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Terry's View

The new year begins in a climate quite different to 12 months ago.

So much has changed for the better. The atmosphere around real estate at the start of 2019 was overwhelmingly negative: the impending federal election, the banking royal commission, evidence of price decline in the biggest cities and a pessimistic tone in media all contributed to tough times. Real estate consumers folded their arms and refused to move until the air cleared.

A year on and it could not be more different. All the speed bumps have been removed and we begin 2020 with virtually all the major markets, both in the cities and in the regions, recording uplift in activity and prices. Vacancies in most markets are low and demand is likely to exceed supply for the foreseeable future. Finance is now easier and cheaper, first-home buyers are receiving federal and state assistance, and media coverage is a lot more positive.

Real estate survived the difficult times in the early part of 2019 and finished the year on a general high: life looks like being a lot easier in 2020.



Terry Ryder
Australia's Leading Independent
Property Researcher

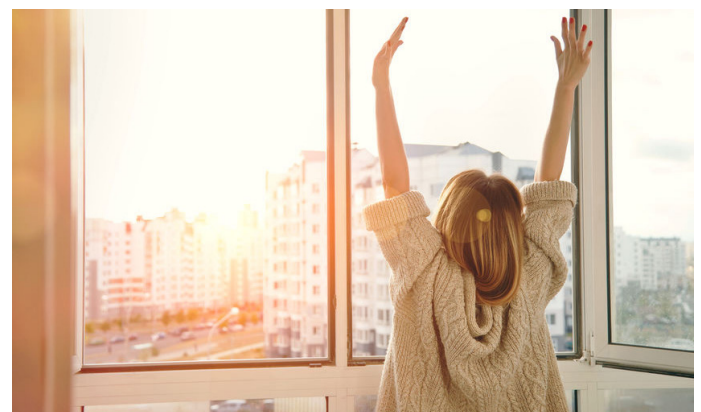


Markets Enter 2020 With Prices Rising

Most markets across Australia, including regional markets, have begun the new year (and the new decade) with real estate prices rising.

Based on the price data published by CoreLogic on 2 January, most of the 15 market jurisdictions across the nation recorded growth in their median house prices in December and in the final quarter of 2019.

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Affordable Options In Apartments

As the Federal Government's scheme to assist first-home buyers gets under way, apartment markets around Australia are presenting affordable options in most cities, while houses in regional areas provide another attractive option. Numerous surveys have indicated that young adults favour the apartment lifestyle, in contrast to their parents who primarily started out with suburban houses.

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Low Vacancies Bode Well For Prices

Tight vacancies and rising rentals in most Australian cities suggest there will be upward pressure on prices in 2020. The national average vacancy rate, according to SQM Research, is 2.2% - compared with 2.3% a year ago. Six of the eight capital cities have vacancy rates of 2.5% and under, while the other two are slightly above 3%. With construction levels for new dwellings falling and listings of homes for sales continuing at low levels, many markets have a supply shortage. This helps to explain why we have begun 2020 with prices rising in most cities and in most state regional markets.

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66% Own Homes And 20% Invest

Two-thirds of Australian households own their homes, despite a decrease in the rate of home ownership in recent years.

The Survey of Income and Housing (SIH) released by the Australian Bureau of Statistics (ABS) revealed that 66% owned their home in the 2018 financial year (FY2018). This was down from the 68% home ownership rate in FY2016.

The rate of home ownership is expected to rise, however, because owner-occupier buyers are now dominant (compared to investors) and first-home buyers have their biggest market share since 2011.

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Brokers Optimistic About 2020

A survey of mortgage brokers has revealed a high level of optimism for residential real estate markets in 2020. The HashChing 2020 broker survey has found that most mortgage brokers expect the recovery in major markets to continue, interest rates to fall further and investors to return to the market in large numbers. HashChing CEO Arun Maharaj says brokers are "justifiably optimistic". "Brokers are reporting an increase in first-home-buyer activity, probably as a result of the cooling that happened in 2019 combined with lower interest rates," he says.

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Build-To-Rent Gaining Foothold

Common in America and the UK, the build-to-rent property sector is starting to gain popularity in Australia as the need for affordable housing becomes increasingly important. Its rise can be put down to an increasing focus on "affordable" housing – particularly in the context of a city's "key workers", a category that includes vital occupations such as police, nurses, firefighters and teachers – and on "social" housing, catering to low-income and disadvantaged people. Build-to-rent refers to a residential development in which all the units are retained by the developer and leased out, rather than sold off.

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