The Week In Real Estate

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Rental Growth Eases

Rent growth has started to ease after growing by 39% in the past four years according to new research by CoreLogic.

That growth between August 2020 and June 2024 was extraordinary when compared with the four years prior to August 202 when rents rose by just 5.4%.

CoreLogic says despite the slowdown the annual rental growth trend is still well above the pre-Covid average in most capital cities.

The data shows in the12 months to August 2024, rents rose the most in Perth, where they are up by 11.6%, followed by Adelaide, up 8.4% and Melbourne, up 7%.

Rents in Sydney are up 6.4%, Brisbane, 6% and Hobart 3.7% while the ACT is up by 2.7% and Darwin by 0.8%.

According to CoreLogic rents in Sydney fell by 0.3% in the three months to August, the first decline in its rents over a rolling three-month period since the three months ending October 2020 at the height of Covid lockdowns.

Cheaper Fixed Rates

Australia's key banks have started to reduce their fixed home loan interest rate offerings with some now dropping below 6%.

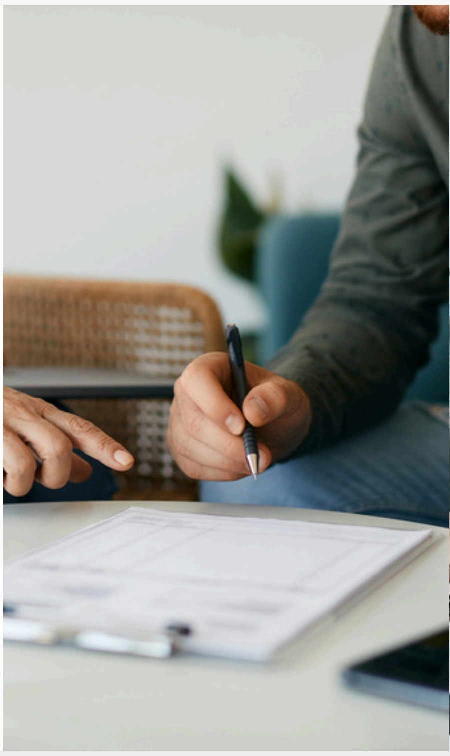
Despite the drops the latest Australian Bureau of Statistics figures show only 1.9% of borrowers in July oped for a fixed interest rate.

Homeloanexperts.com.au senior mortgage broker Jonathan Preston predicts fixed rates may fall even further and to as low as 4%, although he believes it will be longer before variable rates reduce to such levels.

Homeloanexperts.com.au CEO Alan Hemmings says the falling fixed rates are a sign that the banks believe the RBA will make future cash rate cuts.

"Fixed rates usually indicate where the market expects the cash rate and variable rates to go, though they don't always predict the timing accurately," he says.

"Most lenders are adjusting their medium-term fixed rates – two- and three-year terms – which suggests they are locking in clients at higher rates before the market eventually adjusts," he says.



Quote Of The Week

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Homeloanexperts.com.au CEO Alan Hemmings

Buyers Get Ahead

A fifth of first home buyers who used the Federal Government's low deposit loan guarantee to get into the market have already been able to transition out of the scheme.

More than 19,000 loans secured under the scheme have "graduated out" of it since its introduction in 2020. Housing Australia's Trends & Insights Report for the past financial year also shows that 63% of those who use the scheme are ahead on their mortgages with only 0.1% of loans under the scheme in arrears.

Chief program officer of home ownership, Jennifer Chew, says the scheme has helped support thousands of eligible home buyers to enter the market. The analysis shows nationally a third of first home buyers (58,000 buyers) used the scheme in the past financial year.

Victorians are the biggest users of the scheme (28%) with the top national areas for home buyers the Melbourne suburbs of Hoppers Crossing, Craigieburn and Cardinia. Queensland buyers accounted for 24% of users and Western Australia 15%.

Renovation Boom Looms

Aussie homeowners have taken to renovation with a gusto with new analysis showing a significant increase in loans for renovations.

The latest mortgage insights report by Money.com.au says renovation loans are one of the fastest-growing areas in new loans. Renovation loans are up by 9% annually. Money.com.au's home loans expert, Mansour Soltani, says rising property prices, limited supply and the cost of transacting are driving people to stay put and renovate.

The report says the average new loan size in Australia is $640,998, with the average loan size over the past 12 months for owner-occupiers being $616,000 and $627,000 for investor loans.

New home loans are also on the rise, up 7% annually but are still 19% below what they were in January 2022. Loans to property investors are also rising but not at the same pace, they are up by 3% in the past year. According to Soltani, investor loans are particularly strong in Western Australia, up by 4.6% in July alone.

Housing Crisis Solutions

Australia's housing crisis has been developing for the past 20 years, not solely as a result of the Covid-19 pandemic, according to the Housing Industry Association (HIA).

HIA managing director Jocelyn Martins highlights that there isn't a single action a government can take within one term to fully resolve this issue, but there are viable solutions.

She explains that the current tax system, which requires new home buyers to shoulder an increasing share of government expenditure, has contributed to the decline in new home builds over recent decades.

As fewer new home buyers enter the market, the tax burden continues to rise for those remaining.

Martins suggests several initiatives that could help address the crisis, including increasing the supply of diverse housing types, securing funding for public housing beyond election cycles, investing in infrastructure to deliver shovel-ready land more efficiently, restoring foreign investment in home building to boost private rental availability, and expanding the Home Guarantee Scheme to assist more buyers.