

The Week In Real Estate



Nation Faces Record Rent Increases

The next several years “will produce the biggest increase in rents that Australia has seen”, according to real estate analyst Simon Pressley.

Pressley, Propertyology’s head of research, is forecasting 2021 and beyond will see record increases in rents, thanks to a housing shortage. With house price growth expected to reach up to 15%, Pressley says many locations could see rents rise by \$2,000 to \$5,000 per annum.

“The reality is that Australia does not have enough housing supply for its population,” he says. Five out of eight capital cities, plus many regional centres, have a vacancy rate below 1%.

While Sydney and Melbourne have a surplus of rental stock and are witnessing declining rents, other locations across Australia tell a different story.

Sydney and Melbourne’s combined population of 10.5 million people have 53,500 dwellings for rent to choose from. The remaining 15.1 million Australians who live in smaller capital cities and regional areas have the choice of only 20,600 dwellings.

Quote of the Week

“It is becoming standard practice for property managers to receive numerous applications to rent a standard house. Buyers agents have seen first-hand proof of multi-offer tenant applications and the successful tenant paying \$50 to \$70 per week above the median rent.”

Simon Pressley, Propertyology’s head of research



Consumers Bullish About 2021

Most Australians think that now is a good time to buy, with 2021 tipped to be one of the busiest years for property ever.

Optimistic home-buying sentiment has reached a pre-pandemic high, according to research which found that two-thirds of Aussies believe now is a good time to buy, up from just 42% in April 2020.

Back in April, consumer sentiment fell as Aussies braced for a recession, but sentiment is well and truly on the rebound. Graham Cooke, insights manager at Finder, says the recent uptick in buyer confidence is a good sign for the economy.

“This rebound in buyer confidence is indicative of increased economic activity, along with an optimistic outlook for 2021,” he says. “Not only did Australian governments do a better job than most at restricting the spread of the pandemic, but federal and state economic support measures helped prop up property markets.”

“Now we’re seeing that house values in every capital city bar Melbourne are higher than at the same time last year.”





Home Prices Tipped To Rise: Survey

Almost half of homeowners expect their property value to shoot up in 2021, while pent up demand will “wash through” property markets.

A survey by ME Bank finds that 46% of owner-occupiers expect the value of their dwelling to increase during 2021, while only 5% expect decline.

The survey shows a significant shift from six months prior, when only 22% expected dwelling prices to rise and 25% expected them to decline.

ME Bank’s head of home loans Andrew Bartolo says that buyer activity is expected to rise year-on-year, after many buyers and sellers were “waiting to see” in 2020 before making any decisions. “Pent up demand will wash through early 2021,” he says. “More investors will re-emerge in 2021 in search of income and capital growth.”

REIA president Adrian Kelly says housing markets recorded respectable growth over 2020 and with limited stock and strong demand, 2021 should see further price increases.

Pandemic Boosts Ownership Desire

The pandemic has accelerated the desire for home-ownership in young people, according to Mortgage Choice research.

Nearly 45% of survey respondents are more likely to purchase a home now, with a similar number feeling optimistic about achieving their home-ownership goals. The research suggests the pandemic has caused a shift in priorities, with saving money now rated as the highest priority for young people.

In order to save and buy sooner, 60% are reducing their spending, 58% are adding more to their saving accounts and 43% are applying for government grants for first-home buyers.

Mortgage Choice Chief Executive Officer Susan Mitchell Mortgage Choice says the pandemic provided a wake-up call - and, for young people, this meant focusing their attention on their financial goals.

“Despite the challenges of getting into the property market, young people are not giving up on the Great Australian Dream. In times of uncertainty, it is human nature to want stability, and this is what investing in property can provide.”



Loan Deferrals Dropping Steadily

New figures show that households and small to medium enterprises (SMEs) are steadily moving back to making repayments on their loans after using pandemic emergency measures to defer them.

The Australian Prudential Regulation Authority says only 2.3% of housing and SME loans were subject to repayment deferral at the end of November. At the height of the pandemic crisis the figure was over 10%. Deferrals peaked in May at more than 12% of all housing loans but stood at only 2.8% by the end of November.

Even more remarkable have been SME loans: in May SME deferrals peaked at 17.5% of loans but have improved markedly since September to only 2.4% by the end of November.

Those figures were accompanied by a jump in housing approvals since June of 40%, with total approvals at 17,205 in November and figures for the year totalling almost 170,000.

“Who would have thought just a few months ago that we’d see figures at that level,” says independent economist Saul Eslake.