



The Week In Real Estate

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Land Shortage Causing Crisis

A shortage of land is contributing to the ongoing housing crisis throughout Australia.

The latest Housing Industry Association (HIA)-CoreLogic Residential Land Report, on 51 housing markets, says the scarcity of land for property development is a “considerable roadblock” to the supply of new homes in the upcoming year.

HIA senior economist, Tom Devitt, says the volume of residential land transactions fell 37% in the 12 months to March 2023 and as a result the number of new homes that will be built next year will drop.

“An acute shortage of available land saw the price increase by 23% over the three years from March 2020 to March 2023. This compares to just a 5% increase in the three years before that.”

Devitt says land sales have dropped throughout urban and rural areas with 36 of the 51 regions examined experiencing a drop in transaction numbers. “Decisions made today about land releases can be expected to affect housing supply ten years from now,” he says.

Borrowers Coping Well

More than \$350 billion worth of home loans are expected to move from fixed to variable rates in the coming months.

Despite predictions it will result in higher levels of loan arrears, major banks report owners are still coping well.

Bendigo and Adelaide Bank CEO Marnie Baker says they are not seeing “material” signs of borrower distress in regional or urban areas.

Its number of loans 90 days in arrears has risen slightly to 0.46% and remains close to historical lows.

“Borrowers remain in good shape with 41% of loans at least one year ahead on repayments and 31% of loans two years ahead on repayments,” she says.

Commonwealth Bank has \$52 billion of mortgages transitioning off fixed rates in the second half of this year. Only 0.43% of its loans are in arrears more than 90 days.

Sebastian Watkins, of Aussie Home Loans, says the transition will result in a significant amount of financial pain and stress for Australian mortgage holders.



Quote Of The Week

“The solution has to be putting in place a structure that makes the supply side of the housing market more flexible. And that means zoning and planning deregulation, and it means state and local governments being part of the solution.”

Outgoing RBA Governor, Dr Philip Lowe



Rent Caps Will Worsen Crisis

Imposing rent controls, may prolong the housing crisis, according to outgoing Reserve Bank of Australia governor, Philip Lowe.

While all levels of Government are discussing restricting landlords from raising rents, Lowe says it won't solve the issue. The Greens are pushing for the Federal Government to implement a two-year rent freeze.

But Lowe says the only solution is to build more houses.

"There's always a tendency to try and come up with short-term solutions," he says.

"The solution has to be putting in place a structure that makes the supply side of the housing market more flexible. And that means zoning and planning deregulation, and it means state and local governments being part of the solution."

Lowe has called for deregulation of "restrictive zoning laws" which he says have pushed the cost of land up to levels not experienced elsewhere in the world.

"Thinking longer term, doing something in that space would make a difference to the quality of life in Australia."



Home Building Slows

Construction of new homes is tipped to fall to the lowest levels in more than a decade.

The latest HIA economic and industry outlook report says the number of new homes commencing construction peaked in June 2021.

HIA Chief Economist, Tim Reardon says it will continue to decline under the weight of rising interest rates and land costs.

He says more land needs to be approved for the construction of houses and apartment projects and governments need to lower the tax and regulatory imposts on home building.

Additional regulatory requirements imposed this year will add around \$25,000 to the cost of a new home.

"This is the right time in the cycle for governments to invest in public housing stock because they will get a better return on their investment, and they will support capacity within the industry during a trough of activity. The importance of maintaining capacity within domestic manufacturing and among the trades base was never more evident than during the pandemic."



War's Impact On House Prices

The War in Ukraine is being credited with an increase in regional Australian house prices, on the back of rising demand for wheat crops.

PropTrack data shows many regional areas had average home value increases of more than \$100,000 since May last year.

Some are near major wheat producers, which have found new markets for their exports because of bad weather in normally high producing parts of the northern hemisphere and the Russian invasion of Ukraine.

The biggest increases were in the "wheat belt" areas of Western Australia, parts of the NSW Hunter Valley and the Riverina area as well as the southwest of the state.

The data shows Dungog in the Hunter Valley had the biggest price increase of 26% in the past year.

PropTrack economist Angus Moore says there has been a boost in towns linked to growing industries.

Ray White chief economist Nerida Conisbee says 2022 was a good year for some farmers and higher levels of wealth impacts property prices.