# The Real Estate Wrap
## With Leanne Pilkington

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### Morrison makes FHB pitch

Over the weekend, the Government made its first home buyer play. The First Home Loan Deposit Scheme will be available from January 1 for first home buyers with at least 5 per cent of the property's value saved.

The scheme will guarantee the mortgages of up to 10,000 first home buyers every year, which is about 10 per cent of the national first home buyer market based on last year's loan numbers.

Some limits will apply, Prime Minister Morrison said, as the scheme will be available to first home buyers with an income up to $125,000, or $200,000 for a couple who are both first home buyers.

Perhaps recognising that losing ground in the housing affordability stakes was a risk not worth taking, Labor matched the policy within hours.

But will it help? And does it go far enough?

We've seen people run into trouble before when small deposits and declining prices result in a position of negative equity. Some economists, the University of Tasmania's Saul Eslake for one, have been quick to point out the risks of 95 per cent loan-to-value ratios.

However there are signs the decline in house prices is easing. The latest CoreLogic report shows the rate of decline has moderated. So maybe this risk is minimal.

Others question whether the 10,000 cap is enough. Even at full capacity the policy will only help a small proportion of the first home buyer market.

In NSW, the high cost of stamp duty lingers, and while there are concessions available for first home buyers for properties valued up to $800,000, the burden of stamp duty infects a broader pool, discouraging people from investing and downsizing, limiting the availability of new supply as a result.

For the real estate market, the First Home Loan Deposit Scheme has the potential to make a minor difference. It's a generalisation, but any policy with the potential to help first home buyers is worthwhile. For vendors, it could broaden the market for their property, depending on price point.

And for some first home buyers with a smaller deposit but a secure employment base, it may provide the spark they need to get them onto the ladder. So long as the number add up, of course.

### Clearance rates: Sydney outperforms

The number of auctions remains down but clearance rates are strong. CoreLogic data shows there were 441 auctions in Sydney last week with a preliminary auction clearance rate of 65.6 per cent recorded.

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This was the strongest preliminary result across the capital cities and compares favourably to the 57.2 per cent rate recorded across 539 Sydney auctions last week, and 57.5 per cent across 787 auctions in the corresponding week in 2018. This is a clear sign of resilience and should give vendors confidence.

**Final thought**

The Reserve Bank played it safe last week by leaving interest rates on hold. Most in real estate feel it was the right move, as the cost of borrowing is already at historic lows and the door remains open for a rate cut at upcoming meetings.

Now we have the Coalition and Labor making rather predictable – at least in a timing sense - housing affordability announcements aimed at helping first home buyers, and securing more votes.

Cynicism aside, the market really is set up for first home buyers at the moment. They have an opportunity to enter the market at a time when prices are at the bottom of the cycle, finance is as cheap as it's ever been, and yet employment figures remain strong, jobs growth persists and the economic pendulum will again invariably swing upwards.

Obviously many buyers will sit tight until the result of the election is known. But irrespective of who's PM this time next week, for vendors with a property potentially appealing to that first home buyer segment, now is the time to make sure your campaign strategy speaks to that market.

The planets have aligned for first home buyers. Speak to a local expert to make sure your property is in their orbit.