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# The Week In Real Estate



## FHB Support Scheme - Round 2

The second round of the Federal Government's First Home Buyer Lending Deposit Scheme, which opened on 1 July, is helping to create strong activity from first-time buyers. The scheme gives first-home buyers the opportunity to buy a home on a 5% deposit without paying mortgage insurance, with the Government helping with the remainder of the 20% deposit by providing banks with a guarantee of up to 15%.

Of the 10,000 applications that became available from 1st January, 5,500 first home buyers are already living in their homes, says Nathan Dal Bon, chief executive of the National Housing Finance and Investment Corporation. Round one funding was most popular with buyers under the age of 30 years who accounted for 59% of the guarantees, while 12% of guarantees were given to those over 40. The scheme works in tandem with the Federal Government's coronavirus stimulus package, HomeBuilder, which offers \$25,000 to eligible homeowners building a new home. State-based first-home buyer grants and stamp duty exemptions of \$10,000–\$20,000 can also be used alongside the program.

## Quote of the Week

***"We can see that first-home inquiries are rocketing ahead across every state and capital city. There's a lot of things driving it including the absence of investors, because first-home buyers often compete with them."***

**Nerida Conisbee, chief economist, realestate.com.au**

## Homeowners End Mortgage Holidays

Many home-owners who accessed mortgage holiday programs when Covid-19 struck have returned to making full repayments on their home loans. But, for those still struggling, the major banks have announced a four-month extension of payment deferrals.

Major banks say the number of customers asking to defer their mortgage repayments fell in June, as economic conditions improved. Australian Banking Association chief executive Anna Bligh says: "Encouragingly, banks are seeing that many deferred customers are choosing to resume making loan repayments. "This is important. Returning to paying down your loan as soon as you can is better in the long run for you, your business, and the economy." Westpac's acting chief executive of consumer banking Richard Burton says many of the bank's 120,000 customers who had applied for a payment freeze have asked to resume their loan commitments before the end of the grace period. CBA says 20% of customers who had requested deferrals are now making some payments. According to NAB, 10–15% of its customers who claimed hardship have reversed decisions to defer repayments.





## Outlook Better than Expected: Deloitte

Australia's economy is in a stronger position than predicted despite the Covid-19 pandemic, says a report by Deloitte Access Economics.

The report's lead author Chris Richardson says the outcomes are "healthier and happier" than the forecasts from the Federal Treasury and the Reserve Bank, largely because consumers have spent much more than expected.

"The central bit of the economy, and the spot where the fear may have showed up the most, has actually done surprisingly well," he says.

Retail sales in May increased 5.8% on the figures from May last year. The Reserve Bank predicted consumer spending to drop by 15% between the March and June 2020 quarters, but May's strong figures suggest that this is unlikely to eventuate.

Infrastructure will be critical to the rebuilding process, with State and Federal Governments already expediting many projects to help stimulate the economy.

A key to economic recovery would be to avoid stopping JobSeeker, JobKeeper and other stimulus measures at the same time.

## HomeBuilder Scheme Heats Up

Inquiries for land from prospective homeowners have tripled since April following the announcement of the Federal Government's HomeBuilder scheme, according to data from realestate.com.au.

Developers were flooded with enquiries in June after the announcement of \$25,000 grants for new builds – enquiries about land were up by 63%.

REA director of economic research Cameron Kusher says the HomeBuilder package has proved attractive to first-home buyers and is likely to inspire many to bring forward their plans to buy.

"Surprisingly, there was pick-up in May before the scheme was announced, which suggests people were comfortable with the idea of building a home and feeling confident," Kusher says. "The cherry on the top was HomeBuilder and since then we have just seen enquiry levels go from strength to strength."

The rise in enquiry was particularly prominent in the more affordable markets. Tasmanian and West Australian projects drew the most attention, up 204% and 179% respectively while South Australia (up 99%) and Queensland (up 97%) were also popular.

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## FHBs Save Eagerly for House Deposit

First home buyers are now more hopeful of getting on to the property ladder as a result of a subdued property market, shows new research.

ING's Future Focus: Homeownership Report shows 46% of young Australians believe Covid-19 has made ownership more affordable and achievable.

Most (75%) of millennials surveyed said they aspired to own their home, including 32% who want to buy in the next two years. Record-low interest rates, a more affordable market and new government schemes were found to be among the key factors contributing to this outlook.

The survey found many millennials are managing their finances differently so they can save for a deposit more quickly.

For example:

- 59% are redirecting direct budgets towards savings.
- 37% are taking on a 'side hustle' or second job.
- 36% are moving back in with their parents.
- 50% would consider living further from the city (45km or more).
- Many more a cutting back on entertainment and recreational expenses.



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