

The Week In Real Estate



Supply Of Rental Homes Halves

The number of homes available to rent has more than halved from the numbers available just two years ago.

Domain's Rental Vacancy Rate Report shows the number of vacant rental properties in capital cities dropped a further 5.4% last month to hit a new historic national low, which is 54% below what it was in May 2020.

Vacancies ranged from a critical 0.3% in Adelaide to a still low 1.6% in Melbourne. Hobart's vacancy rate is just 0.4%, Brisbane is 0.6% and Sydney 1.4%.

RentRabbit's Ben Pretty says many people are struggling to find somewhere to live.

"That rock-bottom vacancy rate is making it an incredible struggle for so many people at the moment," he says. "We have one woman in Sydney who's been living somewhere with a mite infestation and mould everywhere, but she can't move out as she'll be homeless."

He says the low vacancy rate means some investors aren't bothering to maintain their properties or are raising rents to unjustified levels.

Quote of the Week

"The current conditions bolster the likelihood of future rent increases and could see lower vacancy rates remain in the coming months."

Domain chief research analyst Nicola Powell



Rents Up 20% In Some Cities

The rental crisis isn't likely to be solved anytime soon, according to Finder.com.au.

Finder's Rebecca Pike says an increase in rent prices is adding to the already high cost of living, with most tenants experiencing a rental increase in the past 12 months.

CoreLogic figures for April show median weekly rents throughout Australia are 9% higher than they were at the same time last year. Rents in Brisbane are up the highest with an 11% increase in the past 12 months for houses.

However, SQM Research figures show much higher rental increases, with three capital cities up 20% in the past year.

Domain's Nicola Powell says rents are likely to rise sharply in the coming months as a result of further drops in vacancy rates.

"The current conditions bolster the likelihood of future rent increases and could see lower vacancy rates remain in the coming months," Powell says.

Domain says there are only 19,715 vacancies across capital city markets at the moment.





Results Varied In Different Markets

The Reserve Bank of Australia says housing market conditions have become more varied across the different Australian markets in the past couple of months.

The RBA Board says prices, auction volumes and clearance rates have dropped a little in Sydney and Melbourne - but in most other capital cities and in regional areas prices continue to grow as a result of high demand and a shortage of supply.

“Growth in advertised rents had also been particularly strong in these parts of the country, consistent with very low vacancy rates,” the RBA Board says.

With the further lifting of the cash rate this week, it's more important than ever that property investors do their research to secure assets which are going to increase in value to hedge against inflation.

Many “mum and dad investors” have done quite well in the past two years, the RBA says, with substantial increases in their home equity and significant rent increases as a result of a tight rental market.

RBA Lifts Official Rate To 0.85%

The RBA announced a 0.5 percentage point increase in the cash rate this week to bring it to a still low 0.85%.

The move is aimed at regaining control of inflation which economists expect will near 7% by the end of this year.

Inflation is set to rise as the energy crisis continues driving up power on the east coast of Australia and petrol prices continue to climb to beyond \$2 a litre.

This week's rise is the second consecutive increase which has lifted the cash rate from a record low of 0.1%.

Finder's Graham Cooke says the rise will cost the average Aussie mortgagee about \$1,900 a year.

“The average homeowner will see their monthly repayments rise by \$159 – equivalent to \$1,907 per year from this increase alone,” he says.

Mortgage Choice's David Zammit says the RBA has sent a clear message it is on a path towards normalising monetary policy and further rate rises may be required.

Market Revives With Election Over

While the Federal Election announcements of new housing policies may impress home buyers, real estate agents don't believe residential property prices will be impacted by what is on offer.

Industry experts says that, with the election now over, the market is back to a normal routine with plenty of potential buyers turning up to open houses and auctions.

Industry leader Dan White says real estate markets work on confidence and, with the uncertainty of the election out of the way, markets will return to normal.

“On the basis that there will be no more shocks, the market has settled down,” he says. “I see no reason for the outlook to change.”

Real estate identity John McGrath expects an increase in listing activity now the Federal Election is over.

Simon Pressley of Propertyology says the housing policies announced during the election were “boring” but that was not necessarily a bad thing. “Really, the more boring the better,” he says.

