

The Week In Real Estate



Politicians Must Address Rent Crisis

With residential vacancy rates at an all-time low and rents rising, the property industry has called for whichever party wins government to address the rental shortage crisis.

Property Investment Professionals of Australia (PIPA) chair Nicola McDougall says vacancy rates are at 16-year record lows as a result of below-average investor activity in the past five years.

CoreLogic analysis shows investors accounted for 32.6% of mortgage demand by value in January 2022, up from a recent record low of 22.9%, but still below the decade average of 34.9%.

McDougall says the main reasons investors have not been buying is because of the lending restrictions imposed by banks and other disincentives by state and federal governments. "It's not enough for political parties to simply offer piecemeal funding for affordable housing when there is currently a critical undersupply of rental properties that was written in the cards in 2017 when lending restrictions came into play," she says. She called for sustainable policies to increase the supply of rental properties.

Quote of the Week

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Australia Tops House Price Growth

Australian house prices grew faster than anywhere else in the world in 2021, according to new data from Knight Frank.

Its Global House Price Index shows that house prices across the world increased at their fastest rate in almost 18 years, up by an average of 10.3% in 2021. Australia had the highest rate of real annual price growth, with an average 17.5% growth.

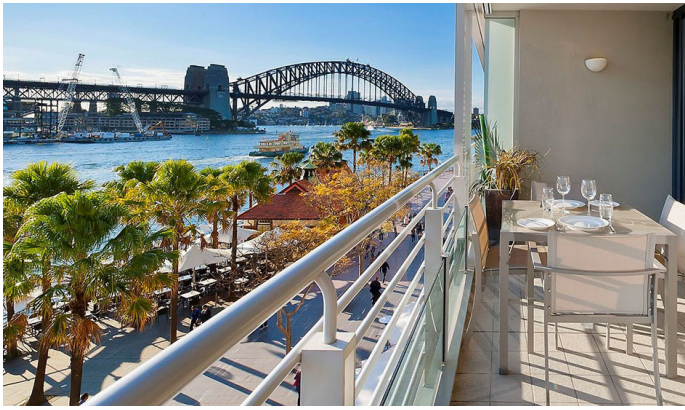
The report on 56 international housing markets tracks unadjusted values as well as "real" values with inflation accounted for in local currencies.

The top five countries for price growth in 2021 were; Australia, Turkey, New Zealand, Czech Republic and Slovakia.

Only Malaysia, Malta and Morocco experienced a decline in nominal house prices in 2021.

"The 10 markets that have witnessed the strongest increase in house prices since the start of the pandemic are largely developed markets where governments stepped in to support economies, and in some cases, housing markets via mortgage holidays or subsidy programs," it says.





Inner City Demand Ramps Up

The opening of international borders and return of overseas students and migrants is already having an impact on Australia's rental market and property prices. Demand for inner city apartments in Sydney and Melbourne in particular have increased, as have rents.

Analysis by PropTrak, the research arm of realestate.com.au, shows increasing demand in the Melbourne and Sydney CBD and Inner South markets.

Inner city rents fell during the pandemic due to a lack of migrants and students when international borders were closed. As a result, rents in Melbourne CBD apartments dropped by almost 30% and in the Sydney CBD by 13%.

The PropTrak analysis shows the number of people from overseas searching for rentals in the Sydney and Melbourne CBDs is now back to pre-pandemic levels. Australian Bureau of Statistics figures show 28,000 international students arrived in Australia in January 2022 compared with 360 in January 2021.

At the same time almost 15,000 expats and 8,000 permanent migrants arrived.

HIA Calls For Affordability Measures

Housing affordability needs to be addressed in a meaningful way during the federal election campaign, according to the Housing Industry Association.

Managing director Graham Wolfe says all parties need to present a clear plan on how to help reduce the cost of housing, particularly new dwellings. HIA's election imperatives address nine key areas that impact housing supply, land supply, social housing, rental housing, population and immigration, taxation, skills and business red tape.

"HIA has long argued that getting people into their own home is one of the best things a government can do for the national economy," he says.

"It provides financial security for individuals while providing a positive effect on the wider Australian economy."

Research commissioned by the HIA shows the majority of Australians want to own their home, although many are pessimistic about whether it will happen.

"The research also found that voters in this election put home ownership among their top three priorities, after cost of living and health."

Auction Activity Lifts In Major Cities

There appears to be no slowing of the Australian auction market, with record numbers of properties being offered under the hammer in capital cities.

Real Estate Institute of Victoria figures show about 2,000 homes were offered at auction in Victoria last week.

REIV president Adam Docking says there's still a lot of strength and confidence in the market, although things might slow a little in the lead-up to the Federal Election.

"We're seeing multiple bidders on properties, which is a good sign that even with the increased volume, there's still the demand to meet it."

Across Australia 3,983 homes were offered for auction with many capital cities experiencing their busiest week of the year. Nationally the clearance rate was 69%.

Adelaide had the highest clearance rate of 83%, followed by Canberra, 73% and Brisbane, 70%. Melbourne's clearance rate was 69%, while Sydney was 65% which may have been affected by severe weather conditions across parts of the city.

