The Week In Real Estate

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Auction Rates Edge Up

Australia's preliminary auction clearance rates across the combined capitals edged above 70% last week, reaching 70.4%, according to CoreLogic.

This slight rise follows a revised clearance rate of 64% from the previous week's initial 69.2%.

The uptick was mainly driven by smaller markets, with Adelaide leading at an impressive 88.9%, followed by Brisbane at 73.1%, and Canberra at 52.2%—all showing improvements.

However, Sydney and Melbourne, the major auction markets, saw slight declines. Melbourne led with 844 homes auctioned—the highest volume since late June—with a preliminary clearance rate of 69.5%, down from 70.4% the previous week. Sydney had 632 auctions, up from 612, with an early clearance rate of 68.0%, marking the second week below 70%.

CoreLogic economist Kaytlin Ezzy noted, “The number of auctions scheduled this week is just over 2,000, rising to around 2,100 next week, indicating a pick-up in activity as we approach the spring selling season.”

Airbnb Blamed for Rent Hikes

Airbnb has disputed claims that it is contributing to Australia’s property crisis.

The Australian Bureau of Statistics reported that the national average new mortgage size hit a record high of $624,383 in December 2023. Meanwhile, national rent averages reached $600 per week in the June quarter, with capital cities at $640 and regional areas at $540. The rental vacancy rate remains critically low at 1.4%, down from the pre-pandemic norm of 2.5%.

Critics argue that companies like Airbnb are driving up rent prices and reducing the availability of long-term rentals. However, Airbnb's Australia and New Zealand manager, Susan Wheeldon, asserts that short-term rentals account for only 1% of total rental stock in Australia.

In Byron Bay, new regulations will limit non-hosted short-term rentals to 60 days per year. Mayor Michael Lyon emphasised the importance of preserving residential areas.

Wheeldon warned that these caps could have serious employment impacts.

Experts warn that housing affordability is worsening, even for full-time workers, making homeownership increasingly elusive in Australia.

Quote Of The Week

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CoreLogic economist Kaytlin Ezzy

Rent Surge Drives Household Change

Australia's rental crisis is driving more people to share housing or live with relatives as rents surge at the fastest pace in over a decade.

Commonwealth Bank Australia's (CBA) latest report highlights that rents are rising rapidly due to high demand and limited supply, forcing many to adapt by "economising" through shared living arrangements.

Currently, about 5% of Australians over 15 live in shared houses, a 1% increase from 2020 to 2021, equating to roughly 200,000 additional people.

Economist Stephen Wu notes that more individuals are also living with extended family, such as siblings and grandparents, as household formations shift to combat rising costs.

The annual rent growth rate has hit 9%, the fastest since 2008, driven by near-record low vacancy rates in capital cities.

While rent increases have slowed slightly in Sydney and Melbourne, Wu predicts only a gradual moderation in rent inflation.

New Home Costs Climb

After a brief slowdown, construction costs in Australia are once again on the rise, reversing last year's trend.

While the cost of building a new home increased by over 20% in the 12 months to September 2022, the growth rate had slowed to 3.9% by September 2023. However, recent data shows an alarming resurgence in cost increases, impacting housing supply and affordability nationwide.

Labour shortages, particularly in finishing trades, and year-on-year wage hikes remain key drivers of the cost surge. The Australian Bureau of Statistics highlights strong union activity as a factor contributing to low productivity, further exacerbating costs. Though the prices of some building materials, like timber and steel, have decreased, costs for essentials like bricks, plaster, and copper continue to rise. Copper prices, driven by demand in green energy and electric vehicles, are particularly concerning.

The escalating construction costs are widening the price gap between new and existing homes, contributing to fewer new builds and pushing up existing property prices across Australia, especially in the residential sector.

Investors Boost Rental Supply

The Australian rental market showed signs of stabilising in July as more property investors re-entered the market, offering renters slightly more options after a period of record-low vacancy rates. Data from PropTrack revealed a small decline in the national rental vacancy rate to 1.42%, driven by regional areas, while capital cities remained steady at 1.47%.

Over the past three months, rental supply has improved, with vacancy rates rising by 0.18 percentage points. This increase has been most notable in six of the eight capital cities. Despite these improvements, the market remains tight, with vacancies still at half the rate considered balanced.

PropTrack's senior economist, Anne Flaherty, noted that while investor activity has helped slow rental price growth, the market remains challenging for renters, who continue to face fierce competition. Renters are still seeing prices rise, with national rents increasing by 9.1% over the past year.

With building approvals at a decade-low and continued strong population growth driven by migration, the rental market's future remains uncertain.