

The Week In Real Estate



No APRA Concerns On Market

The prudential regulator sees no need to place restrictions on borrowing to buy real estate and it has the support of one of the major banks.

Westpac chief executive Peter King has backed APRA's resistance to curtailing home lending, saying the situation is vastly different to the last time limits were introduced.

The Australian Prudential Regulation Authority says it is not ready to intervene in the housing market because there was no evidence that lending standards have deteriorated.

Chairman Wayne Byres has told a parliamentary committee that activity is being driven by first-home buyers, creating a different dynamic to the one that compelled APRA to curb investor loans in 2014 and 2017.

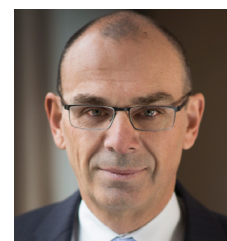
King says the situation is "a bit more complicated this time", with home-buyers mostly seeking detached dwellings, leading to a mismatch of supply and demand that is sending prices higher.

Byres says house prices will rise faster than incomes, but this is not APRA's responsibility or focus.

Quote of the Week

"It's not our job to solve house prices and it's not our job to solve housing affordability. We are watching for a deterioration in lending standings and that's not evident at this point. That is not to say it won't emerge, but it's not obvious at this point."

Australian Prudential Regulation Authority chairman Wayne Byres



Auction Results Send Prices Up

Property prices are expected to continue rising, after buyers grabbed 84% of the 3,800 houses and apartments listed for auction in the biggest sales weekend in three years.

With such a high volume of listings - 1,180 for Sydney and 1,560 for Melbourne - last weekend's auctions had been touted as a "true test" of the market that would reveal whether the clearance rates could hold strong with the higher auction numbers.

Sydney recorded a preliminary clearance rate of 88%, while Melbourne cleared 84%.

Overall, the national clearance rate was 2 percentage points higher than the previous week despite the higher stock levels - and more than double the same period last year.

Canberra's clearance rate was 86%, Adelaide vendors sold 74% of listed properties, while in Brisbane 69% of homes sold.

In Perth, where prices have been tipped to rise strongly this year, the clearance rate was 67% on low volumes.



ANZ Tips 17% Rise In 2021

Australian house prices are forecast to rise 17% on average in the capital cities this year, according to ANZ Bank.

Sydney and Perth housing prices are tipped to increase 19% in 2021, followed by Hobart (18%), Melbourne and Brisbane (16%) and Adelaide (13%), the research found. ANZ previously predicted a 9% national rise this year.

The upgraded forecast comes amid strong property markets in most parts of the nation. Pent-up demand after last year's lockdowns has helped to fuel the boom, with many residents looking for larger accommodation to work from home.

"What we've seen is a combination of quite strong demand and relatively low supply," ANZ senior economist Felicity Emmett says.

The latest forecast is in stark contrast to predictions made by economists this time last year that prices would fall between 10% and 20%.

90% Have Sold For A Profit

Nine out of ten recent home sales have made a profit for the vendors, according to the latest edition of the Pain and Gain report from CoreLogic.

The report, which analyses 98,000 resales of residential property in the December 2020 Quarter, shows an increase in the profitability of real estate, with 89.9% of transactions providing a nominal gain for sellers.

Core Logic's Head of Research Eliza Owen says: "As values rose across each state and territory, the size of profits also increased substantially. Total gains from resales in the December quarter rose to \$31.9 billion, up from \$24.8 billion in the previous quarter."

The rate of profit-making resales in the December Quarter was up from 88.3% in the June 2020 Quarter. Profitability in Australian dwelling sales is also above pre-pandemic levels, with 87.9% of sales making a profit in the three months to February 2020.

Across the capital city markets, Hobart had the highest incidence of profit-making sales, at 97.2%.

More Buyers Seeking Home Office

The trend towards working remotely is impacting the design of homes. Research indicates that Aussies are more likely to buy a home that has a designated office area.

According to a research paper from ANZ and statistics from HIA Economics, of the 44% of builders who have noticed a change in home-buying preferences, almost half say the change has been inspired by increasing interest in home offices or study nooks.

ANZ says the changing preferences are a result of the increase in home-based working following the pandemic lockdowns, as well as heightened appreciation of more space at home. Of the 44% of builders noting a buyer shift, around 30% say buyers now prefer additional living spaces.

As for overall market growth, ANZ predicts that a combination of the improving economy, government assistance and cheap credit will continue to drive the housing market in 2021, with prices set to grow by around 17%, as an average across the capital cities.

