



The Week In Real Estate



Borrowers Get \$100,000 Loans Boost

Home buyers are set to receive a borrowing boost in the order of \$100,000 because of expected changes to lending standards and interest rates, new modelling shows.

A single borrower with an annual income of \$80,000, no other debts and average living expenses could today expect to be approved for a maximum loan of \$512,000. This would increase to \$567,000 under the proposed relaxation of loan serviceability rules flagged by APRA, according to modelling by Independent Mortgage Planners. It would increase again to \$598,000, if the Reserve Bank reduces the official interest rate.

Mortgage broker Louise Lucas of The Property Education Company says the industry expects significant changes to be in place by mid-June, after APRA has consulted with the lending sector about the new assessment levels.

The major banks currently assess borrowers at 7.25% but the new assessment level is likely to be less than 6%, Lucas says.

Quote of the Week

"It's all on again. People are buying again. Many people are very happy with the Election result and, if there were people holding back before, there's none now."

Louise Lucas of The Property Education Company



Quadruple Whammy Boosts Sales

Real estate markets across the country have improved, with a "quadruple whammy of positive developments" credited with boosting buyer confidence. Auction outcomes have improved and developers are poised to re-activate stalled projects.

Buyers' agent Rich Harvey from propertybuyer says the Election result, increased borrowing capacity from the APRA changes and the prospect of interest rate cuts have had "a dramatic effect".

Just over 2,000 homes were taken to auction last week with a clearance rate of 63%, the highest since September, according to CoreLogic. Performance across all regions improved but was most notable in Sydney, with a clearance rate of 70% from 697 auctions.

AMP Capital's Shane Oliver says the first-home buyer deposit scheme, the end of threats to negative gearing, APRA's move to lower hurdles to getting loans and prospects that the official interest rate will be cut, created a "quadruple whammy of positive developments".





RBA To Cut To 0.75%: Westpac

The Reserve Bank will reduce the cash rate three times in quick succession, Westpac has forecast. And the first cut is all but certain to come next week, according to a survey of economists.

Westpac chief economist Bill Evans predicts the RBA will cut the cash rate in half over the next six months, taking it below 1% for the first time.

Last week National Australia Bank forecast two rate reductions by the RBA this year. Evans is the first top-tier economist to predict three, with the easing cycle widely expected to start next week. In a survey by financial newswire Bloomberg, all but one of 27 economists said they expected a rate cut in June and another soon after.

Expectations grew significantly after RBA governor Philip Lowe said last week that a lower cash rate "would support employment growth and bring forward the time when inflation is consistent with the RBA target".

The Commonwealth Bank says home loan applications jumped to a 10-month high in the week following the Election. CEO Matt Comyn says greater certainty in housing policies combined with cuts to interest rates and taxes could help to "stabilise" conditions.

Confidence Lifts Post-Election

Scott Morrison's surprise re-election and growing expectations official interest rates will be sliced has boosted the confidence of Australian shoppers.

The ANZ-Roy Morgan weekly measure of confidence has lifted for the second consecutive week to sit at its highest level since late April.

Since the Coalition's victory on May 18, consumer confidence has improved by 3.3% with much of that increase occurring immediately after the election.

ANZ head of Australian economics David Plank says that, apart from the Election, consumers appear to be expecting a rate reduction when the board of the Reserve Bank meets next week.

"Consumers are upbeat both about their personal outlook and the economy in general," he says. "The prospect of lower interest rates and what appears to be a major sentiment shift on the housing market are likely drivers of the positive outlook."

FHBs Set To Pounce

With a cash rate reduction looking almost certain next week, first-home buyers are gearing up to make their move into the property market, according comparison website Finder.

Finder has witnessed a 55% rise in visitors to first-home buyer guides so far this month compared to May 2018. It's the biggest spike in visitors to those pages in 12 months, coinciding with a long-awaited potential rate reduction – the first change to the official cash rate in almost three years.

Graham Cooke, insights manager at Finder, says: "There's a perfect storm brewing for FHBs. Property prices are dipping, lenders are dropping their rates and a first home buyer's scheme is on the cards.

"After 31 months of no change, all signs are pointing to a cash rate cut next Tuesday. The expected move is causing a flurry of rate drops among lenders, especially on the fixed home loan front."

In the last week, seven lenders have lowered their rates on more than 48 owner-occupier loan products. Looking at the whole month of May, Finder analysis reveals this swells to 40 lenders across 333 products.

