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REALTY

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The Week In Real Estate



218 Locations Pass \$1 Million

CoreLogic's inaugural Million Dollar Markets report has identified 218 markets where either house or unit median values in a suburb reached the million-dollar-mark in May 2021 compared to May 2020.

The report also highlights how the current housing market upswing has happened nationwide, with each capital city market and 'rest of state' region recording an increase in values over the last 12 months.

Eliza Owen, CoreLogic's Head of Research Australia, says Australia's housing boom has led to property value increases ranging from 5% in Melbourne to a 20.3% rise in values across Darwin, pushing a more vast range of markets up to, and beyond, the million-dollar mark.

"In the last 12 months 218 markets joined the million-dollar club, 198 of which were house markets and 20 unit markets," Owen says. "A quarter of the markets that ticked over the million-dollar median were in Sydney, with 54 suburbs seeing either house or unit median values in a suburb join the million-dollar club."

Quote of the Week

"The level of first-home buyer activity has been like nothing we've seen in a generation. Government incentives continue to support demand and it's been great to hear stories of some customers purchasing their first home earlier than expected."

NAB executive for home ownership Andy Kerr



Govt Extends Support Schemes

An extra 30,000 places are to be released to eligible applicants under the Federal Government's housing support programs. Housing Minister Michael Sukkar says the First Home Loan Deposit Scheme, New Home Guarantee program and Family Home Guarantee will be expanded from July 1.

Sukkar says 30,000 buyers have already been helped into the market via government initiatives. The current Budget will also support market access for single parents with dependants, subject to the passage of Family Home Guarantee legislation, he says.

From next month, an extra 10,000 guarantees will be made available to eligible single parent families under the scheme to build a new home or purchase an existing one with a deposit of as little as 2%. "We know how difficult it can be to buy a new home or re-enter the housing market and that saving a deposit is the hardest part of getting into home ownership," Sukkar says. The New Home Guarantee was launched last October as a temporary expansion of the First Home Loan Deposit Scheme.





Buyers Seek Larger Homes

The pandemic has driven structural change in housing patterns and one-fifth of the customers of Stockland, the country's largest listed residential developer, choose to live further out from cities than they otherwise would.

Stockland chief executive Tarun Gupta says the shift, driven by more people working from home, will last for the foreseeable future.

"Clearly there is a cohort our customers - we think it's about 20% of buyers - who would have previously bought in the middle-inner rings are now seeking larger homes in outer ring areas," says Gupta. "Because the workplace is different, people are working from home more and they are choosing to buy bigger homes further out."

Stockland, which focuses on owner-occupier buyers and lower-priced homes in the large greenfield sites it develops, is well placed to meet this demand, he says.

"Is it structural? I think for the foreseeable future we do see that continuing, that shift to master-planned communities," Gupta says.

CBA Tightens Criteria

The Commonwealth Bank has become the first of the Big Four banks to tighten home loan standards. The bank says it is changing the home loan assessment floor rate used to assess home loan applications - from 5.10% to 5.25%.

The serviceability floor rate is used by banks to judge whether borrowers can meet monthly mortgage repayments at higher interest rates. "We have taken into consideration the ongoing affordability for our customers during the life of their loan, as well as any potential changes the customer may incur," CBA says.

The lender says while it is changing the home loan assessment floor rate, the interest rate buffer used on loans will remain unchanged at 2.50%.

The bank insists that most customers applying for a home loan will not be impacted by the change. Although the switch could impact on borrowing by future home loan applicants, the bank says that 90% of customers aren't borrowing at capacity.

FHB Lending Hits Record

Lending by National Australia Bank to first-home buyers has hit a new record high, although buyer enthusiasm for regional properties has slowed compared to last year's rapid growth.

NAB says its lending to market newcomers in the first four months of the year surged 67% on 2020, with April being the peak.

It also says lending is up 9% on the final four months of 2020, when buyers started to re-enter the market in force, although lending for regional properties eased off by 4% as outer metro suburbs became the clear preference of more buyers.

Activity is also returning to inner-city apartments, where prices are relatively subdued following pandemic lockdowns last year.

NAB executive for home ownership Andy Kerr says the level of first-home buyer activity is uniquely high. But he says the demand, which has prompted the national median price to lift more than 10% in the past year, is causing problems for some aspiring home-owners.

