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The Week In Real Estate



Rate Rises Won't Break The Market

Interest rate rises are unlikely to “break” the housing market or lead to a recession, according to Goldman Sachs. Its lead economist Andrew Boak expects the RBA to increase the cash rate to 4.1% by early next year to bring inflation down.

He says that, while higher interest rates may cause some house prices to fall, he does not believe it will be to an extent that many borrowers will be faced with negative equity.

Boak believes Australia will avoid recession, as many businesses have returned to normal operations since the end of Covid lockdowns and population is continuing to grow.

He says the gains in the past two years mean few homeowners will fall into negative equity or default even if house prices decline.

According to CoreLogic, the capital city average house price has fallen 3% in the past 12 months, although several capital cities and all regional markets have recorded annual rises.

Both PropTrack and SQM Research record higher national prices than a year ago.

Quote of the Week

“People are still voting with their feet. We need to ensure that regional Australia can accommodate this continuing trend — specifically around housing and essential services.”

Regional Australia Institute chief executive Liz Ritchie

Auction Volumes, Clearance Rates Rise

The number of properties offered for auction continues to rise, with a 4.4% increase in homes under the hammer last week, but clearance rates have improved. CoreLogic figures show it was the biggest auction weekend since late June, with 2,266 properties put to auction.

Despite with the increased number of properties offered, the national clearance rate rose by 3 percentage points to 63%.

Sydney with 766 auctions had the highest clearance rate of 67.5% while Melbourne, which had the largest number of properties for auction (981), had a clearance rate of 65.5%, 3.2 percentage points higher than last week. Adelaide’s clearance rate on the 157 properties was 61% Canberra (131 properties) was 51% and Brisbane (198 properties) was 50%.

In Perth, five of the 22 auctions followed up by CoreLogic sold under the hammer, while both properties auctioned in Tasmania sold.

The number of properties being offered for auction is increasing but figures remain almost 40% below the same time last year.





Fewer Homes Likely To Be Built

Australia is likely to fall short of the one million new homes the Federal Government hopes to be delivered within the next five years.

Forecasts by the Housing Industry Association predict work will start on only 970,000 new homes during the period.

The HIA's National Outlook Spring 2022 report warns further interest rate increases could impact on the number of new homes delivered, which will put upward pressure on house prices and rents.

It says longer construction times are already slowing the delivery of new apartments and that will become worse if further rate rises affect investment.

"If the RBA continues to increase the cash rate in 2023, this forecast will be downgraded, and the challenge of building one million homes will become increasingly difficult," it says.

HIA senior economist Tom Devitt says a solution could be to give grants to local governments to help expedite land releases. This, he says, will effectively reduce prices and encourage house and land purchases.

Building Costs Tipped To Drop

After increasing substantially during the pandemic, experts now predict the cost of building supplies will start to drop.

Master Builders Association chief economist Shane Garrett says prices have peaked after increasing by up to 38% in the year to September 2022.

Part of the problem, according to Garrett, is that speculators bought up big, hoping to sell for huge profits.

But with some supply issues resolved, prices are now starting to drop, so speculators have started to offload.

Perth recorded the biggest price increases in materials, with the cost of a new home up by 31% in the year to September.

Costs rose most significantly for plywood and board (38%), terracotta tiles (33%), window timber (32%), structural timber (31%), timber doors (26.5%), steel beams and sections (26%), mirrors and glass (23%) and reinforcing steel (23%).

MBA head John Gelavis says things which can make the sector more productive include a five-day work week and encouraging more women to join the industry.

Exodus To Regional Areas Continues

Continuing demand for workers in regional Australia could lead to a further surge in property markets, according to a new report.

The latest Regional Movers Index shows quarterly migration flows to regional areas have averaged about 15% higher in the 12 months to September 2022, compared with the two years before the pandemic.

The report says the top regional areas people are moving to for job opportunities are the Gold Coast, Sunshine Coast, Geelong/Surf Coast, Illawarra and Newcastle.

The Commonwealth Bank's Paul Fowler says jobs advertised in those areas have grown between 30% and 50% in the past 12 months.

"For those LGAs experiencing the largest growth rate from capital to regional migration, job vacancies increased from 20% to 30%," he says.

Regional Australia Institute chief executive Liz Ritchie says the report shows "people are still voting with their feet."

"We need to ensure that regional Australia can accommodate this continuing trend — specifically around housing and essential services," she says.

