

Bringing you news from the world of New Zealand real estate.

Tips for dealing with rising mortgage rates

Rising interest rates are bad news for first home buyers and borrowers alike, with new homeowners and investors (those who bought homes in the last 18 months) facing much higher mortgage repayments for the first time. With the Reserve Bank of New Zealand signalling further interest rate hikes are on the horizon, how can we avoid placing strain on already tight budgets and stay on top of bigger mortgage repayments?

Check what mortgage you are currently on

The first step is to determine how your current mortgage is structured, as interest rate increases will affect the floating portion of your home loan, as well as any fixed interest rate terms that are ending that are going to be refixed. If you're not sure how your home loan is structured, contact your lender or mortgage adviser to help you work through the details. It's worth booking in a home loan restructure check in with a Mortgage Express branded adviser, to ensure you're getting the best deal available to you, and that your home loan is structured to fit your requirements.

Determine how interest rate increases impact you:

Now that you know how your home loan is structured, your mortgage adviser can help you determine the impact any interest rate rises will have on your home loan repayments. You can also use a home loan repayment

calculator to work out what your repayments are going to look like. If your fixed rate term is nearing the end, now is a good time to discuss with your mortgage adviser locking in an interest rate. It's also worthwhile comparing how your interest rates stack up against any other deals in the market, and this is something else your mortgage adviser can help you with.

Devise a plan to help you manage higher repayments:

The Reserve Bank (RBNZ) has warned that a noticeable number of households that borrowed for the first time in 2021 will find it difficult to pay their mortgages and cover all their other usual expenses. If you're in this situation, start building up a savings buffer now to help you manage the higher repayments you are going to face in the year ahead. Take a close look at your budget to identify the expenses you can cut out or ways in which you can boost



your income. Check that you're getting the best deal for utilities – power, internet and phone – and pay down any high interest debt as soon as you can to help free up extra cash to divert into your home loan.

Get expert advice about your financial situation:

With more interest rate hikes predicted, it's important to have a financial plan in place to help you cope with higher mortgage repayments. As well finding ways to cut back on unnecessary spending, building up a savings buffer could help you prepare for higher costs ahead. If you're concerned about the impact higher mortgage

repayments could have on your financial situation, it's best to seek help immediately. Contact your mortgage adviser or lender to

discuss your situation before you miss any repayments. Contact a Mortgage Express branded adviser if you have questions about your existing home

loan and the impact higher interest rates could have on your financial situation.

Is it time to sell? Here's what you need to know.

Time after time, we hear conflicting opinions on the best method of sale. If you are wanting to sell your home, here are some insights into the methods of sale available to you.

Auction

Auction is the best way of achieving a premium price in a competitive market. Auction involves a short, sharp and intensive marketing campaign of a property without a price. This is to test the market to see what buyers, in a competitive situation, are prepared to pay to become the new owners of that property.

Marketing with a price limits what a keen buyer may pay. Once a listing price has been established for a property, a ceiling has been placed on what a buyer expects to pay for it. Auction, on the other hand, offers a real opportunity to get more for a property than the seller might expect.

Tender

Tender works in a similar way to the auction system, except there is no public auction day. Instead, tenders or offers close at a specific time on a specific date.

Tender presents another opportunity for sellers to create a competitive situation without stating a listing price. They set the terms, conditions and the deadline, and prospective

buyers have only one opportunity to put forward their most competitive offer.

The seller doesn't necessarily have to accept the highest price. They can choose to negotiate with any of the parties who submit a tender to achieve a satisfactory conclusion.

Price by Negotiation (PBN)

This method of sale can be applied in multiple ways, including:

1. No price is advertised. Buyers make offers through the sales consultants.
2. A minimum price may be advertised. Offers above this minimum price are considered by the seller.
3. A price range may be advertised. Offers within this price band are considered.

The benefit of PBN is the level of market interest will help the seller gauge a fair sale price. The "no price" aspect is likely to also attract more genuinely interested, cash-in-hand buyers. By contrast, unlike auction and tender there is no sale date or deadline in place so there is no urgency placed on buyers to make a buying decision.

Fixed Price

This means that a property is listed with a definite price. If the property is priced correctly, it will attract a lot of interest, and in some cases have multiple offers resulting in a premium sale price. The fixed price also gives the buyer a price guideline and allows for a property search by price on real estate websites.

However, it is easy to over or under price the property and buyers may discount the property without inspecting it, judging it solely on the price. This can effectively limit the market for that property.

DID YOU KNOW?

What happens if a seller, who has chosen auction, gets an offer before the auction date? If you wish to accept the pre-auction offer, then Harcourts will recommend that you bring forward the auction and your sales consultant will contact the other interested parties. The "brought forward auction" can then be held with the acceptable offer as the opening bid. That way if any buyer is prepared to pay more, Harcourts can obtain that premium for you.

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