

The Week In Real Estate



Affordability Improves Nationwide

Housing affordability improved in all states and territories in the first quarter of 2017, according to the Adelaide Bank/REIA Housing Affordability Report.

It found the proportion of median family income required to meet average loan repayments decreased by 1.3 percentage points to 30.4%.

REIA president Malcolm Gunning says the average loan size for first-home buyers decreased 3.2% in the March Quarter to \$313,433.

"It will be interesting to see the effect that stamp duty concessions announced in Victoria and NSW have on first-home buyers," he says.

"We expect more first-home buyers will enter the market. However, it will take time for any response to filter into our data as the changes don't start until 1 July."

The report also found that rental affordability improved marginally in NSW, South Australia, Western Australia and the Northern Territory.

ANZ Cuts Rates On P&I Loans

ANZ Bank has announced a five-basis-point reduction in variable interest rates for customers paying Principal & Interest (P&I) on home loans, effective 16 June.

The bank's standard variable rate for owner-occupiers is at 5.20%.

Customers with an investor loan paying P&I will receive a five-basis-point reduction on their standard variable rates.

Interest-only home loan rates for investors and owner-occupiers will increase 30 basis points, which the bank says is in response to regulatory and market conditions.

Fred Ohlsson, ANZ Group Executive Australia, says: "While we know those with interest-only loans will be disappointed, we need to manage our regulatory obligations and we're now required to hold additional capital against our home loans. We also need to better balance our portfolio towards those paying off their homes."

"There are clear benefits for customers to be paying off their loans and we have made this as easier by removing fees associated with moving from interest-only loans."



Dream Still Alive But Is Changing

A new survey shows that the Australian property dream is still within reach, but the traditional notions of home ownership are being challenged.

The survey results were published in the CommBank Connected Future Report through a partnership with CommBank and social researcher Claire Madden.

It reveals most Australians still believe obtaining property is possible, but the dream of the standalone house on land has been traded in for other housing options.

According to the report, 48% of new residential approvals in the last 12 months have been for medium- or high-density dwellings.

Seven out of 10 first-home buyers surveyed purchased a house in the last 12 months, 16% plan to build a house after buying vacant land and 15% bought a unit or townhouse.

"The remarkable insights emerging from the CommBank ATM data overall is the resilience and tenacity Aussies have in the face of economic uncertainty," Madden says.

Construction Picks Up Pace

Construction sector activity has expanded at its fastest pace in more than two-and-a-half years on the back of a pickup in apartment building and sharp increase in engineering work.

The Ai Group and HIA Performance of Construction Index (PCI) rose 4.8 points to 56.7 points in May, its fourth consecutive increase. A reading above the 50-point level indicates expansion.

Apartment building drove May's lift, with the sector's activity sub-index expanding 13.2 points - the steepest pace since November 2015.

However, house building activity weakened, returning to negative territory for the first time in five months. Engineering construction was the second strongest performing area, with its rate of growth at a nine-and-a-half-year high, on the back of increased levels of non-mining infrastructure work.

"Much of the construction industry was seeing stronger activity in May, reflecting the very high building approvals numbers we have seen of late," Ai Group Chief Economist Julie Toth says.

Quote of the Week

"While the Australian property dream looks markedly different in 2017, the majority of Australians either fully own or are paying off their home. This has remained constant over the past five decades, so despite uncertainty the Australian dream has clearly lived through time."

Social researcher Claire Madden



Lot Sizes Continue To Shrink

New data shows the Aussie backyard is shrinking, with housing affordability and population pressures prompting the rise of "micro lots" in major cities.

In the past three years the median land lot size has shrunk from 458m² (2014) to 428m² and then 407m² nationally, according to the Urban Development Institute of Australia.

In Queensland, for example, about 20% of the development market was struggling to keep pace with demand for "more affordable product", with size being traded for affordability, the UDIA State of the Land report has found.

Nearmap chief executive Rob Newman sees a clear trend in his firm's aerial imagery of how locations have changed over time, with freestanding homes now being built on blocks of less than 300m² in some cases.

"As Australia prepares for an impending population boom, strategic planning will be crucial to maintaining interconnected communities," he says.

