

The Week In Real Estate



Housing Triumphs Over Covid-19

Home lending rose 12.6% in August, the highest monthly figure since January 2018. The latest data from the ABS shows that annual growth in home loans was 19.3%, confirming that the housing market has held up strongly against the pandemic impacts.

The largest increases in new mortgage commitments for owner-occupiers were in Victoria, Queensland and New South Wales.

"The evidence continues to mount that Australia's housing market is going to come through the Covid 19 pandemic largely unscathed," says the latest CBA Economics report.

RateCity.com.au research director Sally Tindall says the value of new loans was actually higher in August than it was in March.

"Owner-occupiers led the way with the value of new loans increasing 13.6% from the previous month and 29.2% year-on-year," she says.

First-home buyers were at their highest level in over a decade as well, with a total of 12,302 FHBs settling loans in August, the biggest monthly number since October 2009.

Quote of the Week

"It is quite remarkable that we are in the midst of the biggest economic downturn in a generation and yet new lending for homes is pushing higher at an accelerating pace."

CBA Economics report



Home Listings And Confidence Rise

New home listings rose in September, heralding an increase in property market confidence as the Spring selling season gets under way. Listings of homes for sale rose across the country, with the exception of Melbourne.

Sydney's stock on market rose 1.8% compared to August and Perth recorded a 0.9% increase, shows data from SQM Research. Nationally, the number of properties that had been on the market long term, i.e. 90-180 days, fell 8.6%, indicating increased sales activity.

"When we see an increase in new stock and a decline in old stock, that normally spells increases in activity in the market," says SQM managing director Louis Christopher. "Old stock's getting absorbed and new vendors are coming to the market."

Christopher says the residential market is an increasingly attractive investment.

"When we consider rental yields, the truth is most cities are offering cashflow positive properties compared with where lending rates are," he says. "I've never seen that before."





HomeBuilder Keeps Tradies Employed

An increase in the number of loans for the construction of a new dwellings shows HomeBuilder is helping to stimulate the construction industry and is keeping tradespeople in jobs.

In August 2020 the number of loans for the construction of a new dwelling increased 23% compared to July and were up 34% in annual terms, according to the ABS.

The HomeBuilder scheme has seen first-home buyers entering the property market in droves, with FHB loans rising 17.7% in August. In the last year, FHB loans have increased 37%, the highest level of first-home buyer loans since October 2009.

This means benefits of the stimulus package are filtering through to the broader economy. According to the Housing Industry Association, sales of new homes rose 61% in the three months to August 2020, compared to the previous quarter since HomeBuilder was announced.

The positive response to HomeBuilder means there is a continued pipeline of construction to keep tradies and builders employed.

Extra Payments To Mortgages Increase

Voluntary payments into mortgages doubled in July, August and September from the previous 12 months, as home loan borrowers paid extra to build a buffer.

Data from non-bank lender Firstmac shows the level of additional payments made by borrowers rose to an average 10% of the portfolio in the past three months, compared with the monthly average payment of 5% last year.

“There’s obviously a lot of money flowing through the economy and people are choosing to save that money,” says Firstmac chief financial officer James Austin. “Paying down the mortgage is another form of saving.”

In the June quarter, the nation’s household savings ratio jumped to 20%, the highest level since 1974. The figures indicate a relatively low level of arrears among mortgage holders seeking payment relief, which is consistent with data from the Commonwealth Bank.

According to the CBA, 22,900 (57%) of the 40,200 customers who deferred their loan repayments are now ready to start making them again.

No CGT On Granny Flats From 2021

Homeowners will no longer have to pay capital gains tax on a granny flat if there is an agreement for a family member to reside in the home.

Under current tax laws, a homeowner may have to pay CGT where there is an agreement for a family member to reside in their home, such as when an older parent lives with a child, either in the same home or a separately constructed building.

Tax and Super Australia tax counsel John Jeffreys says the exemption will be popular.

Granny flats enable a family to care for older or disabled family members, but the potential for capital gains tax had been a deterrent for many.

“This exemption will encourage people to build granny flats and keep older and disabled family members closer, without having to consider the potential adverse tax consequences of doing this,” says Jeffreys.

The new law is expected to take effect from 1 July 2021, once legislation has been passed by Parliament.

