



The Week In Real Estate

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Student Cut Not A Fix

Capping international student numbers will not do much to help ease rental market pressures, according to new research.

Reduced international student numbers are to be implemented from the 2025 school year, but the Property Council of Australia says, at best, the impact will be “marginal”.

The research done for the PCA by Mandala Research says anyone hoping for a noticeable change to the rental market as a result will be disappointed. It will only impact markets with a high student population, and even then, rents are only expected to drop by an average of 0.8% which is about \$5 per week.

Executive director of the PCA's student accommodation council, Torie Brown, says instead of reducing migration the government should focus on delivering more homes.

“The student visa caps will have a very real economic impact but have very little impact on rental availability,” she says. She says purpose-built student accommodation will help alleviate pressure in the rental market. “We need to tackle the full range of factors pushing up rents and shrinking housing supply, not pin the blame on one group,” she said. Her comments come as Australian Housing Conditions Dataset analysis shows almost 50% of renters believe they will never be able to afford their own home.

Who Wants to Be a Millionaire?

A further 32 capital city property markets have breached the million-dollar median mark in the past three months.

New data from Domain shows suburbs in Sydney, Brisbane, Adelaide, Perth, and Melbourne all made it onto the list.

South Australia now has 27 suburbs with million-dollar medians after Magill joined the list in the past quarter.

In Victoria, prices in Maribyrnong (houses) and Ivanhoe East (units) grew by 7.2% and 7.5%, respectively, to breach \$1 million.

In New South Wales, another 14 suburbs made it into the million-dollar median territory, including South Wentworthville, where the median increased by 14.4% in the past quarter. In Western Australia, six suburbs entered million-dollar median territory including Beaconsfield and Booragoon, while in Queensland there were nine suburbs added to the list including Aspley and Bellbowrie.

Nationwide four suburbs also joined the \$2 million club during the quarter, Croydon Park, Mascot and Double Bay in New South Wales and St Lucia in Queensland.



Quote Of The Week

“Rental growth has eased significantly from the height of the rental crisis.”

CoreLogic economist Kaytlin Ezzy



The Trump Effect

An interest rate cut appears unlikely until early 2025 and even then, it may be pushed out further following the election of Donald Trump as US president last week.

Analysts say Trump's big spending commitments could keep inflation higher in the United States and that is bound to have flow-on effects in Australia. RBA assistant governor Christopher Kent says the Trump victory is likely to lead to higher long-term interest rates in the US, higher inflation in the US, and possibly high growth for a time. Trump has promised higher tariffs on imports, particularly China, which Ray White Economics chief economist, Nerida Conisbee, says could result in higher inflation in Australia. "Trump's tendency towards lower taxes and pressure for lower interest rates could reignite global inflation," she says. "This might force the Reserve Bank of Australia to raise interest rates."

Kent says the demand by the US government for borrowing is substantial, which will affect global interest rates. "It's also pushing the US dollar up and other currencies down." At its most recent meeting, the RBA said it was grappling with "a high level of uncertainty about the outlook abroad".



Buyers Returning

Confidence is returning to the property market with new analysis showing an increase in mortgage applications.

The latest Equifax Quarterly Consumer Credit Insights – September 2024 says credit demand is 2.3% higher in the September quarter, compared to the same time last year.

Analysis of credit demand i.e. mortgage demand and auto loan demand, shows it is the first quarter of positive growth in mortgage demand since 2021.

At the same time credit demand via credit cards, personal loans, and Buy Now Pay Later loans, fell in quarter by 1.9% compared to the same time last year.

Equinox's general manager of advisory and solutions, Kevin James, says the rise in mortgage demand suggests that consumer confidence is improving. He says this is because many borrowers believe an interest rate cut is on the horizon and he believes the reduction in unsecured credit demand shows that many are making adjustments to deal with the cost of living crisis.



Vacancies Ease

Vacancy rates have eased slightly, and rental growth has slowed.

CoreLogic says the national vacancy rate is still a very tight 1.8%, up from last year's record-low of 1.4%.

At the same time, SQM Research figures put the national vacancy rate at 1.2%, up from 1% a year earlier. CoreLogic economist Kaytlin Ezzy says while rents are continuing to increase, the pace of growth has also eased, with rents rising by 5.8% compared to 9.6% at the same time two years ago.

"Rental growth has eased significantly from the height of the rental crisis," Ezzy says.

SQM Research managing director Louis Christopher expects vacancies will rise in the coming months as university students finish up and leave rental properties to return home. This, he says, will lead to an easing in advertised rents.

Ezzy says a return of investors means that supply is increasing. Investors now account for 38.3% of all new financing, above the decade average of 33.8%.