

7th December 2019

The Week In Real Estate



Houses Now More Affordable

Housing affordability nationally has improved over the last 10 years, according to new research. Data to June 2019 shows that while the national median dwelling value rose from \$382,650 to \$516,710, at an average annual rate of 3%, incomes had outpaced houses at 3.1% per year. This has been accompanied by other positive forces. The ANU Centre for Social Research and Methods puts the yearly household income at \$59,020 in 2009 and \$79,872 by 2019 while the RBA shows typical mortgage rates have fallen from 5.1% in 2009 to 4.1% by 2019.

This has been helpful to first-home buyers. Recent research from lender ING shows that 69% cent of millennials saved for a house deposit in less than five years, despite widespread assumptions it takes twice that long. The ING data also shows that due to historically low interest rates, 50% of millennials are currently saving to buy, while 58% of first-home owners are looking to upsize or invest. The share of average household income needed to service a typical 80% LVR mortgage has fallen in most capital cities and in all regional areas except Victoria over the past 10 years.

Quote of the Week

“While we cannot be certain of what policy-makers have in store for the future, what we do know is that we can expect a sustained period of low interest rates for the foreseeable future. This is good news for Australians looking to enter the property market.”

Chief Executive Officer of Mortgage Choice, Susan Mitchell



House Prices Rise Nationally

House prices are rising in some markets at their fastest pace in 30 years, according to the latest data from sources such as SQM Research and CoreLogic. Based on November sales figures, dwelling prices rose in all eight capital cities in November, while the price indexes for regional Australia also rose.

This includes 2.7% in Sydney, 2.3% in Melbourne and 0.8% in Brisbane and the Gold Coast where prices are now back near their April 2018 peak.

Prices are also rising in regional Australia overall, with the house price index increasing 0.5% in November and 1.1% in the latest quarter.

The home value indexes for regional markets rose in November in NSW, Victoria, Queensland, Tasmania and South Australia.

The 2.7% rise in Sydney prices was the fastest since October 1988, when prices rose by 3.5% and beats May 2015, when they rose 2.6%. Perth dwellings had their first monthly price rise in two years of 0.4% while Adelaide rose 0.5% in November, says CoreLogic.





Official Interest Rate On Hold

The Reserve Bank has left the official cash rate at 0.75%, following its monthly board meeting this week.

Chief Executive Officer of Mortgage Choice, Susan Mitchell says: "In the final monetary policy meeting for the year, the Reserve Bank board made the decision to hold the official cash rate, following a recent run of lacklustre economic data.

"In the minutes of the November monetary policy meeting, Reserve Bank board members agreed that a case could be made for further easing of monetary policy, however, a wait-and-see approach would allow them to monitor the effects of previous cash rate cuts."

Prior to the meeting, Reserve Bank governor Philip Lowe said: "Conventional monetary policy is still working in Australia and we see the evidence of this in the exchange rate, in asset prices and in the boost to aggregate household disposable income".

Research by Finder shows leading economists and commentators don't expect another reduction to the official interest rate until February or May 2020.

Auction Results Reflect Strong Demand

Demand for real estate at a national level was strong over the weekend as auction activity lifted.

More than 3,000 homes were listed to go under the hammer across the major cities of Australia last week, the busiest period since March 2018, with 79% selling – compared with the previous week's final clearance rate of 69% and significantly higher than the 41% result of a year ago.

In Melbourne, 1,328 properties went to auction, recording a 74.4% success rate. In Sydney, 80.4% of the 888 properties that went auction sold under the hammer, according to Domain Group.

The strong auction results during November coincided with another strong month for property price growth nationally, providing the strongest month-on-month gain since 2015, according to CoreLogics' head of research, Tim Lawless.

Results across the individual property types saw houses outperform units nationally with a success rate of 80%, while 76% of units sold at auction.

Domain economist Trent Wiltshire says the results point to solid price growth as we transition into 2020. "Demand remains strong towards the end of the year," he says.

Investor Confidence Surges

Investors are demonstrably more positive about the property market compared to the same time last year, according to a new survey by PIPA.

The national annual survey, which gathered insights from 1,200 property investors, also found that Labor's proposed changes to negative gearing and Capital Gains Tax legislation heavily influenced the way that three-quarters of investors voted in the May Federal Election. "It's clear that many investors, regardless of their political leanings, were fed up with being told they were 'greedy' when the vast majority own only one property and are just trying to improve their financial futures," PIPA Chairman Peter Koulizos says.

Koulizos says the survey indicated investors are prepared to look beyond the major banks to secure finance to invest. "Difficulty obtaining finance, as well as the popularity of banks being on the slide over the past year, means that about 60% of investors are now more likely to consider a non-major bank lender, especially after the outcomes of Banking Royal Commission," he says. The survey found that 27% of investors had secured a loan from a non-major bank lender in the past year, the top two reasons being cheaper interest rates and increasing borrowing power.

