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9th November 2019

The Week In Real Estate

Interest Rates on Hold

Strong employment growth and further signs of a turnaround in established housing markets in Sydney and Melbourne are reasons the Reserve Bank has chosen to leave interest rates on hold for now. The move will give previous cash rate reductions time to absorb into the economy.

Data from the Australian Bureau of Statistics revealed that the unemployment rate fell to 5.2% in September. While the rate has remained steady at around 5.25% over recent months, it is expected to remain around this level for some time, before gradually declining to a little below 5% in 2021.

In other positive news, Chief Executive Officer of Mortgage Choice, Susan Mitchell says: "The property market continues on its road to recovery, with the CoreLogic Hedonic Home Value index revealing that national dwelling values rose for the fourth consecutive month in October. The growth, which until recently had been limited to Sydney and Melbourne, was more widespread over the month of October with seven of the eight capital cities recording gains".

FHB Numbers Highest in a Decade

Data from the ABS shows that as at August 2019, first home buyers comprised 29.8% of the national market for owner occupier home loans; the highest level of participation since 2012.
The rising trend is consistent across every state with FHBs being most active in the Northern Territory and Western Australia where this segment of the market comprises 45% and 37% respectively of owner occupier mortgage demand. These are also the two regions where housing values have fallen the most, providing a substantial improvement to housing affordability.
FHBs in Victoria represent 33% of the market; ACT and NSW 28% each; QLD 27%; TAS 24% and SA 22%. Reasons for the uplift are the improvement in affordability because of the recent housing downturn, lower interest rates, a relaxation of lending assessment criteria while some states have provided additional incentives by way of stamp duty concessions and grants. There is also less competition from investors following APRA's tough stance in 2015 when investor mortgage demand exceeded the 40% benchmark.

Quote of the Week

"Momentum in Australia's housing market appears to be growing with the volume of new home building approvals expanding by some 7.6% during September."

Shane Garrett, Chief Economist of Master Builders Australia

Confidence Returns to Building Sector

Building approvals rebounded in September, increasing by 7.6% from August, shows data from the ABS.

"This improvement in approvals is a welcome reprieve from the declines that began in late 2017 and confirms that confidence is returning to the home building market. It remains too soon to confirm that we have passed the bottom of this cycle, but this result is another indication that the market is stabilising," stated HIA Chief Economist Tim Reardon.

The gain was led by the unit market – building approvals for new apartments rose by 16.1% in September. This was the second month in a row for an increase in high density housing approvals.

Detached house approvals also rose at a more modest rate of 2.7%.

"A range of indicators – house prices, lending and now building approvals – all indicate that Australia's housing market recovery is gaining traction. Housing market conditions have a huge impact on confidence across our economy and today's figures must be seen as very good news on that front," says Shane Garrett, Chief Economist of Master Builders Australia.

Now's a Good Time to Buy

Consecutive monthly increases in dwelling values, high auction clearance rates and a lift in home loan approvals indicate the property market is in recovery mode.

Data house CoreLogic said the national home value index recorded its third month of growth in September, up 0.9% across all capital cities.

Sydney is up a cumulative 3.3% and Melbourne up 3.2% in August and September.

Consumer comparison website finder.com.au has been tracking property sentiment for the past six months and has found the proportion of Australians who think now is the time to buy has lifted since May.

Results of their survey show that 59% of respondents currently believe that now is the time to buy, up from 54% in May, and 52% think property in their area will increase somewhat or significantly in the next 12 months.

In Sydney, 53% of those surveyed expected prices to rise in the next year, while 61% in Melbourne also believed values would rise.

Property Prices Rise Nationally

Property prices nationally have risen in four consecutive months, shows data from CoreLogic. Dwelling values rose 1.2% in October which is the biggest monthly gain seen since May 2015. The increase in property values was largely driven by Sydney and Melbourne, although growth was recorded in every capital city apart from Perth.

Lower mortgage interest rates and improved credit availability has encouraged buyer demand, according to CoreLogic research director Tim Lawless.

Melbourne home values are up 6.0% since their low point in May, whereas Sydney prices have risen 5.3% in the same period.

The other capital cities have seen varied rates of quarterly growth, apart from Perth and Darwin, which both saw decreases in the three months to October. However CoreLogic suggests the rate of decline in both cities is slowing.

In good news, the increases are wide-spread and not restricted to capital cities. In the last three months, 38 of the 46 capital sub-regions recorded an improvement in dwelling values, demonstrating the depth of the current housing market recovery.