MITCHELLS REALTY

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The Week In Real Estate

Pundits Claim The Boom Is Back

Two high-profile commentators claimed this week that "the house price boom is back".

Economist and Financial Review columnist Christopher Joye declared: "Prices are rising fast again in Sydney and Melbourne at an annualised pace north of 6% ... Pity the perma-bears, because the great Aussie housing boom is back." Joye says Sydney home values surged "an incredible 1.3%" in August, the biggest jump since March 2017. And Melbourne prices rose 1.2% in August, the best result since May 2017. "Even the subdued Brisbane market has recorded two consecutive months of capital gains," he says. "Across the five largest cities, home values inflated more than 0.8% in August after a 0.1% gain in July. That makes August the strongest month nationally since April 2017."

Financial commentator and TV presenter Peter Switzer says: "Data out of the property market resulted in the AFR running with the headline that the RBA's cheap money is firing up house auctions. "But it's not just cheap money - banks have now been let off APRA's tight lending leash and buyers of today have seen the price falls of yesterday and are now going for it."

Lenders To Offer Rates Below 3%

Owner-occupier interest rates starting with a 2 could become the new norm, according to RateCity research director Sally Tindall. This week the Reserve Bank opted to make no changes to the official interest rate but is expected to drop the rate again later in the year.

"With two more rate cuts on the cards, we could see the lowest variable rate drop below 2.6%, potentially even below 2.5%," Tindall says.

"Lenders will be hard-pressed to pass RBA cuts on in full, but rivalry in the home loan market will keep pushing rates down, even if it's not by as much as the RBA would like.

"This pressure will force more banks to offer owner-occupier rates under 3%, especially for people with a decent amount of equity in their property."

In the fixed rate space, 28 banks already have rates under 3%, with 77 lenders reducing fixed home loans in the past two months as banks price in future cuts. "Some of the sharpest rates are reserved for fixed customers, starting from 2.79% for one year, and 2.94% for five years," Tindall says.

Quote of the Week

"It's not just cheap money - banks have now been let off APRA's tight lending leash and buyers of today have seen the price falls of yesterday and are now going for it. Employment is on the rise, the election is over, Bill Shorten's policies linked to negative gearing have gone, and maybe the ScoMo effect is making Australians believe the future is on the pickup."

Financial commentator and TV presenter Peter Switzer.

Finance Data Shows Green Shoots

The June figures from the ABS show rises in new lending commitments for both owner-occupiers and investors for the first time in over a year, according to the Real Estate Institute of Australia.

REIA president Adrian Kelly says there were rises in new lending commitments for owner-occupier dwellings for all states but falls for the territories.

The value of investment housing commitments increased by 0.5%, with the rise driven by the first rise in New South Wales since April 2018.

"The number of loans to first-home buyers rose 2.1% in June and has now recorded

increases in five of the first six months of 2019," Kelly says.

"The June figures reflect the post-election boost in confidence following the removal of the uncertainty around property taxation.

"With two interest rate cuts and a softening in APRA requirements, we think the June result marks an upturn in market activity."

House Prices Rose 0.8% in August

The national property market has recorded its largest monthly increase in two years as Australians capitalise on rising confidence, an easing in lending standards, lower interest rates and tax cuts. The average situation across the nation was a 0.8% rise in house prices in August, according to one research source, while another has reported a 1.9% monthly rise.

Sydney was the best performing city in the three months to August, with its median rising 1.9%, according to CoreLogic. Melbourne is recovering also, with a quarterly rise of 1.8%. Both major cities are still more than 6% lower year-on-year, according to CoreLogic – although figures from SQM Research have them down only 3-4% year-on-year.

Canberra, Hobart and Brisbane also recorded rises in the house prices in August, while Sydney, Melbourne, Brisbane and Adelaide all saw uplift in their apartment markets.

"The significant lift in values over the month aligns with a consistent increase in auction clearance rates," Corelogic research director Tim Lawless says.

Sales Rates Remain Strong

Auction clearance rates across the capital cities have dipped slightly but remain strong, with analysts awaiting a potential glut of properties hitting the market in spring.

The number of homes taken to auction last week reached 1605, almost 200 more than the previous week, CoreLogic data shows.

Across the capital cities, the preliminary auction clearance rate softened to 73.6%, down from the previous week's final clearance rate of 74.2% - the highest figure since April 2017.

Sydney defeated Melbourne in the battle of the two largest cities with a clearance rate of 79% to 76%. Both cities were below 60% this time last year. Adelaide recorded a 63% clearance rate and Canberra 62%. Only 46% of homes at auction in Brisbane sold, however.

CoreLogic says the current trends mirror those of the 2012-13 period, the last time in which the capital cities emerged from a property rut.

The median sale price for all cities and all dwelling types was $900,000, with medians of $1,175,000 in Sydney and $822,000 in Melbourne.