



The Week In Real Estate



Investors Upbeat On Prices

Most investors aren't concerned with the state of the market, with many believing that the worst of the price falls in Sydney and Melbourne have already happened, a new report has found.

ME's Household Financial Comfort Report reports 86% expect to see values rise or stay the same, with 18% expecting prices to rise a lot, 34% predicting they'll rise a little and 34% believing they won't change.

Similar trends were noticed when looking specifically at Sydney and Melbourne: 85% and 90% of investors respectively believe values will not decline in the year ahead.

ME's consulting economist Jeff Oughton says the general sentiment is that the worst has come and gone - and most are waiting to ride out the current correction.

The Household Financial Comfort report - a survey of how people perceived their finances - finds that the proportion of Australians feeling secure has risen. The 15th biannual report found income gains, easing living costs and increased savings were key drivers in households' feeling more comfortable.

Quote of the Week

"They're looking for a bottom in the market over the next year ... and I think that's a reasonable forecast. The great bulk of investors have made a lot of money over the last 10 years and are happy to ride out a correction."

ME's consulting economist Jeff Oughton, on the Household Financial Comfort Report, which finds most expect prices to rise or stay the same.



RBA Hints At Rate Cut

The Reserve Bank of Australia may drop the official interest rate to its lowest level since the 1950s just days out from the Federal Election.

In a move that saw the Australian dollar fall and forced financial markets to price in an interest rate cut, RBA governor Philip Lowe has used a major address to concede cash-strapped consumers and a slowing property market in some cities posed risks to the economy.

For the past year the RBA has signalled the next move in the cash rate - currently at a near-record low 1.5% - would be up, given a strong jobs market and solid economy.

But the failure of low unemployment to lift wages significantly and signs consumers are spending less has forced the RBA to lower its forecasts for the economy.

Armed with important new inflation figures to be released in late April, the RBA board will meet on 7 May - just days ahead of a federal election widely expected to be held on 11 May or 18 May.

Lowe says much will hinge on the strength of the jobs market, with unemployment now at 5%.





CBA Chief Bullish On Market

Commonwealth Bank CEO Matt Comyn doesn't expect house prices to fall much this year and has expressed confidence in the health of the economy and the availability of credit.

Having reported an interim profit of \$4.77 billion for the nation's biggest home lender, Comyn suggests housing credit will probably slow as demand remains weak - but house prices will not rapidly fall.

"I certainly do not subscribe to the theory that there is going to be a rapid acceleration in downward pressure on house prices," he says, noting that even with a decline in Sydney, house prices remain 60% higher than five years ago.

Comyn's comments align with those of Reserve Bank governor Philip Lowe on an orderly correction in the housing market.

Lowe says: "Importantly, unlike most other housing price corrections, this one has not been associated with rising unemployment or higher interest rates. Instead, mainly structural factors, relating to the underlying balance of supply and demand, in our largest cities have been at work."

Auctions Bounce Back After Shutdown

An increase in auction volumes across the country last weekend resulted in a rebound in market confidence following the seasonal shutdown, with Sydney recording its highest preliminary clearance rate since July last year.

There were 929 capital city homes taken to auction last week, up from 536 auctions the week prior, with a national average preliminary clearance rate of 54%.

Melbourne was the busiest market with 352 auctions held across the city last week, returning a preliminary clearance rate of 54%. There were 321 Sydney homes auctioned, returning a preliminary clearance rate of 59%.

This was the highest rate of any capital city and also the highest preliminary clearance rate recorded in the NSW capital since the week of July 22 last year when 61% sold.

Across the smaller cities, Canberra returned a preliminary clearance rate of 56%, while Brisbane came in at 43%. Adelaide experienced a lull in auction activity, with just 76 homes going to auction and 53% of them selling under the hammer.

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Home Loans May Become Easier

One of the big four banks has hinted that getting a home loan may become a little easier following the banking Royal Commission.

ANZ's head of Australian Economics David Plank says that, in terms of policy, most of the credit tightening measures are already in the system.

"The Royal Commission report doesn't point to any further need for banks to tighten," Plank says. "But there is still some way to go to implement all the steps that they've got in place, so you'll probably see some further tightening, but the vast bulk of it's through."

He says it's unlikely there will be any additional shocks and for home buyers to expect increased competition among lenders.

"I think we'll see at the margin some relaxation perhaps in criteria as they think about what they're going to do with investor only loans," he says. "The regulator has made it clear that they don't want to see any further tightening so it's possible that greater certainty might lead to some easing up on some of the credit constraints."



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