



MITCHELLS
REALTY

28th August 2021

The Week In Real Estate



Listings Fall While Demand Stays High

The number of properties listed for sale has fallen even further as prolonged lockdowns continue along the eastern seaboard of Australia. New figures from the REA Group show that property listings dropped by 10.4% nationally in July while buyer demand remains high.

Realestate.com.au reports a 19% increase in potential buyers searching its online listings in the past week, compared with the same time last year.

That's good news for those who want to sell at top end prices, but bad news for buyers who are facing increased competition, according to REA Director of Economic Research Cameron Kusher.

Nationally listings are now 23.7% lower than at this time last year, recording the largest year-on-year drop since 2016. New listings dropped by 27.3% in Sydney, 26.9% in Adelaide, 14.2% in Melbourne and 6.6% in Brisbane during the month.

Kusher says demand for properties remains at near record-high levels.

Quote of the Week

"If someone is willing to bite the bullet and put their property on the market, they might actually find it's quite successful just because there's not much stock on the market."

REA Director of Economic Research Cameron Kusher



Rents Also Rising At Rapid Rates

Continued low supply and high demand is driving up more than sale prices, with new figures revealing rents are also increasing rapidly. SQM Research figures show decade-low vacancy rates and growing demand has lifted weekly asking rents by 13.7% nationally in the past 12 months.

The rate of rental growth has now surpassed the rate of house price growth (13.5%) during the same period. Nationally the median rent is now \$508 per week while the vacancy rate is 1.7% in a market where a 3% vacancy rate is considered balanced.

SQM Managing Director Louis Christopher says the current rate of rental growth is the fastest Australia has experienced since the seventies.

"It is fantastic for new investors," he says. "They're entering a market where rents have been rising and are still rising, and they can buy in on a yield well above the average lending rate right now."

"That means there are hardly any negatively geared property opportunities out there."





Record Level Of New Home Building

The number of homes under construction in Australia is at record levels on the back of recent government incentives.

The HIA's latest Industry Outlook Report reveals updated forecasts for new home building and renovation activity throughout Australia. It predicts the boom in construction will continue to keep the building industry firing well into 2022.

The high level of construction means there are still issues with the supply of materials and labour, which is also expected to continue next year.

While most of the demand has been for standalone housing so far, demand for units is starting to return with approvals for units increasing in both New South Wales and Queensland after a slow 2020.

The renovation market is also expected to remain strong, buoyed by a significant build-up in savings by homeowners unable to travel during the pandemic.

The HIA is predicting that although the next 12 months will be strong, construction levels may begin to decline in the following years.

Lenders Offer Cashback Incentives

Lenders are dangling financial carrots in front of homeowners and buyers with many offering cash payments to attract new customers.

With competition heating up some lenders are offering incentives of up to \$5,000 to attract new home loan customers. Borrowers are benefiting from the increased competition and low interest rate environment with mortgage rates below 2% now common. RateCity analysis shows a number of lenders are offering cashback deals on two-year fixed-rate mortgages with interest rates of less than 2%, and on variable-rate mortgages with rates under 2.5%. With such low rates on offer, the number of homeowners refinancing hit record high levels in June.

RateCity research director Sally Tindall warns borrowers against getting caught up in the promise of a short-term cash boost. She urged them to thoroughly research the costs of the mortgage including any fees. "It's so important for people to do the maths themselves," she says. "They should not assume that a cashback deal is going to work for them."

Building Costs "Through The Roof"

The huge demand for new housing driven in part by the Federal Government's Homebuilder incentive scheme means the cost of building a home has gone through the roof.

Housing Industry Association chief economist Tim Reardon expects those increased prices to be an issue well into 2022 as builders work through the backlog of projects.

The time to complete a home has now gone from six months to nine months, driven in part by delays in obtaining materials and labour, with a record 146,000 new homes expected to have been built by the end of this year.

More than 120,000 building projects were eligible for the HomeBuilder grant before the program ended in April.

Materials which are in short supply include timber, steel, pipes, fittings, electrical equipment and tiles, as imports from overseas supplies are delayed.

CoreLogic's Tim Lawless says the shortage of materials and tradies will lead to higher costs for new homes and renovations.

