

# The Week In Real Estate



## Home Values Largely Unchanged

Capital city house prices have barely moved in the past three months despite forecasts they would fall by up to 30%. CoreLogic's home value index shows capital city house prices in May were almost identical to where they were in March and April. Data published this week by SQM Research shows that the capital city average for May has been a 0.5% rise in house prices, with continuing small growth in Sydney, Melbourne, Brisbane, Perth and Adelaide. CoreLogic head of research Tim Lawless says house price falls may flow from forced sales if loan arrears spike after October, but right now distressed property sales are rare.

AMP Capital chief economist Shane Oliver says government and bank assistance packages have contained unemployment and helped household incomes. Repayment holidays and wages subsidies are set to end in late September though, and could spark a financial crunch.

"There will still be some hit to the property market as we go into October – not all the jobs that have been lost will come back," says Oliver.

## Quote of the Week

***"We can see that buyer activity levels have surged back and the increase in inquiry levels on realestate.com.au shows a level of intent by buyers."***

**Realestate.com.au chief economist Nerida Conisbee**



## Auction Clearances Top 70%

Auction clearance rates continue to rise as vendors regain confidence and buyers continue to be active in major markets across Australia.

Data from CoreLogic shows that 71% of the 613 auctions held during the week ending 24 May achieved a sale. This compares to 413 auctions at the same period in April, when only 41% recorded a sale.

"We've seen clearance rates come back to where they were prior to the restrictions," says CoreLogic commentator Kevin Brogan. "There's no doubt there are fewer participants in the market who are ready to purchase a property, but the fact is the supply has also diminished." "We're much closer to being in balance than the first couple of weeks of April when thousands of properties were listed and agents were struggling to come to grips with online auctions in volume and there were masses of properties withdrawn." Brogan says the past few weeks have shown a reduced number of homes sold prior to auction, indicating vendors were becoming more confident to bring their properties to auction in expectation of securing a higher price.





## Lenders Offer Cashback Incentives

Home loan customers have the chance to own their home a lot sooner and save thousands as lenders compete aggressively, offering cash incentives to those willing to move their business to a new lender.

Suncorp Bank is now offering up to \$3,000 to those who refinance, plus an additional \$1,000 for people working in essential services roles, such as doctors, nurses, teachers and police officers, says RateCity.com.au.

A total of 13 banks currently have cashbacks on offer, including three of the big four banks – CBA, Westpac and ANZ.

“Cashback specials are nothing new,” says Sally Tindall, research director at RateCity.com.au.

“They’ve been used for years as a clever marketing tool to grab people’s attention. What’s changed is the banks are starting to offer cashback on loans that also have competitive rates.

“Someone who refinances every couple of years to a competitively priced loan could potentially come out on top by taking up a cashback special.”

## Report Optimistic On Market Future

As Australia emerges from Covid-19 restrictions, there are some reasons to be optimistic about Australian property, says Eliza Owen, Head of Research Australia, CoreLogic.

Prior to Covid-19, the economic outlook for the Australian economy was modestly positive and to date, housing values have only fallen slightly in some locations.

The low level of listings signals a tough period for those developing and selling residential real estate, but it also signals a lack of distressed sales flooding the market.

According to the Australian Prudential Regulation Authority, banks were already in a strong capital position before the onset of Covid-19 and housing finance conditions were becoming more relaxed for potential buyers. Tougher lending measures are now being deferred and low-cost debt will encourage spending.

There are no signs yet of distress in the housing market. This is supported by a very low level of for sale listings, Owen says.

## Prices Reacting Well To Covid-19

Without the government subsidies of JobKeeper payments, increased JobSeeker payments and mortgage holidays from the banks, the housing market may have been experiencing price falls by now, says Cameron Kusher, executive manager REA Group.

Kusher says welfare payment increases and wage subsidies are not typically features of economic downturns and that is what is making the difference during Covid-19.

Sales are still occurring, albeit in a reduced number with demand and supply falling proportionately. Sellers are not resorting to distressed sales, which are typically seen during a recession.

Since governments began lifting Covid-19 restrictions, the property market has responded with a rise in the number of new properties being advertised for sale on realestate.com.au.

Kusher says a high unemployment rate won’t necessarily lead to price falls – it hasn’t in the past – but unemployment leads to distressed sales after wage subsidies and mortgage holidays expire, that could be a future hurdle for the housing market.

