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MORTGAGE ADVISERS SURVEY

September 2024

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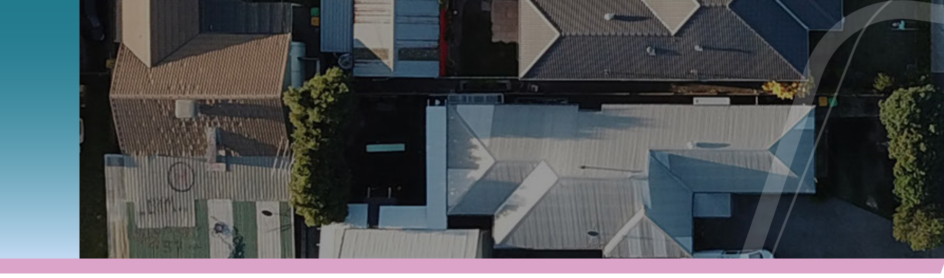


More buyers making enquiries

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 51 responses.

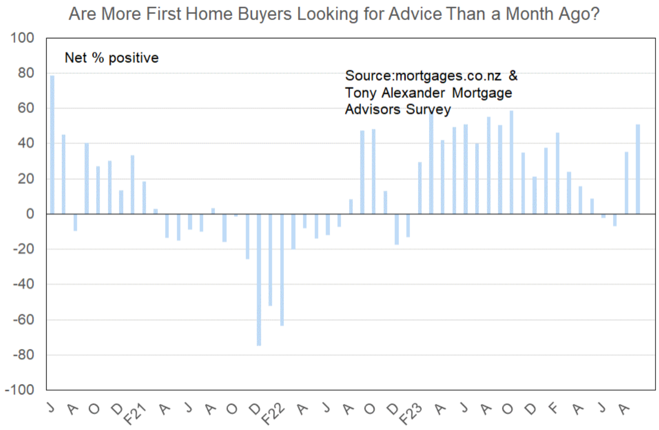
The main themes to come through from the statistical and anecdotal responses include these.

- Lenders are becoming more willing to advance funds with different operators easing different criteria bit by bit.
- Over the past two months the biggest change in buyer presence seems to be the arrival of more first home buyers rather than investors.
- Borrowers overwhelmingly are fixing their interest rates now for a term of one year or less.

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

A high net 51% of mortgage advisors this month have reported that they are receiving more enquiries from first home purchasers. This is a strong turnaround from two months ago when a net 7% said that fewer enquiries from these generally young people were coming through.

Banks are slowly easing up on their criteria for lending to borrowers generally including first home buyers, and general sentiment in the country is improving now that a path towards less interest rates pain has become clear.



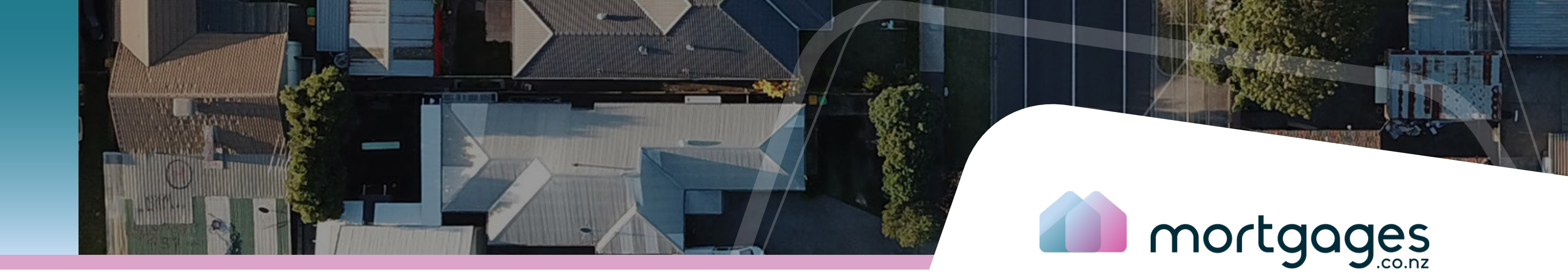
Comments on bank lending to first home buyers submitted by advisers include the following.

- Test rates have gone down for most of the major banks making it easier to get more money, UMI requirement for 10% deposit have been eased a little bit meaning more borrowing for first home buyers. Boarder incomes allowed at less than 20% deposit - has been for a while but test rates reduction, makes it easy to borrow.
- Serviceability becoming easier to obtain lending for high LVR clients.
- Some banks are allowing for easier servicing criteria for those without a 20% deposit.
- UMI (uncommitted monthly income) requirements for high LVR continue to ease.
- The changes in the CCCFA are slowly filtering through - watch this space. Banks are also starting to reduce their test rates which is encouraging.

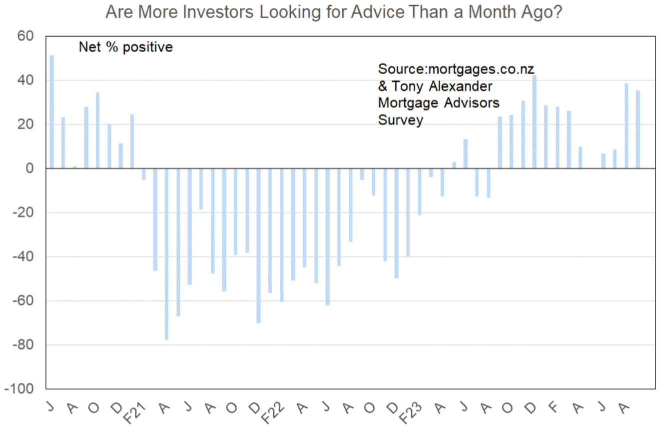
COMPARED WITH A MONTH AGO, ARE YOU SEEING MORE OR FEWER INVESTORS LOOKING FOR MORTGAGE ADVICE?

A net 35% of advisors have reported that they are seeing more enquiry from investors. This is well up from 9% two months ago but that two-month change is less than for first home buyers just discussed. Also, last month's result was a net 38% of brokers seeing more investors.

Therefore while we can safely say that more



investors are being attracted back into residential property, it is still the case as it has been since perhaps mid-2021 that it is first home buyers who are the prime movers in the marketplace.



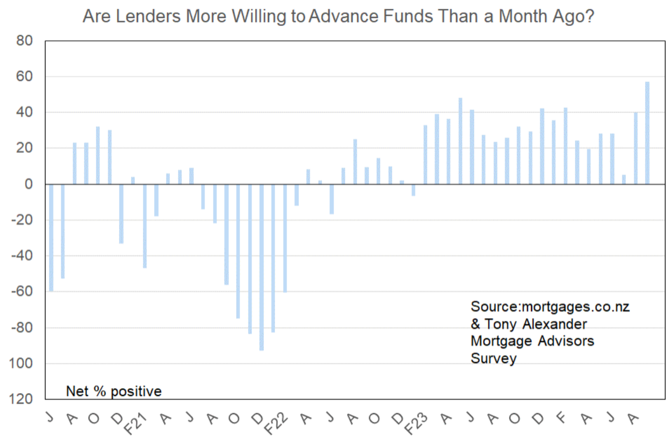
Comments made by advisers regarding bank lending to investors include the following.

- Lower test rates are increasing affordability.
- LVR changes (70% for investors) has made it easier to use the equity to purchase the next property coupled with the test rates reductions. rental income shading linked to tax deductibility is almost gone.
- No major changes in this space with assessment, however debt to income will be a factor moving forward as investment enquiry increases.
- No longer required to include rates and insurance in assessment.

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

A net 57% of brokers in this month's survey have reported that they feel lenders are becoming more willing to advance funds. This is an important result because the severe tightening up of credit availability in New Zealand over 2021 sparked the sizeable fall in real estate activity and prices from late that year.

The net 57% is in fact the strongest such result in the four and a bit history of this survey.

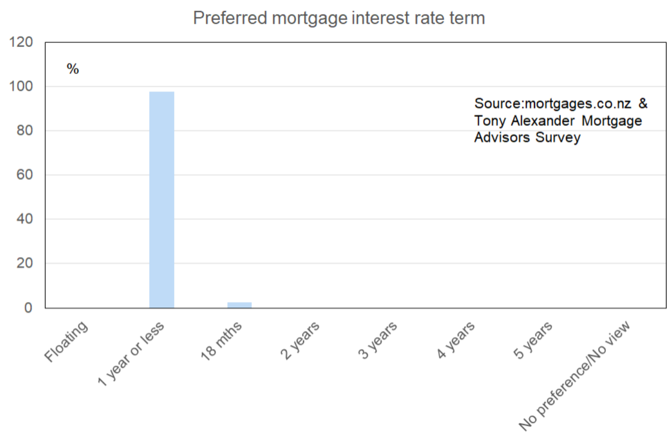


WHAT TIME PERIOD ARE MOST PEOPLE LOOKING AT FIXING THEIR INTEREST RATE?

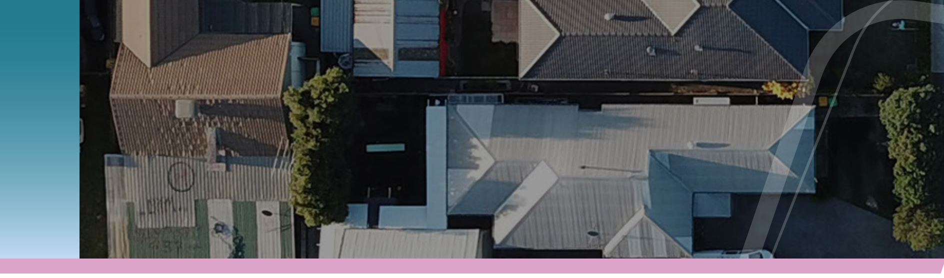
With universal expectations that easing monetary policy will bring much lower mortgage rates (that is the explicit intention of policy easing), borrowers are fixing short in order to secure presumably a "low" medium to long-term rate when it looks like rates may have bottomed out.

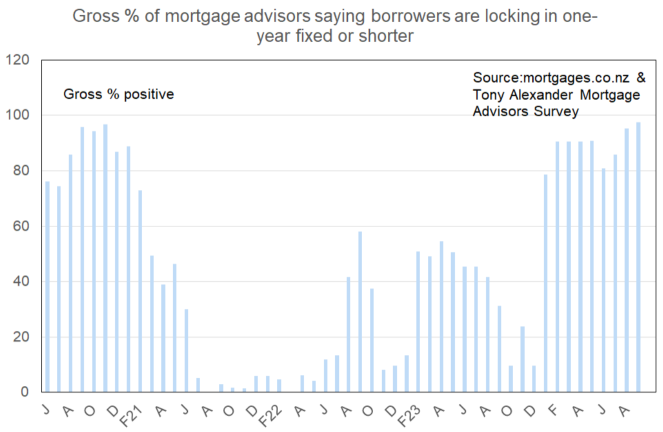
We cannot know when that point in the interest rates cycle will be reached and for now it seems reasonable to assume that most people will continue to fix short for a considerable period of time.

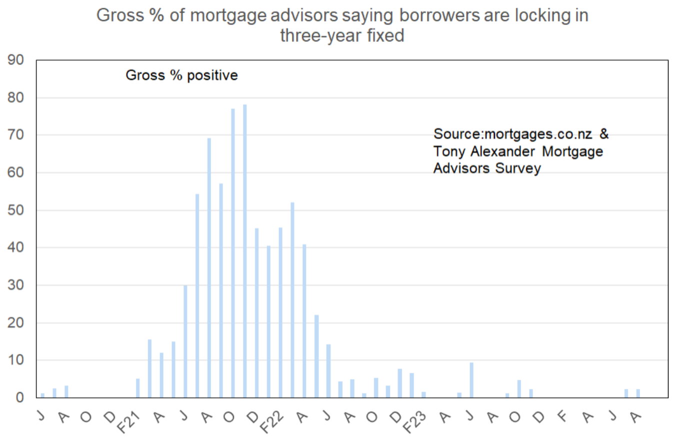
Note however that some brokers are finding some banks offering attractive 18 month rates.



In this month's survey 98% of brokers said people favour fixing one year or less.

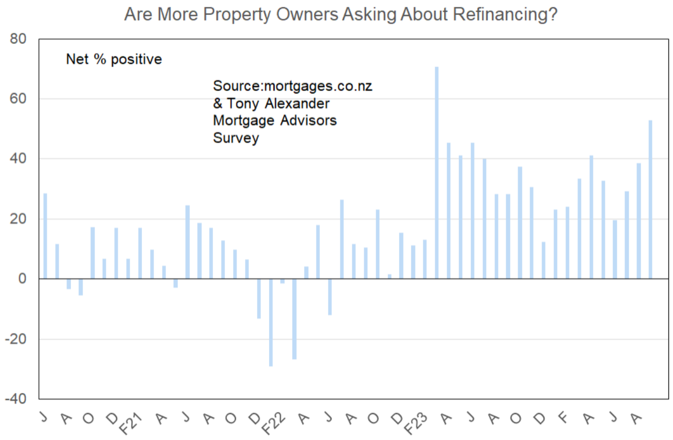






ARE MORE PROPERTY OWNERS ASKING ABOUT REFINANCING?

A net 53% of respondents this month have reported that they are receiving more enquiries about refinancing. This is the second highest result on record and likely reflects the changing interest rates landscape making people think about more active management of their interest rate reset exposure.



Mortgage Adviser's Comments

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

- Overall market is getting a spark, and we are heading into a busy time with lending
- Lenders starting to close to all over 80% LVR applications unless RBNZ exempt or KO
- There appears to be some green shoots out there with buyer interest increasing, banks are dropping test rates but are more severe on credit issues. Non-banks and specialist finance is increasing. Business clients are subdued. 2024 trading year results are significantly worse for most limiting their ability to borrow.
- Banks test rates have reduced marginally. Seeing more small time developers looking to build spec homes, well heeled but cash flow tight.
- 6 months fixed is popular but not supported by break even analysis - unless you expect rates to fall off a cliff.
- A big uptick in the number of enquiries with one drop in the interest rates.
- Still a struggle for a lot of investor clients with high interest rates and a number are looking to sell as they can't afford to cover the costs. Not a lot of activity for people purchasing investment property. Most activity is in investors wanting to refinance to lower rates or extend interest only payments.
- Activity is like a yoyo at the moment, either really busy for a week, then very quiet. No consistency. Lots of interest rate discussions. Turn around times getting better for some lenders.
- There is a bit of positivity in the market, although it hasn't transpired into house prices yet, but people are definitely looking forward to the spring and summer this year. The OCR reduction has made people realize there is light at the end of the tunnel. There are now more investors looking to purchase than there have been for almost 12-18 months. First home buyers are being positive as well with a certainty of rates being lower in the next 12 months. Job uncertainty is holding a lot of them back

especially in the IT sector. Some people have put their property purchase on hold until the restructure at work is finalized to see if they have a job or not. Overall positive sentiment has come back and as we head into the spring and summer, it might translate into more transactions and refinances.

- Approvals and settlements are up with a happy medium being found in the current market. Some multi-offers returning and buyers missing out which hasn't been the case for a while. Many offers subject to sale and slow to move but transactions definitely on the rise.
- Combined Wellington impact currently, high Government workforce, a reduction of those employers, a reduction in contractors, perceived high interest rates, declining house prices, people working from home and the city hospitality closing down is all having an impact. Will slowly improve over time
- Test rates lowered again. It's a start and it all helps.
- The mood/optimism of customers generally has improved with the lowering of the OCR and preapproved clients seem to be buying more quickly.
- More enquiry coming in, mainly FHB and OO upgrade. Helped by lower interest rates, and FOMO - best to buy now, as may be more expensive in a year - even if don't have 20% deposit. They think the growth in house price will make them worse off in a year even if they don't buy now save more deposit to buy later. Bank of Mum and Dad still needed for support. FHL still cheapest way to buy for FHB without 20% deposit, but this has an income cap!
- More buyers coming back into the market, also some interest picking up in the build space which has been lagging for some time. Clients less likely to sit on pre-approvals, and are making offers with the expectation the market will get busier.
- Lending standards continue to loosen and turnaround times for a decision remain slow
- Extremely busy
- FHB back in the market. Lots on enquiries coming through. Customers have started to apply for top ups for weddings, cars or renovations. 90% of customers are fixing their loan for 6 months hoping for rates to be below 6% in February
- FHBs are bigger in numbers now, investors are making enquiries. Lenders are more willing to approve FHB loan with LVR above 80%
- Finding interpretation of DTI's and the documentation requirements is varying a bit between banks, with some taking a hard line (and making life difficult) while there seems to be very little difference with others.
- Affordability is still key
- The big banks not fighting in the 6 month fixed rate
- Big bump in activity, particularly in FHB space. More property negotiations going to contract. Overall, a bit more urgency from buyers. Refinancing to another bank make less sense for people on fixed rates with break fees increasing.
- Wellington is getting hammered by the downsized Government as well as the Economic downturn. Rents appear to have reduced + significant increase in Rates and Insurance make it difficult. Resorting to my favourite saying more and more it seems "This too, shall pass" - is there light at the end of the tunnel for those of us not in Government or Hospo ? Lenders are slowly twiddling the knobs and all the little differences are adding up to make it a bit easier than it was before
- Lenders are allowing more 'marginal' deals through their doors as interest rates reduce because their perceived risk also reduces.
- It seems the ship is turning. Buyers are keen to buy, and banks are keen to lend.

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