MITCHELLS
REALTY

12th October 2019

The Week In Real Estate

Investors Regain Their Mojo

Investors have renewed confidence and are returning to the property market, according to new research by Property Investment Professionals of Australia, which finds a surge in buyer sentiment in recent months, with corresponding price increases.

PIPA's survey has found that 82% of investors believe now is a good time to buy residential property and 48% plan to buy in the next 6-12 months.

PIPA chair Peter Koulizos says that, combined with spikes in activity from other buyers (particularly first-timers), indicates that a market recovery is in full swing. A revival in investor activity is likely to put upward pressure on prices.

The PIPA research mirrors the findings of the ANZ Property Council Survey, which reported a rise in investor confidence for the first time in 18 months.

"Signs of recovery have been emerging for some months, with sentiment turning around since May," ANZ Senior Economist Felicity Emmett says. "Clearance rates have picked up sharply, prices have been rising strongly and housing finance is starting to pick up."

Listings Respond To Active Buyers

Sellers and buyers have emerged from Winter hibernation, with more sellers listing their homes and more buyers hitting open for inspections, new Domain data reveals.

Since the start of Spring, property listings on Domain are up 4%, open home attendees are up 14% and the national auction clearance rate is up 2 percentage points.

"We're seeing a real market improvement," says Domain managing editor Alice Stolz. "Spring listings are up and people want to buy in Spring when stock levels are higher."

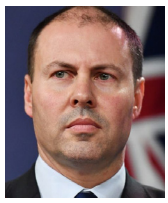
But there's a different story in each capital city. Sydney and Canberra are experiencing the best growth market indicators in the past four weeks.

In Sydney, properties listed on Domain rose 16% from the beginning of August, with 24% more visits to open homes in the past four weeks. In Canberra, listing numbers increased 40% since the start of spring and increased 17% year on year – the only capital city to do so.

Sellers in Hobart and Adelaide are also coming out of the woodwork, with increases of homes on the market of 7% and 10%, respectively.

Quote of the Week

"The RBA has pointed to the lower borrowing costs for the banks and the expectation that these interest rate cuts are passed on. It's not just the Government they are going against here, they are also going against the advice of the Reserve Bank. The banks have a lot of explaining to do."



Federal Treasurer *Josh Frydenberg.*

Strong Sales Absorb Rising Listings

Strong auction results in Sydney and Melbourne despite school holidays and grand final weekends points to growing demand, analysts say.

Sydney's preliminary auction clearance rate last weekend was 80% while Melbourne was 74%, according to Corelogic, despite the Sydney NRL grand final weekend when trading was expected to slow.

While a tad lower than preceding weeks, clearance rates in the 70s still indicate a strong market. At the same time last year, they were 46% in Sydney and 52% in Melbourne.

Overall, CoreLogic says weaker sales in other cities would see the final national clearance rate dip below 70%. Brisbane had a preliminary figure of only 37% while Perth improved at 63% and Canberra managed 74%.

There were concerns demand would not lift enough to absorb rising listings in Sydney and Melbourne but good auction performances and last month's rise in house prices in both cities suggested those fears were overdone, says SQM's Louis Christopher.

"I don't think the market has cooled down at all," he says.

$14bil Rate Cut Cash Grab

Reserve Bank Governor Philip Lowe and Federal Treasurer John Frydenberg say there's no excuse for banks failing to pass on the RBA rate reduction to customers in full.

But reports suggest the Big Four banks are reaping an extra $14 billion a year in interest repayments after withholding a quarter of all Reserve Bank rate cuts since 2011 while at the same time reducing term deposit interest rates by more than the official cash rate reductions.

An analysis by comparison website RateCity shows standard variable rates have fallen only 2.99% since October 2011, despite the RBA reducing the cash rate 4%.

The RateCity analysis found three-year term deposit rates had been slashed 4.3%, compared with the 4% reduction in the cash rate. Interest paid on everyday access accounts was sliced by 4.5% over the same period.

PM Scott Morrison has rebuked the banks over their failure to pass on in full the RBA's October rate cut of 0.25 to a record-low 0.75%. The CBA cut its owner-occupied rate by 0.13, ANZ 0.14, and NAB and Westpac 0.15. Bank of Queensland managed only 0.10.

Shortage May Push Prices: RBA

The Reserve Bank says risks to banks from the housing market have faded as big city prices recover, but says "rapid" price growth could re-emerge due to potential supply shortages.

In its six-monthly review of the financial system, the RBA has outlined the dilemma it faces in housing. While the market bounce has put banks and many households in a better position, the RBA also highlights the potential for challenges in the future if prices rebound sharply.

After four months of rising house prices in Sydney and Melbourne, the RBA says banks are less exposed to large numbers of customers falling into negative equity.

But following sharp falls in approvals for future building construction, the central bank has highlighted the longer-term risk of a future housing shortage, which may reignite rapid price growth down the track.

"With population growth projected to remain strong, ongoing weakness in building approvals would likely result in a shortage of new housing in several years' time with a resulting risk of rapid growth in prices that would stimulate stronger debt growth," it says.

40 Miller St, Urangan, Hervey Bay QLD 4655
scott@mitchellsrealty.com.au
Ph: 0428 484 499
www.mitchellsrealty.com.au