



In this issue:

- Changes for first home buyers in 2023
- Stay or sell? The science behind big decisions
- Property's surprising results in Q1 of 2023
- Is now the time to buy a home?

CHANGES FOR FIRST HOME BUYERS IN 2023

The Federal Budget was handed down at the start of the month and it contains good news for some first home buyers.

In particular, the First Home Guarantee is set to be expanded, with the potential to make buying their first home a more achievable goal for many Australians.

What is the First Home Guarantee?

The First Home Guarantee is part of an Australian Government initiative called the Home Guarantee Scheme (HGS). This initiative was designed to help eligible first-home buyers purchase a home sooner.

In basic terms, the First Home Guarantee allows eligible recipients to purchase a home with a deposit significantly below the usual 20% that is expected. In order to allow this, the government goes guarantor and provides the funds to make up the 20% deposit.

If you're eligible, you can buy with a 5% deposit. The government will guarantee the other 15%.

There are now 35,000 places available each year for eligible applicants. A further 10,000 places will be available under the Regional First Home Buyer Guarantee until June 30, 2025.

Restrictions apply; for example you can't spend over \$900,000 if you're buying a home in Sydney. Other cities are limited to between \$800,000 and \$600,000.

The changes

In acknowledgment of current challenges around housing affordability, the Federal Budget included extensions to the eligibility requirements for the First Home Guarantee. Going forward, instead of the guarantee being limited to individuals and couples, siblings and friends who wish to make their first home purchase together may do so.

The other change will allow Australian permanent residents as well as citizens to apply for the First Home Guarantee.

Finally, it was announced in the May budget that buyers who have previously owned a home may be allowed to apply, as long as it has been ten years or more since they last had a property.

The following eligibility criteria for the First Home Guarantee still apply:

- You must be at least 18 years of age
- You must be earning up to \$125,000 for individuals or \$200,000 for couples, as shown on the Notice of Assessment (issued by the Australian Taxation Office)
- You must intend to be owner-occupiers of the purchased property
- You must be first home buyers who have not previously owned or had an interest in a property in Australia

The Federal Budget also announced 5,000 guarantees each year from 1 July 2022 to 30 June 2025 to expand the Family Home Guarantee. This scheme helps eligible single parents to buy their first home or to re-enter the housing market with a deposit of as little as two per cent.

Why the changes?

Housing costs have risen to the point where saving for a deposit can take up to ten years, even if you have the means to pay off a mortgage. However, home ownership is still a goal and a wealth-building strategy for many Australians and the government wants to support their efforts.

Housing Minister Julie Collins told the ABC, "We know friends and family members are already teaming up to secure their own place to call home. Our actions will allow them to access vital assistance, just as couples have been able to previously."

How do I know if I'm eligible?

The NHFIC website offers an eligibility tool so you can see if you are eligible for the First Home Guarantee now or in the next financial year.

It's also a good idea to have a discussion with your accountant, real estate agent and mortgage broker so you can figure out what you can afford in terms of a home loan.

Ready to buy your first home? Get in touch with your local Professionals office today.



STAY OR SELL? THE SCIENCE BEHIND BIG DECISIONS

Deciding to sell your home is a big call and not always an easy one to make because of the factors and variables involved.

Sometimes you love your home but you know it has become too small or too difficult to maintain. In other circumstances, you might feel like the costs involved with home ownership are overwhelming. You may also find yourself considering a sale because you have had a big life change like a separation and you could do with a fresh start.

If you're sitting on the fence about selling your home, here is some information about making big choices that might help you figure out what to do.

Decision-making statistics

Economist Steven D Levitt conducted a major study into the outcome of people's decisions. *Heads or Tails: The Impact of a Coin Toss on Major Life Decisions and Subsequent Happiness* was published in *The Review of Economic Studies*; it found that people who go with change are more satisfied with their decision.

To test this, Levitt had over 22 thousand participants toss a coin to decide whether or not to make a major change in their lives. He found that those who had the coin tell them to make the change were statistically more likely to be happier with the outcome than those who made no change.

Levitt's study brought him to the conclusion that "people may be excessively cautious when facing life-changing choices."

If you're going by this research, always choose change. Statistically, it will make you happier in the long run. You don't have to apply this to selling your house, it can also be related to looking for a new job or relocating to a new city.

What other experts say

In an interview with the Guardian, Psychology Professor Laurence Alison said, "In many ways, we're wired to want to retain the status quo, to play safe. These big life decisions are unusual events in our lives. We don't have much to compare them to, so we lack expertise – and the easy thing is to be risk-averse and stick with what we've got."

Alison calls this 'decision inertia', and it matches Levitt's findings by showing that people fail to change because of fear, when they probably should have taken a leap that would have improved their lives.

Should you sell your home?

Science says change makes people happier, but is the experience of other people enough to make your mind up when it comes to selling your home?

The truth is that every situation is different, and you need to review your options from every angle. Think about you:

- Long term goals in terms of lifestyle and work
- Current and future financial situation
- Family and what's best for the children
- Ability to adapt to a new environment
- Potential to renovate instead of relocating (as well as the costs and time involved)
- Commute to and from the office

Other factors that will influence your decision to sell your home include the liveability of the area you're in vs a new area and the distance you're comfortable with when it comes to being near family and friends.

Finally, any expert on decision-making will tell you to do your sums and then seek advice. Talk to a real estate agent about what you hope to get out of your property sale and whether you will be able to find a new home that suits you within your price range. This will help you decide if that big step makes sense for you and your family.

Talk to your local Professionals agent for advice on whether to sell your home in 2023.



PROPERTY'S SURPRISING RESULTS IN Q1 OF 2023

The Australian property market has been defying expectations in a number of different ways for the past few years.

During the pandemic, forecast downturns instead became higher-than-ever growth periods. In 2022, national average values stalled as many cities and neighbourhoods saw a 'correction' following dramatic increases.

In 2023, average home value performance is going against what many forecasters have predicted.

The housing market in early 2023

Despite initial concerns surrounding the impact of interest rate increases on the property market, the housing sector displayed resilience in the first start of 2023.

The total falls recorded between May 2022 and the start of 2023 were around 9 per cent. However, data showed the average value of an Australian home increased by 1 per cent during the first quarter of this year.

Experts credit a few factors for the downward trend starting to reverse:

- **High demand and low stock:** CoreLogic says a recent surge in overseas buyers has driven demand up. Meanwhile, there is limited stock on the market, which is keeping conditions in favour of sellers.
- **Confidence around interest rates:** The Reserve Bank increased interest rates several times in succession last year. At the start of the year, some buyers either took a chance on them not going much higher or decided to lock in with a fixed rate to insure themselves against further rises.

While another rate rise was announced in May, there are some signs that inflation is dropping, which may see rates steady out towards the end of the year.

- **Wage growth:** propertyupdates.com.au credits wage growth as another factor that is encouraging buyers into the market.
- **Government incentives:** In NSW, home buyers have been given the choice to pay either upfront stamp duty or ongoing land tax, which has reduced the cost of getting into the market. Other incentives include the First Home Guarantee, which makes it possible for some people to buy with a 5 per

cent deposit, and the Regional First Home Buyer Guarantee, which is helping buyers to get their foot on the property ladder outside of city areas.

- **Regional markets:** The regional market experienced growth during the pandemic as Aussies left cities in favour of working from home in a country town or regional centre. This trend has yet to subside, with CoreLogic reporting a continued rise across all regional areas except for Victoria and NSW. This has contributed to Australia's property market holding steady at the start of this year.

What's next for property in Australia?

According to the Director of Research at CoreLogic, Tim Lawless, there is a perception that the property market has bottomed out.

At propertyupdate.com.au, forecasters are saying the market is working through the cycles driven by outside forces like interest rates and inflation. They also point out that the downturns after a boom like was seen during the pandemic have historically been small, so there are no surprises that the market is moving towards recovery.

If you're trying to decide what to do about property this year, it's great to know about average values but you also need to understand what's going on where you plan to sell and where you hope to buy. This will help you make a decision based on localised information as well as your own plans for the future.

Ready to buy or sell? Contact your local Professionals office today.



IS NOW THE TIME TO BUY A HOME?

The property market has been a hot topic this year due to rising interest rates, low availability of stock for sale and a shortage of rental properties.

If you're thinking of buying between now and Christmas, here are some tips and insights to factor into your decision (keeping in mind that every area has its own property profile and you need to make a plan that matches your personal goals).

Conflicting factors are influencing outcomes

There's no denying that rising interest rates have added to the cost of a home loan in Australia. This is limiting the amount buyers can spend.

However, stock on the market is also limited. With overseas and interstate buyers active in many parts of Australia, there is still demand in popular and growing areas. This means buyers are being encouraged to keep their offers competitive.

During the height of the pandemic, bidding wars took place and prices jumped stratospherically. This year, there is less urgency when it comes to making an offer, but sellers are still generally finding there is enough interest to hold out for a price they are comfortable with.

It's a great time to invest

Meanwhile, the country is still in the grips of widespread rental property shortages. In early May, reports pointed out that average rental prices across Australia's capital cities have gone up by 11.7 per cent over the last year, which is a record-breaking jump.

As a buyer, if you're thinking of 'rentvesting' and purchasing a home or unit for someone else to live in, or expanding your portfolio, it's more than likely you will have no trouble finding a tenant and be able to generate strong yield, especially if you enlist the help of a reliable property manager.

Incoming buyer incentives

As a first home buyer, you may find 2023 gives you the chance you have been waiting for to make a purchase.

The Federal Government's May Budget announced an expansion to the First Home Buyer Guarantee. This incentive has the government act as guarantor for some first home buyers, reducing the need for a 20 per cent deposit.

The initiative will be expanded to include siblings and friends who are buying their first home together.

If you're eligible for the guarantee, it may make sense to team up with people who can buy with you. Make sure you have a detailed agreement in writing before you take this step.

Property is a long game

Forecasts and property sale results are very mixed at the moment.

With interest rates and the cost of living continuing to rise, there is talk of a 'fixed rate cliff', which will see a rush of people selling around spring this year because their home loan repayments have become unaffordable. If the market does experience a surplus of stock, prices will begin to fall.

As a buyer, the risk is that you make a purchase in a falling market. However, you may also have the opportunity to score a bargain. To add to this, market falls in Australia are historically very short-lived. Once interest rates stabilise, it's likely prices will begin to rise again.

If you are thinking about buying in 2023, aim to do so with a long game in mind. If you have a clear strategy and can hold onto the property, you should find you make a worthwhile investment. Speak to your accountant, mortgage broker and local Professionals real estate agent to make a plan that suits your goals.

Ready to make your move in the real estate market? Contact your local Professionals representative today.



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