

The Week In Real Estate



2021 Made Us Wealthier Than Ever

Australians became richer than ever in 2021 with household wealth increasing by 20% despite the Covid impacts.

Household net wealth rose to its highest ever level in 2021 mainly as a result of an improved stock market, growing property prices and lockdowns reducing household spending.

Plenty of records were broken in 2021. Employment-to-population ratios climbed to 63% - the highest since records began - while unemployment fell to 4.3% in November, the lowest rate since the peak of the mining boom in 2008. All indications are that unemployment figures will continue to tighten in 2022. Farmers in some regions are having their best year on the land in decades with the total value of agricultural production set to hit \$78 billion with wheat, cotton, wool and cattle prices all up.

The number of business registrations in Australia also grew by 30% while wages are on the way up as economic growth is expected to grow at a faster pace than it has in 25 years.



House Prices Outpace Wages Growth

The real growth in wealth in Australia in 2021 has been in house prices, which are now ten times higher than the average wage.

While increased price growth is good news for property owners, it's not so rosy for first-home buyers trying to save a deposit.

REA Group PropTrack analysis of Australian Bureau of Statistics data shows average annual earnings in Australia are \$69,862 while the median house price in capital cities is \$771,000 – 1,104% higher than wages (although the median price in the regions is \$540,000). PropTrack economist Anne Flaherty claims it's now nearly impossible for a single-income household on an average income to buy a home.

"For the single-person household, that ability to save a deposit has just become incredibly difficult without looking to the bank of mum and dad, for example," Flaherty says.

The increase of the buffer rate at which mortgages are assessed (to 3% above the current mortgage rate) is also keeping some out of the market.

Quote of the Week

"In some areas of Australia, particularly the smaller markets, it will be well-nigh impossible to find a home to rent in 2022."

Domain chief of research Nicola Powell





Spending Increases As Lockdowns Fade

While 2021 may have been the year of saving, Australians did start to loosen the purse strings a little by the end of the year. Lending for mortgages hit record levels in November while credit card lending also increased, according to the latest APRA data.

Home loans to owner occupiers increased by \$11.2 billion while lending to investors rose by \$2 billion. At the same time credit card lending rose by 6.3% (\$1.7 billion) in November.

APRA says it is watching carefully as debt-to-income ratios rise but says it won't implement any new measures to cool lending until it gauges the effect of its move late last year to increase the interest rate buffer.

ANZ lending to owner occupiers dropped 0.44% to \$1.74 billion between November 2020 and 2021. But Macquarie owner-occupier mortgages increased to \$447 million compared with the same month in 2020, while CBA wrote \$3.33 billion in new owner-occupier mortgages and Westpac \$2.54 billion.



Dream Of Ownership Still Alive

The Great Australian Dream of home ownership is alive and well with a new survey revealing it is one of the most common New Year's resolutions for 2022.

Prices may have taken off in 2021 but plenty of Aussies still want to get their foot on the property ladder, according to financial comparison site Canstar.

Its survey found many participants made a New Year's resolution centred around money, with 21% wanting to buy a home as the second most popular resolution. The most popular resolution of the 2,124 participants surveyed was to save money.

The third most popular resolution was to buy an investment property, with 10% of participants saying this was their major goal for 2022.

Canstar finance expert Steve Mickenbecker says the results show that not even high property prices can dampen the Australian obsession with property.

Rental Scarcity Tough On Tenants

Landlords are tipped to reap the rewards of continued tight vacancy rates throughout Australia in 2022.

Domain's monthly Rental Vacancy Rate report reveals the number of properties available for rent increased slightly in December but it remains incredibly low. The national vacancy rate is down from 2.4% in November 2020 to 1.7% (3% is considered a balanced market).

With January considered a busy time for renting, Domain chief of research Nicola Powell says vacancy rates will continue to decline.

"It means that in some areas of Australia, particularly the smaller markets, it will be well-nigh impossible to find a home to rent in 2022," she says.

The number of properties available for rent dropped to just 37,000 in December 2021 – 31% down on the same time 12 months earlier. Hobart has the tightest vacancy rate of 0.3%, followed by Adelaide, 0.4%, Perth, 0.6%, Canberra, 1%, Brisbane 1.3% and Darwin 1.3%.

