



MARKET INSIDER

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FINANCE NEWS

Australia's growth engine – the services sector – is in good shape with activity the strongest in over 2½ years in March following last year's pandemic shock. Importantly, available capacity being utilised across the services sector is back at pre-pandemic levels at 82.4 per cent, which bodes well for hiring and investment intentions. While conditions and confidence in the services sector have improved with an easing of government restrictions, supply disruptions and rising freight costs continue to increase input costs for business owners. But businesses have reported passing these costs on to consumers - amid stronger demand - with selling prices the highest in 13 years.

- The Reserve Bank book-ended an Easter holiday-shortened week with the release of its semi-annual Financial Stability Review. While policymaker's left monetary policy unchanged at the meeting – reaffirming that the Board does not expect the conditions (i.e. lower unemployment and higher wages) that would require lifting the cash rate target to be met until “2024 at the earliest”.
- Latest CoreLogic home prices data was released on April 1. National home prices surged by 2.8 per cent in March. The most in 32 years. Soaring home prices have also been accompanied by surging home loan finance commitments and council building approvals, fuelled by record low mortgage rates and government housing stimulus measures.
- Vacancy rates continued to rise across most CBD office markets in the December quarter 2020, and in Sydney and Melbourne are currently around their highest levels in about 20 years.

IS IT CHEAPER TO BUY THAN RENT?

In a recent industry report 'Buy vs Rent' found that in almost 60% of suburbs across the country, paying a monthly mortgage could cost less than paying rent.

The report cited several locations where purchasing a property could be cheaper – including Carlton in Melbourne, where mortgage repayments could be up to \$675 less than monthly lease payments, and Coolangup in Perth, where loan repayments could be as much as \$597 lower than paying rent. Monthly repayments in Logan, Brisbane could also be \$590 less than rents, while in Liverpool, Sydney, buying a home could mean saving \$194 each month compared to renting.

Without doubt with interest rates at historical lows, it is fair to say it is currently cheaper to buy a home than pay rent in over a third of all the Australian suburbs for which there are reliable statistics. Even more shocking is the fact that, in some cases, those mortgage repayments can add up to less than half the weekly rent. Apart from low rates, first-time home buyers can access several state-based grants and stamp duty savings, including the \$25,000 HomeBuilder Grant and First Home Owners Grant.

**Information within in this publication has been sourced from various publications including APRA, ABS, Corelogic, Real Estate.com.au, CBA, RBA and other reports.*

ECONOMIC OUTLOOK

While concerns over Australia's housing boom and the risk that presents from a financial stability risk standpoint will hog the headlines, arguably a bigger risk still lurks. US Federal Reserve Chairman Jerome Powell and the director general of the World Trade Organization (WTO) Dr. Ngozi Okonjo-Iweala both voiced concerns about the inequitable vaccine rollout, vaccine nationalism and the potential impact on the global economic recovery. Aussies are of course acutely aware of the risk that another potential Covid-19 outbreak poses to our health – especially with the more virus-transmissible winter months imminent. A continuation of 'mini-lockdowns' and border closures - due to the delayed vaccine roll out - poses a significant downside risk to an otherwise positive economic outlook.

WANTING TO BUY AN INVESTMENT PROPERTY AND DON'T KNOW WHERE?



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