PRONEWS

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WILL SYDNEY'S PROPERTY MARKET SLOWDOWN AMID LOCKDOWN?

The Australian property market has had an exceptionally strong run in 2021, but could Sydney's latest lockdown see its bubble burst?

Sydney has been the fastest-growing major market in the country for the calendar year so far, with property prices up by 8.2 per cent in the last quarter and 15 per cent in the last year, according to CoreLogic data.

A combination of record low interest rates, government stimulus and strong buyer demand has helped drive dramatic price increases in Sydney, and across much of the country, but many have speculated that price rises will start to slow down soon.

So, could the latest lockdown in Sydney give buyers the reprieve they've been looking for?

What effect will lockdown have?

While some people may be hoping that a lockdown is a time to snare a bargain, previous lockdowns have shown that that is unlikely to be the case.

An analysis by CoreLogic has found that while you may get a drop in buyer demand during a lockdown period, there is also a drop in supply as sellers hold out on putting their homes on the market to see how things pan out.

So while transaction activity does tend to slow, property prices remain stable. Previous lockdowns have also demonstrated that the market likes to play 'catch-up' when restrictions ease.

Previous lockdowns have had government stimulus and institutional support that has also helped the property market remain resilient, and it's hoped that the financial packages currently on offer from the federal and state governments will be helpful again in this regard, along with relief deals offered by Australia's major banks.

What should buyers and sellers do during a lockdown?

If you're a buyer then one of the biggest issues you might face is the ability to view properties that are for sale. Properties may still be snatched up quickly in lockdown periods so if you can't view a property in person when you need to then of course there is a chance you could miss out on it.

If you feel confident making a purchase sight unseen however then don't hesitate to get the agent to offer a video walkthrough of the property or find other ways to do your due diligence before making any offers.

For sellers, you will need to decide whether to continue with a property sale during lockdown or hold off until restrictions have eased. It's best to discuss this with your listing agent as to the best options for your particular situation.

If a property has a lot of interested buyers lined up then postponing its sale may not be necessary, but every property is different and it may depend also on how quickly you want the sale to take place.

THINGS TO CONSIDER BEFORE DEFERRING YOUR HOME LOAN

Australia's major banks have put up their hands to offer support to customers affected by recent lockdowns across the country, with eligible home loan customers being offered the option of temporarily deferring their payments.

But is deferring home loan payments a good idea?

For households facing financial hardships during this difficult time, the ability to put a temporary pause on their mortgages will come as a welcome relief, however there are drawbacks to pausing a mortgage that are worth keeping in mind.

What are the ramifications of pausing your loan?

Pausing mortgage payments may help you in the short term, but they can end up being quite costly in the long run.

That's because interest will still accrue on the principal amount of the loan during the deferral period, meaning the total amount of money you owe the bank will increase.

Your regular repayments will then also be increased when your lender recalculates how much you owe them when you return to making payments again.

In some cases your lender may use any available redraw to make your repayments, so if you think you'll want access to this money you'll need to consider this before pausing your repayments.

Another thing to note is that a payment break on your home loan may show up on your credit score.

Other options that will help you cut back on spending

If you've decided not to pause your mortgage but are looking at ways to trim your monthly bills then the below may be worth considering instead:

- Ask your lender if they can lower your rate - If you haven't recently then you may want to talk to your lender about the possibility of dropping your interest rate, you might be surprised at what they can offer you.
- Switch lenders - Sometimes it pays to shop around. There are a lot of competitive home loan deals available at present and if you can find a cheaper loan it may help you cut your costs significantly.
- Access available funds - if you're ahead on mortgage payments then you may have funds you can access through your redraw account or an offset transaction account.
- Switch to minimum payments - Check what your minimum repayments are. If you are paying more than you need to then you may be able to reduce the amount you're currently paying.
- Ask to pay a reduced amount - Rather than stopping payments completely it might be worth asking about paying a reduced amount, of even interest only. This will have less of a long-term impact than paying nothing at all.
- Get professional financial advice - Everybody's situation is different so for the best advice it's best to talk to a professional who can help you make financial decisions that will work for you both now and in the future.

WHAT HAPPENS AT THE END OF THE NRAS PERIOD FOR TENANTS?

The federally funded National Rental Affordability Scheme (NRAS) has been a major boost for tenants since its introduction in 2008, however as the incentive starts to come to an end some tenants have been left wondering where they will stand.

For those who haven't heard of it before, the scheme was introduced as a way to provide affordable housing for renters, offering rental properties for at least 20 per cent below market rates.

While it has been a great option for those who have met eligibility requirements, the scheme was officially axed in 2014 and has now closed to new entrants. Those who took up the scheme have access to it for a 10-year period, with no properties to be left in the scheme by mid-2026.

So, what happens when the NRAS period expires at my rental?

You may be advised that the NRAS period on your rental property is coming to an end soon, however it's worth keeping in mind that nothing will change until the end of your lease agreement. Rent cannot be increased during a fixed term lease.

Is there a chance that rent will go up once my lease ends?

If the NRAS incentive expires during your lease period then your rent won't be able to change until your lease has expired. At this time the owner may like to offer a new lease that is more in line with the market rate.

Keep in mind however that all tenancy rules will still need to be followed for your state or territory, meaning that adequate notice of any potential rental increases will need to be given and that rental increases should be in line with the market rate and not be excessive.

Is the owner likely to keep me on as a tenant?

While there is a chance that the owner may decide to sell or even move into the property themselves, in most cases they want to keep the property as an investment property and keep their tenants on too.

One of the good things about an NRAS incentive expiring is the tenant will no longer be required to meet the NRAS eligibility requirements after the NRAS end date. If the owner is happy to keep the tenant on, and they are happy to stay then a new lease is likely to be negotiated.

What options are there if I can no longer afford the rent?

If there is a rental increase and you can't afford it then you have the option of either vacating the property at the end of your rental agreement, or negotiating a different rental amount that is within your price range, subject to the owner's approval.

Contact your property manager

Your property manager is the best person to speak to if you want to find out what options you may have. They will be able to give you an estimate of what the rent will go up to once the NRAS incentive at your property expires, as well as offer you alternative rental options should a previous NRAS property no longer be suitable.

It's also a good idea to read through your rental lease and brush up on the tenancy rules and guidelines in your state or territory so you know where you stand when it comes to any rental increases at the end of your lease agreement.

TIPS FOR UPSIZING IN A BOOMING PROPERTY MARKET

While most homeowners have probably been relishing seeing the value of their properties go up of late, it might be a different story for those who have been hoping to upgrade.

It's true that it's a great time to sell property in most parts of the country, but it is a little trickier if you're trying to buy at the same time, and buy somewhere that is likely to be priced higher at that.

If you are hoping to upgrade to a better home during a price boom there are a few things you can do to make your move a little smoother. They include:

Decide on your property goals

Are you looking for something bigger, or perhaps you're looking to move to a better school zone? Whatever it is you need from your next home it's best to decide on your must-haves from the start to help you narrow down your property search and figure out how much you're going to need to budget for.

Keep in mind that if you are looking to upgrade to a better area then you may need to settle for a home that is smaller or less modern than your current one to find something affordable.

Discuss options with your lender

Whether you're buying your first, second or tenth property you're going to need to figure out how to finance it.

Depending on your circumstances you may be able to fund your next property purchase without having to sell your current home, meaning you can take your time searching and then sell down the track if you need to.

If this isn't possible then bridging finance may be an option. This is essentially when a lender will loan you the money you need for your new home for an interim period, giving you time to sell your current home.

Be ready to make a purchase

In many cases though people want to know how much they have to spend before purchasing a new property, so they opt to sell first and then buy later.

If you decide to sell first in a market that is climbing then you're going to want to purchase your next property as quickly as you can.

In order to do this you should already have been going to open homes and talking to real estate agents so you have a solid idea of what you want and then you can make a move on a property right away.

It's also well worth getting in touch with as many selling agents in your area as possible to let them know what you're looking for. They may have properties that are off-market or pre-market that you won't be able to find on property listing websites.

You may also have a distinct advantage being that you'll be cashed up and ready to make an offer without the baggage of needing to sell anymore.

Ask yourself if you'll need interim accommodation

If you buy and then sell then you may only need to move once, however those who sell first may find themselves without a home for a period of time.

Depending on how long it takes you to find your next home you may need to look at renting for an interim period or you could ask family or friends if they can put you up in their home for a time.

You may also need to keep some of your furniture in storage for a little while if you won't have space in your short-term accommodation. All of these costs will need to be factored into your move.

Talk to local agents

Buying and selling can be stressful at the best of times, and a property boom coupled with a global pandemic certainly doesn't help. So if you're having a hard time figuring out how you're going to juggle buying and selling then don't hesitate to have a chat to agents in your area that can offer advice that is specific to your situation.

Professionals