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# The Week In Real Estate

## Prices Up 9% In 4 Months

Australian house prices have risen almost 9% in the first four months of 2021, following a further rise of 2% in April, according to CoreLogic figures.

House prices rose in all 15 major markets (eight capital cities and seven state regional markets) during April, with increases ranging from 0.5% in Regional WA to 2.7% in Darwin and Regional Tasmania, and 2.8% in Sydney.

In the year to date, house prices have increased by at least 6% in all the capital cities, with Canberra up 9%, Darwin 10% and Sydney 11%. In regional Australia, NSW, Queensland, Victoria and Tasmania have all risen 8-10% in the first four months of 2021.

In annual terms, house price growth has been led by Regional Tasmania and Darwin, which have lifted 18% in the 12 months to the end of April. Regional NSW and Canberra are both up 16%.

Apartment prices are also rising, with a 1.2% national increase in April and 4.7% in the year to date. In annual terms, the best are Regional Victoria (14%), Hobart (12%) and Regional NSW (11%).

## Home Loans Reach Record Levels

Home loan commitments reached record levels in March with a 5.5% monthly rise, according to data from the ABS.

The figures provide further evidence of the entry of investors to the national boom market, with a 12.7% rise in loans for investor housing. The Property Council of Australia says lending to investors accounts for over half of the March rise in housing loan commitments.

"Investor lending has seen a sustained period of growth since the 20-year low seen in May 2020," the PCA says. "The rise in March is the largest recorded since July 2003 and was driven by increased loan commitments to investors for existing dwellings."

The value of owner-occupier loan commitments for the construction of new dwellings fell 14.5%, the first fall since the HomeBuilder grant was introduced in June 2020.

The biggest monthly increases in loans during March were recorded in New South Wales (up almost 10%), following by Queensland (up 5%).

## Quote of the Week

***"What we need to do is draw the nexus a bit closer to hold state and territory governments' feet to the fire a little more."***

***Federal Housing Minister Michael Sukkar,***

*blaming state politicians for the high cost of housing, through taxes, fees and charges lumped on the housing industry.*

## Westpac Bullish On Economy, Property

Westpac has downplayed the prospect of regulators stepping in to curb the boom in house prices and promised to slash $2 billion from its cost base within the next few years to become a leaner bank.

A rapidly rebounding economy, with consumer sentiment at a decade-high and a drop in soured loans, enabled the bank to more than treble its half-year cash profit from $993 million to $3.5 billion.

Westpac chief executive Peter King has maintained his forecast that residential property prices will rise 20% by the end of next year, although most of the increase will now be front-ended into 2021 before housing supply constraints ease next year.

He contrasted the current boom to previous cycles, saying the riskier interest-only segment was much lower this time.

"Last time, there was more investor activity, high LVRs and more interest-only lending," he says. "It's not happening this time."

The Australian Prudential Regulation Authority has no mandate to contain growth in house prices, but might to intervene if lending standards deteriorate, King says.

## States Blamed For Affordability Issues

The Federal Government says the states and territories must take responsibility for Australia's housing affordability issues, saying local levies imposed on new developments are hurting first-home buyers.

Federal Housing Minister Michael Sukkar says the states need their "feet held to the fire" to address rising house prices and it's not up to the Commonwealth to fix the problem.

He says every additional burden placed on developers by the states is passed on to consumers and exacerbates the affordability problem.

The rebuke of the states prompted NSW Planning Minister Rob Stokes to blame interest rates and federal tax rules for pushing up prices.

Residential developers in outer suburban and regional growth areas must pay levies for infrastructure such as roads, parks and local services to state governments, as well as developer contributions collected by local councils but overseen by state planning policies.

In new housing developments in western Sydney, contributions can amount to more than $80,000.

## RBA Holds Firm: No Rate Rises

Reserve Bank governor Philip Lowe has re-affirmed that the official interest rate will remain at near zero for at least another three years.

This is despite unveiling a sharply upgraded economic outlook which included a forecast that unemployment would drop to 5% by the end of this year and to 4.5% by December 2022.

At its board meeting this week, the RBA again elected to keep the official cash rate steady at 0.1%, where it has sat since November 2020. In a statement following the meeting, Lowe says "the economic recovery in Australia has been stronger than expected and is forecast to continue".

Lowe says the bank's economists have pencilled in further upward revisions to growth, with real GDP now predicted to lift 4.75% over 2021, versus 3.5% previously, while forecast growth in 2022 is steady, also at 3.5%.

But the labour market recovery will not spark much in the way of inflation, which Lowe says will now be 2% by the middle of 2023, versus a previous estimate of 1.75%.