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MARKET INSIDER

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FINANCE NEWS

Australia's mortgage market has been almost completely reshaped by the introduction of low-interest rates. Historically, Australians have usually opted for variable mortgage rates. However, the introduction of lower-margin fixed-rate loans means that landlords and homeowners are now looking at a viable alternative to variable deals. Figures released by Canstar revealed that between 1 January 2020 and 31 December 2020, there were 6,777 cuts to home loan interest rates, with an average cut of 0.30 per cent.The Canstar database showed that lenders made 2,455 cuts to fixed rates for owner occupiers, with an average cut of 0.33 per cent, while 880 cuts were made to variable rates for owner occupiers, with an average cut of 0.21 per cent. Lenders made almost 7,000 cuts to home loan interest rates in 2020, and 535 home loan rate increases, according to data.

- Australia's housing market is buoyant at the moment. With house prices rising across the country and interest rates falling to record lows, now looks like a good time for landlords to expand their property portfolios.
- The CoreLogic Home Value Index of national home prices rose by 1.0 per cent in December. Prices were up 3.0 per cent over the year. Capital city home prices lifted 0.9 per cent. Regional home prices out-performed with prices up 1.6 per cent in December.
- Building Approvals data released by the ABS for the month of November 2020 revealed that private sector house approvals rose for the fifth consecutive month, and were at the highest recorded level (seasonally adjusted) since December 1999.
- Job ads, as measured by ANZ, rose by 9.2 per cent in December to an 18-month high.

HOME OWNERSHIP INTENTIONS DOUBLE

Home ownership continues to be a widely held aspiration in Australia, providing owners with security of housing tenure and long–term social and economic benefits.

In more recent times, there has been much public debate about the rate of home ownership and housing affordability. The number of first home buyers looking to enter the market has more than doubled since last year, according to a Westpac survey.The numbers suggest that first home buyers looking to enter the property market in the next five years has increased from 7 per cent in 2019 to 16 per cent in 2020.

The research, commissioned by Westpac and conducted online by Lonergan Research between 20 October and 2 November 2020, asked 2,088 Australians over the age of 18 their home buying intentions. It found that the number of Australian adults looking to purchase their first property before 2025 had substantially risen since COVID-19. Further, nearly half (48 per cent) of first home buyers were found to be more optimistic about entering the housing market than they were 12 months ago due to factors like house prices (38 per cent), low interest rates (24 per cent) and the opportunity to live in a new area (24 per cent).

ECONOMIC OUTLOOK

As at end of last year house prices in Australia were on the rise. Prices in Sydney and Melbourne returned to 2017 levels, while house prices in Brisbane, Adelaide, Hobart and Canberra all reached record levels in November. Some analysts predicted that the average house price in Australia would fall by up to 20% in 2020, house prices actually rose by 0.8% in November because the economy was performing well. Nevertheless, economic outlook for the country remains volatile. Importantly, A) Property owners should not rely on industry forecasts alone and B) Landlords should track the wider Australian economy to see how the country emerges from recession. This indicator could have a big impact on house hold income and property prices in 2021.

**Information within in this publication has been sourced from various publications including APRA, ABS, Corelogic, Real Estate.com.au, CBA, RBA and other reports.*

PLANNING ON BUYING YOUR FIRST HOME ? HAVE YOU GOT BANK PRE APPROVAL ?