

The Week In Real Estate



Property Tipped To Lead Revival

A rebounding property market has led the recovery from past economic downturns and it will again, because shelter is an essential commodity, according to Propertyology head of research Simon Pressley.

"If you want to predict the future, look at the past," says Pressley. "Real estate led Australia out of the 1991 recession. The unemployment rate hovered around 10% that year and the subsequent two years." Over the three years ending 1993, all capital cities produced property price growth – ranging from 2% (Melbourne) to 27% (Perth). Regional property markets were as strong, if not stronger, including Townsville (37%), Toowoomba (33%) and Wagga Wagga (22%).

"It was a similar story 12 years ago with the global financial crisis – the biggest economic downturn in history," says Pressley.

Property prices again increased in eight out of eight capital cities over the three years ending 2010. Darwin (32%) and Melbourne (21%) were the best-performing capitals, while Ballarat (19%), Bendigo and Launceston (both 18%) and Armidale (17%) were among many strong regional property markets.

Quote of the Week

"Just as it did with past crises, the adverse economic impact from this coronavirus health crisis will begin its rebound with a real estate surge before anything else. Safe as houses!"

Simon Pressley head of research at Propertyology



Economy Well Placed For Recovery

The Reserve Bank, which decided this week to keep the official interest rate on hold, says Australia's financial system is resilient and that the economy will recover as soon as the virus is contained.

There are some signs that markets are working more effectively than they were a few weeks ago, says Philip Lowe, Governor of the RBA.

Australia's extensive stimulus packages, together with the complementary measures taken by Australia's banks, will soften the expected contraction and help ensure that the economy is well placed to recover once the health crisis restrictions are removed.

"These various responses are providing considerable support to Australian households and businesses through what is a very difficult period," says Lowe.

"The Australian financial system is resilient. It is well capitalised and in a strong liquidity position, with these financial buffers available to be drawn down if required to support the economy."

Australian banks and authorised deposit-taking institutions have access to at least \$90 billion in funding to help Australians, he says.





Loan Breaks Won't Impact Credit Files

Home loan customers will not have their credit file marked with an adverse rating if they lose their jobs and have to ask their bank for repayment deferrals because of the economic crisis.

The Australian Banking Association (ABA) has announced that bank customers applying for payment deferrals will not have a missed payment or hardship flag appear on their credit file.

This approach to credit reporting means that banks will not notify credit reporting bureaus of a customer's missed repayments during the deferral period.

This will give consumers peace of mind when entering into loan deferrals with their banks as their credit rating will not be negatively impacted.

Fiona Guthrie, CEO of Financial Counselling Australia says financial counsellors are getting questions from clients about the impact of virus-related hardship on credit reporting scores.

"The ABA announcement puts the matter firmly to rest when it comes to interacting with the banks and we welcome it strongly," she says.

First Home Buyer Scheme Extended

The Federal Government has granted an extension for first-home buyers approved for the First Home Loan Deposit Scheme if they can't find a property in 90 days because of the coronavirus lockdowns.

The First Home Loan Deposit Scheme allows eligible first-home buyers to borrow from participating lenders with a 5% deposit. The Federal Government will guarantee the remaining 15% so buyers don't need to take out lender's mortgage insurance.

Ten thousand places were available nationally from January and successful applicants had to find a property within 90 days of approval. Another 10,000 places are to be released in July.

Angus Sullivan, group executive for retail banking services, Commonwealth Bank, says the extension will give the bank's customers six months to find a property and assurance their place in the scheme is safe.

The option to extend the 90-day pre-approval period gives both scheme lenders and first-home buyers the flexibility and support to deal with the evolving COVID-19 situation.

Home Buyers Remain Active

There is strong evidence from around the nation that demand for property remains solid, amid the virus crisis.

Inquiries for units in new Brisbane developments have risen 82% in the past month, compared with the same time last year, while interest in buying houses off plan is up 28%, says Realestate.com.au.

Agents say the attraction with buying off-the-plan is you need only a 10% deposit now and when settlement occurs in 12–18 months the virus situation will be over.

Brisbane marketer Simon Caulfield says, "I think in this market, getting apartments away at these prices shows the housing market is not as bad as people interpret it to be right now."

Other reports from Sydney, Melbourne and Adelaide reveal prestige properties are still selling, in some cases well above the reserve price.

Adelaide selling agent John McRostie says: "To serious buyers this (the coronavirus) isn't an issue.

"People want good quality properties in good locations and there's not much stock around."

