

The Week In Real Estate



Investors Buy In Distant Markets

Australian property investors are moving away from investing in their own backyard and instead are buying properties 300km or more from their home base.

A study by MCG Quantity Surveyors shows that in the 12 months to May, 7% of Australian-based investors bought a property within their home suburb, while around 30% bought a property more than 200km from home.

Mike Mortlock, director of MCG Quantity Surveyors, says with more information readily available online and through the help of buyers' agents, investors are becoming better educated at selecting a promising location for investment.

"There's been a tradition among Aussie investors to invest where they know and, in general, they know the area where we live," Mortlock says. "The idea of wandering too far from your 'locality of comfort' frightened investors in the past, so an average distance of 293km is substantial.

"Regional localities and smaller cities continue to gain appeal – and the ability to work from home will only boost their attraction, particularly in lifestyle hubs."

Quote of the Week

"Evidence of improved market confidence with the HomeBuilder program is starting to emerge. The first movers were quick off the mark to secure available blocks of land. The number of loans to owner-occupiers purchasing land jumped 34% in June."

HIA Senior Economist, Geordan Murray



Home Offices Now A Priority

A home office has become more important to home-owners since the onset of Covid-19, shows new research from the Real Estate Buyers Agents Association.

The study reveals the top five priorities are now: (1) kitchen; (2) outdoor entertaining area; (3) home office; (4) multiple living areas; and (5) bedrooms.

This marks quite a sharp change in behaviour, as two years ago the home office did not even make the top 10, says REBAA president Cate Bakos.

"Buyers are looking for a quiet space to work from home, specifically a space away from the family living area, whether this be a separate office or an extra bedroom that can accommodate this," she says.

"No longer is a study nook, or a small allocated space for a desk, a suitable alternative for a professional and/or creative worker.

"We are now seeing a heightened demand for second study spaces, more generously proportioned co-working spaces in the home and a sharp focus on internet connectivity."





Interest Rates To Stay Low For 2yrs

Borrowers can expect low interest rates for another two years following the Reserve Bank's decision to leave the cash rate at 0.25%, says financial adviser Alex Jamieson from AJ Financial Planning.

"Property investors can breathe a sigh of relief with interest rates expected to remain low for at least the next two years," he says. "With the Australian government bond paying only 0.26% on a two-year term, this provides us with some indication of where the markets think the interest rates are headed, which is nowhere. The market is pricing in no material hikes for the next two years."

AMP Capital economist Shane Oliver does not expect a change in interest rates anytime soon either.

"The RBA could drop the cash rate to 0.1% but they don't want to go to negative rates," he says. "Even if they did, it would only have a small impact on mortgage rates."

The RBA says the economic downturn is not as severe as earlier expected and a recovery is now under way in most of Australia.



Clearances Hold Firm As Listings Rise

The latest weekly auction clearance rates across seven capital cities are almost on par with the same time last year, sitting at 66% compared to 68% recorded a year ago, according to CoreLogic.

Achieving a 66% success rate, Sydney held 642 auctions last week, up from 566 over the previous week and 367 this time last year.

Across the smaller cities, Canberra came in with the highest preliminary clearance rate over the week (73%), followed by Adelaide (71%).

Melbourne's auction clearance rate rose to 73%, albeit on a low volume, as fewer vendors pulled out and more buyers proceeded, despite the ban on on-site auctions and private home inspections.

Listings, which usually fall in winter, rose across the nation in July.

Over the month, new listings were up in Canberra (41%), Hobart (34%), Sydney (22%), Darwin (18%), Brisbane (16%), Melbourne (10%), Adelaide (8%) and Perth (4%).

Home Loans Increase As Restrictions Ease

In June new home loans rose 6.2% compared to May, with the housing finance sector adding \$17.4 billion in value, show the latest figures from the Australian Bureau of Statistics.

One company to confirm the uplift is Mortgage aggregator Finsure Group which settled \$15.6 billion in loans during FY2020, reflecting a year-on-year increase of 23%, despite difficult market conditions.

The recent improvements are attributed to Covid-19 restrictions being lifted in most parts of Australia and the announcement of the HomeBuilder scheme.

ABS chief economist Bruce Hockman says: "The rise in housing loan commitments in June reflects the easing of Covid-19 restrictions in May on auctions, open houses and mobility in general."

RateCity research director Sally Tindall agrees. "It's not surprising to see new lending has bounced back in June, as restrictions began to lift on auctions and open homes in May," she says.

According to the ABS, new owner-occupier loans rose 5.5%, while investor loan commitments increased 8.1% over the month.

Owner-occupier loans through first-home buyer loan schemes rose 3.3% over the period.

