Autumn 2025 Newsletter

MORTGAGE & FINANCE

- UPDATE -

Better Choice Mortgage Services

RBA INTEREST RATE CUT SETS OFF AVALANCHE OF MARKET REACTIONS

Banks and non-bank lenders triggered immediate cuts to their variable rate home loans, with NAB, Commbank, ANZ, Westpac and others all passing through a 0.25 cut to mortgages.

"We are very pleased to deliver this rate cut to home loan customers – we understand how tough it's been for many Australians," said Ana Marinkovic, NAB group executive, personal bank. "The extended period of high interest rates has placed real strain on household budgets and this rate reduction will help to ease the financial burden.

"This move is about financial inclusion, keeping homeownership within reach and supporting brokers with solutions that help their clients succeed." said Bluestone chief executive officer Mark Jones.

Bluestone chief commercial officer Tony MacRae drew attention to the broker benefits, telling MPA:

> *"Brokers are at the heart of what we do, and we know their clients rely on them to find the best possible lending solutions.*

The Mortgage and Finance Association of Australia (MFAA) also welcomed the move, with chief executive Anja Pannek saying: "The Reserve Bank's decision will provide some much-needed relief for mortgage holders, as well as boosting borrowing capacity for prospective buyers.

"Clients will be relying on their mortgage broker to help them navigate their lending options, whether that's securing a new loan for their first home, getting a better deal with their current lender, or refinancing."

WHAT NEXT?

Of course, the cut was almost universally expected by analysts, so it came as little surprise, even if some contrarians were warning of a hold.

> *The big question is: what will the RBA do next?*

It was a decidedly hawkish hold, truth be told, with the RBA governor Michele Bullock saying:

"We can be happy with the progress we've made, but we have to be careful not to get ahead of ourselves."

Some inflation pressures remain, said Bullock, "and cost-of-living pressures are still front of mind for many Australians."

> *The market is currently pricing in three cuts by the middle of 2026; but Bullock said this is "far too confident" for her liking.*

"I can't say 'one and done', what I can say is that we've done one, we've removed a bit of restrictiveness, we're still restrictive, and we are waiting for more evidence that we're getting inflation (down)," she said.

OPTIMISM GROWS

The cut to the cash rate has "been met with a huge sigh of relief by mortgage holders right across Australia", Gerald Foley, managing director at nMB, told MPA.

"Given that usually where there is one cut, there's another just around the corner, borrowers will likely be looking out for another in April or May."

"A rate cut means higher borrowing power, which is great news for first-home buyers and investors. It could also drive up property prices as more buyers jump back into the market." said Justine McDonald, a franchise owner at Nectar Mortgages.

However, McDonald warned that while lower rates might encourage more investment in rental properties, "the construction industry is still struggling to keep up with demand, so it won't solve the rental crisis overnight".

Meanwhile, Mortgage Choice broker James Algar told MPA he has already seen deal activity surge, with more to come.

"Now that the Reserve Bank has cut the cash rate, I expect brokers will be seeing those borrowers who were just falling short of being able to refinance last year," he said. "My team and I have been extremely busy. The prospect of rates coming down has already led to an increase in the number of pre-approvals I wrote this time last year. Over January, my submissions were up 20% year on year.

– MPA MAGAZINE –

WELCOME TO OUR AUTUMN EDITION

After the previous 13 rate rises in a row, being the most aggressive rate hikes in 30 years, thankfully some relief with the February 0.25% rate reduction.

The RBA commentary accompanying the rate drop seems to indicate they are still very concerned about inflation. The RBA is concerned that whilst inflation has come down, it may pivot and then turn back upwards. As has happened in the US.

As a result, some economists had predicted four RBA rate reductions and are now leaning towards possibly two rate reductions in 2025. CPI figures over the next few months will dictate.

The Perth real estate market continues to remain buoyant, but the 'break neck' urgency amongst purchasers appears to have reduced.

We have heard that some Eastern States investors are now selling their WA investment properties and are looking to invest their capital gains in other markets e.g. Melbourne.

Thankfully the number of property listings for sale has increased to more than 5,000, though this figure is still historically low.

We have two elections in the first half of this year, these are some of the election promises being floated by various parties that could help buyers into the property market.

- *Access your super for a deposit on your first property*
- *$0 stamp duty to $500,000 purchase price for first homebuyers*
- *Review of adding a hypothetical 3% buffer to the home loan assessment rate during the application process*

Time will tell as to which, if any, are implemented...

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

TOP PROPERTY TRENDS 2025

1 INFLATION

Headline inflation has dropped due to temporary relief in some household costs, but these measures can increase inflation once removed. Persistent inflation increases household costs, likely leading to higher interest rates for longer, which reduces borrowing capacity and affects housing affordability.

2 INTEREST RATES

Without progress in reducing inflation, rates will stay high. Only three cuts are anticipated, starting in February. This means households facing high living costs and mortgage repayments will struggle. As a result, some mortgage holders may be forced to sell, while others will find it harder to move or buy a first home until rates drop and borrowing capacity improves.

3 LABOUR MARKET

The labour market remains strong, with positive job creation, high employment participation and an unemployment rate of 3.9%. The RBA estimates that for inflation to reach its target, the unemployment rate will need to rise to 4.5% though there's no sign of it heading there yet. Even if it does, 4.5% is still low compared to pre-pandemic levels. A strong labour market boosts consumer confidence for big purchases like homes and gives workers the opportunity to switch jobs for higher pay.

4 POPULATION GROWTH AND MIGRATION

Population growth, driven by strong net overseas migration since Australia reopened its borders in 2022, rose by 2.1% in the year to June 2024. Growth has slowed, however remains above the long-term average of 1.4%. This increased population boosts demand for housing and infrastructure. While the government has discussed slowing migration, it remains high, and the future of population growth will be crucial for the housing market.

5 MORTGAGE LENDING

Lending continues to rise, with both outstanding credit and new housing finance commitments increasing, which is driving housing demand and pushing prices up. However, monthly data shows slowing growth, likely due to prolonged high interest rates and worsening housing affordability.

6 HOUSING CONSTRUCTION COSTS

Producer housing material costs increased by 1.4% in the year to September 2024 and are 34.3% higher since the pandemic. Construction costs rose by 4.4% for houses and 6.9% for units. While cost escalation is slowing, prices are unlikely to decrease, raising construction costs and new housing prices. This results in a premium for new properties, leading many buyers to prefer older homes.

7 NEW HOUSING SUPPLY

The federal government's Housing Accord aims to build 1.2 million new homes by 2028–29, a challenging goal given market conditions. Achieving 240,000 new homes annually is a target never reached before. The higher cost of new homes compared to existing ones is making it harder to secure pre-sales for financing, resulting in fewer new homes being built. While dwelling approvals have increased, they remain below the target.

- BROKER DAILY -

WHAT IS THE FIRST HOME LOAN DEPOSIT SCHEME?

Find out more or Download FHLDS Fact Sheet

RED TAPE STRANGLING HOME BUILDING

Masses of red tape is killing the home building sector's ability to construct new houses and urgent reform is needed, says Productivity Commission chair Danielle Wood.

Half as many houses are being built per hour worked today compared with 30 years ago and building times have blown out since 2015 because of sluggish approvals, lack of innovation, too many small players, NIMBYism and skills shortages, according to a Productivity Commission report.

HOUSING CONSTRUCTION PRODUCTIVITY: CAN WE FIX IT?

The report shows return on hours worked in home building has fallen 53% since 1995, and 12% when factors such as higher-quality and larger homes being built are considered. Over the same time, productivity increased 49% in the broader economy, raising questions about why builders are falling behind.

The report concluded that while considerations such as neighbourhood amenity, carbon emissions, quality and safety, liveability and environment protection had to be weighed against longer build times, "currently, policymakers do not get this balance right".

> *Australia is in the midst of a housing crisis and the cost of housing ranks as a top issue for voters, just behind cost of living.*

Before the election due by May 17, both major parties have trumpeted policies to lift housing supply.

Labor also has pledged to build 1.2 million homes by the end of the decade, which will require an average of 240,000 new homes to be built each year.

The current trajectory suggests less than 1 million will be built, according to modelling undertaken last year by Deloitte Access Economics.

'GOVERNMENTS NEED TO THINK HARDER'

Wood said that while governments were right to focus on supply-side proposals, the speed and cost of new builds also mattered to achieving results.

"If governments are serious about getting more homes built, then they need to think harder about how their decisions unnecessarily restrict housing development and slow down the rate of new home building," she said.

The PC recommended seven areas for reform, including more co-ordinated and transparent planning approvals and appropriately funded regulators; overhauling the National Construction Code; improving building quality with ratings systems; government-funded advice for builders on boosting innovation; a review of construction research and development; removing red tape for new methods of construction such as prefabrication; and boosting workforce flexibility.

The PC also recommended pausing updates the construction code until the review was conducted, which will give assistance to the Coalition's plans for a 10-year halt.

The peak industry body for the housing construction sector, Master Builders Australia, praised the report.

"Productivity is more than an economic buzzword. Every day we drag our heels on tackling the challenges faced in the industry, the longer we drag out the housing crisis," said MBA chief executive Denita Wawn.

"The commission has put forward sensible recommendations that should be strongly considered by governments."

- FINANCIAL REVIEW -

RESIDENTIAL REAL ESTATE UNDERPINS AUSTRALIA'S WEALTH

$11.1 TRILLION
RESIDENTIAL REAL ESTATE

$4.1 TRILLION
AUSTRALIA SUPERANNUATION

$3.3 TRILLION
AUSTRALIAN LISTED STOCKS

$1.3 TRILLION
COMMERCIAL REAL ESTATE

NUMBER OF DWELLINGS
11.3 MILLION

OUSTANDING MORTGAGE DEBT
$2.4 TRILLION

55.9% HOUSEHOLD WEALTH HELD IN HOUSING

TOTAL SALES P.A
526,410

GROSS VALUE OF SALES P.A
$502.1 BILLION

- CORELOGIC -

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

BROKERS CRUCIAL TO INCREASED LENDING COMPETITION

In a review into small and medium-sized banks, the Council of Financial Regulators (CFR) has found that mortgage brokers have emerged as a key player in housing lending, contributing to a rise in market competition and providing borrowers with greater access to mortgage options.

In the first half of 2024, around 60% of mortgages were written through brokers, according to the CFR.

Further, the Mortgage & Finance Association of Australia's (MFAA) latest Industry Intelligence Service report (IIS) highlighted mortgage broker market share reached its highest point at 74.6% during the September quarter of 2024, an increase of 19.3% since March 2018.

Brokers' market is expected to rise to 80% throughout 2025, according to aggregator LMG.

Smaller banks, in particular, have increasingly relied on brokers, with some non-major banks sourcing a higher proportion of their new mortgages from brokers than the major banks.

The inquiry found that, while all banks have a degree of pricing power, the major banks are still the dominant force and can charge higher premiums above their marginal costs.

The Australian Competition and Consumer Commission (ACCC) has also expressed concerns over the opaque discounting practices of banks, which contribute to higher search costs for borrowers and deter them from shopping around for the best deals.

These practices, along with prudential regulations and cash rate settings, indirectly influence the cost of funds for banks, leading to constrained price rivalry.

The CFR found that, in this context, mortgage brokers play an increasingly crucial role in enhancing transparency and facilitating competition in the lending market, lowering barriers to customer switching and potentially driving better outcomes for borrowers.

Lending remains the primary revenue driver for Australian banks, currently accounting for 85% of their income, up from 70% in 2011.

However, the share of the major banks in lending markets has been gradually declining, particularly in housing lending, with small and medium-sized banks capturing a greater portion of the market in the past 5 years.

Despite this shift, the recent acquisition of Suncorp Bank by ANZ has reversed a significant portion of the major banks' losses in housing market share, particularly since 2019.

BUSINESS LENDING

In business lending, foreign banks have largely filled the gap left by the major banks, focusing primarily on large businesses, while non-bank lenders have increased their share, particularly in lending to small and medium-sized enterprises (SMEs).

PERSONAL LENDING

Personal lending, which represents only 5% of total credit, has seen significant growth in non-bank lenders, including automotive finance providers; buy now, pay later services; and other personal loan products.

- BROKER DAILY -

STUDY: LIFTING WEIGHTS COULD REDUCE AGING

Weightlifting has been linked to better bone and muscle health before but a new study of 4,800 people found lifters had a lower biological age.

The study, conducted by Larry Tucker, a professor in exercise sciences at Brigham Young University in the US, looked specifically at the impact of weight training on the body and analysed the length of 'telomeres', the chunks of DNA at the end of chromosomes that act like an aglet on a shoelace and stop the genetic material unravelling and becoming damaged.

People in the study who lifted weights most often had telomeres that contained about 225 more pieces of DNA than those who did not.

'Because each year of chronological age was associated with telomeres that were 15.47 base pairs shorter in this national sample, 90 minutes per week of strength training was associated with 3.9 years less biological ageing, on average.

'This interpretation suggests that an hour of strength training 3 times per week was associated with 7.8 years less biological aging.'

The scientists say weight training may be good for a person's health and life expectancy because it tackles obesity, but it also reverses muscle loss, increases the metabolism, and boosts cardiovascular health.

'By reducing the effects of chronic disease and metabolic risk factors, resistance training appears to slow the biological ageing process and reduce cell senescence, which is evidenced by longer telomeres,' Professor Tucker writes,

- THE TELEGRAPH -

NO REGIONAL BRANCH CLOSURES UNTIL 2027

The federal government has imposed a moratorium on major bank branch closures in regional Australia until the end of July, 2027.

Some 36% of bank branches in regional Australia have shut their doors since 2017.

Treasurer Jim Chalmers said the moratorium came after NAB accepted a new agreement to not close regional branches, with the Commonwealth Bank and Westpac extending their previous arrangements.

"If we want a strong national economy, then regional Australia needs to be a big part of the story, and that means making sure that banking services are available to the businesses and workers and people and communities," Dr Chalmers said.

"We also want to make sure that there are still face-to-face services for people who need them in the bush and people for whom digital alternatives may not necessarily work."

The Labor government has also signed an agreement with the major banks to increase their commitment to services available at Australia Post outlets.

Commonwealth Bank, Westpac and NAB have all reached an agreement to provide banking services at post offices, also called Bank@Post, with ANZ also agreeing to terms to join the scheme.

Macquarie Bank and HSBC have also started negotiations with Australia Post to sign on.

- PERTH NOW -

STUDENT LOANS TO BE EXCLUDED FROM MORTGAGE ASSESSMENT

Financial regulators ASIC and APRA have agreed direct banks can exclude HELP repayments from serviceability assessments when borrowers are expected to pay off the debt in the loan term.

With student debts increasing as a result of Coalition-era change of university fees, the subsequent reluctance of banks to give out mortgages has proven a barrier to young people seeking to enter the housing market.

Housing Minister Clare O'Neil said it would give young Australians more borrowing power. "For a generation of Australians, the prospect of home ownership feels too far away, and being a renter has never felt more insecure," she said.

The move comes after Labor wiped 20% off every student debt and backdated indexation charges so debts can no longer increase faster than wages.

- THE WEST AUSTRALIAN -

APPLY NOW

HOME LOANS

BUSINESS LOANS

CAR AND EQUIPMENT LOANS

ALLOWING ACCESS TO SUPER FOR HOUSE DEPOSITS COULD DISADVANTAGE YOUNG AUSSIES

As the election cycle ramps up, the Coalition has announced plans to boost home ownership. One introduction was allowing Aussies to access up to $50,000 from their superannuation savings to go towards a house deposit.

"Entering the property market shouldn't be limited to those who can rely on the bank of mum and dad. That's why a Coalition government will allow Australians to access up to $50,000 of their super to buy their first home. And we will extend that policy to assist separated women," Opposition Leader Peter Dutton said.

Current conditions for release of super are:

- *Once you turn 65 (even if you haven't retired).*
- *Upon reaching preservation age and retire or start a transition to retirement income stream while continuing to work.*
- *You satisfy an early access requirement.*

> *While this may seem like a beneficial means for young people to enter a difficult property market, some are critical of the initiative.*

"While superannuation may seem like a tempting pot to raid, our analysis shows it will only benefit those young people who are already more likely to be able to afford a home, and not solve the crippling supply-side deficit that is fuelling our housing crisis," The Association of Superannuation Funds of Australia (ASFA) CEO Mary Delahunty said.

"Accessing superannuation is not the silver bullet to solving Australia's housing crisis... To improve outcomes, housing affordability must be tackled more holistically. There is arguably insufficient agreement and cohesiveness across federal, state and local government jurisdictions in addressing many of the substantive issues around affordability. A coordinated national approach is needed, with the ultimate objective of generating improvements in affordability."

> *The New Zealand government introduced similar policy back in 2007, coming into effect in 2010.*

The KiwiSaver scheme allowed for residents to withdraw superannuation. In doing so, a report from Super Members Council found that between June 2010 and June 2024, house prices grew by 1.5 times the rate as Australia – growing by 134%, compared to Australia's 86%.

In the decade before the KiwiSaver withdrawals, the annual growth rate was 7.6%. The decade after saw an annual rate of 9.2%.

"Allowing withdrawals from New Zealand's KiwiSaver scheme for a first home purchase has failed to lift home ownership rates across any age group. Rather, it has corresponded with a fall in home ownership rates, particularly among younger New Zealanders. Home ownership has fallen by about 7 per cent for people in their 30s," Super Members Council said.

"If you want to see further rises in house prices and falling home ownership rates – New Zealand shows introducing a super for a house policy leads in that direction," Super Members Council CEO Misha Schubert said.

"But if you want to fix the housing crisis, then the answer is building many more new homes to expand supply, rather than telling young people that raiding their super is the answer."

"The evidence is clear – from an overwhelming majority of leading economists and new analysis of New Zealand's real-world experience -that using super for house deposits will just further drive-up house prices, fuel higher mortgages and debt stress in a cost-of-living crisis, and push the Great Australian Dream of home ownership even further out of reach for many young Australians."

While the Coalition's plan may seem promising for young, potential homeowners at a glance, the consequences could prove to be the opposite.

- BROKER DAILY -

INTEREST RATES

5.94%

VARIABLE

INVESTMENT P&I
WITH 20% DEPOSIT

COMPARISON RATE

6.27%

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.

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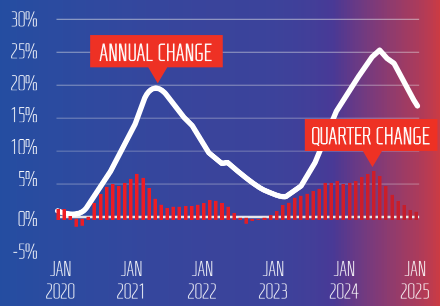
PERTH DWELLING VALUES ARE CURRENTLY AT A RECORD HIGH

IN JANUARY, PERTH DWELLING VALUES INCREASED BY
0.4%

OVER THE QUARTER DWELLING VALUES INCREASED BY
1.0%

OVER THE PAST YEAR DWELLING VALUES INCREASED BY
17.1%



- CORELOGIC -

CASH BACK UP TO

$3,000

1ST HOME BUYERS*

*CONDITIONS APPLY