



The Week In Real Estate

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Land Prices Rising

The national median price of a residential block of land in Australia reached a record high in the September quarter of 2023 according to the Housing Industry Association.

The HIA-CoreLogic Residential Land Report analysed sales activity in 51 housing markets across Australia and found the median price had hit \$340,000.

HIA Senior Economist, Tom Devitt, says a shortage of lots resulted in prices surging during the pandemic.

Devitt says delivering the infrastructure needed to get more residential land remains a “chokepoint” as developer contribution charges were another issue constraining home building.

“More taxes on supplying new homes means there will be less of it, which is not consistent with the Australian Government’s stated objectives,” he says.

As a result of shortages the volume of lots being sold has dropped to a 20-year low.

“Alleviating the housing shortages in Australia will require a supply-driven approach, and National Cabinet’s ambition to build 1.2 million well-located homes in five years is a step in the right direction,” he says.

Best Picks For FHBs

There are still plenty of locations where first-home buyers can afford to buy under the Federal Government’s Home Guarantee Scheme.

PropTrack economist Anne Flaherty says maybe they can’t afford to buy in their ideal suburb, or as many bedrooms as they initially wanted but in some locations a mortgage is cheaper than renting.

Under the Home Guarantee Scheme, first-home buyers can buy with a deposit as low as 5%. Property prices in the scheme are capped between \$600,000 and \$900,000 in capital cities and some regional centres. Otherwise, other others are capped between \$400,000 and \$750,000.

In Victoria, buyers can use the scheme for properties within Thomastown and Mickleham as well as Altona.

In Queensland, the top picks are Morayfield, Darra, Springfield Lakes and Beaudesert. In New South Wales the best options are in Hamilton or Mayfield in Newcastle or Armidale. Western Australia options are Mandurah, Armadale and Rockingham while in South Australia the best options are Morphett Vale, Salisbury or Parafield Gardens.



Quote Of The Week

“Vacancies were already low to start with due to the ongoing rental shortage, so this renewed increase in demand can only push rents higher at a rapid pace, certainly over the first half of the year.”

SQM Research managing director, Louis Christopher



Grandparents Forking Out For Homes

The bank of mum and dad have long been there to lend a hand to their adult children trying to break into the housing market and now research shows a growing number of grandparents are being called upon as well.

McCrindle Research says grandparents are helping buy or allowing their grandchildren to live with them rent-free to help them save a deposit.

It says 12% of Generation Z buyers received financial support from their grandparents to buy their home while 11% live with them for free or for a reduced rent.

Principal social researcher, Mark McCrindle, says grandparents are increasingly playing a greater role in the lives of their children and grandchildren, particularly for their education and home purchasing. Almost one in five Generation Z had received help from their grandparents to pay for their education.

“As we look to the future and an increasing amount of wealth will be transferred to younger generations, grandparents will see to continue to have a building impact on the financial climate of Australia,” McCrindle says.



Build To Rent Booming

The build-to-rent (BTR) sector has the potential to more than triple over the next three years, according to a new report from Colliers.

The report says the sector could deliver 16,500 units by 2026. It says more than \$5billion in capital was raised in the BTR sector last year.

Colliers predicts the size of projects will increase in the coming years. At the moment the average project has 281 apartments, but it forecasts BTR projects will have an average of 365 apartments by 2028.

Colliers national director of residential capital markets, Robert Papaleo, says there is a critical requirement for institutional investment to help fund such alternative housing models. He says the nature of BTR projects is “maturing” as more institutional investors become involved.

“The urgent need for institutional investment and alternative housing models to provide a helping hand for Australia’s housing crisis has many parallels to the UK’s situation in the early 2010s, ahead of institutionalisation of its now robust Build To Rent market,” he says.



Where Rents Are Highest

Rents are likely to start rising again throughout Australia driven by demand from university students about to start a new school year.

Analysis from SQM Research shows that record high rents mean some landlords have pocketed tens of thousands of dollars more in rent in the past 12 months. SQM Research managing director, Louis Christopher, says there is a renewed tightness in the rental market across the board after easing slightly in December last year.

“Vacancies were already low to start with due to the ongoing rental shortage, so this renewed increase in demand can only push rents higher at a rapid pace, certainly over the first half of the year,” he says.

The national vacancy rate is 1.1%. Adelaide’s vacancy rate is 0.4%, Perth, 0.5%, Brisbane and Melbourne are 1.1% and Sydney 1.3%.

SQM analysis shows in the past month, rents increased by 2.4% in Melbourne, 1% in Sydney, Brisbane, Canberra and Perth and by 0.9% in Adelaide.

Christopher says, “rents are surging just about everywhere”.