Autumn 2024 Newsletter

MORTGAGE & FINANCE

- UPDATE -

Better Choice Mortgage Services

TOP PERTH SUBURBS FOR FHB ENTERING MARKET + SHORTEST TIME NEEDED TO SAVE FOR DEPOSIT

Figures from the Australian Bureau of Statistics indicate the return of first home-buyers to the real estate market, with 38% of new home loans in December 2023 from those getting onto the property ladder. The figure is 12.9% higher than in 2022.

Domain Real Estate Australia showed where those house hunters might want to start their search, revealing the Perth suburbs with the shortest time to save for a deposit. The figures are based on a 20% deposit on an entry-priced house for a couple aged 25-30. The suburbs listed in the 2024 First-Home Buyer Report include:

Perth City (3 years, 3 months), Mandurah (3 years, 6 months), Armadale (3 years, 7 months), Kwinana (3 years, 7 months), Rockingham (3 years, 8 months), Stirling (3 years, 8 months), Swan, Belmont - Victoria Park, Kalamunda & Serpentine - Jarrahdale.

Realestate.com.au also released a list earlier this month of the top 10 cheapest city beach suburbs for houses across Australia, with two WA locations making the cut.

Coming in at number two was Golden Bay in Perth's south west with a median automated valuation model (AVM) of $533,733.

Golden Bay offers an idyllic coastal town lifestyle just 55km from the Perth CBD and is located just 15 minutes north of Mandurah.

Another WA suburb made the list, Safety Bay, also in Perth's south west, coming in at number four with a median AVM of $579,186.

An easy 45-minute drive south of Perth takes you through the seaside town of Rockingham to the shores of Safety Bay.

38% NEW HOME LOANS IN DECEMBER 2023 WERE FIRST-HOME BUYERS

- PERTH NOW -

RENT REFORM LAWS BY APRIL

New protections for struggling renters, including limiting the number of times a landlord can raise rent to once a year, are likely to be in place by Easter.

> *The legislation, introduced into the WA parliament last year, aims to boost protections for tenants who have been hit with exorbitant rent hikes.*

As politicians head back to the WA Parliament this week after a summer recess, Premier Roger Cook said he wants the legislation passed quickly. "Given the current market conditions, we know some tenants in Western Australia are doing it tough, that is why my Government is acting to take the pressure off and provide more stability and certainty," Mr Cook said.

The proposed changes to the Residential Tenancies Act mean rent hikes can only occur once a year. Rent bidding, in which landlords and property agents encourage prospective tenants to offer more that the advertised amount, will be outlawed.

Other changes include allowing pets at rental property. The landlord will be able to refuse pets in certain circumstances, such as strata laws, or with the approval of the Commissioner for Consumer Protection.

Real Estate Institute of WA boss Cath Hart gave the proposed new laws the tick of approval but said there were still big problems with rental property shortages.

According to REIWA data, the January vacancy rate for rentals in Perth is just 0.7%. Rental listings as at February 9 were a paltry 1813. Alarmingly, the median weekly dwelling rent is now $615 a week.

Anglicare boss Mark Glason welcomed the proposed new laws but implored the WA government to go further.

"We encourage the Government to implement these changes as soon as possible, so we can move on to the second phase of tenancy reform." he said. "This covers areas critical to tenant health, safety and security, like minimum standards for rental properties, extending rights to include borders and lodgers, and protecting tenant privacy."

- THE SUNDAY TIMES -

WELCOME TO OUR AUTUMN EDITION

Recent quarters are as feverish as ever with buyers having to be extremely prepared, focused, and swift with strong offers to even be considered. We are often seeing properties go under offer within days of being listed. With this high demand environment we continue to see strong price increases each month in WA.

While supply for established and new homes still lags well behind demand, the impact of 13 interest rate rises is starting to show. A Roy Morgan report found that 1.6 million people [~31%] of borrowers are at risk of mortgage stress. There are now only a relatively small number of borrowers coming off lower fixed rates through 2024, leaving most borrowers exposed to the higher rates. Mortgage arrears are still relatively low but increasing, with WA having the highest in the country at 1.19% compared to the national average of 0.91%.

Regarding household real incomes, they are not expected to recover to pre-pandemic levels until 2027. In the 12 months to September 2023, Australian incomes slumped 6.1% adjusted for inflation. Eight consecutive quarters of decline mean real household incomes are back to 2017 levels. These declines are expected to continue through to the middle of 2024, before the revamped stage three tax cuts deliver 1.4% to 1.5% increase in real incomes.

Current variable rates remain stable and 1–5-year fixed rates have started to soften, with long term bond rates forecasting the US may lower their rates in the second half of 2024. Time will tell. We have noticed some lenders start to lower their fixed rates and we shall see if a trend does evolve over the next 12 months.

Clients continue to seek interest rate reviews, discounts, and other options such as consolidating debt due to increased equity. Everyone has been trying save on their interest rate where possible or move when their existing lender has not been competitive enough to keep them. We welcome these enquiries and endeavour to save our clients on interest where possible.

We are always thankful for our clients' continued support and referrals you pass on to family and friends so please do pass on our details to anyone you may know seeking to buy, refinance or review their financial position.

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HELP TO BUY SCHEME - ADJUSTMENTS NEEDED TO HINDER PROPERTY HOARDERS

The government may lose crucial backing for its flagship Help to Buy scheme if it does not phase out significant tax concessions for property investors, which, according to Greens housing spokesperson Max Chandler-Mather, hinder millions of renters from purchasing homes.

The scheme, aimed at aiding 40,000 qualified buyers and set to launch this year, offers up to a 40% equity contribution for new homes and 30% for existing ones. However, the legislation is currently under review by the Senate, which plans to deliver its findings in mid-April.

The Greens have criticised the initiative, arguing that it would inflate house prices without providing sufficient support to renters and first-time buyers. They are advocating a reduction in property investor tax incentives in exchange for their support, labelling the current plan as a "housing lottery" by Labor.

According to a report by SBS News, the minor party is also pushing for modifications to negative gearing and capital gains tax, proposing the revenues saved be allocated to public housing.

> *Additionally, they suggest implementing a rent freeze and capping rents to further negotiate terms.*

According to Chandler-Mather, over 90% of property investments are in existing dwellings, which does not increase housing supply but rather deprives potential first-time buyers of opportunities.

The government's ability to pass the legislation in the upper house reportedly hinges on the support of the Greens and at least two crossbenchers.

- MPA -

SPENDING SOARS

Household spending has surged 3.1% compared to the same period last year, driven by spending on essential goods and services, according to new ABS data.

"Non-discretionary spending rose 5.8% compared to November last year, as spending on transport and health increased by 8.3% and 7.8%, respectively," said Robert Ewing, ABS head of business statistics.

"Spending on furnishings and household equipment was 1.7% higher than the same time last year, while clothing and footwear fell 0.1%."

The positive trend extends across all states and territories, with the Northern Territory leading the way with an impressive 8.7% rise in spending. South Australia followed with a 5.2% increase, and Western Australia recorded a 4.6% uptick in household spending compared to the same period last year, ABS reported.

- AUSTRALIAN BROKER -

WHAT IS THE FIRST HOME LOAN DEPOSIT SCHEME?

Find out more or Download FHLDS Fact Sheet

FRUGAL & PROUD OF IT: HOW 'LOUD BUDGETING' BECAME COOL

Young Australians are embracing global 'cash conscious' trends popularised via social media to proudly cut back on increasingly expensive non-essential items, not only to cope with the cost-of-living crisis but also to prioritise saving and reduce debt while interest rates are high.

A consumer sentiment survey conducted by National Australia Bank (NAB) revealed a 24% annual increase in the number of NAB Reward Saver accounts opened by Gen Z customers and an average 5.3% growth in their account balances over the past 12 months.

On average, NAB says their Gen Z customers are saving $450 per month by cutting back on spending, with 56% putting spare dollars into high interest savings accounts or mortgage offset accounts. Young people are saving an average of $124 per month by not eating at restaurants, $96 per month by not using food delivery services and $73 per month by skipping coffees, snacks and café lunches.

They are also saving an average of $70 per month on petrol by using their cars less frequently, $64 per month by foregoing entertainment and $30 per month by quitting streaming services.

NAB Personal Banking executive Paul Riley said: *"In 2024, being 'cash conscious' is officially cool ... 'Loud budgeting' is all about unapologetically prioritising your own financial goals, setting smart boundaries on spending, and feeling comfortable to talk about it openly and authentically. Rather than going out for an expensive dinner with friends, younger Australians are confidently opting to stay in and choose to put that amount into a high interest savings account or pay down debt.*

Since mid-2023, NAB has seen a 62% increase in the number of customers using its personalised spending feature available on the NAB app and internet banking. This automatically categorises transaction data to help customers easily identify where their money is going. Categories include subscriptions, memberships, gym and health, insurance and supermarket spending.

- KANEBRIDGE NEWS -

CONSTRUCTION COST GROWTH "RETURNS TO TREND" BUT THE OUTLOOK SEEMS UNCERTAIN

In a recent report, CoreLogic suggested that the recent reacceleration in the quarterly growth of national construction costs is a return to trend rather than a new surge.

The Cordell Construction Cost Index (CCCI), tracking the cost of building a typical new dwelling, recorded a growth rate of 0.8% over the three months to December, marking a reversal of the easing trend seen over the previous four quarters.

The quarterly CCCI reading shifted from 4.7% in Q3 2022 to 0.5% in Q3 2023, with an annual growth rate of 2.9% for the 2023 calendar year.

NORMALISATION OF CONSTRUCTION COSTS

Kaytlin Ezzy, CoreLogic economist, noted that despite the rise in the quarterly CCCI reading, it remained below the pre-COVID decade average of 1%.

The 2.9% increase in the latest 12-month period is the smallest annual rise in the national CCCI since the year to March 2007, indicating a normalisation after a recent peak of 11.9% over the 12 months to December 2022.

"Although 26.6% higher than at the onset of the pandemic, the recent surge in CCCI is below the increases seen across national house values, with CoreLogic's Home Value Index rising 36.5% over the same period," Ezzy said.

John Bennett, CoreLogic construction cost estimation manager, said pricing remains generally unsettled, with no clear trend observed across most product types.

He said there was a sense of uncertainty in 2023 about the repercussions of interest rate increases and their potential impact on the building industry.

"While the latest figures show the market has settled down, I don't think we have seen the slowdown many were expecting," Bennett said.

"While dwelling approvals are still well below historic averages, there is still an elevated level of projects under construction which is keeping cost pressures high."

CCCI OUTLOOK AND UNCERTAINTY

The outlook for construction costs in the coming year is uncertain.

"While it's unlikely we'll see any declines in construction costs, the pace of growth could be influenced by several factors," Ezzy said. "Although a number of projects are still moving through the construction pipeline, the recent lull in approvals could result in a shortfall in new projects, which would help keep growth in building costs low, due to greater capacity in the construction sector."

However, with the CPI continuing to ease, The CoreLogic economist suggested that it appears increasingly likely there will be a cash rate cut in the second half of 2024, potentially boosting housing demand for both established and new dwellings.

Regardless, Ezzy noted that the normalisation in CCCI growth will offer assurance for builders, insurance companies, and homeowners alike.

- CORELOGIC -

SIZE DOESN'T MATTER, AND FIVE OTHER TIPS FOR BUYING PROFITABLE INVESTMENT PROPERTIES

Buying an investment property is as much about what it will eventually be worth as it is about the purchase price, so how do you maximise your investment's profitability?

It's not all about the location, but rather the quality of the asset. Yes, some investment strategies may be focused on demolish and build, whereby the costs for building would have been considered in the profitability analysis.

If, however, this is not your scenario there is no point buying a poor asset just to be able to buy in a popular location, as your cashflow will take a blow with constant repairs and maintenance costs.

The key to buying an investment property for future demand potential is to buy a quality asset that will be favoured by owner-occupiers because ultimately, they will be the buyers willing to pay top dollar for your property because they are driven more by emotion than profit margins.

If you buy into an area that is dominated by investors, you may find that you will be receiving lowball offers when it comes time to sell, as you will be selling to investors who want to buy for the cheapest price possible.

1 AMENITIES

Access to amenities will certainly increase the liveability of your property, which is what owner-occupiers seek when buying a home.

Having access to supermarkets, doctors, dentists and childcare are important for liveability, and if your property is a good distance to schools, parks and entertainment venues then families will view this as a more desirable place to live.

Having good transport networks, including options for train, bus and tram will be advantageous but be cautious about access to freeways and new highways.

Access to major arterial roads is important but you do not want to be investing in a property sitting on the kerb of a six-lane expressway.

2 EMPLOYMENT

Investing into a property where there are good job opportunities and the property is located a good distance from city centre, or business districts will help to increase the demand for your property in future.

There will always be demand for properties close to industries and city centres particularly when interstate migration is high.

Typically, new migrants will seek to live closer to work until they gain a better understanding of the area and surrounds.

3 LIFESTYLE

Culture and community are ranked highly by owner-occupiers, and families will seek to live in areas that have good community vibes.

Areas that have well maintained parks and have local events, such as farmer's markets and community events, will attract family-orientated home buyers that will drive up the growth in future.

Being close to coffee shops and decent takeaway restaurants will also add to the desirability of an area.

4 DEMOGRAPHICS

Understanding the demographics of the area and buying a suitable property will set you apart from other investors.

Matching up the type and size of the property in an area will help the future demand of your property.

For example, there is no point buying a one-bedroom apartment in an area that is dominated by families, as well as buying the largest house you can afford in an area that is dominated by young couples, singles, and university students wanting to live amongst the hustle and bustle of the city.

If the largest demand is for four-bedroom houses, there is no point buying a larger property just because your money permits.

> *Think about what the demand will be in future, as you will want buyers to fall in love with your property and drive up the price.*

The main lesson is that a larger size property doesn't always mean larger returns

5 UNIQUENESS

You really want to set your property apart, and make it look house proud, and not just an investor's soulless property.

Having something unique about a property will really grab a buyers' attention. This may be something like heritage features, landscaping, study nooks, abundance of natural light, etc.

The purpose of having something unique about your property is to really grab a buyer's attention so they become emotional and fall in love with your property.

Even performing a minor cosmetic renovation so your property has that new paint and carpets smell might pop your property above the rest.

6 EXIT STRATEGY

When you are looking to buy an investment property, it may seem a bridge too far to consider your selling strategy but it really is essential in determining what your returns might be.

When researching an area to buy in, you need to assess the local council's plans for future development and where they will be spending their money so your property is well located, close to amenities [current and future], in an area that will have good job prospects, and offer great lifestyle options.

> *Considering your exit strategy will ensure you commit to investing in an asset that will work best for your needs.*

- PROPERTY INVESTOR -

STAMP DUTY COSTS SKYROCKET

Current home buyers are paying stamp duty that costs up to six times more than it did for the previous generation, according to new joint research by PropTrack and the e61 Institute.

The report examined the financial impact of the tax on home buyers by comparing stamp duty costs on a median-priced home in major cities against average full-time incomes.

It found that stamp duty equates to around six months of take-home income for the average full-time worker in Sydney and Melbourne, marking a significant increase from the 2000s and up to six times the cost faced by the last generation.

Sydney residents would also need to allocate six months of full-time post-tax income to cover stamp duty costs today, which is 5.4 times higher than what they would have paid in the early-to-mid 1980s.

5.4x HIGHER STAMP DUTY COSTS THAN THAT IN THE EARLY-TO-MID 1980S

The increase in stamp duty costs is even more pronounced in Melbourne, the report found, reaching a sixfold increase over the past four decades.

"Stamp duty is an inefficient tax because it discourages people from moving to homes that suit them," said PropTrack senior economist Angus Moore. "While the rise has largely been incidental, rather than an intentional increase in tax rates, stamp duty reform is critically needed to allow the property market to operate more efficiently."

STAMP DUTY ADDS TO EXISTING FINANCIAL PRESSURES

In addition to tracking how much stamp duty costs have increased, the joint PropTrack and e61 report examined survey data to explore how the financial pressures of housing affect major life choices.

Dr Garvin, research manager at e61 Institute, highlighted the broader societal impact of stamp duty, including its influence on employment decisions and family planning.

"Previous research highlighted that preventing job switching can weaken productivity which has flow-on effects on wage growth and inflation," said Garvin. "Overhauling the current stamp duty system has the potential to alleviate these pressures on individuals and the economy more broadly."

The report also highlighted how the financial impact of housing costs is causing individuals to hesitate before moving homes, downsizing, or starting families.

> *"Housing affordability and availability is without a doubt a challenge of our time," Garvin said further.*

"Governments and policymakers must consider the unpopularity of stamp duty, and the indirect impacts stamp duty has on various other parts of the economy and people's lives."

- WWW.BROKERNEWS.COM.AU -

APPLY NOW

HOME LOANS

BUSINESS LOANS

CAR AND EQUIPMENT LOANS

INTEREST RATES

OWNER OCCUPIER WITH $2,000 REFINANCE CASHBACK

5.79%

3 YEARS FIXED

CONDITIONS APPLY

COMPARISON RATE

6.34%

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.

HOUSE VALUES SURGE AHEAD OF UNITS

The gap between house and unit values has dramatically increased over the past four years according to the latest from CoreLogic.

From March 2020 to the present, the premium for houses over units in capital cities soared from 16.7% to a record 45.2%, equating to a difference of $293,950.

FACTORS FUELING THE HOUSE PREMIUM

Tim Lawless, CoreLogic research director, attributed the significant rise to several factors, including a pandemic-induced demand for larger living spaces and the ability of residents to relocate further from city centres.

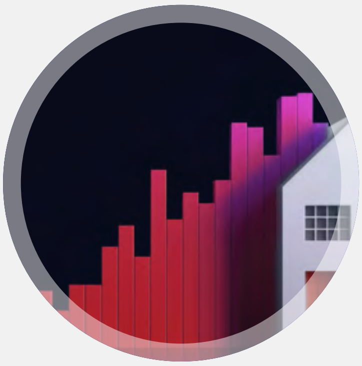
"While we saw the premium contract through the early part of the rate hiking cycle as house values fell more than unit values, across the combined capitals the gap between house and unit values has since rebounded to a new record high as house values once again rise at a faster pace than units," Lawless said.

CAPITAL CITY TRENDS & THE SUBURBAN DIVIDE

Since the pandemic began, capital city house values have risen by 33.9%, while unit values have seen an 11.2% increase. Sydney led the expansion in house premiums among the capitals, followed by Melbourne, Perth, Adelaide, and Brisbane, each witnessing substantial growth in their house premium. Interestingly, Darwin saw a decrease in its house premium, reflecting the dynamic and divergent trends across cities.

"While Sydney tops the table again for largest 12-month change in premium followed by Canberra, several cities have seen the premium shrink back a little, including Brisbane and Adelaide," Lawless said.

"This could be reflective of homebuyers seeking out more affordable housing options, which has diverted more demand towards units."



SUBURBS WITH EXTREMES IN HOUSE PREMIUM

The suburbs with the largest house premiums are predominantly located in Sydney, Melbourne, and Perth's affluent markets, with Bellevue Hill, Armadale, and Mosman Park topping the list.

"Homebuyers attracted to these blue-chip suburbs who can't afford a freestanding home may be attracted to the significantly more affordable price point to get into a high-end suburb," Lawless said.

"Conversely, the suburbs with the smallest differential in price between a house and unit may offer good buying opportunities for those able to stretch themselves to secure a piece of land without the hefty premium we're seeing more broadly across many parts of our cities. With houses typically yielding a stronger capital gain outcome over time, these suburbs with a lower house premium could be strong investment opportunities."

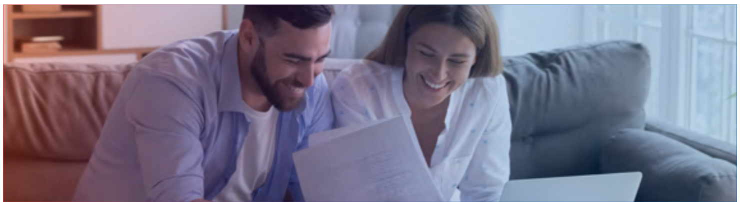
House prices have become unaffordable for an increasing segment of the population, particularly first-time home buyers and lower-income families. As housing affordability continues to be a major issue in Australia, the more affordable options in the medium to high-density housing sector are expected to see rising demand from buyers prioritizing location over space, Lawless said.

- AUSTRALIAN BROKER -

VS

SUBURB		HOUSE MEDIAN	UNIT MEDIAN	HOUSE PREMIUM
NOLLAMARA	PERTH - NORTH WEST	$526,314	$497,687	5.8%
BALGA	PERTH - NORTH WEST	$461,343	$435,253	6.0%
WESTMINSTER	PERTH - NORTH WEST	$530,168	$478,261	10.9%
DOVETON	MELBOURNE - SOUTH EAST	$587,219	$522,362	12.4%
CARLISLE	PERTH - SOUTH EAST	$727,387	$644,852	12.8%
MANDURAH	MANDURAH	$454,298	$393,398	15.5%
ETTALONG BEACH	CENTRAL COAST	$1,057,201	$906,803	16.6%
ALTONA NORTH	MELBOURNE - WEST	$899,549	$770,884	16.7%
GIRRAWHEEN	PERTH - NORTH WEST	$476,839	$407,667	17.0%
SOUTH WINDSOR	SYDNEY - OUTER WEST AND BLUE MOUNTAINS	$703,366	$665,189	17.8%

Source: Australian Broker



CASH BACK UP TO

$3,000

1ST HOME BUYERS*

*CONDITIONS APPLY