

The Week In Real Estate



House Prices Continue To Rise

Australian house prices show no sign of slowing down, with a further increase of 1.4% nationally in November, led by a 2.2% monthly rise in the Combined Regions.

Growth in median house prices in November was led by a 3.2% rise in Brisbane, followed by Adelaide (2.6%) and Regional NSW (2.5%). The regional markets in Queensland, Tasmania and South Australia all rose 2.2% or 2.3%.

In the latest quarter, house prices rose 4.7% nationally and units 3.2%, while in annual terms house prices are up 24.6% and unit prices 14.2%. The data shows no sign of the slowdown in price growth reported in some sections of the media.

Annual growth in house prices is being led by Regional Tasmania, Regional NSW and Sydney, which have all risen about 30% in the past 12 months. Other jurisdictions to record big increases include Brisbane (28%), Canberra (27%), Hobart (27%), Adelaide (24%), Regional Queensland (24%) and Regional Victoria (24%).



Economist Refutes 10% Price Drop

Speculation that property prices may fall by more than 10% have been quickly refuted by economists.

Commonwealth Bank last week forecast price falls by 2023 as high as 12% in Sydney and Hobart, 10% in Melbourne and Canberra, 9% in Perth and 8% in Brisbane, Adelaide and Darwin.

Economist Dr Andrew Wilson of Bluestone Home Loans has dismissed the predictions which he says are based on the presumption of a sharp increase in interest rates. Wilson says while the market may soften in 2022 the predicted prices drops are "nonsensical".

He says rising affordability barriers and lower demand will reduce the pace of price growth, but prices will still grow.

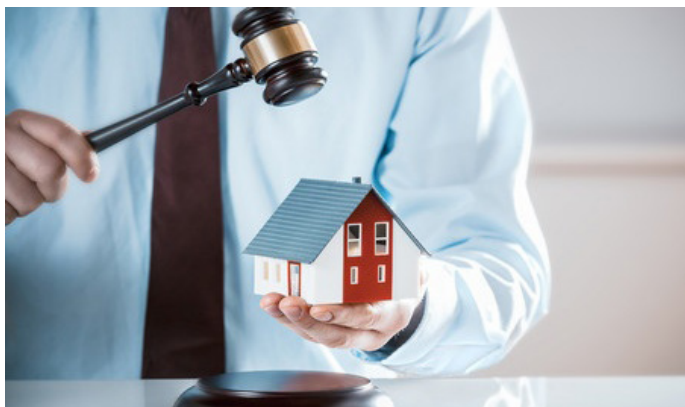
Wilson says since 1987, Australia's capital city housing market has experienced only three years where home prices have fallen – 2008, 2011 and 2018. "The price declines were clearly modest, falling by just 4.0%, 4.1% and 5.1%," he says. Wilson predicts once international borders reopen and migration recommences, that will put upward pressure on home prices.

Quote of the Week

"As an analyst, I've never seen these rental prices before. It's a very bad situation for tenants and I don't think it's going to get better anytime soon because we're recording rental vacancy rates of under 1%. This is unheard of for any region in the country."

Louis Christopher, SQM Research





Markets Cope With Listings Surge

Property prices and demand continue to be strong despite increased listing levels in some capital cities.

CoreLogic figures show the number of properties offered for auction across Australia hit 4,261 last week - the first time auction numbers have exceeded 4,000 making it the busiest week of auctions since it started keeping records in 2008.

The preliminary auction clearance rate has softened a little since October but still remains above 70%, with 71.4% of auction properties selling under the hammer last week.

Canberra had the highest auction clearance rate of 88%, while Adelaide achieved 79% and Brisbane 75%.

In Sydney 1,577 properties went to auction, the highest number offered since November 2014, achieving a clearance rate of 71.4%, down 2% on the previous week.

In Melbourne 1,891 properties were offered for auction last week, recording a clearance rate of 69%, down from 73% the previous week.

Worst Timber/Steel Shortage In 40 years

Materials shortages, extreme rainfall and flash flooding are all predicted to continue to affect home building and property prices in the next year.

Also impacting the industry is the unprecedented demand caused by the Federal Government's HomeBuilder scheme stimulus, which is driving over 143,700 new builds this year.

Scott Brumfield of construction group Hansen Yuncken says pandemic-related international supply chain issues have left Australia with its worst material shortage in 40 years.

"Delays in sourcing materials, from international suppliers especially, is not a new issue for Australia, given its geographical location, but one exacerbated by Covid among other factors and we now have a crisis on our hands," he says.

Brumfield says steel prices have increased 15% and lead times are taking up to 18 months. Even before Covid there were delays in sourcing tiles, vinyl, glass and aluminium.

200 Loan Products Below 2%

Lenders are continuing to offer low interest rates and incentives to entice homeowners to refinance.

Almost 200 lenders are now offering home loans at interest rates of less than 2%, although Money warns borrowers to do their research, not fall for gimmicks and to fully investigate cashback offers and honeymoon rates.

It says mortgages need to have a "real" quarantined deposit/offset account that runs alongside the home loan and nets off the savings balance from the amount owed.

Otherwise, borrowers can find their savings are subsumed into the mortgage and locked up and unavailable for redraw if needed.

Mozo analysed the 10 best mortgages for owner-occupiers in the market for Money. The cheapest was from Well Home Loans with an interest rate of 1.85%, followed by the Police Credit Union and Tic:Toc at 1.89%. The comparison rate, which includes fees, is slightly lower at Police Credit Union while the Tic:Toc offer has a \$10 monthly charge for having an offset account.

