Summer 2023 Newsletter

MORTGAGE & FINANCE

- UPDATE -

Better Choice Mortgage Services

POPULAR PERTH ON INVESTORS' 2024 RADAR AS PRICE SURGE CONTINUES

Listings are at the lowest level in 30 years, with fewer than 5,000 properties on the market. The number of REIWA listings has declined to 4,931, a massive drop of 40% on a year ago.

The record low vacancy rate is also attracting investors seeking high rents and first home buyers trying to escape them.

Perth's vacancy rate dropped to 0.4% in September, according to SQM Research data, a decline of 0.1 percentage points from the same time last year. This is the lowest vacancy rate among state capitals, well below the national level of 1.1% and a balanced market's 2-3% range.

Tight conditions in Perth's rental market were being driven by low supply and high demand.

"With more people arriving in Perth every day, it is bolstering demand for rental properties while the ongoing delays within the building industry are keeping people in their rental properties longer, impacting the usual market turnover," REIWA CEO Cath Hart said.

INVESTORS POURING INTO PERTH

WA is experiencing the fastest population growth rate of any Australian state and territory, growing by 2.8% to 2.855 million in the year to March 2023.

Julie Kelley, Global Sales and Marketing Manager for aussieproperty.com said that with such limited housing stock, competition has increased among all buyer segments, including first home buyers, investors, owner occupiers, downsizers and migrants.

"We are seeing an influx of overseas and interstate migration; they are cashed up and needing somewhere to live.

"Investors are across all types of property too; from land banking for future development to property that is primed for fast capital growth, as well as affordable housing with attractive rental yields."

Catherine Doherty, WA Branch Manager, Property Club, agreed the more affordable suburbs would offer the most capital growth potential for investors.

In particular the lower to mid-priced sections of the Perth real estate market should perform very well over the coming year as they are viewed as extremely affordable by eastern states investors.

While investors and home owners had that rosy outlook, renters were again the ones facing the toughest prospects.

"We predict vacancy rates will continue to remain low in Perth, resulting in rising rents during 2024 as well as increases in property prices." Ms Doherty said.

With renters trying to get a foot on the property ladder at a time of rising house prices, units were becoming a target of many buyers.

Peter Gavalas of Resolve Property Solutions said "The reduced maintenance responsibilities can be particularly appealing to investors, as it can translate to lower ongoing costs and potentially higher rental yields."

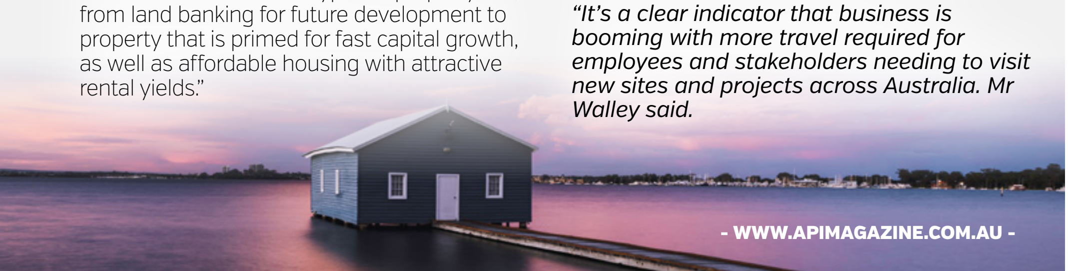
PERTH MEANS BUSINESS

As well as permanent residents migrating to the state, there has also been a marked increase in business travellers to the state, which in turn attracts further property investment.

Perth has seen the largest growth in incoming international business travellers over the past year, with a 34% increase between June-December 2022 and January-July 2023.

Tom Walley, Corporate Traveller's Australian-based Global Managing Director, says the rise in international business travel is partly due to Western Australia's continued growth in the construction and mining sectors.

"It's a clear indicator that business is booming with more travel required for employees and stakeholders needing to visit new sites and projects across Australia. Mr Walley said.



- WWW.APIMAGAZINE.COM.AU -

WELCOME TO OUR SUMMER EDITION

Having served our clients for almost 25 years, Better Choice has never seen such turbulent times.

Interest rates that weren't supposed to start increasing until 2024, started increasing in the first quarter of 2022.

After 13 rate increases since then, we are hopefully almost at the end of the RBA rate tightening. Maybe one more and that will be it. Maybe! Lower than expected US inflation figures is hopefully an indication that Aussie rate rises will come to an end.

Normally when interest rates go up, property prices either plateau or move down. So why have property prices gone up?

i. There are only approx. 5,000 properties on the market and a normal market is around 14,000. High demand and low supply.

ii. Infrastructure boom. Both Government and private enterprise [mining] are spending billions on infrastructure. Plenty of jobs.

iii. Immigration – 490,000 new migrants arrived on our shores in 2022 with similar numbers over the next few years. Governments have to have a plan as to where to house people.

iv. Low median house prices. Sydney has a median price of $1.3million, whereas Perth has a median of nudging $600,000. Eastern states investors are flocking to WA to buy property that they see as cheap.

There is a housing crisis in Australia and for the sake of our children and grandchildren the Government must increase supply. Buying a home has always been a realistic dream in Australia.

TEAM AT BETTER CHOICE
08 9240 2001
admin@betterchoice.net.au

CONTACT US FOR FURTHER INFORMATION & GUIDANCE
Better Choice Mortgage Services Call 1300 805 221 Email admin@betterchoice.net.au
Suite 12, 10 Whipple Street Balcatta Western Australia 6021 Australian Credit Licence Number 384621

ONE MILLION AUSSIES JUGGLE TWO JOBS

Following 12 interest rate rises since May last year, almost 1 million Australians are juggling a second job or a side hustle to make ends meet, new data from the Australian Bureau of Statistics (ABS) shows.

There were 947,300 multiple- job holders in March (or 6.6% of the population) – nearly 20,000 more than in December last year, according to ABS data released in August.

Of these multiple-job holders, 7.7% were employed women, compared with 5.7% of employed men.

Young workers were most likely to be working multiple jobs (8.9% of 20- to 24-year-olds and 7.9% of 15- to 19-year-olds).

Peoples whose main job was in agriculture, forestry and fishing or administration and support services had the highest multiple job rates in March 2023 (9.2% and 9.1% respectively).

Multiple job holding was least common among people whose main job was in electricity, gas, water and waste services.

Most female multiple job holders whose main job was in healthcare and social assistance also had their second job in the same sector. However, there were many women whose main job was in healthcare and social assistance who had their second job in either administrative and support services, accommodation and food services , retail trade or education training.

Multiple job-holders were most likely to work part-time hours (less than 35 hours per week) in both their main and secondary job(s), followed by a combination off full-time and part-time hours. There was a small number of people who had two full-time jobs .

The data also shows the multiple-job holding rate tends to be higher in regional areas compared with capital cities, with Tasmania being the only exception: multiple-job holding was more prevalent in Hobart than in the rest of Tasmania in March 2023.

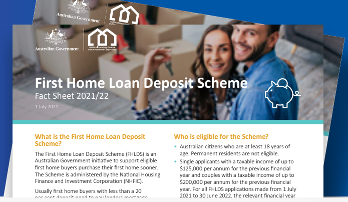
	MULTIPLE-JOB HOLDING RATE	MULTIPLE-JOB HOLDERS
MAR 1995	5.5%	459,800
MAR 2000	5.4%	492,400
MAR 2005	5.8%	583,200
MAR 2010	5.7%	636,800
MAR 2015	5.5%	663,200
MAR 2020	5.9%	787,600
MAR 2023	6.6%	947,300

Source: ABS

- MONEY MAGAZINE REVIEW -

WHAT IS THE FIRST HOME LOAN DEPOSIT SCHEME?

Find out more or Download FHLDS Fact Sheet



MORTGAGE WARS FAR FROM OVER, SAYS NAB CHIEF

Cut-throat mortgage competition is here to stay for another year, National Australia Bank chief executive Ross McEwan says, as he prepared investors for more margin pain and delivered a gloomier outlook for the housing market than rival Westpac did this week.

NAB reported an 8.8% jump in cash profits to $7.7 billion for the 2023 financial year yesterday, although they declined in the second half of the year.

The bank's net interest margins, a core measure of profitability, fell 6 basis points to 1.71% over the six months to September 30, as intense pricing in the home loan market erased the benefits of higher interest rates.

"The Australian market has never seen pressure on their mortgage books to this extent ever," Mr McEwan said. "I do not see this pressure coming off."

The 13 rate rises since last May had delivered "a lot of revenue for a very short period (but) that then disappeared through competition", he said.

The margin contraction was similar to Westpac, which reported on Monday that its retail banking margins were down 24 basis points in the past six months to 1.94%.

However, Mr McEwan's outlook for the home loan market contrasted with Westpac chief executive Peter King, who said that competition had cooled, and would moderate further as lenders attempted to become more profitable.

"There is a reasonable chunk of fixed rates to roll off, and customers going from 2% rates to 6.5% are looking for a better deal. Plus, you have a couple of players who just want to grow market share," he said (refer ANZ & Macquarie).

Official interest rates are "getting close to the top", Mr McEwan said, and the effects on the economy are getting clearer.

"Growth is slowing, competitive and inflationary pressures are elevated, and asset quality is deteriorating."

Margins were so thin in the mortgage market that NAB was "better off putting that extra dollar and extra capital into our business bank or corporate and institutional bank", he said.

Profits in the business bank were up 10% to $3.3 billion and margins for corporate banking expanded 16 basis points to 2.14%. "It is not that we are abandoning the mortgage market or our personal bank, but if you were biasing one way or the other, you would put (additional capital) in a business bank, and that is what we have done," McEwan said.

NAB boosted its final dividend by 6¢ to 84¢ per share, taking the total payout to a fully franked $1.67 per share for the 2023 financial year, up 16¢.

Matthew Wilson, an analyst at Jefferies, downgraded the bank's shares from "buy" to a "hold". "We acknowledge NAB's strong foundation," he said. "But we struggle to see the stock outperforming in a deteriorating macro setting. Higher rates for longer, due to stickier inflation and fiscal policy in conflict with monetary tightening, sees us cautious on the outlook for businesses and more importantly the over-indebted household."

- AUSTRALIAN FINANCIAL REVIEW -

PROPERTY COLLAPSE? TELL 'EM THEY'RE DREAMING

The constant messages of property doom and gloom fail to address one of the most fundamental rules of finance and investment: supply and demand. When supply doesn't meet demand for any product the chance of a collapse is tiny.

For Australia, there are more than 500 000 reasons a property price plunge is highly unlikely – even if prices head south globally.

New statistics from the Bureau of Statistics for the year to March 31 illustrates the demand side of the equation. The nation's population surged by a record 563,200 people in that 12 month period to 26.5 million, largely driven by more than 454,000 migrants.

I support a big Australia that welcomes newcomers who bring skills, youth and cultural diversity, but the big issue with migration right now is that we do not have the housing supply to put roofs over everyone's heads.

Building approvals are down 15% year-on-year - not the direction you want when hundreds of thousands more people need housing.

Supply is further squeezed by building company collapses. The post-Covid boom in materials and labour costs has sent several builders to the wall.

Other barriers to housing supply, according to the building industry, include lack of land releases and shortage of tradies. Using properties for short-stay accommodation rather than traditional renters also cuts supply.

While the federal government's $10bn Housing Australia Future Fund has now been legislated in parliament, houses done just spring up overnight, and there will probably be high demand and low supply for years to come.

In recent years there have been some sharp falls in house and unit prices – but the rebound appears well underway.

It seems every time our property prices head significantly lower, potential buyers flood back into the market seeking a bargain.

I remember in the early days of Covid the Commonwealth Bank warned of property price falls of more than 30 per cent. We go no-where near that, and if the boffins at our biggest bank couldn't forecast house prices accurately, how can the average homeowner?

- WEEKEND AUSTRALIAN -

HOW TO BE PREPARED WHEN YOU SIGN ON THE DOTTED LINE

No one should neglect the lessons to be learned from a serious at-the-wheel comparison. There are plenty of horror stories about people who rushed a purchase and found a disastrous flaw once they got home – including a car without a spare tyre and a big family workhorse that didn't fit into the garage.

1 RESEARCH FIRST

The first job in any car search is simple – set your budget.

The dollar deal is the most important thing of all, and it's important to include on-road costs and any potential options to get a complete and realistic picture of your purchasing power.

Once you crunch the numbers, it's time to head to the web.

The digital world has made this process much easier, from the basics of price-powertrain-performance to the in-depth safety equipment and the size of the boot.

2 COMPILE A WISH LIST

It's important not to overlook the fine details, right down to ensuring you get what you need for the right price – never paying over the odds for a package that has one thing you love but other stuff you can live without.

3 FOCUS ON TWO

The smartest approach, if you can, is to cull your original shopping list to two top targets.

Is price the most important thing, or is it the number of seats? Do you want sporty performance, or maximum boot space for three young kids?

Lists sound boring, but with something as complicated as car buying they can help to maintain your focus – and set your top priorities.

4 SLOW DOWN, TAKE CONTROL

Once you're ready, it's vital not to rush. Never buy the first car you see or drive.

Browsing is the best approach. Look, touch, feel. This is the time to enjoy the process, not to feel rushed and pressured. Remember, you have the power. You can walk away at any time.

5 TAKE THE FAMILY

Buying a new car almost always involves more than one person. So don't leave them at home, even if there are five kids.

Compromise is the key word, so let everyone provide their input – it could be the comfort of the driver's seat or the access to the back row in a family SUV.

6 TEST DRIVE

Focus on the basics – comfort, visibility, steering, brakes and engine response – and remember that any new car is going to feel better than your current ride.

7 COMPARE AND CONTRAST

One run is rarely enough. If you have two grand final contenders, you're going to have at least two test drives.

8 CRUNCH THE NUMBERS

Check and double-check everything from the performance and fuel economy to the ANCAP safety score. Do it for the exact car you're looking to buy – make and model, equipment level, drive system and seating.

After the final test drive ask about every little detail. Does the car have a spare tyre, or a space-saver, or run-flats? Do you get the brilliant LED lights on your model?

9 DON'T BE RUSHED

Never sign anything on the first visit to a dealership or a website. Tell the staff you're only interested in some basic facts and figures.

Once you have completed your test drive, give yourself a 'cooling off' period at home. Let everything sink in. Be calm and considered.

Then, and only then, dive into the details of the purchase – from ordering to pricing, warranty to roadside assistance.

Don't be bullied into buying anything you don't want or need, from floor mats to costly paint protection or finance packages.

- THE WEST AUSTRALIAN-

HOMEOWNERS' SPARE ROOMS WORTH $700 A MONTH IN TODAY'S RENTAL CRISIS

Thousands of Australian homeowners are renting out spare rooms amid the rising cost of living, anaemic wages growth and a national shortage of rental homes.

A survey by consumer company Finder shows 9% of respondents – extrapolated to more than 600,000 householders – are renting out their spare rooms. They're making an average of $667 per month or $167 per week by renting out the spare room.

According to the Australian Bureau of Statistics, 77% of households have at least one spare bedroom that they could rent out during today's rental housing crisis. CoreLogic estimates there is currently a rental housing shortfall of 47,500 homes, making it difficult for many Australians to find a rental home amid weekly rents increase by 30% over the past three years as a result. Meanwhile, homeowners are grappling with large increases in loan repayments due to rapid-fire interest rate rises. The combination of these two problems is creating a strong market for spare-room renting, with apps such as flatmates.com.au and AirBnb facilitating connections.

Former Reserve Bank Governor Philip Lowe says rising interest rates and rents will force people to "economise on housing". "The way that this ends up fixing itself, unfortunately, is through higher housing prices and higher rents," Dr Lowe said. "Because as rents go up people decide not to move out of home, or you don't have that home office, you [get] a flatmate. That's the price mechanism at work. We need more people on average to live in each dwelling, and prices do that," he said.

> *Rents have risen by 10% in capital cities and 4.1% in the regions over the past year.*

Renting it out is the latest method used by homeowners to derive an income from their homes. An explosion in short-stay accommodation apps over the past decade has also seen many homeowners renting separate living quarters or studios at their homes to short-term holidaymakers or travelling executives. In addition, the Finder survey found that 5% of the population – or more than 300,000 people – are renting out a garage. Australian websites such as Parkhouse, Parking Made Easy and Space Out are enabling homeowners to rent parking spaces including their own driveways.

The Finder survey asked respondents about their side hustles to earn extra income amid today's cost of living crisis brought about by the highest rate of inflation in three decades and rising interest rates. The survey found that 35% of Australians – or 7.1 million people – are earning additional income through a side hustle. ABS data shows a record number of Australians now have a second job.

- KANEBRIDGE NEWS -

Happy Holidays

We wish you have a joy-filled Christmas and a wonderful, prosperous new year.

Better Choice Mortgage Services will be closed for the public holidays but open for the remaining holiday period. Feel free to call or visit to discuss your 2024 home and finance goals.

APPLY NOW

HOME LOANS

BUSINESS LOANS

CAR AND EQUIPMENT LOANS

INTEREST RATES

OWNER OCCUPIER PRINCIPAL & INTEREST WITH FEE FREE REDRAW

6.00%

VARIABLE RATE

CONDITIONS APPLY

COMPARISON RATE

6.05%

WARNING: This comparison rate is true only for the examples given and may not include all fees and charges. Different terms, fees or other loan amounts might result in a different comparison.

DON'T MISS THAT FIRST AGM WHEN YOU BUY A FLAT

It's been nearly a quarter of a century since I last attended the initial annual general meeting of a new building and in this case, we were lucky. The developer had almost as many votes as the owners, but he chose not to flex.

That's significant, because that's where the whole initial AGM concept often falls apart. Theoretically, owners are taking control of their new homes and their domestic destiny. In reality, the developer can turn up with enough votes to get exactly what they want and nothing that they don't.

Recently, for instance, in a new scheme in the north of NSW, a 25-year contract for management rights, supported by the developer, was approved against the wishes of the majority of owners.

There's 3 significant elements in an initial AGM:

- *Confirming by-laws;*
- *Signing contracts; and*
- *Electing a committee.*

This is the last time in the life of the strata scheme that owners will be able to adopt or change by-laws by a simple majority. After that, it will require a 75% vote in favour, which has a ratchet effect – it's too easy for a minority to block change.

When it comes to contracts, all deals negotiated with the developer theoretically end at the initial AGM and must be endorsed at the meeting if they are to continue. But resident owners and investors have had only a couple of weeks to examine them, and that's if they even understand their terms and implications.

Don't expect the strata manager to step in and tell you that, for instance, an embedded network could mean the cost of infrastructure that should have been paid by the developer is now covered by inflated maintenance fees to be serviced by the owners.

> *Until the meeting agrees to hire the strata manager, as they usually do, he or she works for the developer, not the owners.*

Meanwhile, when it comes to electing the committee, these are people who barely know each other, and many of whom have never lived in strata before – let alone been to an AGM.

NSW strata commissioner John Minns told us in the Flat Chat Wrap podcast last week that he is pushing hard for the state to adopt a two-stage initial AGM so that the committee can be elected in the first instance, then go away and look at the contracts and by-laws before presenting recommendations to the phase two meeting.

Is it necessary? Aren't there already legal protections in place? Well, yes, some. But should you really have to start your new life as a resident or investor in a new building by taking the developer to court?

Extrapolating figures from the 2022 Australasian Strata Insights report published by the UNSW City Futures Research Centre, more than 2,000 new apartment blocks of more than 50 units will be completed, across Australia, in the next year.

That's four initial AGMs a week. If you are taking your investment seriously, don't assume your co-owners will have you covered. If you don't turn up and ask questions, you only have yourself to blame if unpalatable facts emerge after it's too late to do much about them.

Jimmy Thomson edits the Flat Chat website and hosts the Flat Chat Wrap podcast. States have different strata laws.

- AUSTRALIAN FINANCIAL REVIEW -

FUN FACT

The suburb of Joondalup is about 26km north of Perth CBD. It is the primary urban centre of the outer northern suburbs and has its own train station, many parks and a coastal zone featuring Burns Beach in the north and Beaumaris Beach in the south. Joondalup began its journey to becoming Perth's 'city of the north' in the 1980s, when many houses and businesses were established in the area. The median price for a four bedroom house in Joondalup is $633,000, up 2.9% in 2023.