

The Week In Real Estate



Mortgage Arrears Drop To Record Low

The high employment rate means mortgage arrears are at their lowest levels in two decades.

Analysis by Fitch Ratings shows Australia's 30-day mortgage arrears fell to 0.82% in the three months to June 30, the lowest level since tracking began in 2002. The 90-day mortgage arrears fell to just 0.4% quarter-on-quarter in June.

HSBC chief economist Paul Bloxham does not expect those levels to increase substantially on the back of rising interest rates.

He says banks have strong lending standards which ensure borrowers have a significant buffer to meet interest rate rises.

"The RBA suggests that a 300 basis points rise in rates would not change overall mortgage repayments for around 35% of borrowers," he says.

"However, the same work shows that around 30% of borrowers will face a sharp rise of over 40% in their repayments."

Fitch predicts house prices will fall in 2022 but owners will still come out on top because of the strong growth in previous years.



Homes Still Selling Fast In Many Areas

A large family home in the suburbs continues to be popular, with new data showing those types of houses sell faster than others.

PropTrack says 90% of the fastest-selling houses in the 12 months to the end of June were three-bedroom homes in suburbs with a median price of less than \$1 million.

It says three-bedroom houses in Sydney's Camden South (\$764,500) are selling within 14 days on average while in Gordon (\$727,500) in Canberra and New Town (\$945,000) in Hobart houses sell on average in 16 days. Houses sell faster than units in most suburbs although in Manly Vale on Sydney's Northern Beaches one-bedroom or two-bedroom units sell on average within 18 days.

PropTrack senior economist Eleanor Creagh predicts more properties will be listed for sale in the coming weeks.

"Spring is a popular time for vendors to sell," she says. "As we head through September, we are likely to see an increase in the number of properties hitting the market."

Quote of the Week

"Those forecasts take me back to April 2020, when there was panic selling and predictions property prices would drop 30% because of the pandemic. They didn't - and instead home values rose more than 35% over the next two years as demand for real estate surged."

Personal Finance writer for The Australian Anthony Keane, urging consumers to ignore doomsday forecasts





Price Gloom Shouldn't Spell Doom

Property owners shouldn't worry about dire predictions that prices will drop, according to Personal Finance writer for The Australian, Anthony Keane.

Keane says while there is a lot of bad news being peddled as prices ease, there are many reasons to remain positive about the longer-term outlook for property.

He says major bank economists are tipping that real estate prices will drop by 15-20% by the end of next year but he does not believe that will happen.

"Those forecasts take me back to April 2020, when there was panic selling and predictions property prices would drop 30% because of the pandemic," he says.

"They didn't - and instead home values rose more than 35% over the next two years as demand for real estate surged."

Keane says real estate has proven its resilience many times.

"Since 2000 we've witnessed wars, a pandemic, stock market collapses and a global financial crisis, yet home prices are much higher than two decades ago."

Listings Rise For Spring Sales

Real estate analysts are predicting the Spring of 2022 could result in favourable conditions for buyers.

Real estate economist Nerida Conisbee says historically Spring and Autumn are the big seasons for people to sell their homes.

"We are starting to see selling activity pick up and it's looking far better than 2020 and right at this point it's looking about the same as what we saw in 2021 in terms of volume," she says.

CoreLogic figures show there is a 24% increase in new property listings across Australia in Spring while in regional centres the increase is a bit lower at about 19% - although the data shows some regional areas achieve a big lift in listings in Spring, including the Newcastle and Lake Macquarie region with an average rise of 25%.

CoreLogic research director Tim Lawless says a Spring boost of new listings will put buyers in the driver's seat with "more choice, less urgency and more negotiation power".



Banks Home Loan Battle Heats Up

The big banks are continuing to pull out all stops to retain customers as competition for borrowers heats up.

The Commonwealth Bank now requires mortgage brokers to phone and speak to staff before making a change to another bank instead of just allowing them to download an online form.

Other lenders, including Macquarie Bank and Suncorp, already do the same thing.

A Commonwealth Bank spokesperson says the change is aimed at improving their service by giving customers "more clarity" sooner.

The change comes as new Australian Bureau of Statistics figures show the value of new housing finance commitments has fallen 14.8% from its January peak, although it remains above pre-pandemic levels.

The value of new lending to owner occupiers is down 7%, compared with May, and is down by 16% on the same time last year.

New lending to property investors is down 11% in the past month and is at the same level as this time last year.

