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August 2020

## AUSTRALIAN PROPERTY UPDATE

### Terry's View

The notion of a September Cliff has been popular among economists and journalists, always eager to generate doomsday scenarios amid the pandemic. I wrote early in July that I thought the September Cliff theory to be nonsense because it was based on a ridiculous expectation – that the Federal Government and the major banks would suddenly switch off all support for the economy and for people on 30 September, causing (among other calamities) property prices to plunge. Since then, both the Government and the banking industry have made announcements which confirm that they intend to go on providing support including JobKeeper, JobSeeker and mortgage holidays as long as is necessary. The Cliff theory also ignored the impact of businesses reopening as restrictions ease (outside of Melbourne), the widespread stimulus measures from all levels of government and the extraordinary resilience of residential real estate. Government are fast-tracking infrastructure spending, with tens of billions being spent to generate economic activity and jobs. Before we get to 30 September, most of the chattering economists will forget they ever made their doomsday forecasts.



**Terry Ryder**

**Australia's Leading Independent  
Property Researcher**

### Home Loan Wars Heat Up

Homebuyers can now get loans at interest rates below 2%, as competition for mortgage business intensifies. A smaller lender is offering a variable-rate home loan of 1.99% (as an introductory rate) and more lenders are expected to do likewise.

In a market awash with special deals, another lender is offering \$4,000 cashbacks for health, education and emergency services workers and smaller cashbacks for others.

Sally Tindall, director of research at RateCity, says lenders are targeting people who want to refinance. The pandemic has slowed the growth in new mortgages but the number of those switching to other lenders has surged.

RBA figures show the average rate on big-four banks' variable interest rate loans to new owner-occupiers is 2.93%. The average rate for all loans - including existing customers - is 3.26%. Many of the best deals are available only to new customers who have big deposits.

The 1.99% interest rate offered by Loans.com.au is the first variable interest rate mortgage to dip below 2%. The low rate is only available for the first year, after which it reverts to 2.57%. A two-year discounted variable rate of 2.09% is also available which reverts to 2.79% later. The discounted rates are restricted to new customers with a 20% deposit.

"While mortgage holders are typically better off opting for a low ongoing rate in the long term, if they regularly refinance they could end up well ahead with these sign-on incentives," Tindall says.

The move comes after the Tasmanian customer-owned Bank of Us introduced fixed rates of 1.99%. Canstar's Steve Mickenbecker says: "Just last month we saw fixed rates crack the 2% barrier, with variable rates now following suit, albeit with an introductory rate that moves higher after 12 months."



# AUSTRALIAN PROPERTY UPDATE

## Foreign Buyer Interest Still Strong

New findings have suggested that Australia remains a hotspot for foreign investors, with buyer activity continuing to increase.

According to NAB's Residential Property Survey, the June Quarter saw higher activity from foreign buyers compared to the March quarter. "The latest NAB Australian Residential Property Survey shows that in Q2, higher activity from foreign buyers supported the market," says Juwai IQI executive chairman Georg Chmiel.

"In Victoria, the share of new property sales to foreign buyers jumped to 19.3%, the highest level on three years. That means one in five new homes sold in the state was purchased by a foreign buyer."

The average foreign buyer share of new property purchases in New South Wales is 9.1%, while it's 6.4% in Queensland and 6.3% in Western Australia."

Chmiel says Chinese buyers made 40% more inquiries on Australian real estate in the second quarter than in the first. "Chinese demand for Australian real estate was surprisingly strong in the second quarter, especially if you consider the context of a global pandemic, travel bans and lockdowns," he says.

There is expected to be growing interest from Hong Kong residents, following the recent law changes imposed by the Chinese government.

## Australia's Luxury Home Market World Leader

The luxury home market in Australia is the best-performing in the world through the pandemic crisis, according to a new report.

The Prime Global Cities Index for the June Quarter from Knight Frank, which measures top end prices in 45 cities, found five Australian cities ranked in the top 24 globally.

The Gold Coast was named Australia's top-performing region, rounding out the top 10 with 3.45% annual growth. Sydney and Perth followed at 11th and 12th, both recording 3% growth. Brisbane ranked 16th after prices rose 2.5%, with Melbourne (up 1.2%) ranked 24th.

Knight Frank's head of residential research Michelle Ciesielski says the survey recorded its worst result overall since the GFC of 2008-09, with the latest index showing the impact of the pandemic on the European and American regions.

"Our analysis by world region shows prime prices in Australasia and North America were the most resilient in the June Quarter, with Australasia the strongest performing world region in the past year," she says.

## More Assistance For FHBs

First-home buyers, who comprise one of the most active cohorts in residential real estate on the back of government incentives, are poised for more federal assistance.

The Federal Government is poised to expand its first-home buyer loan scheme ahead of the October Budget - after 40% of the 10,000 available places were filled in less than four weeks.

National Housing Finance and Investment Corporation figures show that, since 1 July, 4,076 places have been processed under the scheme, which helps applicants purchase a home with a 5% deposit.

The first phase of the scheme processed 10,000 applications between 1 January and 30 June, with 10,000 more places made available in the current financial year.

Housing Minister Michael Sukkar says the scheme had been critical in driving first-home buyer confidence. "By delivering our loan guarantees, we are helping Australians cut years off the time it takes to save a deposit," he says.

At a state level, the NSW Government has announced further concessions to eliminate stamp duty for first-home buyers.