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The Week In Real Estate

Sharp Recovery for House Prices in Sight

Capital city house prices are poised for a sharp recovery according to market analysis by CoreLogic.

Nationally values rose 1.4% in in March – more than four times faster than the previous month.

Sydney house prices increased 1.4%, Melbourne, 0.6%, Perth, 0.5% and Brisbane, 0.1%.

CoreLogic research director Tim Lawless, says a combination of low stock, tight rental market and growing demand from overseas migrants is behind the price growth.

Listings are well down on the same time last year with 17.7% fewer homes being offered for sale.

"If you were to ask me a few months ago, I wouldn't have thought we'd start to see growth conditions returning this early in the cycle, let alone a 1.4 % jump in a month for Sydney," Lawless says.

"I think the supply levels being as low as they are, could be creating a competitive environment among those buyers. There's also the amplifying effect of migration, which, normally would not have too much impact on purchasing demand."

Why Rates Didn't Rise

The Reserve Bank may have halted its continual rise of interest rates at its most recent meeting, but speculation is already mounting it may start up again.

RBA governor Philip Lowe says "when deciding not to raise rates in April, the Board discussed the outlook for the global economy, the strength of Australian household consumption and how price and wage settings were responding to high inflation."

He reiterated that the RBA is still keen to stamp out inflation, which is at its highest level in three decades.

While Lowe believes the Australian banking sector is strong and has plenty of liquidity, he says the situation is "still fragile".

There was a significant drop in consumption growth in October and December, as a result of rate rises and Lowe anticipates the figures will show a further drop in the March quarter.

Lowe says many households are still sitting on large levels of cash which they saved during the pandemic.

Quote Of The Week

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Tim Lawless - CoreLogic Research Director

Loan Arrears Won't Match GFC

Rising interest rates and increases to the cost of living will inevitably cause some homeowners to fall behind on their mortgage payments, but experts predict it won't be as bad as it was during the Global Financial Crisis.

PropTrack director of economic research Cameron Kusher says as a result there won't be widespread bank forced sales.

Australian Banking Association figures show the portion of loans three or more months past due increased slightly to 0.41% in January and repayments between 31 and 60 days past due increased to 0.33%.

Kusher says the loan market is tracking well below the arrear's levels recorded during the GFC when 1.69% of loans were late.

He says some buyers may have overextended themselves during the boom, but it won't necessarily lead to an influx of forced sales.

Financial planning platform Lifesherpa, chief executive, Vince Scully, says Australian's prioritise paying for their homes.

"Your home and utilities are the two things people will do anything to pay," Scully says.

Aussie Rates Among The Lowest

Despite ten consecutive interest rate rises, Australia still sets well below other countries which have taken a bigger stick to getting inflation down.

The RBA held rates steady after its April meeting, in an effort to assess what impact the previous rises have had on inflation.

Australia's cash rate of 3.6% is below other global central banks, including the United States, 5%, Canada, 4%, the UK, 4.25% and even close neighbours, New Zealand, 5.25%.

Fortunately for Australia's economy in terms of affecting inflation, wages growth has not been out of control.

RBA Governor, Phillip Lowe, says because the majority of Australian homeowners are on variable rate mortgages, they quickly adjusted to the rate rises which decreased consumer spending and potentially helped decrease inflation faster than in other countries where borrowers are typically on long-term fixed-rate loans.

HSBC economist Paul Bloxham says it appears the RBA is putting a higher priority on delivering a soft economic landing than other central banks.

Home Building Continues To Drop

Despite huge demand for new housing, the latest Australian Bureau of Statistics figures show construction is down by 27% on the same time five years ago.

New home starts peaked in June 2021, at 67,542, as a result of the Federal Government's HomeBuilder stimulus. But that dropped to 45,489 by the September quarter 2022.

The construction industry remains hamstrung by high material costs and difficulty securing trades, at a time when demand is soaring.

A number of major home builders have collapsed as a result, leading to further construction delays.

Super Housing Partnerships chief executive, Carolyn Viney, says it will be Australian superannuation funds and global pension funds and insurers which will have to fund the next big boost in housing stock.

"If you are serious about new housing stock it needs to come from a capital source that is used to large-scale investment, as opposed to the tiny clicks from mum and dad and offshore (investors) that we've looked at historically," she says.