The Week In Real Estate

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House and Unit Gap Widens

The price gap between houses and units has widened even further with analysis by CoreLogic showing the difference is 45% higher than it was at the start of the pandemic.

Research director Tim Lawless says rising land values and a scarcity of houses listed for sale, means prices are being driven up by demand in the house market.

As a result, he predicts demand for units will continue to rise in the coming years.

“The house premium rose sharply through the pandemic upswing as more people sought out space and were more willing and able to live further afield in our cities,” he says.

“While we saw the premium contract through the early part of the rate hiking cycle as house values fell more than unit values, across the combined capitals the gap between house and unit values has since rebounded to a new record high as house values once again rise at a faster pace than units.”

The biggest gap was in Sydney (68.4%), Canberra (65%), Adelaide (58.1%), Brisbane (56.3%), Darwin (55.4%), Melbourne (55%), Perth, (49.1%) and Hobart (29.3%).

Building Incentives Needed

The Property Council of Australia (PCA) is calling for the Federal government to double the $3.5 billion incentives it has already offered for states and territories to exceed their housing targets.

In its budget submission, PCA says the extent of the housing crisis requires scaled-up incentives and it wants a doubling of the performance-based New Home Bonus and the $500 million Housing Support Program.

Property Council of Australia Chief Executive, Mike Zorbas, Australia can’t afford for any of the states to miss the housing targets.

“We need to supply more quality homes around job, educational and social opportunities and as close to public transport as we can get,” he says.

“With younger people utilising bespoke student housing to meet their unique needs, and older Australians moving into communities that are proven to keep them healthier and happier for longer and save taxpayers $1 billion a year by delaying their entry into aged care, then we open up the middle market for more Australian families,” he says.

Quote Of The Week

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Property Council of Australia Chief Executive, Mike Zorbas

Price Growth Stars

Forget what you've heard about price growth softening, new analysis by PropTrack shows many locations are still recording high levels of price increases.

It has found 87 suburbs throughout Australia where price growth outperformed neighbouring suburbs in the past 12 months. In most cities, there were locations where prices increased by more than 20% with the largest increases in Perth, Adelaide and southeast Queensland. PropTrack senior economist Eleanor Creagh says the majority of suburbs with the most significant growth were relatively affordable suburbs, which showed how much demand had increased for affordable properties.

In Greater Brisbane, Woodridge (up 24.5%), Runcorn (up 23.4%) and Caboolture South (22.3%) were the best performers. In Perth, Greenfields (29.5%), Kelmscott (28.6%) and Warnbro (27.7%) were top performers while in Adelaide, Elizabeth North (26.7%), Hackham West (21.8%) and Lobethal (19.6%) came out on top. Greater Melbourne's growth was among the lowest but is best performers were Notting Hills (8.5%), Waterways (7.9%) Doncaster East (6.9%).

Top Investor Markets

Predictions of further rent rises mean investors who have bought in the right locations will be reaping the benefits, according to an analysis by Suburbtrends.

Managing director, Kent Lardner, says the rental market is poised for further increases in 2024. Lardner says while property prices are also rising, some suburbs, particularly those with strong unit markets, still offer good investment opportunities and "robust rent growth".

His top 20 affordable unit investment suburbs based on forecast rent growth are headed by the South Australian suburban area of Goodwood and Millswood with a median of $452,000 and a yield of 5.2%. The top location in Western Australia is the Mosman Park, Peppermint Grove area with a unit median of $350,000 and yield of 7.1%. In Queensland it is Corinda ($520,000) with a yield of 5.0% and in the ACT, Hackett ($345,000) with a yield of 6.3%.

The report says on average Australian renters will have to allocate 32% of their household income to rent by December 2024.

Regions Overtake Cities

Property value growth in regional markets has overtaken capital city markets.

In the three months to January, home values across the combined regional markets increased by 1.2%, while across the combined capital city markets rose by 1%.

CoreLogic research director Tim Lawless says regional markets are outperforming the capital cities, largely due to a slowdown in capital city growth rates.

He says high-interest rates seem to have more of an impact on price growth in capital city markets.

"I think a lot of these regions aren't as sensitive to interest rate movements as what you might find in the capitals, so I wouldn't be surprised to see the capital cities posting a stronger performance once interest rates are cut, especially in markets that have really stabilised and gone through some level of downturn like Sydney and Melbourne," he says.

The Australian Regional Movers Index compiled by the Regional Institute of Australia and CBA shows the number of residents moving from the city to regional areas is higher than those moving in the other direction.