

The Week In Real Estate



Rents Respond To Low Vacancies

Rental markets across the country are responding to low vacancies, with the March Quarter recording the highest growth in average national rents since 2007.

There was a 3.2% rise in rents nationally in the March Quarter, which also marked a recovery in inner-city markets, with unit rents rising 2% for the combined capitals.

There are, however, wide discrepancies among cities, with growth subdued in Sydney and Melbourne, the only major markets with high vacancy rates.

Regional markets have continued their strong run, with rents climbing 4.1% in the March Quarter, after rising by 2.9% in the December Quarter. Regional units recorded the highest quarterly rental growth of 4.8%, compared with a 4.0% rise in house rents.

“At one end of the spectrum, we have Perth and Darwin where annual rental growth is well into double digits and accelerating,” says CoreLogic research director Tim Lawless. “At the other end is Melbourne and Sydney where rents are down over the year.”

Quote of the Week

“It has surprised me that it has taken this long for new listings to get to this above-average level. But it’s happening at a time when buyer demand is also at really high volumes.”

CoreLogic head of research Tim Lawless



Listings Fall, Despite Sellers Surge

Despite new sellers coming into the market in record levels this month, the number of homes available for sale has fallen to a decade low, with buyers still outpacing sellers.

CoreLogic data shows about 145,000 properties are available for sale around the country, the lowest number since 2010. This is despite new listings for the month being the highest since the peak of the market in 2017.

Confidence is spreading through the market nationwide after eight consecutive months of price rises, says CoreLogic’s Tim Lawless, with house prices rising by at least 5% in most market jurisdictions across Australia in the March Quarter.

The number of home sales for the first quarter of this year was 22% up on last year. Regional Australia is still performing at a stronger rate than capital city markets.

“I think we’ll gradually start to see that ratio of sales to new listings reducing - which means we’ll probably start to see the rise in overall stock levels progressively, which is a very healthy thing,” Lawless says.





Tassie Economy Leads, WA Rises

CommSec's State of the States report has ranked Tasmania the nation's best-performing economy for the fifth quarter in a row, the ACT remains in second spot.

CommSec economist Craig James says Tasmania and the ACT have "solidly held" their top positions and are expected to stay there in coming months.

The report shows little to separate the five other major economies, with the Northern Territory still in eighth spot, although it has improved.

Western Australia is the most improved, leaping from joint sixth position to third, with mining and home building providing significant momentum.

Victoria has slipped from third position to fourth but remains the strongest for construction work and also jumped to the top spot for home lending.

South Australia is in fifth spot, followed by Queensland, then NSW, where annual population growth is at its slowest rate in 25.5 years.

Stockland Sees Ongoing Buyer Demand

The country's largest property developer says demand for new dwellings is more widespread than that generated by government stimulus measures.

Stockland chief executive Mark Steinert says the company had come through the worst of the coronavirus crisis and expects the current strong buyer demand to continue.

"Importantly, as the economic and business environment has improved towards pre-COVID levels, industry support measures such as the Commercial Code of Conduct and HomeBuilder concluded at the end of the quarter without any evidence of adverse outcomes," Steinert says. "There's a lot of owner-occupier demand and first-time buyer demand that ultimately ended up being deferred and it's that demand that really got stimulated by HomeBuilder." Stockland expects to settle 6,300 homes this financial year after a strong March Quarter result of 1,891 lots, up 69% on the same quarter last year. Steinert notes "the best affordability in all the key markets that we've seen in a decade."

No Tax Changes Expected In Budget

With a pre-election Federal Budget looming, property investors are confident tax measures won't be changed.

While Federal Opposition Leader Anthony Albanese looks set to press ahead with changes to negative gearing and capital gains tax, despite these being considered the policies that lost Labor the 2019 election, the Federal Government is expected to remain in favour with investors on Budget night on 11 May.

"Parties don't mess around with property and tax pre-election," says Right Property Group's Viktor Kumar. "If they do, they get annihilated at the election."

The link between a strong property market and economic recovery is also tipped to play on the minds of Josh Frydenberg and Scott Morrison ahead of Budget night.

In a recent Budget submission, the Real Estate Institute of Australia says negative gearing and capital gains tax on property investments should be retained in their current form.

