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The Week In Real Estate



Housing Strength Drives Big Profits

A surging property market has helped digital real estate company REA Group chalk up a 31% increase in its first half net profit.

The company revealed its listings numbers were up year-on-year and it had achieved a profit of \$226 million.

Chief executive Owen Wilson says the company is in excellent shape and while the federal election may throw some curveballs the effect on the property market is expected to be temporary.

The group intends to launch a range of new products in 2022 including making a move into financial services and pushing further into India and Asian markets.

Its revenue growth has been underpinned by a substantial increase in the Australian residential business on the back of the strong market nationwide. A surge in property listings in January helped boost the organization's coffers with Sydney listings up by 19% and Melbourne listings up by 5%, although growth rates are expected to slow in the second half of this year.

Quote of the Week

"We've seen auction volumes tracking more than 30% higher than the same time last year, especially across the smaller capitals. And this really highlights the trend towards strength in the market in the smaller capitals."

CoreLogic director of research Tim Lawless

Auction Results Continue To Ramp Up

Sellers continue to take advantage of hot auction markets with smaller capital cities leading the charge. Last weekend 1,786 homes went under the hammer, which was more than 50% higher than the previous weekend. Despite the increase in listings, clearance rates improved further in most cities.

Of the 1,427 results collected, 74% of properties sold, according to CoreLogic director of research Tim Lawless. He says volumes and clearance rates exceeded expectations for the first few weeks of 2022. "We've seen volumes tracking more than 30% higher than the same time last year, especially across the smaller capitals," Lawless says. "And this really highlights the trend towards strength in the market in the smaller capitals."

Adelaide had the highest clearance rate of 90%, followed by Canberra on 85%, then Sydney 77% and Melbourne 75%.

Brisbane (57%) had its lowest clearance rate since January 2021 as a result of a large number of homes being withdrawn following major storms on the weekend.





Buyers Pay More For A Swimming Pool

Demand for backyard swimming pools has jumped 55% since the start of the pandemic.

Swimming Pool and Spa Association of Australia chief executive Lindsay McGrath says demand has risen in every state and territory.

Pool and swimming pool are the most searched terms on realestate.com.au, with buyers entering those key words seven times more often than the next most popular feature, a garage.

Frank Valentic of Advantage Property Consulting says that buyers will pay a premium of between 10% and 20% for a house with a pool.

He says pools haven't always been in big demand but they were undergoing a resurgence with home buyers.

"Previously, some might have seen it as a negative rather than a positive," Valentic says. "But I've not had one person say anything like that since Covid, because there's been a massive lifestyle shift."

Valentic says owners shouldn't install a pool just to add value to their property, but do it for their own enjoyment.

Country Real Estate Out-performs

Regional properties are performing well, with new figures revealing significant returns for investors outside the capital cities.

CoreLogic figures for the December Quarter show houses in regional areas returned a gross rental yield of 4.1%, compared with 2.8% in capital cities.

Between March 2020 and the end of 2021, regional house values increased 32% compared with 20% in capital cities.

Simon Pressley of Propertyology says even though many of the best-performing and yielding markets are in the regions, many buyers lack the confidence to buy outside the city markets.

He warns there are some risks associated with investing in regional areas and that investors must do their homework before committing.

Pressley says Coffs Harbour, Armidale, Dubbo, Orange and Wagga in New South Wales meet good investment criteria as do Wodonga, Mildura, Bendigo, Shepparton, Ballarat and Geelong in Victoria. The Rising Stars report published by Canstar and Hotspotting ranks three regional jurisdictions (NSW, Queensland and WA) as the top rated markets.

RBA: No Rate Increase Imminent

Despite constant media speculation about interest rate rises, the head of the Reserve Bank has yet again reiterated that wages need to increase before the cash rate does.

RBA Governor Philip Lowe says underlying inflation has not yet reached a point that necessitates a rate increase.

The RBA has lifted its near-term inflation outlook, but Lowe says it can afford to wait for a wages increase before moving the official rate.

He expects the economy to bounce back strongly in the coming months as Australia's unemployment rate looks to drop below 4%.

Commonwealth Bank economist Gareth Aird says the RBA's upgraded outlook on inflation and unemployment, released on Tuesday, suggested it was on the cusp of normalising the cash rate, but Lowe's comments on Wednesday pushed against that notion. "The RBA's central scenario puts inflation sustainably in the target range, but the Governor has said that it's too early to conclude the forecasts will be achieved," Aird says.

