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The Week In Real Estate

Worst Rate Rises May Be Over

Fears of continuing interest rate rises may be unfounded, with economists suggesting the worst of the increases may be over.

The RBA has lifted the official rate by 1.75% since 3 May. AMP chief economist Shane Oliver now predicts the cash rate will peak at 2.6% by the end of this year or early next year.

"It looks like the RBA is getting traction in slowing demand far earlier than normal," Oliver says.

"While job indicators are still strong, these are lagging indicators. By contrast consumer confidence is at recessionary levels and well below where it's been at this point in past rate cycles."

RBA governor Philip Lowe says while they expect to take further action to normalise monetary conditions it is not a "pre-set path".

"The size and timing of future interest rate increases will be guided by the incoming data and the board's assessment of the outlook for inflation and the labour market," he says.

Investors Not Deterred By Higher Rates

Rising interest rates have not scared off property investors who still see value in real estate as a result of rising rents and low vacancy rates.

New data from the Australian Finance Group shows investor lending increased in July to 28%, which is the highest it has been since late 2019.

Buyers' agent Rich Harvey of propertybuyer says rising rents will help investors absorb interest rate rises.

"Investors are lured by higher yields as rents increase by 10% and probably by 15% to 17% by the end of the year," Harvey says.

CoreLogic research director Tim Lawless says rents are set to continue increasing as demand outpaces supply while SQM Research data puts the national average vacancy rate at a record low 1%.

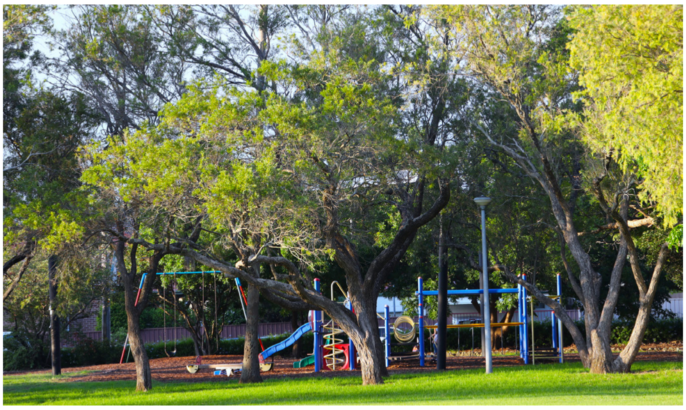
Louis Christopher of SQM says there are signs that some regional rental markets may have peaked with an easing of vacancies.

Mortgage broker Chris Foster-Ramsay says many property investors are cashed up and ready to buy.

Quote of the Week

"I think being able to walk out of your home or your apartment and not have to get in a motor vehicle to travel to an amenity, is something that is now at the forefront for all new residents."

Mirvac head of residential Stuart Penklis



Exports Hit Record Levels

Australia's economy is continuing to bounce back with new figures showing the national trade surplus has surged to another record high.

The increase comes on the back of strong iron ore, minerals and coal shipments with $55.6 billion in exports during June, driving the surplus to $17.7 billion.

The ABS figures show total exports are above market expectations.

Westpac senior economist Andrew Hanlan says the total exports figure exceeded expectations by about $3 billion.

He says there is underlying strength in imports which are up by 2%.

ANZ economist Madeline Dunk says the trade figures are underpinned by sales of coal, iron ore and LNG but Australia's biggest buyer, China, has been trying to limit its reliance on coal imports, and its steel output is expected to weaken this year.

"Given this and the fact that commodity prices appear to have peaked, we think the trade surplus will soon start to slide," she says.

Buyer Priorities Are Changing

Homebuyer demands are continuing to evolve as Australia emerges from the long period of Covid lockdowns.

Developer Mirvac's latest customer survey reveals the top priority of many homebuyers is the location rather than the house.

They survey finds that 70% of homeowners had as their top priority being within walking distance of parks and playgrounds. This desire came in 6th on the list in 2020.

Bigger backyards are also high on the list, as is being close to schools.

Mirvac head of residential Stuart Penklis believes the pandemic changed the way people think about how they are living.

"I think being able to walk out of your home or your apartment and not have to get in a motor vehicle to travel to an amenity, is something that is now at the forefront for all new residents," he says.

Matt Mears of Lendlease says designs which feature fibre to the home, solar initiatives and fully electric communities are also very popular.

Why Price Forecasts Are Often Wrong

While the media is keen to forecast drops in house prices, property industry experts warn there is no accurate way to read what is likely to happen in property markets.

Ray White chief economist Nerida Conisbee says if you are able to predict the future direction of prices, either up or down, you are doing pretty well.

"But to get the scale right is almost impossible," she says.

She says at the start of the pandemic there were predictions of a 30% drop in property prices, but in fact the opposite happened, with a national boom emerging.

PropTrack economist Paul Ryan says, while it has only recently started making predictions, it is difficult to accurately predict the trends.

"If you get one variable forecast wrong, then you are wrong about everything else," he says.

Forecasts are often based on an index populated with theoretical data which tries to place a value on every property, even if it has not sold recently.