rate for a very short period of time in expectation of interest rates falling. Those expectations were met with the monetary policy easings on August 8 and October 9 and further reductions are expected in the coming year.

This tells us that in the near future people are likely to continue to preference the six month term even though banks are not much competing for business with that specific rate.

93% of brokers report that borrowers favour fixing one year or less (mainly six months).



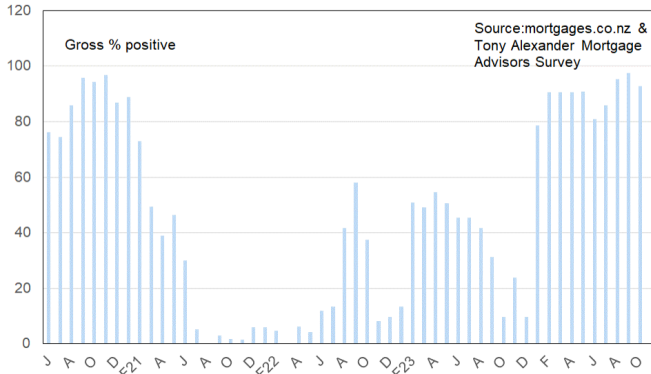
This term preference has dominated since the very start of this year.

Mortgage Adviser's Comments

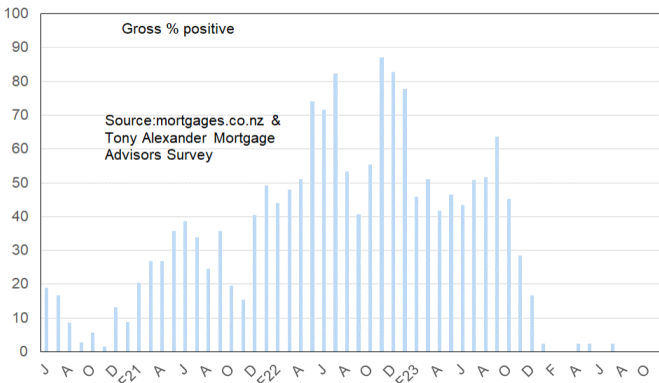
Following are the general comments which mortgage advisers volunteered in this month's survey. Enjoy.

- Some FOMO that they will miss the low end of the market especially first home buyers
- Really busy
- Lots more interest in the market. Those sitting on the fence with preapprovals seem a lot more active to buy something now
- High LVR lending ratios must be getting close to being maxed out with a couple of lenders only taking live apps and from those already banking with them
- Positive talk in the wider community but still not much activity coming out of this
- People going onto floating to see if the OCR will be cut by 0.50 and happy to keep floating wishing for an early Christmas present with another 0.50 cut in Nov knowing that nothing will change until Feb'25.
- Main barrier at the moment seems to be bank wait times. All banks' wait times have blown out, and only live deals are being escalated to priority Q. Means there is a bit of a clog in the system for our pre-approval clients who are waiting up to 2 weeks for there applications to be picked up
- Almost impossible to get a preapproval above 80% LVR to give FHB confidence to make offers on property
- Currently there is a much longer turnaround at the banks. Anywhere between 8-12 days so not always able to meet 7 day finance dates
- Couple of banks have dropped test rates, and also reduced the amount of shading applied to rental income, all good signs which are allowing for slightly more borrowing and less restrictions. Not a lot of difference in rate offering between banks, hoping for a spring/summer campaign from one of them to start getting more competitive.
- Nothing has changed since the last survey with the exception of lower surplus requirement in the above 80% LVR space.
- Slow responses from banks continue, generally

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



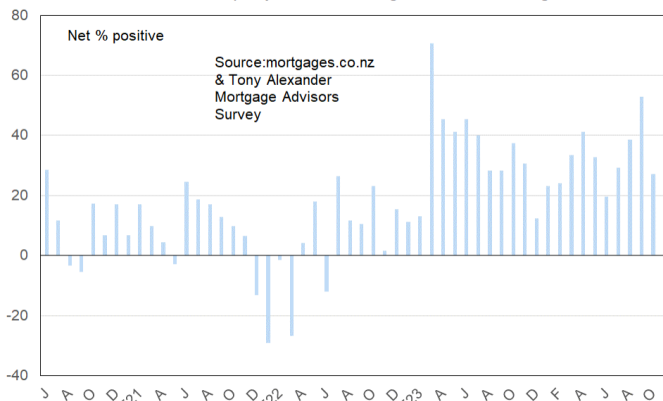
Gross % of mortgage advisers saying borrowers are locking in two-year fixed



ARE MORE PROPERTY OWNERS ASKING ABOUT REFINANCING?

A net 27% of mortgage advisers have said that more people are coming in looking for advice about refinancing. This is down from a net 53% last month but still on the strong side as people watch some large interest rate alterations occur and ponder how they should manage their exposure going forward.

Are More Property Owners Asking About Refinancing?



across the board.

- Most of my first home buyers are looking to build - as in Queenstown Lakes Area it is cheaper to build than buy with limited stock available in the lower price points. Big preferences for additional self-contained units to help with affordability.
- Turnaround time for two fastest main banks have slipped out 1-2 days (and slower main banks are 10-12 working days) and with OCR announcements to come I don't expect this will improve somehow, so people need to be well prepared in advance!
- People are still waiting for the interest rates to drop so that they have more confidence
- Long turn around times is the biggest issue at the moment. Also we are seeing some really silly conditions which indicate a lack of knowledge from the assessor - have had to push back on several occasions to have these overturned.
- Clients are missing out on auctions more often nowadays; it can't be too long until FOMO is back in the market
- It feels like everyone is holding their breath waiting for lower rates and in Wellington, if they are going to keep their Govt job. Some good buying in Wellington if people take a positive long term view of its ability to rebound.
- Xxx bank came out with a cracking 12 month 5.59 fixed term rate effective 8th October
- So much focus on interest rates is a blessing and a curse.
- OCR reductions continue to be a catalyst for more activity.
- Many customers are waiting on the OCR before locking in rates. Generally optimistic about rate falls.
- Buy now!
- There was a big rush of activity around the August OCR announcement. Activity has eased off but still significantly above early-2024 level.
- Most banks turnaround time is 10 working days. FHBs are back in the market, heaps of enquiries. Banks have turn taps off over 80.00% loan, no preapproval from xxx bank even for their own clients, unless it's a live deal
- It seems that buyers are waiting for the Reserve Bank and then the Banks to reduce their mortgage rates and then they may look to seriously buy. One bank today looking very competitive, and this seems to be the trend at present, the banks offering good competition to gain new clients.
- Renters are starting to appear with affordable housing; however, credit scores are affecting their ability to get lending.
- It's changed a lot in the last month. It has become very, very quiet locally. Existing clients with pre-approvals are buying but the new leads are fewer especially FHB. A lot more non-bank work to settle the last developments and business clients' financials are pretty poor. I've doubled my ad spend but it doesn't seem to be doing much. Might be chicken instead of ham this Xmas.
- Activity is picking up. Optimism over the rates coming down is creating more interest. Bank timeframes are unacceptable. With the easing of CCCFA and all the tech available timeframes should be shorter not longer.
- Queue times are crazy, starting to pick banks based on turnaround as much as products and pricing
- Buyers are becoming more active - lead enquiries are up. This is flowing through to longer turnaround times on assessments. Banks appetites for lending are good across the board.
- I believe a lot of buyers are waiting for the 09/10 OCR announcement.

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This publication is written by Tony Alexander, independent economist.

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