Sydney, Melbourne 'set for double-digit growth'

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Sydney and Melbourne are on course to achieve double-digit residential price growth as early as next year, even without the boost of another rate cut, an analyst predicts.

The growth momentum that has been building in both cities since May's federal election is accelerating, says Louis Christopher, managing director of SQM Research

Cammeray in Sydney's north is already showing signs of recovery **Peter Rae**

"I’m not ruling out a new housing boom," he said.

Mr Christopher said many markers already pointed to a strong upturn, among them falling stock levels, rising auction clearance rates and surging asking prices.

"We have low interest rates and loosening of credit restrictions. I'm increasingly confident that we're going to see double-digit growth in Sydney and Melbourne, even without another rate cut," he said. "In fact, I think we're on track to see that happen by next year."

SQM Research expects a 2 per cent growth in Sydney prices in the current quarter and another 4 per cent rise in the December quarter.

Asking prices already have climbed 5.6 per cent since they bottomed out a week before the federal election on May 18. Melbourne has risen marginally while Brisbane remained steady, according to the SQM Research data.

However, CoreLogic does not share Mr Christopher's bullish outlook, although it does see an improvement in housing market conditions.

"We haven't seen any evidence that housing values are about to embark on a rapid growth phase, at least from a macro perspective," said Tim Lawless, research director at CoreLogic.

Mr Lawless said Sydney and Melbourne clearly had been the first markets to respond to the recent stimulus of lower mortgage rates, looser credit policies and renewed certainty following the election.

"More recently, it looks like the pace of capital gains is accelerating in Sydney and Melbourne," he said.

"We are expecting to report a monthly increase in excess of 1 per cent across both cities when our August indices are finalised on Monday next week.

"If this is the case it will be the highest monthly growth rate since early 2017 across both cities."

But the price growth momentum still could be derailed amid worsening global sentiment, Mr Christopher said.

"If we're going to enter into a global trade war and it gets nasty, it will be a significant risk for the Australian economy and it will have an impact on a number of fronts," he said.

"The upside risk is that we'll get another interest rate cut into this upturn, which could create a potentially dangerous new housing boom and the regulators may step in to restrict credit growth once again."

Another barrier that may get in the way of the market returning to the pre-downturn exuberance of double-digit annual capital gains is the potential increase in stock, Mr Lawless said.

"There is a high likelihood that advertised stock levels will ramp up substantially through spring and early summer," he said.

"At the moment, advertised stock levels are extremely low, creating some competition and urgency among buyers.

"The influx of freshly advertised properties through spring could work to quell some of the momentum that is gathering in the market if buyer numbers don't rise at the same pace as advertised stock levels."

Green shoots appear in areas

Whether Sydney and Melbourne will see double-digit growth or not, there are already many areas that are in an advanced phase of recovery, based on leading indicators such as rising asking prices, higher auction clearance rates, fewer days on market, higher sales volumes and other markers.

In Sydney, Normanhurst and Waitara, in Sydney's north, are well into recovery mode based on the rising asking price and strong auction numbers.

Property clearance rate and change in asking price*

Suburb	Type	Auction clearance rate (%)	Asking price (QoQ)
Highgate Hill, Qld	Units	100.0	▲ +16.3%
Kensington Park, SA	Houses	100.0	▲ +13.8%
Waitara, NSW	Units	100.0	▲ +1.3%
Normanhurst, NSW	Houses	91.7	▲ +9.9%
Cammeray, NSW	Units	89.0	▲ +3.6%
Sunshine West, Vic	Houses	84.3	▲ +0.5%
Hughesdale, Vic	Houses	83.3	▲ +14.7%
Hawthorn East, Vic	Houses	80.2	▲ +7.2%
Yarraville, Vic	Units	74.6	▲ +5.1%
Aspley, Qld	Houses	66.7	▲ +1.7%

*As at Aug19

SOURCE: SQM RESEARCH, SELECT RESIDENTIAL PROPERTY

"A year ago, sellers in Normanhurst had to drop their asking price by 9 per cent on average just to get a deal done," said Jeremy Sheppard, research director of Select Residential Property Group.

"Now the average discount is about half that. In addition, auction clearance rates have jumped from about 60 per cent to around 90 per cent."

In Melbourne, Sunshine West and Hawthorn East are showing classic signs of markets on the rise.

Buyer's agent Cate Bakos, of Cate Bakos Property, said the $615,000 Sunshine West home she bought for her clients before the federal election now was worth about $730,000, based on comparable sales.

"I’m seeing some anxious children bidding hard for their parents, beyond reasonable valuations, and they aren’t as concerned about price," she said.

"They will put an 'at all costs' valuation on the property and they are smashing us at auction."

In Brisbane's north, Aspley and Zillmere also were seeing positive signs of recovery, said local buyer's agent Zoran Solano of Hot Property Buyer's Agency.

"Just this week I was involved in two multiple-offer situations on [properties] in Aspley and Zillmere," he said.

"I was successful in securing them both with some creative negotiation techniques, but each of them had strong interest.

"The Aspley property had eight offers after the first Saturday inspection, and the Zillmere home got six offers on contract. This is a sign of a warming market."

Source : www.afr.com