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The Week In Real Estate



House-Land Package Sales Rise

Australians are snapping up house-and-land packages, with new figures revealing building approvals increased 3.5% in August. The latest ABS figures show the number of buildings approved during August hit 12,009, well above the 8,458 recorded at the same time in 2019.

Oliver Hume data reveals in September there was a 30% increase in Melbourne of people paying a reservation fee to secure a block of land.

The increase in demand for house-and-land packages comes as the cost of construction increased since February by 10% for a single-level home and 5% for a double-story home. While the timber shortage has started to ease, glass is in short supply and many buyers are still waiting for tradesmen to be available.

Oliver Hume national head of research George Bougias says the challenges have not put off buyers of house-and-land packages. He says some buyers are rushing to get loans to build ahead of the APRA move to tighten lending criteria.

Quote of the Week

"There's still a relative shortage of properties on the market and demand remains really strong. People are encouraged by the lockdowns ending in NSW, Victoria and the ACT and very confident because of low interest rates and job security."

CommSec economist Craig James

Sellers Act To Beat APRA Changes

The proposed tightening of lending criteria has also driven some vendors to bring forward their plans to list their properties. Some analysts predict there will be a reduction in buyers once the new rules take effect.

At the same time buyers who want to borrow the maximum amount are rushing to gain pre-approvals before the new regulations kick in from 1 November.

Under the new rules, borrowers will be assessed to ensure they can service a loan with interest rates 3% higher; the buffer was previously 2.5%.

The CBA says the changes will affect only a small number of borrowers, as only 8% of applicants are seeking to borrow the maximum amount. Those who obtain pre-approval under the old criteria before November 1 will have 90 days to use that pre-approval before it expires.

Shore Financial chief executive Theo Chambers says those who have procrastinated about buying are now feeling a sense of urgency.





Confidence High At Auctions

Australia has chalked up its second busiest auction week of the year, with over 3,000 properties going under the hammer as NSW and Victoria emerge from lockdowns.

Preliminary auction clearance rates were above 80% in every capital city last week, except for Perth. CoreLogic figures show a national clearance rate of 81% last week, compared with 67% during the same week in 2020.

Adelaide had the highest preliminary clearance rate at 90%, followed by the ACT 87% and Sydney 81%. Brisbane recorded 80%, Melbourne 80% and Perth 43%.

CommSec economist Craig James says the ending of lockdowns in NSW, Victoria and the ACT contributed to the strong auction results. "There's still a relative shortage of properties on the market and demand remains really strong," he says.

"People are encouraged by the lockdown ending in NSW, Victoria and the ACT and very confident because of low interest rates and job security."

Prices Tipped To Peak Late In 2022

Australian property prices are tipped to peak by late next year, according to a new Goldman Sachs analysis.

It predicts prices will increase by 22% this year and continue rising, though at a lower rate, in 2022 before plateau-ing in 2023. It expects that APRA will introduce further lending restrictions next year based on loan-to-valuation ratios and debt-to-income, as the Reserve Bank does not intend to move on interest rates until 2024. It has held its key interest rate at a record low 0.1% since November 2020.

RBA governor Philip Lowe has said they will not raise rates to curb mortgage lending but may introduce portfolio restrictions on individual lenders' shares of lending at high debt-to-income ratios or limit lending at high loan-to-valuation ratios.

"From a policy perspective, we think the softening in price growth over the next few years supports our relatively dovish RBA rates view, given a near-term hiking cycle would weigh on prices and housing-related GDP growth," Andrew Boak of Goldman Sachs says.

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Homes Selling Fast In Most Cities

Homes are selling faster in Hobart than any other capital city in Australia with new figures showing it takes just 17.5 days on average to sell there.

Sydney is also a speedy market, with it taking on average just 24 days to sell.

Nationally it now takes an average 35 days to sell in a capital city according to economist Nerida Conisbee. This has increased since March when it took on average a record low 21 days.

"Days on the market is starting to rise, but there are some property types and locations that are selling far quicker than others," Conisbee says.

Conisbee says Darwin and Melbourne are the slowest Australian capital city property markets in which to sell.

In Melbourne it takes an average 37 days to sell while in Darwin it takes 56 days on average to sell.

There are six suburbs where properties sell on average within just six days; Rokeby, Lenah Valley and Kingston Beach in Hobart, Samson and Hillman in Perth, and Werrington Downs in Sydney.



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