THE MORTGAGE MONTHLY

RESIDENTIAL

A living room with a fireplace and white furniture

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Cash Rate Update | held at 4.10%

**Borrowers managing the fixed-rate mortgage cliff**

The fixed-rate mortgage cliff was expected to hit borrowers hard, but according to research so far from CoreLogic, there has been no data to suggest mortgage holders are being forced to sell.

CoreLogic estimated that 1.3 million home loans are expected to move from low fixed rates to high variable rates in 2023 and 2024, with the peak to hit in the second half of this year. Now that we’ve reached the peak period, it seems borrowers are handling the higher costs.

The latest quarterly data from APRA shows housing credit in arrears is extremely low at 1.2% of outstanding debt – where ‘arrears’ means late payments. Although total housing repayments in arrears has increased from a recent low of 1% in the September quarter of 2022, it still remains below pre-pandemic levels at 1.6% in the March quarter.

CoreLogic Head of Research Eliza Owen said that despite payment in arrears being below average, new listing counts increased 2.8%, or by around 912 listings, through July. “This was an unusual trend, because new listings have historically trended lower through July, amid a seasonal winter slowdown,” Ms Owen said. “For the past five years, new listings have moved -3.6% lower from June to July.”

“The trend has been especially notable in Sydney where new listings have moved 7.6% higher through the month, and in Melbourne where new listings moved 8.6% higher.” Ms Owen said while the rise in new listings could be partially attributed to more motivated selling, there could be other reasons for an out-of-season surge in new listings.

“New listings activity has often been led by a rise in home values and better selling conditions, with every 1% increase in home values annually translating to an average uplift of half a per cent in new listings,” she said.

“With home values rising for the past five months, this may be prompting more selling decisions that did not take place when the market was in decline last spring.” She noted some prospective sellers may be looking to get ahead of the spring selling season when competition is likely to be more intense. “The addition of new listings to the market are not necessarily a sign that higher mortgage costs are creating forced selling conditions,” she said.

“Overall, it seems official data on mortgage stress has not seen a blow out in arrears amid the expiry of low fixed-term loans.

“As home values rise, the risk of default also remains low.

“The good news for mortgage holders is that this period of economic slowdown will also take the RBA closer to its long-term inflation target, which could be the impetus for a reduction in the cash rate in the second half of 2024, as predicted by most major banks.”

A cross-section of a street with houses

Description automatically generated**New listings on the rise as spring selling season gets underway**

Vendors are getting more confident, as the number of new listings coming to market is on the rise, according to CoreLogic. Traditionally, the winter months see listings slow down. However, this year vendors have been active, and properties are coming back onto the market sooner.

According to CoreLogic, new listings have risen by 13.2% through the winter season, driven by a 17.9% rise across the capital cities compared with a 4.6% rise in the flow of new listings across the combined regional areas of the country. Most of the broad regions of Australia are recording a rise in the number of fresh listings coming to market, but the lift is generally from a low base and driven by the capital cities.

Compared to the same period a year ago, new listings are up 1.5% across the combined capitals but down 11.7% across the combined regional markets. Australia’s two largest cities have seen most of the new flow of listings with Sydney (+10.9%), Melbourne (+9.7%) and the ACT (+2.4%) all recording higher new stock. However, the smaller capital cities could be about to experience more stock with the level of agent activity rising.

Over the month of July, the number of pre-listing reports generated by real estate agents has been tracking higher than a year ago and well above pre-COVID levels according to CoreLogic. Agent activity is 14.8% higher than at the same time last year, 10% higher than in 2021 and 31% above levels in 2019.

Despite advertised stock levels being the lowest relative to average levels in WA, SA and Queensland, these are the states where real estate agent activity has increased the most over the past month, signalling a potential rise in fresh listings.

Activity from real estate agents was 7.5% higher over the past month in WA, 5.7% higher across SA and up 5.4% in Queensland. Tasmania, where stock levels are already elevated, has also seen a substantial rise in real estate agent activity over the past four weeks, lifting 6.1%.

The two largest states, NSW and Victoria, where listings have been higher relative to the five-year average, have seen a smaller rise. This probably reflects an earlier rise in activity, as seen in the sharp lift in new listings since early July.

CoreLogic Asia Pacific Research Director, Tim Lawless, said the spring season is shaping up to be a busy one, making up for the relatively sedate spring and early summer selling season last year.

“Through the recent recovery phase to-date, low available supply levels have been the key factor supporting value growth,” Mr Lawless said. “A rise in stock levels could signal a further easing in the pace of capital gains across Australian housing markets as buyers benefit from a broader selection of available housing.”

**Staging your home for a quick spring sale**

With the spring selling season officially underway, vendors are busy preparing their homes to achieve the best possible sale result. When it comes to presenting your home, spending more money doesn’t necessarily mean you’ll get a better outcome. In many instances, focusing on the basics can make a big impact and make your home more appealing to prospective buyers. With a few strategic changes, your property photos can look great, and the space will also be far more inviting. Here are some ways to better stage your home:

**De-clutter your space**

There’s no doubt when it comes to selling your home that less is more. Decluttering is a great way to make your home feel larger and cleaner. Dispose of or donate items that won't accompany you to your new home. It’s also worth considering storing personal items temporarily to establish a more neutral setting for potential buyers. This means putting away personal photos, removing fridge artwork and tidying letters and bills. Even toiletries and clothing can be neatly stowed in cupboards or drawers.

Decluttering doesn't just create a sense of space; it allows potential buyers to see their own lives and belongings in their potential new home.

**Clean up**

After decluttering, it's vital that your property is clean so it presents as well as it possibly can. Beyond tidying and vacuuming, this involves doing some work in your outdoor area or garden. So, things like trimming hedges, clearing pathways, and even laying mulch or pebbles in garden beds can enhance the house’s appearance.

If your home has any smells or odours, now is the time to sort that out. You should also focus on organising cupboards – especially in the kitchen and laundry areas – as prospective buyers will likely want to examine the storage situation. It’s also worth addressing any carpet stains or discoloured curtains that might not look aesthetically pleasing.

**Fresh paint**

While your personal taste may favour a bright feature wall, it might not resonate with potential buyers. Always opt for neutral paint colours – such as whites, creams, and light greys – to create a clean, appealing look. Neutral tones also help conceal scuff marks and minor imperfections. Don't shy away from repainting cupboard doors or tiles to give your kitchen and bathroom a modern feel if you don’t have the budget to update them.

**Invest in new décor**

Instead of renovating the entire property, you can look to make small changes to the décor, while avoiding over-cluttering the space. Subtle touches work wonders and are also cost-effective. Including a statement rug or hall runner, some pillows or throws and even some new artwork or flowers can really make your home stand out.

**Create a welcoming ambience**

For the actual home open, focus on crafting a warm and inviting atmosphere. You can try using some inviting scents through scented candles or fresh flowers. It’s also worth using some soft ambient lighting that complements the space. It can be useful to think about the season and adapt accordingly. On warmer days, use your fans or air conditioning, while cooler days can be made cosier with a lit fireplace if available.

A couch in a room

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A person holding a pen and writing on a paper

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**How to effectively negotiate with a real estate agent**

With spring here and buyers and sellers preparing to get active, it’s important that new buyers know how to effectively negotiate with real estate agents. Buyers need to realise that sales agents are there working for the vendor. So, it’s important that they are prepared for negotiating with the agent. Here are some things you can do to help your position.

**Be financially prepared**

Being confident at the negotiation starts with having a solid understanding of your own financial situation. This means knowing how much you can afford, which should be determined through discussions with your mortgage broker. Obtaining pre-approval before you even start your property search is a strategic move that you can use to help your negotiations.

**Gather information and research**

Knowledge is power when it comes to negotiation. Make sure you have a clear understanding of what your target property is actually worth. Conduct your own research by checking comparable sales in the area over the past few months. Also take a look at the property's background, the state of the local market and any pertinent factors that could impact its price.

**Understand the seller's motivations**

Being aware of the seller's motivations can give you an advantage in negotiations. Talk to the real estate agent to learn about the seller's circumstances. Why are they selling? Have they already purchased another property? How long have they owned the house? The more you know, the better you can position an offer.

**Define your goals**

When entering into a negotiation, it’s important that you set clear boundaries and objectives. You should establish the maximum price you're willing to pay for the property, however, keep this information confidential. You should also work out what terms you’re prepared to offer and then work towards achieving the best outcome.

**Make confident offers**

Confidence is your ally when making an offer. Clearly present your offer and provide well-reasoned justifications backed by your research. Be assertive yet respectful in your approach and be prepared to compromise if needed.

**Stay calm**

Negotiations can become intense, but maintaining a positive and composed demeanour is crucial. Avoid building too much of an emotional attachment to the property, as this can put you at a disadvantage. If you set your goals and know what you are prepared to spend beforehand, then you can be confident.

**Recognise when to step back**

Knowing when to walk away is vital in any type of negotiation. More often than not, the party that needs the deal the least will likely be the one who has the stronger position. If the negotiations push the price beyond your limit, it's okay to step away. Not every property is meant to be, and there will be other opportunities.

**Is it worth leasing a motorbike?**

When purchasing a new car, you’re going to be faced with various financing options for buying the vehicle. Typically, most people will be looking at either a car or personal loan. The distinction between these loan types is small but important. Normally, car loans are secured by the car itself, while personal loans can be used on a range of different things and are unsecured. While the details are subtle, there are some important factors that you will need to weigh up when comparing your options.

**The pros of car loans**

**Lower interest rates:** The main advantage of a secured car loan is that they will normally attract a lower interest rate. Because these loans are secured against the vehicle itself, lenders can offer reduced rates as this represents less risk to them in the event of a default.

**Higher borrowing capacity:** The secured nature of a car loan means you might be able to borrow more than you would with a personal loan.

**Fixed rates:** With car loans, you can usually get a fixed interest rate which might offer additional security for the borrower. However, it’s important to note that if you want to pay out your car loan early, there might be fees involved with a fixed-rate loan product.

**Features:** Car loans can also have additional features like balloon payments, which are a great way to keep your repayments lower early on if you are looking at eventually upgrading or selling the car at the end of your loan period.

**The cons of car loans**

**Car age restrictions:** Some car loans, particularly those secured against the vehicle, may impose limitations on the age of the car. This restriction could impact the maximum age of the vehicle you’re able to purchase.

**The pros of personal loans**

**Flexibility:** If you're looking to buy a classic or vintage car, a personal loan could offer more flexibility and allow you to choose from a wider range of vehicles.

**The cons of personal loans**

**Higher interest rates:** Personal loans, especially unsecured ones, will generally attract higher interest rates. These rates can be significantly more than those offered with secured car loans and are often related to your credit history.

A person holding a steering wheel

Description automatically generated**Limited loan amounts:** Depending on the loan's purpose and security, personal loans might be capped at around $10,000. This might not be enough for many types of cars.

This is general information only and is subject to change at any given time.

Your complete financial situation will need to be assessed before acceptance of any proposal or product.