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The Week In Real Estate

Easier Lending To Improve Credit Flow

Banks will soon be able to rely on income and expenses information provided by borrowers, under the Federal Government's changes to responsible lending guidelines. The move will speed up the credit approval process.

Treasurer Josh Frydenberg plans to abolish the responsible lending law that was imposed by the Rudd Labor government in 2009 following the American subprime loan crisis.

Mr Frydenberg says the most significant reforms to credit rules in a decade would increase the flow of credit to households and businesses, reduce red tape and strengthen protections for vulnerable consumers.

"As Australia continues to recover from the pandemic, it is more important than ever that there are no unnecessary barriers to the flow of credit to households and small businesses," he says. "By simplifying the application process for borrowers it will reduce barriers to switching between credit providers, encouraging consumers to seek a better deal."

Commonwealth Bank, ANZ, NAB and Westpac have all welcomed the changes.

Sales and Listings Rebound: CoreLogic

Consumer sentiment is rebounding while the increase in auctions has signalled a positive upturn in the housing market. Data from CoreLogic shows the number of new 'for sale' listings in the capital cities increased by 0.7% in the four weeks to 20 September. Sydney, where the number of new listings rose by 382, recorded the highest increase. Perth also enjoyed an uplift of 286. Listings in Brisbane were up by 235, Adelaide up 137, Hobart up 29 and Canberra up 25.

While transaction activity is gradually improving nationally, Perth stands out as a market primed for recovery.

For the four weeks ending 20 September, Perth and regional WA were the only dwelling markets where new listings volumes exceeded the numbers in the equivalent period of the previous year.

The results signify that vendors may be more confident in selling their property. The exceptions were Melbourne, where transaction activity is understandably constrained by stage 4 restrictions, and Darwin, where listing numbers are generally lower and more volatile.

Quote of the Week

"If requirements to assess borrowers' expenses ease, an average buyer may see a jump in their purchasing power by about $70,000."

Canstar group executive of financial services Steve Mickenbecker, commenting on the Federal Government's new lending rules.

Pandemic Creates Renovation Rush

Home-owners have been making the most of Covid-19 restrictions by renovating their homes, according to Suncorp, with the average makeover costing $63,188.

The renovations cover a range of projects, including renovating one room, improving shared living areas or making plans for a larger scale renovation to use the HomeBuilder grant. These include extensions and refreshing outdoor areas by adding a pergola, deck or swimming pool.

Suncorp executive general manager consumer lending Bruce Rush says postponed holidays or events were some factors that saw households starting renovations.

According to Suncorp's renovation calculator, kitchens are the most expensive part of the home to renovate, averaging $20,750. A bathroom upgrade costs around $16,250, while a small deck costs about $4,300.

Suncorp data shows renovations are prevalent in The Gap, Burleigh Waters, Coorparoo, Elanora and Nerang in Queensland while Kellyville, Drummoyne, Miranda, Tamworth and Ballina are among the frequently renovated locations in NSW.

Westpac Predicts November Rate Cut

An interest rate cut before the end of 2020 is likely, but not until the Federal Government hands down the Budget, according to Westpac.

Westpac chief economist Bill Evans says the Reserve Bank will want to consider the Government's full response to the coronavirus pandemic and see what economic support will be provided, before making a decision.

Westpac expects the RBA to cut the overnight cash rate 15 basis points to 0.1% alongside its other policy measures in response to the recession caused by Covid-19.

The RBA's next board meeting occurs on the same day the Federal Government will reveal its fiscal support measures for the coming year. Evans says if the RBA were to change policy settings the same day, it could detract from the Government's ability to sell the Budget.

"A central bank moving on Budget day could be interpreted by the Government and the bank itself as diverting attention away from the Budget and complicating the Government's task in selling the Budget," he says.

Houses More Popular Than Units

The Australian property market has done an about-face as the nation deals with the coronavirus, producing major shifts in the balance between first-home buyers and investors as well as a preference for houses over units.

Government homebuyer incentives and a preference for low density have seen the number of first-home buyers increase and turn away from apartments, which were traditionally the 'point of entry' into the market as well as being low maintenance.

Meanwhile, property commentator Pete Wargent of BuyersBuyers.com.au says, "Low maintenance units have often been popular with investors and non-resident buyers, but these buyer numbers are well down from their cyclical peaks. Most homebuyers are now looking at houses and in part this is a shift away from density at a time when many are seeking space."

In April 2020, a survey by MCG Quantity Surveyors revealed that investors preferred new buildings over established ones because of tax advantages, with a trend more towards lower density than higher density.