

Australian Residential Market Update

June 2022

Three trends currently shaping the Australian residential property market

After almost a decade, Australia has voted for a change in government

Anthony Albanese was sworn in as Australia's 31st prime minister on 23 May after the Labor Party won the 2022 federal election, and enough seats to gain outright majority in the House of Representatives.

Each financial year, the Albanese Labor Government have committed to help 10,000 Australians into home ownership sooner with a *Help to Buy* shared equity scheme.

It is proposed eligible home buyers will need a minimum deposit of 2%, with an equity contribution from the Federal Government of up to (a maximum) 40% of the purchase price of a new home, and up to (a maximum) 30% of the purchase price for an existing home. It has been suggested homebuyers will not be required to pay rent on the stake of the home held by

the Federal Government.

As an example, a homebuyer in Sydney, buying at the maximum price cap of \$950,000 with 40% equity, monthly mortgage repayments would be approximately \$1,600 cheaper. For a homebuyer in regional Queensland, buying at the maximum price cap of \$500,000 with 40% equity, monthly mortgage repayments would be cheaper by approximately \$850. Similar schemes are already operating in several states including Western Australia and Victoria.

Homebuyers are also likely to avoid the need to pay Lenders Mortgage Insurance on their home loan, which can potentially be more than \$30,000 depending on the location of the property. During the loan period, the homebuyer can buy an additional stake in the home when they are able to do so. The minimum stake that a

homebuyer can opt to purchase at any one time is 5%.

To recover the outlay in this *Help to Buy* scheme, Labor has proposed doubling foreign investment screening fees and financial penalties from July 2022.

Australian economy expected to continue expanding in 2022 at an above trend pace of more than 3%, before growth moderates in 2023

Real gross domestic product (GDP) rose by 0.8% in the March 2022 quarter (3.3% annual growth), slightly stronger than expectations of 0.7% growth. This result was driven by the strength in consumer and government spending.

In the first quarter of 2022, government expenditure was up 2.7%, household consumption rose by 1.5% (4.0% annually) whilst the household savings ratio fell from 13.4%, to 11.4%. Private

investment increased by 0.5% (2.7% growth over the past year) although dwelling investment fell by 1.0% (but was up 5.3% annually). This was despite a solid pipeline, with a shortage of labour and materials dragging activity for both dwelling and non-dwelling construction.

At the state level, Victoria recorded the strongest economic growth over the last quarter, with state final demand (SFD) rising by 2.4% on the back of large increases to household spending.

In both Western Australia and the Northern Territory, SFD grew by 2.2%, 1.7% was recorded in the Australian Capital Territory, 1.2% in New South Wales, 0.8% in both Queensland and South Australia, whilst Tasmania contracted by 0.6%.

Cost to build a new home across Australia reaches record-high

As the blocked supply chain and labour market shortages continue to impact the construction of new homes across the country, data from Australian Bureau of Statistics (ABS) indicates the cost of building a new home increased by a record-high \$76,715 in the year to April 2022.

Compared to one year ago, the cost increase has pushed the average value of Australian new homes approved beyond \$400,000 for the first time.

This has amplified the pressure already mounting for home builders—in particular, those which have committed to a fixed-price contract—with several builders going into administration in recent months.

Higher construction costs are impacting demand with total private sector residential dwelling approvals falling by 2.4% in the month of April 2022. Private sector houses rose by 0.5%, while private sector dwellings excluding houses fell by 6.1%.

According to the ABS, by state, the number of dwelling approvals fell in New South Wales (-6.8%), Queensland (-4.5%) and Western Australia (-0.3%), in seasonally adjusted terms. Dwelling approvals increased in South Australia (50.3%), Tasmania (10.6%) and Victoria (7.8%).

Approvals for private sector houses rose in South Australia (7.7%) and Queensland (6.2%) but fell in New South Wales (-3.6%), Victoria (-0.9%) and Western Australia (-0.2%).

AUSTRALIAN DWELLINGS as at 31 MAY 2022

CAPITAL VALUES MoM	-0.1%	NEW LISTINGS Rolling 28 day count YoY	-2.4%
CAPITAL VALUES QoQ	1.1%	TOTAL LISTINGS Rolling 28 day count YoY	-10.3%
CAPITAL VALUES YoY	14.1%	AUCTION CLEARANCE RATE [Total Auctions]	59.3% [3,226]

Source: Knight Frank Research, CoreLogic, Hedonic Home Value Index

Please get in touch with us

If you are looking to buy, sell or would just like some property advice, we would love to hear from you.



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