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The Week In Real Estate

Property Buyers Return

Confidence has returned to the property market, according to research in the latest ME Quarterly Property Sentiment Report.

A national poll of 1000 investors, owner-occupiers and first home buyers at the start of October found that confidence has improved over the past three months, fuelled by price growth across major markets and signs that banks were lending again.

Almost half (42%) of Australians were feeling more enthusiastic about the property market - up by 9% compared to the previous quarter.

The findings are consistent with new data from the ABS which reveals that home loan demand rose for the third month in a row; there were increases in the number of home loans to owner-occupiers in each of July, August and September. According to the ABS, the number of home loans approved in September reflected an increase of 3.6% on the previous month.

While sentiment has improved across every age group, property status and buying intention, investors and Millennials and those who plan to buy in the next 12 months were the most optimistic.

Savvy Millennials Refinance Loans

Millennials are proving to be better at managing their finances than previously thought.

According to data from comparison website Finder, 30% of those surveyed aged between 18 and 39 said they would refinance in the next 12 months to save money on their mortgages. That compares to 2% of Baby Boomers who said they would speak to their lenders.

Bessie Hassan, money expert at Finder, said the Millennials were looking to take advantage of lower interest rates. "A new benchmark is emerging – we are seeing more home loan rates that start with '2' than ever before and that's the case with both variable and fixed loans," she said.

The research also shows that 8% of Generation Z (younger than 24) and 10% of Generation Y (aged between 25 and 39) were keen to start saving now with plans to refinance in the next two to six months.

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Quote of the Week

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Finder.com.au money expert Bessie Hassan

Home Loans to Owner Occupiers Rise

Loans to owner occupiers increased by 3.2% in September compared with the previous month and were up by 5.6% compared with a year ago.

"The pick-up in home lending shows that the market reached the bottom of this cycle in April 2019, during the Federal Election campaign," says HIA Economist, Angela Lillicrap.

Lending to households building and purchasing new homes rose by 1.9% in the September quarter while lending for established dwellings increased by 9.2% for the quarter.

"Stimulus measures, including interest rate cuts, tax cuts and the easing of APRA's lending restrictions are having a positive impact on the housing market. The government's First Home Loan Deposit Scheme will also assist eligible first home buyers enter the market from January.

"This result is consistent with other leading indicators that show that the decline in new home sales activity that has been evident for more than a year, has started to ease. There are encouraging signs that the market is stabilising at relatively strong levels," says Ms Lillicrap.

Unit Shortage by 2021

The lack of new apartment projects in the pipeline could lead to a shortage in about 18 months' time, says Jones Lang LaSalle.

The total number of new apartments currently being marketed has dropped 72% from the national peak of 2017 and has nearly halved over the past 12 months.

"The timing of this process will be slightly different in each market due to all having slightly different construction cycles, but by mid-2021 we expect all the major markets to be either back in, or very close to, a position of under-supply again," said Leigh Warner, JLL's head of residential research for Australia.

Brisbane is likely to be the first east-coast city to experience an under-supply of apartments, having turned down earlier.

Melbourne has suffered the mildest slowdown of the three east-coast capitals but still has a large amount of stock to be absorbed first.

Sydney's apartment market is likely to take the longest time to reach under-supply, as the city's housing construction cycle was the last to peak.

House Prices to Rise in 2020

CoreLogic's Home Value Index shows that national dwelling values rose 2.9% over the last three months.

"If housing values continue to rise at the same rate recorded over the past three months, national dwelling values could reach a new record high in six months' time," says CoreLogic head of research Tim Lawless.

Australia's capital cities recorded a rise in dwelling values over the past three months, with the only exceptions being Perth and Darwin. In those cities, housing affordability continues to improve and buying opportunities are more plentiful.

Properties in Hobart and Canberra generally maintained their value during the downturn and now the two cities are at record highs.

Based on current trends, Melbourne's housing market will recover in January, followed by Brisbane, says Lawless. Due to the severity of the downturn in Sydney, that market will take a little longer, coming back into balance around April if the current pace of growth continues, he says. Adelaide has already hit record highs in its North and South regions, while the rest of the city looks due for a sluggish recovery.