

The Week In Real Estate



Investors Buying Sight Unseen

New research has revealed one in nine Australians are prepared to buy a property without doing a physical inspection of it. As COVID lockdowns continue, real estate agents report many buyers inspect properties virtually and make offers based on that.

With border closures and stay at home orders preventing buyers from doing a walk through, many are still able to organise for building and pest inspections to be done to help reassure them about what they were buying.

The survey by Canstar found Australians are less likely to buy a car, pet or even rent a property without having seen it in person first.

Pent up demand for properties is leading to increased prices and strong auction clearance rates, despite lockdowns and restrictions. Sydney has consistently recorded auction clearance rates around 80% in recent weeks, compared with around 50% at the same time last year.

According to SQM Research, up to 90% of those sales are being finalised before the property can even make it to auction day.

Quote of the Week

“There is not enough supply in the established housing market and that’s what causes house prices to go up. Households may be reluctant to put their house on the market if there is a limited supply, ...so it becomes a vicious circle.”

Australian Housing and Urban Research Institute director Steven Rowley

AHURI Urges Boost To Supply

Housing experts have called for increased investment in major infrastructure, streamlining of development approvals and reductions in development costs, to improve housing supply.

The Australian Housing and Urban Research Institute has made a submission to a Federal Government inquiry into housing affordability, calling on governments to create certainty for developers so they will commit to projects.

AHURI director Steven Rowley says property prices are increasing due, in part, to a lack of supply in desirable locations. He says while there is plenty of residential construction in Australia, it is unevenly spread and not enough is being built in high-demand areas.

“There is not enough supply in the established housing market and that’s what causes house prices to go up,” he says. “Households may be reluctant to put their house on the market if there is a limited supply available to buy in the areas to which they want to move, so it becomes a vicious circle.”





Auctions Strong Despite Lockdowns

Lockdowns and other restrictions have failed to dampen enthusiasm in the auction market.

Preliminary auction clearance rates from CoreLogic reveal 72.3% of properties which went for auction last weekend sold, with 1,207 of 1,591 properties changing hands across capital cities.

Adelaide had the highest clearance rate of 88%, followed by Sydney with 84%. Sydney recorded its seventh consecutive week of preliminary clearance rates above 80% per cent.

There were more than 500 auctions in Melbourne last week, with a preliminary clearance rate of 54.4%. Canberra recorded a preliminary clearance rate of 69% based on 45 properties listed for auction while Brisbane had more than 191 auctions last week, with a clearance rate of 68%. Perth had just 15 properties scheduled for auction, recording a clearance rate of 64%.

My Housing Market chief economist Andrew Wilson says Sydney bidders have adapted to lockdown restrictions, but in Melbourne it is having more of an effect on the auction market.

Family Guarantees Help FHBs

Young people may be saving more but many still need family help to get into their first home.

Rising property prices might be good for those who already own a property, but for those trying to buy their first home, it means the deposit they require keeps rising.

According to Canstar Blue, those struggling to achieve the required deposit are using a family security guarantee. With a family member acting as guarantor, first home buyers have more borrowing power and can avoid paying lenders mortgage insurance.

Guarantees mean family members don't have to fork out any money directly to the borrower and once the home's equity reaches 20% the guarantor can apply to the lender to be released from the obligation.

Many parents are living in properties worth a lot more than they owe on it. They can use that equity to help their children enter the property market. But parents are warned that they should weigh up the risks and obligations carefully before committing.

Locked-down Aussies Saving More

An inability to travel overseas or even interstate in many cases, plus lockdowns keeping people out of restaurants and shops, means Australians are saving a lot more.

About 37% of Australians say the latest round of stay-at-home orders improved their savings, according to a new survey from UBank.

Of those, 45% are millennials, which Ubank chief executive Philippa Watson says are more adversely affected by the economic shutdown. She says young people are disproportionately impacted by lockdown job losses, as they are highly represented in the hospitality and retail sectors. As a result, many have started saving an "emergency fund" for future lockdowns and forced time off work.

ABS figures show savings ratios increased from 6% to 19.8% in the March Quarter. Many are using the savings to renovate homes or buy investment properties.

While most are saving more, the survey found one-in-five respondents believe Covid has a negative effect on their ability to save, many because they are spending more online.

