

The Week In Real Estate



Don't Believe Everything You Read

The results are in, and once again Australian economists have read the property market wrong.

They predicted prices would drop in 2023 with a 15% to 20% decrease in prices from peak to trough – they were wrong.

Prices softened by about 9% but are already on the way back up, after two months of growth in March and April.

Economists based their predictions on interest rate rises putting a dampener on house prices.

Instead, a nationwide rental shortage, increased migration and lack of supply kept demand high and prices stable.

The Commonwealth Bank admits it was wrong: "We did not pick the turning point in this cycle as we expected prices to continue to trend lower until the third quarter of 2023."

It has revised its forecast of a 6% drop this year to a 3% increase.

Westpac, which tipped an 8% drop this year, says it will be a 1% gain and ANZ which tipped an 11% drop has changed says prices will remain flat.

Quote Of The Week

"We now have to get to the heart of the problem which is demand and supply rather than trying to do a patchwork of policy solutions with a whole bunch of unintended consequences which undermine the medium to long term performance of the economy."

Warren Hogan - Judo Bank, Economic Adviser

Most Landlords Do The Right Thing

Landlords are an easy target when it comes to finding someone to blame for the rental crisis, but a new nation-wide survey has found most are trying to do the right thing by their tenants.

The survey found an overwhelming majority of Australians have only ever had positive experiences with a landlord or rental provider.

Commissioned by Aus Property Professionals, the survey shows three quarters of tenants have never had a bad experience.

On a state-by-state basis, two thirds of Queensland tenants say they have not had a negative experience, compared with 80% of New South Wales tenants and 91% of ACT tenants.

Lloyd Edge, of Aus Property Professionals, says most landlords are just "ordinary" people, usually mum and dad investors, who are trying to build a better future for themselves and their families.

"Many of these landlords are conscientious and caring, and they want to do the right thing by their tenants."





32 Lenders Cut Rates

Lenders are continuing to roll out the offers to lure customers with many slashing fixed interest rates.

Canstar Group executive financial services, Steve Mickenbecker, says 32 lenders on Canstar's database have cut owner occupier fixed rates this month.

He says this is a sign that the market anticipates there will be lower variable rates in the near future.

"The banks reduce fixed home loan rates when their cost of longer-term funding goes down, and that has started to happen following the decline in Australian government bond yields," he says.

RateCity.com.au research director, Sally Tindall, says even though fixed rates are dropping they are not the most popular option with borrowers.

"The catch is, if you want these fixed rates, you have to be willing to lock up your loan for the next three years, a proposition many customers aren't keen on committing to at this point," she says.

She believes the cash rate is now at or near its peak.

More Grants For Home Buyers

Millions more Australians are set to become eligible for the Federal Government's Home Loan Guarantee Scheme.

Under the scheme the Federal government acts as guarantor on up to 15% of a loan for prospective home buyers, allowing them to buy a house with a deposit of just 5% and avoid paying costly mortgage lender's insurance.

The criteria will be expanded from July 1 to allow friends and family who wish to join forces to buy their first home together to access the scheme.

Previously the definition of a couple for the scheme was only married or de facto relationships. The changes mean "any two eligible individuals", including sibling pairs, a parent and child, or two friends, can apply for the scheme.

It will also be eligible for people who haven't owned a home in ten years, which the government says will help those who have fallen out of homeownership, potentially through a financial crisis or a relationship breakdown, to also buy. with most of this growth settling in Sydney, Melbourne, Brisbane and Perth."

Renters Rights In Gov't Sights

Property analysts warn a push to give renters more rights will actually result in fewer properties for rent.

State and territory housing ministers are meeting to discuss policies which may help renters and the Prime Minister has already flagged he may consider regulating the size and frequency of rent increases.

Economist Saul Eslake says if serious restrictions are implemented, preventing landlords from increasing rents by an amount less than inflation or forcing them to keep rents fixed for more than a year, it will dissuade investment in the housing market.

Judo Bank, economic adviser, Warren Hogan, says artificial caps on rents will "fundamentally change the investment market and jeopardise future supply of housing in this country".

"We now have to get to the heart of the problem which is demand and supply rather than trying to do a patchwork of policy solutions with a whole bunch of unintended consequences which undermine the medium to long term performance of the economy," he says.

