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The Week In Real Estate

Vendors Happy As Prices Rise

House prices are rising as buyers pay top dollar for homes – and a new survey by RateMyAgent finds vendor sale price happiness has risen strongly in the past year.

The survey shows seller satisfaction is tracking at 56% – the highest result ever reported by the website. The quarterly Price Expectation Report asked 51,500 vendors if their sale price was above, below or in line with expectations and revealed seller satisfaction had risen 10% since mid-2020.

Regional areas reported higher levels of sale price satisfaction. The Mallee in Victoria, which includes Mildura and Swan Hill, is the happiest region (70 % rate of happiness), followed by Hobart (67%), Richmond-Tweed (66%), Canberra (64%) and The Riverina in NSW (62%).

Mark Armstrong, executive director at RateMyAgent, expects the seller's market to continue throughout 2021. "We've got an incredible combination of strong buyer demand, a significant increase in supply and historically low interest rates," he says.

REA, Westpac Tip Big Rises

Big increases in house prices have been forecast, with the regions set to outperform and the luxury end expected to be the star in the major cities.

REA's Property Outlook Report 2021 says Australians have never been wealthier, which is reflected in the "rise and rise" of the luxury property market. "This unique trend of house price growth during a recession did not occur during the GFC or the early 1990s recession," the report says. "Towards the end of 2020, views per listing on realestate.com.au for homes over $10m increased 150%."

The report says investors are returning to the market, with a focus on regional Australia, which will again outperform the rest of the country. While views per listing on rose 16% in capital cities during the second half of 2020, the increase in regional Australia was 44%.

Westpac economists have lifted their forecast for dwelling prices and are now expecting 10% gains in both 2021 and 2022. Westpac chief economist Bill Evans expects the market will flatten in 2023.

Quote of the Week

"We're forecasting a 10% to 20% increase in the number of properties entering the market for sale in 2021 – particularly in the second half of the year. Our advice to Australians who are thinking of selling, is to sell now."

Mark Armstrong, executive director at RateMyAgent

Interest Payments At 35 Year Low

The share of household income being used to pay interest on debt has fallen to the lowest level in 35 years, freeing up tens of billions of dollars a year to be spent in other ways.

Interest paid by Australian households has dropped to 5.5% of disposable income, the lowest since the mid-1980s, analysis by AMP Capital shows. That compares to 9% in mid-2019 and 13% in 2008.

The decline has been driven by lower official interest rates, which were reduced to an unprecedented low of 0.1% in November.

AMP Capital chief economist Shane Oliver estimates the fall in interest payments as a share of disposable income is injecting an extra $9 billion into the household sector each quarter compared with two years ago. "That in turn has supported consumer confidence and spending," he says.

Many borrowers have used savings from lower interest payments to reduce debt. The Reserve Bank says "substantial payments" were made into mortgage offset and redraw accounts between March and December last year. This amounted to about $40 billion.

Clearances Strengthen In Major Cities

The capital cities achieved an average clearance rate of 84% in auctions held last week, according to preliminary data from CoreLogic.

There were 2,094 homes scheduled for auction across the combined capital cities last week, up from 1,496 he previous week. Of the 1,754 results collected so far, 84% had reported a successful result, down from last week's preliminary auction clearance rate of 86% (which revised down to 77% at final figures).

Over the same week last year, 2,517 homes were taken to auction and 73% of reported results were successful.

Melbourne had 1,061 auctions, up from 635 over the previous week, with 82% successful. In Sydney, 769 homes were taken to auction, compared to 625 over the previous week, with a preliminary clearance rate of 88%. Canberra recorded the highest clearance rate at 92%, followed by Adelaide (85%) and Brisbane (79%).

Auction markets will be tested on larger volumes this weekend, with close to 2,500 capital city auctions scheduled to be held.

CBA Rejects Bubble Fears

Commonwealth Bank CEO Matt Comyn has dampened concerns about rising house prices, saying the growth spurt is being fuelled by owner-occupiers, not investors piling into the Sydney and Melbourne markets.

Comyn has underlined several distinctive characteristics of today's market, compared with earlier property booms. He says that in the middle of the last decade, more than half of new lending in Sydney and NSW was flowing to investors. "If you go back to 2014-15, most of that growth was coming out of Sydney and Melbourne," he says.

"At the moment, the fastest-growing capital cities are Darwin and Perth, then Canberra. There's a number of regional locations that are growing very rapidly. In fact, Sydney and Melbourne are not strong on a relative basis."

Bendigo and Adelaide Bank chief executive Marnie Baker has highlighted the strength of the regional property market and owner-occupiers in driving recent price growth. "Our own book is 85% owner-occupied, so it's actually not being led by investors," she says. "That's a difference that we need to take into account."

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