

The Week In Real Estate



More New Homes Being Built And Sold

The number of new homes being built and sold continues to increase despite rising costs of construction and building industry turmoil.

The latest HIA New Home Sales report shows new home sales increased by 3.9% in March compared with the previous month.

Over the year the number of new home starts increased by 30.5%.

The report says that, despite a difficult start to the year, with a shortage of tradies due to Covid illness and materials shortages, new home sales continue to be strong. In fact it is the second strongest quarter since 2016.

HIA Economist Tom Devitt says demand is driven by a shortage of homes and an extremely tight rental market.

In the past quarter, New South Wales sales increased 78% compared with at the same time in 2019, before the pandemic. Sales in Queensland increased 33% during the same period, Victoria 19%, Western Australia 15%. South Australia was the only state to experience a decline.

Quote of the Week

"Demand for new homes continues to be driven by a shortage of homes and an acutely tight rental market that has resulted in rapid house price and rental growth. Tighter lending conditions have had minimal impact on the market to date."

HIA Economist Tom Devitt



Labor Home Scheme Comes With Risks

The Labor Party's proposed home equity scheme could expose the government's balance sheet to financial risk, according to the Grattan Institute.

Labor housing spokesman Jason Clare has revealed it may need to pay interest on borrowings worth about \$5 billion in the first year.

The Grattan Institute also says it could push up housing prices, but housing industry groups which represent low-income households and community housing providers have welcomed the initiative.

Emma Greenhalgh of National Shelter says a similar scheme has worked successfully in West Australia for more than a decade, helping more people into the market.

She says it will benefit people looking to re-enter the housing market, first home buyers and in particular older women who are facing housing issues as a result of separation.

According to an Anglicare nationwide survey the rental crisis persists. It found of the nearly 46,000 homes advertised for rent, 720 (less than 2%), were affordable to a single person on the minimum wage.





RBA Lifts Official Rate To 0.35%

After months of speculation the Reserve Bank of Australia has lifted its official cash rate for the first time in more than a decade.

It has increased from a record low 0.1% to 0.35%. The increase follows the announcement last week that inflation increased to 5.1% in the year to June.

Property Investment Professionals of Australia chair Nicola McDougall says the minor increase in the cash rate is unlikely to impact the vast majority of borrowers.

"It's important to understand that at 0.35%, the cash rate is still below what it was before the pandemic, and well below the 2.0% to 2.5% it was throughout the majority of the Sydney property boom that ended about five years ago," McDougall says.

She says anyone borrowing to buy a property has been assessed at being able to make repayments 3% above current rates.

Mortgage Choice's David Zammit says the question now is which lenders will be the first to pass on the rate rise.



Auctions Thrive In March Quarter

Sellers achieve on average a higher price if they sell their property under the hammer compared with if they had accepted the highest offer prior to auction, according to new analysis.

It says sellers achieved on average an extra 11.7% by going ahead with the auction.

Adelaide recorded the biggest gap between sales methods of 13.6% followed by regional Australia with a difference of 12.3%.

In Melbourne the difference is 11.4% and in Sydney 11.3%. Gold Coast properties sell under the hammer on average for 11.2% more, while in Brisbane the difference is 10.3%.

CoreLogic data shows auctions are still a popular method of sale.

It says 23,748 homes went under the hammer in the first three months of 2022, which is the busiest March Quarter since their records began in 2008.

There were 19,004 capital city homes taken to auction in the first quarter of 2021.

The capital city clearance rate for the March Quarter was 70%.

Rental Housing A Key To Affordability

Pressure on renters increased substantially in the past two years with new data showing a severe shortage in all forms of housing.

The Housing Industry Association's Kristin Brookfield says although new home building activity has increased, there is still a shortage in private rental properties.

She says at a time when owner-occupied housing and rentals are under pressure it is essential to ensure an adequate supply of affordable rental housing.

"Affordable, subsidised rental housing gives people a safe place to live, and if possible the chance to save for a future where they can move along the housing continuum and into a home of their own," she says.

The HIA would like to see practical solutions offered during the Federal Election campaign such as ensuring the existing rent assistance stays on par with inflation.

"This election provides an important opportunity to deliver secure housing for all. This will support Australia's economic recovery and our future economic growth."

