Property Investor Special Report

2021/2

Buyers Buyers

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Data powered by RiskWise Property Research

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Housing lending rates

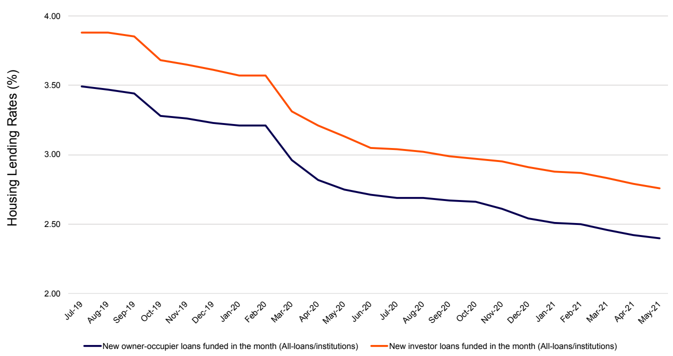

Figure 01

House lending rates

Household finances: selected ratios

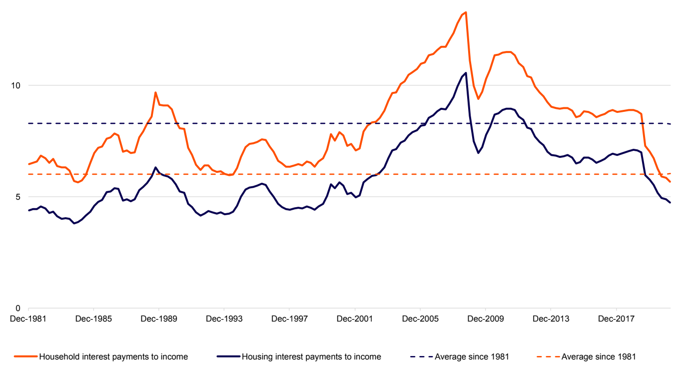

Figure 02

Interest serviceability at multi-decade highs

One of the major trends which is in evidence, both in Australia and overseas, is a 'race for space.'

Credit restrictions introduced by the market regulator APRA to cool the growth in mortgages may reduce activity at the top end of the property market, but overall demand for freestanding houses and family homes is expected to remain strong.

Demand for detached housing in outer suburban and regional locations has been running hot. On the other hand, there is far less demand for higher density living in large tower blocks with shared facilities and lifts at the present time.

Developers have recognised this and there are far fewer cranes across our inner cities now as compared to a few years earlier.

The government has encouraged first homebuyers into the market with stimulus measures for low deposit borrowers, but as prices have increased more affordable suburbs are coming sharply into focus.

We recently created a list of our Top 10 affordable suburbs in Australia, where the median suburb price is only 70 per cent of the median house price for the state's capital city.

'High rise' approvals

Figure 03

High-rise unit approvals in decline

RiskWise summary: Perth and Western Australia property markets

- Continued capital growth for owner-occupier and investors
- Perth +18% last 12 mths
- WA +15% last 12 mths
- Expecting 5% to 8% price growth over next 12 months

The most affordable capital city houses in the country are enjoying ultra-low interest rates, improved economic conditions, and strong government incentives led a strong recovery of the property market

As projected, the Western Australian housing market has recovered well with substantial increase in housing prices, with capital growth of 11 per cent for houses over the past 12 months. There has been a noticeable improvement in buyer confidence resulted in improvements in housing finance.

Perth is currently experiencing a high rate of growth in asking rents, especially for houses, with a shortage of rental properties in evidence.

Strong government support was a key driver in the improved economic conditions, improved consumer sentiment, and, finally, renewed demand for housing.

A sustained weakness in the housing market since the end of the mining boom has led to continued price reductions, which made Perth the most affordable capital city housing market in Australia with a median house price of around $550,000.

The combination of the improved economy, government incentives, the recent reductions in interest rates, (with lenders offering home loans with an interest rate below the 2 per cent mark), make Western Australia more attractive market, particularly for owner-occupiers.

For owner-occupiers with interest-only loans, ultra-low interest rates make it typically cheaper to buy than to rent a house from a cashflow perspective in all areas of Perth.

Perth housing prices are projected to only have a modest increase over the next 12 months. Nonetheless, popular areas that have shown resilience in the past 12 months, such as Inner Perth and Perth Northwest, are highly likely to enjoy stronger demand over the next 12 months.

Generous government grants are increasing the supply of new affordable houses, applying downward pressure on house prices. In addition, the demand for housing in most regional areas in Western Australia is low. In the absence of robust growth drivers and with sufficient supply of housing, the capital growth in areas such as the Wheat Belt and the WA-Outback is likely to be negative with an increasing risk level.