17th August 2019

The Week In Real Estate

Buyers Battle As Shortage Hits

Buyers are competing for a historically low number of homes available for sale, leading to higher clearance rates and rising prices in the major cities.
Vendors are being urged to put properties on the market while competition among vendors is low, rather than await the so-called Spring selling season.
REA Group chief economist Nerida Conisbee says premium markets in Sydney and Melbourne are doing "astoundingly" well from the low volume of properties available for sale.
"If you're in one of the premium suburbs, now is a great time to be in the market," Conisbee says. "You have all these buyers who seem to be fighting it out and vendors do seem to be holding off for Spring auctions - and they may not do as well."
Nationally, just under 30,000 homes went on the market in July, down 25% on a year ago. Sydney's July listings were down 32.5% year-on-year. Levels have also fallen in Melbourne (down 29%), Brisbane (20%) and Adelaide (7%).
Clearance rates are at levels not seen since Spring 2016, Conisbee says.

Building Slump May Create Boom

A "dramatic" decline in residential building has created market conditions similar to those post-GFC, which could result in another price boom.
Chief Forecaster for the Australian Construction Industry Forum Kerry Barwise says apartment building has slumped far greater than expected across the country, with house building also falling.
"For the March Quarter new apartment starts fell 41% on the same time last year," he says. "That is a dramatic fall. Those quarter-on-quarter figures can be volatile but that is far deeper than the 10-15% drop that was expected for 2019. House starts are also falling, but not as much, losing 8.6% over the same period. The entire residential building market is contracting."
This means there will not be an oversupply of apartments, as previously predicted. It could mean that as the market picks up again, increased competition for less stock could lead to significant price increases.
The current market signs are very similar to conditions after the Global Financial Crisis and Sydney could be the worst hit again by rising prices, according to Chief Economist for REA Group Nerida Conisbee.

Quote of the Week

"You have all these buyers who seem to be fighting it out and vendors do seem to be holding off for Spring auctions - and they may not do as well."

REA Group chief economist Nerida Conisbee, suggesting vendors should list their properties now, rather than wait for Spring.

Loans Data Shows Buyers Active

The latest lending figures released by the ABS confirm renewed confidence among home-buyers. Australians borrowed 2% more in June than they did in May.

Financing issued to owner-occupiers rose 2.4% to $12.4 billion, while investment loans increased 0.5% to $4.37 billion. The figures do not include refinancing.

"In June, we saw rises in new lending commitments for both owner-occupier and investor dwellings for the first time in over a year," says Ben Dorber, director of financial statistics at ABS. "Investor lending, however, remains well down from its peak and the rise in June was relatively small."

Market watchers say the improvement in lending figures could be brought about by the recent series of positive events.

"The June figures reflect the post-election boost in confidence following the removal of the uncertainty around property taxation," says Adrian Kelly, president of Real Estate Institute of Australia. "With two interest-rate cuts and a softening in APRA requirements, June marks an upturn in market activity."

Vacancies Remain Tight Most Cities

Vacancies remained low in most capital cities in July, with the national vacancy rate steady at 2.3%, according to SQM Research.

Five of the eight state and territory capitals recorded decreases in their vacancy rates: Brisbane and Adelaide dropped 0.1%, while Perth, Canberra and Darwin recorded a 0.2% decrease over the month.

Sydney, Melbourne and Hobart remained steady over the month.

Sydney has the highest vacancy rate at 3.5%, compared to 2.8% at the same time last year. Melbourne remained at 2.0% in July, increasing from 1.6% 12 months ago. Hobart's vacancy rate was steady in July and continues to be the lowest in the country at 0.5%.

Adelaide's vacancy rate has been dropping steadily and is now 1.1%, the same tight level as Canberra, which fell from 1.3% in June.

Perth's rental market is tightening - its vacancy rate is now 3%, down from 3.2% in June and 4% a year ago, providing further evidence of recovery. Brisbane, which sat at 2.9% a year ago, is now at 2.4% as the rental market continues to strengthen.

Aussies Clueless About Rate Levels

Australians are in the dark about the official cash rate despite it reaching record lows, says comparison website Finder.

The official cash rate dropped to 1.0% in July after the Reserve Bank announced its decision to reduce the rate for a second time in consecutive months. But a survey by Finder shows 86% are oblivious to the new rate. Bessie Hassan, money expert at Finder, says knowing the cash rate is crucial.

"Even the smallest change to the cash rate can end up saving you tens of thousands of dollars," she says. "If borrowers fail to keep tabs on cash rate movements, they could be missing out on a golden opportunity to save big money by either negotiating a better rate, or looking elsewhere." The research found that 56% think the cash rate is higher than it is, with 13% assuming it to be between 5% and 10%. Just 10% of women and 18% of men could identify the correct cash rate.

Hassan says economic ignorance is costing Australians. "Keeping informed means knowing which direction rates are going," she says. "Take a look at your interest rate and compare it to what's being offered. If it isn't up to scratch, it may be time to refinance."

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