



MITCHELLS
REALTY

13th November 2021

The Week In Real Estate



Price Uplift Is Just Beginning

Now is a good time for prospective property investors to enter the market, although it's essential they are careful in what they select.

SMATS Group executive chairman Steve Douglas says that, while owner-occupiers have been most active in the past 18 months, there are still opportunities for investors to take advantage of future growth.

"I think we are at the beginning of this market push, not the end, and that's because it's not a boom or bust mentality, this is genuine demand with lack of supply," he says.

Douglas says Australian property markets are not without risk and investors should be careful not to jump in and pay a crazy price.

"Whatever you buy, recognise that there is risk and the single best way to mitigate risk is through quality," he says.

"Buy the best property you can afford, whether its location, size, view, features, whatever it is, get the best property you can afford and then enjoy it, that's the key."

Quote of the Week

"My view is that in the next six months we're in for a bit of an economic boom. We are entering into a period of freedom, travel and being able to do things ... I think we're in for a pretty extraordinary economic time."

ANZ chief executive Shayne Elliott



RBA Stays Firm As ANZ Cuts

Inflation may be creeping up faster than expected but the Reserve Bank is holding firm on not lifting interest rates next year.

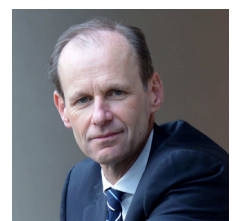
The RBA's quarterly statement on monetary policy says that, while inflation had risen in the September Quarter, it still does not plan to lift the official rate until 2024.

Housing activity is tipped to remain strong as interest rates remain at historical lows and as banks cut rates to lure borrowers.

ANZ this week offered borrowers with deposits of 30% or more a 0.43% cut to rates for loans paying principal and interest. Investors will be eligible for a 0.33% reduction. Borrowers with a slightly lower deposit, of between 20% and 30%, are eligible for a 0.23% cut if paying principal and interest.

The ANZ announcement puts it in line with what is being offered by the other big banks.

RateCity research director Sally Tindall says while risky lending is on the rise, it's no surprise to see ANZ follow CBA and Westpac and offer lower rates to ideal borrowers with big deposits.





Post-Lockdown Boom Expected

Australia is tipped to experience an economic boom in the next six months with the end of prolonged lockdowns.

ANZ chief executive Shayne Elliott says this coincides with the lead into Christmas shopping season and people have saved a lot of money during lockdowns as well as reducing their debts.

“My view is that in the next six months we’re in for a bit of an economic boom,” he says. “We are entering into a period of freedom, travel and being able to do things - and I think people psychologically feel that they’ve earned it and they have the right to go and do things. I think we’re in for a pretty extraordinary economic time.”

Commonwealth Bank economist Gareth Aird says Australia is heading for a “booming economy the likes of which we haven’t seen for a long time and the economy will have a cracking year in 2022”.

National Australia Bank also expects healthy household balance sheets to underpin a robust economic rebound in 2022 after prolonged periods of disruption.

Building Approvals Stay Strong

There is still strong demand for new housing six months after the end of the HomeBuilder stimulus.

ABS building approvals figures show detached building approvals in the three months to September 2021 were 15.5% higher than at the same time in 2020 and 32.2% higher than the same time in 2019.

HIA Economist Tom Devitt says the figures show a healthy pipeline of home building work to the end of next year.

The figures also show the demand for units strengthened in September, with approvals up 34.3% on the same time in 2020. Devitt says apartment approvals have been improving over the last year or so and renovations are still going strong.

The value of renovations is up 10.6% compared with September 2020.

Total building approvals in the September Quarter were up the most in NSW (38%) compared with the same time last year. South Australia was up 30%, Western Australia 29%, Queensland 23% and Victoria 10%. Tasmania was down 11% while the Northern Territory was down 31%.

APRA Move Won't Slow Market

A majority of mortgage brokers believe APRA's lifting of the buffer rate on lending will do little to dampen rising house prices.

A survey by mortgage broker platform Hashching reveals 70% of brokers think house prices will continue to rise despite the increased interest rate buffer.

APRA asked banks to increase the minimum interest rate buffer for home loan serviceability from 2.5% to 3% from November 1.

About 73% of brokers believe APRA will need to take further measures in the next six months to slow down borrowing.

Hashching chief executive Arun Maharaj says the industry is looking for what comes next from the regulator. The survey also found rising property prices hadn't dissuaded first-home buyers from trying to get into the market with 65% of FHBs interested in a freestanding home rather than a unit.

“There's probably a big psychological hurdle here at play - compromising on your ideal after years of saving for a deposit will be tough, many will choose to just save more or will look further afield to get what they want,” Maharaj says.

