



28th March 2020

# The Week In Real Estate



## Market Focus Switches From Auctions

The focus of property markets across Australia will be firmly on private treaty sales, after the Prime Minister announced this week a ban on auctions.

Open house inspections also ceased from midnight Wednesday under a tough new crackdown from the national cabinet to combat the spread of coronavirus.

PM Scott Morrison says gathering together in auction rooms can no longer continue, as he unveiled a list of large social gatherings that will be prohibited in a bid to slow transmission of the virus.

While this will be inconvenient for some vendors and selling agents, the vast majority of sales in the housing market do not occur through auctions, but through private treaty negotiations.

Private property inspections can still be carried out, but open house inspections can no longer occur.

The changes are forcing vendors and their agents to innovate – and some have already moved to virtual tours of sale properties and to online auctions.

## Homes High On Wish Lists

Buying a home remains of high importance to Australians, according to the latest Big Four bank survey of household spending intentions.

Commonwealth Bank chief economist Michael Blythe says home buying intentions are close to a historical high. Urban Development Institute national president Simon Basheer says: "We are not yet witnessing substantial impacts from the coronavirus on housing development, in terms of either project disruption or substantial supply chain effects.

"What remains the great unknown is consumer confidence and what happens to the appetite of buyers to stay active in the market.

"We'd urge governments and regulators to stay active and flexible to ensure lending continues to flow – to both developers and purchasers – both during the next few months and as we re-emerge from the peak of the coronavirus."

Basheer warns there could be a significant lag between the return of buyer demand and the availability of stock when the pandemic is over.

## Quote of the Week

**"Lower interest rates have offset rising prices over the past year. Even though prices are rising, paying off a mortgage on a property is easier."**

Domain economist Trent Wiltshire





## Renovations At An All-time High

The amount being spent on renovations is rising sharply and, with many approved projects yet to commence, home improvements are likely to help keep the economy stimulated in coming months.

"If you look at the latest figures, the number of approvals for major home renovations is at the highest level we've ever seen," says Shane Garrett, the chief economist at Master Builders Australia.

The total renovation expenditure in 2019 was \$36 billion, says the ABS.

Marketplace lender SocietyOne says 16% of its loans in 2019 were for home renovations – totalling \$31 million, which was a 70% increase on 2018's \$18 million and a 114% increase on 2017's \$14.5 million.

"We've already seen strong growth in renovation lending for the first quarter of 2020," says Melissa Cicero, chief customer officer of SocietyOne.

Rising prices mean that some home-owners are keen to renovate and sell for more money than they paid, while others are eager to improve their homes so they don't have to move and pay higher prices.

## Australia Well Placed For Recovery

Bank of Queensland chief executive George Frazis is optimistic the Australian economy will recover well from the impact of the coronavirus pandemic.

With \$189 billion in stimulus packages being announced by the federal government, Frazis is confident Australia can weather the economic storm. Frazis's optimism centres on the position of the Australian economy, government finances and bank balance sheets ahead of the crisis emerging.

The RBA has introduced a \$90 billion funding facility for banks and the Federal Government will guarantee 50% of unsecured bank loans of up to \$250,000 under a new scheme for small and medium businesses.

Both the Government and the Reserve Bank have shown they will do everything that's required to get us through, says Frazis. When we do get through the worst of the health crisis, the turnaround will be quite strong, he says. As some industry sectors such as hospitality and airlines close down, other industries such as banks, government agencies, mining companies, Telstra and supermarkets are looking to take on extra staff on a temporary basis.

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## Banks Ready To Defer Repayments

Australia's largest home lenders will allow eligible mortgage-holders to defer their mortgage repayments for up to six months if they are struggling to make payments due to the impacts of the coronavirus.

Unpaid interest during this time would be added on to the customer's loan balance.

Commonwealth Bank, National Australia Bank, ANZ Bank, Westpac and Macquarie are also prepared to renegotiate terms on small business loans on a temporary basis.

For those home loan borrowers who are concerned about their financial future, both the Federal Government and the Australian Banking Association have the following advice:

- All lenders have hardship teams ready to help customers in tough times.
- Talk to your lender to discuss your options.
- You may be able to change the terms of your loan, or temporarily pause or reduce your repayments.

This is called a hardship variation.

As well as deferring repayments, banks may offer other assistance by temporarily extending the term of the loan or allowing interest-only repayments.



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