

The Week In Real Estate



Prices Up 27% Despite Downturn

Australian property prices remain well above 2020 levels despite some recent softening in the market. According to Domain's End of Year Wrap, house prices across the combined capitals have fallen 4.9% from their peak in March 2022 but are still 27% higher than mid-2020.

The combined regions have performed even better, remaining 30% higher during the same period. Domain chief of research and economics Nicola Powell says it is inevitable there would be some adjustment to prices in 2022 but it hasn't resulted in massive price drops.

On a capital city basis, Hobart and Adelaide prices are still 47% higher, Canberra is 41% higher and Brisbane 36%.

Darwin is 30% higher, Perth 22%, Sydney 29% and Melbourne 17%.

"History tells us that, in the last 30 years, the duration and steepness of an upswing are longer and greater than a downturn, supporting the idea that it's not timing the market, it's the time spent in the market that counts," Powell says.

Quote of the Week

"History tells us that, in the last 30 years, the duration and steepness of an upswing are longer and greater than a downturn, supporting the idea that it's not timing the market, it's the time spent IN the market that counts."

Domain chief of research and economics Dr Nicola Powell



Dwelling Rents Rise 24% In 2022

There is still little relief in sight for renters, with new figures showing the national vacancy rate remained at a record low of 0.8% in November.

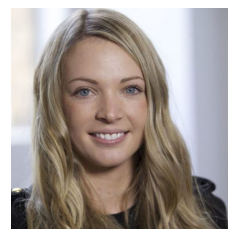
According to Domain data it was 1.5% at the same time last year and chief of research Nicola Powell warns it will not improve anytime soon.

Despite some minor seasonal increases in vacancy rates, Powell says there are only 20,320 vacant rental properties, 47% less than at the same time last year.

"We still have a landlord's market across Australia and in every capital city," she says.

"We're nowhere near providing alleviated conditions for tenants. While we see that small seasonal lift in rentals, we also see a higher level of people looking for a rental. It is a drop in the ocean compared to what we need."

In November, Melbourne vacancies dropped to 1.1%, Sydney was 1.1%, Perth and Adelaide had the lowest vacancy rate of 0.3%, Hobart 0.4% and Canberra 1.2%.





Big Property Deals Keep Coming

Fewer properties may have sold in 2022 but that hasn't stopped plenty of big-ticket transactions going ahead.

The latest Best of the Best report shows there were 535,000 property sales in the past 12 months.

CoreLogic head of research Eliza Owen says that compares to the 620,000 properties sold during the first year of the pandemic.

She says there were many high-end sales in the past year with the top ten sales totalling \$386.3 million, with seven of those sales in New South Wales.

The most expensive sale in Australia during the year was in Wentworth Road, Vacluse, with a house selling for \$62.75 million in February.

Other sales to make the top ten were a home in Orrong Road, Toorak, which sold for \$38.5 million; a property in Arakoon Crescent, Sunshine Beach, which sold for \$28.5 million; and another in Noosa Parade which sold for \$27 million.

Bingara in the New England region of NSW recorded the highest growth for houses nationally of 36.2%.

Prices To Grow In New Year

Property prices are predicted to grow again in 2023, with signs the current decline in the biggest cities is already slowing.

CoreLogic head of research Eliza Owen believes the market overall may have already moved past the peak of price drops in the big cities.

"As we move into 2023, there continues to be a mix of headwinds and tailwinds for housing market performance," Owen says.

"With expectations that the bulk of the rate-tightening cycle occurred in 2022, housing value declines could find a floor in the New Year."

CoreLogic economist Kaytlin Ezzy says it's unlikely markets will fall below the levels recorded at the beginning of Covid, while some locations have continued to deliver good growth in 2022.

"Adelaide suburbs dominated the list for strongest annual appreciation in value across both property types, with house values across Davoren Park rising by 34.7% and unit values in Seacliff Park 41.4% above the levels recorded this time last year," Ezzy says.



Investor Pause Maintains Crisis

With Australian Bureau of Statistics figures showing lending to property investors is down by 15.3%, it is unlikely there will be dramatic changes to the current rental crisis any time soon.

It appears high rents have not been enough to encourage investors back in big numbers, after many sold out of the market to take advantage of big capital gains during the pandemic buying spree.

Research by investor advocacy groups, including Property Investment Professionals of Australia, has shown that many are nervous about re-entering the market because of increasing government regulation around tenants' rights.

Rising interest rates may also have had an impact on the borrowing capacity of investors, but aside from these concerns all the stars should be aligning for investors. Rents are continuing to rise, vacancy rates remain at historic lows and prices are lower in some markets.

Demand for property is also expected to increase substantially within the next year as Australia lifts its levels of overseas migration and foreign students return.

