



The Week In Real Estate



FHBs Driving Housing Market

The importance of the First Home Buyer (FHB) segment of the housing market continues to grow. Newly-released finance figures for March show that their share of the market is at its largest in nearly seven years.

FHB loans accounted for 27.6% of owner-occupier housing loans in March, higher than at any time since September 2012. Shane Garrett, chief economist for Master Builders Australia, says FHBs are becoming an increasingly vital driver of activity in the housing market.

“The commitment by the Coalition, that was matched by Labor, to facilitate the low deposit loans for first-time buyers is most welcome,” he says. “This brings home ownership a giant step closer and spares young home-buyers from being forced to waste money on expensive Mortgage Insurance premiums.”

In March FHBs enjoyed the largest share in the Northern Territory, with 43% of owner-occupier housing loans. This was followed by WA (37%), VIC (30%), QLD (27%) and NSW (25%). FHB participation was lowest in TAS (21%), followed by SA (22%) and the ACT (22%).

Quote of the Week

“The facts show if Labor wins the Federal Election, it won’t be the wealthy who fund their election promises. With most of the nation’s 2.2 million property investors earning less than \$80,000 a year, Labor’s claim about tax loopholes being for the big end of town are, frankly, insulting.”

Property Investors Council of Australian chairman Ben Kingsley



Modelling Shows Big Tax Inflows

Analysis by the Property Investors Council of Australian (PICA) has detailed how much tax typical property investors pay to governments under current negative gearing and Capital Gains Tax (CGT) rules.

Chairman Ben Kingsley says PICA’s modelling shows an average investor is adding hundreds of thousands of dollars to the public purse over the life of a single property.

“The amount of federal taxes property investors pay is extraordinary and will surprise many – and that’s before state-based stamp duty and land tax costs are included,” Kingsley says. “It is clear investors do pay well above their fair share in taxes and our concern is that impost on investors is set to blow out even further if Labor’s policies see the light of day.”

PICA modelled their investor tax figures on current negative gearing and CGT rules assuming assets were held over a standard 30-year loan term. “Our numbers show while a typical Australian investor will benefit from negative gearing initially, they will be taxed around \$167,000 in subsequent years,” he says.





Years Cut From Deposit Save

More than four years could be cut from the time it takes first-home buyer couples to save a house deposit under a policy proposed by the Federal Government, new analysis shows.

The average FHB couple could buy a house four years and eight months quicker in Sydney, under Prime Minister Scott Morrison's plan to offer loan guarantees to new buyers with deposits of just 5%. A single buyer could get there nine years and four months quicker.

Melbourne buyers could break into the market four years and three months earlier, while those in Brisbane, Canberra, Hobart and Adelaide could get on the property ladder at least three years earlier, Domain data shows.

"It makes it significantly easier," says Domain senior research analyst Nicola Powell. "The comparison between the time taken to save a 20% deposit and a 5% deposit is pretty stark."

The figures are based on how long it would take couples saving 20% of their net pay to buy an entry-level property with a 5% deposit, instead of a traditional 20% deposit.

Sweet Spot For FHBs Is Now

Now is the time for first-home buyers to take action, according to finance expert James Kirby. Writing in The Australian where he is Wealth Editor, Kirby says: "If you – or someone in your circle – is planning to buy a first home, it is time to MOVE. This is surely the sweet spot."

Kirby notes both of the major political parties have promised a guarantee program for new buyers and that there is strong evidence this kind of assistance does raise the number of first-home buyers in the market.

"It is the sweet spot not just because houses continue to get cheaper and interest rates are starting to go lower again," he says. "But crucially, first-home buyers have gained power as they move to fill a vacuum left temporarily by investors. First-home buyer loans are now running at 27.6% of all owner-occupier loans - the highest level in seven years.

"Yes, the newly minted first home loan deposit scheme is small in dollar terms at \$500 million ... Still, the numbers suggest it should work out that close to 10% of the market can get a loan where they would not have previously."

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RBA Rate Could Hit 1%

The Reserve Bank has kept the official interest rate at a record low 1.5% but economists and stakeholders still predict at least one rate cut by August - which could save home buyers up to \$708 a year on a \$400,000 loan, helping to ease household budget pressures.

The Finder RBA Cash Rate survey shows 84% of the 40 experts surveyed believe there will be an official interest-rate reduction in the next three months and almost three quarters of those predict the cash rate will drop to 1% by the end of the year.

REA Group, the company behind realestate.com.au, says when the rate cut does come, it is likely to be passed on in full by the banks and will be good news for house prices. "We're still likely to see a cut before July," REA chief economist Nerida Conisbee says.

The main driver of a cut is to manage the low rate of inflation which is currently at 1.3% year-on-year, well below the RBA target of 2-3%."

For a homebuyer making repayments on a \$400,000 loan at a current rate of 4.36%, that could save more than \$1,400 a year if the official rate is cut to 1%.

