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Easing Values Unlikely To Trigger Recession

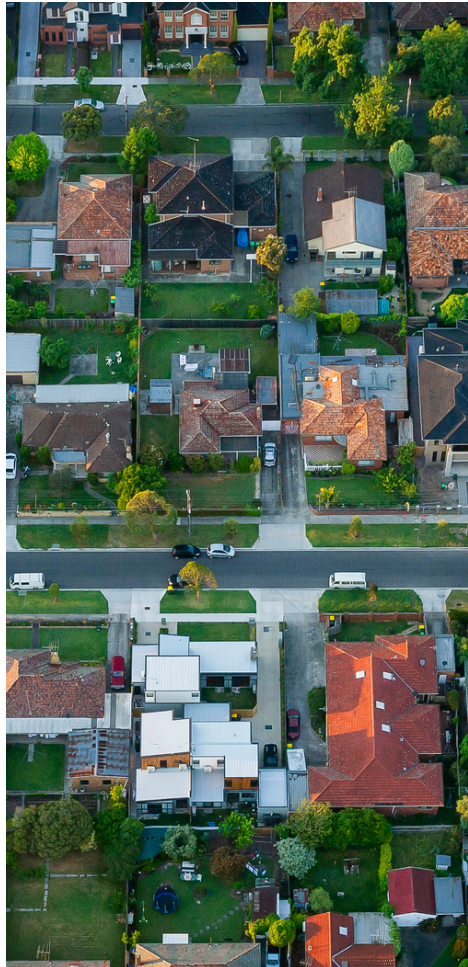
Australia's housing downturn will slow the economy, but the Reserve Bank does not expect it to push the country into recession. RBA assistant governor Sarah Hunter says falling property values and weaker housing turnover are already affecting industries such as real estate, conveyancing and removal services. The decline will also make households feel less wealthy, which may reduce spending on furniture, vehicles and other purchases.

However, Hunter expects the overall reduction in consumer spending to be relatively small. She said the slowdown would weigh on economic activity and reduce new housing construction during 2027 and 2028, but would not be enough to cause a recession given the strength elsewhere in the economy.

That view is supported by strong household balance sheets and mortgage defaults remaining below 1%, despite mortgage rates sitting at a 15-year high. The national mean dwelling price fell 0.7% to \$1.1 million during the June quarter. NSW and Victoria recorded the largest falls, while analysts expect national prices to decline about 10% from peak to trough.

The bigger concern may be the longer-term impact on housing supply. Falling prices, higher interest rates, rising construction costs and weaker investor confidence are making new developments less viable. This could deepen Australia's housing shortage and place further pressure on rents.

There is also an inflation trade-off. Weaker house prices may restrain consumer spending, helping inflation fall, but the RBA remains concerned that underlying inflation of 3.6% is too high. The downturn therefore presents an economic slowdown, not an economic collapse.



Quote Of The Week

"If you're willing to look beyond the majors, there are genuine deals on the table."

Sally Tindall,
Canstar Data
Insights
Director



Competition Creates Better Home Loan Deals

Slower mortgage demand is creating a benefit for borrowers, with mid-tier and challenger lenders cutting variable rates to win new customers. Investor lending recorded its smallest increase since February 2024, while even some fast-growing lenders experienced a noticeable slowdown.

The reduced flow of applications means lenders must compete harder for a smaller pool of borrowers. While the major banks have largely held their advertised rates, smaller banks and non-bank lenders are offering sharper pricing and more flexible options.

For buyers and refinancers, this creates an opportunity to look beyond familiar brands. A small reduction in the interest rate can produce meaningful savings over the life of a mortgage, particularly when loan balances are high.

Price is not the only consideration. Borrowers should also compare fees, offset accounts, redraw facilities, lending policies and how quickly a lender can assess an application. The cheapest advertised rate may not suit every borrower or property.

The changing market also strengthens the case for reviewing existing loans. Customers who have built equity, maintained repayments or improved their financial position may be able to negotiate with their current lender or refinance elsewhere. Housing conditions may be softer, but competition for quality borrowers remains very much alive.





Low Deposit Scheme Helps More Buyers Enter

More first-home buyers are entering the property market with smaller deposits, supported by the expanded Federal Government 5% Deposit Scheme.

Around 120,000 first-home buyer households took out a mortgage during the 2026 financial year. The proportion using the government scheme rose from about 25% before its expansion to approximately 50% afterwards.

The expanded program increased property price caps, removed income limits and eliminated place quotas. Eligible buyers can purchase with a deposit of as little as 5% without paying lenders mortgage insurance, potentially bringing home ownership forward by several years.

Saving a traditional 20% deposit can take an average-income household about six years. The scheme does not remove the need for careful budgeting. A smaller deposit means borrowing more, paying additional interest and beginning with less equity. Buyers must be confident they can manage repayments if rates or household expenses rise.

Government assistance can also add competition for affordable properties, so buyers should avoid stretching beyond a sensible limit simply because they qualify.

Used carefully, however, the scheme provides a practical pathway into ownership. It does not solve the broader affordability challenge, but it can help financially prepared buyers overcome one of the largest barriers to purchasing their first home.



Downturn Creates Opportunity For Upsizers

Falling property prices are creating an opportunity for homeowners who want to upgrade.

In many markets, higher-priced homes have fallen further than affordable properties. An owner may accept less when selling their home but secure a discount on the property they purchase.

The strategy works because the dollar saving on the upgrade can exceed the reduction on their sale. A 5% fall on an \$800,000 home represents \$40,000, while the same decline on a \$1.4 million property equals \$70,000.

Softer competition provides an advantage. Buyers have more time to conduct due diligence, negotiate conditions and avoid the aggressive bidding common during boom periods.

The approach is effective for owners selling and buying in the same market. Those selling without rebuying may prefer to wait, while anyone carrying bridging finance must consider holding costs and settlement timing.

Owners should base their decision on comparable sales rather than broad market averages. Premium properties have not declined equally, and high-quality homes can still attract strong competition.

For households with stable income, equity and a need for more space, a downturn can improve the trade-up equation. A softer market is not only about falling values; it can also change which properties are within reach.



Mortgage Broker Use Reaches New Record

Brokers arranged a record 81.6% of new residential mortgages during the June quarter, according to the Mortgage and Finance Association of Australia. Their market share has climbed from 53.9% in June 2018, an increase of 27.7 percentage points in eight years. Mortgage brokers also facilitated \$139.08 billion in new lending during the quarter. That was \$17.49 billion more than a year earlier and the highest volume recorded for any June quarter.

The result is notable because mortgage demand has softened following three interest rate increases and changes to investor taxation. Rather than reducing the role of brokers, tougher conditions appear to be encouraging borrowers to seek more assistance. With borrowing capacities under pressure and lending policies varying between institutions, a broker can compare multiple lenders and explain options that customers may not discover through their existing bank.

The figures also show a structural shift in how Australians arrange finance. Australia is now one of only three countries, alongside the United Kingdom and the Netherlands, where brokers facilitate more than 80% of residential mortgages. Borrowers should compare recommendations, understand fees and confirm any loan suits their individual circumstances. Broker growth suggests Australians increasingly value having an adviser help navigate lending choices.