

The Week In Real Estate



Why House Prices Remain High

Australian house prices remain high, despite the best efforts of the Reserve Bank of Australia to dampen inflation by raising interest rates.

The average interest rate on a new home loan has more than trebled in the past 12 months.

Despite this, median house prices have only dropped about 6% since April 2022 and appear to be on the way up again.

CoreLogic figures show national home values rose 2.8% in the June quarter, the highest quarterly rise since January 2022.

High levels of employment and the rising migrant intake are all contributing to an increasing demand for housing which is driving up prices.

Sydney recorded the highest house price increase of 2% in June, followed by Brisbane, up by 1.3%, Adelaide, up 1%, Perth, 0.9%, Melbourne, 0.6%, Canberra, 0.5%, and Darwin, 0.1%.

Tasmania house values dropped 0.5% in the month. CoreLogic research director, Tim Lawless, says a lack of homes on the market is a key factor in price increases.

Quote Of The Week

"While rental demand from overseas migrants is likely to remain strong for some time yet, particularly across the largest capitals, we've already seen a reduction in domestic rental demand via an increase in the average household size."

CoreLogic Economist Kaytlin Ezzy

Home Deposit Not Out Of Reach

Saving a deposit for a home is not the impossibility that many would have first time buyers think.

Much of the media analysis on home deposits is based on an assumption that a 20% deposit is required, but there are government schemes now which allow for deposits as low as 5% without requiring lender's mortgage insurance (LMI).

According to Compare Club home loan expert broker, Sophie Matthews, some lenders are now accepting a 15%.

RateCity research director, Sally Tindall, says a handful of lenders, including St George and Bank of Melbourne, will waive LMI costs for first home buyers with deposits between 15% and 20%.

She says some banks (including Westpac) will consider waiving the fee for certain professions such as doctors and nurses.

If you do manage to snare a loan with a lower deposit, Tindall says to keep in mind the lowest interest rates are usually offered to those with the highest deposit.





Rental Market Reprieve

The pace of rental growth has eased according to the latest CoreLogic Quarterly Rental Review.

The review, for the second quarter of 2023, shows the monthly rate of rental growth slowed in the June quarter, although rents still remain high.

Rents rose by 2.5% in the June quarter, 30 basis points lower than the pace of growth in the previous quarter.

It is the first time the rate of quarterly rental growth has slowed since November.

CoreLogic Economist, Kaytlin Ezzy, says rental growth softened despite an ongoing surge in overseas migration and a continuing shortage of rental properties.

She says this suggests many tenants are reaching their “affordability ceiling”.

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National rents are now 27.4% higher than at the start of Covid.

Owners Renovate Instead

With the property market remaining tight, homeowners are spending more than ever on renovations.

Australian Bureau of Statistics figures show the amount owners are spending on home improvements rose by \$26,900 in the past 12 months with the average spend now \$202,270.

In all, 10,308 homeowners took out renovation loans in the three months to May 2023.

At the height of the pandemic in 2021, renovation work reached its second-highest level on record, with low interest rates, increased savings and more time at home, encouraging many owners to undertake an upgrade.

Master Builders Australia chief executive Denita Wawn says there was big spending on homes in the Covid years as people couldn’t spend their discretionary dollars elsewhere.

“(Including) \$60 million dollars that Australians spend each year on overseas travel alone.”

A shortage of properties means homeowners are staying longer in their properties and renovating instead. The average period of ownership is now 13.5 years compared with 9.3 years in 2010.

Baby Boomers Are Loaded

Australians have become richer and baby boomers are at the top of the tree.

Roy Morgan’s Wealth Report 2023, shows Australia’s wealth increased by 7% between March 2020 and March 2023.

The increase was mostly driven by an increase in the value of owner-occupied homes, up by 43.2%, from \$4.16 trillion to \$5.95 trillion.

It says half of the Australian population, predominantly homeowners, account for 95.4% of Australia’s net wealth.

Baby Boomers benefit significantly from the rise in property values as they have the highest rate of home ownership in Australia.

They were able to buy at a time when housing was more affordable, and they reaped the benefits of rapid price increases.

As their university education was free, many were able to enter the housing market not loaded down with HECs debts.

Successive interest rate rises by the RBA mean one-third of mortgage-holding households, particularly Generation X and Millennials, have experienced a 50% increase in mortgage repayments.

