Australian Property Update

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Real Estate's a Local Game

One of the fundamentals of understanding real estate dynamics is to remember that markets are local in nature and are influenced by the local economy in which they sit, far more than by national factors. Economists and journalists often refer to "the Australian property market" but there is no such entity as the Australian property market. Among the eight capital cities for last year some had boom growth, some had moderate growth, some stagnated and a few had falling prices. All those different scenarios occurred within just the eight cities. There were similar variations occurring throughout all the regional markets. They are all within the same national economy, so why did they have different outcomes? Because the greatest influence on them is the local economy. CommSec's quarterly State of the States report uses different metrics to rank state and territory economies and I have found there is a correlation between the strength of the state or territory economies and the performance of capital city property markets.The past two quarterly editions ranked South Australia as the No.1 ranked economy. At the same time the Adelaide property market has been rising and rising. Consistently at the bottom of the CommSec report rankings is the Northern Territory, with its biggest weakness in the latest quarterly edition being housing finance – and it does not surprise us that Darwin has the weakest house price performance of all the capital cities in the past 12 months.

Australia's Fastest Growing Towns

While millions live in Australia's capital cities the latest Australian Bureau of Statistics figures show our regional towns continue to grow. It says 18 million Australians live across the eight capital cities with the largest number living in Greater Sydney including the Central Coast (5.5 million) followed by Greater Melbourne with 5.2 million residents. But the fastest growing location in the past ten years is Warragul-Drouin in Victoria. Its population rose by 41% (13,284) to reach 45,597 residents, making it the 33rd largest town in Australia (up from 45th position in 2013). Morisset-Cooranbong in New South Wales had the second highest growth of 27% to bring its population to 29,421 residents, taking it that 49th largest town in Australia while Yeppoon in Central Queensland grew by 22% to 21,688 residents making it the 62nd on the list. The report also shows that Victor Harbor-Goolwa in South Australia is the top seachange retirement town with 43% of its population over the age of 65. Social demographer Bernard Salt says the towns that grew the most varied, from those with job opportunities for those in the construction industry to seachange locations. "Seachange towns remain as popular as ever to the extent that I suspect many are siphoning skills and labour from traditional inland centres," he says. "Most Australians may live in the vast suburbs of a capital city but this exploration of thelargest cities in Australia shows that across the life cycle, there is movement between cities and towns – and that among the smaller cities and towns of Australia, there's a place and a community that will suit everyone, eventually."







Growth Trend Continues

The Australian Property market has chalked up its fifth consecutive quarter of property price growth.

The latest Domain House Price Report shows that house prices have increased for the fifth straight quarter while units have increased for the past four quarters. The report says the pace of growth is slowing in the housing market, but it says in the unit market the pace of price growth is on the increase in Sydney, Brisbane, Perth and Darwin. Median house prices are now at record highs in in Sydney, Brisbane, Adelaide, and Perth while units are at record highs in Brisbane, Adelaide and Perth. The report says during the first quarter of 2024, Sydney house prices surpassed $1.6 million and Adelaide surpassed $900,000.

In the unit market, Perth prices hit a record high, overtaking the previous peak for ten years ago during the resources boom. In good news for those looking to buy or invest, the report says there is finally more choice on the market with homes now being listed for sale faster than they are being purchased. However, it warns any cut to interest rates could dramatically change that dynamic.

Where Prices Will Continue to Rise

Property prices are tipped to continue growing in most regions throughout 2024 and into 2025. The latest National Property Market Insights report from NAB says the national housing market continues to build “solid momentum” and hit new market highs with the smaller capital cities showing resilience. It says the strongest growth conditions are in the lower quartile of the market as buyers seek out more affordable options. The latest Oxford EconomicsAustralia’s Residential Property Prospects report says any potential interest rate cuts in 2024 will help drive further demand in the following year which in turn will drive prices up further. Senior Economist and report author, Maree Kilroy, predicts Perth will continue to be the star performer. “After showing signs of softening in Q4, both Sydney and Melbourne have steadied, evident in an uplift in auction clearance rates – despite Sydney having arguably hit the peak of unaffordability,” she says. “Adelaide and Brisbane have seen a continuation of late 2023 momentum, while Perth has sprinted ahead. While we expect national price momentum to slow in the second half of this year, it will accelerate again in 2025, with units set to outperform houses.” It tips Sydney prices to rise by 4.7% by the end of 2024, Melbourne by 1.1%, Brisbane by 10.9%, Adelaide by 5.2% and Perth by 12.9%.



Rents on the Rise

The pace of rental growth has once again started to pick up pace.

The ANZ CoreLogic Housing Affordability report says that annual rent growth has lifted from a recent low of 8.1% in the year to October 2023, to 8.6% in the year to March 2024. It says rents are growing strongly within the housing market in particular. From 6.8% in the year of September 2023 to 8.4% in the year to March 2024.

Perth recorded the highest growth in rents in the past four years with its rents up 56% which is the equivalent of $236 extra per week.

According to CoreLogic in the year to March 2024, rents are up by 14% in Perth, 10.3% in Melbourne, 9.2% in Sydney and Adelaide, 8.5% in Brisbane and 3.2% in Darwin. They are up by 0.5% in Canberra and down by 1% in Hobart.

It says monthly rent increases are outpacing increases in housing values, and as a result, gross rental yields increased by three basis points in March 2024 to 3.75% - the highest since October 2019.

Regional markets are also experiencing strong rent increases with regional Western Australia up by 12% in the past 12 months, regional South Australia up by 9.6% and regional Queensland up by 7.3%.