

Update

February 2024



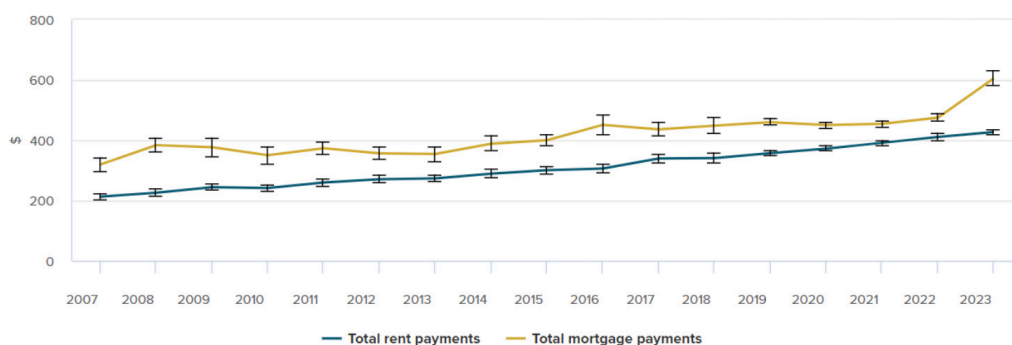
Weekly mortgage payments up from 2022

According to figures released by Stats NZ last week, average mortgage payments increased by 27.5 percent in the year ended June 2023. It's the most significant rise since 2008. Increase primarily driven by rising interest rates for mortgage-holders.

Numbers

- Weekly expenditure on mortgage payments rose to \$605.60 from \$475.00 in the previous year.
- Weekly average spent on interest payments surged by 49.9 percent to \$311.60, while principal repayments remained unchanged at \$307.90.
- One in five households paying a mortgage (22.0 percent) and one in three households paying rent (28.9 percent) spent 40 percent or more of their disposable income on housing costs.

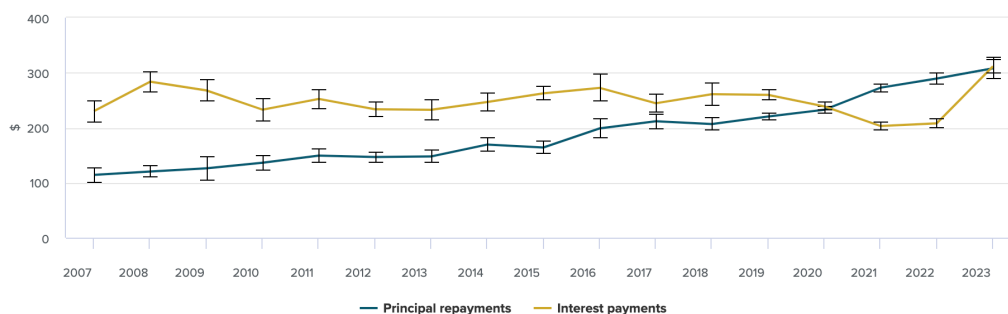
Average weekly housing cost expenditure on rent and mortgage payments (\$), by households with that housing cost type, year ended June 2007–2023



Error bars show 95 percent confidence intervals, between which we are confident that the true rate lies.

Stats NZ

Weekly average mortgage principal repayments and interest payments (\$), by households with that housing cost type, year ended June 2007–2023



Error bars show 95 percent confidence intervals, between which we are confident that the true rate lies.

Stats NZ

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BNZ offers 5% deposit loan

BNZ has recently raised the maximum LVR for residential property to 95%. Existing BNZ clients can now apply for home loans with a deposit as low as 5%. This move presents an opportunity for first-home buyers to step onto the property ladder with a lower upfront investment. However, there are some important considerations and nuances:

- Approvals will be assessed individually.
- Applicants must have a live deal (auction or deadline sale) before applying for approval, meaning they must have made an offer subject to finance.

Lending criteria and terms and conditions apply, and seeking professional advice can help borrowers navigate these complexities and make informed decisions.

RBNZ Policy Review - 28 February

As the Reserve Bank of New Zealand gets ready to review its policies, there's a lot of uncertainty about what they might decide.

Michael Gordon, a Westpac economist, describes the RBNZ policy reviews as a rollercoaster ride.

Recent economic data has presented a mixed picture, challenging earlier forecasts of RBNZ's policy tightening in 2024. Concerns surrounding persistent domestic inflation, migration-driven demand, and a rebounding housing market have complicated the disinflation process.

While there has been a slight decrease in inflation expectations, achieving the RBNZ's target range before 2025 remains a significant concern. Moreover, the sluggish start to the year in the housing market, coupled with stable yet cautious consumer sentiment, underscores broader economic challenges.

Kiwibank has warned of OCR hike risks, with its **chief economist, Jarrod Kerr**, predicting a close call for the Reserve Bank as it contemplates an OCR hike on February 28. Kerr has cautioned about the severe impact a possible OCR increase could have on New Zealand homeowners, advocating for stability instead. He disagrees with the potential tightening measures by the RBNZ, especially considering the strain on households amidst financial challenges, believing that the RBNZ has already implemented sufficient measures to control the economy, and further tightening could worsen the situation for homeowners.

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Vega People

We asked our people to tell us their favourite memories of working in the industry. Here's what they said...

Mark Jameson, Mortgage Adviser (Wellington)

"I was approached by a young single guy who was not earning much and did not have much saved. He wanted to know what to do. We discussed a range of options that would increase his income and deposit. Then, every three months, I checked in with him. After about 18 months of regular "check-ins," he had saved a huge amount and managed to focus on his job, so that he got a promotion and an increase in income. These two things combined to make it possible to borrow enough money to buy a property.

It was not a property I would buy, but it was perfect for him. He now has a flatmate helping with the mortgage and his parents have thanked me over and over again.

We have talked about the future and when he finds a partner that can also contribute to a mortgage, he will rent out that property and buy another for them to live in. The ultimate goal is to have the option to be mortgage-free when he retires or to have investment properties that generate additional income in his retirement.

I now contact him once or twice a year to see where he is."

Kevin Miles, Commercial Finance Specialist (Auckland)

"Delivering outcomes for those in the not-for-profit sector whose focus is to serve others, such as the Community Housing Providers. Through our ever-increasing network of funders, we have access to philanthropic funders interested in 'doing good'. This includes provision of construction finance for one CHP at the exceptional rate of just 2%, and we are currently working with another not-for-profit to provide both construction and long-term funding at 5%, as well as assist their negotiations with the Ministry of Housing and Urban Development to secure better funding terms."

For more insights, updates, and personalised financial guidance, reach out to our team.

vegalend.co.nz 0800 834 253

*None of the above is intended to be financial advice so please discuss your situation with a financial adviser at Vega for your personal options.

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