The Week In Real Estate

15th July 2023

Buyers Have Little To Choose From

A lack of stock means home buyers are becoming more aggressive with more than three quarters of homes listed for auction selling under the hammer.

Listing rates are down about 13% on the same time last year with the national auction clearance rate last week hitting 74.5% according to CoreLogic figures.

Adelaide continues to achieve the highest auction clearance rate of all the capital cities, with 86.2% of properties selling under the hammer, followed by Canberra, 76.3%, Sydney, 75.6% and Melbourne was 72.8%.

Brisbane's clearance rate is starting to climb again and hit 69.1% last week.

Louis Christopher, of SQM Research, says there is still little sign of any increase in distressed sales in the market despite months of rising rates.

He says even though the RBA did not move rates at the start of July, it is not enough to return confidence to the market.

"I think there is a renewed sense of caution in the market," he says.

Why Homeowners Are Reluctant To Move

Homeowners are staying put with a new study revealing the cost of selling is what is putting many off finding a new home.

Research from investment bank, Jarden, says homeowners are deterred by agent fees, legal fees and stamp duty costs.

Jarden chief economist Carlos Cacho says the costs associated with selling have increased at five times the pace of income over the past two decades.

Cacho says transaction costs for the average Sydney home have increased to more than $100,000 since 2000, in Melbourne it is up by about $80,000 and Brisbane it is $50,000.

He says the rise in selling and buying costs has blown out the period of time that owners typically retain a home for with the average holding period for dwellings now exceeding 20 years, up from 12 years in the early 2000s.

"Agent fees, which are usually charged as a share of the sale price, and stamp duty were the main culprits," Cacho says.

Quote Of The Week

"The softening in rental growth occurred in spite of an ongoing surge in overseas migration and a continued shortage in rental supply, suggesting an increasing portion of tenants are reaching their affordability ceiling."

CoreLogic Economist Kaytlin Ezzy

Inland Rail Moves Step Closer

The Federal Government has begun to establish the various entities required to help speed up delivery of the Inland Rail project.

It announced this week that it will separate its governance and delivery arrangements from the Australian Rail Track Corporation's (ARTC's) day to day operations.

A new subsidiary, Inland Rail Pty Ltd, will govern the delivery of the project which is designed to meet Australia's growing freight requirements.

It is anticipated the section between Beveridge in Victoria and Parkes in NSW will be completed by 2027.

Work started on the project in Victoria in February 2023, with construction now underway in two of the three states through which the route will run.

An independent review into the project was started in October 2022, with its recommendations handed down in April 2023.

The review addressed issues that the project was facing significant delays and cost pressures.

One of the recommendations was that enhanced governance arrangements and appropriate environmental approval processes be put in place.

Mortgage Refinancing Booms

The number of homeowners refinancing their mortgages is on the rise as banks shun APRA's 3% lending buffer.

APRA recommends that banks add a buffer of 3% to current interest rates when accessing a borrower's capacity to repay.

But some of the big banks are now allowing some owners to refinance without strictly adhering to the 3% buffer. The Commonwealth Bank of Australia, NAB and Westpac are allowing a 1% buffer to refinancers who meet certain criteria.

Despite the change in tactic, banks are still being cautious about who they lend to with key considerations including whether borrowers have savings and the ability to repay the loan.

Banks are also factoring in the additional costs associated with switching lenders such as break costs from exiting an existing loan, establishment and discharge costs.

With the RBA continuing to increase interest rates, the mortgage refinancing market has picked up pace of late with homeowners keen to secure lower repayments where they can.

Unit Rents Surging

Unit rents are increasing faster than house rents, according to CoreLogic's quarterly rental review.

It shows the difference between median house and median unit rents is now only $34 per week, after unit rents rose by 4.4% in the three months to May. During the same period house rents rose by 2%.

CoreLogic economist Kaytlin Ezzy says while rents are high across the board, the monthly rate of rental growth eased in June.

"The softening in rental growth occurred in spite of an ongoing surge in overseas migration and a continued shortage in rental supply, suggesting an increasing portion of tenants are reaching their affordability ceiling," Ezzy says.

"While rental demand from overseas migrants is likely to remain strong for some time yet, particularly across the largest capitals, we've already seen a reduction in domestic rental demand via an increase in the average household size."

Nationally rents are 27.4% higher than at the start of COVID, or about $127 per week more.