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The Week In Real Estate



Broker Market-share Hits Record 60%

Mortgage brokers have achieved their highest ever residential home loan market share. The Mortgage & Finance Association of Australia says brokers arranged 60% of mortgages in Australia during the March Quarter, and 90% of mortgage broker customers are happy with the service they receive.

It says this represents a strong customer vote of confidence in the mortgage broker channel and the future looks bright for the country's 17,000 brokers.

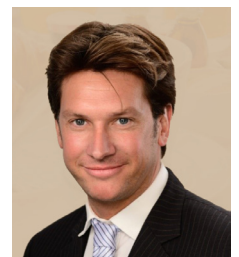
Mortgage broker Louise Lucas of The Property Education Company says there are hundreds of loan products available in the lending market, with new interest rate deals emerging daily, and consumers cannot hope to keep up with this constantly-changing landscape without the help of a broker.

Lucas says recent reductions to interest rates and upcoming changes from APRA about how borrowers are assessed will make broker services even more strongly in demand. The mortgage broking industry contributes \$2.9 billion to the Australian economy each year, according to Deloitte Access Economics.

Quote of the Week

"We expect the Reserve Bank to cut the cash rate by a further 25 basis points at both the August and November 2019 board meetings."

Commonwealth Bank economist Gareth Aird



Clearance Rates Continue to Improve

Auction outcomes continue to provide evidence of improvement in the big city property markets.

There were 1,480 homes taken to auction across the combined capital cities last week returning a preliminary clearance rate of 64%. This compares to 1,505 homes taken to auction the previous week, with the final clearance rate coming in at 62%, the highest final clearance rate since May 2018.

Over the same week last year, auction activity was higher with 1,849 homes taken to auction returning a clearance rate of 55%.

In Melbourne, 644 auctions were held last week returning a preliminary clearance rate of 70%. The previous week saw 724 homes taken to auction with a final clearance rate of 65%. Melbourne's final clearance rate has been increasing each week over the month of June and last week continued that trend.

Sydney recorded a preliminary clearance rate of 67% across 551 auctions last week. Over the previous week, 66% of the 534 auctions were successful, the highest final clearance rate the city has seen since Easter 2018.



RBA Signals More Cuts

The Reserve Bank has signaled further rate cuts are imminent as it looks to stimulate the economy and boost employment. It says employment is unlikely to grow faster than population growth - meaning wages are unlikely to rise and the jobless rate will remain steady.

The minutes of the June board meeting show the RBA decided to cut rates to a record low of 1.25% after weak inflation data and the low rate of wages growth. "Given the amount of spare capacity in the labour market and the economy more broadly, members agreed it was more likely than not that a further easing in monetary policy would be appropriate," the minutes said.

The RBA urged the Federal Government to do more, saying lower interest rates are not the only policy option available to lower unemployment.

It said tax cuts yet to be passed by Parliament, worth \$1,080 for most workers and scheduled to begin in July, would boost household disposable income and support household consumption in the second half of 2019.

Stats Confirm End To Price Falls

CoreLogic's daily home value index held steady and saw no movement in the week ending 23 June, repeating the performance of the previous week and confirming that the earlier trend of falling values has halted.

Both Melbourne and Sydney recorded small rises in their home value indexes last week. Melbourne recorded the largest rise at 0.2 of a percentage point, followed by Sydney at 0.1 of a percentage point.

The latest Asking Prices Index from SQM Research was more bullish, with most of the capital cities recording weekly increases. It also reported monthly rises in prices for seven of the eight state capitals (Darwin was the only exception).

The average time for houses on market fluctuated slightly, with Sydney, Melbourne, Darwin and Canberra recording improvements, while Adelaide, Perth and Hobart recorded no movement.

Hobart was the capital city with the fastest time on market for houses at 36 days, followed by Melbourne at 43 days and Sydney at 48 days.

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CBA Tips 0.75% Official Rate

Australia's biggest lender has predicted the official interest rate will fall below 1% by November. The Commonwealth Bank jumped on signals from the central bank on Tuesday that more interest rate cuts are imminent, forecasting rates will hit a record low of 0.75% before Christmas.

Earlier, both Westpac and NAB have forecast three reductions in the official cash rate this year, beginning with the 0.25 cut announced on 4 June.

The market has priced in a 100% chance of a second drop to 1% by August, from the current 1.25%.

In a sign households are increasingly concerned about the economy, the weekly Westpac-Roy Morgan measure of consumer confidence fell for the third consecutive week after spiking following the Coalition's re-election.

ANZ's head economist, David Plank, says the prediction of further rate cuts is an "unusually strong signal" from the Reserve Bank and raised the possibility it could "be doing something non-conventional very soon, within a matter of months, unless there is a rapid turn".



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