

The Week In Real Estate



Price Downturn Over

The property price downturn appears to be over, according to leading market analysts.

CoreLogic and SQM Research say the decline is over and prices are set to rise again.

According to CoreLogic's Eliza Owen the market likely hit bottom in early March.

"A record return in overseas migration was unexpected, and it has left housing demand far outstripping supply, which has contributed to the start of a more sustained upswing in value", Owen says.

SQM Research managing director Louis Christopher says auction markets are improving and the fact that vendors are increasing their asking prices shows the markets are heading up from the bottom.

"I believe the worst is over for the Sydney and Melbourne markets", Christopher says.

"We've still got inflation out there and housing historically has been a good hedge against inflation. We've also got record population growth, so we're seeing a surge in underlying demand for accommodation".

CoreLogic's daily dwelling values index has rebounded 1.3% since early February.

Quote Of The Week

"A record return in overseas migration was unexpected, and it has left housing demand far outstripping supply, which has contributed to the start of a more sustained upswing in value"

Eliza Owen – Head of Residential Research CoreLogic

Unemployment Still Low

Australia's unemployment rate remains low at just 3.5% according to the latest Australian Bureau of Statistics figures.

The March figures show that despite a 53,000 person rise in employment and 1,600 person drop in unemployed people, the rate is still near its 50-year low.

ABS head of labour statistics Lauren Ford says the figures show why so many employers are still struggling to fill vacancies.

"Over the past 12 months, hours worked has increased 5.5%, outpacing the 3.3% increase in employment," Ford says.

She says the current underemployment rate also remains 2.5 percentage points lower than before the pandemic.

The figures show 68.2% of employed people were full-time workers just prior to the pandemic, but that figure in March reached 70.1%, similar to the rate a decade ago.

There has been strong growth in the employment of women in the past two months, with an increase of 81,000 workers with their employment-to-population ratio now at a record high of 60.4%.





Construction Costs Easing

Home building costs are finally starting to ease, with new figures showing the pace of price growth has slowed to a two-year low.

The latest Cordell Construction Cost Index shows the cost of building a new home only increased by 0.9% in the March quarter - much less than the 1.9% increase in the previous quarter.

Queensland had the highest quarterly cost growth of 1.2%, followed by South Australia and Western Australia with growth of 0.9% each the lowest quarterly gain since March 2021.

CoreLogic construction cost estimation manager, John Bennett, says timber prices have softened although the cost of bulk materials increased in the past quarter as a result of rising fuel costs.

"There is still instability in the market, particularly with structural timbers and pricing for metal products is increasingly volatile across various products," he says.

It's believed weaker demand, due to project cancellations or delays, has resulted in a softening of price growth.

Change To Australia's Biggest Capital

Sydney has long held the honour of being Australia's biggest capital city, but a boundary change has now handed that title to Melbourne.

The Australian Bureau of Statistics uses a variety of methods to calculate urban population including the Significant Urban Area classification which includes contiguous urban centres with more than 10,000 people.

An update to geographical boundaries after the 2021 census changed Melbourne's Significant Urban Area to include the district of Melton.

The change increased the population of Melbourne to 4,875,400 in June 2021 which is 18,700 more than Sydney.

Greater Sydney still beats the Greater Melbourne region in terms of population but with Melbourne population growing faster than Sydney's it is not expected to hold that title for much longer.

ABS demographer Andrew Howe says Melbourne's boundary change is the result of rapid population growth on the city's western fringe. "The 2021 census told us that Melton and the rest of Greater Melbourne was now, statistically, one contiguous area," he says.



Auction Market Powers On

Auction activity remains strong throughout Australia following a pause in official rate rises.

According to PropTrack's Cameron Kusher the halt in interest rate rises may have instilled confidence in buyers.

"You still really do have that challenge that there isn't a lot of stock available for sale and if interest rates are on hold and prices are rising, it will start to give people a bit more confidence that we're very close to the top," he says.

Ray White Managing Director Dan White says buyers have already shown they are more confident in the market.

He says vendors are now returning to the market which should alleviate some of the issues caused by the shortage of properties listed for sale in recent months.

"It has started to change in last few weeks and after Easter, with vendors more confident in what they're seeing," White says.

Last week there were 764 auctions in New South Wales, 766 in Victoria and 129 in Queensland.

