

# The Week In Real Estate



## Price Rises Defy Economists

The smaller capital cities and key regional areas are leading the strong price growth that continues to sweep across Australia, in defiance of claims by economists that the boom is over.

The 1 February report on prices from CoreLogic shows that eight of the nation's 15 major market jurisdictions recorded house price growth of 1.8% or more during January (which, annualised, means a growth rate above 20%). The out-performers in January were led by Brisbane, which rose 2.5%, followed closely by Adelaide and Regional South Australia on 2.3%. Regional Queensland grew 2.2% and Regional Tasmania 2.0%, while Canberra, Regional NSW and Regional NT all rose 1.8% or 1.9% in January. The under-achievers were Sydney (0.8%), Melbourne (0.5%) and Perth (0.7%).

In annual terms Brisbane leads, with its median price up 32% to the end of January. Regional NSW is up 32%, while Regional Tasmania and Sydney have both risen by just under 30%. Adelaide and Canberra have risen 28%, with Hobart and Regional Queensland up 26%.

## Quote of the Week

***"The prospects for real estate look good over the next five years, supported by healthy economic growth and a weight of capital searching for stable and predictable income streams."***

**Mark Unsworth, associate director, Real Estate Economics at Oxford Economics**



## Interest Rates Stay On Hold

Despite many analysts warning of the possibility of an interest rate rise, the Reserve Bank ruled at its February meeting to keep the official rate on hold at 0.10% and reiterated that rates will not rise "in the near term".

Mortgage Choice CEO Susan Mitchell says RBA Governor Philip Lowe has ruled out a cash rate rise until national wages growth is "materially higher than it is currently" and is keeping to that promise.

Bluestone economist Dr Andrew Wilson describes the constant speculation of an upcoming official interest rate rise as "clearly nonsensical", while Real Estate Institute of Australia president Hayden Groves also doesn't expect rates to move any time soon, particularly in light of the latest CPI numbers. He says the CPI increase of 1.3% in the December Quarter and 3.5% for the year points towards relatively stable monetary settings for the rest of 2022.

Speculation of an interest rate rise has done little to dampen the property market, with CoreLogic data showing house prices rose another 1.3% in January.





## Prices Will Rise In 2022

Even if the RBA did decide to increase interest rates this year, it is unlikely to have any impact on property prices.

CoreLogic head of research Tim Lawless says it generally takes a year for multiple interest rate increases to flow through and affect property prices. "Quite often it's not just one rate hike or one rate cut – rate moves happen in sequences or cycles," Lawless says.

The latest Finder RBA Cash Rate Survey of 36 commentators and economists finds that most believe house prices will continue to increase this year, as labour shortages and supply chain issues affect the construction industry.

Finder head of consumer research Graham Cooke says while price growth may not be as explosive as it was in 2021, it will be "still significant" in 2022.

The survey forecasts that Brisbane will experience the largest property price increases in 2022. The CoreLogic data published this week shows that Brisbane rose 2.5% in January alone and 9.1% in the past three months.

## Auctions Continue To Perform

The number of properties offered for auction more than doubled last week, with three-quarters of them selling under the hammer.

In total 1,160 homes were taken to auction last week with predictions 1,700 will go under the hammer this coming weekend across the combined capital cities.

Melbourne had the highest number of auctions last week, 393 properties, with a clearance rate of 68%. It was followed by Sydney with 326 auctions and a clearance rate of 71%.

In Adelaide 194 properties were taken to auction with a clearance rate of 84% while in Brisbane 152 properties were taken to auction with a clearance rate of 82%.

Canberra had 79 auctions and a clearance rate of 82%, while Perth had 15 auctions and a clearance rate of 58%.

AMP Capital chief economist Shane Oliver says: "There's still an element of FOMO (fear of missing out) on the part of buyers. But there's also an element of FOMO on the part of sellers. Some sellers are thinking 'I'd better sell now, or I'll miss out on these high prices'."



## Aussie Rents Continue To Climb

The huge demand for rental properties at a time of ultra low vacancies pushed rents up in 2021 to their highest calendar year growth in 14 years.

The latest CoreLogic quarterly Rental Review shows rents increased 9.4% in 2021, only slightly lower than the previous record in 2007 of 9.44%.

CoreLogic Head of Research Tim Lawless says rents are under extraordinary pressure for a number of reasons.

"For more than 18 months we've seen demand for detached housing continue unabated as more renters work from home, either on a permanent or now hybrid working arrangement, which drives demand for more spacious living conditions," he says.

This, coupled with investor activity remaining below historic norms, resulting in low vacancies, means rents continue to push upwards.

Regional rents outpaced capital city rents in the last quarter of 2021, up 2.5% compared with 1.6% in capital cities.

