



# The Week In Real Estate



## Market Sentiment Rising: Westpac

Consumers think now is the time to buy a house and expect house price increases, a new report shows. The Westpac sentiment survey reports a “spectacular” rise in expectations of house price increases and a general improvement in sentiment from real estate consumers. “Housing-related sentiment showed a clear response to the lowering in interest rates, although some of the gains were more muted than seen in past rate cuts,” Westpac senior economist Matthew Hassan says.

The time to buy a dwelling index showed a 1.8% rise to 116.9 points, while the house price expectations index recorded a “spectacular” 22.7% rise, Hassan says. “This is the highest level since August 2018,” he says. The RBA reduced the official interest rate to a historic low of 1.25% on 4 June. This, combined with a Coalition election victory and an easing of lending standards, has lifted market sentiment.

Domain economist Trent Wiltshire says the results are the early signs of a market turnaround.

“The combination of the house price expectations index and the time to buy a dwelling index suggest consumers think prices are at or close to the bottom,” he says.

## Quote of the Week

***“It’s also incredibly frustrating to see some banks take their time passing on the RBA cut. A number of banks are taking three or more weeks to pass the rate cut on, while other lenders were able to cut their rates within days of the announcement.”***

RateCity research director Sally Tindall

## Auction Results Reflect Confidence

Sydney has recorded its most successful auction week in more than two years, with analysts saying market confidence has increased significantly since the federal election result was followed by interest rate cuts and an easing of lending restrictions.

Sydney had 522 auctions last week, recording a preliminary clearance rate of 75%. This was higher than any final success rate recorded in the city since April 2017. Over the same week last year, a clearance rate of just 49% was recorded across 708 auctions in the NSW capital. In Melbourne, 725 auctions were held last week with preliminary results returning a 68% clearance rate. Over the previous week, 215 auctions were held with the final clearance rate coming in at 63%. This time last year, 992 homes were taken to auction and a final clearance rate of 56% was recorded. CoreLogic’s national auction commentator Kevin Brogan says the result was “significant”, with market confidence buoyed following the interest rate cuts and state and federal elections. “I think when you hear people talking positively about the state of the marketplace, that inspires a new-found confidence,” he says.





## Banks Hold Back Rate Cuts

More than half of Australia's banks and other lenders have defied the Reserve Bank and the Federal Government by refusing to pass last week's full official interest rate cut to home loan borrowers.

Angry customers have been flooding mortgage brokers and loan advisers with refinancing requests since ANZ and Westpac started the trend by pocketing part of the RBA's 0.25% rate reduction for themselves. An analysis by comparison website RateCity.com.au found 67 lenders had announced rate reductions since the RBA's move on June 4, and 34 of them had not passed on the full 0.25%. More than 40 other lenders had not yet announced a move.

RateCity research director Sally Tindall says customers who have not received the full reduction have the right to feel ripped off - and also had the right to move their mortgage to another lender.

Financial managing director Angelo Benedetti says many lenders had raised rates independently of the RBA in 2018, blaming it on increased costs of funding their mortgages. "Now that funding costs have dropped, they haven't fulfilled their obligations," he says. "They're double-dipping, which is not good. We are getting so many phone calls from clients asking to get them a cheaper option from elsewhere."

## NAB Tips 3rd Cut In 2019

National Australia Bank is tipping a third rate cut in late 2019. The rates prediction, first made last month by Westpac, comes after an official rate drop to 1.25% earlier this month, and widely-accepted expectations of a second reduction in July or August.

"Our judgment that the economy is losing momentum and is weaker than reflected in the Reserve Bank's recently downgraded near-term growth outlook," the bank said, as it flagged a third cut late in the year that would take the RBA's cash rate to 0.75%.

Announcing its change of mind on the outlook for the cash rate, NAB says it is "tentatively" timing the third 2019 rate cut for November. NAB says it expects lower interest rates will be supported by fiscal stimulus later in the year.

"We would not rule out the possibility of alternative monetary action, in addition to further rate cuts, if the economy remains subdued, but have not put it into our projections."

NAB's move was prompted by trend deterioration in the NAB survey, along with recent weaker-than-expected first quarter GDP figures and likely weak second quarter growth data.

## City Price Decline Halted

Two major indicators which measure short-term changes in prices in the capital cities indicate that the slump in property values is coming to a halt.

CoreLogic's Property Market Indicator data shows the daily home value index for the capital cities held steady and saw no movement in the week ending 16 June, continuing a recent trend of better results.

Sydney, Melbourne, Brisbane and Perth all saw no movement over the week, while the monthly index was down by just 0.1 of a percentage point.

The Asking Prices Index from SQM Research shows even more positive outcomes, with the indexes Sydney, Melbourne, Brisbane and Hobart all showing weekly rises, while Sydney, Melbourne, Canberra Adelaide, Darwin and Hobart all recorded monthly increases.

Houses were again more popular than units, while the average time for houses on market fluctuated slightly, with Adelaide, Hobart and Darwin recording improvements, and Sydney, Melbourne and Brisbane all recording no movement.

For units, Hobart was the fastest at 41 days, while Perth, Darwin and Brisbane were the slowest at 100 days for the two former capital cities and 89 days for the latter.

