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The Week In Real Estate

ANZ Eases Up On Investor Loans

ANZ has relaxed the restraints it placed on interest-only mortgage lending in 2017 and has indicated it's easing its attitude to lending to property investors.

The Big Four bank says it is once again offering customers an interest-only period of 10 years, up from the previous maximum of five years. It will now offer interest-only loans to customers will a deposit of only 10%, whereas previously it required 20%.

The changes suggest ANZ is trying to lift growth in the investor market, after chief executive Shayne Elliott last month admitted the bank had been "over conservative". It is also the latest sign of a loosening in restrictions on investor and interest-only loan growth, after APRA removed caps on these types of mortgages late last year.

"On recent review, we have made a decision to increase our focus on the investor market," ANZ CEO Shayne Elliott says. "The upcoming changes demonstrate our continued appetite in the investor market, while ensuring we remain in line with our APRA requirements."

Land Prices Rise As Demand Falls

The price of residential land has continued to rise despite a fall in demand, according to a report published by the Housing Industry Association.

The March 2019 edition of the HIA's Residential Land Report provides updated activity in 47 markets across Australia, including the capital cities. In the latest quarter, the average price for housing allotments across Australia rose 0.8% to reach $279,949 – despite a 16% decline in the number of home sites sold.

"After five years of exceptionally strong sales activity, a credit squeeze and a loss of market confidence led to a fall in new home sales and approvals," says HIA chief economist Tim Reardon.

The reduction in settled land sales is most evident across the Sydney and Melbourne markets where broader housing market conditions have been weakening since 2017.

Despite the drop in sales activity, land prices are falling at a much slower rate than housing prices in Sydney, while Melbourne land prices on a rate per square metre basis are substantially higher than a year ago.

Quote of the Week

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ANZ CEO Shayne Elliott, announcing relaxed criteria for investor loans

Prices Up In Small Cities, Regions

New research indicates that three capital cities recorded price increases in the December 2018 Quarter, while key regional centres also recorded price growth.

The Real Estate Institute of Australia's Real Estate Market Facts report says the national median house price declined to $733,438 for the quarter, which was due to falls in the two biggest cities, - but three cities bucked the downward trend, with prices up in Adelaide, Hobart and Perth.

REIA president Adrian Kelly says investors looking for affordable property may want to look to Adelaide, which had the lowest median house price for the quarter at $475,000 and Darwin, which had the lowest median "other dwellings" price at $350,000.

The report noted that while prices had declined in Melbourne, regional areas like Geelong, Bendigo and Ballarat recorded strong price growth.

There is a similar trend in NSW, where Sydney prices generally are down but most centres in regional NSW have recorded annual price rises.

Recovery "1 Or 2 Rate Cuts Away"

Sydney price recovery could be just one or two cash rate cuts away, according to Property Observer editor Jonathan Chancellor. "That's a real possibility based on the latest research of the RBA," he says.

Their researchers found falling interest rates was the chief catalyst behind the surge in prices between 2012 and 2017 in Sydney and Melbourne. "We find that low interest rates explain much of the rapid growth in housing prices and construction," RBA economist Trent Saunders and RBA senior research manager Peter Tulip noted.

They found the building boom would not have been as pronounced were it not for the lower borrowing costs. Another demand factor, high immigration, helped explain the tight housing market and rapid growth in rents.

"The model estimates that the reduction in real interest rates (actual interest rates, less inflation) accounts for most of the boom in dwelling prices and a large part of the boom in dwelling investment," said the researchers in their 35-page report.

ATO To Check Property Claims

Property investors will attract closer scrutiny from the ATO after audits of 300 investors revealed errors in their tax returns.

"A lot of people are getting things a little bit wrong," Tax Office commissioner Chris Jordan has told The Tax Institute's national convention in Hobart.

Jordan says property investors are now his "next focus", following a crackdown on inappropriate work-related expenses, which has yielded $600 million in extra tax revenue.

"We're seeing incorrect interest claims for the entire investment loan where it has been refinanced for private purposes, incorrect classification of capital works as repairs and maintenance, and taxpayers not apportioning deductions for holiday homes when they are not genuinely available for rent," he says.

Property owners declare about $44 billion in rental income and $47 billion in costs associated with property ownership - including interest on loans.

The ranks of positively geared investors swelled over the first five financial years of this decade, the figures show, thanks to a combination of falling interest rates and higher rents.