Home buying sentiment surges, putting bears to flight

Nick Lenaghan*Property editor*
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Home buying confidence at its highest in more than 12 months as would-be purchasers accelerate out of the pandemic lockdown, buoyed by cheap debt and the belief that next year will be better than this.

The Westpac-Melbourne Institute Index of Consumer Sentiment, the first taken since the federal budget and its package of business and household support, includes a "time to buy a dwelling" measure which has increased 10.6 per cent to its highest level since September 2019.

The findings come on the heels of strong clearances in Sydney. **Fiona Morris**

"Confidence in the housing market has boomed," Westpac said.

House price expectations have risen strongly while house-buying confidence is riding high in Western Australia and South Australia, the two states which typically lag the eastern states but have got the coronavirus under control.

Such is the level of confidence that even Victorians, who are still lumbered with a strict lockdown, have lifted in their home-buying confidence.

"The apparent resilience of the Victorian market is impressive," the bank said.

The consumer sentiment findings come hard on the heels of strong clearances in Sydney – on site auctions are still forbidden in Melbourne – along with anecdotal reporting of a surge in inspections and auction attendances.

Buyers have effectively put to one side warnings from the Reserve Bank of Australia and others that house prices could fall further next year as migration, a key driver in the housing market, turns negative, government stimulus tapers off and unemployment potentially rises.

"While housing prices have declined only modestly to date, they could fall further given weak population growth and the potential that some mortgage holders in financial difficulties sell their properties," the Reserve Bank said in its *Financial Stability Review* this month.

"Price falls would erode homeowners' equity and increase losses to banks in some cases, though the vast majority of loans are very well collateralised."

Instead, aspiring purchasers are voting with their feet, with the value of all housing-related lending surging by a massive 12.6 per cent in August, official figures last week showed.

House prices are closely linked to access to credit. Property prices actually rose in six of the eight capital cities in September. Even Sydney is looking better with a mere 0.3 per cent decline. Only Melbourne is still dragging with a 0.9 per cent fall last month.

Tom Scarpignato, of Belle Property Cammeray, is among those who have noticed the change in mood, having sold a Wollstonecraft home last weekend for $2,316,000, a solid $36,000 above its reserve.

Mr Scarpignato reckons sentiment turned at the end of August, with the numbers at open inspections increasing by around 30 per cent since then across the board.

"I think Sydney buyers and sellers have seen enough evidence now that the NSW government can control the virus and it's time to get on with things. There's also a bit of FOMO creeping back in given stock is so low," he said.

Credit Suisse analyst Damien Boey responded to the latest consumer sentiment figures with a client note entitled "Is it time for the housing bears to pack their bags?" on Wednesday.

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Using a combination of data points, Credit Suisse's own housing market indicator is consistent with house prices rising by less than 1 per cent in the coming quarter.

Taking into account the relaxation of responsible lending laws from early next year, housing bulls would support a price boom, while bears will worry about the end of debt deferrals and low migration, Mr Boey wrote.

"Our take is quite balanced. In the short-term and on the upside, it is clear to us that households are responding to stimulus, both fiscal and monetary, as the economy re opens.

"The turn upwards in our leading indicator is a welcome development. But we also need to be mindful not to get ahead of ourselves."