



# The Week In Real Estate

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## Homeowners \$300,000 Richer

The majority of vendors did extremely well in 2023, with new data showing residential property sellers achieved nearly \$300,000 in gross profits in the September quarter.

The latest CoreLogic Pain and Gain Report shows the portion of profitable home sales increased in the September quarter, with 93.5% of all sales now achieving a higher price than the property was bought for.

This is the highest rate of “profit-making sales” since the July 2022 quarter.

The September quarter results have CoreLogic head of research Eliza Owen already predicting the December results will also be significant as home values rose by 1.4% in October and November. Adelaide had the highest proportion of profit-making sales with 98.5% of properties achieving a higher price than owners originally paid, followed by Hobart (97.6%), ACT (97.4%) and Brisbane (97.3%).

In Melbourne, 91.3% of sales were for a profit, 91.1% in Sydney, 90% in Perth and 69.7% in Darwin.

The report shows those who sold within three years of buying were more likely to take a loss.

## Cashed-Up Buyers In Market

Australian house price growth exceeded the expectations of many in 2023 and some analysts are predicting the same will happen again in 2024, particularly in the top end of the market.

John McGrath, of McGrath Ltd, says there are plenty of cashed-up buyers with more than \$5 million to spend in the current market. Because they are buying without mortgages, McGrath says the current rising interest rate environment won't affect them.

“They're buying with cash; there is an enormous amount of wealth, and I have no doubt that part of the market will stay in demand,” he says.

“That end of the market is in very good shape.”

Barrenjoey chief economist, Jo Masters, believes many of the big spenders are parents or grandparents looking to transfer some of their wealth while they are still alive. She says there are also more people pooling their resources to buy together meaning each participant is not being overstretched.

This combined with high migration numbers and continuing limited supply are expected to continue to drive up property prices through 2024.



## Quote Of The Week

*“We're still seeing very strong growth in places like Perth, Sydney and Melbourne. So, we're far from out of the woods for renters.”*

PropTrack senior economist Angus Moore



## When Rates Will Drop

The Commonwealth Bank is tipping a drop in interest rates of nearly 1 percentage point by the second half of 2024.

CBA chief economist Stephen Halmarick, believes cuts will start in September 2024, dropping rates to 3.6%.

He also predicts a further 75 basis point drop in 2025 when inflation sits within the Reserve Bank of Australia's target of 2% to 3%. This he says will bring the cash rate back to 2.85%.

"Markets have shifted to our view that the global monetary policy tightening cycle is at an end and that 2024 will see interest rate cuts from some of the major central banks, especially the US Federal Reserve and the RBA," Halmarick says.

Halmarick says the pace of global inflation began to slow in mid-2023 and he expects that to happen even further this year.

In November 2023 the RBA's Statement on Monetary Policy predicted that the level of inflation would fall to 4% by June 2024.

## Values Surged in 2023

After price growth of 8.1% in 2023, Australia's property market may finally become a buyer's market in 2024 – albeit only for a brief period.

CoreLogic Research Director Tim Lawless, says growth will slow in 2024 as listings rise and affordability worsens.

"In the first half of this year, we could see stabilisation if not subtle decline in Sydney's home values and further weakening in Melbourne, Canberra and Hobart," he says.

"I think it will be more of a buyers' market through the first half of the year in those cities, at least until interest rates start to fall."

It may be short-lived though as Lawless says a rate cut in the second half of the year could see prices rise.

He says those considering buying should think about getting into the market earlier in the year for a chance to "buy well."

Throughout Australia home values increased by 0.4% in December, which was the smallest monthly gain since February 2023.



## Rents Keep Rising

Rents are expected to keep rising in 2024, as new analysis reveals tenants are paying up to 11.5% more than they were at this time last year.

Data from PropTrack shows record low vacancy rates are continuing to drive rents up. It says rents in the combined capital cities are up even higher, 13.2%, with tenants paying an average of \$600 a week.

PropTrack senior economist Angus Moore says there are some signs rental increases are starting to slow in some areas.

"But we're still seeing very strong growth in places like Perth, Sydney and Melbourne. So, we're far from out of the woods for renters," he says.

Median asking rents for houses were highest in Sydney at \$750 per week and lowest in Melbourne and Hobart at \$550 per week. The ACT had a median asking rent of \$680 per week for houses, Darwin, \$660, Brisbane and Perth \$620, and Adelaide was \$560 per week.

"Rents have been growing very quickly, and we would expect that to continue in at least the near term," Moore says.