

# The Week In Real Estate



## FHBs Buoyed By Grants, Low Rates

First-home buyers are rushing into the property market, heartened by the fact that Covid-19 has not adversely affected the property industry and spurred on by low interest rates and government assistance, says Bank of Queensland chief executive George Frazis.

The BoQ reports its mortgage application volumes are back to pre-Covid levels and Frazis says confidence has started to return to the industry.

"People are feeling more comfortable about how well the health crisis is being managed," he says. "They're also feeling more comfortable about the stimulus. The government has done a really good job on both of those."

Though house prices have dropped in Victoria and NSW, they have now stabilised and are even trending higher in Queensland and other states and territories. "It's the low interest rates that are encouraging people to get into housing," Frazis says. "It's just made it very affordable."

High levels of government assistance are another key factor, plus the relatively low levels of competition from investors.

## Quote of the Week

***"We do not expect to be increasing the cash rate for at least three years."***

**Reserve Bank Governor Philip Lowe, amid speculation that the RBA will reduce the official rate again on Melbourne Cup day.**



## Economy Will Recover Quickly: Deloitte

Australia's economy is forecast to rebound quickly, growing by 3.4% on average over the next five financial years, according to the latest Business Outlook from Deloitte Access Economics.

Deloitte partner Chris Richardson says: "If things go right, and virus numbers go right, you genuinely start to get a beautiful recovery".

Richardson says previous recessions or downturns in Australia had been followed by times of faster growth as workers and industries resumed activity.

"The point that people have not understood is we will grow really fast when we come out of this," he says. And "the bigger the downturn, the bigger the recovery".

Deloitte forecasts that after contracting by 2.5% in this financial year, real GDP growth will grow by 4.4% in 2021-22, and 4.1% in 2022-23, before tailing off to 2.8% by the middle of the decade.

Richardson expects the recovery to be supported by low interest rates which he says will be "flat to the floor" until mid-2024.





## Investors Turn Focus To Smaller Cities

Smaller cities can expect an increase in demand from investors as the big cities lose their appeal in the wake of Covid-19, according to new research from CoreLogic.

CoreLogic head of research Eliza Owen says Covid-19 triggered a retreat of investors from favoured markets like inner city Sydney and Melbourne.

From an affordability and yield perspective, smaller capital city markets could grow in popularity with investors in the coming months, while the larger cities are unlikely to regain ground "until overseas migration and travel resumes", she says.

At present, Brisbane, Perth and Adelaide offer much higher yields than the southern capitals because of lower dwelling values.

The latest ABS housing finance data shows current investor participation is 24%, well below the decade average of 36%.

Investor activity has been reduced because investor loans attract a higher interest rate, there is less appetite by lenders for high LVR and interest-only lending, the reduction of rental returns in the big cities, and the shocks caused by the pandemic.

## Auctions Outcomes Continue To Improve

Auction volumes increased from 13,783 to 14,216 (up 3%) in the September Quarter, according to CoreLogic.

"The combined capital city auction clearance rate increased over the three months to September, returning a clearance rate of 59%, up from 48% over the June Quarter, which was the lowest seen since the December 2018 Quarter (44%).

In the past week, Sydney had 707 properties go under the hammer, accounting for 60% of all auctions, but Melbourne had its biggest weekend of auctions in two months with 188 homes going to auction – up on 59 in the prior week.

Among the smaller auction markets, Canberra was the strongest, recording an 86% clearance rate with 49 of 59 auction results collected.

Brisbane recorded a preliminary clearance rate of 55% with 74 auctions scheduled; Adelaide recorded 71% from a similar number of auctions; and Perth managed 55% from just 26 auctions.

Nationally, CoreLogic reported a 72% preliminary clearance rate from 1,134 auctions, up from 72% a week prior. Onsite auctions return to Melbourne this week.

## Confidence In Housing Market Booms

Confidence in the Australian housing market is rising, with a Westpac consumer survey revealing a strong uplift in consumer sentiment.

The national "house price expectations" index grew by 32% to 117, with all states registering a double digit increase.

The national "time to buy a dwelling" index increased 11% in the past month to 122, rising to its highest level since September 2019.

Westpac chief economist Bill Evans says it as an extraordinary result, stating the overall consumer sentiment index was up 32% in the past two months, and 10% above the average level in the six months prior to the pandemic.

"Such a development must be attributable to the response to the Federal Budget; ongoing success across the nation in containing the Covid-19 outbreak; and the expectation that the Reserve Bank board is likely to further cut interest rates at its next meeting on November 3."

There was also a "stunning lift" in confidence around job security, says Evans, with the index improving by 14 to early 2019 levels.

