



MITCHELLS
REALTY

6th February 2021

The Week In Real Estate



Two Reports Confirm The Boom

New data from two sources confirms that a national real estate boom is under way across Australia. The latest figures from both Domain and CoreLogic record annual growth in house prices in most locations in the nation, but in particular in the latest quarter.

CoreLogic's price report shows that all 15 market jurisdictions (8 capital cities and 7 state regions) recorded uplift in January and in the past three months. Domain's report shows all capital cities had significant price increases in 2020, with major uplift in the December Quarter.

The CoreLogic figures show quarterly growth of at least 2.4% in all 15 market jurisdictions. That equates to double-digit annual increases if those growth rates are maintained. But 12 of the 15 major markets had quarterly increases ranging from 3.5% to 7.8%.

The Domain data shows quarterly rises in house prices ranging from 3% to 6.4% in five of the eight capital cities and equally significant increases throughout many regional locations.

The smaller capital cities and the regional markets are leading the growth in house prices.

Quote of the Week

"There's a lot of evidence showing the housing market is strong and the pricing data fits in with the lending data. We're suggesting house prices will keep rising in 2021."

Commonwealth Bank head of Australian economics Gareth Aird

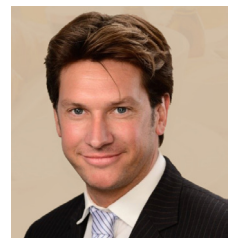
Rates To Stay Low Til 2024

The Reserve Bank has nailed record low interest rates to the floor until 2024 and extended its bond-buying program by another \$100 billion.

The RBA this week decided to keep the cash rate at 0.1% and lowered its unemployment forecast to hit 6% by the end of this year, down from the 6.5% it forecast three months ago. Inflation and GDP forecasts have also been upgraded. Surprising most economists was the RBA's call to extend its quantitative easing program by buying an additional \$100 billion in bonds.

RBA governor Philip Lowe says the economic recovery is faster than expected and GDP is now expected to return to its pre-pandemic level by the middle of this year. "The economic recovery is well under way and has been stronger than was earlier expected," he says.

"The board will not increase the cash rate until actual inflation is sustainably within the 2-3% target range. The board does not expect these conditions to be met until 2024 at the earliest."





Low Listings Are Boosting Prices

We have started 2021 with low inventory levels, with available supply falling short of accelerating buyer demand, new research has revealed.

With the housing market on a rising trajectory, buyers who sat on their hands in 2020 are now entering the market, eager to make up for lost time. As a result, existing housing supply has been impacted by a strong rate of absorption from rising home buyer activity, creating a seller's market.

CoreLogic estimates that the number of national home sales over the past three months has surpassed the previous year's figures by 24%. The volume of regional home sales is up 27%, while capital city sales are up 22%.

In contrast, the number of fresh listings added to the market nationally over the four weeks ending 24 January was 3.3% lower than last year and 13% below the five-year average.

Nationally, total listing numbers, which include new listings plus re-listed properties, were 28% lower than this time last year, tracking 2% below the five-year average.

Loans Data Keeps On Rising

New ABS data on housing finance shows investors are returning to the market, while home buyer activity remains strong.

The value of new owner-occupier home loans rose 8.7% to \$19.9 billion in December, to be 39% higher than December 2019. The value of loans to investors rose 8.2% to \$6 billion.

ABS head of Finance and Wealth, Amanda Seneviratne, says: "Loan commitments for existing dwellings accounted for 53% of December's rise in owner-occupier housing loan commitments, while construction of new dwellings accounted for 32%."

The value of construction loan commitments grew 17% in December, more than doubling since the June implementation of the HomeBuilder grant. "Federal and state government measures, such as HomeBuilder, are supporting ongoing growth in housing loans", she says.

In December, the number of first-home-buyer loans rose 9.3% to reach 15,205, a 56.6% rise since December 2019. This is the highest level since June 2009, when similar rapid growth was spurred by the tripling of the FHB grant, in response to the global financial crisis.

Banks Tip 9-10% Price Rises

Australia's "ferocious" property market is forecast to rise 10% this year, following new data that shows house prices and new loan commitments have hit record highs.

NAB group chief economist Alan Oster expects prices to rise 10% in most capitals, excluding Sydney and Melbourne, which would rise 7% or 7.5%.

Commonwealth Bank head of Economics Gareth Aird has predicted a 9% rise in house prices. "There's a lot of evidence showing the housing market is strong and the pricing data fits in with the lending data," says Aird. "We're suggesting house prices will keep rising in 2021."

It's a big turnaround from forecasts made by the banks in the early days of the pandemic, when it was thought prices could fall anywhere from 10% to 30%. Instead, housing markets in most parts of Australia continued to deliver growth.

Buyer advocate Cate Bakos says the market for buyers has become "ferocious" with house prices rising by thousands of dollars each week due to the strong competition over fewer homes for sale.

