

The Week In Real Estate



Property Wealth Doubles

The property boom is set to deliver millionaire status to many more Australians within the next five years.

We are set to create 1.5m more millionaires in the next five years, according to the latest update to Knight Frank's Wealth Report.

It says after a short period of decline, property values across the country have bounced back, boosting the wealth levels of owners.

Knight Frank head of residential research Australia, Michelle Ciesielski, says a large contributor to the top one per cent wealth level doubling in Australia over the past two years has been prime residential property performance.

She says it has been resilient despite the rising cost of finance.

The report says Australia's wealthy populations are set to achieve further growth in the next five years.

It says the number of high net worth individuals, those with more than \$1.5m, will grow by 71.1%.

Growth of the wealth of high net worth individuals is growing at 2.5 times the pace it was over the previous five years since 2017.

Quote Of The Week

"Units are becoming more attractive as buyers make compromises over space for location."

Cate Bakos - President of the Real Estate Buyers Association Australia



Houses Or Units?

Units are once again becoming an appealing investment option according to the President of the Real Estate Buyers Association Australia.

Cate Bakos, says the rising cost of credit and the fact that affordable housing is now well outside of CBDs, meant that units are in the sights of investors again.

She says the reduction in spending capacity is having a direct impact on consumer choices, as interest rates soar and limit the budgets of property buyers and investors, forcing them to look toward the unit market.

"Units are becoming more attractive as buyers make compromises over space for location," she says.

Bakos says household sizes have reduced in recent years as well, leading to more demand for smaller units.

She says while Covid created a spike in demand for houses, more generally shrinking average household sizes are more conducive to apartment living than in previous decades.

Also, according to Bakos the ratio between house and unit prices has widened, making apartments a more affordable option.





Australian Population To Explode

Australia's population is tipped to grow by 13.8% between 2021 and 2030, according to a report from global real estate firm, CBRE.

It says the surge in population, which will be driven in part by migration, will increase demand for all types of real estate including residential, commercial, office and industrial.

This demand will lead to higher rents for all property classes.

The report says population growth is one of the biggest drivers of vacancy and rental growth in both commercial and residential property and that with Australia having the second highest population growth rates of the developed world means prices will increase.

"This will drive significant demand for housing," the report says.

The current rate of population growth is equivalent to adding an additional 4.43 million people to the population.

Analysts believe this surge in population at a time when supply of new housing is low, will lead to overcrowded housing, soaring rents and increasing homelessness.

Dream Life Over Dream Home

The Australian dream of owning a home may finally be dwindling with new analysis showing Aussies are keener on a dream lifestyle.

Insignia Financial's, Financial Freedom Report, shows home ownership has slipped down the list of financial priorities.

More than half (55%) of respondents now rate their top priority as financial independence.

This includes having enough passive income to cover daily expenses and the freedom to achieve their ideal life.

About half of those surveyed were also keen to prioritise taking a regular holiday.

Insignia financial chief executive Renato Mota, says Covid-19 and increasing cost of living pressures have changed people's outlook.

"It's clear Australians have changed their priorities in life from the traditional dream of owning a home to living their dream lifestyle, which, is under pressure from the current economic climate," he says.

Gen Z are most likely to put owning a home as a top financial priority while Gen Y put good work life balance as their top priority.



Auctions Hit 15-Month High

Auction clearance rates have hit a 15-month high, with 75% of properties selling under the hammer last week.

CoreLogic figures show the combined capital cities had a clearance rate of 75.3%, up from 70.7% on the previous week.

Sydney had the highest auction clearance rate last week of 78.2% followed by Adelaide, 78%, which is always a strong performer.

Melbourne had a preliminary clearance rate of 74.4%, while Canberra was 76.9% and Brisbane was 63.4%.

Perth had only 19 scheduled auctions and seven of the 13 results reported sold.

AMP Capital chief economist Shane Oliver has warned that the RBA will be nervous about the property market continuing to perform so well.

He says people tend to spend less when house values are falling which helps dampen inflation.

"A strong property market would worry the central bank," he says.

"They want to slow the economy down and they're partly relying on lower wealth – lower property and share market wealth – to do that."

