

The Week In Real Estate



Investors Tipped To Buy in 2023

Investors are likely to re-enter the market in 2023, according to industry analysts.

With most of the rate rises behind us, plus lower prices, high rents, tight vacancies and the return of migration, the market has the essentials to attract investors.

"Maybe we won't see them in as high numbers as in the past just yet," says Domain chief of research Nicola Powell. "But I think the strategic investor who has an eye on the fundamentals and an understanding of the dynamics will be back."

She says rental yields are rising as investors search for cash flow. "There are very competitive conditions for tenants and with the government encouraging migration, and overseas students coming who'll rent, it's a good prospect for them," she says.

The Domain Rent Report shows rents reaching record highs in most cities.

Ray White chief economist Nerida Conisbee believes the peak of interest rates is near which, with population growth and the housing shortage, will create excellent conditions for investors.

Quote of the Week

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Refinancing Hits Record High

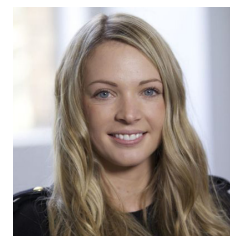
A record \$13.4 billion worth of mortgages held by owner-occupiers were refinanced in November as homeowners sought better deals amid interest rate rises. ABS data shows the value of owner-occupier refinancing rose 9.1% in November.

"More borrowers switched lenders for lower interest rates as the RBA's cash rate target continued to rise," says the ABS' Dane Mead.

Overall, \$19.5 billion worth of mortgages was refinanced in November, 20% higher than a year ago and eclipsing the record set in September by almost \$1 billion.

RateCity research director Sally Tindall says borrowers are acting to combat rising interest rates. By the start of November, the Reserve Bank had raised the official cash rate from 0.1% in May to 2.85%. It is now at 3.1%.

"Australians are being anything but complacent when it comes to their home loans," she says. "They're switching in droves and that's fantastic to see. The refinance boom has put Australian banks on notice: shape up or customers will jump ship."





Borrowers Want Loyalty Rewarded

Mortgage Choice research reveals that many Australian borrowers feel undervalued by their lenders and will consider switching to a new lender if their loyalty isn't rewarded.

The research indicates that 52% know they aren't receiving the best interest rate offered by their lender or they aren't sure they're receiving the best rate available.

Mortgage Choice CEO Anthony Waldron says: "Unfortunately, many lenders don't reward their customers for loyalty. In a rising rate environment, it pays to shop around for a better deal and not be complacent with your home loan."

The research revealed 71% of borrowers would be very likely or somewhat likely to switch lenders if they were no longer getting the best rate - and 68% said they would prefer lenders to offer the same rates to new and existing customers so they didn't need to switch.

"Borrowers are telling us they want pricing parity between new and existing customers," Waldron says. "They believe they should be rewarded for their proven repayment history."

Aust Jobs Market A Global Leader

Australia's labour market has proved more resilient to interest rate rises and weakening economic conditions than any of the G7 countries. Growth in employment in Australia outstripped the US, France, Italy, Germany, Canada, Japan and the UK between May and November 2022.

Treasury analysis of ABS data shows 234,000 more people found jobs in those six months, a 1.73% increase. Construction, retail and accommodation & food services led Australia's surge in employment.

Other advanced economies reported a slowdown in employment, including the UK, which saw jobs growth slide 0.27% between May and November.

The ABS has recorded several months of ultra-low unemployment rates despite the Reserve Bank switching to policy tightening in May 2022 in a bid to rein in inflation.

Despite economic headwinds, most employers are still worried about finding staff rather than laying them off. An Australian Industry Group survey of chief executive officers found 90% expect to experience staff shortages in 2023.



300,000 Migrants Expected In 2023

Federal Treasurer Jim Chalmers says the 235,000 in net overseas migration forecast in the October 2022 Budget is likely to be wrong, with the real figure expected to be much higher.

This is one of several reasons why Hotspotting and others are forecasting house price growth in 2023.

Chalmers says it's reasonable to expect migration to be higher given extreme labour shortages are creating strong pull factors, as the government works to reduce a massive visa backlog.

"We've got serious skills and labour shortages that are acting as a handbrake," he says. "It's a reasonable assumption the number may be higher than the 235,000 printed in the Budget."

The Federal Government last year boosted the permanent migration cap by 35,000 for 2022-23 following calls from business about the shortage of workers.

But immigration expert Abul Rizvi says a likely net migration figure of 300,000 will be driven by a spike in international students and a large excess of visitors in the country.

