Summer 2024 Newsletter

MORTGAGE & FINANCE

- UPDATE -

Better Choice Mortgage Services

RATE CUT A WILD CARD

Minutes from the most recent interest rate meeting of the Reserve Bank suggest rate cuts may not occur in 2025 as inflationary factors remain top of mind.

The minutes reveal that inflation remained the top concern for the RBA which looked past the impact of the Government's energy rebates.

"Members... would need to observe more than one good quarterly inflation outcome to be confident that such a decline in inflation was sustainable. "Underlying inflation as indicated by the 'trimmed mean' measure - remained too high and ... forecasts did not see inflation returning sustain-ably to target until 2026," the minutes said.

According to Fortlake Asset Management chief investment officer and former RBA economist Christian Baylis, the bank is caught between competing scenarios of stable employment and sticky services inflation on the one hand, with six consecutive quarters of declining GDP per capita on the other.

"Given the significant increase in rates three years ago, we have still not seen the economy keel over," Mr Baylis said. The minutes showed that consumer spending, labour productivity and the global economy were the top future scenarios modelled by the bank in their deliberation.

While the bank identified signs of recovery, household consumption growth remained weaker than expected, with "subdued sentiment" and concerns about "real household income growth".

The bank found the stage three tax cuts and energy rebates had not led to a significant increase in consumption growth.

> *"If consumption proves to be persistently and materially weaker than the staff forecast... a reduction in the cash rate target could be warranted," the RBA wrote.*

The RBA minutes come as more recent data suggests confidence in the economy is rising, with the latest Westpac- Melbourne Institute consumer survey revealing a 5.3% increase in sentiment during November.

The ANZ-Roy Morgan consumer confidence survey, out yesterday, showed that optimism is on the rise. The survey found that confidence in the 12- month economic outlook has risen 10.7 points since early July, while confidence regarding personal finances over the next 12 months gained 8.2 points in that time.

> *If consumption picks up however, the bank suggested that rates may have to stay higher for longer.*

The global outlook was also: concern, with some hope of a boost from Chinese stimulus but concerns about the economic impact of the US elections. The RBA noted risks stemming from "a marked change in US economic policy following the US presidential election", and uncertainties around "how other countries respond".

Speaking at a business conference last week, RBA governor Michele Bullock elaborated on a scenario of Mr Trump acting on his campaign promise of high tariffs on China. "What ultimately happens for Australia is going to be dependent on the responses of other countries," Ms Bullock said.

"In the very extreme circumstances of 60% tariffs on Chinese we the don't know how Chinese will respond to that. Ultimately, if it's not good for the Chinese economy, it isn't good for us either."

> *The bank had upgraded its forecast for the Chinese economy based on recent stimulus but noted that income growth remained weak and the property market continued to be subdued.*

The minutes showed that the RBA less confident that Chinese stimulus would give a boost to economic conditions in Australia. Alongside high underlying inflation at 3.5% the RBA cautioned that conditions in the labour market were sufficiently tight to not warrant a rate cut.

The bank also called out the issue of low productivity and said "persistent weakness in productivity growth... could also boost inflation over the forecast period if wages growth did not adjust".

While higher rates have been squeezing homeowners, the banks have reported that they are not seeing growth in loan delinquencies, and executives were buoyed by the fact that hardship applications had stayed flat after peaking earlier in the year.

– THE WEST AUSTRALIAN –

WELCOME TO OUR SUMMER EDITION

The housing market is still very strong but the rate of growth has pulled back significantly, there has been a notable uptick in listings but overall demand is high and absorbing this extra supply.

Although the average number of offers made for a property has decreased, prices are still holding.

Supply and demand are starting to rebalance with the increased listings, but will take more time to be considered equal. The number of listings has gone up from 3,300 early 2024 to 5,500 as at end of November. This is still a way off the traditional median of 12,000 to 13,000 homes on the market. It is anticipated it will take several years to return to this median.

Plunging living standards in Australia have seen the worst decline since the 1950's. ABS figures show there has never been a fall as dramatic as that of the past two years, with Australia falling more than any other OECD country.

Competition amongst lenders has been strong. Assessment turnaround times have improved with quicker approvals from lenders.

Recent fixed rates fell in line with the reduction of the US long term bond market which led to Australian fixed rates falling too. This has since flat lined with the US Election outcome due to the expectation that the policies of the new administration may be more inflationary for the world economy going forward. Markets have reacted cautiously.

If this is the case, it may not be until the second half of next year before we see any rate relief offered by the RBA. Most economists have revised their expectations in line with this, the most optimistic suggesting from April 2025 as the earliest they see any movement. There is still an expectation that the US rates will continue to fall, but at a slower pace moving forward.

Broker market share has broken a new record achieving near 75% of the mortgage market in Australia. We are always happy to review your current loan to see if any cost savings can be had. If appropriate another lender can be considered if we can't negotiate a better rate on your current loan. Please feel free to reach out if you think a review would be of benefit to you.

We cannot thank you enough for your continued support and feedback so please keep on referring your friends, family and associates as it is the best compliment we can receive.

TEAM AT BETTER CHOICE

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HOME GUARANTEE SCHEME AIDS A THIRD OF FIRST-HOME BUYERS

Key workers and regional Australians among the significant beneficiaries

One in three first-home buyers in 2023-24 were supported by the Home Guarantee Scheme (HGS), with 43,800 scheme places taken up during the financial year, according to Housing Australia.

The independent national housing authority has released its Home Guarantee Scheme Trends and Insights Report 2023-24, revealing key data on the First Home Guarantee (FHBG), Family Home Guarantee (FHG), and Regional First Home Buyer Guarantee (RFHBG).

The report found that more than 18,000 regional Australians accessed the HGS, with over 13,000 of them participating through the Regional First Home Buyer Guarantee. A survey of participants showed that 42% of buyers had rented in regional areas for two years or more before purchasing a home.

Key workers, including nurses, teachers, and social workers, accounted for over 11,300 home purchases through the scheme. These workers, many of whom secured housing close to their workplaces, were significant beneficiaries in 2023-24.

Victoria saw the highest participation in the scheme, followed by Queensland and Western Australia. The most active areas for home buyers were Hoppers Crossing, Craigieburn, and Cardinia, all located in Victoria. Nationally, the median purchase price under the scheme was about $455,000 for single borrowers and $600,000 for joint borrowers.

The report also highlighted the Home Guarantee Scheme's role as a temporary aid for home buyers, with nearly 20% of participants exiting the program after an average of two years,

> *indicating that the scheme helps buyers build equity and move on from government support.*

"It is incredibly rewarding to witness the Home Guarantee Scheme empower households to achieve the dream of homeownership sooner across Australia," said Jennifer Chew, chief program officer of homeownership at Housing Australia.

"Amid rising living costs and housing affordability challenges, the Home Guarantee Scheme has supported thousands of eligible home buyers to navigate the market and achieve homeownership sooner. The strength of the scheme is further demonstrated by the number of participants that have transitioned out of the scheme due to equity built up."

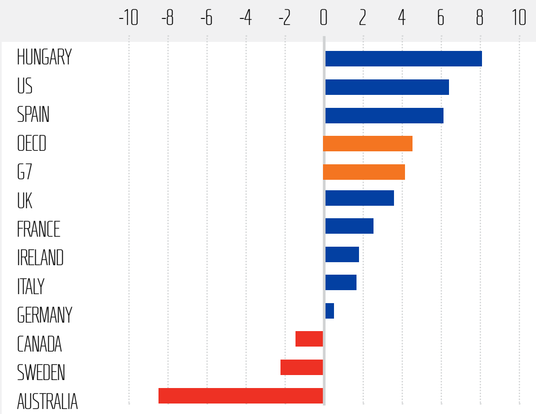
- MPA-

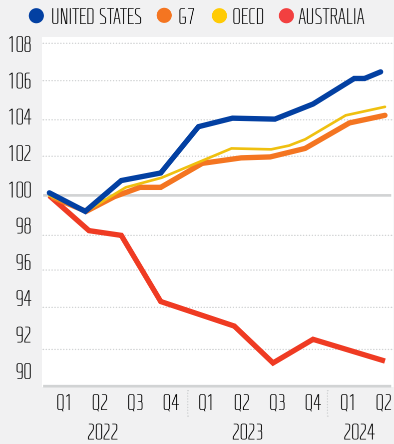
WHAT IS THE FIRST HOME LOAN DEPOSIT SCHEME?

Find out more or Download FHLDS Fact Sheet

LIVING STANDARDS COME TO A SHUDDERING HALT

How Australia compares globally - % change from March 2022 to June 2024





- SOURCE: OECD -

THREE MILLION ADDITIONAL STRATA UNITS OFFER PART OF THE SOLUTION TO HOUSING CRISIS

New analysis has identified the potential to build more than three million additional strata units over almost 1.3 million sites across Australia's capital cities, providing one potential solution to Australia's growing housing crisis.

Of those units identified, almost 500,000 (16%) are situated on 'low complexity' sites without any material slope, heritage rules or the risk of a hazard such as bushfire or flooding.

CoreLogic's research director, Tim Lawless, said the National Cabinet had its work cut out for it to deliver on its commitment when it comes to new housing."With a target of 1.2 million new 'well-located' homes nationally, all tiers of government are likely to be focussed on identifying and fast-tracking strategic development opportunities."

"Governments are looking for ways to maximise opportunities for new well-located housing with a focus on strategic densification near transport nodes, maximising infill targets and ensuring an equitable supply of affordable housing options."

> *"Importantly, this analysis isn't identifying or recommending high-rise apartments as a solution to the housing crisis.*

It identifies opportunities for low-rise strata units that would typically take the form of townhouses, duplexes or triplexes.

"This style of infill development is often more sympathetic to the local character and tends to encounter less resistance from local residents who are often wary of higher densities."

- CORELOGIC AUSTRALIA -

CORE LOGIC STATS

HIGHLIGHTS FROM THE OCTOBER 2024 HOUSING CHART PACK:

- The combined **VALUE OF RESIDENTIAL REAL ESTATE** rose to $11 trillion at the end of September.
- Sydney, Brisbane, Adelaide and Perth **DWELLING VALUES** are all currently at a record high.
- CoreLogic estimates 522,317 **SALES** occurred in the 12 months to September, down from 524,442 in the year to August.
- **DAYS ON MARKET** has increased to 32 days in the three months to September, up from a low of 29 days in Q2.
- **VENDOR DISCOUNTING** remained steady at -3.7%, reflecting market conditions and a vendor's requirement to negotiate to secure a sale.
- **NEW LISTINGS** totalled 42,479, 2.1% higher than the same time last year and 8.2% above the historic five-year average. It's the highest level of new listings in the first month of spring since 2021.
- **TOTAL LISTINGS** in Brisbane are now 4.2% higher than this time last year, while advertised supply in Sydney and Melbourne is 6.9% and 7.9% higher, respectively.
- Capital cities recorded their lowest **CLEARANCE RATE** of the year at 60.6% in late September, below the 10-year average of 65.5%.
- **ANNUAL GROWTH IN RENT VALUES** slowed to 6.8% nationally, down from a recent high of 8.5% over the year to April.

- CORELOGIC -

Merry Christmas

Wishing you a Merry Christmas and looking forward to helping unlock your 2025 dreams

Better Choice Mortgage Services will be closed for the public holidays but open for the remaining holiday period.

UNDERSTANDING R-CODES FUNDAMENTAL TO SUBDIVIDING IN WA

If you're buying property in Western Australia with the intention of subdividing, it's critical that you're aware of the R-Codes and exactly what you will and won't be able to do with that land prior to signing a contract of sale.

Anyone contemplating a subdivision or property investment based on a block's land size needs some understanding of the residential design codes (R-Codes) that apply in Western Australia.

The Residential Design Codes of Western Australia (volume one and volume 2), control all forms of residential development in the state through the planning approval process and the building permit process.

The R-Codes are a state planning policy and in the case of a residential subdivision should be considered in conjunction with any relevant local government policies in the property's location.

FIRST STEPS IN SUBDIVIDING

The first step when looking at a property with the idea of subdividing it is to consider the land size and associated residential density allowed in that area.

You might be familiar with a block of land being referred to as R20 or R40 and so on.

These are the density codes for a parcel of land and inform you as to the potential lot yield that's possible for that lot. The R-Codes were originally developed to represent how many dwellings could fit on one hectare of land (10,000m²), however the minimum and average land areas for some densities have since been altered.

As a quick reference, the general allowances for common zonings in Perth in terms of single or grouped dwelling under the R-Codes:

R-CODE	MINIMUM SITE AREA PER DWELLING M²	AVERAGE SITE AREA PER DWELLING M²
R15	580	666
R20	350	450
R25	300	350
R30	260	300
R40	180	220
R60	120	150

Further, multiple dwellings (i.e. apartments) can also potentially be built on land with an R-Code of R40 or greater, with the maximum plot ratio dependent on the R-Code. Generally, the higher the R-Code, the higher the plot ratio and more you can build on a site.

A good starting point when considering a lot's subdivision potential is discussing your options with the local council and finding out if there are any variations to the R-Codes in that particular area. While applications go directly through the WAPC, they will refer applications to the local council for advice.

The local planning schemes, which determine an area's R-coding, are developed by each local authority in line with state planning policy and are supposed to be reviewed at least every five years.

RECENT CHANGES TO WA'S R-CODES

In a bid to increase urban density and improve housing supply, code amendments implemented in April 2024 provide plot ratios that are intended to make Perth more compact.

Since those changes (to Volume 1), R-Code compliant granny flats can now be built on residential lots of any size without planning approval if they meet relevant local area setback requirements and do not exceed 70m².

> *Planning Minister John Carey's office said there were incentives that could allow for more inner suburban housing.*

"The site area concessions apply to the size of the lot required for each house and the new reductions may mean that if you had a lot that could previously be subdivided into two lots, the 35% concession – instead of 33% – may mean that it can now be subdivided into three lots," his office said in a statement.

"This means the lot can accommodate three homes instead of two."

The code changes were accompanied by a number of planning reforms, including an online lodgement and tracking system, a new significant development pathway for projects valued at $20 million or more in the Perth and Peel metropolitan areas or $5 million or more in regional areas, and reforms to the Development Assessment Panels.

- AIP -

ELECTION FIGHT DUTY-BOUND

First-homebuyers look set to be targeted in the upcoming State election with the Liberal Party promising to lift stamp-duty exemptions by $100,000 to win their votes.

The current exemption, which applies to properties costing $450,000 or less, would be increased to $550,000 under a Liberal government though that figure is still well below the median house price of $705,000.

The change would see first homebuyers purchasing a $550,000 home save $15,010.

Skyrocketing prices mean first homebuyers in WA are finding it harder and harder to find a home under $450,000 and receive the full benefit of the homebuyers' scheme.

The WA government announced in May that first-homebuyers would no longer pay stamp duty on homes up to $450,00 a slight increase on the previous exemption of $430,000.

For properties between $450,000 and $600,000, fees would be discounted. Under Liberal proposal, fees would be discounted for first home buyers on properties up to the value of $700,000.

> *Mr Martin said the policy was estimated to cost $240 million over four years and would assist 5000 people a year.*

With housing looming as a major State and Federal election issue, the WA Nationals have also released plans that waive stamp duty entirely for first homebuyers.

"The Government is raking in stamp duty while ignoring the plight of first homebuyers" Mr Martin said. "They pocketed $2.5 billion in stamp duty receipts in the year to June, compared to their forecast of $1.8 billion – a 39% increase.

"Young West Australians are caught between a rock and a hard place, with rising rents, rising living costs, and rising property prices"

A shortage of established homes in Perth, rising prices and rising interest rates have made it tough for young people to buy. The alternative has also become a nightmare because of long delays in construction times.

> *Rents have also climbed in Perth to beyond $600 a week for an average home – renting is no longer a cheaper option.*

"Housing is a key driver of the cost of living crisis gripping West Australian families and we'll have more to say on housing policy as we head towards the State election in March," Mr Martin said.

"Under our changes, first homebuyers will save an additional $15,010 for a $550,000 home. For the first time, first homebuyers purchasing a property under $700,000 will see some stamp duty relief".

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SURGING WA BUILDING COSTS COULD PAVE WAY FOR NATIONWIDE RISES

The cost of building a house in Western Australia soared 20.3% in the year to September as demand boomed, raising the spectre of a return to pandemic-like inflation in other states if falling interest rates push up housing demand.

The amount people in WA pay their builder for a newly completed house, excluding land, jumped 41% in the September quarter alone, Australian Bureau of Statistics, figures published.

Building costs in the state are growing at four times the national rate.

Oxford Economics Australia head of property and building forecasting Tim Hibbit said costs in the state were following a pattern set in the pandemic.

"There are big. substantial bottlenecks starting to appear in that market in terms of construction," Hibbert said.

Nationwide residential construction costs have remained high and prompted Lendlease chief executive: Tony Lombardo to push for immigrants with construction skills to make up 10% of the country's total, up from 2.8%.

In Perth the country's second-largest builder, ABN Group said bricklaying costs had risen in the past month to $3.10 a brick - above the $3 mark they hit during the pandemic.

Higher costs in WA - where homes are typically built with double brick walls - were boosting revenue for the company even as the number of housings starts in its second market of Victoria fell. The biggest risk arising from the figures was that the surge in costs in WA could be repeated more widely when rate cuts lift (expected to start next year) demand for housing in other states, Mr Hibbert said.

Other states might also be unable to boost home-building volumes without raising prices.

Housing Industry Association economist Maurice Tapang said rising energy costs and WA's high use of bricks in homes were influencing building inflation in that state. "Part of this is coming from the fact that they've got different build methods in WA," Mr Tapang said. "Also note that clay bricks are still going up more strongly than most other products."

Measured on a yearly basis, the state with the: second-fastest growth in home-building costs was SA at 5.8%. ACT costs were up 3.2% year on year, Victoria was up 2.7%, Queensland 2.6%, Tasmania 2%. NSW 15% and NT just 0.2%.

These so-called output costs take into account materials, labour and other items such as equipment hire, as well as the builder's margin.

Separate home loan data published by the ABS showed new mortgage commitments fell in September.

The value of new home tending fell 0.3% in September from August, the first decline in eight months. It was a weaker performance than the consensus estimate of a one percent increase. Loans to owner occupiers ticked up just 0.1% in seasonally adjusted terms, while investor borrowing fell 1% and new mortgage commitments to first home buyers dropped 3.3%.

- AUSTRALIAN FINANCIAL REVIEW -

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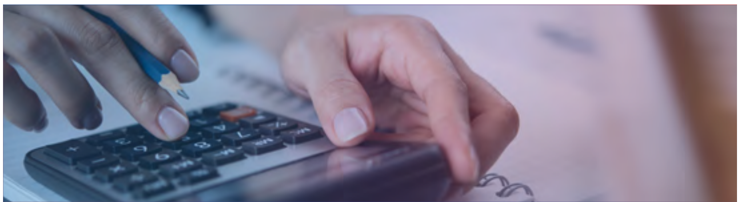

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MAX 80% LVR *CONDITIONS APPLY

CASH BACK UP TO
$3,000
1ST HOME BUYERS*
*CONDITIONS APPLY

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