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REALTY

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# The Week In Real Estate



## Vendors Respond With More Listings

Vendors are becoming more confident about putting their properties on the market following an increase in home listings nationwide for two consecutive months. According to data from SQM Research, national listings rose by 2% in October followed by a 6.3% uplift in November.

Hobart recorded the highest monthly increase of 11.7%, followed by Adelaide with a 10.8% rise and Melbourne with 10.7%. In Canberra and Sydney, stock on the market climbed by 10.4% and 7.1% respectively. However, listings remain lower than to a year ago. Sydney stock was down by 19.3%, Melbourne by 8.5% and Perth by 8.8%.

The overall improvement in the housing market, with evidence of prices rising in many markets nationwide, contributed to the Reserve Bank keeping the cash rate at 0.75% this month, says RBA governor Philip Lowe. Managing Director of SQM Research Louis Christopher says that while more vendors are now listing their homes, the market is unlikely to be over-supplied with stock. "We're definitely seeing more vendors, but not to the point where they're flooding the market," he said.

## Quote of the Week

***"The Board is prepared to ease monetary policy further if needed to support sustainable growth in the economy, full employment and the achievement of the inflation target over time."***

**Reserve Bank Governor Philip Lowe, hinting interest rates may fall further.**

## FHB Activity Strongest Since 2011

Improved housing affordability has led to the highest percentage of first-home buyers in the marketplace for eight years, according to research from the Real Estate Institute of Australia. First-time buyers now comprise almost 30% of all home loans, the highest market share since December 2011.

REIA president Adrian Kelly says the September Quarter 2019 edition of the REIA Housing Affordability Report finds housing affordability has improved in all states and territories, except Tasmania.

In the September 2019 Quarter, the number of new loans to first-home buyers grew by 9,270 (13.6%) - and were up 7% over the year. The proportion of income required to meet loan repayments decreased in most states and territories, dropping to 22% of income in Western Australia, 26% in South Australia, 32% in Victoria, 36% in NSW and only 19% in the Northern Territory. However, Kelly warns that FHBs need to be alert to some of the hidden risks associated with a mortgage. He recommends that buyers calculate whether they can afford a potential increase on their mortgage payments so they are protected if interest rates rise.





## Investor Focus Spread Across Cities

Australia's property market is rebounding and potential investors believe that Brisbane and Melbourne are currently the best places to buy property, according to comparison website Finder.com.au. Finder found that 22% of respondents thought Brisbane was 'good value' and another 22% would buy in Melbourne even though it's considered expensive.

Future buyers would also consider Sydney or Canberra a good investment prospect (13% each), followed by Hobart at 9%, and Perth and Adelaide each scoring 4%.

And it is first-home buyers who are particularly active in the market.

Mark Steinert, the chief executive of Stockland, says the recovery of the property market is "in full swing", due to an easing on loan restrictions by lenders, rising confidence and lower interest rates.

"Credit conditions are improving and we are seeing about half of our customers are first-home buyers," Steinert says.

Saranga Ranasinghe, Moody's Vice President and Senior Analyst, says demand and property prices have started increasing again following price corrections in Sydney and Melbourne.

## ASIC Updates Guidelines for Loans

ASIC is providing clear guidelines to banks to help them assess a loan applicant's ability to repay the loan.

Banks are being told by ASIC to go beyond a basic spending benchmark known as the Household Expenditure Measure (HEM) when gauging the reliability of a customer's expenses.

The HEM does not include spending on expenses such as medical bills, counselling services, life insurance, superannuation, HECS debts, lease payments, child support and spousal maintenance, yet these are relevant to a loan assessment.

The source of the consumer's income is also relevant, including social security payments, income derived from assets and third parties, such as child support.

Information about the consumer's expenses helps determine how much of their income is available for loan repayments.

ASIC commissioner Sean Hughes says: "The provision of credit is a decision for a lender and not a decision for ASIC. These guidelines have been made to assist lenders make good lending decisions, we are not adding new or additional requirements that do not already exist."

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## Prices Rise Faster Than Expected

Median house prices in the major markets across Australia have risen as much as 5% in the two quarters since March, show figures from Domain.

The recoveries in both biggest cities were the fastest since records began and faster than economists predicted.

Domain economist Trent Wiltshire says: "The rebound has been much faster than expected, and it looks like we may see double-digit growth in 2020."

AMP Capital chief economist Shane Oliver agrees the bounce-back is stronger than he expected.

"If you look at the annualised gains in Sydney and Melbourne it's about 20%," he says. "That's very strong."

St George chief economist Besa Deda expects prices to continue to increase over the year ahead "given stock levels are quite low and there is an appetite there given the low rates".

NAB chief economist Alan Oster says he is worried buyers across Australia may revert to boom-time behaviour. "I hope not," he says. "But prices have come back a lot."



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