



The Week In Real Estate

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Investors Pick Up Pace

Investor lending is continuing to gather pace, according to the latest Australian Bureau of Statistics leading indicators.

ABS Head of Finance Statistics, Mish Tan, says lenders are also borrowing more, which likely reflects expectations of higher rental yields and the greater borrowing capacity of investors. The value of new loans to investors for housing rose 5.6% in April to \$10.9 billion, which was 36.1% higher than at the same time last year.

The average size of an investor loan for an existing dwelling is up from \$592,000 to \$648,000.

The value of investor borrowing picked up pace the most in Queensland, up 46.6% and New South Wales, up 43.9%.

In Victoria investment loans were lower, perhaps reflecting the response by investors in that state to growing taxes and fees for investment property owners.

Instead, first home buyers are returning to the market in Victoria with the state recording the highest number, 2526, of first home buyer loans in April 2024.

Affordable Locations

There are still affordable locations to be found within Australia's three major capital cities, buyers just need to know where to look according to new research.

The PRD Affordable and Liveable Property Guide has analysed all areas of the major capitals to assess them for relative affordability, investment returns, liveability and future stock projections.

It says even though Brisbane property prices are rising, 27.6% of its suburbs are affordable for house buyers and 43.1% for unit buyers. Affordable and liveable suburbs include Strathpine, Griffin and Alexandra Hills.

Chief economist, Dr Diaswati Mardiasmo, says the choices are much smaller in Sydney but some exist with 11.1% of house suburbs and 36.7% of unit suburbs affordable for First Home Buyers. Affordable and liveable suburbs include Chester Hill, Granville and Villawood.

In Melbourne, 24.4% of house suburbs and 42.3% of unit suburbs are affordable for first-home buyers. Affordable and liveable suburbs include Albanvale, Ardeer and Lalor.



Quote Of The Week

"Ongoing home price rises are likely incentivising many to overcome affordability challenges and transact with the expectation of continued growth."

PropTrack senior economist Eleanor Creagh



Rents Rise Faster Than Wages

The speed of rental growth is outpacing that of wages.

Analysis of the Australian Bureau of Statistics wage price index and Domain rent data shows asking rents for houses increased by more than six times and units by more than four times, the rate of wage growth in the March quarter.

In the quarter wages rose by 0.8% while combined capital city asking rents for houses rose by 5% and units were up by 3.3%. Grattan Institute economist Joey Moloney says the only thing which will help those experiencing rental stress is to continue to increase rent assistance.

According to SQM Research capital city asking rents fell by 0.5% in the month to June 4 which is the largest monthly drop in rents since the start of the pandemic in April 202. It says Darwin rents fell by 6.3% over the month and Sydney was down by 1.1%.

Rents increased in Adelaide by 2.1% over the same period, Brisbane was up by 0.7% and Melbourne remained the same as the previous month.



Property Nudging \$11 Trillion

The value of Australia's residential housing market is nudging ever closer to \$11 trillion.

The combined value of Australia's 11,176,100 residential dwellings increased by \$209.4 billion in the first quarter of 2024 to reach \$10.72 trillion. The ABS figures show that Australians continue to park their money in property with the value of residential housing worth substantially more than the total value of Australia's superannuation funds and share market. The average price of residential dwellings rose by \$14,300 to \$959,300 in the March quarter, with the total value of residential dwellings rising in all states and territories. According to PropTrack data buyer demand is still strong and is absorbing any increase in listings and driving up prices. Senior economist Eleanor Creagh says even though borrowing capacity has dropped as a result of higher interest rates buyers are confidently purchasing as they believe there is further price growth ahead.

"Ongoing home price rises are likely incentivising many to overcome affordability challenges and transact with the expectation of continued growth," she says.



Auctions Remain Hot

Auction clearance rates remain solid throughout Australia despite the traditional Winter slowdown in the market.

The number of homes going to auction has also been down as a result of the King's Birthday public holiday in some states last week.

Despite that there were still 2,232 properties taken to auction, nearly 15% higher than at the same time last year.

CoreLogic data shows the preliminary combined capital city clearance rate was 72.9% - the strongest result since the first week of May.

Adelaide was once again in the top spot with a clearance rate of 89%, followed by Sydney, 75%, Canberra, 73%, Melbourne, 70% and Brisbane, 69%.

CoreLogic says the results show that the auction market is resilient and suggests that demand is keeping up with the rise in vendor activity.

"The trend in auction markets lines up with the broader trend in new listings, where vendor activity was 9.5% above the previous five-year average, while overall stock levels were tracking 16.1% below the five-year benchmark, demonstrating a healthy rate of absorption."