



# **National Housing Market Report**

April – May 2021



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## Housing Markets Ease - But Still Red Hot

### Current State of the Markets

This year's strong housing market activity intensified into May following the moderating impact of the usual buyer and seller distractions over the holiday month of April.

Easter, school holidays and ANZAC Day, as expected, acted to marginally reduce April market energy although results nonetheless clearly remained in boomtime mode for all capitals.

Markets bounced back in May free from holiday distractions, with a surge in new sellers keen to take advantage of still-strong buyer competition for property and continued strong prices growth.

Weekend auction markets have reported record May offerings with clearance rates, although generally lower than the remarkable results recorded over March, nonetheless still at high levels in all capitals - and clearly remaining in favour of sellers generally. Clearance rate trends however are now declining, weighed down marginally by a wave of new listings.

Although government income support programs and associated stimulus policies have been reduced, the national economy continues its strong post-covid recovery. Widespread predictions of a likely severe negative impact on the economy and housing markets - "the cliff" - as a consequence of the end of the Jobkeeper allowance in March have predictably proven to be fanciful.

Strong jobs growth continues with the national unemployment rate still falling and now within reach of the pre-covid result. Participation in the workforce has also encouragingly reached record-high levels.

Sharply higher home prices are predictably facilitating changes in buyer activity with first home buyer levels, although still elevated, now declining as significant affordability barriers emerge for this group. Conversely, investor activity continues to increase although still at subdued market-share levels, driven essentially by the



prospect of strong capital growth. Owner-occupiers however continue to substantially drive market activity and remain at record-high levels.

Although the federal budget Introduced new programs directed at first home buyers, the Initiatives were strictly limited and narrowly focused on single parent families and new construction, and are unlikely to significantly Impact housing markets. Similarly, changes to the downsizer Incentive program will likely have minimal Impact on activity from this group, reflecting the lack of suitable and affordable dwelling choices, particularly In the larger capitals.

The reintroduced first home buyer scheme for new homes will however continue to fuel the current boom In new house construction which clearly remains a positive for the economy. Supply constraints from the recent surge in residential construction activity however are set to Increase building costs and new house prices.

Capital city housing markets overall continue to experience strong buyer activity with prices growth, although moderating, still clearly at elevated levels.

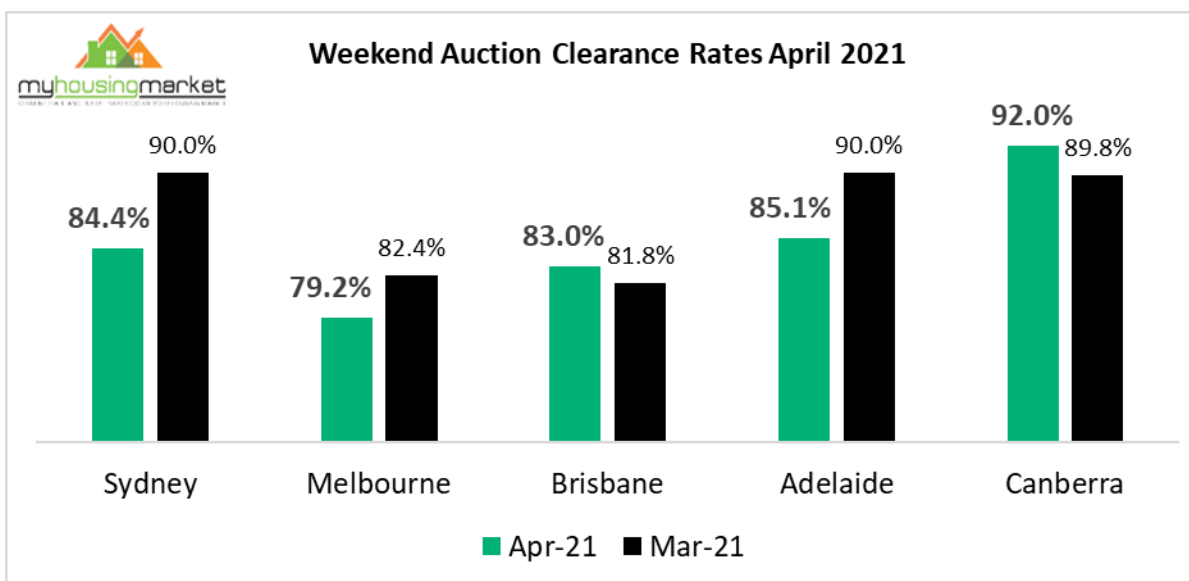
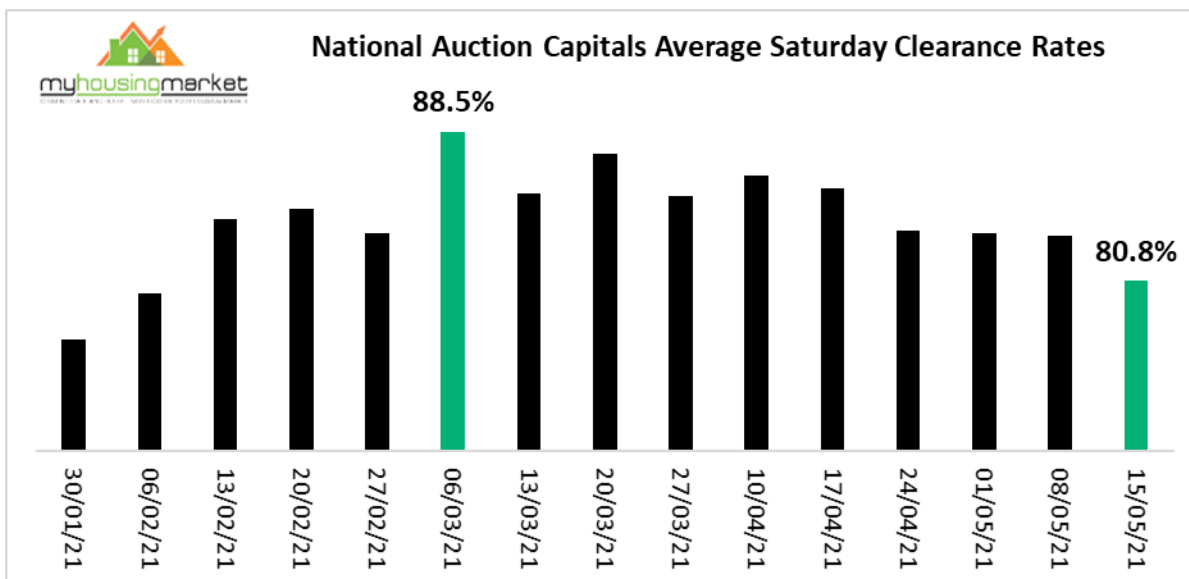
Activity levels however will decline though 2021 as affordability barriers act to subdue boom-time conditions with home price growth easing but still clearly positive.

## **AUCTION MARKETS**

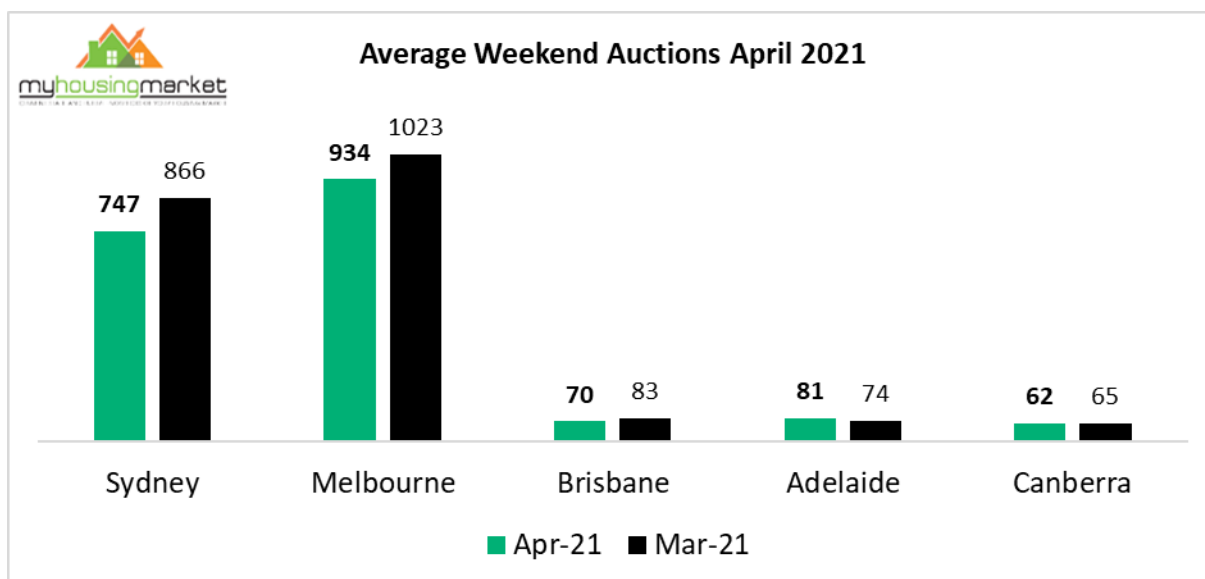
Home auction markets have revitalised In May following the lengthy holiday distractions of April. Listings have surged to record levels for the month with sellers keen to take advantage of still strong buyer competition for property and associated higher prices.

Record offerings however have acted to ease clearance rates In most capitals, although results remain clearly at boom-time levels.

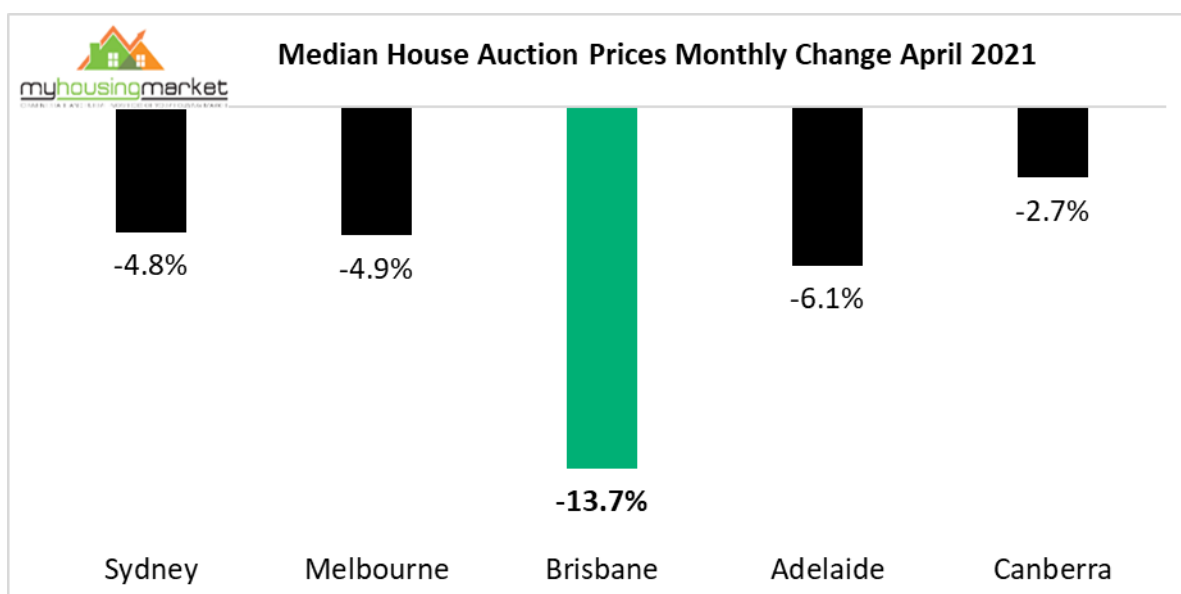
Auction listings and clearance rates however are likely to moderate as the typically subdued winter market approaches.



Weekend auction numbers were lower over April compared to the previous month reflecting lengthy April holiday distractions for sellers.

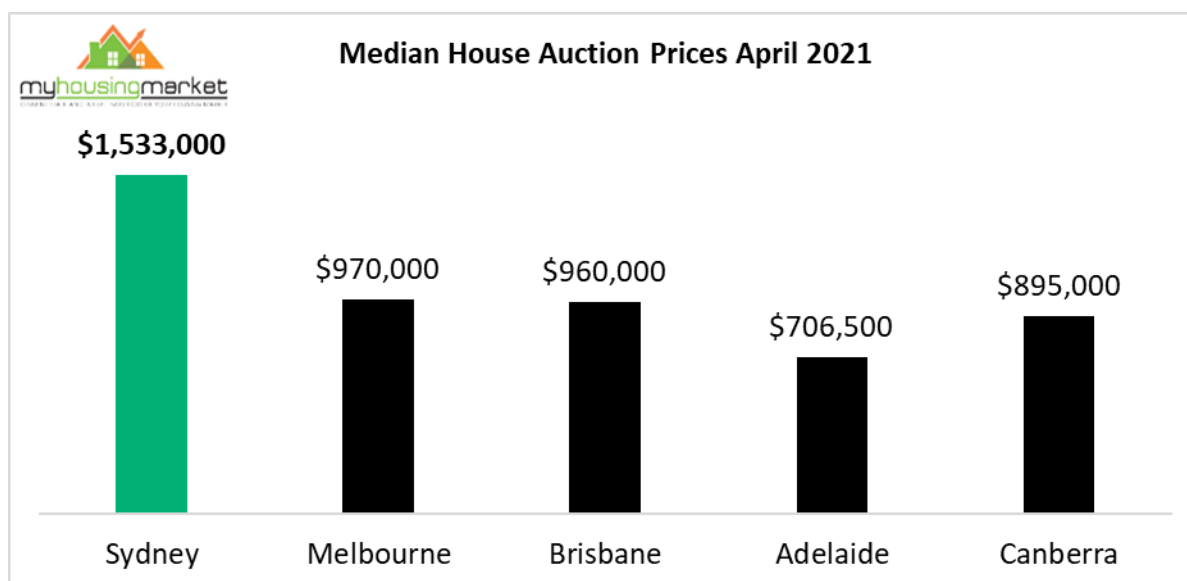


Median auction prices were also lower over April compared to the previous month, reflecting a reduced proportion of higher-priced homes offered for sale due to holiday distractions.



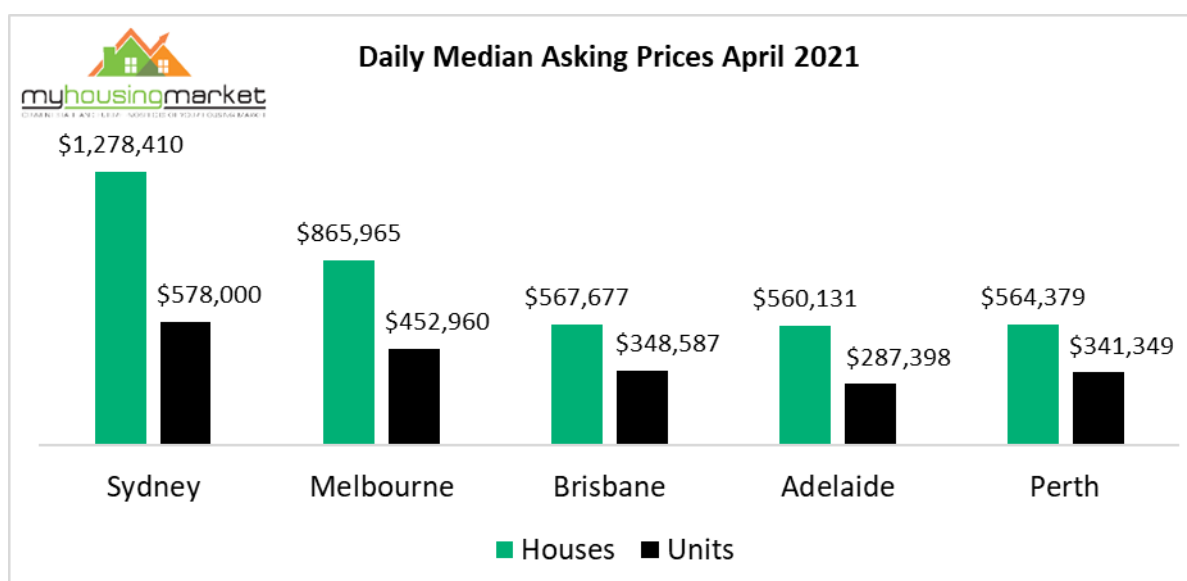


Sydney remained the leader for median house auction sale prices over April at \$1,533,000.



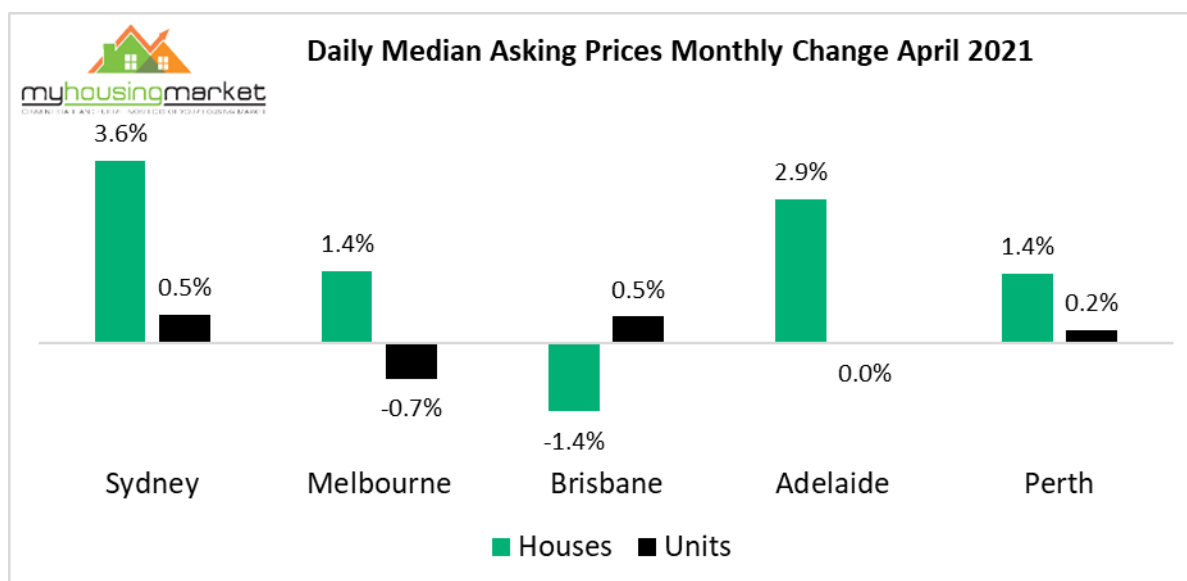
## HOME PRICES

Strong buyer activity continues through most capital city regions, price ranges, property categories and buyer types. Sydney remains clearly the highest for asking price medians for both houses and units.

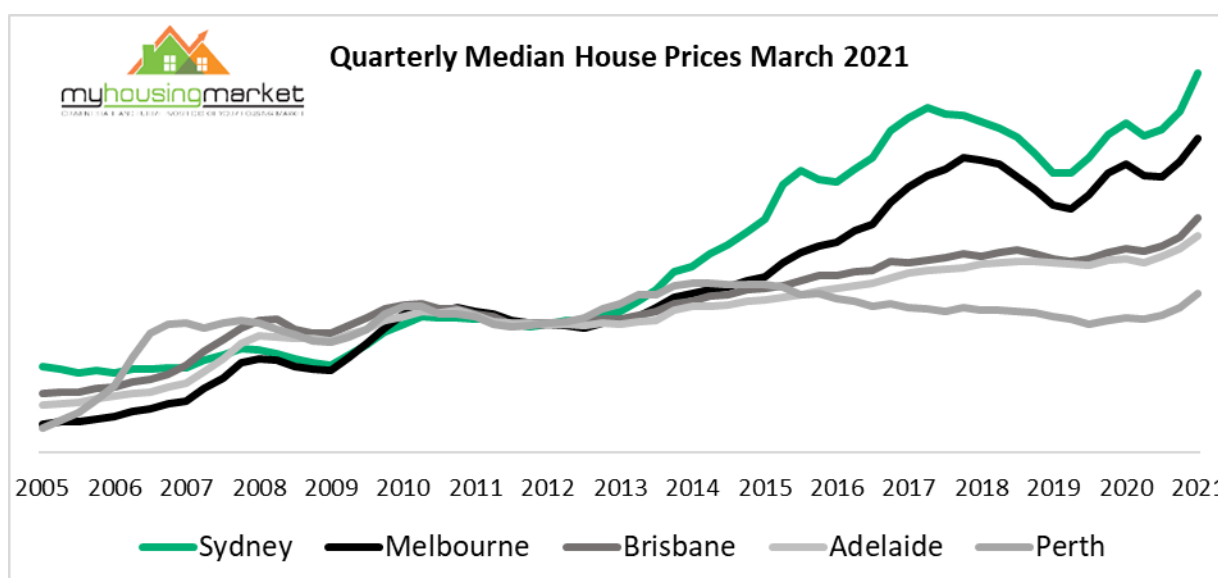




Sydney and Adelaide reported the highest increases in asking prices for houses over April with Brisbane falling by 1.4%.



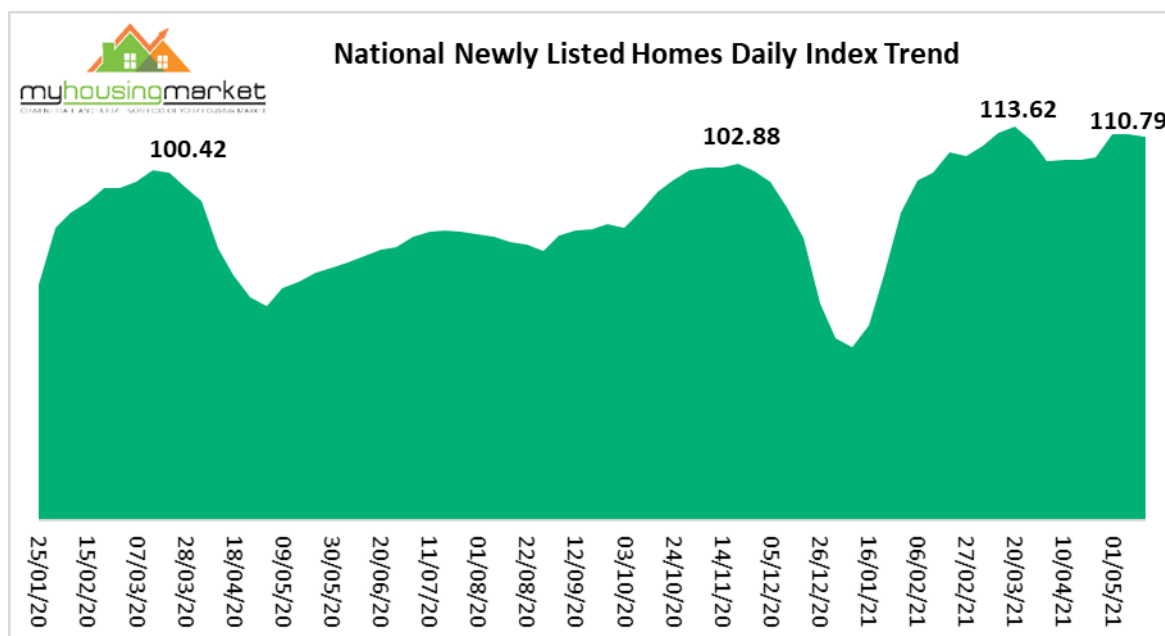
Strong house prices growth has been reported by all capitals over the March quarter with Sydney and Melbourne now finally above the previous peak levels recorded in 2017.



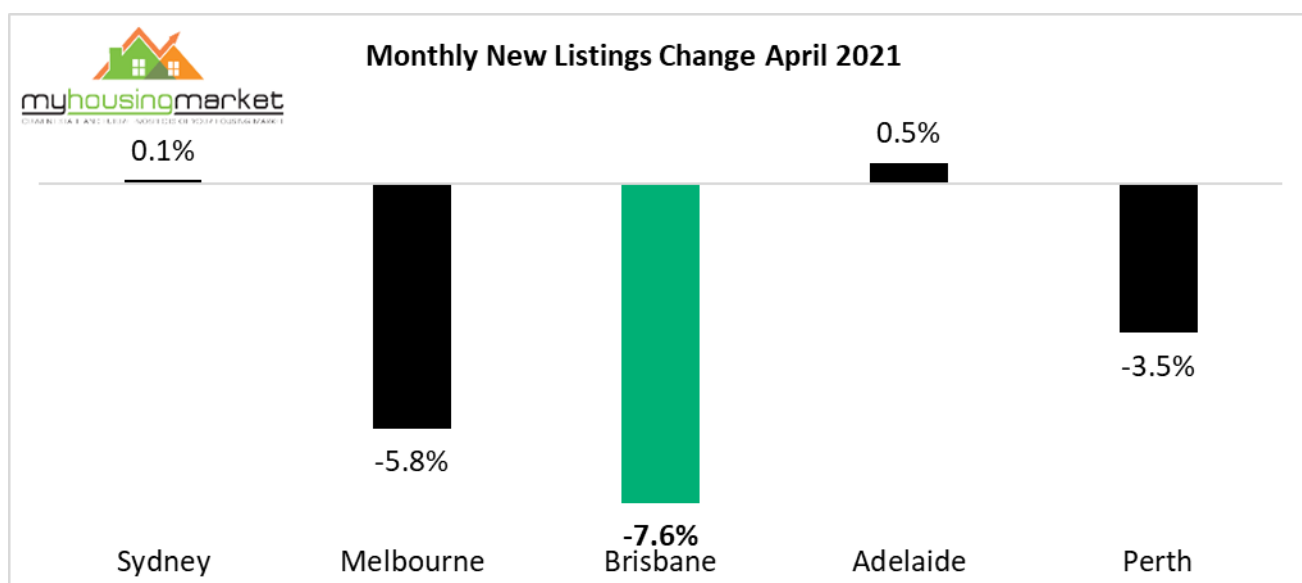


## HOME LISTINGS

Newly advertised listing numbers rebounded after the Easter holiday break in April but the trend is now declining as the quieter winter market approaches.



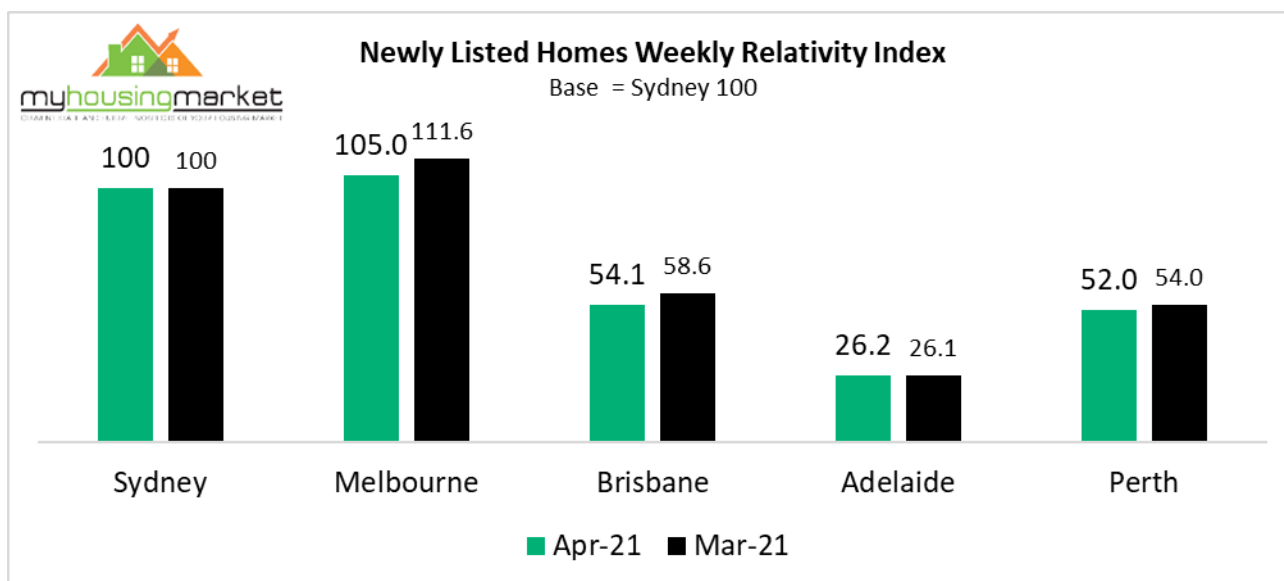
Most capitals reported decreases in newly advertised home listings over April with Sydney and Adelaide steady.



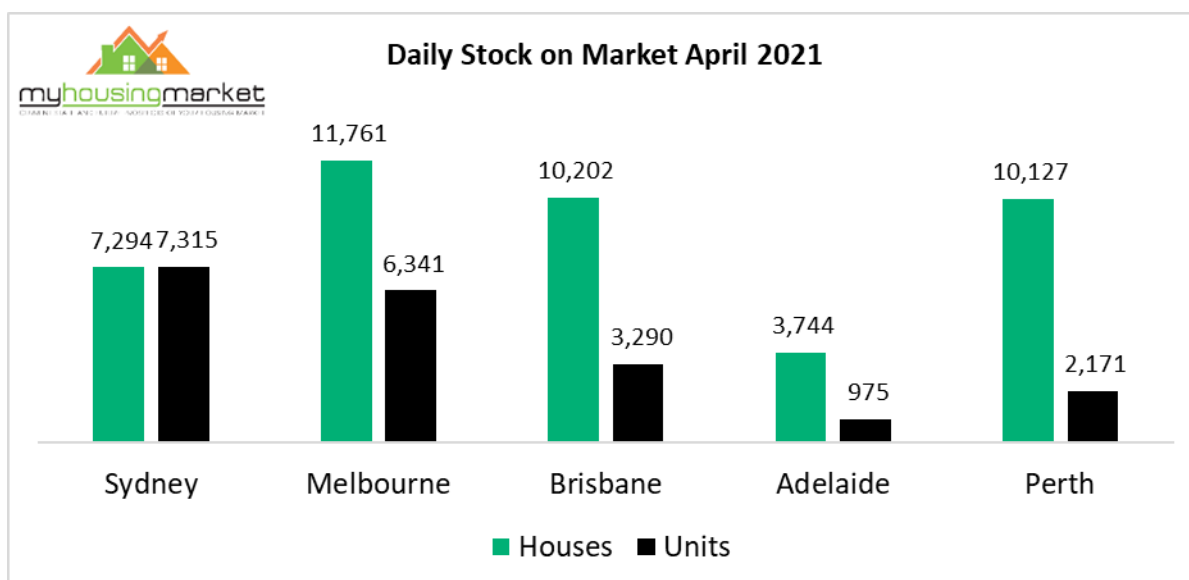




Melbourne remains the top capital for new listings over April although the gap to Sydney of 5% had narrowed over the month.

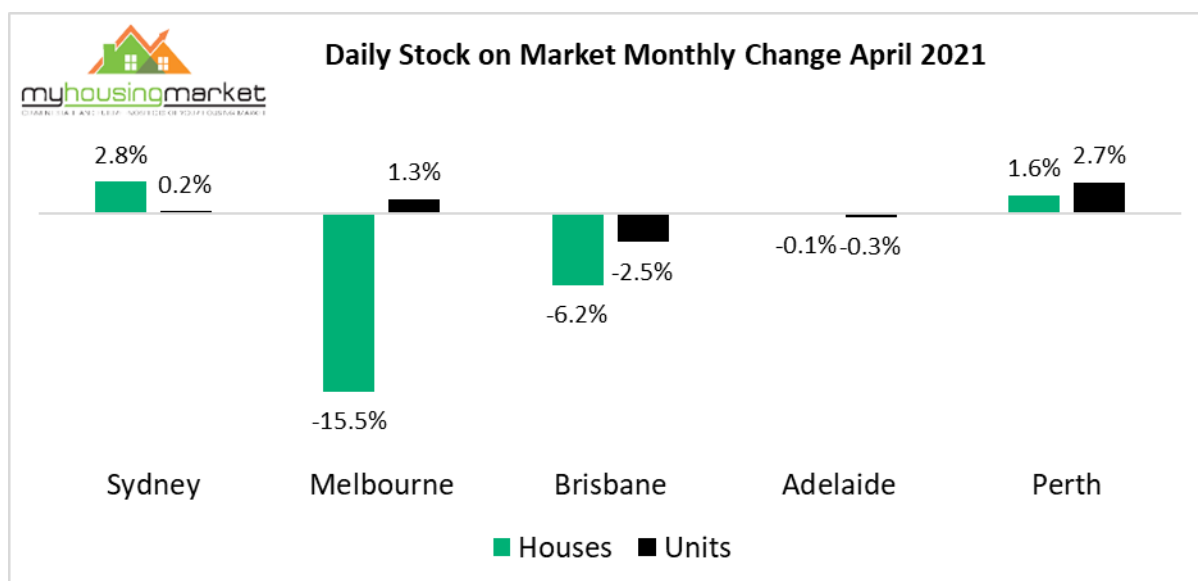


Melbourne has the highest number of total homes advertised for sale daily and Sydney continues with the highest number of units advertised for sale.



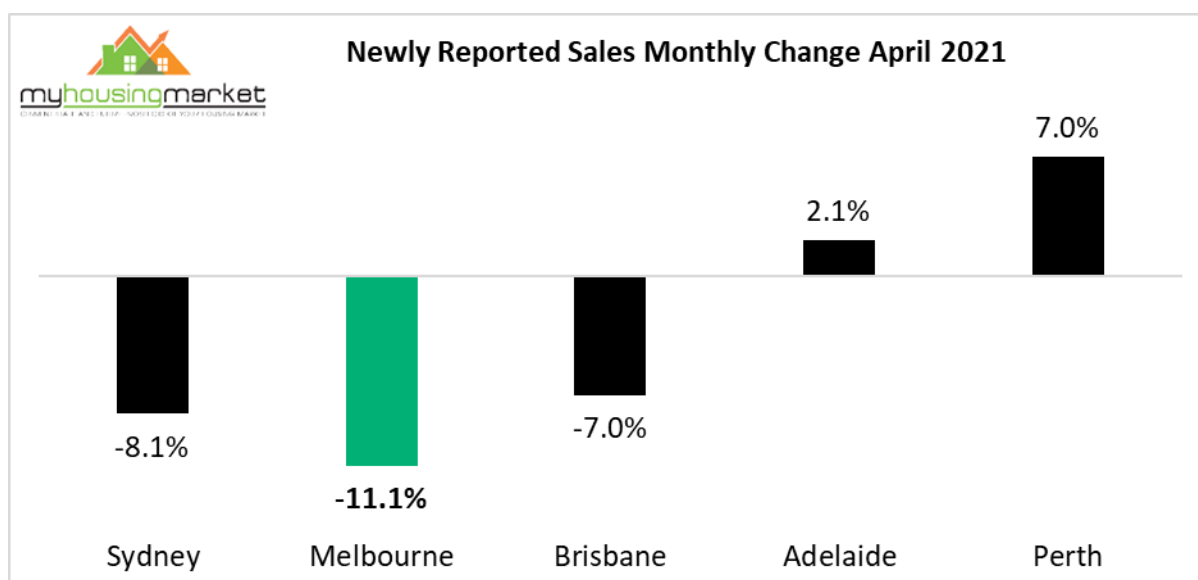


Sydney reported the highest monthly Increase In the number of houses advertised daily for sale over April at 2.8% with Melbourne's total house listings falling by 15.5%.



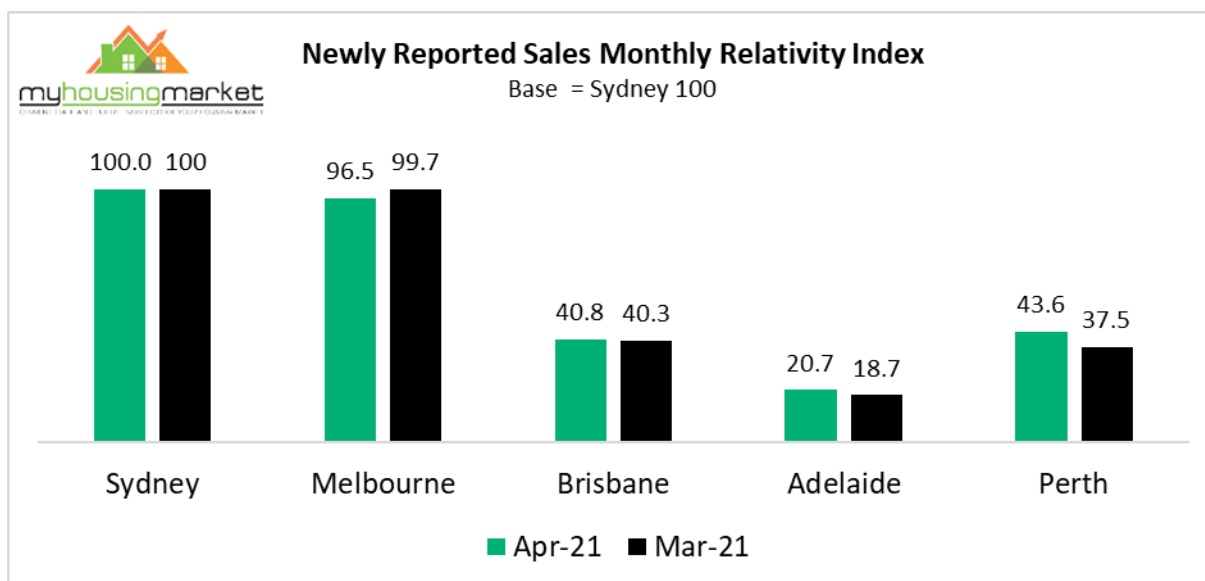
## SALES

Moat capitals reported decreases in newly reported home sales over April compared to March with Melbourne down by 11.1% but Perth higher by 7.0%.



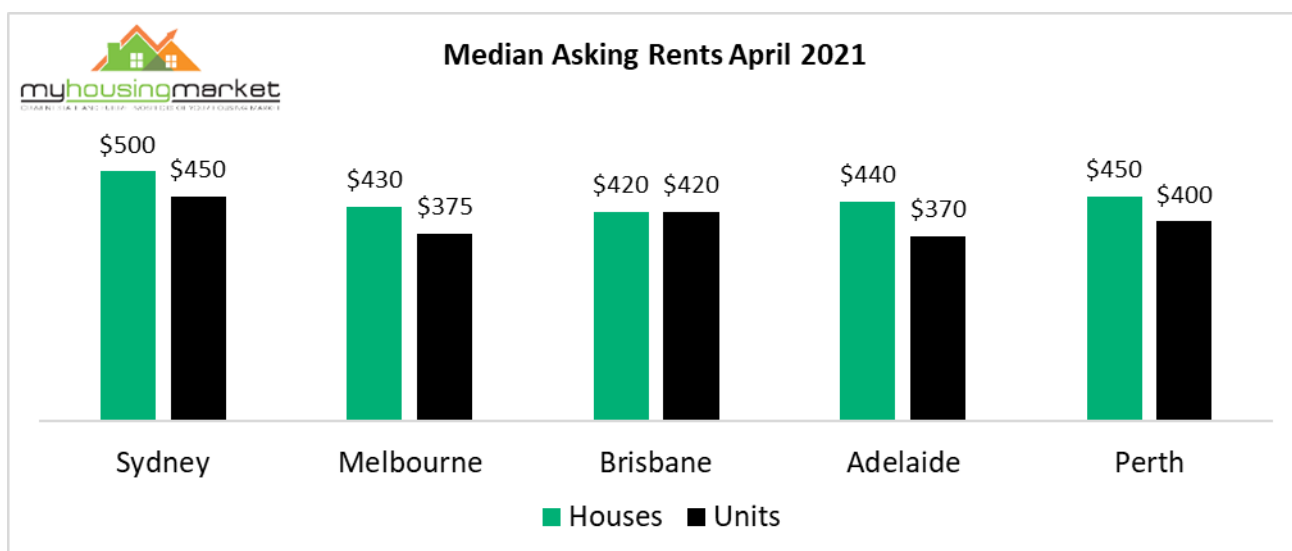


Sydney again reported the highest number of newly reported sales over April and It is now 3.5% ahead of Melbourne.

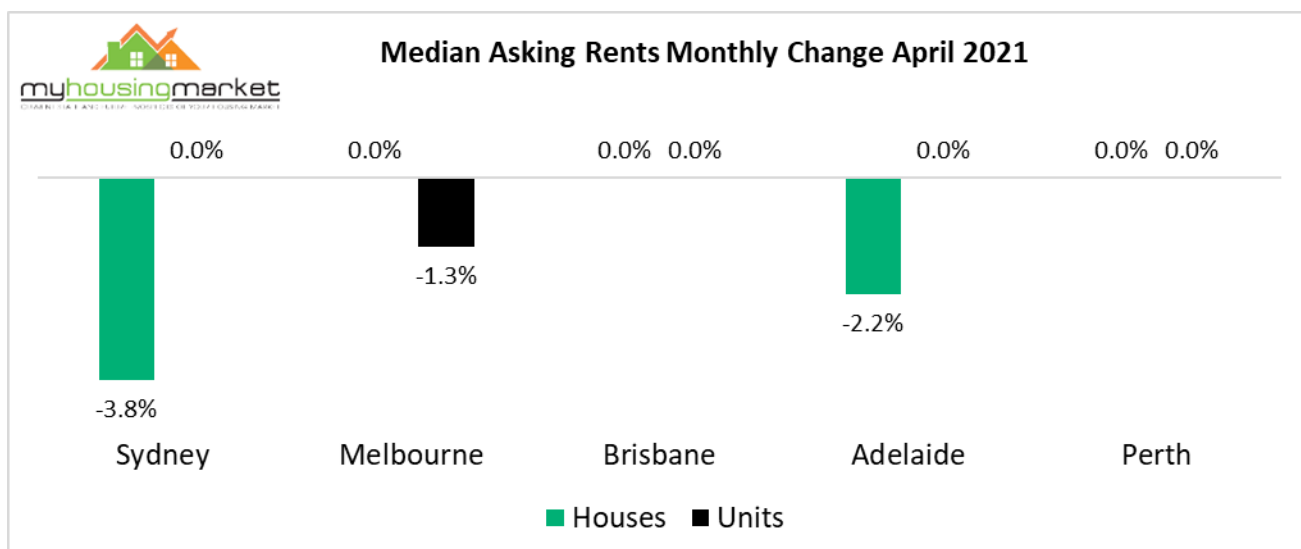


## RENTS

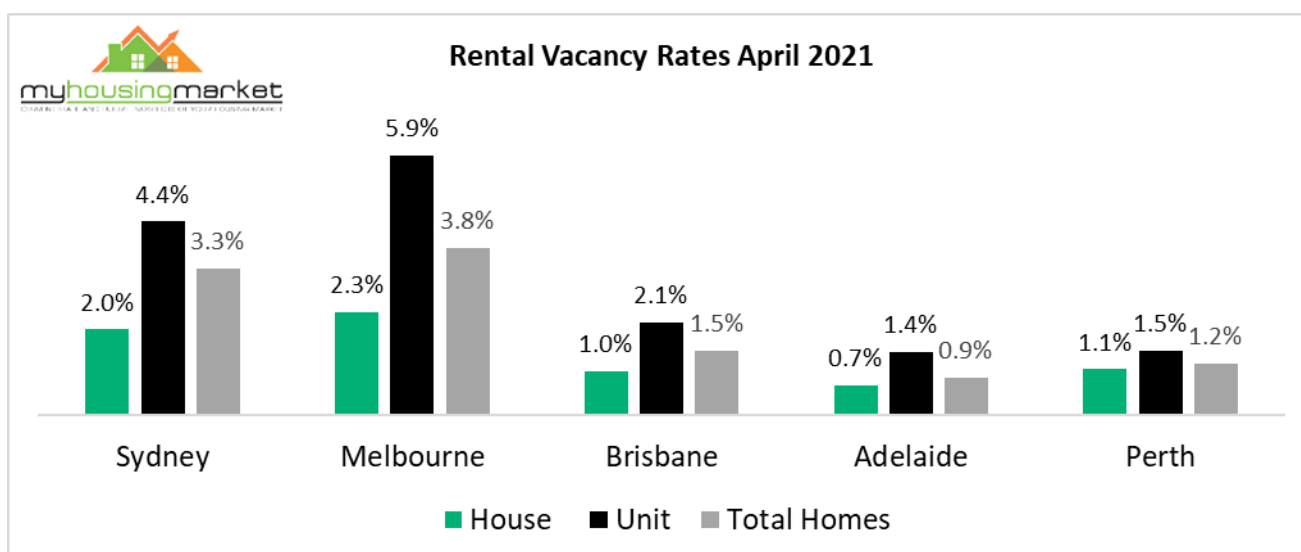
Sydney reported the highest median weekly asking rents for houses and units over March at \$500 and \$450 respectively.



Median asking house rents were mostly steady over April although lower in Sydney and Adelaide with lower rents for units in Melbourne.

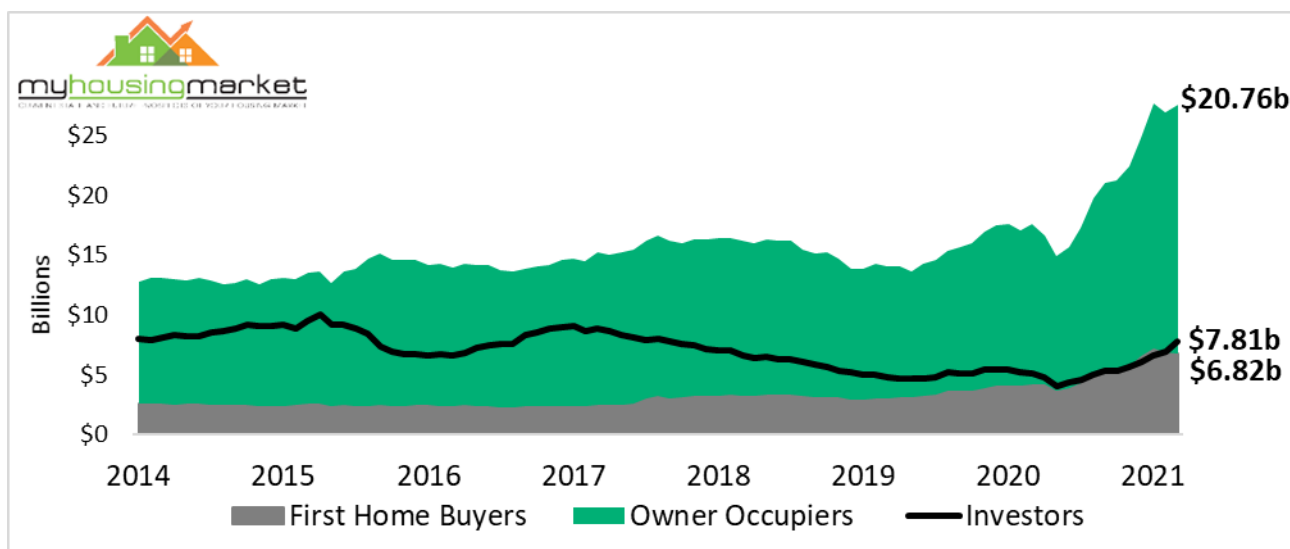


Home rental vacancy rates remain higher for units than houses in all capitals however Melbourne and Sydney have reported sharp reductions for units over the month.

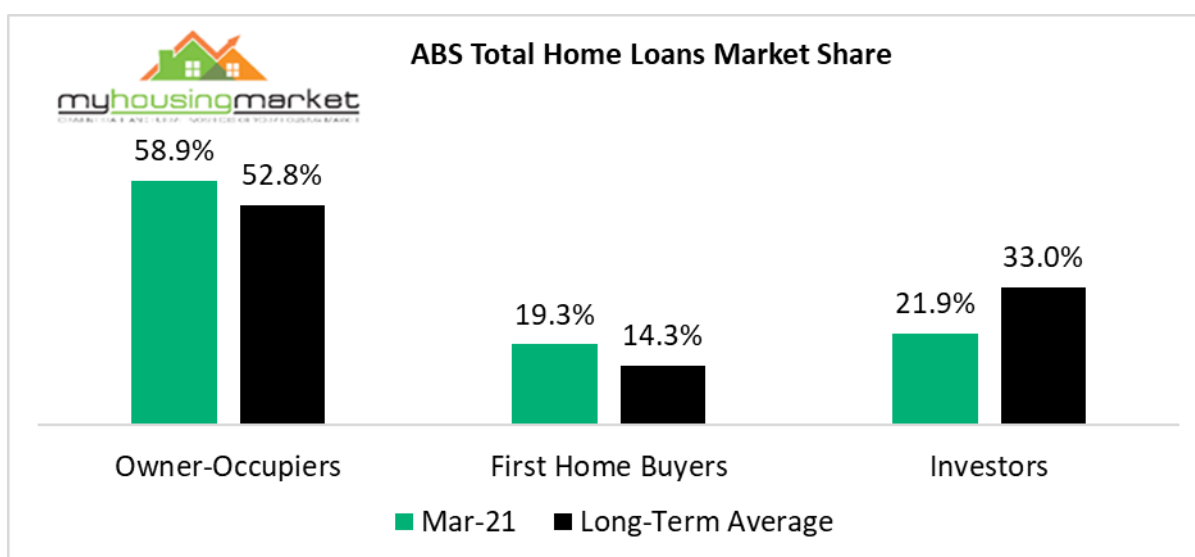


## HOME LOANS

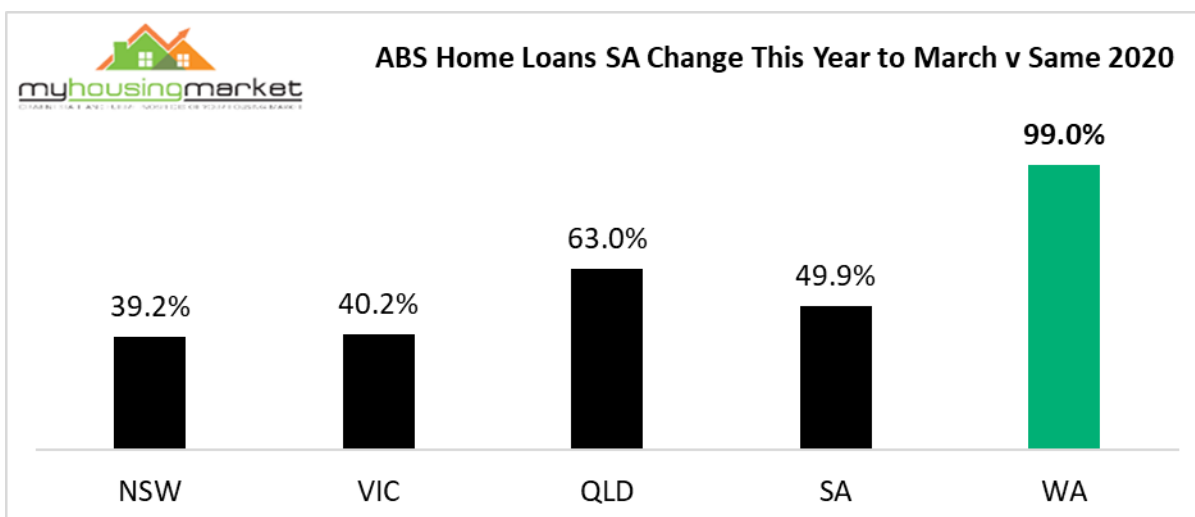
Home buyer lending rebounded over March with Increases for owner-occupiers and Investors - again - however first home buyer activity continues to decline.



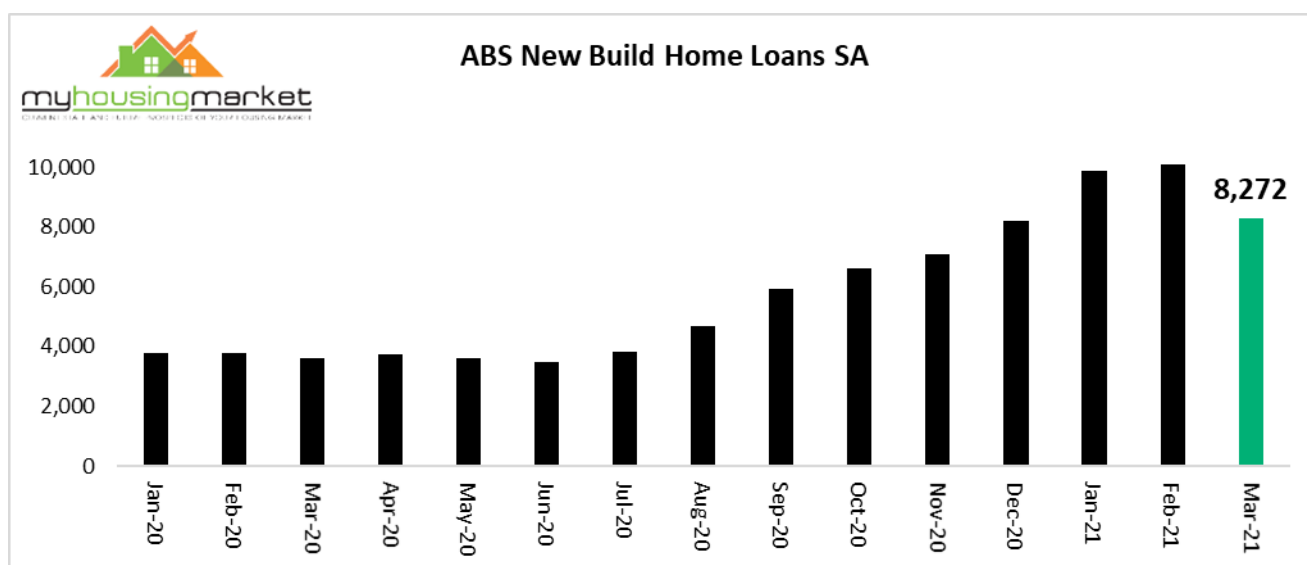
Although Investor activity continues to Increase, total market share remains well below Its long-term average but Is now exceeding the share of first home buyers.



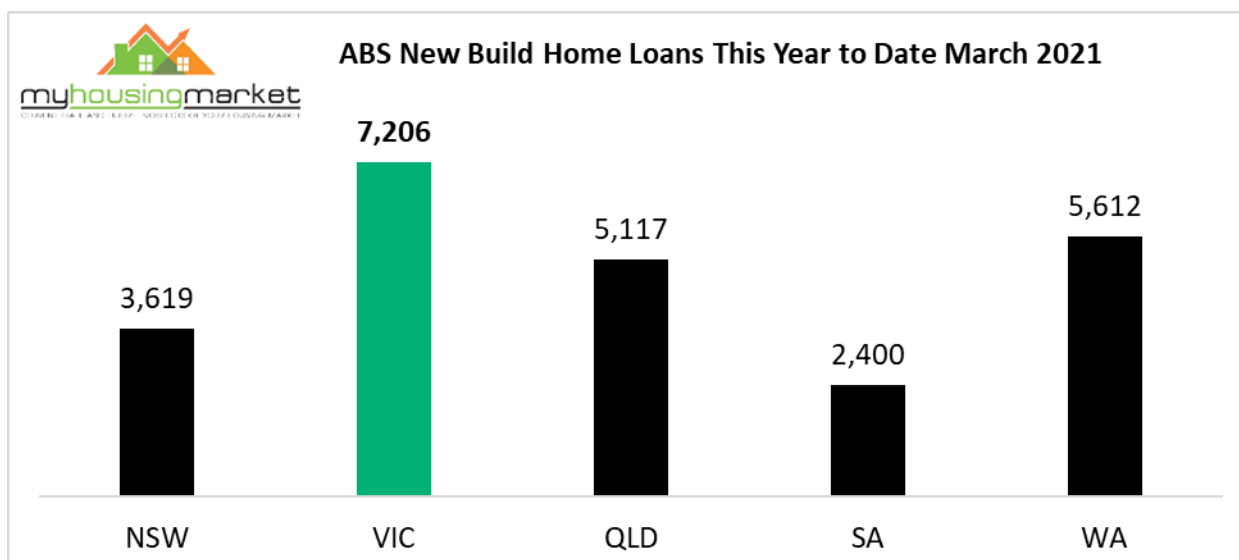
WA has recorded the highest Increase In home lending over this year to March compared to the same period last year - rising by a remarkable 99.0%



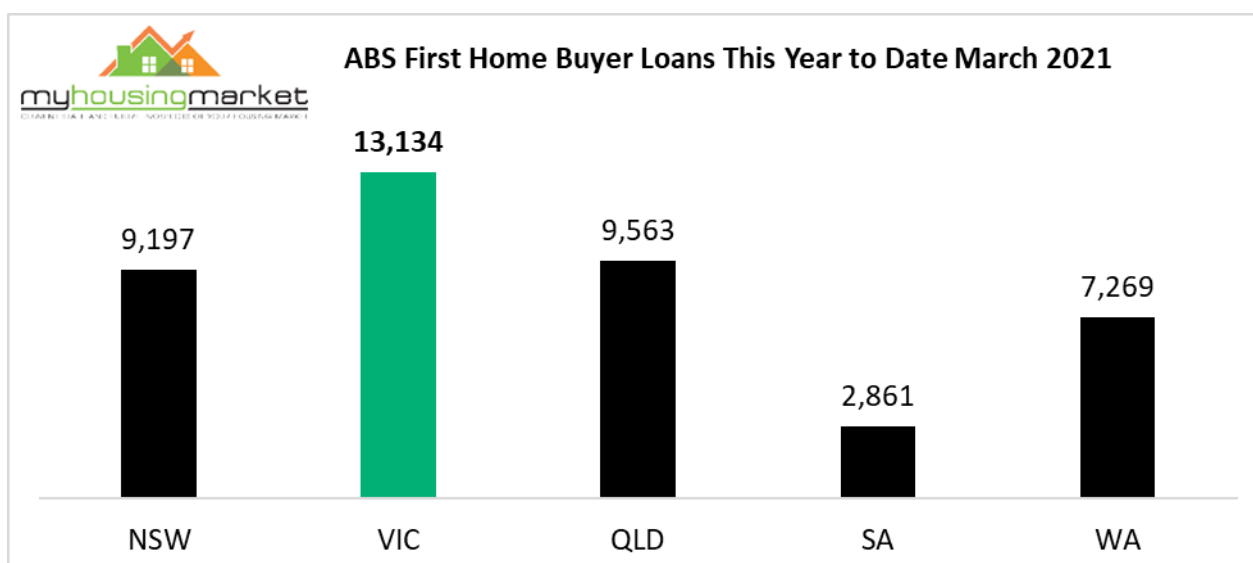
Loans for newly built homes declined over March as the federal governments HomeBuilder initiative expired however levels remained strong.



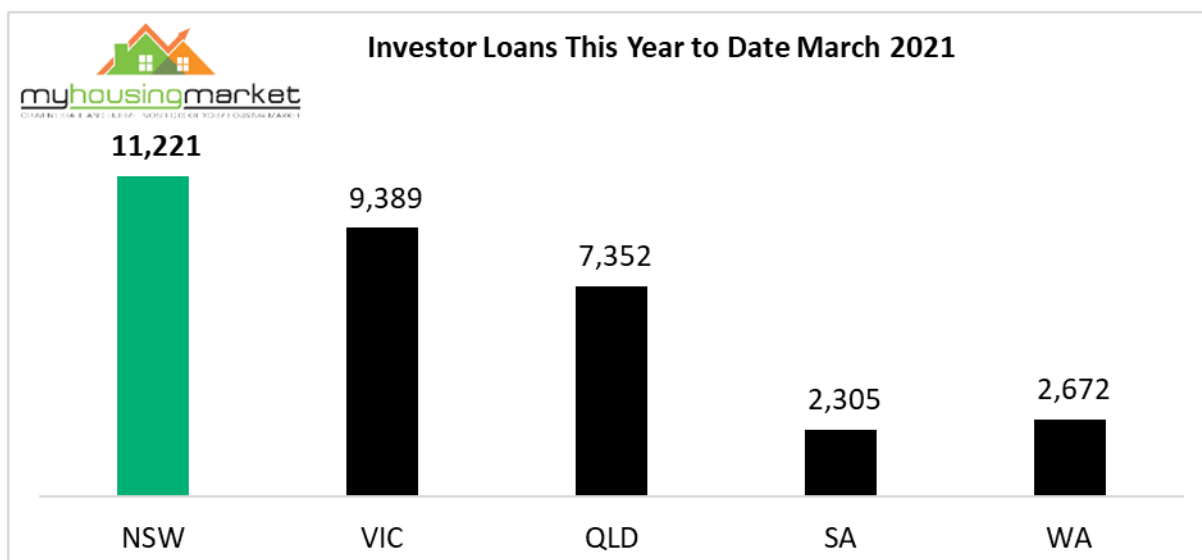
VIC remains the clear leader for new build home loans over the first three months of this year followed by WA and QLD.



VIC also remains the clear leader for first home buyer loans over the first three months of this year followed by QLD and NSW.

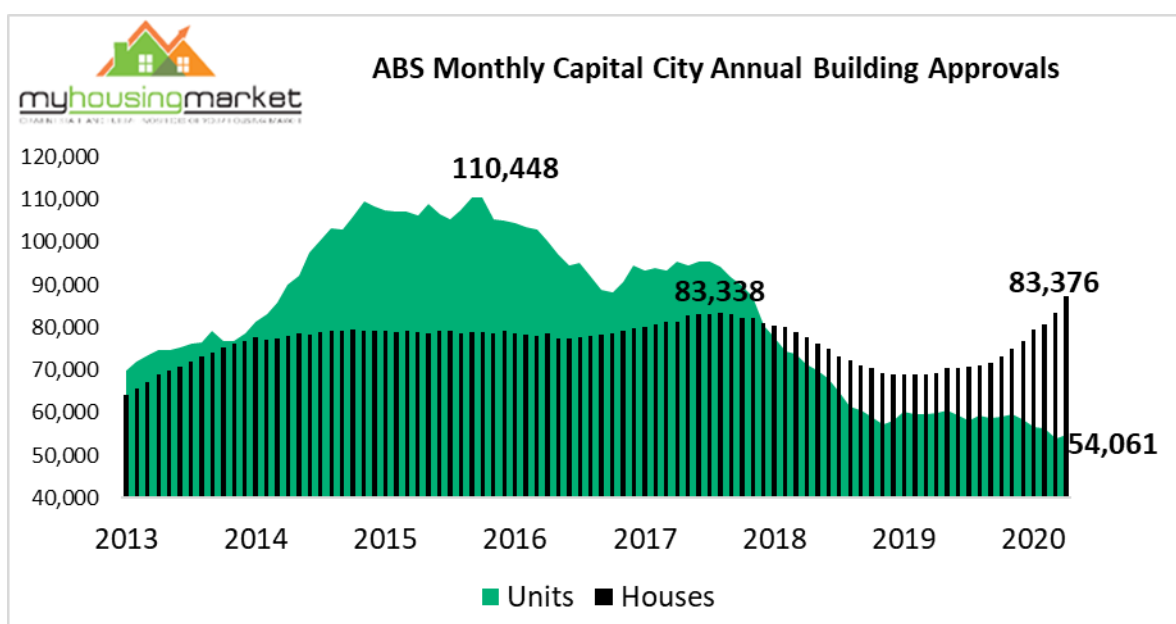


NSW Is the leader for Investor loans over the first three months of this year followed by VIC and QLD.



## NEW BUILDING

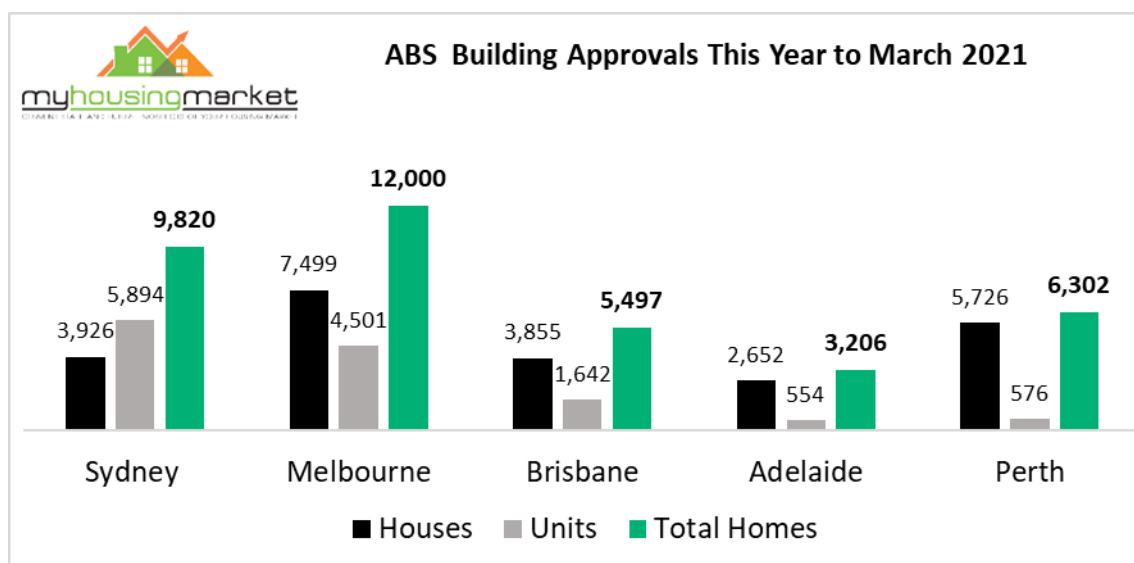
Building approvals for houses have increased again over March reflecting the ongoing impact of the 2020 HomeBuilder policy, however approvals for units keep falling and remain well below the levels of 5 years ago.





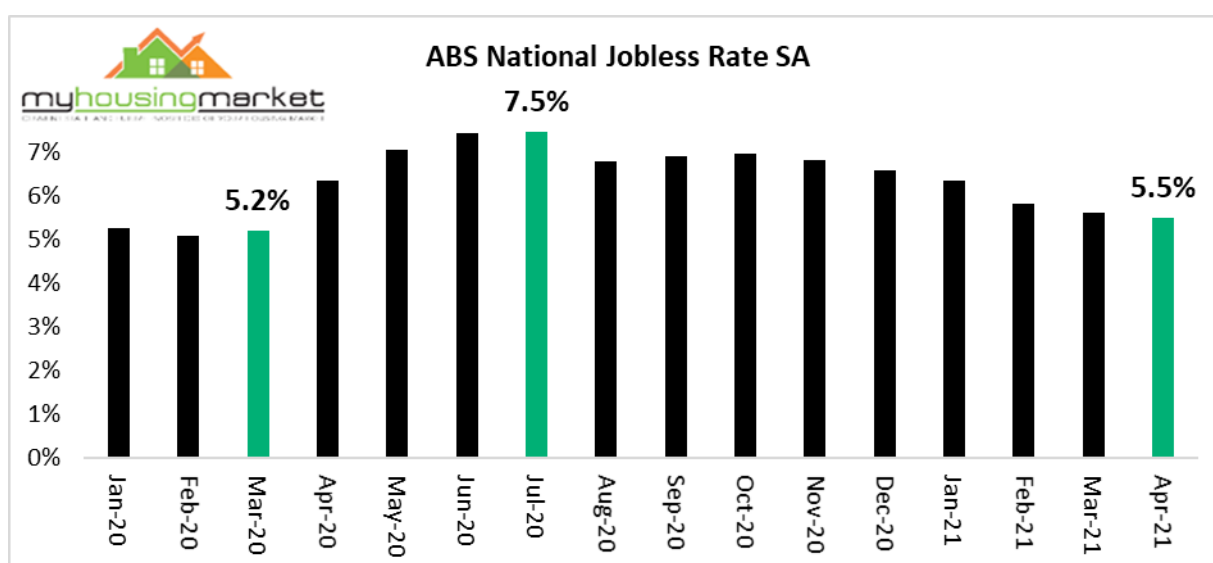


Melbourne remains the strongest capital for house and total building approvals with Perth the second highest over this year so far for house approvals.



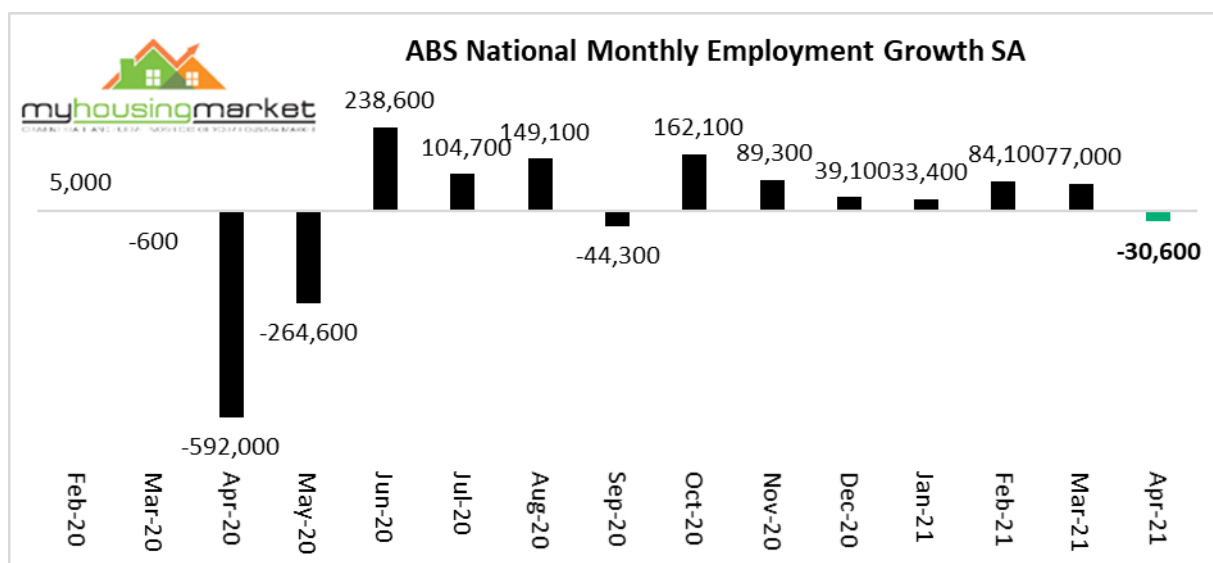
## THE ECONOMY

The national economy continues to improve following the constraints of the coronavirus shutdowns of autumn and spring 2020. The unemployment rate has fallen yet again over April - down to 5.5% and now approaching the pre-covid results.

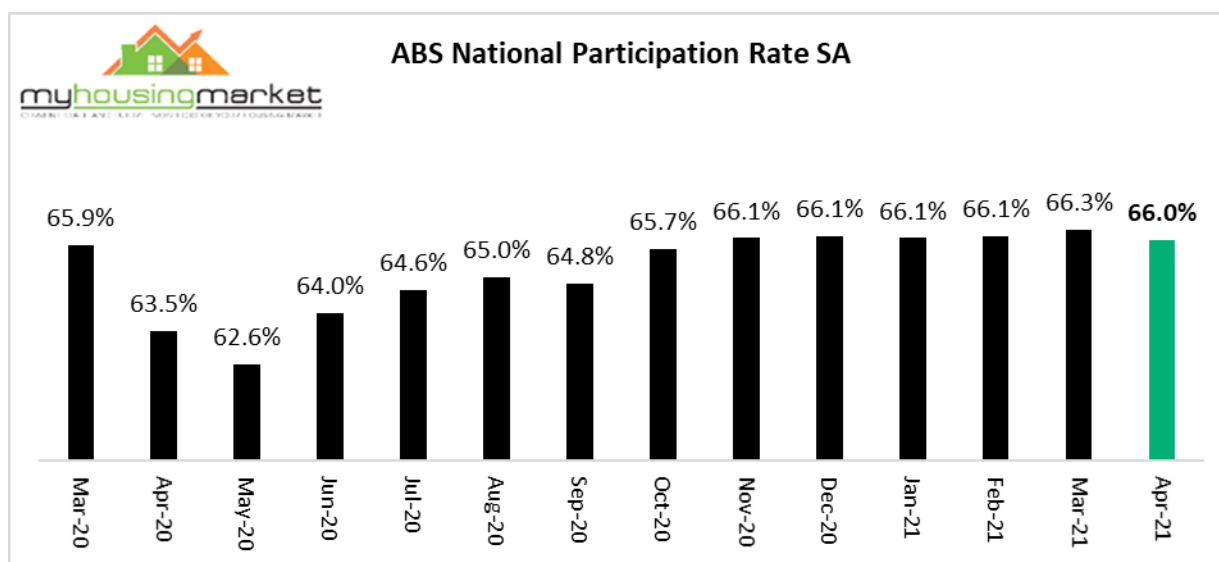




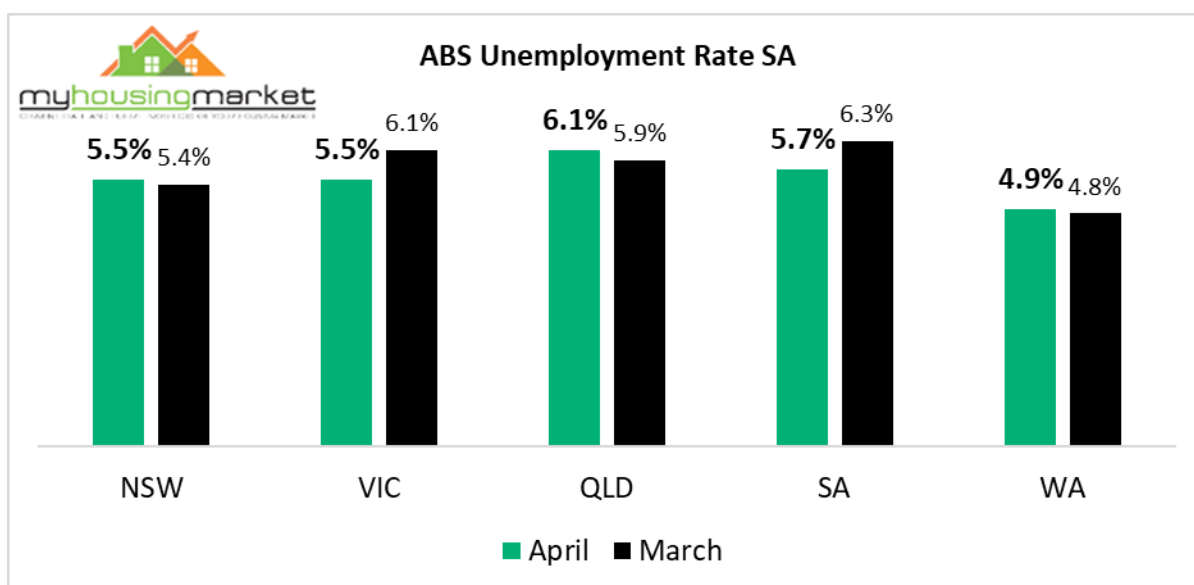
Employment numbers have recovered strongly since June 2020 with employment now exceeding pre-coronavirus levels despite a fall over April.



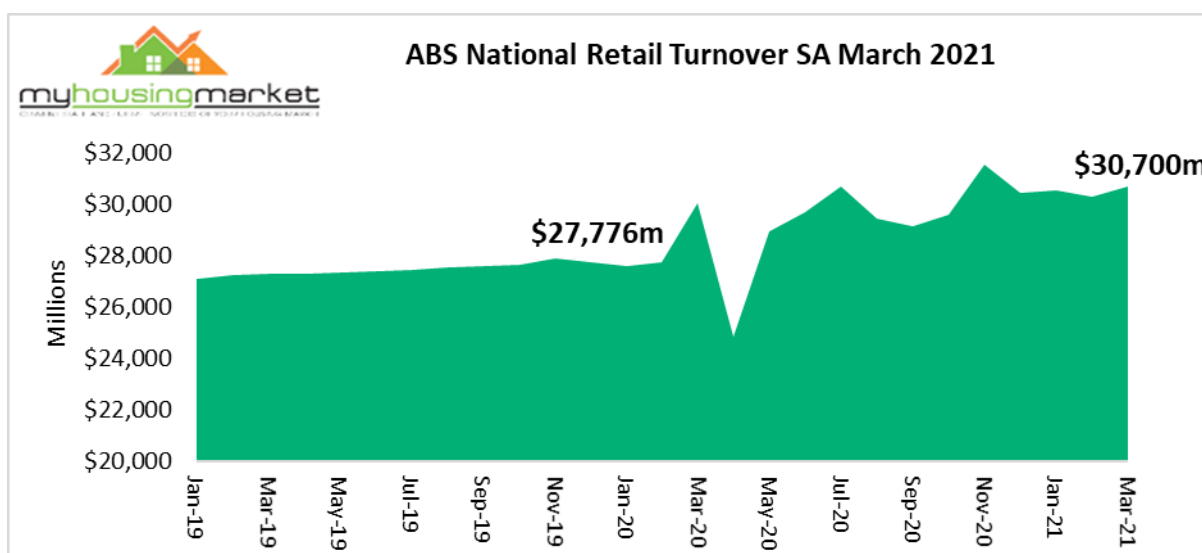
Workforce participation levels also decreased over April but remain above pre-coronavirus results reflecting increased job opportunities.



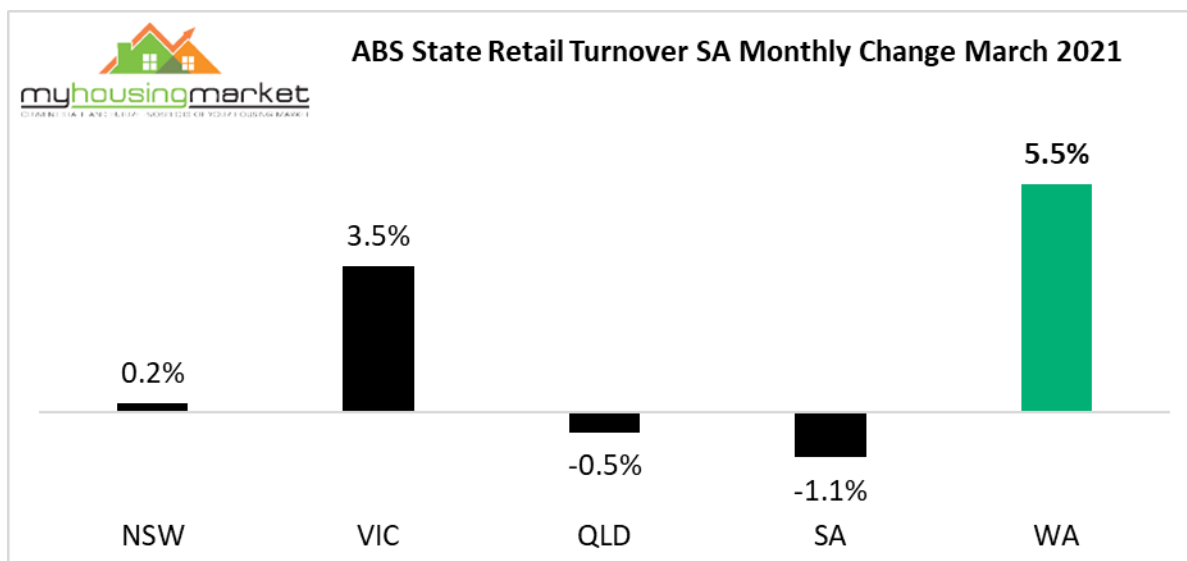
The unemployment rate fell in VIC and SA but increased in all other states over April.



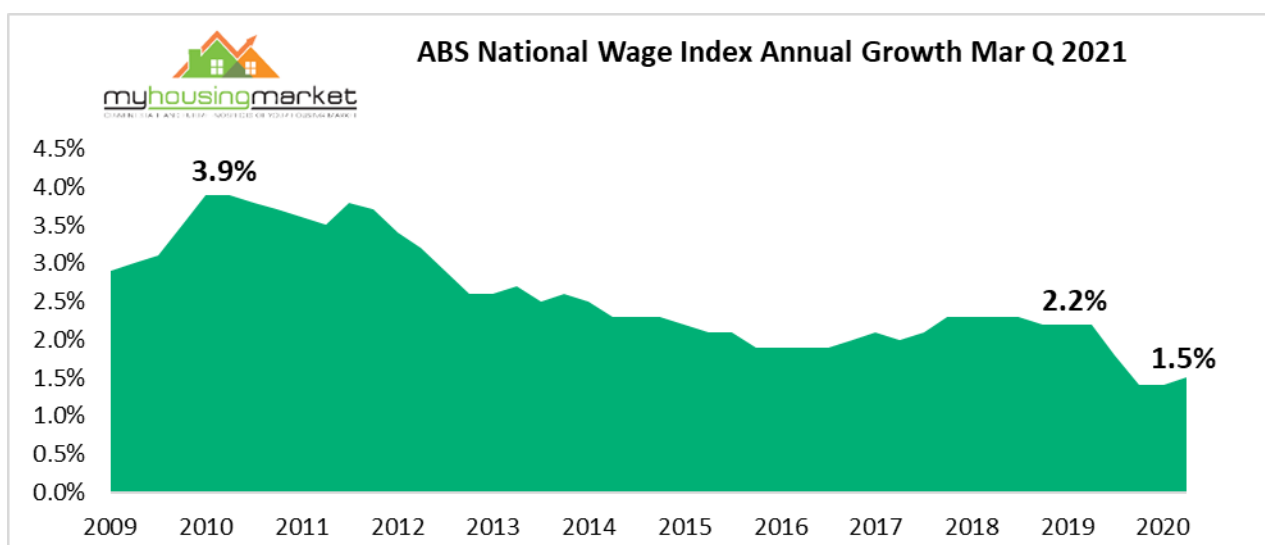
Monthly retail sales rebounded over March and continue to track well above pre-covid levels providing strong support to the economy.



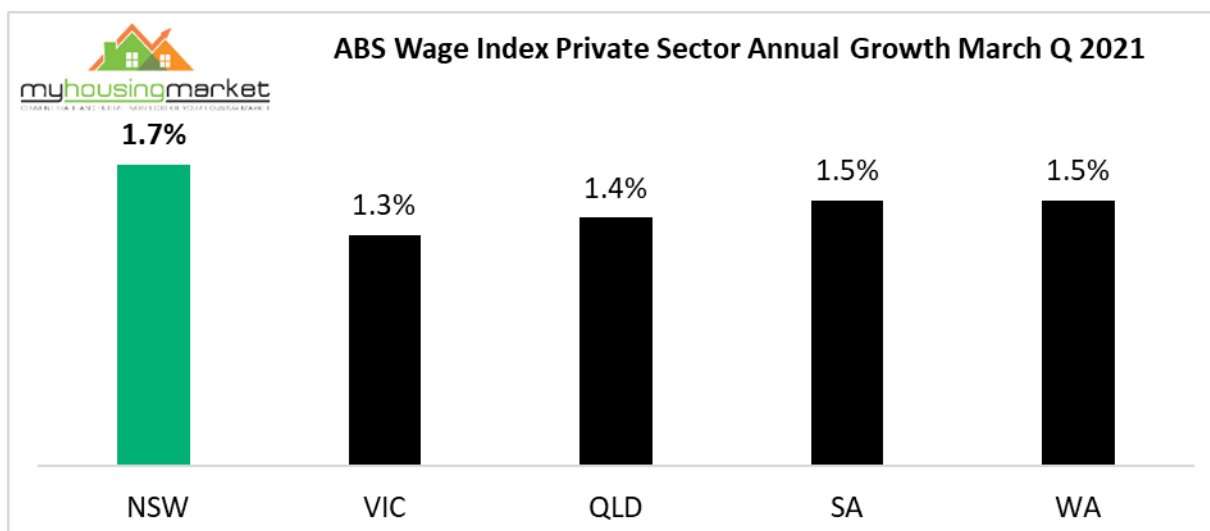
WA and VIC reported sharp increases in retail turnover over March with QLD and SA recording decreases.



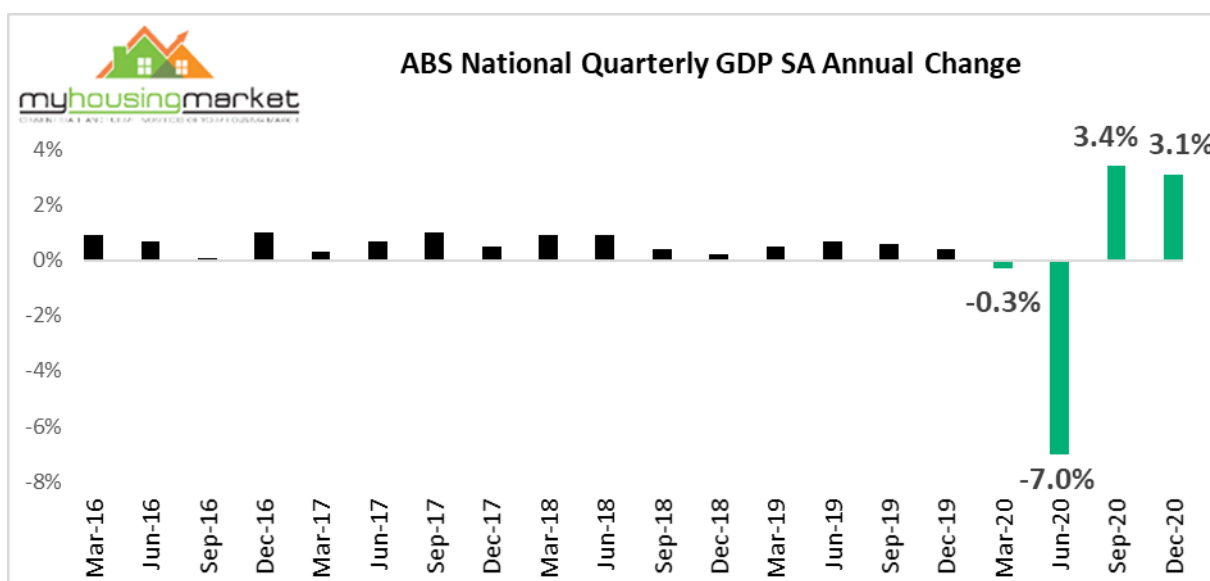
Annual wages increased slightly over the March quarter reflecting adjustments from the end of coronavirus income support policies although levels remain at near record lows.



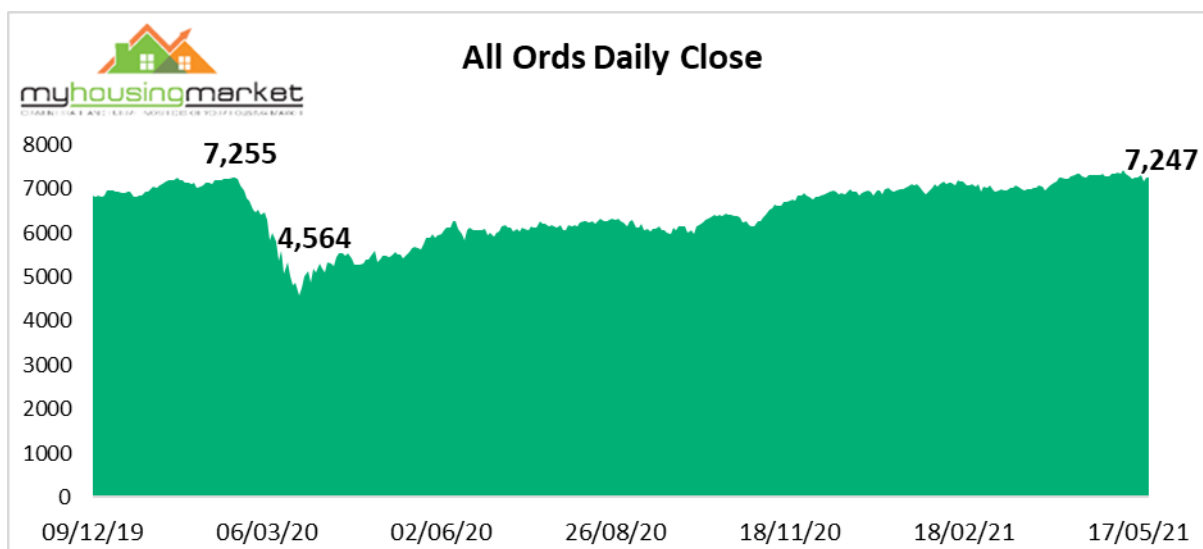
NSW reported the highest Increase In private sector wages over the year ending the March quarter 2020 up by 1.7%. with VIC again the lowest at 1.3%.



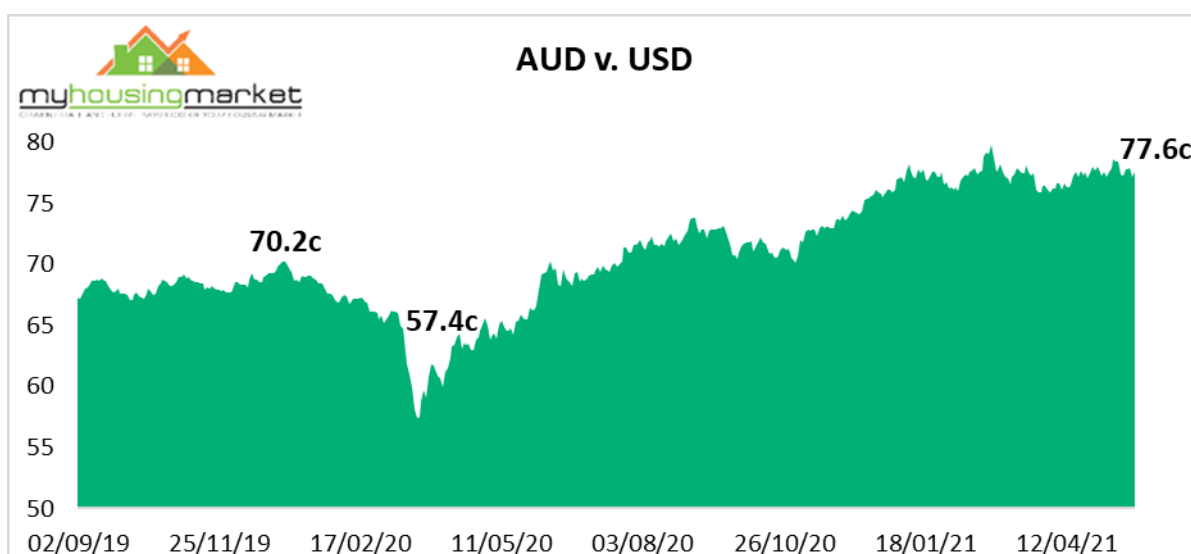
The Australian economy has bounced back strongly following the sharp downturn over the June quarter 2020 with overall GDP now close to recovering the losses recorded over the first half of last year.



Local Investor confidence in the Australian economy generally is reflected in the continued rise of the sharemarket with the All Ords now tracking pre-coronavirus levels.



The Australian dollar has surged over recent months to the highest levels in three years and well above pre-covid levels, indicating positive International sentiment for the prospects of the national economy.



## Markets Outlook

Capital city housing markets have generally recorded the strongest start to a year in decades, with all capitals remarkably reporting boomtime conditions over the March quarter.



Activity levels however predictably eased over April reflecting the usual holiday distractions for buyers and sellers. Price's growth accordingly also waned over April, however remaining at clearly elevated levels.

Early May markets have quickly revitalised with a record rush to market by sellers keen to take advantage of still-strong buyer competition for available property.

Market activity however is set to wane over coming months, subdued by the usual winter pause in activity. Price's growth will also decline as affordability barriers rise as a result of strong price growth pushing buyers out of the market - particularly first home buyers.

Without the prospect of lower Interest rates or significantly higher incomes for support, price growth levels, although set to remain clearly positive, will nonetheless continue to decline over the outlook.

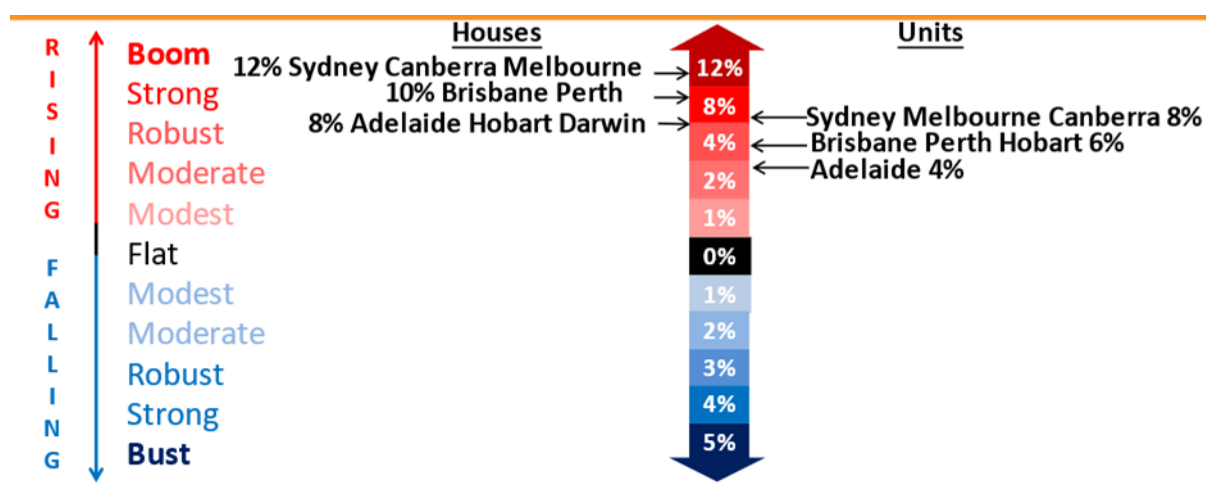
The ongoing and strengthening recovery in the national economy will however continue to support housing market activity although at more sustainable levels.

Despite a strengthening economy, the prospect of higher Interest rates - the key cooling mechanism for house prices - remains years in the future - just ask the RBA.

Although housing markets are predictably cooling, most capitals will record house price growth near or above 10% this year - with unit prices also set to report their best growth results in years.

### Market Barometer.

Forecast Annual Mid-Range Median Prices Growth 2021





## Dr. Andrew Wilson

Dr Andrew Wilson is Chief Economist for My Housing Market. My Housing Market provides expert insights for home buyers, home sellers, tenants, landlords, investors, developers, builders, real estate agents, governments, media and all those seeking to find out what's really happening in their property markets.



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