

The Week In Real Estate



NHFIC Forecasts Housing Shortfall

The Federal Government's HomeBuilder scheme may have led to a flurry of construction but a new report reveals a potential supply shortfall of more than 160,000 houses in the next decade.

The National Housing Finance and Investment Corporation (NHFIC) report says difficulties in accessing new land and increased demand as a result of the growing economy and net overseas migration means demand is rapidly outpacing supply.

It says state governments need to boost housing supply and identifies particular constraints in Sydney and South-East Queensland.

The report says between 2025 and 2032, Australia will find itself 163,400 homes short of demand with supply expected to fall by a third in four years from 2023.

NHFIC chief executive Nathan Dal Bon says it has been a remarkable 18 months for Australia's housing markets - with the largest population shock in a century, unprecedented government stimulus, a widespread flight to the regions, and with accelerating house price growth and tightening rental markets impacting housing affordability.

Quote of the Week

"I was expecting the RBA to raise rates several times by the end of the year if Ukraine hadn't happened, but I think the RBA will now sit on their hands longer than they otherwise would have."

ANU Economics Professor Warwick McKibbin

Regional Markets Outshining Cities

Regional property prices are continuing to outperform their capital city counterparts.

CoreLogic figures for February show regional dwelling prices increased 1.6%, compared with 0.3% for the combined capitals. Over the quarter to the end of February regional prices increased 5.7% compared with 1.8% for the combined capital cities. CoreLogic's Eliza Owen says while regional markets did well the results were not consistent across all areas, with price growth slowing in larger regional centres closer to the capital cities.

"In some of the really high-end markets like the Southern Highlands, Illawarra, even the Sunshine Coast, we've started to see a more pronounced and consistent slowdown in growth rates, whereas in more recent months there are more rural regional areas of the country like Warrnambool, the Murray region of NSW and the Riverina area that are presenting stronger growth rates now," Owen says. She expects buyers in regional areas where affordability has become an issue to turn their attention to units instead of houses.





New Listings Rise Over February

Property listings are on the increase, with SQM Research figures showing a 6.8% lift in the number of properties for sale.

Nationally residential property listings hit 214,495 in February - up from 200,865 in January.

New listings in February rose the most in Canberra, up by 86%, followed by Sydney which was up 81%.

But new listings in February were only slightly higher than February 2021.

The figures show the number of properties sitting on the market for more than 180 days dropped by 0.6% in February and 48% on the same time last year.

Nationally, new listings (less than 30 days) increased 62% in February 2022 to 79,715 properties on the market, to be up 4.3% over the year.

The increase in listings has done little to dampen price growth with asking prices up 1.8% for houses and 3.6% for units in February, SQM says.

In the past 12 months asking prices for houses increased 22.5% and units 13.6%.

Auction Clearance Rates Improve

Australia's auction market has chalked up its busiest February week since record keeping started.

CoreLogic figures show there were 3,384 homes taken to auction across the capital cities last week - the busiest since records commenced in 2008.

The number of properties taken to auction was 16.7% higher than the previous week, with an improved clearance rate of 74%.

Melbourne was the most active market with 1,561 properties auctioned and a clearance rate of 71%.

Adelaide had the highest clearance rate of 85%, followed by Sydney 77%, Canberra 76% and Brisbane 73%. Nine properties were listed for auction in Perth, with six sold.

CoreLogic head of research Tim Lawless predicts price growth will continue to soften despite continued strong clearance rates.

"We'll probably see Sydney prices falling slightly and Melbourne reporting a flat reading this month," he says. "Even in the strongest markets like Adelaide and Brisbane, we can see that the trend is starting to ease a little bit now."

Official Interest Rate Stays On Hold

Despite constant media speculation of a rise, the Reserve Bank of Australia (RBA) has kept the official cash rate on hold at 0.10% for another month.

David Zammit of Mortgage Choice says although there was not enough wage growth to support a rise in March, strong economic conditions suggest there is potential for an interest rate rise later in the year.

Some banks have already started to increase fixed rates independently.

"Mortgage Choice monthly home loan approval data reveals demand for fixed rate mortgages dropped to its lowest level in five months in February, with only 26% of borrowers opting to fix part or all their mortgage compared to 43% in September 2021," Zammit says.

Australian National University Economics Professor Warwick McKibbin had expected several rate rises this year but says that was before the war started in the Ukraine.

"I think the RBA will now sit on their hands longer than they otherwise would have," McKibbin says.

