

The Week In Real Estate



Investors Slam AHURI Claims

Leading property bodies have raised doubts over Federal Government research which says rental reforms have no effect on investment activity.

The Property Investment Professionals of Australia (PIPA) and the Property Investors Council of Australia (PICA) have labelled it a “misguided” and “grossly inaccurate” portrayal of the rental market.

The groups are referring to a study by the Australian Housing and Urban Research Institute on what factors influence investors’ decisions. Investors exiting the markets have caused the chronic rental shortage.

It used rental bond data which was collated after previous rental reforms in NSW and Victoria and a survey of investors to come up with its findings.

PIPA chair Nicola McDougall says its own survey of 1,618 investors in August shows 19% of investors intend to sell and the top four reasons given were: the new Queensland land tax (subsequently scrapped), changing tenancy legislation, the threat of losing control because of new or potential government legislation, and the threat of government enforced rental freezes.

Quote of the Week

“We still have a landlord’s market across Australia and in every capital city. We’re nowhere near providing alleviated conditions for tenants. While we see that small seasonal lift in rentals, we also see a higher level of people looking for a rental. It is a drop in the ocean compared to what we need.”

Domain chief of research Dr Nicola Powell

Little Relief In Sight For Tenants

There is still little relief in sight for renters, with new figures showing the national vacancy rate remained at a record low of 0.8% in November.

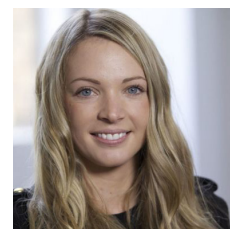
According to Domain data it was 1.5% at the same time last year and chief of research Nicola Powell warns it will not improve anytime soon.

Despite some minor seasonal increases in vacancy rates, Powell says there are only 20,320 vacant rental properties, 47% less than at the same time last year.

“We still have a landlord’s market across Australia and in every capital city,” she says.

“We’re nowhere near providing alleviated conditions for tenants. While we see that small seasonal lift in rentals, we also see a higher level of people looking for a rental. It is a drop in the ocean compared to what we need.”

In November, Melbourne vacancies dropped to 1.1%, Sydney was 1.1%, Perth and Adelaide had the lowest vacancy rate of 0.3%, Hobart 0.4% and Canberra 1.2%.





Banks Pay More To Give You Money

Banks are paying customers for the privilege to lend them money, with many now offering larger cashback incentives for new business.

According to Domain, more than 20 different banks and lenders are now offering cash to mortgage holders who will refinance with them.

These include Westpac, St George, HSBC, Commonwealth Bank, Bankwest and AMP.

The number of home-owners refinancing has been on the increase since the Reserve Bank of Australia started lifting interest rates in May this year.

Natalie Abel of Domain Home Loans says most banks require a minimum refinance amount of \$250,000 and a Loan to Value ratio below 80%.

Abel says while a lump sum cash payment may be enticing, borrowers should ensure they check the fine print first.

And she says borrowers will have to wait a little while for the cash to lob in their accounts.

"The bank wants to see you make your first loan repayment, forking out the refinance cash bank amount around six weeks after settlement," she says.

Approvals Decline Adds To Shortage

New home approval figures experienced a big drop in October, the second consecutive monthly fall, adding to the nation's shortage of homes.

Australian Bureau of Statistics figures show new home approvals fell by 6% in October with only 15,382 approvals. The majority of these (9,430) were for stand-alone houses, while the remainder (5,781) were for units.

The national drop is despite increases in three states: South Australia up by 18% and Victoria and Western Australia both rose 6%.

Approvals in New South Wales and Queensland fell by 19% and Tasmania dropped by 11%.

Master Builders Association chief executive Denita Wawn says the construction industry is continuing to battle high costs for materials and that all levels of Government need to work to address the issues affecting the industry.

CBA senior economist Belinda Allen says the industry is still working through the "HomeBuilder hangover" and that if rates peak soon, it will still be 12 to 18 months before there is a turnaround in the building cycle.



Auction Numbers Continue To Rise

The number of properties being taken to auction rose again in the past week but the national clearance rate remained above 60%.

CoreLogic figures show the national clearance rate last week was 62%. In the two biggest auction markets, Sydney and Melbourne, clearance rates were 65% and 63% respectively.

An older-style one-bedroom unit in North Sydney proved there is still plenty of heat in the market, selling for \$93,000 above its reserve price.

The median auction price in Sydney was \$1.45 million, while in Melbourne it was \$950,000.

In the smaller capital cities, Canberra had the highest clearance rate of 67%, followed by Adelaide 62% and Brisbane, 42%.

In Perth, three of the eight results collected sold under the hammer, only one of the three auctions in Tasmania sold.

Within the major regional markets, the Illawarra region had the highest clearance rate of 56%, followed by Newcastle and Lake Macquarie on 53%, Gold Coast 43%, Geelong, 39% and Sunshine Coast, 37%.

