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The Week In Real Estate



Confidence In Market Growing

Consistent house price increases are spurring on confidence in the national housing market, according to new research.

ME's Third Quarterly Property Sentiment Report has found that 42% of Australians in the property market feel positive about it (up 9 percentage points) and only 24% feel negative (down 2 percentage points).

The research noted that first-home buyers were the least confident. The report found that more Australians are willing to get back into the property market after a period of sitting on the fence, with more intending to buy (up 2 percentage points); more intending to sell (up 4 percentage points), and fewer intending to do neither (down 4 percentage points). Respondents across all major cities have a positive outlook on prices, with the exception of Western Australia.

In the three largest capital cities, prices are expected to continue to rise, with 57% of respondents forecasting positive price movements. This positive sentiment is approximately 10 points higher than the overall sentiment for the country.

Quote of the Week

"We expect housing prices to continue to rise in 2020, underpinned by mortgage rates, which are likely to stay low for a considerable period of time."

HSBC's chief economist Paul Bloxham



Lending Commitments On The Rise

Owner-occupiers are making the most of the current favourable lending conditions, shows new data from the Australian Bureau of Statistics. The total value of home loan commitments continues to rise month-on-month, largely driven by owner-occupiers, the data reveals.

The value of new home loans rose 1.1% in September, following a 3.8% rise in August.

New lending commitments are now up 5.6% when compared with September 2018, the first positive year-on-year result seen since mid-2018. The increase was largely driven by a 3.2% increase in lending to owner-occupiers.

Lending commitments for investors fell 4.0% in September. The ABS data also showed a decrease in lending commitments to first home buyers of 1.9%, the first fall this year. First home buyer figures are down 6.8% compared with September last year, before interest rate cuts and serviceability changes were introduced. According to ANZ Research, these results appear to indicate that, overall, the Reserve Bank of Australia's cuts to the official rate cuts are stimulating increasing property demand.





Price Rises Tipped For 2020

Forecasts by SQM Research's Housing Boom and Bust Report for 2020 indicate that most capital city house prices will rise in 2020.

SQM Research managing director Louis Christopher says Brisbane's improving economic outlook will benefit the housing market with Brisbane's home prices forecast to increase by up to 7%.

The forecast is for Sydney home prices to rise between 10-14% and Melbourne prices to jump by 11-15%.

But while Sydney and Melbourne home values are set to rebound, Christopher says he doubts the sustainability of the recovery in those "overvalued" markets.

"Brisbane is definitely offering better value for money for those who decide to move from Sydney to Melbourne," he says

Elsewhere, Hobart prices could rise by 8%, Canberra 7%, Adelaide 4% and Perth 6%.

Only Darwin will keep falling, as its economy continues to struggle.

The forecasts are based on the assumptions that the cash rate stays on hold, the economy recovers and APRA does not intervene until late 2020.

Auction Activity Picks Up

The nation's clearance rate is picking up with the two busiest weeks of the year recorded in the past month.

There were 2,571 homes taken to auction across the combined capital cities last week, with a clearance rate of 74%. This was slightly fewer than were held in the busiest week of the year at the end of October, when 2,610 homes were taken to auction across the country.

This compares to 2,745 in the same week last year when a much lower clearance rate of 42% was recorded.

The property market's second busiest week comes as new data suggests buyer confidence is returning.

Nationally, buyer confidence is up 6% according to the realestate.com.au 2019 Property Seekers Report.

The report found buyer confidence rose the most in Victoria (11%), Western Australia (7%) and Queensland (7%).

There was only 2% rise in confidence in NSW.

"Australian property seekers overall are feeling more confident about the state of the property market," the report says. This confirms the results of other recent surveys which have recorded a significant uplift in consumer confidence in real estate markets.

It's Cheaper To Buy Than Rent

There are an increasing number of locations across the nation where it is cheaper to buy than rent, according to the new housing affordability report from ANZ and CoreLogic, which has examined the costs of housing as a proportion of average incomes. "The proportion of income required to pay the rent is roughly equivalent compared with the proportion of income required to service a mortgage across regional Australia," the report says.

On average, renters are dedicating 30.3% of their salary to accommodation costs, which is only slightly below the 30.6% recorded for mortgage payers.

ANZ and CoreLogic have noted that rental costs have been trending upwards since late 2016, "reflecting an 8.6% rise in rents between the end of 2016 and June 2019, while household incomes were up a lower 5.3%".

Almost 80 regions Australia-wide have been flagged by ANZ and CoreLogic as locations where it is cheaper to buy than rent.

Some of the locations include Molonglo, Ipswich, Broken Hill, Snowy Mountains, Dubbo, Kwinana, Armidale, Brighton (Tas) and Darwin city and suburbs.

