

The Week In Real Estate



House Prices Remain Resilient

Most of the nation experienced good growth in median house prices over the last year, shows Domain's House Price Report for the March 2020 Quarter.

Year-on-year, median house prices were up in Sydney and Melbourne (both up 13%), Hobart (up 9%), Canberra (up 4%), Brisbane (up 2%) and Adelaide (up 1%).

Median house prices for the combined capital cities were up 9% for the year and 2% for the March Quarter.

There were similar results in the majority of regional areas, the best performing LGAs in each state being: NSW - Murray River (up 22%); Victoria - Colac Otway (up 18%); Qld - Isaac (up 34%); SA - Yankalilla (up 11%); WA - Karratha (up 29%); and Tasmania - George Town (up 27%).

In the 28 days ending 21st April, research from CoreLogic indicates the dwelling value index for the combined capital cities market was still positive at 0.4%

Momentum in the growth rate slowed from 1.1% halfway through March, only after restrictions were introduced. But, nationally, prices overall have continued to grow.

Quote of the Week

"In the short term, it's likely that we will see prices ease from these record highs. We have to remember this is short-term – this is a government-imposed business shutdown. Once that virus is contained, prices are likely to rebound."

Domain senior research analyst Nicola Powell



Borrowers Should Switch: ACCC

Banks were concerned primarily with maintaining their profit levels instead of reducing mortgage rates in line with RBA cash rate cuts during 2019, says the ACCC. It urges Australians to switch lenders to achieve lower rates.

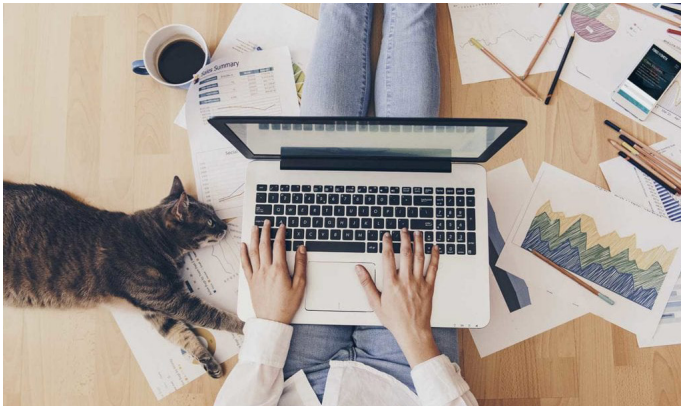
The ACCC's Home Loan Price Inquiry interim report indicates the banks were trying to shore up their profitability during a period of low interest rates and that the big four banks benefitted from a sustained decrease in their funding costs in 2019.

"However, the inquiry findings shed an important light on bank decision-making and raise questions about whether the banks could, at the time, have passed on a higher proportion of those RBA cash rate cuts to their mortgage customers," says ACCC chair Rod Sims.

The Inquiry also found that home loan pricing practices continue to make it difficult for consumers to compare different mortgage products.

Even a small reduction in interest rates could save thousands of dollars over the life of a mortgage and consumers should shop around to get a better interest deal, says the ACCC.





Working At Home the New Norm

A survey conducted by market researchers McCrindle and Cint found 78% of Australians think working from home will become the new normal – with significant impacts on real estate.

Of the 1015 people surveyed in March, 76% said they would stay longer with their employer if they were offered more remote or flexible working options.

Demographer Mark McCrindle says these experiences could influence how people choose their next home with increasing preferences for flexible spaces, a potential rethink of shrinking dwelling sizes and growing reliance on shared spaces.

“The extent to which this working arrangement has lasted and will last means that it will be deeply entrenched in people’s psyches and therefore weigh on home-buying decisions,” said McCrindle.

There will be a swing towards home ownership over renting and detached homes over high rise apartments, he says. This benefits those regions that used to have the disadvantage of long commute times.

Tasmania, Victoria Share No.1

Victoria remains the best performing economy but now shares top spot with Tasmania, according to the latest CommSec State of the States report. The ACT has lifted to third spot from NSW, but there is little separating the top four states.

Victoria has held top position in the economic rankings – either outright or shared – for eight quarterly surveys. In the December Quarter, its strengths were in economic growth – up 27% on its 10-year average; retail spending (up 14%); and home prices (up 11%).

Tasmania took out top rankings in population growth and dwelling starts. The last time Tasmania was ranked No.1 was October 2009. Although it’s not a current measure, Tasmania also leads the ranking with new vehicle registrations.

The ACT has the best unemployment at 3.0%, an 11-year low. It is also in the top spot for home loans which are up 36% on the 10-year average.

Western Australia was the only state where construction spending did not contract in the December quarter.

Workers Will Dictate Unit Designs

As more people turn to working from home, apartments will need to be redesigned, say some of Australia’s leading architects.

Before the pandemic, balconies were considered nice but non-essential, access to communal space a bit of a luxury, study spaces less important than large lounge-dining areas, and high-speed internet was not critical if you had internet access at the office.

But now there’s a shift in ideas of how apartments should look and function.

Some of the elements which are likely to influence future designs are access to fresh air, sunshine and outdoor space – for example a balcony where you can enjoy a coffee.

Two-storey apartments may become fashionable because the different floors afford residents more opportunities to have their own space and privacy when in the apartment together.

Paul Buljevic of PBD Architects says people now want an extra bedroom they can turn into a study or as a parents retreat away from the kids. They don’t want a desk in a dark corner.

