MITCHELLS REALTY

15th June 2019

The Week In Real Estate

111 Markets Treble in 20yrs

House prices in 111 Australian locations have trebled over the past two decades, according to research from Propertyology.

Analysis was conducted over the 20 years to the end of 2018 on 180 Australian towns and cities, all with populations over 10,000 people. The research shows that regional markets have been competitive with capital cities on long-term capital growth.

"Whether someone purchased in any of our eight capital cities 20 years ago or in most of Australia's non-capital locations, today it's worth at least three times what they paid for it," Propertyology's Simon Pressley says.

Pressley says the median house price in Sydney 20 years ago was the most expensive in the country at $220,000 - however, anyone who bought in a major regional location back then would have paid a fraction of that price and achieved a similar growth rate.

"Locations with a more affordable median house price have more upside potential for capital growth," he says. "The real skill is being able to identify the locations with positive leading economic indicators."

Buyers Back In The Game

Major developers of housing estates and apartments have welcomed the recovery in buyer inquiries since the federal election. House prices and starts fell in the lead-up to the May election but inquiries have since jumped for both house-and-land packages and inner-city apartments.

Property group Stockland says the market has opened again with signs emerging that pricing has bottomed and will recover soon. Chief executive, communities, Andrew Whitson, says inquiry levels had jumped 30% in Sydney and Melbourne in the weeks after the election.

Apartment developer Crown Group says the market has been recovering, with further loosening of credit expected to drive sales at its projects in Sydney, Melbourne and Brisbane.

CommSec chief economist Craig James says the housing market continues to rebalance, with first-home buyers taking a greater share. "First-home buyers were active before the election and they have every reason to be out in full force post-election," he says, tipping also that the investor market could show some life.

Quote of the Week

"An average annual capital growth rate of circa 6% across 20 years sounds damn good to me, especially at a time when Australia's two largest cities have dropped 10% in value in the past 12 months."

Propertyology head of research Simon Pressley, discussing 20yr growth rates across Australia.

RBA Sparks Refinancing Push

Interest in rock-bottom mortgages has risen since the Reserve Bank cash rate cut, according to comparison site Finder.

Following the drop to a new low of 1.25%, borrowers have acted swiftly to take advantage of low-rate loans. Traffic to home loan deals on Finder jumped 654% in the 48 hours after the RBA announced the cash rate decrease on 4 June.

Interest in variable rates on Finder grew 564%, while there's been a 369% spike in those looking to refinance. Graham Cooke, insights manager at Finder, says the uptick shows Aussies are becoming increasingly savvy with their finances.

"It's great to see Aussies being proactive and looking for better value.," he says. "This historically low rate will open lots of eyes to just how good the current offers are – and that's the case for both variable and fixed rates."

While the Big Four were quick to announce a rate discount following last week's RBA decision, only two – CBA and NAB – will pass on the cut in full.

Many lenders had already reduced their rates in anticipation of the rate drop. In May, 49 lenders reduced rates on 778 different home loan products.

Reports Chart Lift in Affordability

Housing affordability has improved in most major Australian markets, according to two separate measures published in the past week.

The Adelaide Bank/REIA Housing Affordability Report says affordability improved across the nation in all except one state in the March Quarter. It found that the proportion of family income needed to make loan repayments decreased by 0.9 of a percentage point down to 30.3%.

Every state and territory except the Northern Territory recorded an improvement in housing affordability, with the greatest change seen in NSW (1.3 percentage points). The weighted average capital city median price fell 2.2% over the quarter.

Another report found that housing affordability is at its best in 30 months as the Sydney and Melbourne markets become more accessible.

The ANZ-CoreLogic Housing Affordability Report found recent falls in property values had pushed housing affordability to its highest point since December 2016, with property in some cities and regions the most attainable it has been in decades.

Investors Feeling Positive About Market

Seven out of ten real estate consumers feel positive or neutral about the market, according to the latest edition of ME's Quarterly Property Sentiment Report.

It found 37% feel neutral towards property overall, while 35% feel positive and 28% feel negative. However, investors are more positive than owner-occupiers or first-home buyers, at 44% of respondents.

According to ME's general manager of home loans, Andrew Bartolo, the positivity in investors and younger age brackets shows the sentiment that the current state of big city markets provide good opportunities to buy.

Investors are also optimistic about property prices. More investors expect the value of their property to rise over the next 12 months more than those who think they will hold steady or decline; 32% are expecting a rise, as opposed to 30% expecting declines and 30% not expecting any movement.

Overall, property owners in metropolitan Tasmania are expecting value rises the most at 50%, followed by those in metropolitan NT (40%). "Sentiment has also likely improved since we conducted the survey, given negative gearing is now off the table and APRA has proposed changes to home loan serviceability," he says.

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