Edwards Windsor
(03) 6234 5500
Level 2, 89 Brisbane Street,
Hobart TAS 7000
reception@ewre.com.au
www.ewre.com.au

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The Week In Real Estate

Unit Undersupply Continues

A severe undersupply of apartments is expected to push up rents in 2024, particularly in inner city areas, according to a new report.

The CBRE report says 570,000 apartments are needed over the next three years across Australia's capital cities, but only 55,000 apartments are being built each year.

Melbourne is tipped to have a 23,800 shortfall in units next year, Sydney will be undersupplied by 18,800 units and Brisbane will be 12,100 short.

The report predicts Perth will have 10,500 less units than it needs and Adelaide, 4,100.

The report suggests the shortage will translate to price increases of up to 13% in parts of western Sydney and 10% in northeast Brisbane.

It also forecasts rent rises of about 9% in inner city markets in Sydney, Melbourne, Brisbane and Perth.

CBRE Pacific head of research, Sammer Chopra says vacancy rates in unit markets in most precincts around Australia will reduce by between 0.2% and 0.5% in the next 12 months.

Prices To End Year On High

Home prices are tipped to be up by the end of 2023 with PropTrack data predicting national property prices will increase by between 2% and 5%.

It says prices are already up 2.3% for the first six months of the year and it expects almost every capital city (with the exception of Hobart and Darwin) to record positive price growth over the remainder of the year.

Hobart prices are predicted to drop by between 3% and 6% while Darwin prices are tipped to drop by 3%.

Perth is expected to be the strongest growth performer with PropTrack saying its prices should increase between 4% and 7% by the end of the year.

It says Sydney and Adelaide are both likely to increase by between 3% and 6%), and Brisbane will be up by between 1% and 4%.

Melbourne is forecast to change between a 1% fall and a 2% increase.

Cameron Kusher of PropTrack says limited supply will drive price growth.

Quote Of The Week

"In 2020, 67 per cent of people thought regional living would give them more time for themselves. In 2023, this jumped to 74 per cent."

RAI CEO Liz Ritchie

Rate Pause Lures Buyers

The pause in interest rate rises has lured more buyers into the market according to CoreLogic.

It says the number of buyers is keeping pace with the supply of homes offered for sale, even as the trend in new listings rises.

The months of supply, which measures the number of listings against the estimated number of sales, has fallen to 1.7 months nationally, which is down from 2.1 months in February and lower than the decade average of 2.4 months.

CoreLogic Research director Tim Lawless says this means the measure of supply versus demand remains well below the long run average.

"Although the trend in new listings has been rising, the total listing trend has held reasonably firm across most cities. At the moment it seems like the extra supply coming on the market is being absorbed."

Even though supply is starting to increase, property prices are still on the rise with national dwelling values up by 0.7% in July.

Distressed Listings Drop

Despite speculation of massive levels of distressed sales as a result of interest rate rises, the number of distressed listings has actually dropped.

SQM Research figures show distressed listings fell by 1.% to 5335 in July.

Economists are predicting the constant interest rate rises may finally be coming to an end after the RBA left rates on hold for the second consecutive month.

The Commonwealth Bank, Westpac and ANZ are all predicting no further rate rises, while the National Australia Bank believes there will be another lift in November.

Barrenjoey chief economist Jo Masters says the RBA's monthly statement suggests that the board believes there is sufficient tightening already in the system to lower inflation to the target band by mid-2025.

"We think the RBA wants to be done and it would take an accumulation of data surprises to force a dovish board back to the table. Meetings are still live, but the onus is on the data and the bar is high," she says.

Rent Control Won't Work

Rent control is not a solution to the current rental crisis, according to a leading academic.

Professor with the school of banking and finance at UNSW, Peter Swan, says rents are high and vacancy rates are low and the increased international migration numbers this year are set to make it even worse

He says not surprisingly, the Greens have come up with an "exceedingly anti-market solution" to the problem - rent control.

"They propose a two-year rent freeze and action to stop 'ruthless landlords, dodgy real estate agents and big investors' to boot tenants out for no good reason," he says.

Professor Swan says State Governments are also threatening the same, but history shows it won't fix the issues.

He says rent freezes, mean many "mum and dad" landlords have no option but to sell their properties, putting evicted tenants back into a tighter rental market.

Analysis of rent control in San Francisco shows it resulted in a 15% reduction in rental supply.