

# NEWS

July 2009

## Housing Affordability Continues to Improve

**While first home buyers are enjoying some of the best buying conditions seen on the real estate market for many years, astute vendors are selling up and re-buying in today's more affordable housing market, and achieving their long-awaited dream of upgrading or re-locating. Vendors are well advised to consider, with the support of a trusted professional, selling and buying in the same market and simultaneously capitalising on the lowest interest rates the nation has seen for almost 50 years.**

According to the latest Real Estate Institute of Australia (REIA) and Deposit Power Home Loan Affordability Report, Australia has experienced the highest level of 'affordable housing' in almost six years. The national proportion of family income required to meet loan repayments decreased by 3.8% from 32.4% in the December 2008 quarter to 28.6% in the March quarter, compared to 38% for the same period last year. The results are consistent with various other reports indicating a decrease in the number of mortgage holders suffering from mortgage stress.

With a 4.25% decrease in the official cash rate since September 2008, the key cash rate remains at a 49 year low of 3%. Predictions are that it could drop as low as 2%, depending on the state of the economy in coming months. Loan Market Group's Executive Director, John Kolenda, suggests that rates are expected to remain low over the short term, with the possibility of further reductions before the end of the year.

Whether entering the property market for the first time, upgrading to a bigger or better home, relocating or investing, budgeting for inevitable interest rate rises down the track is essential. Mr Kolenda also recommends trying

to consistently repay more than the required minimum payment while rates are low, rather than succumbing to the temptation to increase household spending.

While a changing economy can create fear and subsequent inaction, this is not always the best approach. An objective assessment of past performances at various stages of the property cycle, along with a good understanding of today's property market, facilitates proactive property transactions in what is an exceptionally resilient Australian property market. According to RP Data, US housing prices fell 11.5% in the year to March 2009, while Australian housing values are just 2.5% (\$11,800) lower than the peak experienced in February 2008, and have increased by 1.6% in the March quarter. Auction clearance rates have improved substantially since the beginning of the year, with Melbourne achieving around 80% compared to 60% during 2008.

In a nutshell, both buyers and sellers are advised to obtain as clear a picture of the property market as possible for capitalising on current opportunities. Given the sheer amount of available information, that's easier said than done! A free, no-obligation discussion with your Professionals agent will arm you with the right information in layman's terms to enable you to make the most informed decision.

**Quick Tip** Accurate pricing is very important when it is time to sell your home. Over pricing can lead to the property staying on the market for a long time, making it appear stale or flawed.



# FIRST HOME BUYERS, DID YOU KNOW...



Most of us are well aware of the Federal Government's First Home Buyers' Grant and the associated boost which has been extended for a limited time, but are you aware of the additional state specific government assistance that can slash thousands off the cost of your first home? Each state has different grants, incentives and concessions available to eligible purchasers on top of the first home buyers grant. For example:

**Victoria:** The Victorian Government recently announced a change to the First Home Bonus (as opposed to the First Home Buyer Grant) from July 1st, 2009. It provides eligible first home buyers with a payment of \$2,000 for established

homes or \$11,000 for new homes valued up to \$600,000. Prior to the bonus, figures were at \$3,000 for established homes and \$5,000 for new homes.

**New South Wales:** Eligible first home buyers purchasing a newly constructed home or building their first home receive \$3,000 through The New Home Buyers' Supplement. Under the First Home Plus Scheme, eligible first home buyers receive stamp duty exemptions on homes valued up to \$500,000 and stamp duty concessions on homes valued between \$500,000 and \$600,000. Eligible buyers purchasing a vacant block on which to build their first home do not pay duty on vacant land valued up to \$300,000, and receive concessions on stamp duty on vacant land valued between \$300,000 and \$450,000.

**Queensland:** First home buyers purchasing a home valued up to \$500,000 do not have to pay mortgage duty. They can also benefit from transfer stamp duty concessions that can save them up to \$8,750 on transfer stamp duty costs.

For further information on your entitlements, along with eligibility requirements, see [www.firsthomebuyers.net.au](http://www.firsthomebuyers.net.au). Be aware that incentives are time sensitive and do change, so keep abreast of your entitlements.

## WHAT'S MY HOME WORTH?

The answer to this question is ultimately whatever the market is prepared to pay. However, one does need a starting point which can be influenced by a whole range of factors. These include:

- The current state of the property market and at which stage in the cycle you are looking to sell
- Interest rates
- The location of the property and its proximity to desirable features
- Previous sale prices of similar homes in your area
- Its condition and overall presentation
- The type of property, whether house or unit
- The value of property, whether high or lower end

There are plenty of things you can do to get a rough idea of your home's value, such as checking real estate websites for similar, recently sold properties in your area and attending local auctions. However, given our attachment to our home and often view it through rose coloured glasses, it is difficult to make an objective assessment that factors in the numerous variables.

Your local Professionals agent, whose daily job it is to facilitate purchases and sales in your area, knows the local marketplace, its previous history through all manner of property cycles, its probable future trends, and its people. For a private, no-obligation discussion to help you arrive at a realistic value of your home's worth, see your local Professionals agent.



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