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The Week In Real Estate

Housing Markets Get Another Boost

The housing market is shaping for a stronger second half after the Reserve Bank slashed the official interest rate to a low of 1%, just 28 days after its previous cut.

Ray White chairman Brian White, who runs the nation's largest real estate franchise, says the cash rate reduction to 1% is a further shot in the arm for the property market, which had already been showing signs of improvement.

The latest data from SQM Research shows that the housing markets in Sydney, Melbourne, Hobart, Brisbane, Perth and Adelaide all produced minor price rises in June, while new home sales are dramatically improving.

Developer Harry Triguboff says the rate cut will help the housing market's recovery. "Of course it will be better, this all helps," he says.

"Prices are starting to come back. They have hit the bottom already and they won't go down any more."

Official Rate Drops to 1%

The Reserve Bank has cut the cash rate twice in two months, a move not seen in more than a decade. Now at 1.00%, the official interest rate was last lowered in consecutive months in 2008 when it was slashed at five consecutive meetings from 7.25% in August to 3.25% in February 2009.

Ahead of the rates decision, Treasurer John Frydenberg said: "We do expect the banks to pass on in full to the Australian people the benefits of sustained reductions in their funding costs."

Last month ANZ and Westpac were criticised for not passing on the full rate decrease. This time, ANZ has passed on the full 25 basis points while CBA, NAB and Westpac passed on only some.

Real estate consumers are already enjoying mortgage rates at unprecedented levels. Mortgage broker Louise Lucas of The Property Education Company says some lenders are now offering interest rates to owner-occupiers below 3%.

Falling interest rates are part of a trend of positive events which has lifted sentiment. "Buyers are out in force," Lucas says.

Quote of the Week

"The momentum has well and truly improved. It does look like the market bounce - since the election, the rate cuts and APRA talking about relaxing its serviceability test - is continuing."

Shane Oliver of AMP Capital

Best Auction Outcomes For 2 years

Cashed-up buyers who have been biding their time are now starting to make their move, as selling agents report an influx of inquiries, more people through open homes and stronger competition at auctions.

June has been the strongest month for auctions in Sydney since September 2017 and February 2018 for Melbourne, according to economist Shane Oliver of AMP Capital.

"The momentum has well and truly improved," he says. "It does look like the market bounce since the election, the rate cut and APRA talking about relaxing its serviceability test is continuing."

Melbourne has shown robust signs of a market turnaround, with a preliminary clearance rate of 73% over the weekend from a pool of 463 auctions. According to Domain's collection results, 68% of properties sold under the hammer in Sydney on Saturday from 428 scheduled auctions, compared to 55% the previous week.

Domain economist Trent Wiltshire says the Melbourne clearance rate should remain near 70% after all of the auction results are tallied. He says the low number of auctions is probably boosting results, though they are still strong.

House Prices Bounce Back In June

House prices in Sydney and Melbourne have posted their first monthly gains since 2017 in a sign the market downturn in our two biggest cities may be over.

Both SQM Research and CoreLogic recorded increases for the two biggest cities in June, while SQM also found uplift in Brisbane, Perth, Adelaide and Hobart.

CoreLogic recorded monthly rises for houses in Sydney, Melbourne and Hobart, and increases for apartments in those three cities as well as Darwin.

It was the first monthly increase in Sydney since the market peaked in July 2017 and in Melbourne since its peak in November 2017. CoreLogic says it's an early sign that lower mortgage rates and improved sentiment are already having a flow-on effect.

"I'm not prepared to say the housing market's going to come roaring back," says CoreLogic's Cameron Kusher. "But it's been looking like the worst is over - we've been seeing consistently the rate of decline has been slowing and now we've seen positive results for the first time."

Moody's Predicts Growth In 2020

Economic researcher Moody's Analytics has forecast property price growth next year across every Australian capital city except Hobart.

Moody's national index for home values has fallen for almost two years, but Sydney, Melbourne, Brisbane, Perth, Adelaide, Darwin and Canberra will all see a steady recovery in 2020, according to the Moody's Analytics report. The Hobart property market, which has been the leader among the capital cities over the past two years, is projected to drop slightly in 2020 and 2021.

House values across Sydney are set for a 3.1% increase next year and a further 4.8% in 2021, with apartment prices to rise slightly higher at 4% and 6% in 2020 and 2021 respectively.

Melbourne will see a 1.3% upswing next year, followed by a healthier 6% in 2021.

"Overall, Greater Melbourne house values are expected to tick up in 2020, with Melbourne-Inner East and Melbourne-North East leading the recovery," says Moody's.

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