MITCHELLS REALTY

28th September 2019

The Week In Real Estate

FHBs Told: Now Is The Time

First-home buyers are back — and they are back in large numbers. The latest ABS data shows 28.5% of home loan commitments in May were first-homebuyers – compared to 20.4% two years ago.

Investors have dropped off, putting first-time buyers in the prime position. Realestate.com.au's chief economist Nerida Conisbee says this is a perfect time for aspiring property owners to take action.

"First-home buyers do have the property market to themselves now, whereas previously they were competing with investors," she says.

The Federal Government will roll out a scheme in January allowing first-home buyers to access finance with a deposit of only 5%. The scheme will save FHBs up to $10,000 in lenders mortgage insurance charges.

The Mortgage and Finance Association of Australia's chief executive officer, Mike Felton, says a combination of factors have made it more appealing for FHBs to enter into the market.

"They have lower interest rates, lower personal taxes and a lowered serviceability, which has turned the tables in favour of the first-home buyer," he says.

Westpac Lowers Loan Floors Again

Westpac has made a fresh push for market share in mortgages by cutting its serviceability floor for the second time in ten weeks to 5.35%, from 5.75% in mid-July.

The decision to reduce the floor – which requires the bank to measure a borrower's capacity to repay the loan at a higher rate – establishes Westpac as the Big Four bank that can advance a customer loan when others may not be able to.

A spokesman for Westpac says the bank has decided to lower the floor from 30 September for all its brands including Westpac, Bank of Melbourne, BankSA and St George.

The original serviceability floor of 7% was set by the prudential regulator as a means of protecting consumers from taking on too much debt and being caught out when interest rates eventually rose.

The Australian Prudential Regulation Authority recognised the restriction was placing a handbrake on lending and in May it flagged scrapping the hurdle.

Quote of the Week

"Good qualities like paying your credit card or car loan on time were never included. This gave an unclear picture on what you could actually afford to borrow."

***David Scognamiglio** CEO of creditsimple.com.au commenting on the benefits of the new Comprehensive Credit Reporting scheme.*

$40,000 Saved Under Credit Changes

Home-owners stand to save an average $40,000 over the life of their mortgages under new credit reporting laws introduced by Federal Government, according to consumer advocate group creditsimple.com.au.

The group's CEO David Scognamiglio says Comprehensive Credit Reporting will be a game changer for mortgagees because banks will see the positive records of millions of homeowners for the first time.

Banks could previously only judge how much they could lend buyers based on their negative credit score. Under the new system, positive credit payment information that was previously held only by their banks will be shared with other lenders.

"Registries like illion.com.au will now house the new data, allowing up to 90% of home-owners to qualify for better mortgage deals," Scognamiglio says.

He says the average mortgage holder may get up to 0.5% off their current mortgage rate once their positive credit history is included on their record. This meant a saving of $40,000 over 25 years for the holder of the average home loan.

Risks 'Abated' As Prices Recover

The nation's top regulators are breathing a sigh of relief, saying financial stability risks caused by falling house prices in the biggest cities have "abated somewhat," as values bounce back in Sydney and Melbourne.

In its latest quarterly update on systemic issues facing the financial system, the Council of Financial Regulators (COFR) has toned down its concerns about the availability of credit.

The signs that regulators are growing more comfortable with housing come after Westpac cut interest rates by 0.1 percentage points and ANZ Bank prepares to lower some deposit rates by the same amount.

"The potential for risks to financial stability from falling housing prices in Sydney and Melbourne has abated somewhat, with prices rising in the past few months," the COFR says.

The COFR, made up of the Reserve Bank, the Australian Prudential Regulation Authority (APRA), the Australian Securities and Investments Commission (ASIC) and the federal Treasury, did not appear concerned about the sharp rise in mortgage credit in July.

Market Revival Inspires Sellers

As the Spring selling season heats up, sellers are joining the party with just under 2,000 homes going to auction across the capital cities last week. According to CoreLogic sellers in the capital cities were up 21% from 1,639 properties the previous week.

Despite the higher volumes of properties for sale, the preliminary auction clearance rate was 74%, a slight increase from the previous week's 72.8%. While the numbers show an increase in sellers, they are still 400 properties fewer than this time last year, but the clearance rate is much higher than 2018.

In Sydney, 647 homes were auctioned, with a preliminary clearance rate of 76.6%. This time last year 861 Sydney homes went to auction with just 51.1% selling. There were 1,022 Melbourne homes auctioned last week, 77.8% of which returned a successful result. One year ago, 53.8% of the 1,161 Melbourne auction were cleared.

Canberra was the best performing of the smaller markets, with a preliminary auction clearance rate this week of 65.3%, Adelaide followed closely with 59.2% of homes selling at auction.

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