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## Terry's View

We're now seeing tangible evidence of the upturn in major real estate markets. A month ago, I noted the upturn in sentiment caused by "a series of fortunate events" but commented that it would take time before consumers could actually feel the difference. A month further on and there is mounting evidence of recovery and upturn. Price data from CoreLogic and SQM Research shows that most capital cities recorded increases in price indexes in July. Clearance rates continue to improve in the biggest cities and are much stronger than 12 months ago. Real estate professionals at the coal-face of the industry are observing stronger activity, with buyers competing for properties. I expect the trend to continue, because we are still in the early stages of feeling the impact from those recent game-changing events: the election result, easier finance, interest rate reductions, tax cuts and increased spending on infrastructure. Three major institutions – ANZ, CBA and Genworth – have all published reports forecasting a return to solid price growth in the second half of 2019, with stronger performance in city markets in 2020. It's time for real estate consumers to get busy.



**Terry Ryder**  
Australia's Leading Independent  
Property Researcher



## City Markets Move Into Recovery

Real estate markets across Australia are showing strong signs of rising, according to three separate reports from major institutions. The Commonwealth Bank, ANZ Bank and Genworth Mortgage Insurance all say that big city markets have passed the bottom of the trough and are rising again.

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## Prices Rise In Most Cities In July

Prices are recovering in most of the major cities across Australia, according to the latest price data from two key sources. Figures for July from CoreLogic indicate that dwelling prices increased in five of the eight capital cities, while the latest figures from SQM Research suggest positive price outcomes in most cities.

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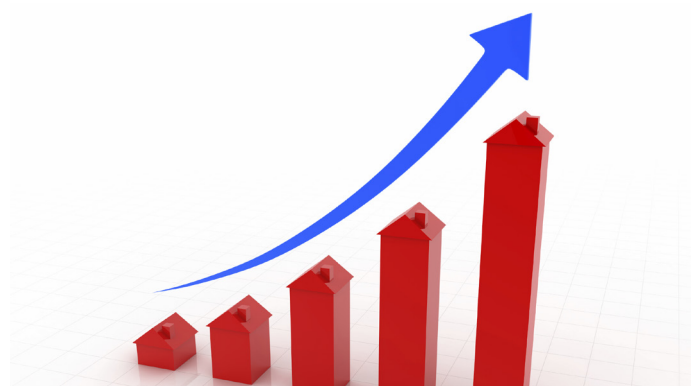


## FHBs Get Busy As Conditions Improve

First-home buyers are becoming increasingly active, accounting for close to 30% of owner-occupier home loans in May, according to new figures. It's their highest market share in seven years and reflects improvements in affordability and government assistance measures.

FHB activity is expected to continue improving, with falling interest rates, an easing of lending rules and a new federal assistance scheme now in the mix.

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## 10% Rises Tipped As Big Cities Revive

Price rises as high as 10% have been predicted for major city markets following a resurgence in sentiment and activity in the wake of a series of positive events.

Auction clearance rates in Sydney and Melbourne have had another strong showing and recovery in price levels appears to be under way, while market activity elsewhere continues to respond positively to improving consumer confidence.

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## Affordability Best Since 1999 : HIA

Housing affordability is the best it's been in two decades with mortgage repayments now consuming the smallest proportion of earnings since 1999, the Housing Industry Association says. Softer housing markets and a reduction in interest rates combined to improve affordability during the June Quarter, while average earnings have begun to improve modestly, according to the HIA.

"For a home-buyer with an average income purchasing a median priced dwelling, assuming a 10% deposit, mortgage repayments will consume the smallest proportion of their earnings since 1999," says HIA senior economist Geordan Murray.

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## Borrowers Go Variable As Rates Fall

With interest rates falling, demand for fixed-rate home loans fell in June, accounting for 21% of all home loans written. According to new data from Mortgage Choice, this is lowest level in almost eight years. The decrease in demand for fixed loans is not surprising, with variable interest rate reductions following two consecutive cash rate cuts from the Reserve Bank.

Mortgage Choice CEO Susan Mitchell says: "We can see a clear shift towards variable rate loans. In fact, this type of loan product accounted for 86.5% of home loan applications submitted by our broker network, and only 13.5% of customers chose to fix."

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