



The Week In Real Estate

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Unit Rents Surpass Houses

The pace of growth of unit rents is starting to surpass that of houses in many capital cities.

The latest Domain Rent Report shows the combined capital cities median unit and house rent prices both came in at \$600 a week, up 20% for units and 9.1% for houses in the past 12 months.

There were five cities that had annual rent increases which were higher for units than houses.

Sydney with a median asking unit rent of \$680 per week is up 17.2% while its median house rent rose 12.3% to \$730 per week. Melbourne's unit rents rose 15.6% to \$520 a week, while house rents rose 14.6% to \$650. Brisbane unit rents rose 16.7% to \$560 per week and house rents rose 9.1% to \$600 Adelaide unit rents rose by 12.5% to \$450 per week and houses rose 12% to \$560. Perth unit rents rose by 18.2% to \$520 per week and houses rose 17% to \$620

Domain chief of research and economics, Dr Nicola Powell, says while the unit market was affordable during the pandemic as people left cities behind that had completely changed in the past year.

First Homebuyers Are Back

Rising rents and tight vacancy rates have resulted in an increase in First Homebuyers, according to Australian Bureau of Statistics figures.

Its latest lending figures show that the number of first-time homebuyers taking out loans increased by 20.3% in the year to November 2023.

ABS head of finance statistics, Mish Tan, says first homebuyer loan commits rose 3.5% during the month of November.

The amount they borrowed to get into the market also rose by 26% in the past 12 months to an average mortgage of \$505,000.

It was the more affordable states, that recorded the largest number of first homebuyer commitments, with Queensland leading the pack in November (10.9% increase in the month), followed by Western Australia (4.7%) and South Australia (3.5%).

The ACT did record a 14.2% increase in first homebuyer loans in November 2023, although the ABS says those figures need to take into account that the market is smaller and more volatile than other States or Territories.



Quote Of The Week

"Conditions in the rental market are unlikely to deteriorate at the same pace as they did in 2022 and 2023, meaning rental prices could stabilise and increase at a slower rate than the past year."

PropTrack Senior Economist, Eleanor Creagh



Where It's Hard To Buy

While there are shortages of listings in many parts of Australia, there are suburbs where no matter where it is in the property cycle it can be hard to buy because owners just won't leave.

According to CoreLogic figures in Sydney, Bonnyrigg Heights is the most tightly held suburb with homeowners keeping their properties for a median of 20.2 years before selling.

Longueville owners stayed put for a median of 17.7 years before selling and in Cabarita in Sydney, they held on for 17.3 years.

In Melbourne, homeowners in Vermont South, in the eastern suburbs, had the longest median hold time of 20.6 years, followed by Caulfield, 20.5 years and Keilor Downs, 19.6 years.

Brisbane homeowners on average were selling their homes after 8.7 years but owners in areas within the western suburbs often kept their properties for twice as long. Middle Park owners stayed put for a median of 19 years while close by in Mount Ommaney it was 18.9 years.



Vacancy Rates Ease

Residential vacancy rates have eased a little in the past month, although still remain extremely low.

New data from PropTrack shows the national vacancy rate rose to 1.12% in December, up 0.05%.

In Perth and Adelaide, vacancy rates are below 1% and at critical levels. Sydney's vacancy rate is now 1.4%, Melbourne 1.2% and Brisbane, 1%. Conditions for renters continue to be tough in Adelaide and Perth, with vacancy rates holding below 0.75 per cent.

PropTrack Senior Economist, Eleanor Creagh, says there was a slight easing in December, but stock is still extremely limited. "Many tenants are likely to be spending an increasing portion of their income on rent, placing pressure on household budgets," she says. Creagh says the small increases in December show vacancy rates are improving.

"Conditions in the rental market are unlikely to deteriorate at the same pace as they did in 2022 and 2023, meaning rental prices could stabilise and increase at a slower rate than the past year."



Medians Have Bounced Back

Price growth in 2023 means Australia has fully recouped any losses from 2022, according to a new report by property analyst Oxford Economics Australia.

It says the national median house price hit a record \$939,000 in December 2023.

Report author Maree Kilroy says total listings for sale are finally starting to lift in Melbourne and Sydney, a trend she expects to continue in the coming quarters. But she says low levels of listings will continue in Perth, Brisbane, and Adelaide, leading to further price growth in those cities.

Kilroy believes predicted interest rate cuts in late 2024, will accelerate broad price growth again and that the pace of unit price growth will be faster than house price growth in the two years to FY2026 as buyers seek out more affordable options.

While gross rental yields have lifted as well as loans to investors, Kilroy says with many state governments increasing charges on residential property investors and targeting the short-stay letting market, she believes the chances of rental supply increasing significantly are low.