



## Property Prices Remain Resilient As Markets Shrug Off COVID

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*Next Address is pleased to share this article by Rowan Crosby from Ripehouse*

## Getting back to normal

Property values across the country have remained resilient throughout the COVID-19 crisis as the real estate sector slowly gets back to business as usual.

Despite predictions of falls of more than 30 per cent, Australia's capital cities have seen prices ease by just 0.5 per cent according to the latest data from CoreLogic. Sydney, Melbourne and Darwin have so far seen the largest falls, with auction markets grinding to a halt and home opens greatly restricted during this period.

At the same time, cities such as Hobart, Canberra and Adelaide actually managed to increase in value.

*Source: CoreLogic*

The softness in prices in the Sydney and Melbourne markets came from the higher end of the market, with the top-quartile of properties falling in value by 0.6 per cent and 1.3 per cent respectively.

There has also been a sharp fall in the number of listings throughout the COVID crisis as many vendors pulled their properties off the market. This has slowly started to reverse as confidence that the market is not going to fall dramatically, has brought the sellers back, while the RBA slashing rates is keeping demand strong. Particularly in segments of the market, like first home buyers.

*Source: CoreLogic*

On a national level, home values remain 8.3 per cent higher than they were a year ago, with only Perth and Darwin slightly lower than this point in 2019. Sydney and Melbourne are 14.3 per cent and 11.7 per cent higher on an annual basis.

### **Sydney - listings coming back**

The Sydney market has managed to hold up well with a slight fall in May, while auction clearance rates are beginning to improve.

Andrew Woodward, Founder of **The Investor's Way**, thinks those predicting huge falls are a long way off.

"Despite the doomsayers and mainstream media predicting property markets where set to plummet, it appears the best description of the markets right now is 'resilient'."

"In the Sydney market, prices were down by only 0.4% in May, giving a three month average increase of 1.1% and a 12 month increase of 14.3% according to Corelogic data."

Mr Woodward feels that vendors returning to the market is a positive sign of what might lie ahead.

"The promising data from May is the increase in listings, which is a result of consumer confidence returning as restrictions are eased across the country, and the return of the buyers. Total listings, new and old, has trended down in the month, indicating buyers are absorbing available properties faster than they are coming onto the market."

"All good news, despite the fear from mainstream media."

### **Melbourne - Low stock levels**

The Melbourne market was one of the few that recorded falls, with median dwelling values down by 0.9 per cent according to CoreLogic.

Leading Auctioneer, Paul Tzamalīs of the Auction Company feels that low stock levels are a key reason for prices remaining solid.

"Speaking with a number of agents and clients, the variation with price has been relatively modest, with most of the falls in price around 0-5 per cent."

"There's a deficiency in stock in the market, meaning that there is this broadening funnel of people who still want to buy, but they have little to choose from, which is holding prices up relative to where they were earlier in the year. They're really only off minimally, really less than 5 per cent."

Mr Tzamalīs is seeing that while prices haven't moved far, vendors remain cautious.

"There's a caution in the mindset of the vendor as to whether or not this is the right time to sell. Which is definitely caused a lack of a pipeline in the sale market, which is leading to pent up competition for the stock that is available for sale."

"I think as everything balances out post-COVID, people will get back into the habit of buying and selling real estate and we are already starting to see that already. We're already seeing volumes double what they were last month which is a sign that owners are choosing to go to market and to sell."

### **Adelaide - steady as ever**

Property prices in Adelaide have continued to hold up well and in fact, increased in value during May. The Adelaide

market is known for being a steady performer, that doesn't see big falls, and also doesn't get overheated in boom times.

Katherine Skinner, Director at National Property Buyers in Adelaide believes the moves by the RBA helped keep demand strong during a tricky time.

"There is a critical shortage of stock across all markets and areas. Combine this with such low-interest rates, and there is significant competition for homes that would normally not see such levels in normal circumstances."

"This is ensuring the market remains buoyant with many first home buyers looking to break into the market, as well as owner occupiers which are making things more challenging for investors looking to find quality stock."

### **Hobart - 'a remarkable market'**

Property prices in May managed to move higher by 0.8 per cent in May, adding to what continues to be one of the strongest markets in the country.

Mandy Welling, President of the REIT, believes that Tasmania is holding up a lot better than many expected.

"We're experiencing a remarkable market in every aspect of the state. That's in the north, south and west. If properties go on the market at what's deemed market value, they are walking out the door."

"We're putting a lot of that down to the fact that we did have a supply and demand issue before COVID-19, so we were experiencing a considerable shortfall in property. The top end of the market is probably the most noticeable in terms of not being that active. The low to middle is terribly active, where there is a considerable shortfall of stock."

Mandy Welling thinks that despite border closures helping the state, vendors are still cautious.

"We still have quite a few vendors sitting back and waiting to see how this might play out. We do have a bit of a safety net in Tasmania with the Government closing borders, so we are relatively protected."

"I think the only things that could impact our markets now would be a second wave of COVID or if there are job losses after incentives like JobKeeper slows down."

### **Perth - will the recovery continue?**

As COVID hit, Perth just started to recover after a number of years of price falls. Over the last six months, prices had been rising and the real estate sector had been starting to get some confidence back.

While prices held steady in April, they slipped slightly by -0.5 per cent in May.

President of the REIWA, Damian Collins thinks that the timing of COVID was unfortunate for the Perth market.

"Perth was certainly in recovery mode after a few years of downturn. Then coming into February we were seeing the best transaction numbers we'd seen in many years."

"When COVID hit, people went to ground. We went from about 700 transactions per week to about 280 through April. So we thought there goes the recovery. The good thing for Perth was that coming into COVID we had the lowest levels of stock for rent and sale since 2014. So we had an undersupply and we hadn't been building many properties."

Mr Collins believes that the property market in WA has rebounded well and feels we could see price rises sooner than many expect.

"I've been pleasantly surprised at how things have recovered. As of last week, we are back to 636 sales in Perth which is getting back to pre-COVID levels and our rental vacancy rate has dropped to levels not seen since 2013. So all in all, as

WA has contained COVID well, so things are getting back to normal and the doomsayers will likely be proven wrong."

"The longer this goes on the more optimistic I am that prices will hold and potentially even rise in the latter half of the year."

### **Brisbane - "renewed optimism"**

The Brisbane property market has managed to remain stable over the past few months and even in May was down only - 0.1 per cent.

The stability in prices is shown by the fact that prices have held steady over the last three and 12 month periods.

Melinda Jennison, Managing Director of Streamline Property in Brisbane has been seeing increasing interest from buyers as the COVID crisis has begun to ease.

"The Brisbane housing market has shown resilience amid Covid-19 with house prices remaining stable throughout May. The strong demand from buyers has escalated once again, with many properties selling with multiple offers over the last month. The unit market has been harder hit with a slight fall in values of -0.6% reported in May."

Melinda Jennison says that Brisbane rents did fall initially, but are showing signs of recovery.

"In terms of rents, we did experience a slight fall in the housing market throughout April and early May, but this has now picked up and according to SQM Research, asking rents are again increasing across the city."

"Vacancies spiked in locations dominated by high rise unit accommodation, impacting on the gross yields achievable for property investors with this type of asset. The vacancy rate is also trending upward in some areas dominated by investors, so caution must be taken when selecting an investment-grade location."

Despite concerns, listings are rising in Brisbane, with sentiment improving.

"From our 'one-the-ground' assessment we are not seeing any distressed selling at all, but listing volumes are starting to improve from sellers who always intended to sell their properties in 2020, but have had their plans on hold due to the shutdowns associated with the pandemic."

"Overall, there is definitely market strength and renewed optimism that the future is not as bleak as we expected it might be."

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