



**Hilton Parkes**  
An Agent You Can Trust

## The Week in Real Estate



### Westpac Dismisses Bubble Fears

The wider Australian market has "sound fundamentals", according to Westpac CEO Brian Hartzler. He used the bank's annual report to dismiss claims that Australian property is over-valued.

"There is no doubt housing prices are strong in some markets, but we do not subscribe to the view that we are in a bubble," he said. "That's because we believe the economics of Australian housing are sound.

"We are seeing genuine demand for housing that has consistently exceeded supply from investors and owner-occupiers. It is only recently that we have seen an increase in building activity to help match demand."

Hartzler says there has been no easing in credit standards. "We continue to lend to those people who have the capacity to repay and the standards by which we measure that capacity have not relaxed," he said. "In fact we tightened our lending criteria in a number of areas this year.

"So, overall, we see the housing market as rational, with sound fundamentals. Of course, that does not mean we will not see stress in selected pockets."



### Outlook Rosy For Home Building

The residential construction industry will have another healthy year in 2015-16, according to the Housing Industry Association (HIA).

The HIA's new outlook for home building and renovations says there is a strong pipeline of approved activity that will sustain a historically high level of new dwelling starts.

"This will be a very good result not only for the new home building sector but for the broader economy," it said. "Approvals have been outpacing commencements for much of the current cycle. This has resulted in a sizeable backlog of dwellings that have been approved but have not yet commenced construction. This backlog totalled over 35,000 at the end of June."

The outlook also noted that while Australia's renovations market declined almost 30% between 2011 and 2013, a more recent modest recovery is forecast to continue.

"The recovery in renovations activity will be helped by the ageing of the dwelling stock across Australia over the rest of the decade," it said.



## National Vacancies Rise Slightly

Residential vacancies rose slightly in October 2015, recording a national average vacancy rate of 2.3%, based on 70,827 vacancies. But the figures from SQM Research show widespread differences from one city to the next.

Darwin and Perth vacancy rates are up sharply from this time last year and both now have vacancies in the 3.5% to 4% range. The number of Perth vacancies has risen 64% over the past 12 months, while the number of vacant properties in Darwin has risen 75%.

Year-on-year, vacancy rates dropped slightly in both Melbourne and Hobart, while Sydney vacancy rates remain unchanged over the last year.

Darwin has recorded a fall in asking rents of 20.5% for houses and 12.9% for units for the past 12 months, according to SQM Research. Yearly falls have also been recorded in Perth, with asking rents down 6.4% for houses and 8.4% for units.

In contrast, Hobart has recorded a rise of 4.7% for houses and 11.1% for units. Asking rents in Melbourne, Sydney and Canberra have also recorded modest rises for the same period.

## Sentiment Eases But Still High

Consumer sentiment predictably eased last week from 10 month highs, according to CommSec, with the terrorist attacks in Paris injecting a modest dampener to the latest result.

CommSec's Savanth Sebastian said overall confidence remained healthy, with consumers more upbeat than a year ago and sentiment remaining above the short-term average.

"Interestingly, the outlook for family finances over the next year lifted in the past week and is holding just shy of the 20 month highs reached in mid-October," Sebastian said.

"The upbeat employment data last week would have encouraged households when it comes to job security. Also, the Reserve Bank believes that the question on the outlook for family finances is most instructive and the latest result is still well above average levels."



## RBA Upbeat on Economy

A Reserve Bank official is confident that the worst is over for commodity prices and Australia will continue to benefit from a strong Chinese economy.

Prices for iron ore have fallen by about two-thirds in the past two years after reaching highs of about \$US180 a tonne. But RBA assistant governor for economics Christopher Kent said commodity prices are still quite high.

"One of the reasons why commodity prices now are much higher than they had been is because demand has expanded over many many years," he told a UBS conference this week. "So you'd need a really big retraction in demand to bring us back to those levels."

Kent said a further substantial fall in commodity prices is possible, but another large drop in demand is unlikely. But if commodity prices were to fall further the Australian dollar would also drop, which would help the local economy adjust.

Kent said an additional benefit for Australia is the other opportunities it has to export to China, particularly in services.

UBS economist Donna Kwok said as China's middle class grows, so will the demand for services and goods that Australia is in a good place to provide.

## Quote of the Week

*"There is no doubt housing prices are strong in some markets, but we do not subscribe to the view that we are in a bubble. That's because we believe the economics of Australian housing are sound."*

Brian Hartzler, Westpac CEO

