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The Week In Real Estate

Market Tipped To Bounce Back

Owners should feel optimistic about the future of property in Australia according to leading demographer and author Bernard Salt.

He believes the resumption of immigration to pre-pandemic levels will lead to increased demand in the property market over the next five years.

And in good news for investors, he says the tight rental market will become even tighter following an influx of migrants and overseas students, particularly from China.

According to PropTrack data, rental listings fell more than 25% in 2022 while rents rose 10% across capital cities.

SQM Research says asking rents increased in January and are now up 18% year-on-year.

Salt predicts lifestyle markets outside the major cities will continue to benefit as middle-age millennials and retiring baby boomers decided to make a move.

"The average life expectancy is 84, which is almost 20 years in retirement. Our lifecycle has been reinvented to introduce a lifestyle stage," he says.

Millennials will move further out for larger homes to accommodate growing families.

Lenders Prep For Lower Rates

While the Reserve Bank continues to lift interest rates, lenders are already factoring in lower rates in the future.

Mortgage broker Louisa Sanghera from Zippy Financial says although interest rates are now at a decade-high of 3.35%, the lending sector is already starting to reduce some of its variable rates.

"Variable interest rates are coming down right now, plus,pricing is getting sharper and more competitive at the moment," she says.

"Fixed rates are also a bit more stable with some lenders even reducing fixed rates at the end of last year."

Sanghera says the variable rates on offer have dropped from 4.83% to 4.63% in recent months.

She says with retail spending down by almost 4% in December and house prices softening in the biggest cities, it is time for the RBA to stop raising rates and assess if the past nine increases have reduced inflation.

She describes the recent rate hikes as being like a "financial sledgehammer" on mortgage holders.

Quote of the Week

"Many vendors don't have the need to sell, so even if it's a buyers' market, there are fewer options and there's more competition for those that are listed for sale."

SQM Research Managing director Louis Christopher

Banks Offer Cashback Deals

Banks are continuing to offer borrowers cashback deals in an effort to lure larger market share.

According to analysis by RateCity there are now 12 banks offering $4,000 cash back on a $500,000 loan.

Ubank is offering up to $6,000, ANZ up to $4,000, CBA and NAB $2,000, and Westpac will give existing borrowers coming off fixed loans $3,500.

RateCity CEO David Bailey says he has never seen competition in the mortgage market so hot.

"There seems to be a real land grab for customers because there is now a once-in-a-generation opportunity where you have so many customers moving out of fixed interest rates," he says.

But he warns cashback offers can blind borrowers to the fact the loans may not be the best for their needs.

"While these types of offers encourage people to switch, borrowers should do the maths and read the fine print before taking up a cash back offer," he says.

Low Listings Lift Buyer Pressure

New figures showing the number of listings of homes for sale has hit its lowest level in three years.

SQM Research figures show new home listings dropped 19.6% over January.

Managing director Louis Christopher says January is traditionally a quiet time for listings but the numbers are down for this period.

"It is no surprise we recorded a fall in activity over this month - however, there's also a steep drop of 13.8% in new listings nationwide compared to a year ago," he says.

Christopher says owners who think it's a bad time to sell are holding off from listing in the hopes of a market recovery.

"Many vendors don't have the need to sell, so even if it's a buyers' market, there are fewer options and there's more competition for those that are listed for sale," Christopher says.

In the past year new listings have dropped by 28% in Melbourne, 20.5% in Sydney, 19% in Perth and 13% in Brisbane.

Vacancy Rates Fall Further

Vacancy rates continue to fall, dropping in all capital cities except Hobart.
The national vacancy rate now sits at just 0.8% according to Domain.
Its latest rental report shows that Sydney and Melbourne's vacancy rates have dropped to a record low 1%. The market is even tighter in Perth and Adelaide where the vacancy rate has dropped to just 0.3% while Brisbane sits at 0.8%.

Darwin and Canberra are 1.3% and 1.5% respectively.

Hobart is the only capital city to record an increase in vacancy rates, up marginally to just 0.5%.

Rental listings are down 36% on this time last year.

The report says the return of international and domestic travel, overseas migration and foreign students, and the recovery of temporary visa holder numbers is contributing to the tight market.

Recent changes by China's Ministry of Education to stop acknowledging degrees gained online will also result in a surge in demand for rentals as students return for in-person classes.

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