

# The Week In Real Estate



## Cut-price Lenders Counter APRA Moves

Lenders are continuing to offer cut-price interest rates and financial incentives to home buyers despite moves by the financial regulator to rein in borrowing.

The Commonwealth Bank and ING both cut their variable interest rates last week for new customers with larger deposits and, according to comparison website RateCity, 28 lenders have cut at least one of their variable rates in the past month.

Analysts are predicting the continued competition from banks will reduce the impact of the APRA move to require banks to more cautiously assess home loan customers.

Banks must now assess new borrowers at an interest rate 3 percentage points higher than the actual rate of their loan (it was previously 2.5 points).

Macquarie analyst Victor German says APRA may need to introduce further measures to counter the banks continued reductions in interest rates.

## House Prices To Surge: Westpac

The continued strength of the property market has bank economists predicting home prices will increase 22% by the end of the year.

Westpac economists had initially forecast an 18% increase, but current market conditions have prompted them to revise that figure to 22%.

Property prices across the major capital cities have increased, on average, by 17% in the 12 months to September and are on track to increase another 1.5% in October.

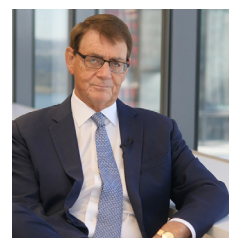
Westpac predicts the end of the Melbourne and Sydney lockdowns will lead to further upward pressure on prices. Chief economist Bill Evans says reopening will offset any dampening of prices caused by APRA moves to rein in lending. He tips price growth to continue into 2022, although the pace of growth may slow.

Westpac is predicting an interest rate rise in early 2023, despite the Reserve Bank confirming that it does not expect to increase rates until 2024.

## Quote of the Week

***"We expect reopening boosts to more than offset any initial drags from recently announced macro-prudential measures."***

**Westpac chief economist Bill Evans, who says the impact of the APRA measures will be minimal.**





## HomeBuilder Drives Record Construction

The construction industry is still feeling the flow-on effects of the Federal Government's HomeBuilder scheme, with new figures revealing record construction starts.

The latest ABS figures show Australia experienced its biggest quarter for construction of detached housing in the three months to 30 June.

Building work started on 41,200 houses during the period, an increase of 19.3% on the previous record which was set in 2000.

The ABS figures show that in FY2021 work started on 139,195 detached houses throughout Australia, eclipsing the previous record set in FY1999 of 132,777 homes.

Housing Industry Association economist Tom Devitt predicts the new record will remain for many years.

The Northern Territory had the biggest increase in construction during the June Quarter, with a 73% rise in the number of buildings starting construction. Victoria was up 31%, Tasmania 24% and New South Wales 16%.

## Peak Of Timber Crunch Has Passed

The timber shortage, caused by the massive increase in housing construction, appears to be finally easing.

Housing Industry Association economist Angela Lillicrap says a drop in overseas timber prices, better planning from builders and new support from the Federal Government means projects will now speed up and eventually domestic timber prices will drop.

"It's not going to get any worse, we've seen timber prices in the US and Canada come off quite rapidly so it's only a matter of time before that extra timber supply comes to Australia," she says.

About 80% of the timber used in Australian housing construction is still sourced locally but the massive increase in demand as a result of HomeBuilder has meant many looked overseas for supplies.

According to the Master Builders Association timber-related delays to construction times at the moment are up to three months.

Lillicrap says some builders had to resort to using steel frames instead of timber during the shortages.

## Auction Results Still Above 80%

Auction clearance rates continue to exceed 80% with Australia experiencing its busiest auction week since June and fourth busiest week this year.

CoreLogic figures show that 2,920 homes went to auction across all capital cities last week. Nationally the auction clearance rate hit 82%, substantially higher than the same week last year (66%).

Melbourne had the highest number of properties going under the hammer last week, 1,478, its busiest auction week since late March. It recorded a clearance rate of 79%.

Sydney originally had 983 properties scheduled for auction, although only 911 went ahead resulting in an auction clearance rate of 85%.

In the smaller capital cities, Canberra led with a clearance rate of 91%, followed by Perth 87%, Adelaide 82% and Brisbane 79%.

Tasmania had only one property offered for auction last week and it sold under the hammer.

