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The Week In Real Estate



Housing Shortage to Push Prices Up

A looming shortage of residential dwellings, driven by the twin forces of a downturn in construction and population growth, will lead to price gains in 2020, say industry experts. An under-supply of housing could put downward pressure on vacancy rates and further upward pressure on rents and dwelling prices.

Estimates by the Commonwealth Bank suggest an under-supply of apartments from 2020, says CBA economist Kristina Clifton. "On our calculations the decline in residential construction is taking place at a time when the excess supply of dwellings is relatively small," Clifton said. She attributes the housing market turn around to the Coalition election win, rate cuts by the Reserve Bank and APRA's changes to serviceability metrics, though there are reports that some developers and prospective unit buyers are still having difficulty obtaining finance.

Mirvac chief executive Susan Lloyd-Hurwitz says access to credit is critical to prevent a housing shortage within a year while Stockland's CEO Mark Steinert says: "We need 180,000 dwellings a year to keep up with demand, and it's not going to happen."

Quote of the Week

"It seems to me quite possible that we could have a period now of rising housing prices, because construction activity is slowing while the population is still rising quite quickly. So there are some underlying drivers of housing prices."

Reserve Bank governor Philip Lowe



Confidence in Housing Market Returns

Australia's housing market has regained the confidence of property experts and market watchers, according to a recent poll by the National Australian Bank (NAB).

The NAB Residential Property Index has moved into positive territory for the first time since mid-2018 as capital city housing markets rebound.

The Index, a measure of housing market sentiment based on the expectations of property professionals for both capital growth and rents, rose 26 points in the September quarter to an above average +18.

"The results suggest the Australian housing market is on the way to recovery," NAB chief economist Alan Oster said.

The survey also shows positive expectations for house prices over the next 12 months, with prices expected to strengthen into 2021. Property professionals in all states except WA expect to see gains in the next year, led by Victoria and NSW.

"This marks a sharp reversal from the previous survey where Victoria and NSW were expected to be the weakest states for price growth and the only states where prices were tipped to fall" Oster said.





House Prices to Rise, says S&P

Modest growth in house prices together with household debt, low interest rates, a reduced supply of new housing stock, and continued population growth over the next two years have prompted credit ratings agency Standard & Poor's to lift the ratings of the four major banks.

While there was a risk of a sharp correction in prices, S&P also says that continued strong population growth, low interest rates and a limited supply of stock could produce a strong resurgence in prices and household debt. This could exacerbate economic risks, though that possibility is remote.

S&P says the risk of loan losses by Australian banks was likely to remain low by historical and international comparison, but if needed the authorities would use "macroprudential tools to prevent a rapid build-up of imbalances through the recurrence of strong growth in property prices or private sector debt".

The banks, according to S&P, were likely to strengthen their governance standards after lapses in their conduct and risk management over the past two years.

New First Home Buyers Scheme

First home buyers will soon be able to purchase a home with a deposit of 5% instead of the usual 20% required by most banks. The balance of 15% would be guaranteed by the government, but would still have to be repaid by the borrower.

The scheme, to be implemented in January 2020, aims to help low income earners buy a property, but only 10,000 applications will be accepted.

To be eligible, applicants must have earned less than \$125,000 in the previous financial year as a single or \$200,000 as a couple.

Other limitations by way of pricing thresholds also apply, depending on the state and regional centre. For example, first-home buyers in Sydney are limited to a purchase price of \$700,000; Melbourne - \$600,000; Brisbane - \$475,000; Perth - \$400,000; ACT - \$500,000; NT - \$375,000; regional NSW - \$475,000 and regional Victoria - \$375,000.

The same price thresholds for capital cities will also apply to large regional centres with populations over 250,000, including the Gold Coast, Newcastle, Lake Macquarie, the Sunshine Coast, Illawarra (Wollongong) and Geelong.

Tasmania's Economy Ranks No. 2

Tasmania's rising economic performance has now overtaken the majority of the mainland states, placing it in second place behind Victoria.

The latest edition of CommSec's quarterly State of the States report, which uses eight key economic indicators to judge the economic robustness of each state and territory, shows Tasmania outperforms all other states in the areas of population growth, dwelling starts and equipment finance. It also improved in terms of unemployment but fell one spot on housing finance, ranking second.

CommSec chief economist Craig James said Tasmania had been creeping up on NSW and Victoria for several years now. Victoria ranked first in economic growth, retail trade, the job market and construction work done.

The ACT was in fourth position behind NSW, "supported by a strong job market and solid demand for homes," the report said. It fell one spot on construction work, population growth and dwelling starts while lifting one spot on housing finance.

The rest of the rankings remained unchanged: Queensland in fifth place, SA sixth, WA seventh and the NT eighth.

