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The Week In Real Estate

Values Up 20% In 12 Months

Dwelling values have risen 20.3% in the past 12 months, headed by a 23.1% increase in the Combined Regional markets, according to the latest figures from CoreLogic. House prices rose 22.9% in the year to 1 October, with the regions up 23.4%, and unit prices rose on average 12%, but with a 21.5% uplift in the regions.

Ten of the 15 market jurisdictions across Australia have recorded house price growth above 20%, headed by Sydney (28.9%), Canberra (28.0%), Regional Tasmania (27.8%) and Regional NSW (27.4%). The weakest growth recorded was a 12.8% rise in house prices in Regional Northern Territory. The weakest in the capital cities was an 18.0% annual increase in Melbourne.

In September there was an average rise in house prices of 1.6%, with Regional NSW, Brisbane, Adelaide, Hobart and Sydney all recording 2.0% or 2.1%. In the September Quarter, house prices nationally rose 5.1% while units rose 3.5% nationally, but 5.5% in regional markets, headed by 8% in Regional Tasmania.

Housing Credit Continues To Grow

Home loan figures continue to climb. Reserve Bank data shows that in the past year housing credit for owner-occupiers grew at the fastest annual pace since October 2016.

Owner-occupier housing credit grew by 0.81% in August, faster than the monthly average of 0.77% in the past two decades. Annual housing credit increased by 8.4%.

While investors are back in the market their borrowings are not as substantial, increasing 0.23% in August to $670 billion.

The Australian Prudential Regulation Authority (APRA) has announced measures which may slow borrowing.

With increased borrowings comes higher building approvals with Australian Bureau of Statistics (ABS) figures showing a national increase of 6.8% in August.

ABS director of construction statistics Daniel Rossi says the August figures show demand for new housing remains strong, driven by stimulus measures, increased savings and the low cost of finance.

Quote of the Week

"When transaction costs of transferring properties disproportionately rise compared to dwelling prices and incomes, that must be a massive disincentive for property owners to move house."

Louis Christopher SQM,
commenting on the decline in listings, which is helping to push up prices

APRA Lifts Interest Buffer

APRA has increased the minimum interest rate buffer it expects banks to use when assessing the serviceability of home loan applications.

APRA has told lenders it expects they will assess new borrowers' ability to meet their loan repayments at an interest rate at least 3 percentage points above the loan product rate. This compares to the current buffer of 2.5 percentage points.

The decision to increase tighten this macro prudential policy "reflects growing financial stability risks from ADIs' residential mortgage lending" and was supported by other members of the Council of Financial Regulators, APRA says.

APRA Chair Wayne Byres says it's a "targeted and judicious action designed to reinforce the stability of the financial system."

It comes after the RBA reiterated the importance of prudent home lending standards as it decided to keep the official interest rate at a record low and to continue buying government bonds to ensure there's enough stimulus in place to get the economy back on track.

Duty Keeps Houses Off The Market

Rising stamp duty charges are being blamed for the lack of listings in the market, with new research labelling it a major deterrent to sellers.

Research commissioned by the Real Estate Institute of Australia from SQM Research shows a lack of listings correlates with the surging costs of stamp duty. SQM managing director Louis Christopher says the long-term decline in listings is contributing to price rises.

"When transaction costs of transferring properties disproportionately rise compared to dwelling prices and incomes, that must be a massive disincentive for property owners to move house," he says.

Stamp duty has increased as a proportion of earnings from 25% in 2012 to 34% this year and as high as 49% for houses in Melbourne.

Christopher says stamp duty reform is needed, with many advocates calling for it to be replaced with a land tax. This he says will "loosen up" the market and result in more owners selling large family homes they no longer need.

House Approvals Rise Again

The demand for new homes is yet to diminish, despite the end of the Federal Government's HomeBuilder financial stimulus. New figures from the Australian Bureau of Statistics show demand for new housing bounced back in August by 3.5%.

Approvals lifted almost 24% year-on-year, with South Australia leading the way with approvals up 16%, followed by Victoria (up 8%) and NSW (up 7%). But approvals dropped 7.3% in WA and 5.2% in Queensland.

Although the HomeBuilder grant ceased in April and many states have had lockdowns, the figures show Australians are still keen to build. Many analysts predicted a drop in approvals for August, after five months of decline.

An ANZ-Property Council survey shows the housing industry expects tightening credit conditions to affect future approval levels. BIS Oxford Economics predicts the construction sector shutdowns will hamper the flow of work on projects.