



MITCHELLS
REALTY

8th February 2020

The Week In Real Estate



Prices Grow In Cities And Regions

House prices are rising in both the major cities and the regional areas, according to the latest figures from CoreLogic. All city and regional markets across Australia, except Regional South Australia, recorded house price growth in January. This includes Perth and Darwin which have endured a downturn in recent years. The markets to rise the most in January were Melbourne (1.4%), Sydney (1.5%) and Regional Tasmania (1.3%). Hobart and Regional Western Australia both rose around 1%.

There were similar results in the quarter-to-quarter figures, demonstrating some consistency in the turnaround. The biggest quarterly growth was in Sydney and Melbourne - but Hobart, Brisbane, Canberra, Regional Victoria, Regional Queensland and Regional Tasmania all rose by between 2% and 4% in the past three months. Unit prices also increased across the board with the exception of Darwin and Brisbane. The markets with the biggest uplift in unit prices were all regional - South Australia, Tasmania and Victoria - while the highest apartment price growth among the capital cities was achieved by Hobart.

Quote of the Week

"The turnaround we saw in the housing market in 2019 has continued into 2020 as dwelling value growth is supported by the low interest rate environment. The CoreLogic Hedonic Home Value Index revealed that Sydney and Melbourne recorded stand-out value growth in January, while national dwelling values rose 0.9% over the month. With interest rates at historic lows, I don't see the strong demand for property abating any time soon."

Mortgage Choice CEO Susan Mitchell



FOMO Drives FHBs To Act

The 'fear of missing out' is driving the first-home buyer's property market, according to ME Bank Quarterly Property Sentiment Report.

Around 51% of first-home buyers say they intend to buy in 2020. This compares to only 39% of investors who plan to buy this year.

"The recent property price recovery has likely nudged first-home buyers to get in while they can - as though it's 'now or never' - and has created a sense of FOMO," ME's general manager Andrew Bartolo said.

"Low-interest rates and commentary in the market for the support of first-home buyers may have also contributed to an increase in home-buying intentions."

Investors were less optimistic, but Steve Jovcevski, a property expert at finance comparison site Mozo, expects investor activity to rise in 2020.

"APRA dropped the serviceability ratio just a few months ago, so it does take time to flow through the market and for investors' confidence to return," he says.





Immigration Boosts House Prices

Migrants moving to capital cities and major regional centres are helping to boost house prices by as much as \$6,500 each year, shows a university study.

The study titled *The Impact of Immigration on Housing Prices in Australia* shows that in cities where the new migrant population grew by 1% each year, house prices also rose by 0.9%.

“House prices would have been around 1.4% lower per annum, and units 0.8% lower, if there had been no immigration [from 2006 to 2016],” said the report authors, senior lecturer at Monash Business School Daniel Melser, and RMIT University student Morteza Moallemi,

“Interestingly, the effect of immigrants on different property types is different – there is a bigger impact on houses than units or apartments,” Melser says. “Chinese and Indian immigrants have high rates of home ownership.”

Economist Esther Rajadurai says immigration brings other positives to the economy, such as spending which drives economic growth and government revenue. This in turn helps to counteract slow growth and depressed wages.

Housing Confidence Keeps Rates on Hold

Ongoing confidence in the housing market and falling unemployment are the likely reasons behind the Reserve Bank’s decision to leave the official cash rate on hold this week.

Mortgage Choice CEO Susan Mitchell says the nation’s improving unemployment – which fell to 5.1% in December – was a reason for the RBA to defer a rate cut. The CPI also rose 1.8% in 2019, which was better than expected.

“Another reason the RBA may have decided to hold the cash rate this month is dwindling consumer confidence,” she says. “The latest Westpac-Melbourne Institute Index of Consumer Sentiment revealed that consumer confidence fell over January due in part to the devastating bushfires.

“The low level of confidence is consistent with generally lacklustre reports on consumer spending and Board members. But, pleasingly, the Index points to ongoing confidence in the housing market.”

At its December Board meeting, the RBA Board said it was prepared to ease monetary policy further, suggesting a cash rate cut is only a matter of time.

New Home Building Improves

Building approvals rose 2.7% in the 12 months to December, the first rise in 18 months, says the ABS. The result was better than expected – economists had predicted a decrease of 1.4%.

The increase was driven by private sector units and townhouses, which rose 4.9%. Private sector houses rose only 0.3%.

Dwelling approvals rose 6.1% Victoria, 4.7% in the NT, 1% in the ACT, 0.5% in NSW and 0.5% in SA. Falls were recorded in Tasmania, WA and Queensland.

Building approvals slowly recovered in 2019 after falling 20% in 2018 due to the credit squeeze and uncertainty around property taxes ahead of the Federal Election.

Housing Industry Association economist Angela Lillicrap says: “The market did improve in the final months of 2019, suggesting that the building industry will not continue to constrain economic growth in 2020. New home building has stabilised at relatively strong levels.”

She says the continuation of price growth in capital cities will bring investors back to the market and support higher building activity in 2020.

