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The Week In Real Estate



Price Growth Predicted For 2023

The predicted housing market downfall has been short lived, with analysts now predicting the market will head back into price growth mode in 2023.

SQM Research's Housing Boom and Bust Report for 2023 predicts Sydney house prices will increase by 9% next year, followed by Perth which it predicts will increase by 8%.

The report has Brisbane, Melbourne and Adelaide house prices all growing by up to 5% in 2023.

SQM Research director Louis Christopher says the price increases will be driven by the continuing shortage of rental properties, workers returning to offices, land tax changes and a surge in overseas arrivals.

He believes interest rate rises will have ended by June and the official interest rate will be no higher than 4% by then.

As property prices rise next year Christopher predicts renters will do it tougher due to a shortage in supply and rising rents.

"Asking rents are forecast to rise between 8% to 13%," his report says.

Quote of the Week

"The drop in investment activity is bad news for rental markets, with less investment activity implying a slowdown in rental supply at a time when more rental supply is desperately needed."

CoreLogic head of research Tim Lawless



RBA Apologises For Bad Forecast

Reserve Bank governor Philip Lowe has apologised to those who took out home loans based on his repeated statements that interest rates would not rise until 2024.

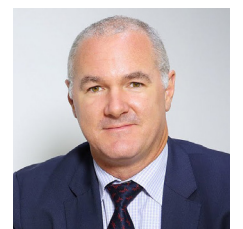
Lowe told a Senate estimates hearing it is "regrettable" that the RBA did not make it clear enough that this scenario would only occur if inflation did not rise as dramatically as it did.

"I'm sorry that people listened to what we said and then acted on that and now find themselves in a position they don't want to be in," he told the hearing.

"Looking back, we would have chosen different language. People did not hear the caveats. I thought it was clear but the community didn't think it was clear. Well, they thought it was clear we weren't raising rates until 2024. That's a failure on our part."

The official interest rate has increased from 0.1% in May to 2.85% in November.

Lowe says he made those comments when inflation was considered unlikely to pick up quickly.





Auction Numbers Surge Higher

The number of properties being offered for auction continues to rise, although it is still below the level it was at the same time last year. Despite the higher auction volumes occurring, clearance rates have remained above 60%.

CoreLogic figures show 2,393 homes were taken to auction across the combined capital cities last week, the busiest week since mid-June.

That is 4.1% higher than the previous week, but still 43% lower than this time last year when 4,251 properties were offered for auction.

The national auction clearance rate last week was 62%.

Smaller capital cities continue to record strong clearance rates with Adelaide the highest rate of 66%, followed by Canberra on 63% and Brisbane 47%.

Between the two bigger capital cities, Sydney had the higher clearance rate of 64%, followed by Melbourne's 61%.

Melbourne had the largest number of properties taken to auction, 987, followed by Sydney 933, Brisbane 154, Canberra 152 and Adelaide 148.

Banks Seek to Entice Investors

Banks are starting to change lending policies in the hope of encouraging investors to return to the market.

More investors sold than bought during the recent national property boom and the value of borrowing by investors has dropped further in 2022.

Now the NAB is seeking to encourage investors by increasing the proportion of rental income used to calculate a borrower's capacity to service a loan.

Lenders generally accept only 80% of rental income along with other income to calculate an investor's borrowing capacity. NAB is lifting it to 90%.

ANZ is offering investors who refinance their loans a \$4,000 cashback incentive. It has also cut its basic home loan rate for new customers.

CoreLogic's Tim Lawless says investor borrowing since May fell 26% in NSW, 23% in Queensland and 20% in Victoria.

"The drop in investment activity is bad news for rental markets, with less investment activity implying a slowdown in rental supply at a time when more rental supply is desperately needed," he says.

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Land Shortage Pushes Up Prices

Land supply needs to improve if the Federal Government target of building one million new homes over five years from 2024 is to be achieved.

CoreLogic economist Kaytlin Ezzy says it is an ambitious goal given current land supply issues.

As demand increases for land so have prices for housing allotments, which rose 15.4% in the 2022 financial year.

The latest HIA Residential Land Report says prices appear to have risen close to consumers' capacity to pay.

The report also predicts increases in interest rates will reduce borrowing power and make it harder for some buyers to purchase land, but land prices have continued to increase because of the supply shortage.

"Until there is a material change in supply, median land prices will likely remain elevated," Ezzy says.

She says 975,000 homes were built in the five years to June 2022, but similar figures will be harder to reach in the next five years.



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