The Week In Real Estate

Edwards Windsor
(03) 6234 5500
Level 2, 89 Brisbane Street
Hobart TAS 7000
reception@ewre.com.au
www.ewre.com.au

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Loan Size Hits Record

The average size of new owner-occupier home loans has hit a record $626,055, driven by smaller capital city markets.

The latest official lending figures from the Australian Bureau of Statistics show there are record loan sizes in Queensland ($586,627), South Australia ($541,775) and Western Australia ($538,860). The highest loan size remains in New South Wales ($767,584) although that is almost $35,000 below its January 2022 peak.

In Victoria ($601,891) the average loan size is almost $50,000 below its peak of 2022.

RateCity.com.au research director Sally Tindall says maximum borrowing capacity has dropped in recent years as a result of rising interest rates.

“It’s astounding to think owner-occupiers are, on average, taking out larger loans than ever before despite the fact the cash rate is sitting at a 12-year-high,” she says.

Loan sizes in the smaller capital cities have been rising in line with those cities hitting record-high property prices. The total value of new housing loans in May was $28.8 billion.

Tax Cuts Increase Borrowing

Investors may be able to improve their borrowing capacity thanks to the Federal Government’s July 1 tax cuts.

Continual interest rate rises in the past two years mean levels of borrowing have been seriously curtailed for some investors, but according to an analysis done by Shore Financial, the new financial year tax cuts may have improved that situation.

It says borrowing capacity would increase by 4% for those with an income of $90,000 and 5% or more for those with an income of $100,000 or more.

According to Mortgage Choice broker, James Algar, the borrowing capacity of a buyer with a $100,000 income could increase by about $25,000 while someone earning $150,000 could borrow about $37,000 more.

PropTrack says the substantial lift in interest rates since 2022 means that maximum borrowing capacities have been reduced by about 30%, resulting in significant decreases in potential loan amounts and budgets for buyers.

It says this pushed buyers toward more affordable options, particularly the unit market, which is experiencing a surge in demand as a result.

Quote Of The Week

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RateCity.com.au research director Sally Tindall

Houses v Units Gap Widens

The gap between house and unit values is widening even though the pace of price growth is becoming stronger in the unit market.

PropTrack analysis shows the difference between median capital city house and unit values was $286,000 in June 2024 compared to June 2023 when it was $251,000.

In the past 12 months median house values have increased by 7.23% in capital cities and unit prices have increased by 5.46%, but PropTrack senior economist Eleanor Creagh says in the past quarter unit price growth has picked up pace.

In June 2024 unit values grew by 0.32% across the combined capital cities while house values increased by 0.2%.

Creagh says the affordability of apartments means sales volumes in the year to May 2024 are almost 20% higher than the same period in 2020.

She says the share of apartment sales has increased most in Sydney, Perth and Brisbane.

More Help For Homebuyers

More help is on hand for homebuyers with a further 50,000 places released under the Federal Government's Home Guarantee Scheme.

This includes 35,000 places for the First Home Guarantee, 10,000 places for the Regional First Home Buyer Guarantee and 5,000 places for the Family Home Guarantee. The various schemes allow home buyers to secure a property with a deposit as low as 5% depending on criteria. HIA chief executive Simon Croft says the scheme recognises that saving for a deposit is the largest obstacle to achieving home ownership.

"With the current cost pressures on households, a first home buyer is facing years to save a deposit, and in that time they risk being priced out of the market," he says.

Analysis of the Scheme from the 2022-23 financial year, found about 10,860 of those accessing the scheme living in regional areas.

"More than half of all places under the Scheme, in 2022-23, were taken up by people under the age of 30," Croft says.

Retirement Villages The Solution

New data has revealed retirement units are significantly cheaper than housing in the same postcode.

The latest PwC Property Council Retirement Census shows the average price of a two-bedroom retirement unit is 43% cheaper than the median house price in the same suburb.

It says that retirement villages offer an affordable solution in an unaffordable market with the average cost for a unit in a retirement village, at $559,000 compared to the $986,000 median house price in the same postcodes.

Retirement Living Council of Australia Executive Director Daniel Gannon says retirement villages are not just helping older Australians find affordable housing but also helping younger homebuyers by freeing up larger homes in the suburbs.

But he says with the number of Australians aged over 75 to increase from 2 million to 3.4 million by 2040, more needs to be done to provide sufficient retirement living.

PwC Australia partner Funminiyi Oduko says affordability remains a key component of the industry which is facing rising construction costs and limited land supply.