

The Week In Real Estate



Vacancies Remain Tight Nationally

The national residential property rental vacancy rates rose marginally to 1.7% in September, from 1.6% in August, but remains below the 2.0% level of a year ago.

New figures from SQM Research show that five of the eight capital cities continue to have vacancy rates well below 1%, while Brisbane is only slightly higher at 1.4%.

Melbourne, where the vacancy rate remained steady at 3.5% in September, is the only capital city above the industry benchmark of 3%. Sydney has dropped from 3.5% a year ago to 2.7% now, although the inner-city area is much higher.

The figures are broadly in line with those published last week by Domain.com.au.

SMQ data also shows that 70% of locations across regional Australia have vacancy rates below 1%.

SQM Managing Director Louis Christopher says: "Vacancy rates remain in favour of landlords for most capital cities with the exception of Melbourne and inner Sydney."

Quote of the Week

"The rapid growth in the value of Australian real estate means that the asset is of increasing importance to household wealth, reducing the instance of negative equity in an uncertain economic environment."

Eliza Owen, CoreLogic Australia head of research



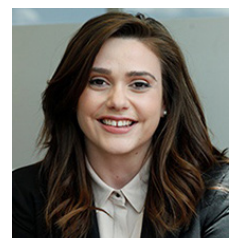
Home Values Surge Past \$9 Trillion

The total value of residential real estate in Australia has surged to \$9.1 trillion, gaining \$1 trillion in just five months to set a record valuation for the sector.

The total value of homes across the country is now 28.2% higher than the estimated value of superannuation, the ASX and commercial real estate, says CoreLogic data. In the past 12 months, home values rose by average of 20.3% - the fastest rate of annual growth since June 1989. CoreLogic's Eliza Owen says the rapid growth in values means dwellings are of increasing importance to household wealth – and could generate more investor interest.

NSW took the largest slice of the country's residential market with 41%, amounting to \$3.76 trillion. Victoria has 28% of the total value and Queensland accounted for 15%. Western Australia has 7.2% of the housing market, South Australia 4%, the ACT 1.9% and the NT 0.5%.

The sharp rise in valuation comes as the national median house price rose to \$719,000 in September and units to \$587,000.





Re-financing Hits Record Levels

A recent surge in switching among property investors has helped lift the amount of mortgage refinancing being undertaken to record levels.

Lending indicators released by the ABS show mortgage holders refinanced \$17.8 billion worth of home loans to another lender in August - the highest ever recorded by the ABS.

Owner-occupier refinancing dropped by 1% month-on-month, though it still reached over \$11 billion during August. But refinancing among investors rose 11.5% to a new high of \$6.53 billion.

Refinancing levels have more than doubled since October 2018. The Reserve Bank has cut the official cash rate six times over that period and lenders have responded by dropping home loan rates.

Since October 2018, the average variable rate in the Mozo database (P&I repayments, 80% LVR) has fallen by 121 basis points for owner-occupiers and 125 basis points for investors. As a result, existing mortgage holders have had the opportunity to switch to a lower interest rate.

Some Lenders Pay The LMI

There is a new weapon in the battle to attract customers in a competitive home loan market: covering the cost of Lenders' Mortgage Insurance (LMI).

LMI is payable on mortgages with a loan-to-valuation ratio (LVR) above 80% and can cost borrowers \$11,000 on a \$700,000 loan with an LVR of 87.5%.

This cost does nothing for the borrower. The borrower pays the premium but the insurance protects only the lender – and is another impediment to affordability, so it's welcome news that with some lenders are waiving LMI.

Lender 86 400 was the first to offer a discount deal in August, Bank of Queensland followed suit in September and Homestar has done so this month, says comparison website Mozo. 86 400 offers loans up to an 85% LVR with no LMI. Bank of Queensland does similar, although the loan carries a 0.3% interest rate loading. The Homestar Finance option is its new Star Choice LMI waiver offer available for loans up to 90% LVR.

Every City Clears 80% plus

Successful auctions are rising nationally, with every capital city recording a clearance rate above 80% last week.

Over 2,700 homes were taken to auction, the busiest week since mid-July. CoreLogic says 83.3% were successful, marking the third consecutive week with a preliminary clearance rate in the 80s. The previous week, the preliminary clearance rate was 84.4%, revised to 83.2% at final collection, while this time last year 66.4% of auctions were successful.

Melbourne had the busiest week with 1,357 homes taken to auction, up 69% from the week prior. Of the 1,114 auctions results reported to date, 82% were successful.

Across Sydney, 832 homes were taken to auction, with 83.2% reported as successful, continuing Sydney's seven-week streak of 80%+ clearance rates.

Canberra reported the highest preliminary clearance rate with 94% of auctions returning a successful result — the highest since late-July. This was followed by Adelaide (90%) and Brisbane (81%).

