

# The Week In Real Estate



## Shortage Creates Investor Opportunity

A shortage of rental homes, multiple applications per property and rising rents are proof that Australia is undersupplied, with predictions the country could soon see the “biggest rent increases in living memory”.

Propertyology head of research Simon Pressley says property markets have largely survived the pandemic unscathed despite a fall in migration, with only Sydney and Melbourne recording a surplus of stock and falling rents. Many locations have vacancy rates below 1%.

“Australia does not have enough housing supply,” Pressley says. “We’re predicting the next couple of years will produce the biggest increase in rents Australia has seen.”

It’s good news for investors, who for many years have seen little or no increase in value on their investment. Equally, it is good news for sellers who will likely benefit from the increase in buyer demand. Pressley says most of Australia had an under-supply of housing prior to Covid-19 and it remains under-supplied.”

## Markets Tipped To Surge In 2021

Housing markets are forecast to take off in 2021 after a year plagued by the pandemic recession that saw Australians squirrel away \$110 billion in savings.

With the economy now out of a recession and auction clearance rates steadily rising, Australians’ strong appetite for bricks and mortar is strong – and some of the money households saved during the lockdown phases is likely to go into the housing market.

CBA head of economics Gareth Aird says improving consumer sentiment and cashed-up households are fuelling price growth. “A few forces are all pointing to higher house prices,” he says. “Some of the forward-looking indicators like lending have increased quite quickly in the past four months.”

New home loan commitments reached record highs in October, according to ABS data. Mortgage Choice Dee Why principal James Algar says consumer sentiment has picked up with more and more people preparing to enter the market next year.

## Quote of the Week

***“Depending on which side of the fence you sit, this represents a big challenge or an extremely exciting opportunity.”***

**Propertyology head of research Simon Pressley, discussing the nation’s rental shortage.**





## Real Estate Proves Its Resilience

Strengthening property prices, with forecasts of more to come next year, have yet again proven the resilience of real estate during troubled times, says the Property Investment Professionals of Australia (PIPA).

PIPA chairman Peter Koulizos says recent price data, showing rises across the nation, provides a stark contrast to the alarmist forecasts at the start of the pandemic.

“Big banks and some property commentators were predicting falls of anywhere from 10% to 30%,” he says. “At the same time, PIPA produced research to show that house prices had increased by as much as 100% in the five years after the most recent recessions. For some reason, plenty of people were still expecting property prices to fall off a cliff.”

The PIPA data found that five years after each of the economic downturns over the past 50 years, city house prices often increased significantly. Koulizos says government stimulus measures, coupled with low interest rates, were always going to help protect property prices.

## Economy Back On Track

Blockbuster growth in the September Quarter has put the economy on course to regain its pre-pandemic size by the middle of next year — six months earlier than expected by the Reserve Bank and Treasury.

Updated CBA growth forecasts, in the wake of figures which revealed national output jumped 3.3% over the quarter, suggest real GDP will reach \$497.4 billion in the June 2021 Quarter, eclipsing the \$496.9 billion recorded in December 2019.

CBA head of economics Gareth Aird expects the economy to grow 2% over the final three months of the year. Treasurer Josh Frydenberg and Reserve Bank governor Philip Lowe have repeated forecasts for the economy to regain its pre-pandemic size by the end of next year. But the surprising pace of the recovery will trigger upgrades from both Treasury and the RBA, Aird says.

Across the country there’s been a revival in spending, rising 1.4% month-on-month to October. The latest ABS data shows retail turnover rising 7.1% compared to October 2019 at the national level.

## RBA Says Good Time For FHBs

Reserve Bank governor Philip Lowe says it’s a “good time” for first-home buyers in Australia because conditions are working strongly in their favour.

Appearing before a federal parliamentary committee, Lowe was asked if he was telling young Australians to take advantage of low interest rates to purchase their first home. He said he did not like giving financial advice to people, “but it’s actually a good time, if you’re a first-home buyer, to buy the property you’ve wanted”.

“Interest rates are low and they’re going to stay low,” he said. “There are very large government incentives for first-home buyers and housing prices really across the country are not much higher than they were three years ago.

“So for a first-home buyer with income security, I think it is a good time to buy. And many first-home buyers must agree with me because demand at the moment is very strong.”

ABS data shows the number of loans being written each month for first-home owner-occupiers has jumped 46% in the past 12 months.

