



The Week In Real Estate

Edwards Windsor
(03) 6234 5500
Level 2, 89 Brisbane Street
Hobart TAS 7000
reception@ewre.com.au
www.ewre.com.au

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Unit Values To Hit New Highs

Growing demand for apartments means unit values are tipped to hit record highs in more suburbs in the coming months.

CoreLogic data shows that unit values hit new highs in the past month in nearly 40% of suburbs in Australia. The data shows that 90% of Brisbane and Adelaide unit markets have already beaten their previous highs, 80% in Perth and 20% in Sydney. CoreLogic head of research, Eliza Owen, predicts apartment values will continue to rise at a faster pace than house values as buyers seek out the more affordable apartment market.

"In most of the capital cities at this point, growth in unit values is starting to overtake that of houses, and that could be reflective of people trying to make their money go further up by purchasing into cheaper asset types," she says. This is particularly the case in inner city markets, according to Owen.

"As house values soar to new heights, some of that demand must start to shift towards units just out of necessity."

"It's a more realistic option, which means the added demand could take some unit markets to new record highs as well as what we've recorded last month."

FHB's Spending More

First Home Buyers are borrowing almost \$75,000 more than they were just four years ago, according to analysis by Loan Market.

It shows they are borrowing \$73,894 more than they did before the pandemic, with the average FHB now borrowing \$511,209.

Increasing house prices and higher interest rates mean, first-home buyers need to fork out more to get into the property market.

Despite this, they remain active with the Australian Bureau of Statistics (ABS) Lending Indicators showing FHBs made up 37% of owner-occupied loans in April 2024, a 5.2 percentage point increase since the start of the pandemic.

The analysis also shows that only 3% have had to resort to lending with a guarantor loan and only 2% have needed to take out Lenders Mortgage Insurance (LMI) which is necessary to take out a loan with a deposit of less than 20%.

Loan Market broker Youeil Shol says first-home buyers still want to get into the market and are finding ways to overcome current challenges.



Quote Of The Week

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CoreLogic head of research, Eliza Owen



Where Investors Do Best

There are still plenty of locations where rental returns will cover mortgage repayments for investors according to a new analysis by PropTrack. It says despite interest rate rises in recent years, investors can find locations where rental yields are high and properties affordable to buy. PropTrack senior economist Eleanor Creagh says rising rents and low vacancy rates mean investors are returning to the market. She says rents are growing at a faster rate than property prices, pushing gross rental yields to the highest point in almost four years. Across the combined capital cities, they hit 4.3% in the March quarter, and in regional Australia, they were 4.6%. Unit rental yields are higher, 4.9%, than houses 3.9%. Creagh says in capital cities the suburbs with the highest rental yields tend to be found in the outer suburbs. House yields are strongest in:

Melbourne: Wollert, Coolaroo and Dallas.

Canberra: Phillip, Coombs and Isabella Plains.

Sydney: Killarney Vale, Watanobbi and Blue Haven.

Adelaide: Elizabeth North, Smithfield Plains and Davoren Park.

Hobart: Gagebrook, Clarendon Vale and Bridgewater.

Greater Brisbane: Laidley, Churchill and North Booval.

Perth: Hilbert, Medina and Stratton.

Darwin: Moulden, Gray and Woodroffe.

Regional Markets To Outperform

Regional house prices are expected to hit record highs in almost all parts of Australia in the next 12 months, according to analysis by Domain.

Its FY2025 Price Forecast Report predicts Queensland's Gold and Sunshine Coasts will achieve the strongest growth and will become the most expensive regional housing markets in Australia. It predicts the Gold Coast will grow by between 3% and 6% and the Sunshine Coast will grow by between 2% and 5%.

Regional Queensland is predicted to grow by between 2% and 4% and Regional NSW by up to 3%. Regional Victoria is predicted to drop by between 0% and 3%. Domain Chief of Research and Economics Dr Nicola Powell, says regional house prices in NSW and Queensland would improve the most in large regional towns, such as Tamworth, and satellite towns of the major cities, such as Wollongong and Newcastle. She says ongoing undersupply will continue to drive the markets. Powell says taxation changes in Victoria impacted that market and investors are looking elsewhere because the capital growth isn't there.



New Property Demand

Demand for new homes is on the increase with a surge in people searching for new developments online.

A report into searches on realestate.com.au shows a 9% increase in potential buyers looking for new builds compared to the same time last year.

Inquiries, that is potential buyers contacting sellers about the properties, also lifted by almost a third. Senior data analyst Karen Dellow says with a lack of listings of existing properties property searchers were looking toward the new home market.

"The number of new development listings on realestate.com.au has increased by 6.64% from last year. However, building approvals for new developments remain sluggish and insufficient to meet the population's growing needs," she says.

April 2024 Building Approvals data released by the Australian Bureau of Statistics (ABS) show a drop of 0.3% in dwellings approved following a 2.7% increase in March.

The report shows that the most searched locations for new apartment developments are in inner Melbourne and the Gold Coast. Canberra had the most inquiries per listing for all types of properties in May, which was followed by the Richmond-Tweed region.