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The Week In Real Estate



RATED AAA

Millennials Lead Home-buying Surge

The number of first-home buyers acquiring a property reached a decade high level earlier this year, says CommSec. And their numbers have continued to grow through the pandemic period.

Young professionals and couples, armed with a wealth of industry knowledge, a list of “must haves” and the confidence to make an offer fast, are buying up properties in Brisbane, Sydney, Melbourne and elsewhere across Australia.

While millennials are encouraged to buy into the property market through schemes like the Federal Government’s First Home Loan Deposit Scheme and the recent HomeBuilder package, investors and mature property owners appear to be avoiding the market for now. Agents across the nation are reporting young home hunters in secure jobs are emboldened and typically seeking a townhouse or two-bedroom unit, while low interest rates mean it is now cheaper to buy than to rent in many areas.

This momentum is expected to continue with the second round of the First Home Loan Deposit Scheme opening on 1 July, with another 10,000 places available.

Quote of the Week

“HomeBuilder has given people the reason to act now. If you are employed in a COVID-resilient sector and the government is giving you an incentive, now is a pretty good time to buy a house.”

Stockland’s head of communities Andrew Whitson

Australia Keeps AAA Credit Rating

Australia is one of just 10 countries to retain its AAA credit rating through the coronavirus-induced global recession based on Moody’s Investors Service most recent assessment. Moody’s says that Australia’s AAA stable credit rating reflected the economy’s strengths and good governance – including health management – that will support the country’s resilience in response to the coronavirus pandemic. Moody’s forecast the economy to shrink by 5% this year, though it said the government’s \$150 billion in budget spending and support from the Reserve Bank of Australia would mitigate the contraction.

“In Moody’s assessment, the resilience of the Australian economy supports a return to positive growth next year, without any significant long-lasting impact on growth potential once the crisis passes,” it says.

By international standards, Australia has relatively low public gross debt of about 42% of GDP. Moody’s forecasts it to exceed 50% by 2021 and rise modestly thereafter. Australia received a AAA rating from all three major rating agencies: Moody’s, S&P Global Ratings and Fitch Ratings.





Housing Market Remains Resilient

The fundamentals of the Australian housing market are intact despite the economic upheaval caused by the COVID-19 lockdown, says Stockland's head of communities Andrew Whitson.

"The two biggest drivers of the residential property market have been low mortgage rates and credit growth. They still remain supportive," he says.

Whitson says the Federal Government's support to the housing and construction market was "smart policy" given it was "time-bound and targeted" and it would aid the industry and the economy.

"There's a real multiplier effect", he says, adding that every house built creates three jobs and every dollar spent on residential construction adds three to the economy.

The state of the housing market has been a key barometer of economic health.

When considering the fourth quarter of 2020, EY Oceania economist Jo Masters says, "The July 23 mini budget will outline a plan as to how we get through that fiscal cliff and how we support the economy and confidence through to the end of the year".

More Buyers are Choosing Regional

More and more Australians are buying property in regional Australia, according to the Real Estate Buyers Agents Association.

Buyer's agents say properties in many out-of-city locations are exhibiting firm demand, short days on the market and strong competitive numbers, despite the coronavirus restrictions.

Regional home-seekers are typically young families, relocating workers and retirees, says REBAA president Cate Bakos.

The current trend is not a new phenomenon, according to Propertyology Head of Research, Simon Pressley, with more than 52,650 Australian residents migrating from capital city locations to the regions over the last three years.

"Of the Australians who moved cities last year, Brisbane and Hobart were the biggest beneficiaries of the capital cities, but Melbourne only gained 590 people and every other capital city had a net loss. Sydney has lost 53,000 residents in the last two years.

"The official data also shows that most of Australia's best-performed property markets over the last five years were spread throughout regional Australia, not in the capital cities."

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Auction Numbers Hit a 9-week High

There were 1,424 homes scheduled for auction last week, the highest number in nine weeks, says CoreLogic. The auctions achieved a clearance rate of 65%.

By comparison, the previous week saw 1,251 homes taken to auction, returning a clearance rate of 60%. The same time last year saw 1,295 homes offered at auction across the capital cities and a clearance rate of 63% was recorded.

The results demonstrate an ongoing improvement in seller confidence as clearance rates hold reasonably firm under higher volumes.

Melbourne held 623 auctions with a 63% strike rate; Sydney had 614 with 67% proceeding to a sale; and Brisbane recorded 84 auctions returning a clearance rate of 48%.

Canberra had the highest clearance return of 89% based on 34 auctions followed by Adelaide which cleared 76% of 46 properties taken to auction.

The successful results, which are increasing every week, suggest economic uncertainty has done little to deter home-buyers.



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