

The Week In Real Estate



Market Tipped To Power On

The property market is set to roll on despite some economic support measures coming to an end, defying worries about a looming fiscal cliff, according to top economists.

The strength of bricks and mortar barely faltered during the pandemic recession, with property prices edging lower briefly in the biggest cities in 2020 before rising in both capital cities and regional centres.

At the height of the crisis last year, housing price decline of 10%, 20% or more was predicted amid fears of a fiscal cliff in September 2020 when income support measures were due to end. But, income support measures were extended for another six months with tapered payments from October.

JobKeeper will end by 28 March, while JobSeeker payments are set to be reduced.

EY Oceania chief economist Jo Masters acknowledges the pain to come for those who will lose work, but believes it will have little or no implications for a housing market that continues to gather pace.

Quote of the Week

“I actually don’t think it’s going to have a dramatic impact on house prices and the housing market. We’ve already had two step-downs in support. The step-down in October was bigger than the one we’re going to see at the end of this month.”

EY Oceania chief economist Jo Masters, commenting on the end of JobKeeper



Recovery Is Faster Than Expected

Australia’s property market is bouncing back faster than experts predicted following the onset of the pandemic.

Low housing stock poses the biggest challenge as home-owners hold off listing, according to the REA Group’s Insights Housing Market Indicators Report.

REA’s director of economic research Cameron Kusher says unprecedented buyer demand has boosted sales and driven strong results.

“Transaction volumes nationally were 41% higher last week than the same week last year, indicating that buying and selling has returned much earlier and stronger than what we saw last year,” Kusher says.

The report uses eight metrics to analyse property markets and emerging trends. These include search activity on realestate.com.au, views per listing, weekly sales of properties, the number of days properties were listed, and filtered searches by price and bedrooms.

An analysis of the data revealed sale volumes have skyrocketed since the start of January and are a third higher than the same time last year.



APRA Not Worried About Loans

New data suggests changes to mortgage lending rules in the near future are unlikely, despite rapidly-rising home values.

APRA data suggests that while the proportion of loans considered to be 'higher risk' showed a slight increase in the December Quarter, the regulator saw no evidence of a "material relaxation in lending standards".

CoreLogic's Eliza Owen says indicators of lending standards are being watched carefully. Borrowing for the purchase of residential property hit a record \$28.8 billion in January, up 35% on the decade average. "This has also contributed to housing values reaching a new record high," she says.

Owen says there is no evidence of any major deterioration in lending standards, suggesting there is no need for interventions in the form of tighter credit policies.

The portion of new mortgages lent on interest-only terms hit 19.2% in the December 2020 Quarter, up from 18.5% in the previous quarter. This is not far from the 18.7% average seen over the past two years – and it is also well below the record high of 45.6%, recorded in the June 2015 Quarter.

Banks Reduce Fixed Rates

NAB has become the latest big bank to decrease some of its fixed home loan rates. In recent months, Westpac and Commonwealth Bank have both cut at least one home loan rate to below 2% p.a with only ANZ still yet to do so.

Now NAB has reduced various fixed, investment, interest-only and package home loans by up to 15 basis points. The lowest rate among the affected loans is 1.89%, belonging to the Choice Package Tailored Fixed loan for two years, paying principal and interest.

Another NAB loan cut to the sub 2% mark is the Tailored Fixed loan for two years (P&I), with an advertised rate of 1.99% (4.20% comparison rate).

These cuts by NAB follow a plethora of recent rate cuts, many of which were made to two-year fixed loans.

Recently Homestar Finance cut out the competition, offering the lowest two-year fixed interest rate in history at just 1.74%, with its variable rate also the lowest at 1.79%.

Auction Volumes Rise, 80% Sold

Last week was the busiest auction week since April 2020 and the preliminary clearance rate held at above 80%.

There were 2,731 capital city homes taken to auction and, despite the higher volumes, the preliminary clearance rate held relatively firm at 82%, down slightly from the previous week's 83% (which revised down to 80% at final figures from 2,218 auctions in the cities).

Over the same week last year (when the early negative impacts of the virus crisis were beginning to occur), there was a clearance rate of 57% from 2,599 homes taken to auction.

Severe wet weather did not dampen auctions activity in Sydney, with the NSW capital holding 1,048 auctions last week, with a preliminary clearance rate of 87%. In Melbourne, there were 1,319 auctions, with a preliminary success rate of 79%.

In the smaller capital cities, Canberra returned a preliminary clearance rate of 85% from 96 auctions. Perth held only 23 auctions, with a preliminary success rate of 71%.

