The Week In Real Estate

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Rate Rise Won't Dent Prices

The November interest rate rise increase is unlikely to dampen the pace of property price growth, according to industry analysts.

PEXA chief economist Julie Toth says prices may drop temporarily but they will also rebound just as quickly.

"We may see a welcome pause in price increases, but I doubt we'll see another fall. On the flip side, we'll probably see a burst of activity in refinancing," Toth says.

CoreLogic research director, Tim Lawless, thinks price drops are unlikely, although he says confidence may take a slight hit.

"While the decision could prompt an increase in listings of owners forced to sell and weaker demand from would-be buyers now able to borrow less than they could before, the rise was not enough to trigger price falls," he says.

"The still-burgeoning undersupply should keep a floor under housing to some extent. At least for the medium term this probably means more that price growth will continue to slow but remain positive rather than move into negative territory."

Australian Property Values Hit $10.2 Trillion

Australian residential property values continue to climb with the value of Australia's real estate market now $10.2 trillion, up from $10.1 trillion in September.

The increase comes after home values continued to increase throughout Australia, with dwelling values up by 2.3% in the three months to October.

While the pace of growth has slowed a little, it was up by 3.1% in the June quarter, values are still rising.

About 41,000 properties changed hands in October, a bit below the five-year average of 44,800 for the month of October.

And the amount of time it takes to sell property increased slightly in the October quarter with median days on market now 30 days.

In good news for sellers, they are not having to reduce their original asking price by as much to get a deal over the line.

The median vendor discount nationally was 3.6% in the three months to October, compared with 4.3% at the end of last year.

Quote Of The Week

"Rental supply is at an all-time low, emphasising the need for a significant boost in supply to see a change in these tight conditions."

Domain chief of research and economics, Dr Nicola Powell

Share Houses On The Rise

The number of Australians living in share houses is on the rise.

Analysis from Flatmates.com.au shows demand for shared accommodation is starting to pick up pace with hundreds of people in some locations looking for a spare room.

Flatmates.com.au has recorded an 11.2% increase in members joining the platform in the past month. It has also noticed an increase in property owners, who are facing higher mortgage costs through interest rate rises, offering to rent out spare rooms.

New property listings on the site have gone up by 9.7% in the past month and 38% in the past 12 months. Flatmates.com.au, Community Manager, Claudia Conley, says half of their listings are from homeowners and the majority of them will be “live-in landlords”.

“Despite this growing trend, more property listings are still needed across the country to keep up with the growing demand for share accommodation,” she says.

Research released by Finder shows 42% of tenants struggled to pay their rent in October.

Vacancy Rates Tumble Again

The national vacancy rate continues to tumble, hitting a record low for the second consecutive month.

It fell to 0.8% in October according to Domain’s latest Vacancy Rate report. The report says between 40,000 to 70,000 rentals are needed to achieve a balanced vacancy rate of between 2% and 3%.

Domain chief of research and economics, Dr Nicola Powell, says dwindling rental stock has visibly suffered because of a lack of investor activity, ongoing development undersupply and higher construction costs.

Powell says vacancy rates were low in capital cities and regional centres. Adelaide and Pert have the lowest vacancy rate of just 0.3%, while Canberra’s is the highest at just 1.6%.

“(In Perth and Adelaide) Rental supply is at an all-time low, emphasising the need for a significant boost in supply to see a change in these tight conditions.” Powell says.

She says investors need to be encouraged into the market to ease the shortage of rental properties.

Clearance Rates Drop

The national auction clearance rate dropped last week, hitting its second-lowest level since Easter.

CoreLogic figures show only 63.8% of homes sold under the hammer.

For much of the year, the clearance rate has sat above 70%.

Some of the drop can be explained by a reduction in properties being offered for auction in Melbourne, which is Australia’s biggest auction market, as a result of the Melbourne Cup festivities and public holiday.

There were 2,023 homes taken to auction across the combined capital cities last week, down from 3,381 the previous week which was the busiest auction week in more than 18 months.

CoreLogic predicts the number of properties being offered for auction this week will increase by almost 40% with about 2690 homes set to go under the hammer, making it the second busiest auction week of the year.

There are 1,218 homes scheduled for auction in Melbourne, up 160.3% on last week’s very low 468 properties.