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The Week In Real Estate

Buyers Target Existing Homes

The number of loans to owner-occupiers rose 10% in November, bringing the monthly total to $13.4 billion, 1.6% higher than October, show official figures.

"The housing market is on its way back," says CommSec chief economist Craig James.

"That means more homes will be purchased and create flow-on demand to a raft of businesses including removalists, real estate agents and homewares retailers."

But the growth is likely to be steady, says JP Morgan economist Ben Jarman. "At the current pace of credit growth, households are still de-leveraging, so housing is neither adding much upside to consumption, nor is it a constraint to further monetary policy easing."

The latest quarterly survey by the ANZ/Property Council of Australia suggests that a pick-up in construction is yet to take hold, showing that home buyer activity is concentrated on established dwellings.

During November, the number of owner-occupier loans for the purchase of existing dwellings was unchanged while the number of owner-occupier loans for construction of new dwellings fell 8.4%.

Buying Intentions Hit Record High

Consumers are planning to spend money on housing, cars, entertainment and travel, shows the latest survey of the Commonwealth Bank Household Spending Intentions.

CBA Chief Economist Michael Blythe says: "The home-buying intentions series lifted again and is now at a record high. There are some early signs of a 'wealth effect' from the housing market supporting spending on motor vehicles, albeit from a very low level, as well as travel and entertainment".

Blythe says the home-buying HSI readings mean the pick-up in dwelling prices in the second half of 2019 will continue into the first half of 2020, and the residential construction downturn should be approaching bottom.

"Past cycles show that leading indicators like building approvals turn about three months after home buying intentions start to lift," he says. "A bottoming in the construction cycle would remove a major growth drag on the economy, and also helps retailing."

Building approvals rose 11.8% in November – the strongest growth in total dwelling approvals since February 2019.

Quote of the Week

"The positive result for investor lending is consistent with other indicators which are all telling us that the housing market has entered the early stages of a recovery following a difficult couple of years."

Master Builders Australia chief economist, Shane Garrett

Home Hunters Keep Brokers Busy

Mortgage brokers are reporting busy times as first-home buyers take advantage of the Federal Government's First Home Loan Deposit Scheme.

But other owner-occupiers and investors are also keen, say mortgage brokers.

The trend is most noticeable in Melbourne with Foster Ramsay Finance principal mortgage broker Chris Foster-Ramsay saying he was "flat out" processing applications. Since November, his appointments have been up 200% year-on-year to date. Most applications have come from first-home buyers and upgraders with many interested in Melbourne properties in the $600,000 to $700,000 range. "There are decent properties close to transport, schools ... what that means is as soon as property is coming on in those fringe suburbs anywhere between the $300,000 to $400,000 range, the competition is excessive."

Melbourne-based 40Forty Finance director and mortgage broker Will Unkles says business is booming with inquiries significantly stronger than six months ago.

Elsewhere, Sydney-based The Lending Alliance mortgage broker Keegan Rezek agrees the overall volume of home loan applications has picked up recently.

New Home Sales End 2 Year Slump

After a two-year hiatus, new home sales have turned the corner and begun to rise again, according to the Housing Industry of Australia.

The latest HIA New Home Sales report shows sales of private detached houses rose by 2.8% across Australia in the three months to November 2019.

Relaxed credit rules and interest rate cuts marked the beginning of the rise which was then boosted by income tax cuts and the promise of the Federal Government's first home loan deposit guarantees. However, sales were still down by 5.7% compared to a year ago.

The biggest rise was in Western Australia where a 14.4% uplift was recorded, followed by Queensland with an increase of 2.0% and Victoria (up 1.6%).

Detached house sales in New South Wales and South Australia declined over this period, by 0.5% and 2.5%, respectively.

"After a rough couple of years, demand for new houses is finally rising in Western Australia," said HIA economist Diwa Hopkins. Population growth is the strongest it's been since 2015, she says.

Market Favourable for Landlords

Residential vacancy rates across all states rose slightly in December but asking rents also grew in most capitals, indicating a positive outlook for landlords in 2020.

"It's actually quite likely that we've reached the peak in national rental vacancy rates, with ongoing strong population growth absorbing current surplus rental stock over 2020," says SQM Research managing director Louis Christopher.

Darwin vacancies rose to 3.5%, Brisbane to 2.9% and Perth to 2.5%. Rental markets in Hobart remained tight with vacancy rate at just 0.6% – the lowest of all capital cities.

"The probabilities are high that vacancy rates will now peak and gradually fall over 2020," Christopher says.

More promisingly, over the last three months, rents rose in most capital cities except Perth and Darwin. Hobart leads with a 7% increase, followed by Sydney (up 3%), Melbourne and Canberra (both up 2.7%), Brisbane (up 2.5%), and Adelaide (up 1.2%).

"The increasing rents in most capital cities could see a move towards a landlords' market in the coming months," Christopher says.