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The Week In Real Estate

Cash Grants to Boost Construction

Buyers are already purchasing land in anticipation of receiving at least $20,000 assistance from the Federal Government - with inquiries in some regions tripling last weekend. Home-owners and first-home buyers will be offered grants of at least $20,000 to boost the building industry, in a $1 billion scheme to be announced by the Federal Government.

The scheme, which aims to support the construction of 100,000 homes, will be available for upper-middle-income singles and couples.

The extra cash will stimulate residential construction activity to maintain housing supply and prevent pressure on affordability in the mid- to long-term. It is also expected to generate thousands of jobs when the current pipeline of projects runs out around September.

Treasurer Josh Frydenberg says it is about more than just saving construction jobs.

"It's a long supply chain," he says. "It's not just the sparky and the plumber and the carpenter on the building site, it's also the timber mill, it's also the appliance manufacturer for the new kitchen, it's the supplier who helps with the materials who go into the bathroom.''

Data Bodes Well For Spring Uplift

Australia's traditional home selling season, Spring, could boom this year, experts say.

President of the Real Estate Institute of Australia Adrian Kelly says listings are decreasing while inquiries from prospective buyers are increasing.

Buyer activity is up 50% nationally on this time last year, says the nation's largest property platform realestate.com.au.

"We can only look at what is happening in the market-place at the moment as well as in previous times of high unemployment to provide pointers to likely outcomes," Kelly says.

Real estate executive Ray Ellis says economists are mis-reading the market and ignoring the emotional and security connections that Australians have to property.

"If you step back from the distraction and noise of the predictions of economists, there are genuine factors pointing towards a strong recovery this spring" he says.

"The market is characterised by first-home buyers taking advantage of the percentage of investors who choose to exit, and families activating with long-held plans for change."

Quote of the Week

"Listings are decreasing yet the enquiry level from prospective buyers is increasing. It is simple economics that when supply decreases and demand remains, prices edge upwards. They certainly don't drop."

Adrian Kelly, President of the Real Estate Institute of Australia

Home Values Defy Pandemic

Property values remain higher than they were a year ago despite the economic impacts of Covid-19, according to the latest CoreLogic Home Value Index.

For the first time since June last year, the combined value of houses and apartments dropped in May – but only 0.4%, to a national median price of $557,818. This follows small increases in both March and April.

With the exception of Perth and Darwin, prices for houses and units in the capital cities remain higher than in May 2019.

Not all cities recorded price falls in May – Brisbane, Adelaide, Canberra and Hobart all registered modest increases ranging from 0.4% to 0.77%.

CoreLogic head of research Tim Lawless says: "Considering the weak economic conditions associated with the pandemic, a fall of less than half a per cent in housing values over the month shows the market has remained resilient to a material correction.

"With restrictive policies being progressively lifted or relaxed, the downwards trajectory of housing values could be milder than first expected."

Auctions Numbers Steadily Rise

Auction numbers increased again across the nation with 867 capital city homes going under the hammer and achieving a 66% clearance rate, shows data from CoreLogic.

This represents a steady incline from the previous week, where 612 homes were scheduled for auction across the capital cities, with a final clearance rate of 63%.

While auction clearance rates continue to strengthen, activity is below the average year-on-year, according to CoreLogic. A year ago, 1,661 homes went to auction.

"Although the number of auctions held remains low, since restrictive policies around open homes and onsite auctions were lifted, the trend has been towards more auctions held and a substantial reduction in the proportion of auctions withdrawn prior to the event," it says.

The number of auctions held last week was the highest since the week ending 19 April. "As mentioned over the previous few weeks, with restrictions easing across many states and territories, we will likely see the number of homes taken to auction continue to increase," CoreLogic says.

CBA Relaxes On Interest-only Loans

Commonwealth Bank will allow borrowers who temporarily deferred repayments during the Covid-19 lockdown to switch to interest-only loans in the short term without the usual credit checks.

Some people who deferred repayments are now in a better position than they expected they would during the pandemic, with Westpac and ANZ Bank saying thousands had decided to voluntarily resume making repayments.

Banks will soon start contacting the 450,000 mortgage customers who paused repayments on their mortgages for up to six months.

With the banks facing a rise in bad debts when the repayment holiday ends, the simplified process of allowing customers to pay interest-only for a year would circumvent the need to classify the loans as troubled, which would attract higher interest rates.

CBA's group executive for retail banking Angus Sullivan says: "We recognise that as the coronavirus situation evolves and customers start returning to work, they may require alternative temporary assistance measures to help them get back on their feet sooner."