



MITCHELLS
REALTY

22nd February 2020

The Week In Real Estate



Sales Rates Continue To Rise

Auction clearance rates continue to rise with the latest national average of 79% well above the strike rate of 51% for the same period last year, according to CoreLogic.

Melbourne cleared 79% of its 717 auctions and of Sydney's 578 properties auctioned, 80% were sold. Canberra had the highest success rate of 90%, though there were only 48 properties under the hammer.

Of the 104 properties in Brisbane, 62% were cleared at auction, a big improvement on the 29% of a year earlier. Adelaide offloaded 75% of the 82 properties under auction while a good result of 90% was also achieved in Geelong.

Results in regional areas were promising, including the Central Coast (55%), the Mornington Peninsula (63%), the Hunter Region (69%), Wollongong (61%) and Gold Coast (52%).

The clearance rates of the combined capital cities were around 75% in 2016 and 2017 before they began to fall, bottoming at around 40% in December 2018/January 2019. Apart from a dip over the Christmas holiday season, they have been rising over the past year.

Quote of the Week

"It's not just about pent-up demand by owner-occupiers. It's a sign the property market is seen as a safer, stronger place to put your money."

ANZ economist Adelaide Timbrell, commenting on rising lending figures.



Vacancies Fall, Rents Rise

In good news for landlords, vacancy rates are falling and rents are increasing in most markets across the nation. Fresh research by SQM Research shows that, at 2.1%, the national vacancy average is tighter than the December 2019 rate of 2.5% and slightly lower than a year ago when it was 2.2%. The figures suggest most major markets have a shortage of homes available for renting.

All cities recorded decreases in vacancy rates in January, except Hobart which remained steady at 0.6%, the lowest of all capital cities.

Adelaide (1%) and Canberra (1.4%) have very tight rental markets, while Perth, Brisbane and Melbourne all have vacancy rates a little above 2%. Darwin recorded the highest vacancy rate at 3.2% followed by Sydney at 3.1%.

Over the last 12 months, the capital city average for house rents has increased 1.6%. In this time, rents for both houses and units have increased in Melbourne, Brisbane, Perth, Adelaide and Hobart.

However, rent for both houses and units in Sydney and Darwin remain lower than they were a year ago.





Land Sales On The Increase

The number of Australians buying land has risen sharply as buyers take advantage of affordability.

Land sales rose 46% across the nation in the six months to the end of the September 2019 Quarter, according to the latest data from the Housing Industry Association. The 10,563 lots sold during the period were much higher than the March 2019 Quarter, when sales were the lowest on record.

The uptake has yet to have an impact on land prices, though CoreLogic's Eliza Owen says it may not be long until demand drives prices higher.

"Demand for land and dwellings has rebounded strongly since June last year, which is also reflected in a 6.7% rebound in national dwelling values over the past seven months," she says.

The rebound in the housing market follows the Federal Election result, a relaxation in lending standards, tax cuts and reductions in interest rates.

The Federal Government's first-home buyers lending scheme is contributing to a rise in the number of market entrants, with more than half of the 10,000 slots already filled.

FHB Loans Highest for a Decade

Increased borrowing activity has been spurred on by owner occupiers and first-home buyers following the relaxation of APRA's lending criteria and interest rate cuts in 2019.

Data from the ABS shows loans to owner-occupiers increased by 5% in December and were 18% higher than a year ago.

New FHB loans rose by 6% month-on-month and were 38% above the same month a year earlier.

"This is the highest number of FHB loans since December 2009," says HIA economist Angela Lillcrap,

"This positive lending data is consistent with other leading indicators, including new home sales and building approvals, showing that the housing market reached a turning point mid-way through 2019," she says.

"This confirms our expectations that the market reached a relatively shallow trough in 2019."

Across the country, lending to owner-occupiers for new dwellings increased in the December quarter for all states and territories except for Tasmania. The biggest increases were in the ACT (up 40%), South Australia (16%), Queensland (13%) and the NT (7%).

Shortage Looms In Eastern States

Sydney, Melbourne and Brisbane will suffer a shortage of new housing by 2022 as construction of new high-rise dwellings recedes, according to property advisory firm, Charter Keck Cramer.

"All of the east coast capitals are facing a significant shortage by the end of 2021," says national director of research and strategy Rob Burgess.

Last year, Melbourne – which needs about 50,000 new dwellings a year to keep up with its growing population – launched 6,300 new units, half the number of 2018.

Metropolitan Sydney's new apartment releases last year totalled 5,700, well down from the 16,300 in 2018. While larger than Melbourne, Sydney has slower population growth which means it needs about 40,000 new homes every year – and traditionally 60% would be apartments.

"Sydney faces a very significant supply issue pushing into 2022," Burgess says.

Brisbane, which started its downturn in the apartment development cycle earlier than the two southern capitals, also suffered a fourth straight year of fewer new unit launches, although the pace of decline slowed.

