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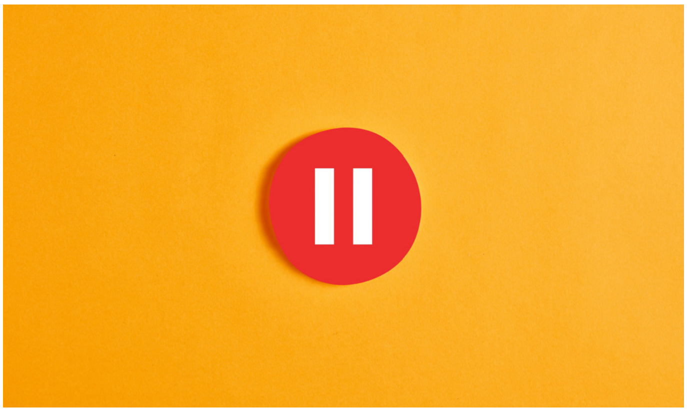
The Week In Real Estate



RBA Hits Pause

The RBA on Tuesday left its cash rate target at 3.60%.

The RBA said that, while the recent rate hikes had put some pressure on the economy, they were necessary to contain inflation, adding that further increases may be needed in the future.

"The Reserve Bank Board judged that, with inflation likely to be consistent with the target over time, it was prudent to leave the cash rate unchanged for the time being," Governor Philip Lowe said in a statement.

"The Board will continue to monitor developments in the labour market and inflation, and is prepared to adjust policy if needed to support sustainable growth and the achievement of the inflation target over time."

The central bank has lifted the cash rate by 150 basis points since May, its longest period of consecutive hikes in a decade.

The moves have been made in response to the strong economic growth and tightening labour market, which have pushed up wages and inflation.

Surging Immigration = Housing Shortfall

The National Housing Finance and Investment Corporation (NHFIC) has warned of a worsening housing crisis in Australia over the next 5 years, with a predicted shortfall of 106,300 homes by 2027.

This is due to surging population growth, rising borrowing costs and reduced supply, which is expected to reduce the net supply of new houses to 138,100 homes annually over the three years to 2025.

In response, the federal government had proposed a $10 billion Housing Australia Future Fund to create 30,000 new social and affordable homes over five years, however this plan has been shelved due to opposition from the Greens and Independent Senator David Pocock.

Unless an alternative solution is found, the housing crisis in Australia is set to worsen.

Over the five years to 2027, NHFIC forecasts a national shortfall of 62,300 apartments and medium-density dwellings, and a shortfall of 44,000 detached homes.

Quote Of The Week

"If the RBA does pause in this coming meeting or the one in May, I have no doubt the housing market will go into firm recovery for the remainder of the year".

Louis Christopher - SQM Managing Director

Home Prices Up in March

CoreLogic's Home Value Index reported a 0.6% monthly rise in March, the first month-on-month rise since April 2022.

Low advertised stock levels, tight rental conditions and overseas migration have been cited as factors placing upwards pressure on home prices.

Since September of last year, the number of new listings has remained below the average.

Every capital city, with the exception of Hobart, has seen a total advertised listing count lower than the five-year average.

All five of the largest capitals have also seen a total listing count lower than the same time last year.

As is typical for this time of year, new listings are likely to remain low throughout the cooler months before increasing in the spring.

Despite the low levels of advertised supply, estimates for purchasing activity rose in March.

The 10.4% month-on-month increase is smaller than the usual seasonal increase for this time of year, but it was still the highest since May of last year.

Best Time to Invest in Apartments

Now could be the best time in years to invest in an apartment, as purchase prices are softer and rental demand is skyrocketing.

A growing number of Australians are choosing to live in apartments due to convenience, lifestyle benefits, and capital gains.

Rental markets are very tight across Australia, with the rental vacancy rate sitting at just 1.5%.

Rents are growing quickly and landlords have little risk of their property sitting idle. PropTrack's Home Price Index showed apartment prices fell by 1.9% in February, so it's a great time for investors to bag a bargain.

Price increases due to inflation, labour and materials are also making apartments a more economically sound option, with empty-nesters, foreign students and downsizers all favouring their low-maintenance.

The re-opening of the international border is also providing an influx of renters looking for inner-city accommodation.

One of the other major factors highlighted as a catalyst for investors to swoop in is the increasing price of overheads faced by developers.

House Prices To Boom In 2024

The housing market in Australia has been a source of much speculation over the past few years, with house prices rising and falling in a seemingly unpredictable cycle. However, the signs for 2024 point to a promising future, with a number of factors lining up to indicate a potential house price boom.

Low interest rates from the Reserve Bank of Australia, the removal of the 3% mortgage buffer from the Australian Prudential Regulatory Authority, rapid immigration, and a tightening of the rental market due to a decrease in housing construction all suggest that the market is poised for a surge in demand.

The only thing that could hold back this surge is the high mortgage rates and their impact on borrowing capacity, but should this be addressed, the conditions are ripe for a new house price boom in 2024.

The signs are certainly positive and those looking to either buy or sell a home in the near future should be optimistic.