

The Week In Real Estate



Property Investors Remain Optimistic

Property investors remain positive about the future, though many are now looking at different locations for investment as well as moving to a new region to live, according to the 2020 PIPA Annual Investor Sentiment Survey.

"While there is no doubt that 2020 has been one of the toughest in living memory for everyone around the globe, property investors have remained resilient in the face of the unprecedented uncertainty that we are all experiencing," PIPA Chairman Peter Koulizos says. The number of investors who believe now is a good time to invest in residential property fell from 80% in 2019 to 67%. Yet 77% say concerns about falling house prices won't deter their investment plans, with 44% looking to purchase a property in the next six to 12 months.

About 17% of investors indicated that the pandemic had made them consider moving to another location, especially regional areas.

The main reasons were: improved lifestyle factors (78%), working from home in the future (46%) and housing affordability (40%).

Quote of the Week

"Protecting customers' credit ratings is part of the suite of measures banks are offering in an effort to reduce the stress that financial impacts due to the pandemic are having on individuals and families."

Australian Banking Association chief executive Anna Bligh



Vacancies Plummet in Regional Aust

Vacancy rates are falling drastically in regional areas of NSW, Victoria and Queensland as city residents seek a lifestyle away from the coronavirus confines. Eleven regional areas across eastern states recorded rental vacancy rates below 1% in July, shows data from SQM Research.

SQM Research's Louis Christopher says there has been significant demand for rental property in regional and remote areas since the coronavirus pandemic, causing vacancy rates to fall and creating intense competition for those trying to secure a rental property.

Regional locations with the tightest rental markets include Townsville, Charters Towers, Mount Isa, Wagga Wagga, Griffith, Bendigo, Shepparton, Wodonga and the Sunshine Coast. "It is a landlord's market in many regional areas," says Christopher. But people still want access to amenities, like cafes. Domain senior research analyst Nicola Powell says the pandemic has accelerated the trend of people moving to regional cities, with many renting to 'try before you buy'. Affordability and living in a smaller population are some of the attractive features of regional living.





Banks Extend Credit Rating Amnesty

Home loan customers and property investors who have deferred their loan payments for six months or longer will not have their credit ratings affected until at least March 2021, under revised guidelines announced by the Australian Banking Association.

The ABA says it will extend the credit rating amnesty by a further six months as the economic recovery from the pandemic takes longer than expected.

Banks have allowed borrowers suffering financial hardship because of the pandemic to pause loan payments for up to six months, with the possibility of extending the deferral period to 10 months or until March 2021. However, the proviso is that the payments had to be up to date when the relief was approved.

Under the new guidelines, the amnesty is extended and customers who have fallen into arrears with repayments can escape a credit rating penalty if they restructure their loan or apply for another hardship program.

Customers who have made partial payments during the loan deferral period will benefit from an improved repayment history.

It's Cheaper To Buy Than Rent

Prospective home buyers with a secure job who have saved a 20% deposit are better off buying than renting in most of the capital cities, shows research from RiskWise Property Research.

Calculations by the property risk assessors show that principle and interest repayments are lower than rent in all the capital cities except Sydney and Melbourne. The research also found that interest-only repayments for both owner-occupiers and investors were also lower than the annual rental cost in most areas.

In many areas, rent money is dead money, says RiskWise CEO Doron Peleg.

"When it comes to houses, the preferred dwelling option in most areas of the country, in many cases it is cheaper to buy than rent," Peleg says.

"If you buy a house you can start building equity, particularly when you take a long-term strategic view, and if you are in a good position to negotiate well and buy a 'Grade A' property that will serve your family for many years to come."

Investors Refinance As Loans Rise

The number of new residential investment loans rose by 24% in the 12 months to June, shows data from Australian Prudential Regulation Authority, while owner-occupier lending increased by 31%.

However, the new residential investment loans include refinanced mortgages, says APRA.

BIS Oxford Economics chief economist Sarah Hunter says the bulk of the increase was probably boosted by refinancing, which rose 37% during the same period, based on the ABS numbers.

"It's not really coming from demand to purchase new investment properties, so it's a lot less positive outlook," says Hunter. "The ABS data showed investment lending was down 6% in the June Quarter, compared to a year ago, which makes sense because investors have been disproportionately impacted by Covid."

However, the latest data from SQM Research shows that vacancy rates fell in all capital cities except Melbourne during August. Six of the eight capital cities have vacancy rates ranging from 0.7% to 2.1%, putting upward pressure on residential rentals.

