

The Week In Real Estate



Rising Market Pleases Fed Govt

The Federal Government says it is “very pleased” that high consumer confidence is leading to a “strong housing market” and remains unconcerned about rising debt levels.

The Reserve Bank has warned that optimistic borrowers may lead to a debt blowout. But Assistant Treasurer and Minister for Housing Michael Sukkar says the Federal Government is pleased that high confidence levels, the strength of the economy and the improving unemployment rate are leading to a strong housing market - with first-home buyers are at 15-year highs and owner-occupiers dominant.

“On average, we’re looking at affordability being at 20-year highs, which is why first-home buyers are at such high levels and why owner-occupiers are nearly three-quarters of the market,” Sukkar says.

He says owner-occupiers are in “an absolutely dominate position” because \$220 billion has been saved by business and households during the pandemic. “A lot of that \$220 billion is now finding its way into investment in housing,” Sukkar says.

Quote of the Week

“From our perspective, we’re very pleased that confidence levels and the strength of the economy and the unemployment rate are leading to a strong housing market where first-home buyers are at 15-year highs and where owner-occupiers are in a very dominant position.”

Assistant Treasurer and Minister for Housing Michael Sukkar



Homes Selling At Record Speeds

Australian homes are in short supply and selling at record speeds, with the average number of days that homes are listed for sale hitting record lows in every state in March.

According to a housing indicators report by realestate.com.au owner REA Group, dwellings were listed for 48 days on average last month, down from about 60 days in January and 71 days in June last year. Properties sold the fastest in the ACT, at just 25 days. Following close behind were NSW (27 days) and Victoria (30 days). REA Group says average views per listing have also been surging, with every state hitting record highs in March. Nationally, views per listing were up 6.1% over the month and 107% year-on-year.

The report’s author, economist Anne Flaherty, says the growth can be attributed to multiple factors, including government support packages for first-home buyers and limited available stock. “Buyers are searching for more expensive properties than they were a year ago,” Flaherty says. “They are also looking for more space, with inquiries for houses and land surging, while demand for units has softened.”





Vacancies Tight In Most Cities

Rental vacancies remained low in March and rents continued to rise in the smaller capital cities and in regional Australia, according to figures published by SQM Research.

Vacancy rates are below 1% in five of the eight capital cities and 1.5% in Brisbane, after vacancies fell in March in Melbourne, Canberra and Darwin, and remained unchanged in Brisbane, Perth and Hobart. SQM says that, overall, the national residential rental vacancy rate rose to 2.1% in March from 2.0% in February. The rise was driven by an increase in vacancies in Sydney, from 3.3% to 3.4%.

With vacancy rates tight in most locations other than Sydney and Melbourne, house rents have risen 14.7% nationally in the past 12 months, while unit rents rose 6.5%, pushed up by strong growth in regional locations.

House rents rose 2% or more in Adelaide, Perth and Brisbane over the month to 12 April, while unit rents also rose. Over the year, rents have shown strong growth in the smaller cities, including rises of 25% for houses and 11% for units in Darwin.

Banks Ease Lending Criteria

Leading mortgage brokers say banks are cautiously taking the brakes off home lending and removing extra checks on borrowers that were introduced at the height of the pandemic.

The trend comes amid an ongoing surge in new lending, but brokers say they are not seeing a rise in high-risk borrowing, and nor do they believe regulatory caps on home lending will be introduced any time soon.

Several brokers including Aussie Home Loans and its merger partner Lendi say banks have become less conservative compared with the height of the pandemic last year.

Aussie chief executive James Symond says banks had “pulled in their horns” during the peak of the pandemic, but are now taking a more “commercial” approach to credit assessments. “We are seeing a more balanced approach by the banks,” he says.

Lendi says the proportion of loan applications where lenders are requesting more information from the customer has dropped from 48% in March 2020 to 28% this year.

79% Of FHBs Will Renovate

First-home buyers are using renovations to create their dream home, according to research by comparison website Finder.

According to Finder’s First Home Buyers Report 2021, 79% of FHBs plan to renovate their new home. The research found 22% will renovate immediately after buying, while 30% will do so within the first 12 months. A further 23% will do a home makeover within the first five years.

Sarah Megginson, Finder home loans expert, says FHBs are getting creative with different tactics to get into the market.

“It’s not always possible to buy your ideal home, let alone your dream home,” she says. “Some first-home buyers are finding that their best chance to get on the property ladder is by purchasing a ‘fixer-upper’ in a suitable suburb.”

For city dwellers, 82% of FHBs intend to renovate at some stage, compared with 75% of those living regionally. “Australians have spent more time at home in the past year and, for many, our kitchens bedrooms and dining rooms became our new offices,” Megginson says.

