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The Week In Real Estate

Survey Tips City Price Rises

Property values are set to rise in cities across the nation, according to a survey of analysts by comparison website Finder, building on the small gains seen in recent months.

In the latest Finder RBA Cash Rate Survey, experts gave their forecasts on 12-month change of property prices in capital cities – and, on average, most expect markets will rise over the next year. Graham Cooke, insights manager at Finder, says: "Most foresee small levels of growth across the board, but a few tipped prices to fall, especially in Sydney and Melbourne. However, after one of the strongest weekend clearance rates in Sydney in recent months (71%), there is definitely a detectable pulse in the big city markets."

Canberra came out on top with the highest predicted growth on average, followed by Hobart and Brisbane. CBA Senior Economist Gareth Aird says his analysis of the latest price data is positive. "I think these latest numbers are actually going to be the start of a trend," he says. "We are seeing some modest rises across Australia's biggest capital cities."

Rates Set To Hold Until November

The RBA decided this week to keep the official cash rate on hold at 1.0%, which means it remains at its lowest level in Australian history.

But mortgage broker Louise Lucas of the Property Education Company says the RBA's recent decisions (with cuts in June and July) have prompted plenty of movement in interest rates among the big lenders.

"Some have passed on sizeable reductions in variable rates, while others have been slammed for not passing on the full rate cuts," Lucas says. "Overall, interest rates remain low, there's strong competition among lenders for borrowers and home values continue to be soft in most markets. In other words, now is a great time to buy."

Experts generally agree that November is the month the RBA board is most likely to make its next move on rates, as it waits for its two recent cuts to take hold along with government action to boost consumer spending. Meanwhile, lenders who are easing their loan serviceability terms continues to grow. Most have reduced their interest rate floors from above 7% to somewhere between 5.3% and 5.7%.

Quote of the Week

"The rate of price decline has really slowed over the last three months and we have got to a point of stabilisation where buyers are starting to come back into the market. People who may have been sitting on the sidelines are able to get in because of the previous home price depreciation."

Genworth chief executive Georgette Nicholas

City Unit Buyers Undeterred

Apartment prices are holding strong in the big cities and may be leading a market recovery. Despite much-publicised defects in multi-unit blocks, buyers appear undeterred, with the apartment sector continuing to outperform houses.

Data from CoreLogic shows prices in Sydney's CBD, inner south and northern beaches grew as much as 2.2% over the three months to July 31, the main drivers of the capital's average of 0.2% growth.

Growth in Melbourne, averaging 1.1% across the city, was particularly strong in the northwest (up 2.3%) and northeast (up 2.5%).

In both cities, the rises were stronger than the results for house prices.

CoreLogic's Australian head of research Tim Lawless says the apartment trend is interesting in light of building concerns and low stock. He says concerns about construction quality and flammable cladding might have been expected to weigh down buyer confidence. "Anecdotally, these concerns seem less relevant across the medium-to-low density apartment sector, as well as unit stock with a heavier bias towards owner-occupiers, where supply levels are generally low," he says.

Genworth Sees Growth In Housing

Signs are positive for Australian property markets with prices set to gradually improve in the second half of this year, according to one of Australia's largest mortgage insurance companies.

Genworth expects recently lowered interest rates coupled with other economic stimuli to halt the slipping housing prices experienced earlier in the year some markets, particularly in Sydney and Melbourne.

Genworth chief executive Georgette Nicholas points to the drop in the official interest rate to 1%, government tax cuts, APRA changes to serviceability rules and state and federal infrastructure investment as contributors to a promising economy underlying real estate demand.

"The rate of price decline has really slowed over the last three months and we have got to a point of stabilisation where buyers are starting to come back into the market," she says. "People who may have been sitting on the sidelines are able to get in because of the previous home price depreciation."

Genworth provides lenders' mortgage insurance, which covers banks from default by riskier borrowers or those with smaller deposits.

Prices Rise For Second Month In A Row

Five of the eight capital cities recorded increases in property values over July, according to CoreLogic's home value index. Values rose 0.2% in Sydney, Melbourne and Brisbane, 0.3% in Hobart and 0.4% in Darwin.

This was the second consecutive month with small rises in Sydney and Melbourne, following almost two years of continuous falls. Figures from SQM Research published this week show monthly rises in Sydney, Melbourne, Canberra and Darwin, with little change in Brisbane, Adelaide and Hobart.

"It's not just about mortgage rates coming down and serviceability assessments being approved but we've also seen an improvement in confidence across the market," says CoreLogic's head of research Tim Lawless. "Another factor is that there's not much stock out there in the marketplace, which means vendors are a little bit more empowered."

With the Spring selling season only weeks away, vendors may see the healthiest market since the big city boom ended in 2017. REA Group chief economist Nerida Conisbee says spring should spell good news for sellers who are watching and waiting for the market to take off.

40 Miller St, Urangan, Hervey Bay QLD 4655
scott@mitchellsrealty.com.au

Ph: 0428 484 499
www.mitchellsrealty.com.au