PIPA ADVISER

ISSUE #24

For members of the Property Investment Professionals of Australia

Investors expect prices to rise – and want to work with *qualified advisers*

PIPA in the news

PIPA is a regular commentator and expert source in property-related stories across the nation. Below are a selection of articles from recent months. For more articles [visit the PIPA website.]

The Property Tribune

How to have your property cake and eat it too

Some potential first-time buyers have found themselves already left out of the running with prices rising faster than their ability to save a decent deposit.

Read the article

The Property Tribune

The data-lag dilemma for hot-market buyers

Buying property on behalf of clients is a complex business that requires the utmost care. We are assisting in one of life's most significant financial transactions, so it's crucial we help them make well-informed decisions.

Read the article

CANSTAR

Queensland's property market forecast for strong growth

Buying in Brisbane has suddenly become top of mind for real estate consumers, influenced by confirmation of the 2032 Olympics.

Read the article

The *PIPA ADVISER* is a quarterly title published four times a year by PIPA (Property Investment Professionals of Australia)
www.pipa.asn.au

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PROPERTY INVESTMENT PROFESSIONALS OF AUSTRALIA PIPA

Investors seeking qualified advisers

Welcome to the 24th edition of the PIPA Adviser – your industry e-magazine.

This issue is our special annual investor sentiment survey edition, which outlines many of the results from this year's survey.

As you know, last year's survey foreshadowed the property price growth that lay ahead – and it seems even more investors believe prices will keep rising this time around, too, according to the [2021 PIPA Annual Investor Sentiment Survey.]

This past year has been a record one in terms of property price growth across most locations around the nation. Indeed, the Herron Todd White property clock is still indicating that most major areas remain in the rising phase of the market cycle.

Low interest rates remain one of the reasons why buyer demand is elevated, with sales volumes hitting record highs. The market is likely to moderate but I believe robust market conditions are not going anywhere anytime soon.

Indeed, when we think back to last year, which was a time of much fear and uncertainty, it's clear that property investors and the market in general has weathered that turbulent period better than anyone dared to hope.

That said, last year's survey did forecast the strong property price growth that we have since experienced, it's just that not many people believed us at the time!

This year's survey found that nearly 62 per cent of investors believe that now is a good time to invest in residential property, which is down from 67 per cent in 2020, and may be due to the high property price growth this year as well as significant lockdowns taking place at the time of the survey.

The survey also produced the biggest ever margin when it came to the property investment location that investors believe offers the best potential over the next year with Queensland emerging as the winner in a serious way.

A staggering 58 per cent believe that the Sunshine State offers the best property investment prospects over the next year – up from 36 per cent last year.

One of the most important results in this year's survey was the fact that about 92 per cent of investors believe that any provider of property investment advice should have completed formal training or education.

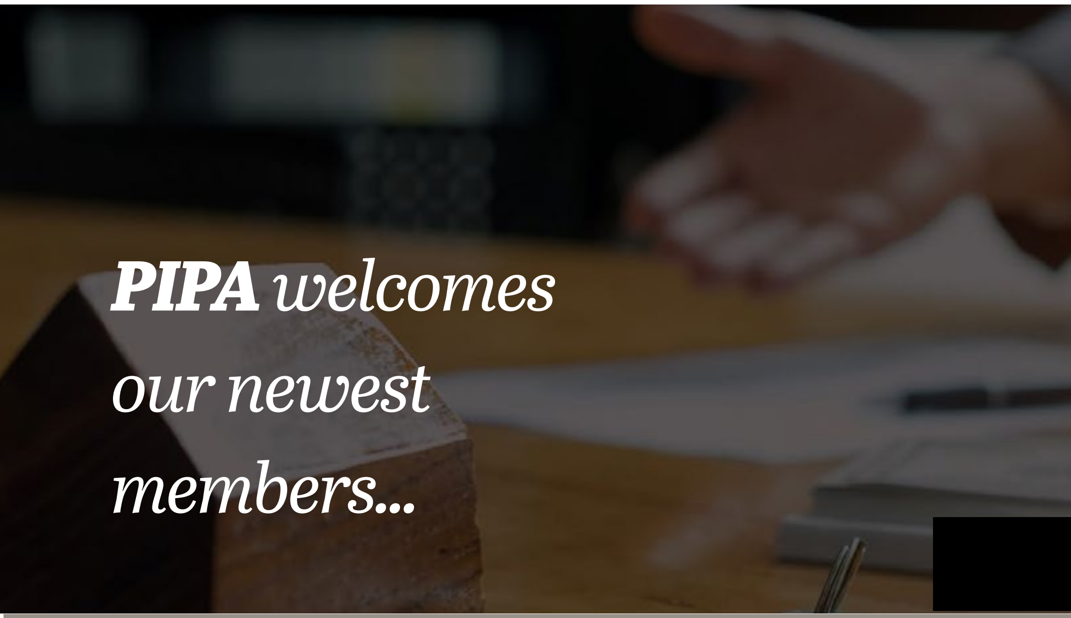
With this in mind, please keep an eye out for more information about plans we have to better promote our QPIA members to consumers in the months ahead.

I also hope that we will be able to see each other in person next year, with PIPA breakfast seminars set to take place in Sydney and Melbourne in 2022. Over the past quarter, we have also achieved a record number of new members and QPIAs. Welcome to the association!

Until next time...

PETER KOULIZOS
PIPA CHAIRMAN

new members



PIPA welcomes our newest members...

BECOME ACCREDITED AS A **QUALIFIED PROPERTY INVESTMENT ADVISER (QPIA)**

CALL (02) 4302 1624

INDIVIDUAL MEMBERS

- STEPHEN CALLAGHAN, *Proactive Property Agents*
- SEAN LEWIS, *Macquarie First*
- CINDY LIN, *Arise Property Investment and Management*
- GREGORY EGERTON, *Identity Property Buyers*
- ANDREW FRIED, *Buyer's Advocate*
- DAVID ASHTON, *Triple Sea*
- MICHAEL SHANDLER, *Real Estate Agent*

CORPORATE MEMBERS

- ANTONIO DRAPER, *PropertyLab Australia*
- HEATH BEDFORD, *HRB & Co Property Advisory*
- BRENDAN CLARK, *The Property Curator*
- LINDA JOHNSON, *Spring Buyers Agency*
- JAYE KERSHLER, *Monopoly Wealth*

QPIAS

- SEAN LEWIS, *Macquarie First*
- HEATH BEDFORD, *HRB & Co Property Advisory*
- GREGORY EGERTON, *Identity Property Buyers*
- MATTHEW HOWARTH, *Buildup Buyers Agents*
- JAYE KERSHLER, *Monopoly Wealth*
- ANDREW FRIED, *Buyer's Advocate*
- DAVID ASHTON, *Triple Sea*

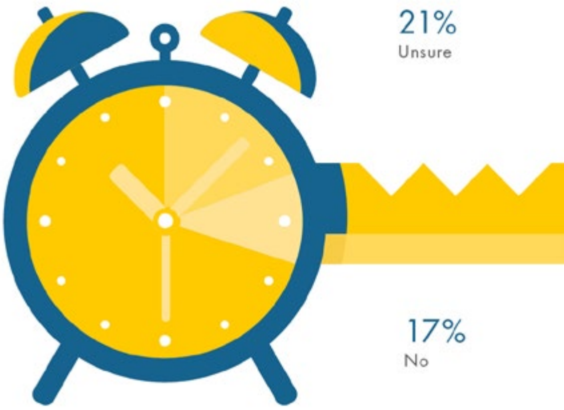
PIPA mission:

PIPA (Property Investment Professionals of Australia) has been formed by industry practitioners with the objective of representing and raising the professional standards of all operators involved in property investment.

PETER KOULIZOS
Chairman, PIPA

Investors expect prices to rise – and want to work with qualified advisers

Last year's survey foreshadowed the property price growth that lay ahead – and it seems even more investors believe prices will keep rising this time around, too, according to the 2021 PIPA Annual Investor Sentiment Survey.



Do you believe now is a good time to invest in residential property?

Our national annual survey, which gathered insights online from nearly 800 property investors during August, found that more than 76 per cent of investors believe property prices in their state or territory will increase over the next year – up strongly from 41 per cent last year.

Few people believed the positive investor sentiment in last year's survey, even though history had showed the resilience of real estate time and time again.

When we think back to last year, which was a time of much fear and uncertainty, it's clear that property investors and the market in general has weathered that turbulent period better than anyone dared to hope.

That said, last year's survey did forecast the strong property price growth that we have since experienced, it's just that not many people believed us at the time.

INVESTORS REMAIN POSITIVE

This year's survey found that nearly 62 per cent of investors believe that now is a good time to invest in residential property, which is down from 67 per cent in 2020, and may be due to the high property price growth this year as well as significant lockdowns taking place at the time of the survey.

Nearly 21 per cent of respondents (up from 17 per cent in 2020) say the pandemic has made them consider moving to another location with the main reasons being improved lifestyle factors (78 per cent – same as last year), working from home in the future (42 per cent down from 46 per cent in 2020), and housing affordability (36 per cent down from 40 per cent last year).

However, about 25 per cent of respondents said their motivations to move included not wanting to live in crowded cities anymore as well as wanting to live somewhere that had fewer coronavirus cases and lockdowns.

> ***Few people believed the positive investor sentiment in last year's survey***

QUEENSLAND ON TOP

This year's survey also produced the biggest ever margin when it came to the property investment location that investors believe offers the best potential over the next year.

Queensland has certainly emerged as the winner in a serious way, with a staggering 58 per cent believe that the Sunshine State offers the best property investment prospects over the next year – up from 36 per cent last year.

New South Wales was second at 16 per cent (down from 21 per cent in 2020) and Victoria was third at 10 per cent, which is down significantly from 27 per cent last year.

The number of investors who see Brisbane as the state capital with the best investment prospects has also soared compared to last year's results – up to 54 per cent compared to 36 per cent in 2020 – according to the survey results.

A buying trend that began in last year's survey appeared to be gathering momentum, with investors looking more and more outside metropolitan markets.

According to the survey, while nearly 50 per cent of investors say metropolitan markets offer the best investment prospects this was down from 61 per cent last year.

Regional markets continue to be in favour with 25 per cent of investors (up from 22 per cent), while interest in coastal locations has soared to 21 per cent from 12 per cent last year.

FEWER INVESTORS SELLING

However, while investors remain upbeat about the market, about 29 per cent of investors say the pandemic has made it less likely they will buy a property in the next year – up from 21 per cent last year.

Likewise, the lingering impacts of the global health emergency – as well as the robust price growth over the past year no doubt – means fewer investors are looking to sell a property this year – at 59 per cent this year, compared to 71 per cent of survey respondents last year.

Part of the reason for the uplift in property prices over the past year has been the continued low levels of supply in most locations around the nation.

With a decrease in the number of investors indicating they intend to sell over the short-term, it seems unlikely that this boom market cycle is going to change anytime soon.

INVESTORS SEEKING QUALIFIED ADVISERS

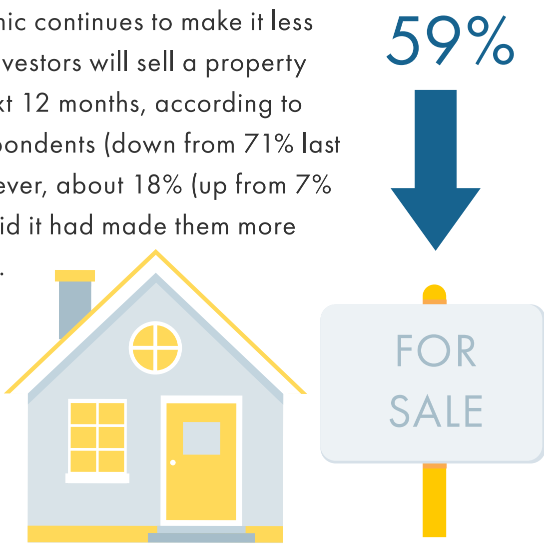
One of the most important results in this year's survey was the fact that 92 per cent of investors continue to believe that any provider of property investment advice should have completed formal training or education.

About 73 per cent of respondents said a QPIA qualification would influence their decision to work with a particular property investment professional.

Investors continue to use the services of specialised professionals with mortgage brokers, accountants, and lawyers/conveyancers the most employed advisors, according to the survey.

More investors considering selling

The pandemic continues to make it less likely that investors will sell a property over the next 12 months, according to 59% of respondents (down from 71% last year). However, about 18% (up from 7% in 2020) said it had made them more likely to sell.



Investors are seeking out qualified advisers

92%

Virtually all (92%) investors continue to believe that any provider of property investment advice should have completed formal training or education.

Queensland has certainly emerged as the winner

About 35 per cent of investors have sought the services of Qualified Property Investment Advisers or QPIAs.

Investors are seeking property investment advice most commonly from QPIAs (51 per cent), followed by buyer's agents/ advocates, and mortgage brokers.

Of those that sought professional investment adviser, about 62 per cent paid the adviser a fee directly.

Of those that sought professional advice, about 55 per cent (up from 53 per cent last year) were provided with a written report or plan, but nearly 20 per cent (up from 16 per cent) weren't provided with a plan.

Investors seek knowledge and education from a wide range of sources. In 2021, professional sources/advisors were the most popular source, followed by research and data providers, podcasts, internet searches, books, and webinars.

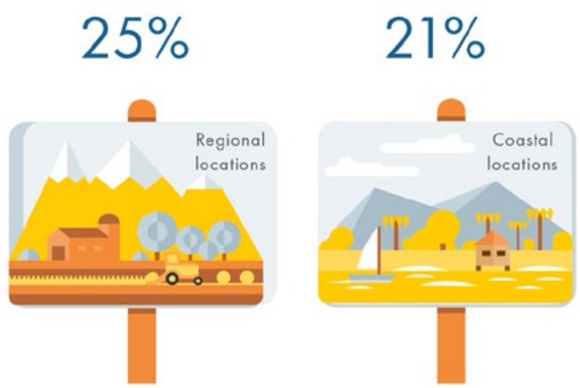
More than 80 per cent of all investors believe that more education is needed around the risks and benefits of investing in property.

Finally, more than 60 per cent of survey respondents said they were familiar with what PIPA does with most indicating they would

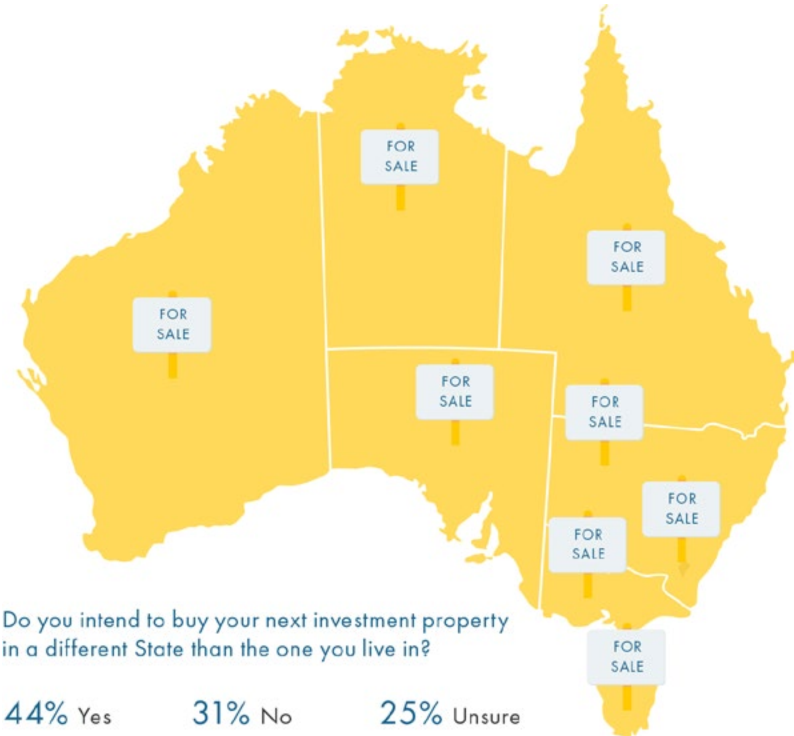
Sunshine State offers best investment prospects by a big margin

Queensland has emerged as the winner by a serious margin with a staggering 58% of investors believing the Sunshine State offers the best property investment prospects over the next year – up from 36% last year. New South Wales was second at 16% (down from 21% in 2020) and Victoria was third at 10%, down significantly from 27% last year.

Regional and coastal markets in growing demand



While investors continue to tip metropolitan markets as offering the best investment prospects at nearly 50% (but down from 61% in 2020), regional markets are in favour with 25% of investors (up from 22%) as well as coastal locations with 21% of survey respondents (up strongly from 12% last year).



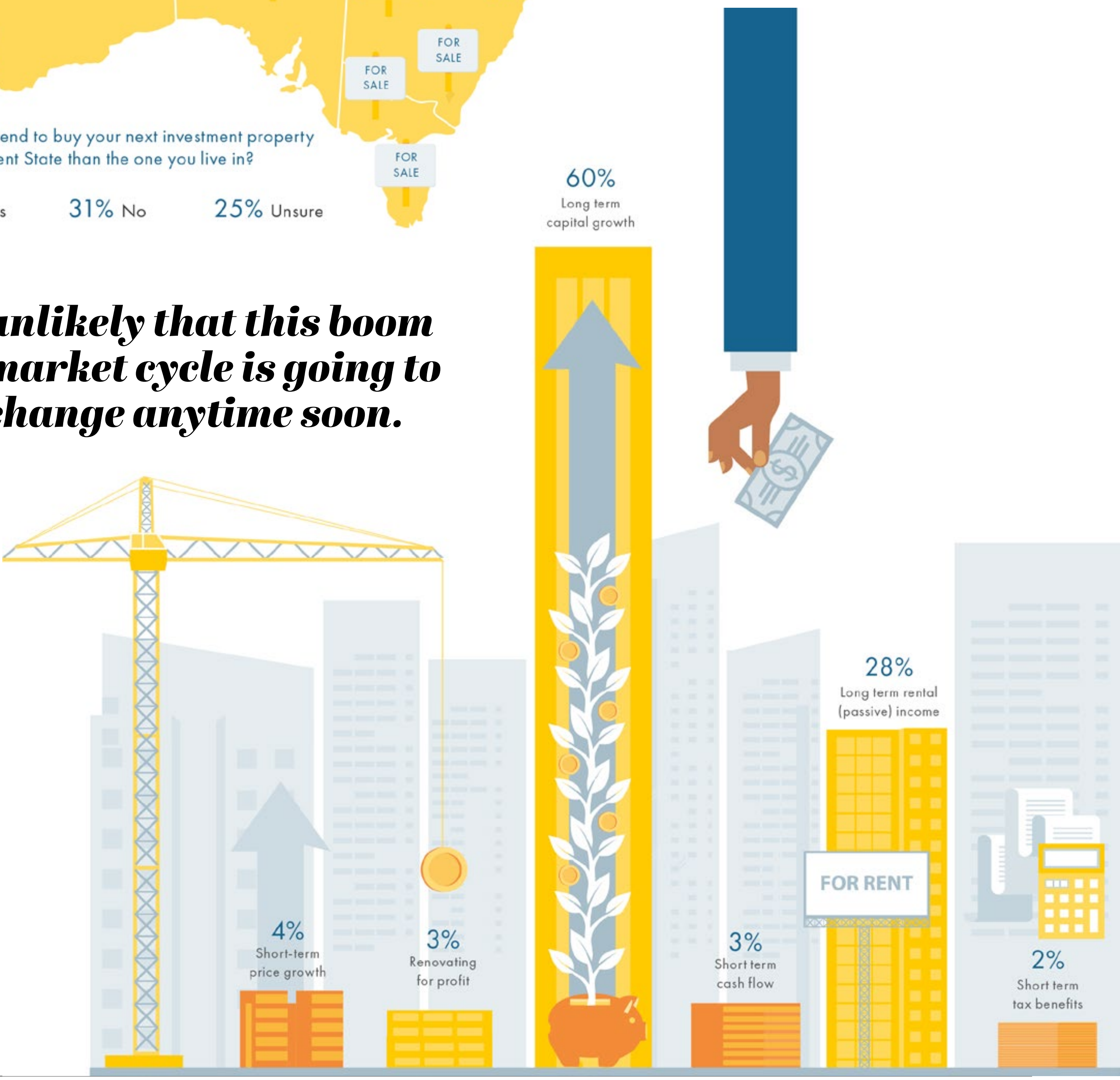
Do you intend to buy your next investment property in a different State than the one you live in?

44% Yes   31% No   25% Unsure

Investors are seeking advice most commonly from QPIAs

Why invest in property?
Investors' number one reasons

unlikely that this boom market cycle is going to change anytime soon.



Will we hit a wall?

KIERAN CLAIR
Co-Editor, PIPA Adviser

I fondly remember how the highlight of each week as a young lad was waking on a Saturday morning and bolting downstairs to spend a few hours catching the cartoons on the TV.

They were enthralling. From the disarmingly hilarious violence delivered to Wiley Coyote, through to that team of 'meddling kids and their dog' in the Mystery Machine.

But one image my now 52-year-old brain can still recall is Superman putting an immediate stop to a runaway train that was set to crush some innocent victim.

While Superman was hailed a hero, all these years later I wonder – wouldn't bringing something with the momentum of a locomotive to such an abrupt halt reek all sorts of destructive havoc on the rest of the carriages? What about the helpless driver and precious cargo?

When something has built up a head of steam, bringing its journey to a quick end isn't always a good idea because of the damage it can do.

And, so, it is with today's property market.

Index results as at August 31, 2021

	Change in dwelling values				
	Month	Quarter	Annual	Total return	Median value
Sydney	1.8%	6.4%	20.9%	23.8%	$1,039,514
Melbourne	1.2%	4.0%	13.1%	16.0%	$769,968
Brisbane	2.0%	6.1%	18.3%	23.1%	$612,377
Adelaide	1.9%	5.3%	17.9%	22.7%	$522,180
Hobart	2.3%	7.2%	24.5%	30.2%	$639,219
Darwin	-0.1%	2.4%	22.0%	29.0%	$486,248
Canberra	2.2%	7.3%	22.5%	26.8%	$816,644
Combined capitals	1.5%	5.2%	17.5%	20.9%	$751,014
Combined regional	1.6%	5.4%	21.6%	27.1%	$493,925
National	1.5%	5.2%	18.4%	22.1%	$666,514

Note hedonic indices for Perth and WA have been temporarily withdrawn while we investigate a divergence from other housing market measurements. Aggregate indices (combined capitals, combined regional and national) include a relatively small weighting from WA, therefore please make some allowance for this information in your interpretation until the issue is resolved.

Source: CoreLogic

We are looking at an extraordinarily hot run at present, but some analysts seem to be living in fear that a price cliff sits just around the bend. Could we be in for an almighty crash?

The numbers from CoreLogic help tell the story.

The datahouse's Home Value Index to 31 August recorded an annual rise across the combined capital of a staggering 17.5 per cent, and an increase of 21.6 per cent across the combined regionals.

> ***We are looking at an extraordinarily hot run at present***

These sorts of figures are resetting the benchmark, but like all data, they are historic in nature. What we need is some anecdotal evidence from on-the-ground specialists.

My casual discussions with a range of professionals show a steady slowdown might be just starting to get under way.

The consensus seems to be that, yes, prices will continue to grow strongly, but the percentage of growth will soon start to temper. The reason is the naturally cyclical nature of our market. In short, there are more listings now coming to market and vendors are needing to be slightly more realistic about their asking

> *show a steady slowdown might be just starting to get under way.*

prices. This doesn't mean they aren't going to get an excellent outcome, but buyers are hardly going to continue paying ever-increasing record figures ad-infinitum.

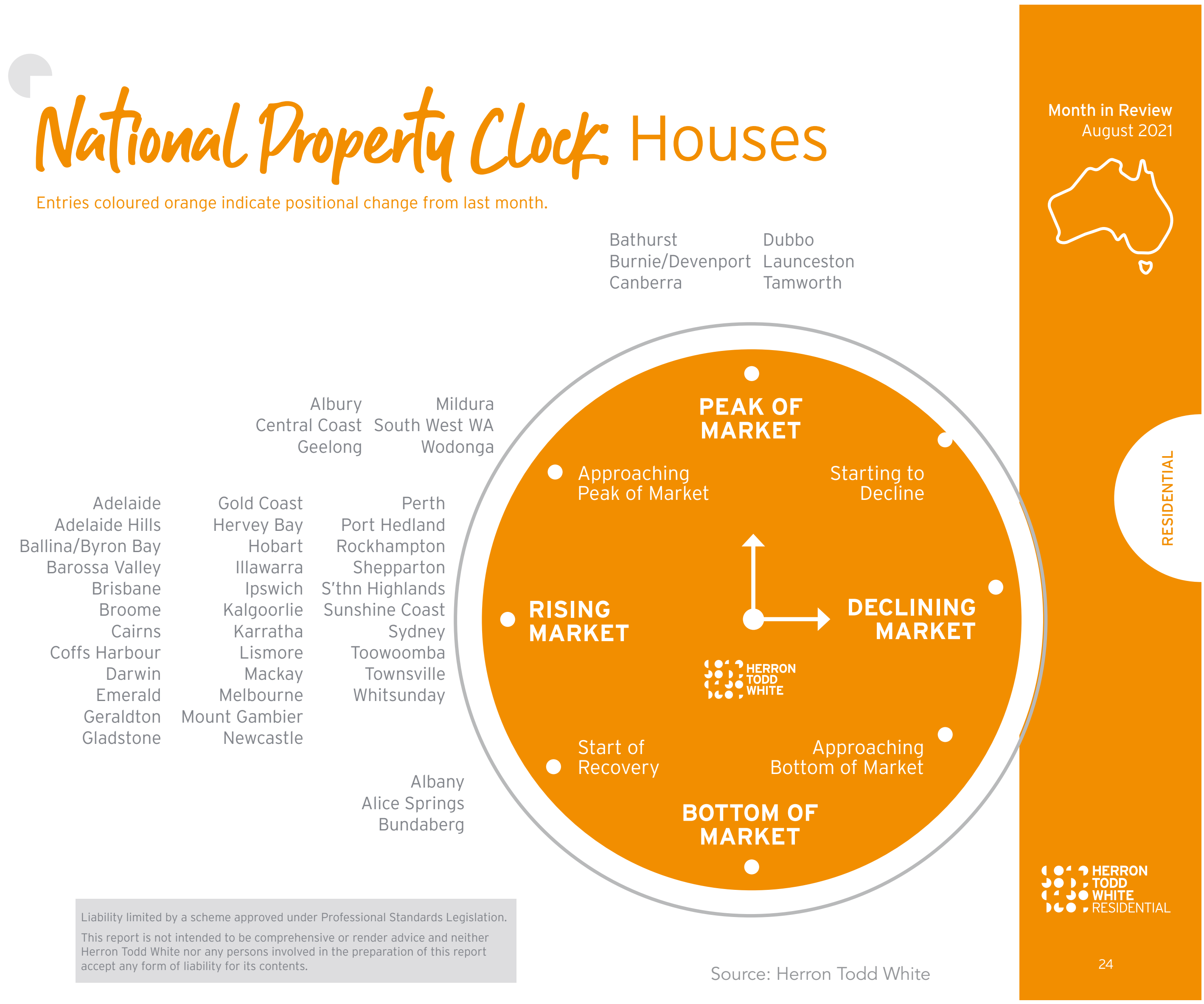
It's a sentiment mirrored by selling agents, too. Many have noted that smart vendors are paying more attention to the market. Those that shoot for ultra-fanciful prices can be left waiting.

I think all this information is being reflected in the Herron Todd White property clock for August. It shows all markets continue to be in the rising price half of the cycle, but a number are reaching peak conditions.

As experienced industry professionals, most PIPA members will have seen how this goes. Buying now is still an excellent idea for long-term investors. Markets will continue to strengthen but a slow turn is coming. Being on hand to help guide your client's expectations will be key.

The Australian property freight train will continue its path, and there's little to suggest it'll run off a cliff, but rather a gentle braking might be under way.

Let's face it – even a global pandemic couldn't stop it in its tracks. ◼



market update

New South Wales

Each week we see reports of record prices being achieved

Sydney property buyers are having to reset their expectations as the market continues to accelerate and surprise with incredibly strong results week after week. Auction clearance rates have consistently been in the early 80 per cent level.

Listings have been incredibly tight with listing volumes 30 per cent below long-term averages. The extended NSW and Sydney lockdown has caused significant nervousness among vendors who have held back listing their properties. This has resulted in very strong competition between buyers clambering over each other and ratcheting up the price in both auction and private treaty negotiations. Each week we see reports of record prices being achieved and sales going well over reserve.

Corelogic report a latest quarter price rise of 6.4 per cent, and year-on-year increase of 22.18 per cent for Sydney. The city now has a median house price of $1,293,450 and median unit price of $825,514 (Corelogic Hedonic Home Value Index).

The average time on market now sits at 29 days. Many properties in premium suburbs are selling even faster as buyers hungrily snap up new opportunities.

Normally at this time of year in early spring (September) we see a surge in listing volumes giving buyers plenty of choice. But continued lockdown has deterred many vendors, worried they won't be able to satisfactorily buy back into the market. However, sellers that have gone to market have done exceedingly well. My team of buyers' agents have never been busier chasing new listings and off-market opportunities.

The trend of city buyers moving to coastal and regional lifestyle areas also continues to accelerate in response to COVID-19. This has seen a rapid rise in demand in areas such as the Central Coast, Newcastle, Hunter Valley, Wollongong, Port Macquarie, Coffs Harbour and of course Byron Bay (which has seen median prices surge over 30 per cent this year).

Rich Harvey
Founder & CEO, Propertybuyer

Victoria

Vendors providing zoom tours with smartphones in hand

My last quarterly update tabled the enormous price growth of Victorian properties across the board, and referenced low interest rates, pent-up buyer demand and ever-increasing consumer confidence, (likely amplified by the feeling of FOMO in a market that, for some, felt like it was outpacing their rate of saving ability).

My update ended with citing Melbourne's initial "circuit breaker" lockdown morphing into "one more week." Little did we imagine we'd be replicating winter and spring of 2020 all over again, and this time without much government stimulus and support. As predicted in June, we are observing an interesting series of events that can only be described as "different to last time". Vendors who need to sell are still lamenting the lockdown impacting their campaigns, but in a stark contrast to last year, buyers aren't holding back like they were. We are hearing continual stories of sight-unseen purchases, and vendors are playing a more collaborative role in the selling process.

In this current Lockdown V6.0, advertised open for inspections during hard lockdown amount to vendors providing zoom tours with smartphones in hand and listing agents MC'ing the event. Online auctions and virtual contract preparation is our mode of transacting, and the buyer frustration is palpable. We don't know when we'll exit lockdown, but what we do know is we'll be busier than we've ever been when the gates open.

Cate Bakos
Buyers advocate, Cate Bakos Property

Auction clearance rates in Brisbane are tracking at record highs

Queensland

The last quarter has remained strong in terms of price growth in both the housing and unit sectors of the Brisbane market, despite nationwide headlines suggesting that property markets are losing steam. This is simply not the case in Brisbane.

According to CoreLogic, sales volumes in Brisbane rose 47.5 per cent in the year to July 2021, an annual change that reflects the heightened demand from buyers across the city.

Whilst new listings have increased 5.3 per cent in Brisbane compared with the equivalent period last year, total listings are down 29.1 per cent according to CoreLogic. What this means is that more buyers are making compromises and buying properties that may have been on the market for longer.

Even auction clearance rates in Brisbane are tracking at record highs. At the same time last year, our clearance rates tracked between 35 per cent and 58 per cent throughout August, but this year the clearance rates during August, according to Domain, are tracking between 73 per cent and 80 per cent, which really is astonishing for our city.

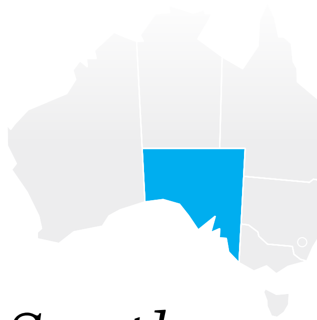
The 12-month change in Brisbane house prices has been 20.2 per cent. The current median value for a house in Greater Brisbane is $691,214 – the highest it has ever been. The 12-month growth for units across Brisbane is now 8.9 per cent, with the current median unit price in Greater Brisbane now at $425,777. Throughout Brisbane, the housing sector has outperformed the unit sector every month since October 2020.

Buyers are becoming increasingly frustrated. Many don't understand the pace of the market and what they need to pay to secure a quality home or investment.

Heading into spring we expect conditions to remain unchanged. Whilst new listings are starting to show some more positive signs, there still doesn't seem to be enough properties available for purchase.

Melinda Jennison

Director & principal, Streamline Property Buyers



The number of interstate people looking to move to South Australia is unprecedented.

South Australia

South Australia's property market continues to grow strongly. The last time we saw such rapid growth was almost 20 years ago in the property boom of 2001-3.

The three main reasons why this is occurring – government incentives, demand vs supply and interstate migration.

The HomeBuilder grant that was introduced as a result of COVID-19 has officially ended but the property market and wider economy are still feeling the positive (and negative) effects. The HomeBuilder grant encouraged first home buyers into the market and this increased demand. As housing supply takes a long time to catch up to demand, property prices go up. However, the negative side of this is that there was so much demand for new homes, it has created a shortage of building materials such as timber and structural steel.

In regards to the supply of properties for sale and transaction numbers, the figures are staggering. In Adelaide, there were 34% more properties sold in the 12 months to July 2021 than there was in the previous 12 month period. This increase in sales numbers is astonishing but when you also consider that there were 28% less listings in Adelaide, it is no wonder that property prices have skyrocketed!

What I have stated above is also happening in many other parts of Australia but South Australia has one other advantage; interstate migration. When you speak to property managers and real estate agents, you find out exactly what is happening on the ground. The number of interstate people looking to move to South Australia and rent or buy property or invest in South Australia, is unprecedented.

Peter Koulizos

– PIPA chair (Program Director, Master of Property, The University of Adelaide)

Western Australia

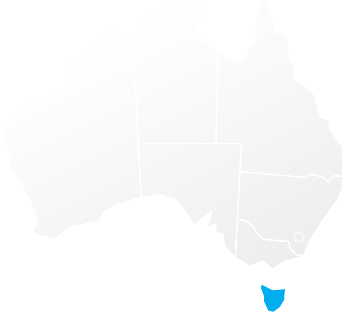
Perth's residential property market continues to record widespread growth as supply pressures underpin competitive buying conditions. Data from the Real Estate Institute of Western Australia showed that the median house sales price increased in 233 suburbs across the winter months, despite typically being considered a lower demand period.

These improvements show few signs of easing in the short- to medium-term, with continued low supply levels, increased mining activity and a predicted rise in interstate migration set to further strengthen the market's performance. This presents attractive opportunities for investors, who are also well-positioned to benefit from strong rental yields due to low rental vacancy rates and continued rental demand.

Unsurprisingly, the trend of increasing investor participation has continued from previous months as more investors return to market to capture these growth conditions, with this segment now representing 20 per cent of market activity – a trend we can expect to continue in the months to come.

Damian Collins

Managing director, Momentum Wealth



Tasmania

While Tassie property markets have been incredibly strong for the last seven years, they are getting even stronger.

Scouring across all of Australia, real estate in the NSW Northern Rivers region is the only location with hotter property than Tasmania right now. Resale and rental supply have been at record low volumes for quite some time and there's no sign of relaxation any time soon. The state economy continues to kick goals and anecdotal evidence suggests there's a long queue of mainlanders looking to relocate to the Apple Isle as soon as COVID-19 restrictions allow.

Simon Pressley

Head of Research, Propertyology

pipaprofile

***Marisa Gonzalez** is the founder of a boutique accounting firm in Canberra, is one of PIPA's longest-serving members, and completed her QPIA more than a decade ago.*

CAN YOU PLEASE TELL US MORE ABOUT YOUR BUSINESS?

Marisa Gonzalez & Co is an accounting firm located in Canberra. We are a boutique accounting firm with a particular focus in small business and property founded in 2004. Our firm has been built on referrals, which is great as I find that referrals are generally the right fit for my practice.

For many years, I have had an interest in property, and this stemmed from my earlier years working for various newspapers and other print media in Canberra.

During that time, I met many real estate professionals and worked as a senior account manager with one of the newspapers. Carefully studying property prices and postcodes, I soon began my own property portfolio. I purchased my first property at the age of 20 in a modest Canberra suburb and that portfolio has continued to grow.

HOW LONG HAVE YOU BEEN A PROPERTY INVESTMENT PROFESSIONAL AND WHAT WAS YOUR PATHWAY INTO THE PROFESSION?

As an accountant and professional adviser, I wanted to provide my clients with informative, current, and detailed information into the various types of property.

I aim to give all clients the best advice including the positive and negative aspects of all types of property from a vacant piece of land to student accommodation.

It became apparent early that most people needed much more than just their tax return completed. I guess in a way I am giving them encouragement to purchase property and to trust themselves.

Each client and their circumstances are so unique. There is a great sense of satisfaction to see my clients (some have been with me for over 20 years) grow their wealth with property. Purchasing property should never be just about tax minimisation it should first and foremost be about wealth creation. In all things, I begin with the end in mind.

Often, I refer to property purchasing as buckets and each property is a bucket.

If you happen to be in the middle of a severe drought and all you have is one bucket, then that is the only water you will collect with one bucket.

However, if you have many buckets, you will be able to collect much water. So, if you have many properties, you will be able to build your equity.

HOW DID YOU FIND OUT ABOUT PIPA?

I first heard about PIPA through a property magazine at a time when Margaret Lomas was on the board.

The reason I decided to join PIPA was I was delighted to see that finally there was an organisation that was formalising property advice and those in the property industry.

When I joined PIPA, the formal training was a six-module course through Deakin University that had assignments and supervised exams. It was interesting and fun. It certainly augmented my level of property knowledge having done formal study in the area that was not based around taxation.

WHAT ARE SOME OF THE MAIN REASONS WHY PEOPLE SHOULD BE MEMBERS OF PIPA AND QPIAS?

To be a qualified adviser you must have formalised your knowledge in the myriad types of property.

The brand PIPA instantly lets a potential client know that you are so committed to the advice or work you do in the property landscape that you have taken the time and gone to the expense of educating yourself.

Many accountants are great with the taxation aspect of property, and they would magnify their knowledge if they were to enter into a formal platform of study in relation to property.

The recent property boom has many property owners asking for Capital Gains Tax calculations on their properties in the event of a selling.

Fortunately, for many of our clients, we always prepare a CGT for property purchases. Throughout the life of holding the property, the register is updated accordingly.

The register is useful when the time comes to calculate the potential capital gain and, of course, so is record-keeping by the property owner.

WHAT'S NEXT FOR YOUR BUSINESS IN THE NEXT 12 MONTHS AND BEYOND?

Over the coming 12 months and beyond, the property boom will keep us busy as we see properties purchased and sold. There is always so much to consider and my firm and are focused on giving the best possible advice surrounding this type of transaction.

My business has an enviable younger client base and that makes it interesting and sustainable.

PETER MARTIN
Visiting Fellow, Crawford School of Public Policy, Australian National University

Four GDP graphs that show how well Australia was doing – before Delta hit

Australia's economy was performing exceptionally well in the lead-up to the Delta variant lockdowns, propped up by a barrage of government spending in the three months to June and impressive household spending.

The June quarter national accounts published on Wednesday show inflation-adjusted production, income and spending (gross domestic product) climbed 0.7% between March and the end of June, ahead of the NSW lockdown that began on June 26.

Were it not for a surge in imports and a weather-related decline in the volume of exports (each of which cuts measured GDP) gross domestic product would have climbed 1.7% in the June quarter.

Over the year to June economic activity grew a record 9.6%, as it climbed back from a record 7% slide in the three months to June in 2020.

At a Parliament House press conference, Treasurer Josh Frydenberg was the first to concede the good news was historical — of "little comfort" to Australians under renewed lockdowns facing difficult days ahead.

The September quarter figures, to be released in three months' time, were likely to show an economic collapse of at least 2% — the deepest dive since 1974, with the exception of last year's COVID collapse.

But the starting point for the dive was better than any other developed country. Australia is the only developed country to have gone into this year's Delta lockdowns with both GDP and employment higher than before COVID-19 struck early last year.

Propping up gross domestic product in the June quarter was a 7.4% surge in public infrastructure spending, driven by state and local governments, which by itself accounted for more than half of the growth in quarterly GDP.

A 1.3% increase in other government spending accounted for the other half.

But household spending accounted for almost as much, jumping 1.1% in the quarter as Australians took advantage of a relatively COVID-free autumn to boost spending on domestic tourism, on one measure by as much as 28%.

Australians were in a better position to spend than the published economic growth figures suggest.

A better measure of buying power is real net national disposable income per capita. This takes account of things such as high iron ore prices, which are excluded from the GDP. It shows buying power up 1.8% in the quarter to a new all-time high.

Before the Delta lockdowns, households were continuing to wind back their record high savings rate, which peaked at 22% in June 2020. They saved 9.7% of their income in the June quarter of this year, compared to 11.9% in the March quarter.

The lockdowns and the growing realisation they won't have a clear end date, as they did last year, are likely to have already pushed the saving rate back up.

For months to come, today's good economic news is set to be as good as it gets.

AUSTRALIAN QUARTERLY GROSS DOMESTIC PRODUCT

Chain volume measures, seasonally adjusted. ABS

HOUSEHOLD FINAL CONSUMPTION EXPENDITURE

Chain volume measures, seasonally adjusted. ABS

REAL NATIONAL DISPOSABLE INCOME PER CAPITA

Chain volume measures, seasonally adjusted. ABS

HOUSEHOLD SAVING RATIO

Ratio of saving to net-of-tax income, seasonally adjusted. ABS

Is the housing market faring better through lockdowns in 2021?

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The past 16 months have seen remarkable levels of adaption in the real estate sector, government stimulus and economic decline and recovery. Amid renewed and extended lockdowns, some indicators suggest the housing market has been even *more* resilient to lockdowns in 2021 than through 2020. But there is some suggestion not all pockets of the housing market remain robust.

This article unpacks a few ways housing market performance has evolved through lockdown in 2021 compared with 2020.

Consumer confidence has been more resilient

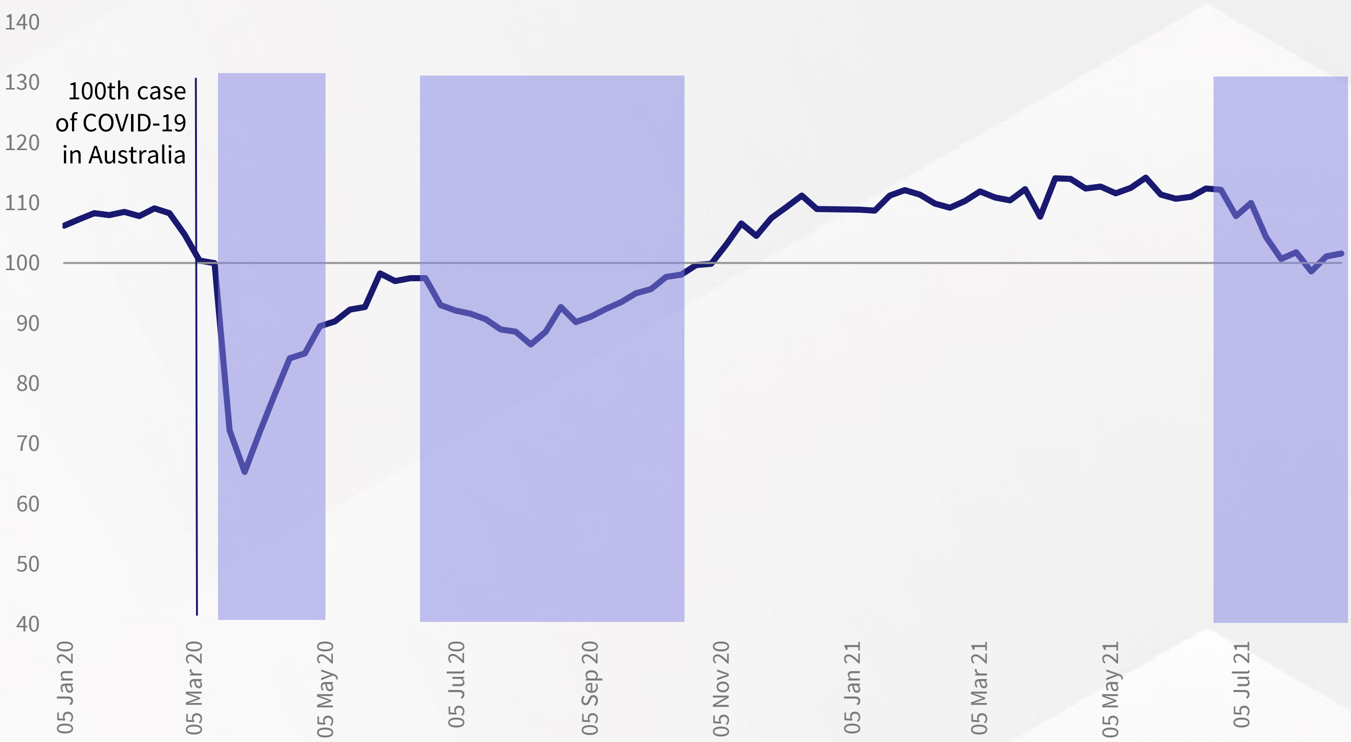
Consumer sentiment is an economic indicator that is generally positively correlated with home sales. This makes sense, given consumers would presumably be optimistic about their own financial situation when deciding to make a large financial commitment like a home purchase.

The consumer sentiment response has changed with each new set of extended lockdowns through COVID-19, with the decline in sentiment in 2021 becoming shallower, but lasting longer.

Figure 1 compares the ANZ Roy Morgan weekly consumer sentiment index through various lockdowns since March 2020, represented by the shaded areas in the chart.

Through early 2020, which saw the first COVID-19 induced lockdowns in Australia, consumer sentiment had a peak-to-trough decline of -40.1% that lasted six weeks. The second decline, which coincided with rising case numbers and renewed lockdowns across Melbourne, was a peak-to-trough fall of -11.3% that lasted seven weeks. The current lockdown has so far seen a peak-to-trough fall in consumer sentiment that has lasted seven weeks, with a fall of -12.3%.

Figure 1. ANZ-Roy Morgan Australian consumer confidence index



Source: CoreLogic

It is likely the hit of lockdowns to consumer sentiment has become 'shallower' given consumers now have more information about the economic impact of lockdowns, and importantly, the strong recovery trend that followed stage 2 restrictions last year.

Interestingly, the ANZ Roy Morgan index seems to have stabilised above 100, which indicates more people are providing favourable answers to questions around economic and financial conditions. As discussed in the next section, this may also reflect the various monetary and fiscal support provided from 2020 through to early 2021, which has indirectly supported sales and listings of residential real estate.

Transaction activity has declined, but not as heavily as last year

Initial stage 2 restrictions in 2020 coincided with a drop in sales volumes nationally through April of -33.9%. This included a fall in Sydney sales of -36.7%, and -40.3% across Melbourne. The fall in sales was associated with transactions being harder to carry out amid restrictions, low levels of consumer confidence, and the level of employment falling by about 600,000 jobs through the same month, which may have disrupted intentions to purchase property.

While social distancing restrictions have been reinstated across much of the country, other factors are much more conducive to property sales still taking place. Through 2020, lockdown periods saw the accumulation of household savings (which skyrocketed to 21.6% through the June 2020 quarter, and remains elevated). The cash rate was set to a record low 0.1% in November, and the average cost of debt has continued to decline. Sydney lockdowns have also seen a much milder decline in employment levels, with the number of people employed falling -0.9% across NSW over July 2021, as opposed to -5.9% through April 2020.

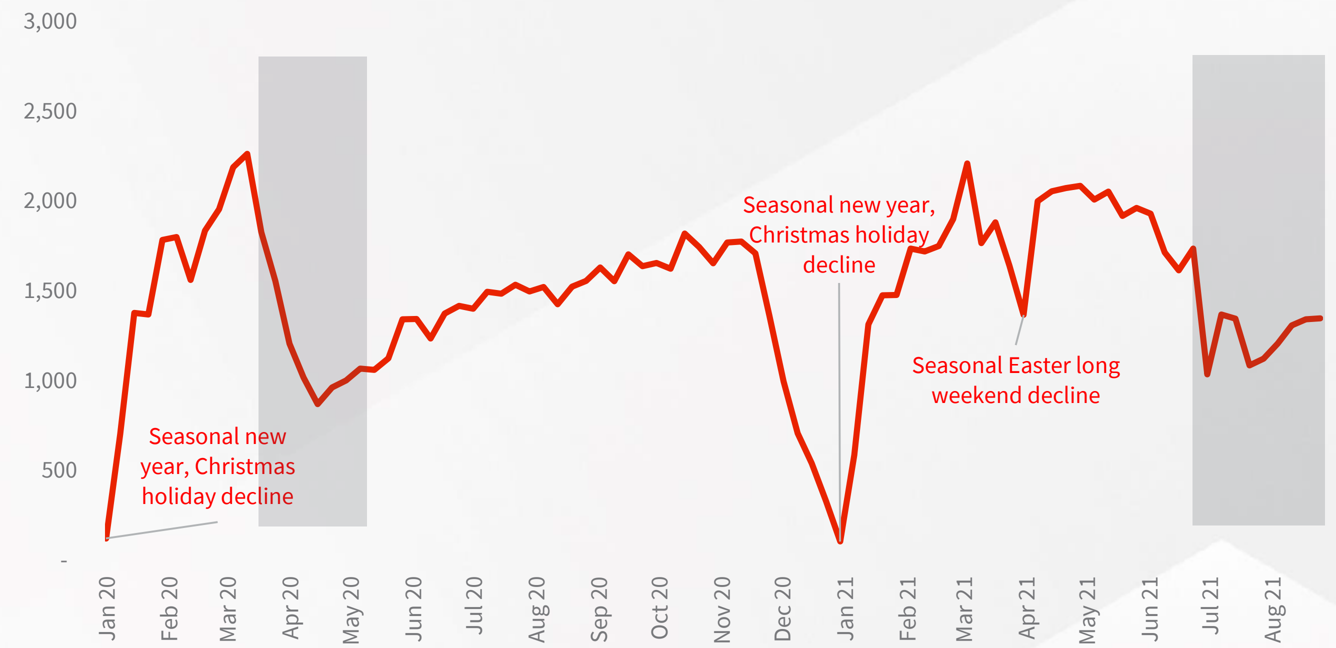
Amid these factors, sales volumes have seen a far milder decline through lockdowns. In the month of July, CoreLogic estimates sales volumes have fallen -3.7% in Sydney. However, the longer lockdowns are extended, the further sales volumes are likely to fall.

The fall in newly advertised stock has also been milder through 2021. For the week ending August 29, there were around 1,350 new properties added to the market across Sydney. This is about -23% lower than the five year average prior to COVID-19, but the number has been climbing. Assuming new listing volumes continue to climb, this marks a peak-to-trough decline of -37.5% of new listings added to market since the onset of the Sydney lockdowns, compared to a peak to trough decline of -52.4% through restrictions in early 2020.

This can be seen in Figure 2A, which shows new listings added to the market, with periods of lockdown shaded. Listings have not declined as sharply through current lockdown conditions across Sydney when compared to 2020.

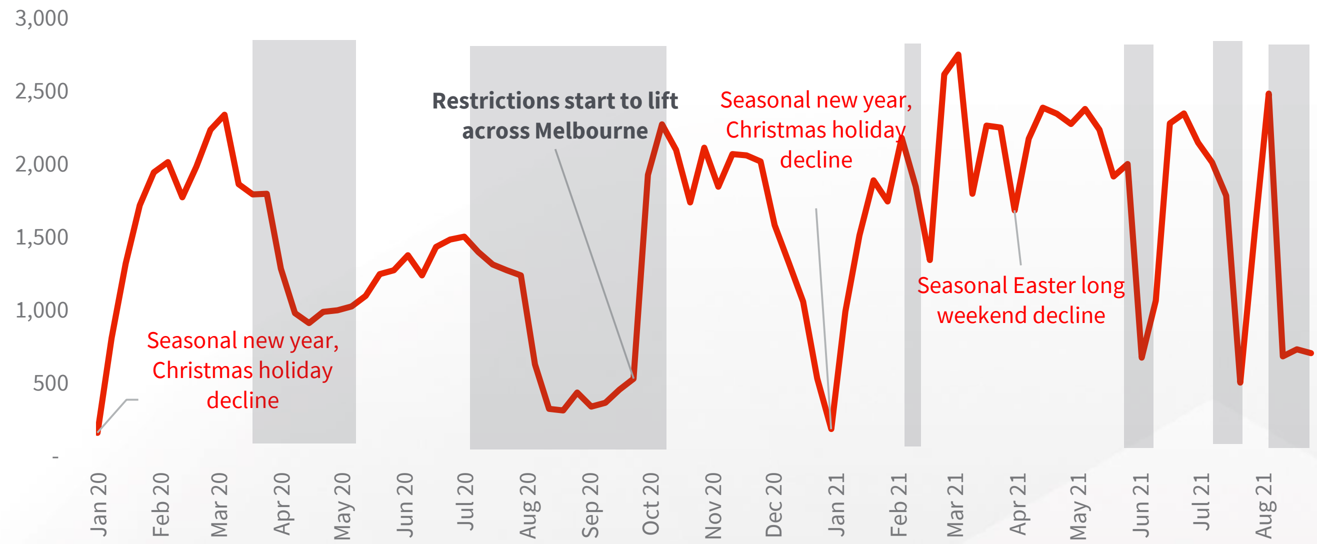
Figure 2B shows that Melbourne has seen a steeper decline in new listings amid the start of the lockdown since August. However, the city has also seen more *volatility* because lockdowns have been more frequent. On average, weekly new listings across Melbourne (1,765) have actually been higher than in Sydney (1,577), and are higher than the average weekly listings added across Melbourne through the whole of 2020 (1,345).

Figure 2A. Weekly new listings volumes, Sydney



Source: CoreLogic

Figure 2B. Weekly new listings volumes, Melbourne



Source: CoreLogic

Auction results are diverging between Sydney and Melbourne

Sydney auction results have remained high through lockdown conditions. Since the week starting 28th of June, when a city-wide lockdown was in place, the auction clearance rate has averaged 75.9% through to late August. The volume of properties clearing at auction have averaged 474 per week, which is actually the highest average of weekly auction sales for the period since 2015.

Melbourne auctions have played out differently since the start of the 6th lockdown across the city. The final auction clearance rate has averaged 59.4% so far through the current lockdown.

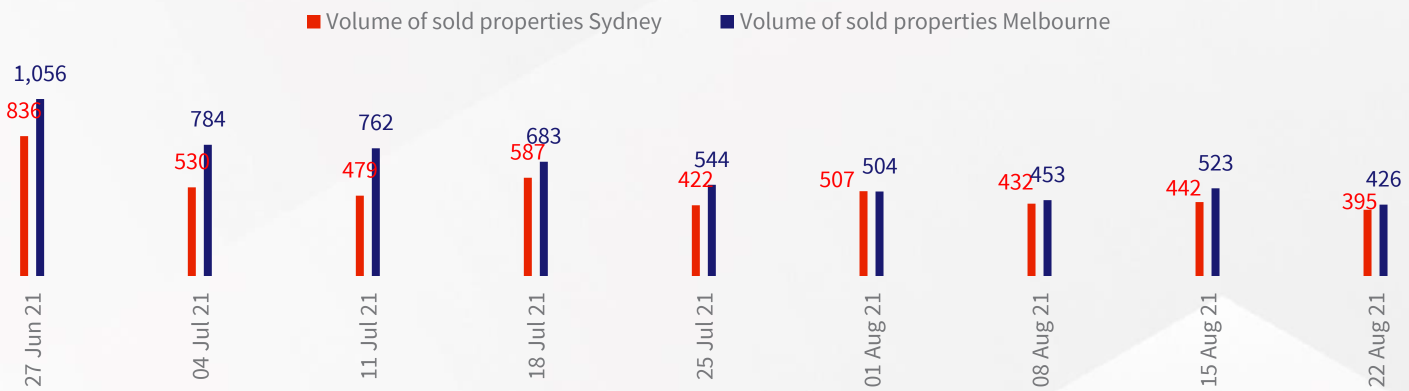
Importantly, the low clearance rate across Melbourne is largely due the portion of properties being withdrawn from auction altogether, amid a relatively high volume of auctions scheduled before lockdowns.

From the 5th to the 22nd of August, it is estimated around a third of properties scheduled to go to auction have been 'withdrawn', which means the auction has essentially been cancelled (rather than postponed). Withdrawn properties are counted as a non-sale, and as such weigh down the clearance rate.

It is important not to dismiss the portion of auctions withdrawn as merely 'distorting' the clearance rate, because it does reflect a loss in demand and vendor confidence. Part of the reason rates of withdrawn auctions may be higher across Melbourne is because private physical property inspections had been prohibited, which was not the case across Sydney.

However, when looking at just the number of properties sold at auction each week, there have actually been a higher number of successful auction results across Melbourne than in Sydney for eight of the past nine weeks. The clearance rate across Melbourne is likely to 'normalise' as a smaller number of properties are scheduled for sale in the coming weeks.

Figure 3. Weekly count of properties sold at auction



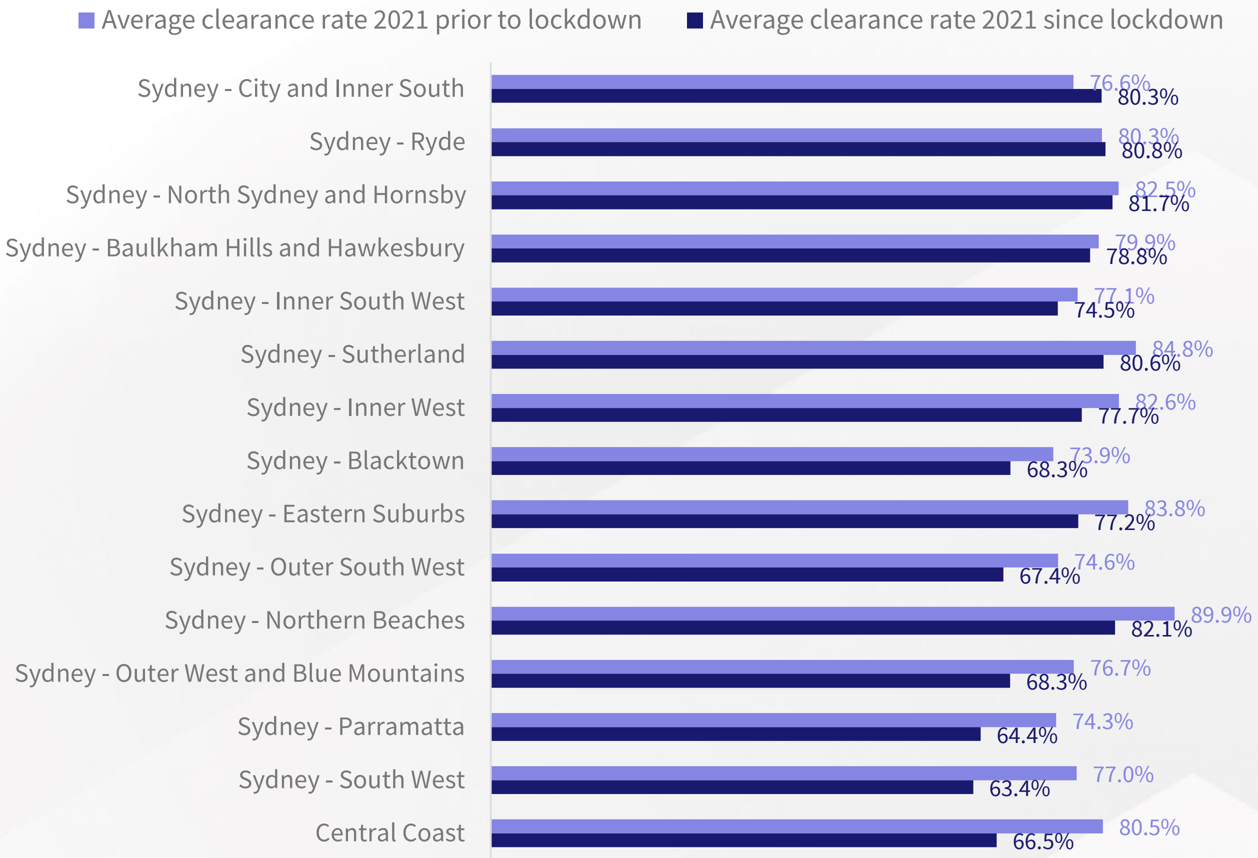
Source: CoreLogic

Auction results are diverging *within* Sydney

While the Sydney clearance rate has shown resilience through strict lockdowns, there are differences in housing market performance across *regions* of Sydney.

Average clearance rates over 2021, before and after the introduction of lockdowns in June, show varied impacts on clearance rates across different SA4 regions (Figure 4).

Figure 4. Average clearance rates before and after 2021 lockdowns, Sydney SA4s



Source: CoreLogic

Clearance rates since the June lockdown have declined most significantly across the Central Coast, as well as regions encompassing 'LGAs of concern', such as the South West, Parramatta and the Outer West and Blue Mountains (where Penrith is partially in stricter lockdown).

Not every market will be impacted in the same way

COVID-19 restrictions may not have impacted confidence in housing market decisions in a uniform way through 2021, particularly when considering the diversity of the population across large cities like Sydney and Melbourne.

For example, about a third of the employed Australian workforce was working from home in the second half of 2020. Across particular industries, an average of five or more days of work was being conducted from home[1]. These industries were:

- Financial and Insurance Services;
- Information Media and Telecommunications;
- Professional, Scientific and Technical Services; and,
- Rental, hiring and real estate services.

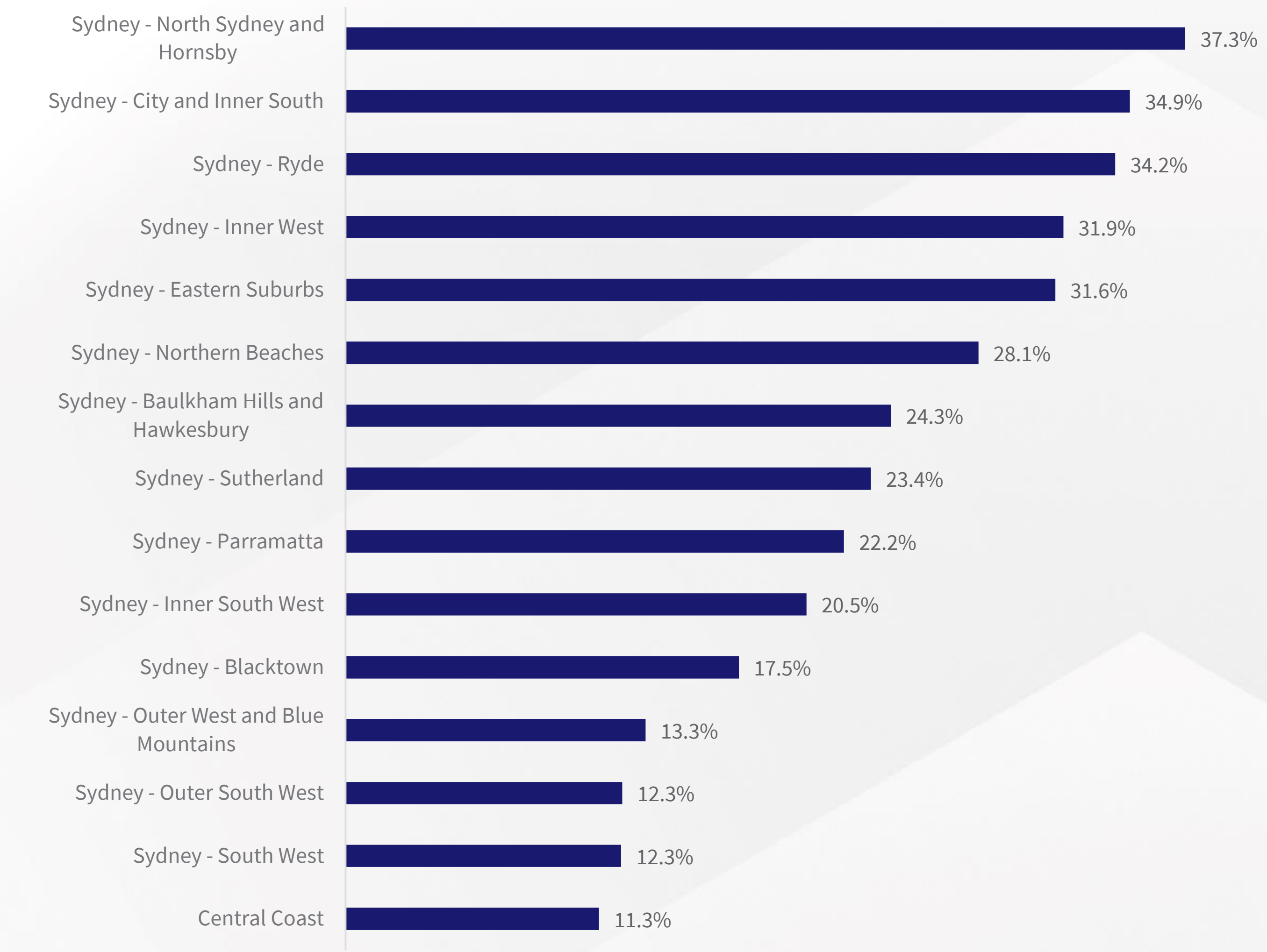
[1] Beck, M. J., & Hensher, D. A. (2021). Australia 6 months After COVID-19 Restrictions Part 2: The Impact of Working from Home. *Transport Policy*.

However, industries such as food and accommodation have not only seen workers largely unable to conduct work from home, but are far more likely to have lost work through each lockdown period.

Figure 5 ranks SA4 regions of Sydney by the proportion of employed people working in sectors where workers are far more likely to conduct their work from home, based on data over the year to May 2021 (derived from ABS detailed labour force data).

The data shows that almost 40% of employed people across the North Sydney and Hornsby region could be more likely to conduct their work from home, with COVID restrictions posing less disruption to their income.

Figure 5. Portion of employed people with a higher propensity to work from home based on industry of employment - as at May 2021, Sydney SA4s



Source: ABS

It is worth noting that while workers in some sectors may not be able to work from home, their employment and income may not be disrupted. An example would be across health care and social assistance, where the volume of work is likely to have *increased* since the onset of COVID-19.

However, this data does highlight that there are geographical differences in the extent to which remote work can be conducted through lockdowns, which could see varied performance in different housing markets of Sydney.

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