Winter 2024 *Newsletter*

MORTGAGE & FINANCE

- UPDATE -

Better Choice Mortgage Services

WA STATE BUDGET - INVESTING IN HOUSING AND HOMELESSNESS INITIATIVES

The 2024-25 Budget delivers $1.1 billion for housing and homelessness, bringing total new investment since 2021-22 to $3.2 billion. This includes funding for social and affordable housing, and for homelessness services, expanding the capacity of the residential construction workforce, and boosting regional land supply.

1 SOCIAL AND AFFORDABLE HOUSING

- $400 million additional funding for the **expanded Social and Affordable Housing Investment Fund**, bringing the total number of new social homes to almost 5,000, with more than 2,100 already delivered.
- Funding available to s**upport affordable housing projects** in partnership with the Commonwealth through Housing Australia funding and the community housing sector.
- $179 million **maintenance investment** for WA's 45,000 social homes, government worker housing and other assets.
- $144 million to **deliver new housing projects**, including at Pier Street in Perth.

2 HOMELESSNESS

- $92 million to **support more than 120 critical homelessness services** across the State, as well as wrap-around services for rough sleepers to transition into permanent accommodation.

3 EXPANDING CONSTRUCTION SECTOR WORKFORCE

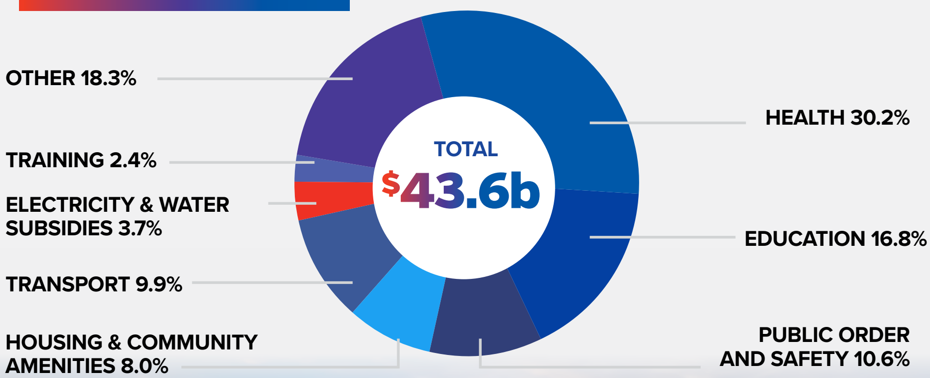
- $85 million to **boost the capacity of our residential construction workforce**, including:
- $21 million for an additional 150 places to subsidise wages for new apprentices and trainees for Group Training Organisations.
- $37 million to provide incentives to complete apprenticeships, including tool allowances and milestone payments.
- $4 million to continue the Construction Migration Office to attract skilled migrants.

4 AFFORDABILITY AND RENTAL SUPPLY

- $82 million to **increase the stamp duty exemption threshold for first home buyers to $450,000 and increase the concession threshold to $600,000**, assisting almost 5,000 first home buyers per year, and increasing the total saving to up to $15,390 in stamp duty.
- $5 million for **$5,000 incentive payments** to encourage owners of vacant homes to make them available on the rental market.

– OURSTATEBUDGET.WA.GOV.AU –

WA EXPENSES 2023-2024



- SOURCE: WA STATE PAPERS -

CONTACT US FOR FURTHER INFORMATION & GUIDANCE

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WELCOME TO OUR WINTER EDITION

The housing market has now seen the lowest stock levels at any point in time over the past 25 years, making it the best market for sellers, but a nightmare for buyers.

With such a competitive market, the low housing supply is pushing prices higher each month. The situation is exacerbated by the time taken to build, and current construction costs which have discouraged many from considering building.

Whilst the Federal Treasurer has stated that inflation in Australia will dip below 3% by the end of 2024, not one economist has agreed with him.

With the increasing cost of living and stubbornly high inflation, the expectation is interest rates will remain high for the foreseeable future with some economists even suggesting a rise could be on the cards. The current economic environment is resulting in a reduction of demand for certain non- essential goods and services.

Most notably retailers are reporting falling sales which proves what regulators refuse to acknowledge, that borrowers can change their spending habits in line with the household finances.

The Regulator's fixation upon applying a standard level of household living expenses that correlates to your family unit, demographic and income, fails to recognise that some people are more frugal than others and will adjust their spending habits. Evidenced by a default rate of less than 2%, history shows that borrowers will do everything they can to hold onto their home. Due this one size fits all approach to minimum living expenses this often excludes good, prudent borrowers from buying a home.

This rigidity in policy and elevated property prices is making home ownership a difficult goal to achieve for so many average Australians.

We cannot thank you enough for your ongoing support and appreciate the referrals of your friends and family. This is the best compliment we can receive!

TEAM AT BETTER CHOICE

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SEVEN RULES TO LIVE BY WHEN WEIGHING UP PROPERTY STATISTICS

Understanding statistics can be a tricky business, especially when they're related to emotional topics like house prices or the economy.

HERE ARE SEVEN RULES TO HELP MAKE SENSE OF STATISTICAL CLAIMS:

1. Emotional reaction: Notice how you feel about a claim before accepting or rejecting it.
2. Viewpoint: Combine the big picture view with personal experiences to get a more balanced understanding. This is what I call the 'bird's eye versus worm's eye' view.
3. What's actually said: Take time to understand the details in charts and tables, including labels, footnotes and data sources.
4. What's missing: Consider what data might be missing and how including it could change the conclusions.
5. Who's saying it: Look at the source of the statistics and consider potential biases or agendas.
6. Comparison and context: Compare statistics to relevant benchmarks and consider the broader context to gain perspective.
7. Timeframe and relevance: Think about the timeframe over which the statistics apply and whether they're truly relevant to the topic at hand.

My last rule is the most important.

> *When you are digesting information, I think it is vital to ask if the data is relevant and if so, then on what timeframe does this relevance apply.*

It is best maybe to think in terms of the front page of the newspaper.

There are typically a handful of stories on the front page, one of which leads with the biggest headline and usually the ink takes up about quarter of the front-page space. A second largish news account is next, followed by some smaller posts roughly of similar size.

So, what are the five or six things that really matter when understanding the topic in question?

By following these rules, you can develop a more critical and informed approach to understanding statistics, whether they're about housing market trends or broader economic indicators.

- WWW.APIMAGAZINE.COM.AU -

WHAT IS THE FIRST HOME LOAN DEPOSIT SCHEME?

Find out more or Download FHLDS Fact Sheet

TREASURER HANDS DOWN FEDERAL BUDGET 2024/25

The Labor government has handed down its federal budget for the new financial year. Here's what you need to know relating to housing and mortgages.

HOUSING INITIATIVES:

- $423.1 million over five years from 2024–25 in additional funding to support the provision of social housing and homelessness services by states and territories under a new National Agreement on Social Housing and Homelessness.
- $1.0 billion in 2023–24 for states and territories to support enabling infrastructure for new housing through a new Housing Support Program – Priority Works Stream
- $1 billion "directed towards" crisis and transitional accommodation for women and children fleeing domestic violence and youth under the National Housing Infrastructure Facility (including redistributing the mix of concessional loans and grants to increase the proportion of grants to $700.0 million).
- A $1.9 billion investment to increase the maximum rates of Commonwealth Rent Assistance by a further 10% to further alleviate rental stress
- supporting more community housing providers to access finance through the Affordable Housing Bond Aggregator by increasing the cap on the Government's guarantee of Housing Australia's liabilities by $2.5 billion to $10.0 billion *(with an associated increase in the line of credit that supports the Affordable Housing Bond Aggregator of $3.0 billion to $4.0 billion).*
- $19.7 million over six years from 2024–25 to support housing research, fast-track feasibility studies on the release of Commonwealth land to support social and affordable housing and maintain Treasury's capability to develop, advise on and implement housing policy and programs.

- $9.3 billion via a five year National Agreement on Social Housing and Homelessness for states and territories to combat homelessness, provide crisis support, and build and repair social housing.

These build on the announcement that the Albanese Government would earmark $90.6 million to boost the number of construction workers, with $88.8 million for 20,000 additional Fee-Free TAFE training places to increase the pipeline of workers for construction and housing.

OTHER MAJOR ANNOUNCEMENTS:

- The extension of the $20,000 instant asset write-off for another year
- An energy rebate for more than 10 million households. The rebate will see households receive a total rebate of $300 (automatically applied to their electricity bills) and eligible small businesses (expected to be around 1 million small businesses) will receive $325 on their electricity bills throughout the year from 1 July.

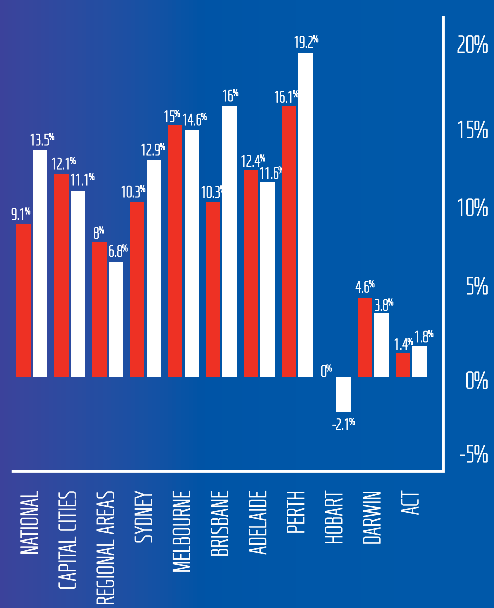
The credits will be applied in quarterly instalments.

- MORTGAGEBUSINESS.COM.AU -

GROWTH IN RENTAL PRICES

REGION	MEDIUM RENT	YOY CHANGE
NATIONAL	$600	9.1%
CAPITAL CITIES	$625	13.6%
SYDNEY	$720	10.8%
MELBOURNE	$560	13.1%
BRISBANE	$600	9.1%
ADELAIDE	$550	10.0%
PERTH	$635	15.5%
HOBART	$520	-1.0%
DARWIN	$600	3.4%
ACT	$620	0.0%
REGIONAL AREAS	$520	6.1%
REST OF NSW	$530	6.0%
REST OF VIC	$450	7.1%
REST OF QLD	$595	8.2%
REST OF SA	$380	8.6%
REST OF WA	$600	14.3%
REST OF TAS	$430	0.0%
REST OF NT	$500	0.0%

MEDIUM ADVERTISED RENTS YEAR TO MARCH 2024



- AUSTRALIAN FINANCIAL REVIEW -

CONTACT US FOR FURTHER INFORMATION & GUIDANCE Call 1300 805 221 or Email admin@betterchoice.net.au

FUN FACTS

75% OF AUSTRALIA'S POPULATION RESIDES ON JUST **2.6%** OF THE LAND MASS

ALMOST 90% OF AUSTRALIA'S POPULATION LIVE WITHIN **50KM** OF THE COAST

WHAT'S WORSE THAN HAVING AN AFFAIR? LYING ABOUT MONEY

A new Australian survey revealed a lack of transparency about finances had potential to cause harm to relationships

One in five Australians think lying to a partner about spending or income is worse than physically cheating or having an affair. A Finder survey of 1,096 people found Baby Boomers are the most worried about financial lies in a relationship, with 23% feeling concerned about it. This compares to 22% of millennials, 21% of Gen X and 18% of Gen Y.

Sarah Megginson, Finder's personal finance expert, said there can be major fallout from financial secrets.

"Purposefully hiding information about money is a major red flag in relationships, especially when couples share finances," she said. "Financial lies can be quite destructive and leave people feeling betrayed and untrusting. As our research shows, it can cause even more pain than a romantic affair."

Ms Megginson said people lie about money for several reasons.

"For some people, the motivation to be dishonest is born out of embarrassment over a secret debt or an addiction that's gotten out of control," she said. "For others, it's less about shame, and more about wanting to be prepared with a financial safety net in the event the relationship ends poorly, so they might have a 'secret' account they haven't told you about."

> *Keeping finances separate is a rising trend among couples in Australia, even if they are married with children.*

St George Bank surveyed 1,500 parents in 2018 and discovered only 51% combined their incomes in joint accounts, and 37% kept their money separate.

The research also showed one in four people were keeping a financial secret. Women were more likely to keep a large debt secret and men were more likely to have a private savings account. Other financial indiscretions people were keeping to themselves included a large purchase or a secret credit card.

Research by Relationships Australia shows many couples are not having conversations about financial arrangements before entering into committed relationships.

> *Four in 10 people did not discuss how their personal incomes would be shared before they committed to their partner.*

74% WOMEN **69%** MEN *reported no discussion about how finances would be divided if the relationship ended*

Ms Megginson said money was a source of conflict for many couples, with 40% of survey respondents saying the conflict related to their partners overspending. She encouraged couples to have regular, honest conversations. "If you're hiding something, consider coming clean sooner than later. The longer it goes on, the bigger the problem can grow and the more elaborate your lies are likely to become.

"Financial trust is really crucial in a relationship, so it's ideal if you can talk openly about money and get on the same page, and ideally support each other to reach financial goals together. If you feel like you are being taken advantage of or if you can't leave a relationship because of financial issues, contact the National Debt Helpline," she said.

- KANEBRIDGE -

REGIONAL WA DELIVERING INVESTORS HIGH CAPITAL GROWTH BUT COMES WITH RISKS

Regional Western Australia's high double-digit capital growth is attracting property investors from around the country, although prospective buyers do need to be aware of potential pitfalls.

According to CoreLogic, Perth has recorded 18.3% growth for the 12 months, which is also an impressive result, however, the median price is now much higher than the regional locations that are performing just as well.

Perth's median price is currently sitting at $687,000 whereas the regional hubs that have kept pace in terms of capital growth are sitting in the $300,000-$400,000 range, making them much more accessible to investors with lower budgets.

Some other regional markets in WA that have packed a punch include Manjimup, with a very affordable median price of $455,000 and 11.6% growth, the Wheatbelt, which has had 11.5% growth with a median price of just $364,400, while Margaret River has also seen strong gains with 11.4% growth albeit with a much higher median price of $775,000.

NOT ALL REGIONAL PROPERTY MARKETS ARE EQUAL

Investors do need to be more careful when investing regionally as some areas have been left behind, such as the Pilbara at just 2.4% and others have retracted. Investing regionally can be fraught with danger.

1. Check your insurance costs before buying. Some areas attract higher insurance due to environmental impacts such as being cyclone prone.
2. Check the environmental overlays in the area to be sure you aren't buying in a flood zone or bush fire area.
3. Check the rental vacancy rate and speak with local agents to ensure you will have strong tenant demand.
4. Bush blocks can be cheap but ensure there is an allowed building envelope. Some larger blocks or lifestyle farms do not allow a house to be built on them and this will hold back growth and suppress the value.
5. Buy in an area that is accessible to an airport and has an established commercial hub as well as medical and lifestyle amenities. This will support growth for the area and keep it sustainable.

> *Most importantly, don't get caught up buying in a new suburb that has a lot of land supply and is a little too far out of town.*

It can take a lot longer for supply to be absorbed in smaller towns than the metro areas. Oversupply will cripple your growth and increase rental vacancy periods.

- PROPERTY INVESTOR -

APPLY NOW

HOME LOANS

BUSINESS LOANS

CAR AND EQUIPMENT LOANS

INTEREST RATES

OWNER OCCUPIER

5.79%

3 YEARS FIXED

MIN 5% DEPOSIT + COSTS
CONDITIONS APPLY

COMPARISON RATE

7.99%

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.

WA SPENDING 'UP ANOTHER GEAR'

The state splashes billions on cost-of-living and housing measures to absorb the record 95,000 people who moved west last year.

Treasurer Rita Saffioti insisted that her state's big spending, pre-election budget would not stoke inflations as she handed down a $3.2 billion surplus for 2023-24 – underpinned by stronger-than-forecast iron ore royalties and buoyed by the goods and services tax.

WA recorded a spending increase of 9% for the 2023-24 at the same time that Federal Treasurer Jim Chalmers has promised an inflation-fighting budget and the Reserve Bank weighs another rate rise to take heat out of the economy.

Ms Saffioti said WA had yet to reach the peak of its powers despite flagging declining export growth and the state's vulnerability to a slowing Chinese economy· "No, I don't think this is as good as it is going to get for Western Australia," she said, revealing that the state's population would surpass 3 million next year. "Just a few years ago, critics said people would never come to WA. The opposite has happened, with people flocking to our state."

> *The WA economy is growing at twice the national rate, with state final demand increasing by 5.25% in 2023-24, while the unemployment rate hovers at 4%.*

Less than a year from the March state election, Ms Saffioti said the Labor government's additional $762 million in cost-of-living relief would not be inflationary, with most of the cash expected on extending a $400 electricity credit to all households, and 90,000 small businesses.

Students will continue to travel for free on public transport, and parents will be handed up to $250 from the government per school aged child in a non-means tested scheme.

The big new pillar of the budget is $1.1billion to increase housing, after more than 95,000 people moved to WA last calendar year. Almost half of the housing expenditure will be made up of a scheme to increase social and affordable accommodation and $85 million has been dedicated to boosting the residential construction workforce after scores of tradies abandoned the sector for more lucrative fly-in, fly-out work in the past decade.

The state will also increase the threshold for stamp duty exemptions for first home buyers.

As part of a record $42.4 billion infrastructure spending, Ms Saffioti revealed another $700 million blowout on her pet Metronet rail project, which has increased in cost to $12 billion.

Metronet was originally costed at $4.8 billion, but the government says the rail program has increased in its scope of work since 2017.

Although the state will spend more than $1.8 billion in measures to diversify its economy over the forward estimates, Ms Saffioti refused to speculate whether revenue from the critical mineral sector would ever be able to replace its iron ore income, which rose to $9.8 billion in 2023-24.

Whilst iron ore royalties increase by more than $800 million this financial year, the budget surplus is $500 million lower than predicted at the mid-year review in December, which Ms Saffioti blamed on the state's volatile revenue base and a one-year delay to Commonwealth grants.

The state is forecast to record a $2.6 billion surplus in 2024-25, and $2.4 billion surplus in 2025-26, and a $2.8 billion surplus in 2026-27.

Just days after Victoria announced its borrowing would climb to $156 billion next financial year, WA recorded net debt of $32 billion for 2023-24, which is 6.5% of gross state product. WA's net debt is expected to climb to $40 billion by 2028.

Budget papers blamed a smaller grain harvest and weaker LNG exports for slowing export growth.

Meanwhile, household consumption eased to 2.75, down from 5% in 2022. Despite the decline, the budget papers said WA's consumption has proved the most resilient in the nation, due to largely strong labour market conditions and a higher rate of savings in west-coast households.

> *As for risks to the state economy, the budget pointed to global elections, which could result in "political instability and could have significant impacts for trade and global climate policy".*

- THE AUSTRALIAN FINANCIAL REVIEW -